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PAPER: MC/1.1a by Jean-Jacques JOLY

Unity of Invention in Europe

1. The legal provisions

The requirement for unity of invention is set forth in Article 82 of the European Patent Convention (EPC) :

"The European patent application shall relate to one invention only or to a group of inventions so linked as to form a single general inventive concept."

As to the grounds for such a provision, some decisions of Boards of Appeal (such as T 110/82, OJ 1983, 274) refer to the regulatory function of Article 82 EPC, namely :

to prevent unjustified savings in the payment of official fees,

to provide for a "ready comprehensibility" of the object for which protection is sought.

Ready comprehensibility of what is claimed is a legitimate reason. Problem is that it is often hardly achieved, even when unity of invention is not questionable. It is nevertheless a good reason to be put forward, in order that the requirement for unity of invention does not appear to be dictated only for the sake of a wealthy EPO budget.

Single inventive concept is defined in Rule 30(1) EPC : "Where a group of inventions is claimed in one and the same European patent application, the requirement of unity of invention referred to in Article 82 shall be fulfilled only when there is a technical relationship among those inventions involving one or more of the same or corresponding special technical features. The expression "special technical features" shall mean those features which define a contribution which each of the claimed inventions considered as a whole makes over the prior art"

As will be seen hereinafter, assessment of unity of invention by the EPO focused on the identification of such special technical features commonly shared by the different claimed objects.

Those technical features qualify as special in the sense that they define a contribution over the prior art, such a contribution being required to recognise a common inventive concept.

The above applies equally for European patent applications and for PCT applications. Indeed, same wording as in Article 82 and Rule 30(1) of the EPC is used in Rules 13.1 and 13.2 of the PCT.

2. Assessment of Unity of Invention

2.1 Way of claiming

Although unity of invention is not affected by the way of claiming, the EPO has developed guidelines as to the allowability of different independent claims in a single application. This applies both to



European patent applications and to PCT applications for which the EPO acts as International Searching Authority (ISA).

A single inventive concept may be recognised between independent claims of different categories as in the following examples :

- a. a claim for a product, a claim for a process specially adapted for the manufacture of the product and a claim for a use of the product;
- b. a claim for a process and a claim for an apparatus or means specifically designed for carrying out the process;
- c. a claim for a product, a claim for a process specially adapted for the manufacture of the product and a claim for an apparatus or means specifically designed for carrying out the process.

Possibilities (a), (b) and (c) were expressly mentioned in the original version of Rule 30 EPC, whereas possibilities (a) and (b) were expressly mentioned in the original version of Rule 13 PCT.

Unity between product and process claims requires that the process inherently results in the product, or at least in a component of a composition claimed (decision T 492/91).

Unity between process and apparatus or means requires that the apparatus or means have been specifically designed for carrying the process, or at least a step of the process (T861/92), but without excluding any other possible use (W32/88 and W 16/89).

A single inventive concept may also be recognised between independent claims of same category.

This is however limited to specific cases, such as :

several uses of a same product : a pharmaceutical use and a non-therapeutic use (T 200/86), a first medical use and a second medical use (W 5/91, W 28/91), ...

intermediate product(s) and final product deriving therefrom, provided they share a same essential structural element (T /82, T 110/82, T 35/87, T 470/91).

Indeed, the EPO is not likely to accept a plurality of independent claims having substantially the same object, as can be found in US-type patent applications. The objection would then be based on Article 84 EPC (lack of clarity and conciseness).

2.2 Identification of common special features

The EPO has taken the following position. The requirement of special technical features defining a contribution over the prior art means that those technical features must be new and not obvious to support a common inventive concept. This allows assessment of unity of invention to be made a posteriori, i.e. after comparison of the claims with the prior art. With respect to PCT applications for



which the EPO acts as ISA, this has been confirmed by a decision of the Enlarged Board of Appeals (G 1/89, G 2/89).

Since then, there are a number of decisions by EPO Boards of Appeal holding that there is no unity of invention when no common new and not obvious feature(s) can be recognised in the part of different claims distinguishing over the closest prior art.

This means that the assessment of unity of invention is made not with respect of the general inventive concept subjectively claimed by the Applicant, but with respect to the remaining inventive features after comparison with the prior art uncovered during the search. This means also that, at the search stage, some substantive examination as to the novelty and non-obviousness is carried out, although the lack of novelty and non-obviousness should be "immediately" apparent (W 24/90) to validly support an objection of lack of unity.

3. Non-unity objections

3.1 European Patent Applications

When the Examiner considers there is no unity of invention, he draws up a partial search report relative to the claims directed to the first identified invention (including claim 1) and issues an invitation to pay further search fee(s) for the other identified invention(s).

If the Applicant decides not to pay further search fee(s), the application will proceed only with respect to the searched subject matter (decision G 2/92) of the Enlarged Board of Appeals). Protection on the other subject matter(s) can be obtained only through filing of divisional application(s).

It is only when the Applicant pays further search fee(s) that he has the possibility to pursue the application with respect to any of the searched subject matters and to contest the objection of non-unity and request refund of the further search fees paid.

It is the Examining Division which is competent to decide on the issue of unity of invention. If it decides that the objection of non-unity was well-founded (and is eventually approved by the Board of Appeals), divisional application(s) will have to be filed if protection is sought on several subject matters. If it decides that the objection was not well founded, the further search fees paid will be reimbursed.

3.2 PCT applications

As for European patent applications, when the searching Examiner considers there is no unity of invention, he draws up a partial search report and invites to pay further search fee(s).

If the Applicant does not pay further search fee(s), the non-searched subject matter(s) cannot be subject of international preliminary examination.



If the Applicant wishes to contest the allegation of non-unity, he must pay the further search fee(s) under protest. The protest is examined by a three-member board (Notice from the EPO dated August 26, 1992). The decision of the board may be appealed under payment of a protest fee.

At the international preliminary examination stage, the issue of unity of invention may be taken again by the EPO acting as IPEA. If the Examiner considers there is no unity of invention, he issues an invitation to pay further preliminary examination fees. Payment of those fees may be made under protest, as at the search stage.

4. Divisional Applications

The possibility of introducing amendments upon filing of a divisional application, with respect to the original parent application is ruled by Article 76(1) EPC. It is interpreted by the EPO in the same way as the possibility to introduce amendments in a pending application which is ruled by Article 123(2) EPC.

Therefore, when filing a divisional application:

there is no possibility to add new matter : all the features of the divisional application must have been indicated in the original parent application, and

moreover, the subject matter of the claims must be directly and unambiguously disclosed in the parent application (T 514/88).

Then, if you experience difficulties in amending the claims of a pending European application, in particular with a view to broaden or shift the scope of protection by deleting features which appeared originally in the main claim, filing of a divisional application will not help.

This may explain the lack of enthusiasm in filing divisional applications at the EPO. Although the number of divisionals filed each year increases, it remains below 3 % of the total number of applications filed as shown in the appended table.

5. Consequences in Practice

5.1 Lack of Flexibility

The EPO's practice lacks flexibility at different levels with the common consequence of introducing a cost barrier detrimental mainly to SMEs.

This can be illustrated by the following examples :

a. Assessment of unity of invention a posteriori.

If it turns out that a claim generic to several embodiments of an invention does not appear to be new and non-obvious, no possibility is offered to keep all embodiments in a same application if they do not share common inventive features.



The common link between the embodiments could be more generally seen in the problem to be solved with respect to the closest prior art.

In many cases, the additional costs incurred for the filing, prosecuting and granting steps, for the national validations and for renewals are totally disproportional with the additional searching and examination efforts that would have been necessary.

The fact that in some instances the costs for additional searching may be very low is even acknowledged by the EPO. Indeed, in a situation where the searching examiner identifies several different inventions, the EPO Guidelines encourage the Examiner to immediately achieve a search on the additional subject-matters, when this does not require important efforts, but to keep the results until the Applicant has paid further search fees!

b. Invitation to pay further search fees

There is no possibility to challenge an objection of lack of unity of invention or to safeguard a future possibility to pursue the application on a different subject matter without immediately paying further search fees.

Even if a refund of the additionally paid search fees may be obtained, the obligation to pay immediately often represents a high financial burden.

c. Scope of divisional applications

The strict interpretation of Article 76(1) EPC considerably reduces the attractiveness of filing divisional applications.

The EPO is far less flexible than other Patent Offices, even national Patent Offices in Europe, regarding the relationship between the object claimed in a divisional application and the initial content of the parent application.

d. New matter in divisional applications

Proposals which have been made in the past to offer the possibility to introduce new matter in divisional applications have not received much support, in particular from the EPO.

Indeed, this was seen as an importation into Europe of the US C-I-P application system. The US continuation application system has been much criticised in Europe. However, it may not have been realised that a system with new matter introduced into divisional applications would not show the alleged drawbacks of the US continuation system, as long as the divisional applications are published immediately.

The matter is worth being revisited. The extent of opposability of the parent application, if published when the divisional application is filed, needs also to be carefully studied. Indeed, if the parent



application were to form part of the prior art, no special interest can be found in filing a divisional application instead of a new application.

5.2 Lack of Harmonisation

At the Fourth International Symposium on Reduction of Patent Costs held last July in The Hague (Netherlands), Mr Kenzo Morita reported a case study made by the Japan Intellectual Property Association showing the diverging ways in which unity of invention was assessed for parallel patent applications filed at the USPTO, the JPO and the EPO.

This is even true in case of parallel applications deriving from a same PCT application, even though some PCT Rules apply, and despite the conclusion of an agreement between the USPTO, the JPO and the EPO in 1988 with a view to "harmonising unity of invention practice in the three Offices".

The EPO claims that its guidelines for assessing unity of invention between independent claims of different or same categories are directly based on that agreement.

From experience, one can deduct that either such an agreement is ignored by some Patent Offices, or leaves enough room for interpretation to continue to apply long-established practices.

Fighting against an Examiner to have correct standards for unity of invention applied costs money, in particular in the US.

Effective harmonisation and education of Examiners is needed to avoid not only procedural costs but also drafting difficulties.



PAPER: MC/1.1b by Leonard Svensson

RECENT CHANGES IN PRACTICE AT THE USPTO

1. WHAT IS PATENTABLE

1.1 BUSINESS METHODS

A. State of the Law Prior to 1998

Mathematical algorithms are not patentable subject matter to the extent they are merely abstract ideas. See *Diamond v. Diehr*. But data, transformed by a machine through a series of mathematical calculations to produce a smooth waveform on a monitor constituted "a useful concrete and tangible result". See *In re Alappat*.

But there was still a court created "business method" exception to statutory subject matter.

B. State of the Law After *State Street Bank & Trust Co. v. Signature Financial Group*

Eliminated the so-called "business method" exception. Held that "transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm formula or calculation, because it produces "a useful, concrete and tangible result" a final share price."

C. Recent Exemplary Patents

Claim 1 of U.S. Patent 5,193,056 to Signature Financial Group, Inc.

A data processing system for managing a financial services configuration of a portfolio established as a partnership, each partner being one of a plurality of funds, comprising:

- a. computer processor means for processing data;
- b. storage means for storing data on a storage medium;
- c. first means for initializing the storage medium;
- d. second means for processing data regarding assets in the portfolio and each of the funds from a previous day and data regarding increases or decreases in each of the funds, assets and for allocating the percentage share that each fund holds in the portfolio;
- e. third means for processing data regarding daily incremental income, expenses, and net realized gain or loss for the portfolio and for allocating such data among each fund;
- f. fourth means for processing data regarding daily net unrealized gain or loss for the portfolio and for allocating such data among each fund; and



g. fifth means for processing data regarding aggregate year-end income, expenses, and capital gain or loss for the portfolio and each of the funds.

Claim 1 of U.S. Patent 5,546,564 to Hatori

A data estimating system for estimating a data value corresponding to a desired factor by statistically processing data, the values of which are determined by environmental factors and basic factors, said system comprising: memory means for storing data;

classifying means for classifying said data stored in said memory means into classes by discriminating the basic factors and the environmental factors and further classifying the basic factors and the environmental factors into a predetermined grades;

average value calculating means for calculating a weighed average value of data in each class of the basic factors, a weighed average value of data in each class of the environmental factors, and a weighed average value of a total data that includes data in the environmental and basic factors;

input means for inputting a desired basic factor and a desired environmental factor; and

calculating means for estimating the data value corresponding to the desired basic and environmental factors based on a ratio of a weighed average value of a specific class corresponding to the input desired basic factor and a weighed average value of a specific class corresponding to the input desired environmental factor to the weighed average value of the total data.

Claim 1 of U.S. Patent 5,794,207 to Walker et al.

A method for using a computer to facilitate a transaction between a buyer and at least one of sellers, comprising:

inputting into the computer a conditional purchase offer which includes an offer price;

inputting into the computer a payment identifier specifying a credit card account, the payment identifier being associated with the conditional purchase offer;

outputting the conditional purchase offer to the plurality of sellers after receiving the payment identifier;

inputting into the computer an acceptance from a seller, the acceptance being responsive to the conditional purchase offer; and

providing a payment to the seller by using the payment identifier.

Priceline.com sued Microsoft on the '207 patent on 13 October 1999.

1.2 BIOTECHNOLOGY

A. Patenting of Life



Patents on human beings are prohibited

Inventions directed to human/non-human chimera could, under certain circumstances, not be patentable (see USPTO Media Advisory, No. 98-6, April 1998)

B. Patenting of ESTs

Claims granted to partial nucleotide sequences related to a full length human kinase cDNA (See U.S. Patent 5,817,479 to Incyte Pharmaceuticals)

Claim 1 of U.S. Patent 5,817,479 "A purified polynucleotide having a nucleic acid sequence selected from the group consisting of SEQ D NO: 1, SEQ ID NO: 2. and SEQ ID NO: 44."

2. WHEN TO PATENT

2.1 File in the USPTO Within One Year Of Any Offer to

Sell Invention in the U.S.

Offer to sell is the critical date

Invention is "on sale" within the meaning of the 35USC § 102(b) on sale bar if, prior to the critical date the invention: (a) is subject of a commercial offer for sale, and (b) is "ready for patenting". See Pfaff v. Wells Electronics Inc.

2.2 File Divisionals By Payment Of Issue Fee Because USPTO Plans to Issue Patents Within One Month Of Payment Of Issue Fee.

3. HOW TO PATENT

3.1 Avoiding Prosecution History Estoppel

Claim amendments will be presumed to be made to overcome prior art, unless patentee can establish otherwise. Warner Jenkinson v. Hilton Davis Chem. Co.

Make record clear on reason for claim amendment if made to improve "clarity". Bai v. L & L Wings, Inc.

3.2 Provide Sufficient Supporting Written Description For "Means-Plus-Function Claims" Under 35 USC §112, Par. 6.

A "means-plus-function" claim is proper if

(1) the written description links or associates particular structure, materials or acts to the function;
or

(2) one skilled in the art would have known which structure, materials, or acts perform the function.



The Examiner may either

- (1) have the applicant clarify the record by amending the description or
- (2) state on the record what structures . . . perform the function.

USPTO Interim Supplemental Examination Guides, Federal Register, July 30, 1999, Vol. 64, Number 46

3.3 In Biotech Applications, Provide Sufficient Written Description Support For Genus Claim By Describing More Than One Species.

Disclosure of only rat insulin gene does not support claim to "mammal" or "human" insulin gene. University of California v. Eli Lilly.

Court stated: "An adequate written description of a DNA . . . requires a precise definition, such as by structure, formula, chemical name, or physical properties."

See also the USPTO Interim Guidelines for the Examination of Patent Applications Under 35 U.S.C. § 112(1); Written Description Requirement, Federal Register, June 15, 1998, Vol. 63.

Disclosure of anti-sense technology used in tomatoes does not enable claim covering all plants. Enzo Biochem v. Calgene.

3.4 Electronic Filing Developments

First electronic filing of a gene sequence listing was completed on September 29, 1999.

USPTO plans to allow filing of entire patent applications electronically in 2000.

4. RE-EXAMINATION PROCEDURES

4.1 Federal Circuit held that combination of two references cited during prosecution of application does not raise substantial new question of patentability to support a reexamination.

In re Portola Packaging.

4.2 New PTO Guidelines

If prior art was previously relied upon to reject a claim, PTO will not order or conduct reexamination based only on such prior art.

If prior art was not relied upon to reject a claim, but was cited in the record, and its relevance to patentability of any claim was discussed, PTO will not order or conduct reexamination based only on such prior art.



But PTO may order or conduct reexamination based on prior art that was cited but whose relevance to patentability was not discussed.

USPTO Guidelines, Federal Register, March 31, 1999, Vol. 64, Number 61

5. TRADEMARK MATTERS

To implement the Trademark Law Treaty, the USPTO issued new rules effective October 30, 1999, the most of important of which are:

1. Requirements for obtaining a filing date:

- (a) only a clear drawing of the mark; (b) the owner's name;
- (c) the correspondent's name and address; (d) the goods and/or services; and
- (e) at least one application fee.

Other requirements to comply with the rules of the USPTO can be completed during prosecution.

- 2. Any person with first hand knowledge and authority may sign the application.
- 3. Section 44 was amended to state that a certified copy of the corresponding foreign application is not necessary at the time of filing. A certified copy may be required during prosecution.
- 4. The requirement for specimens, if necessary, is changed from three (3) specimens to one (1) specimen for each class.

6. INTERFERENCES

6.1 Various Procedural/Housekeeping Rules

6.2 Cross-Examination of Affidavit Witnesses to Occur

During Preliminary Motions Period

Cross-examination of an affiant may begin 21 days after service of an affidavit.

Cross-examination of an affiant relied upon in a preliminary motion on opposition shall take place before filing an opposition or reply.

Likely to significantly increase expense and complexity of early stage of interferences.

6.3 Requirement for Settlement Negotiations

Must be conducted within 3 months of Declaration of Interferences and reported to ALJ in conference call.



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PAPER: MC/1.2 by Michael Fysh QC, SC of the London and Dublin Bars

SCOPE OF CLAIMS

Introduction.

1. To present a paper starkly entitled 'Scope of Claims' even at a patent symposium is likely to strike a note of dismay. For without context within a specification and without practical purpose even then, patent claims are no more than prose, often grotesquely unintelligible. The intent of this paper is therefore to try to clothe the title topic with some practical colour. I shall thus primarily be considering the proper interpretation of claims in the context of patent infringement actions. I shall also touch on the question of amendment to claims. These topics are presented in a regional context and will hopefully reflect current jurisprudence.

Geographical considerations

2. My perspective is primarily that of an IP litigator in England and Ireland and at the EPO. However as a practitioner in these jurisdictions, one is inevitably made aware of practice in other countries which are signatories to the EPC. Ever more frequently, one experiences the same patent being litigated in more than one European jurisdiction. This has very often given rise to what I believe to be the most interesting aspect of the topic under consideration: the differences which have arisen in jurisprudence which reflect a difference in philosophy and even in culture when it comes to construing patent claims.

3. The European Patent Convention (EPC) has been effective in the UK for some 20 years and in Ireland, since 1992. The Brussels Convention has been in operation in the UK and Ireland for some 10 years. But it has been only in the last five years or so that some unforeseen effects of both have permeated into normal patent litigation in the Convention countries. As we shall see however, the relevant articles of the EPC as expressed in national patent acts which were drafted so as accurately to reflect those articles, has yielded some strange results in practice. As one of the London patent judges recently stated: 'Intellectual Property litigation in general and patent litigation in particular in Europe is in a state of some disarray.'

4. I am therefore essentially addressing the experience of litigating and enforcing European (UK) patents, trying to assess the impact of the Treaty on this exercise and looking to see how our Continental colleagues in certain other EPC countries which have patent legislation corresponding to that in the UK, deal with similar problems in respect of the same patents. In practical terms, this means looking first at the construction and interpretation of patent claims. Next, I shall consider a number of issues touching on infringement actions and the effect thereon of concurrent EPO proceedings. Other



topics (such as the admissibility of evidence upon the scope of claims) will arise within these broad issues. I have described these as 'side issues', but in so doing, do not wish to belittle their importance.

5. There is of course, no question at present of the relevant decisions of courts of fellow EPC countries being in any way mutually binding throughout the territory of the EPC. Far from it; the scope of protection conferred by patent claims is a matter for domestic law as the European Court of Justice has recently stressed in *Farmitalia C. Berga v German Patent Office* (C 392/97 16 September 1999). Although a common court of appeal (COPAC) delivering internationally binding decisions on patents is among the options envisaged if and when the CPC and its Protocol on the Settlement of Litigation comes into force, the working out of the detail of the operation of such a court seems still a long way away. A current view on the citation of such authority in UK courts was epitomised by a remark of Mustill LJ (arguendo) in the *Genentech* case. He described this as 'the way of madness'. In fact, s. 91 PA 77 provides that judicial notice shall be taken of inter alia decisions of a Convention court which is defined to exclude the courts of a Convention country. The section therefore refers to the decisions of the Boards of Appeals of the EPO. Even then, it has been held that the construction given to the claims of a patent at the EPO is not binding in the UK: *Braun's Patent SIRS C/138/94* though it is alleged to have some persuasive value. In reality therefore, as I shall show, the UK and Irish courts have approached many important patent issues such as construction and infringement as they always have done in the past- though with some care so as to acknowledge where appropriate the Treaty obligations.

Construction and infringement

6. The central importance of the proper construction of a patent and its claims needs no elaboration at a meeting such

as this. Yet it is in the very approach to the construction of patents by the courts of EPC member states that one sees the reason why European patent disputes have often come to be resolved on nationally inconsistent bases.

Sources

7. PA 77, s. 125, which is declared by s. 139(7) to be framed to have as nearly as practicable the same effect as Art 69 EPC, provides that the invention shall be taken to be that specified in a claim, as interpreted by the description and drawings. S. 125(3) applies to English patents the Protocol on the interpretation of Art. 69: the scope of the invention must be found in the language of the claims. Identical provisions are to be found in the patents acts of all countries which are signatories to the EPC. Whilst the description can be used to interpret the claims, it cannot provide independent support for a meaning which the language of the claims, construed literally, cannot bear.

8. The Protocol forbids the literal interpretation of claims (for which Continental practitioners have for long berated the common law practice). Equally it forbids the interpretation of claims as a mere



guideline a vice of which the common law has always held Continental practice of being guilty. Borrowing no doubt from the rich tradition of the international civil service, a final sentence tells us how claims are therefore to be interpreted:

'On the contrary, [the claim] is to be interpreted as defining a position between these extremes which combines fair protection for the patentee with a reasonable degree of certainty for third parties.'

What has happened?

The Common Law Approach

9. I shall first consider the common law countries. Though the question has not yet gone to ultimate appeal, the Patents Court and the Court of Appeal (and the High Court in Ireland and the Court of Session in Scotland), in numerous judgements, have held that nothing has changed: the classic approach to the interpretation of patents viz with the purposive construction proposed by Lord Diplock in *Catnic Components v Hill & Smith* ('Catnic') is the way also of the Protocol stated in other words. The authorities on construction since *Catnic* are still good law. On infringement, the essential question is therefore whether the alleged infringement is covered by the actual language of the claims as a matter of English. *Catnic* will be referred to again, below

Side-issue no 1: Precedent

10. Note how in the Common Law tradition, another factor has slipped into the question: the force of precedent. In Continental jurisprudence, the principle of *stare decisis* has little bearing upon the way in which a primary judge will decide a case, the belief being that the trial judge should be almost unfettered by precedent in his decision. The application of the 'unfettered approach' varies, I have noticed, from country to country and, due to the British and Irish influence in the ECJ, it may be undergoing some modification. But at the trial judge level, it is still deeply ingrained in Continental thinking. To a person trained in the Common Law tradition, this is unsatisfactory.

The Continental Approach

11. Now for the Continental approach. This too would seem not to have not changed and may be illustrated by a sentence from the leading Dutch case on the subject, *Meyn v Stork* [1982] Ned. Juris1852 (Nr 506). In this case, a patent infringement action, it appears that the Hoge Raad felt able to construe the words in the claim in issue 'a rectilinear reciprocating rod' as being apt equally to cover a curvilinear rod. The Court said:

'The decisive factor in establishing the extent of the exclusive right granted by a patent is not the verbatim wording of the patent specification but that which constitutes the essence of the invention.'

A European Illustration



Improver/Epilady

12. This case is a good illustration of how courts in different EPC jurisdictions adjudicating the same patent have come to conflicting conclusions. The facts of the Improver/Epilady case may be appreciated from the report of the full trial in England : [1990] FSR 181. The claim called for a helical spring whilst the alleged infringement made use of a cylindrical rod of elastomerised synthetic rubber for removing unflattering body hair. There was an interlocutory application of the usual kind in the Patents Court which unusually led the Patents judge to conclude that the plaintiff's case was actually unarguable. The Court of Appeal, in allowing an appeal, concluded on classic American Cyanamid lines (see below) that the case was arguable and that the balance of convenience lay in favour of the grant of interim relief. On full trial however, Hoffmann J (now Lord Hoffmann) held that there was no infringement on the Catnic test. Indeed his threefold, structured approach to the application of Catnic is now universally adopted in the UK and Ireland by judges and practitioners alike as the appropriate way by which to assess infringement.

13. What moved the Court of Appeal to declare the case arguable £ and thus amenable to further American Cyanamid consideration, was the fact that in Germany, the Landgericht had granted an interlocutory injunction in respect of the same patent which the Oberlandsgericht had thereafter discharged. When however the cases in the two countries came for full trial, the Landgericht and the Patents Court came to opposite conclusions on infringement. The specification was held by the German court to convey to the expert 'the understanding that the configuration of the hair-engaging portion as helical spring has to be understood functionally'. This, as Hoffmann J noted, treated the language of the claim as a 'guideline'.

Where one wonders is the 'reasonable degree of certainty' for the German public?

14. At full trial, the Landgericht and the English High Court came to opposite conclusions on infringement, the former finding infringement the latter not. In Austria and Hong Kong the plaintiff also failed.

Side issue no 2 : Interlocutory injunctions.

15. The importance of applications for interlocutory injunctions in IP litigation likewise needs no stressing. The approach of the English Court of Appeal in Improver, loyal to the Cyanamid guidelines, has been mentioned. It should however be noted that apart from Ireland and Scotland, no other EPC country approaches interlocutory relief in this way. It should further be noted that though the interlocutory application is not the place for consideration of questions of law of any complexity or the resolution of conflicts of evidence, the courts will always come to a conclusion on the proper scope to be given to the claims of the patent in suit.

Side issue no 3 : Scope of claims and validity

16. In Continental practice, infringement and validity are tried in different courts. Thus in Germany, infringement goes to one of 10 Landgerichte whereas validity has to go to the Bundespatentgericht.



This has a number of relevant implications for infringement litigation. First, there is the frequent question of the defendant's application for a stay pending resolution of validity, and in this connection, a jurisprudence has been built up in each member state. Then there is the loss of opportunity, so loved by Common lawyers, of being able to deploy 'squeeze' arguments to the scope of the claim in infringement cases. This is a really important distinction; who would want to loose the 'Gillette defence'? The problem of assessing validity and infringement in two different places is one which has led some Continental courts trying infringement, to attempt notwithstanding, to construe the scope of claims by reference to unpleaded prior art. To the common lawyer this is plainly a capricious way of going about things. The issue is discussed in *Beloit v Valmet* [1995] RPC 705 per Jacob J, by reference to the contrasting decisions in *Merrell Dow* [1995] RPC 233 (UK) and [1994] 3 EIPR 130 (Germany). There is also the advantage in the Common Law jurisdictions of being able to amend at trial (see below).

Side issue no 4: Evidence on the scope of claims

17. The limited role of evidence upon the construction of patent claims in the Common Law system is also worth noting. The general propositions are these:

1. The interpretation of claims is a matter of national law ie it is for the judge alone to decide and evidence of what a patent means is generally inadmissible. For example, the Common Law system looks with particular disfavour upon evidence, direct or indirect, of what the patentee intended the claim to mean.
2. The claim should be interpreted as of the application date of the patent and must notionally be read through the eyes of a reasonably skilled worker in the field.
3. Evidence may however be given of the meaning of any genuinely technical terms or of ordinary words used in a technical way in the relevant art.
4. The specification must be read as a single document, the body of the specification with the claims. But if a claim is expressed in clear language, the monopoly sought by the patentee cannot be extended or cut down by reference to the rest of the specification.
5. The court must adopt the Catnic test

'A purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge.'

6. Evidence of subsequent behaviour is not available as an aid to the interpretation of claims
7. A claim must not be interpreted with an eye on prior material, in order to avoid its effect : *Molins v Ind. Machinery* (1938) RPC 31

Opposition and amendment at the EPO and its national impact



18. The EPO has become victim of its own success; there is such a backlog of oppositions and appeals therefrom that it may take from five to ten years to get from the initiation of an opposition to the final resolution of an appeal. Oppositions may be brought within six months after grant but as from grant, the patent becomes fully effective in the relevant member states. From grant, the patent is a legal instrument with prescribed legal effects. A number of patent infringement actions have now come to trial in EPC countries in which the patent in suit was still under opposition/appeal in Munich and thus open to outright revocation, or so far as its claims are concerned, to further modification pending resolution of those proceedings. The courts have sought to deal with this situation (which one guesses, was unforeseen when the Treaty was concluded), either by adjournment until revocation or until the final form of claim has emerged or on the other hand, by granting relief on the basis of the claims as granted and expecting the defendant to return to court if problems should arise thereafter.

19. The English courts have consistently come down in favour of getting on with actions even where the defendant has been prepared to abide by the result of the EPO decision. The situation in Munich is in effect, ignored. The view is taken that since the EPO has no jurisdiction in the question of infringement, revocation of a granted patent is a matter for national courts alone. Since there is also a juridical advantage in having infringement and validity tried together, there should be no stay. Wasted costs and unnecessary duplication of proceedings have also come into the equation. The court's reaction has therefore been both traditional and pragmatic.

For example, it has been said that if the time scale at the EPO was different, a different conclusion might be reached on the question of a stay: *Pall Corp. v Commercial Hydraulics* [1989] RPC 703. Alas, since that judgement was given, the delays at the EPO have become even longer and the London Patents Court has maintained an even more uncompromising attitude, going so far as to order the revocation of a patent on an application for summary judgement by the defendant, unless the patent is subject to an application to amend in the English proceedings. The notion of a stay pending the termination of an EPO appeal was described by Laddie J as 'a most unattractive suggestion'. He added 'I can see every reason why the defendant wants the matter resolved as soon as possible.': *Petrolite v Dyno* [1998] RPC 190.

20. By contrast, the practice in Continental courts has generally been to grant adjournments and stays of injunctions in similar circumstances. The ease with which such courts grant stays in these circumstances arises no doubt from the Continental tradition (see above) of conducting infringement and nullity suits in different courts.

21. The question of possible estoppel, another favourite of the Common Law, has also been raised in England. A finding of validity at the EPO has been held by the Court of Appeal not to create an estoppel so as to prevent a defendant (typically an unsuccessful opponent in Munich) in an infringement action from pleading invalidity in the English courts in respect of the UK patent issuing from the parent European patent: *Buehler v Chronos*, 20 March 1998. Essentially, it was held that since the provisions relied upon were not identical, the cause of action could not be identical.



Further, since the decision of the EPO was not a final decision as to the validity of the patent & the national courts having that power, there could be no estoppel in any event. Thus the ancient common law doctrine of estoppel has been adroitly used to thwart any progress in this area of potential pan-European patent co-operation.

22. On the other hand, it has been suggested by Jacob J that in view of the problems generated by 'lingering' ongoing amendments to claims at the EPO, the domestic law on post-grant amendment might profitably be relaxed from its former vigour, particularly as regards the operation of discretion: Richardson Vicks [1995] RPC 568 @ 578. The law regarding a patentee's conduct and the exercise of the discretion to allow amendment post-grant is undoubtedly undergoing change in the light of EPO practice (see below). But even as it stands, the situation is as Pumfrey J put it 'profoundly unsatisfactory': Boston Scientific v Palmaz April 1998.

Amendment of claims

23. This paper is not perhaps the place to consider the many interesting questions raised by amendment of claims in the context of what is allowable within the regime prescribed in the EPC and reflected in national statutes.

24. The procedural provisions relating to the possibility of amendment within the context of an ongoing patent infringement action which in Europe exist only in the UK and Ireland have proved very beneficial and are often used. This is another benefit of being able to run patent infringement actions at the same time as counterclaims for revocation (see above).

25. The issue of amendment during EPO proceedings has already been noted.

26. As noted, a recent development in the law of the UK relating to the amendment of patent specifications in the light of the EPO experience is however worth recording. It was for long part of the law of the UK and Ireland that those wishing to amend a granted patent should not only be required to satisfy the court that the amendments proposed fully met the relevant statutory criteria but also that the conduct of the patentee prior to seeking to amend was without blame eg by reason of delay in seeking to amend. This arose from the very wording of the sections in the Acts (including PA'77) that gave the court a discretion whether or not to allow amendment. Having regard to the approach to amendment adopted at the EPO where amendment was permitted without the apparent exercise of discretion, the London Patents Court has now taken the view that it is wholly unrealistic to continue to require this element to enter into the amendment equation in proceedings in England : Kimberley Clark v Procter & Gamble per Laddie J [6 July, 1999].

Conclusion

27. A number of proposals have been put forward with a view to minimising idiosyncrasies of national practice in the litigation of patents which arise essentially by reason of differences in approach to the interpretation of claims. Some of these have involved ideas centring on the proposed Community Patent Convention (CPC). There has been a Community Green Paper (1997) on



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the implementation of the CPC and its amendment. There have been the COPAC proposals. There has been a proposal for a Community Patent Circuit Court. And there is the politics of it all. It is my view that seen from the practical perspective of the European experience (and this has been the first experience anywhere of trying to interpret and litigate patents on a continental scale), we are still light years away from achieving a consistent approach on a global basis for the litigation of patents. But as a lawyer I can at least say that the experience has been and continues to be most interesting.



PAPER: MC/1 by H. Sam FROST

ARE WE CONTENT WITH A NOVELTY STANDARD THAT CREATES TWO CLASSES OF PATENTABLE SUBJECT MATTER? (IS ANYONE INTERESTED IN A SALE BAR?)

1. Introduction

A general discussion of international trends in novelty standards of patent and related statutes is presented. In particular, provisions including some sort of "commercial exploitation" or "on sale" provision are contrasted with novelty standards based solely on the concept of "making available to the public". In relation to a commercial exploitation provision, reference is made to current international standards in Plant Breeders' Rights and Integrated Circuit Topography (Semiconductor Chip Protection) laws, as well as to existing provisions in U.S. patent law and former provisions covering "on sale" in Canada and "secret use" in the United Kingdom.

The focus of this discussion is narrow, and other aspects of novelty, such as grace periods and the like, are not considered. Reference is only made to activities relevant to novelty or an inventor's right to a patent before some "critical date".

Additionally, for brevity and conciseness, there are no references to case law, statutes and international conventions. The discussion here is concerned with high level concepts, which it is assumed will be familiar and well-known to intended readers, although this paper is strongly influenced by Canadian precedents.

[For a more detailed study of this subject, reference is made to the following papers by the author: "Why Europe Needs a Sale Bar" [1996] 18 E.I.P.R. 1; Some Ruminations on Novelty and Secret Commercial Use, intended for publication as 16 Canadian Intellectual Property Review 1; and "Has the Patent System Created a Classless Utopia? (Are there different classes of patentable subject matter?)" presented to FICPI, Trilateral meeting, Bermuda, July, 1999, and available at www.bereskinparr.com]

2. How are use and disclosure related?

As will become clear, it is believed that the relationship between use and public disclosure is key to this whole discussion. At least in the field of patentable subject matter, a common perception seems to be that use and disclosure are strongly related, that is, the greater the level of use, the greater the level of disclosure. More particularly, what seems to be behind many commentaries on prevailing novelty standards is the assumption that, in general, commercial exploitation or sale of invention will lead to public disclosure. This is undoubtedly true for a large and significant class of inventions, but it will be argued that it is certainly not true for all inventions. More importantly, there is a growing class of inventions for which commercial exploitation may well not lead to public disclosure,



in the sense of an enabling disclosure or putting information in the hands of the public so that they can recreate the invention.

3. Graphic representation of development of an invention

Following the point made in the preceding paragraph, many analysts seem to treat development of an invention as some sort of continuum, with the level of disclosure and level of use increasing together, or at least related to some extent. This is shown schematically in Figure 1, which shows typical milestones in the development of an invention.

Starting at the origin in Figure 1, there is the conception of the invention. This is followed by: initial sketch or drawing; experiments; some limited (confidential) disclosure to co-workers; design and construction of a prototype; refinement of the invention and preparation of drawings for commercial production; start commercial production; first public disclosure by way of printed publication; first sale of the invention; increasing public disclosure (for example advertising, distribution of technical articles describing the invention); increasing commercial exploitation of the invention (in terms of value of sales/market penetration, geographic extent and duration).

4. Two-dimensional graphical representation of use and disclosure

Returning to the question raised in Section 2: What exactly is the relationship between use and disclosure? Are they always related, at least to some extent? It is submitted, that careful consideration will show that, in the most general sense, they are independent or "orthogonal", and need not be related. It is well understood that one can have full public disclosure for an invention, for example in a publication of a patent application or a technical article, which disclosure provides a full, enabling disclosure of an invention. This could be an invention that was never commercially worked or developed and was never subject to anything more than basic experiments to prove that it was indeed workable.

At the other extreme, and this is rarely, fully recognized, one can have considerable use of an invention, and more importantly, full, commercial use, without any public disclosure. Thus, inventions such as processes can be commercially exploited, by selling the product or the process, without in any way disclosing the invention.

More significantly, with modern technologies, such as computer-related technology, Internet-related technology, and biotech inventions, there is often plenty of scope for commercial exploitation, without in any sense providing a disclosure of the invention. Indeed, with much modern technology, providing an "enabling" disclosure is not easy, and will rarely happen, as an accidental by-product of commercial use. Also, many modern technologies, e.g. internet-related technologies, do not produce any sort of "product", but rather deliver a "service" to the ultimate end consumer.

Going back to Figure 1, one can note that this has been carefully presented, to show "use" activities on the left-hand side and "disclosure" activities on the right. If these two are truly independent, these can be separated as in Figure 2. In Figure 2, there is shown the important boundaries of



"commercial exploitation" and "made available to the public", replacing the "first public disclosure" and "first sale" points of Figure 1. It should be possible to represent this in a two-dimensional graphical format, as shown in Figure 3, where the two axes are the same as those in Figures 1 and 2 (for simplicity, only the two important boundaries are carried over from Figure 2).

In relation to novelty, the main prevailing international novelty standard (for example as in the Patent Cooperation Treaty or the European Patent Convention) relies solely on a disclosure to the public test. This is shown in Figure 3, by a rectangular block to the right of a vertical boundary line labelled "made available to the public", indicating that activities to the right of this line constitute disclosure to the public. Laws of other countries have or used to provide provisions defined in terms of the level of use. For example, Canadian law used to include an "on sale" bar and U.K. law used to have a provision covering "secret use"; to the author's knowledge, the United States and South Africa are the only countries which retain any form of "on sale" or "commercial exploitation" bar. This is shown in Figure 3 on the vertical, use axis by a horizontal boundary line labelled "commercial exploitation".

From time to time, difficult cases of use arise. Unfortunately, many of them have fact situations which do not prompt commentators to draw any broad conclusions. Typical fact situations are indicated in Figure 3 by a series of "X" marks. These are intended to indicate cases, where the level of disclosure is close to being a public or enabling disclosure, but does not amount to a novelty-destroying disclosure. The level of use extends beyond the commercial exploitation boundary, and intuitively, seems to be use that should not be permitted; at the same time, in many cases, the use has not been so extensive as to cause any real level of concern. Consequently, many commentators seek to differentiate these cases "on the facts", without trying to draw broad principles from them.

An additional problem is that, as the present novelty standard is based solely on disclosure, analysis based solely on the concept of disclosure becomes extremely difficult. In effect, this amounts to collapsing Figure 3 down to just the horizontal axis. If one then tries to analyze "difficult cases" solely by reference to the level of disclosure, with the notion, always present to some degree, that use and disclosure are somehow related, the analysis becomes complex and unsatisfactory. Clearly, the vertical disclosure boundary cannot be moved further to the left; an inventor must be permitted reasonable scope to develop an invention, by confidential disclosure to others necessary for development.

In terms of "use", he or she must surely be permitted to experiment with the invention and develop it to a stage where it is ready for market or ready for commercial exploitation. However, examination of difficult cases leads to unease, since they seem to involve levels of use that should not be permitted. This is because the present novelty standard is defined solely in terms of disclosure to the public, and places no limit on the extent of use, even commercial use, unless it results in public disclosure.

The problem area therefore, is the upper-left quadrant of Figure 3, i.e. use which is: (i) commercial use extending beyond reasonable trial and development; and (ii) use which fails to make the



invention available to the public in the sense of providing enabling information about the invention to the public.

The discussion so far has been largely in terms of the activities relevant to novelty. Recognizing that third parties are now commonly granted a prior user right, for secret or non-disclosing activities, then secret or non-disclosing use by a third party clearly cannot be considered as prior art or relevant to novelty. Thus, a further limitation is that the problem area is the upper-left quadrant of Figure 3, when carried out by the inventor.

Putting this all together, is it possible to define the scope of this problem area, as applied to the inventor, so as to draw some broad principles from the decided case? It is submitted that this can be summarized as:

The present novelty standard implicitly condones or sanctions secret commercial use of an invention by the inventor before the critical date, without limitation as to: level of sales; duration in time; or geographic extent of use.

The latter three exclusions seem necessary to emphasize the scope of use apparently permitted to an inventor. It is also worthwhile to point out here, the two well-known, practical, limitations to this statement, namely: the danger that the inventor will not be able to keep the invention secret; and the possibility that a third party will independently make the invention and obtain the patent first, leaving the first inventor with a limited prior user right. It is believed that many would argue that these concerns alone are sufficient to discourage inventors from premature commercial exploitation of the inventions, and for this reason the present novelty standard is satisfactory.

A further significant qualification is that there has yet to be a case that squarely addresses widespread commercial exploitation before the critical date. The logical conclusion is so counterintuitive that any court will surely look for ways to hold that such use does amount to making the invention available to the public.

5. Are there different classes of patentable subject matter?

If one looks at some older novelty definitions, they read like lists of somewhat generalized descriptions, apparently derived from fact situations of decided cases. Over time, some common principles have been distilled from such older novelty definitions, and in particular the concept of "making available to the public" as being the key element of a novelty test has been developed.

This is a significant achievement, but it does unfortunately lead to the illusion that there is a single class of inventions. One's instinctive reaction is that, surely, a single definition of novelty, will treat all inventions equally. Remarkably, it is submitted that exactly the opposite is true.

As Figure 3 shows, above the horizontal, commercial exploitation boundary, there are two quadrants. The upper-right quadrant covers a large and common class of inventions, e.g. most



mechanical inventions, for which commercial exploitation necessarily results in public disclosure. For such inventions, a patent application must be filed before first commercial exploitation.

For the upper-left quadrant, as explained, it appears that the inventor has the opportunity of commercially exploiting the invention, without limitation, before the critical date and subject only to the dangers outlined above. This quadrant therefore defines a second class of inventions.

It is suggested that inventions in the upper-right quadrant can be categorized as "self-disclosing" inventions, i.e. inventions which inherently disclose details of the invention as the result of ordinary sale or commercial exploitation. Inventions in the top-left quadrant could be categorized as "non-disclosing" inventions, i.e. inventions, for which ordinary commercial exploitation will not necessarily result in public disclosure of the invention. It can be noted that the category applicable to any invention may depend upon the manner in which it is commercially exploited.

Thus, the present novelty standard treats these two classes of invention quite differently; one can be commercially exploited before filing while the other cannot.

6. Comparison with other intellectual property statutes

Considering first designs, design statutes commonly have a provision similar to patent law, i.e. a disclosure to the public test. Interestingly, in the context of designs, this seems more than adequate. Design, by its very nature, is concerned with features that appeal to and can be seen by the eye, so that sale or commercial exploitation must result in "public disclosure" of the design.

Two other intellectual property rights are of interest, namely plant breeders' rights and integrated circuit topographies (or Protection of Semiconductor Chip Products, to use a U.S. definition). For both of these, it is known to define novelty in terms of "commercial exploitation". This is sometimes clearly categorized as a "novelty" issue, and sometimes appears to be cast in terms of a "loss of right", and this concept is discussed further below in Section 8. It seems to be well recognized that the concept of disclosure to the public is not really applicable to these types of intellectual property, and to ensure prompt filing of applications, a commercial exploitation test is more applicable.

7. Statutory interpretation

Related to the preceding point, one can raise the question whether, as a matter of statutory interpretation, one can compare novelty standards in different intellectual property statutes. There would appear to be at least some scope for raising this argument in Canada, although the argument may not be too strong.

The reason for making this argument is that the analysis above seems remarkable and counterintuitive. Surely it is not the intention of parliament to create two classes of invention. Can one therefore look to other intellectual property statutes to confirm that it was the intent of parliament to permit commercial exploitation of an invention, if this could be carried out without disclosing the invention to the public?



A comparison with other intellectual property statutes confirms this analysis. Moreover, one can note that this comparison is used solely as confirmation of the analysis above, rather than to make some stretched and unreasonable interpretation of the existing novelty standard. It seems apparent that if parliament had intended the novelty standard to cover commercial exploitation, irrespective of the level of public disclosure, then it could have done so, as evidenced by the commercial exploitation provisions in integrated circuit topography and plant breeders' rights statutes.

8. Should a "commercial exploitation" provision be considered as a novelty provision or a loss of right provision?

As the foregoing sections have strongly suggested, there appears to be a loophole in the present novelty standard, and an obvious way to fill this is to adopt some form of commercial exploitation provision, as found in other intellectual property laws.

One could consider this as a "novelty" issue, but it is submitted that this would be found unacceptable to many for the following reasons:

1. it would appear as an ugly modification to the single, unitary novelty standard (e.g. as in PCT or EPC);
2. it would be a provision of covering secret, non-disclosing activities as compared to "made available to the public" definition of the rest of the novelty standard;
3. it would be limited to the activities of the inventor, whereas the rest of the novelty standard is not so limited; as such, it would directly contrast with the rights given to third parties, whose secret use is not novelty-destroying, but instead simply generates a prior user right.

It is suggested that a concept should be adopted from American law, that some activities lead to a "loss of right" to a patent. To emphasize this, it could be noted that a "loss of right" provision need not necessarily be included in the novelty provision, but could for example be included in a section on entitlement (Article 60 of the EPC, for example, headed "Right to a European Patent").

If this approach is taken, then a commercial exploitation provision fits neatly with the present novelty standard, as follows:

1. it avoids any conflict with the present, unitary novelty standard which could be left essentially unchanged;
2. it embodies the "loss of right" concept;
3. (a) it is inherently limited to the activities of the inventor/applicant; and
(b) it is inherently limited to the application of those activities to the rights of the inventor/applicant; and



4. it also inherently recognizes that the issue of whether the commercial activity has placed any information in the public domain is simply irrelevant.

9. Is there a generic novelty standard for all classes of intellectual property?

Is it possible to develop a "novelty" standard that would be applicable to different types of intellectual property, and which in all cases would ensure a level playing field, e.g. one that treats all inventions or creations equally? It is submitted that this is simply a matter of going back to first principles and asking: "what is it that you do not want an inventor/creator to do before the critical date?"

Surely, there are two things an inventor should not be permitted to do before the critical date: (i) disclose the invention to the public; and (ii) commercially exploit the invention. Disclosure is never wholly removed from some commercial intent, and if permitted before the critical date, would lead to greater uncertainty for third parties, who would have to wait to see if a patent application is filed. If commercial exploitation is permitted, it provides a de facto extension of the monopoly term, it leads to uncertainties for third parties, and it delays disclosure of the invention to the public. What the analysis above demonstrates is that to cover commercial exploitation, for all classes of invention, it is necessary to have a separate provision covering commercial exploitation.

Thus, it is suggested that a generic "novelty" (the quotation marks here emphasize that the provision in fact embodies two separate elements based on quite different principles) definition is as follows:

1. a made available to the public standard as a pure "novelty" test; and
2. a commercial exploitation provision limited to the inventor's/applicant's activities and cast as a "loss of right" provision.

Applied to patentable subject matter, it would produce a true level playing field and ensure filing of applications for all inventions before both (i) public disclosure AND (ii) commercial exploitation. This novelty standard could be applied to all other types of intellectual property discussed above. At worse, one element of it may be redundant, but it would still produce the right result; e.g. for designs, the commercial exploitation test is redundant.

10. Do we want a level playing field or do we want two different classes of patentable subject matter?

It is submitted that a commercial exploitation provision as a sale bar is wholly compatible with the present novelty standard. If one accepts this, then there is a simple public policy question. For patentable subject matter, there are two options: (1) continue with the present novelty standard, recognizing that it inherently creates two different classes of patentable subject matter; or (2) adopt a commercial exploitation provision, embodying the loss of right concept and paralleling provisions in plant breeders' rights and integrated circuit topography (semiconductor chip protection) laws. Such a provision would ensure that all inventions/creations are treated equally and that applications



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would have to be filed before the critical date calculated from (i) first public disclosure and (ii) first commercial exploitation.



PAPER: MC/1.6 by Peter JAMES

REGIONAL PATENT SYSTEMS IN AFRICA

Introduction

Apart from South Africa and perhaps a few other countries such as Zimbabwe, Nigeria and Egypt the number of patents applications filed annually in African countries is not large. While Africa remains somewhat of a "backwater" insofar as world economies are concerned this is likely to remain the case. There is however increasing talk of an "African Renaissance" and certainly there are some countries where improved economic policies appear to be bearing fruit. Tanzania and Uganda are well known examples of this. As owners of Intellectual Property Rights generally adopt a medium to long term view patent protection in Africa is an important factor which must be considered by an increasing number of businesses if the economic predictions in Africa are to be believed.

Background

Africa has a long history of being subjected to external influences the vast majority of which was unwelcome at the time and is still considered as having been such today. However, apart from unwelcome imperialist activities and the slave trade the colonising powers of Europe brought with them tools which have enabled Africa to compete in the global economy. One of these tools is of course Intellectual Property.

If a political map of Africa which shows the colonising powers (Figure 1) is considered it will be noted that the French and English occupied a dominant position. Of course the Portuguese, Spanish, Italians, Germans and Belgians were also there but their colonising role was significantly smaller. The map further indicates that the French influence was concentrated on the western bulge of Africa while the English influence was concentrated on the eastern side of Africa and particularly from the southern tip to the horn. As a result of this colonisation the indigenous peoples in these areas spoke predominantly French or English as the case may be as a second language. This is still the case today. It is natural that insofar as Intellectual Property co-operation is concerned that the francophone countries should co-operate with each other on the one hand and the anglophone with each other on the other hand. This has given rise to two regional intellectual property systems in Africa.

The francophone system is the Organisation Africaine de la Propriété Intellectuelle commonly known as OAPI or the African Union and sometimes known as the African Intellectual Property Organisation. The anglophone regional intellectual system is the African Regional Industrial Property Organisation commonly known as ARIPO. In line with its heritage this organisation was formerly known as the English speaking African Regional Industrial Property Organisation (ESARIPO). Thus, if one looks at a political map of Africa (Figure 2) showing the OAPI and ARIPO countries one cannot but help notice how they mirror the francophone and anglophone countries resulting from French and English colonisation respectively.



The members of OAPI are Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Djibouti, Gabon, Guinea, Ivory Coast, Mali, Mauritania, Niger, Senegal, Togo and Guinea-Bissau (Figure 3).

The members of ARIPO are Botswana, Gambia, Ghana, Kenya, Lesotho, Malawi, Sierra-Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe (Figure 4). As may be seen a number of South African neighbours are members and speculation has been rife for a number of years as to whether or not South Africa will eventually join ARIPO. My personal feeling is that the chances are good, that it will.

OAPI

The OAPI regional system came into being as a result of the Libreville Accord of September 13, 1962 effective 1st January 1964 as revised by the Bangui Accord of 2nd March 1977 and the Regulations made in terms of the revision which were effective the 8th February 1982. The system deals not only with patents but trademarks and registered designs as well.

An interesting innovation recently introduced is a provision in terms of which the existing OAPI patent, trademark and design registrations may be extended to new territories which join the Union. This may be done within 18 months of the date of joining and on payment of an extension fee. Currently this provision effects Mali, Guinea-Bissau and Guinea although this indicates a special retroactive provision insofar as Mali and Guinea are concerned as they joined OAPI some time ago. The provisions furthermore provide for the existing Intellectual Property Rights in new countries joining OAPI to be extended to the other members of the Union.

An apparently unique feature of OAPI is that the OAPI patent is a single patent which extends to each member country. There is a single Patent Law that is applied by Courts of each country. As such there is no so-called national phase or national patent as is the case of other regional systems.

The OAPI Patent Office is in Yaounde in the Republic of Cameroon where the applications from outside the union countries are filed. Insofar as patent applications originating within OAPI member states are concerned some of these countries require "indirect filing" which means that the applications must be filed at their National Patent Office or transmitted from these to Yaounde or alternatively "direct filing" in terms of which the country requires that local applications must be filed directly with the OAPI office in Yaounde.

While the application language of OAPI applications used to be exclusively French this is no longer the case and documentation in either French or English is now generally accepted. In fact the official application form is now in both languages.

The Patent system in OAPI is a "first to file system" and to be patentable inventions must be novel on an absolute basis, involve an inventive step, and be capable of use in industry/agriculture. It is interesting to note that amongst the inventions which are not patentable are included methods of treatment of humans or animals and computer programmes.



While OAPI may be designated as a Paris Convention country and as a member of PCT not all of the OAPI member countries are in themselves members of PCT. From this it follows that any PCT application filed will only, when granted, extend to PCT member countries of the Union.

Insofar as patent application procedures are concerned an application should be filed at Yaounde Patent Office, either as an independent application, a convention application or a PCT National phase application. The application must be accompanied by an application form, a Power of Attorney, a Deed of Assignment (where relevant) 3 copies of the specification in French or English, priority documents together with sworn translations in French or English where applicable (Figure 5). In the case of a PCT application the normal PCT requirements are the PCT Request Form, search report, international preliminary examination report and an international publication sheet should also be included and the priority document excluded (see Figure 6). Official filing fees are relatively high and there is a surcharge for claims exceeding 10 and pages of specification exceeding 10.

After about 2 weeks an official filing receipt is issued and after a further period of 3 months the applicant is sent a Request for Search reports and Examination reports for corresponding patent applications in other countries. Although the preparation of a Search report is a requirement of OAPI legislation generally the office relies on the Search report prepared as above. Some concern has been expressed as to the procedure adopted by the Patent Office when such a Search report is not available. It is known that in such instances the Patent Office has granted a patent when no Search report in any form exists.

Although the Bangui Accord provides for substantive examination, following on what has been stated above this in fact does not take place and some 3 months after submission of the Search and Examination reports the application is accepted and thereafter publication of Grant takes place. The actual certificate of Grant may take a further 6 to 8 months to dispatch to the patentee or agent. Renewal fees are payable on an annual basis from the date of filing with the first annuity being paid together with the filing of the application. Thus annuities are payable prior to Grant. It is interesting to note that the duration of an OAPI patent is in the first place 10 years from the date of filing. This term may be extended by two further periods of 5 years each. However proof of exploitation of the invention in at least one of the member states must be provided and furthermore the extension must be applied for within 6 months of and not later than 1 month prior to the expiration of the previous period.

The OAPI legislation provides for an action for an infringement of a patent but only where the patentee has exploited the patent in one of the member states within 5 years of the date of Grant unless legitimate reasons for non exploitation can be shown. Damages are not provided for, however penalties as well as the seizure of infringing articles are. The action for infringement must take place in the Courts of the country where infringement is alleged and it is interesting to note that the legislation specifically provides that the provisions of any national legislation with regards to extenuating circumstances shall apply.

ARIPO



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The ARIPO regional system came into existence as a result of the Lusaka Agreement on the Creation of an Industrial Property Organisation for English speaking Africa (7 December 1976) the Harare Protocol on Patents and Industrial Designs within the framework of ARIPO (10 December 1982 and the Regulations for Implementing the Protocol (25 April 1984). The later Bangui Accord deals with Trade Marks only.

The ARIPO office is in Harare, Zimbabwe although ARIPO applications may be lodged in the Patent Offices of any of the member states. An important aspect of the ARIPO system is that at the time of application the applicant must designate which states he wishes the application to extend to. Contrary to the situation in OAPI in the majority of ARIPO states independent patents are available and hence the ARIPO procedure provides for a National Phase and the granting of National patents is of course similar to some other regional systems such as the European patent system. Swaziland is an exception and it is not possible to apply for an independent application there.

ARIPO may be designated both under the Paris Convention and PCT although as is the case with OAPI a PCT patent application will not extend to those member states who are not PCT members in themselves.

All procedures are conducted in English and commence with the filing of an application including an Application designating the relevant countries, a Power of Attorney, Deed of Assignment where relevant, five copies of the specification in English, a Priority document and a sworn English translation where relevant. Where the application is PCT application the normal additional PCT Request form, Search report, International Preliminary examination report and the International publication sheet will be required (Figure 7).

Official filing receipt is received after about 4 weeks and about 6 to 9 months thereafter, examination takes place. Conveniently the ARIPO office calls for the Research and Examination results in corresponding applications in examining countries. Where these are not available it is common practice for a Search report to be prepared by the European Patent Office.

In practice examination does not take place but the application is accepted once a satisfactory search report has been filed.

Six months after Acceptance publication of Grant takes place and the Certificate of Grant follows after about 3 months.

The interesting innovation in the ARIPO procedure is that should an application be refused by the ARIPO office for any reason the applicant may within 3 months of being notified of the refusal request that the application be treated in any ARIPO state as an application according to the National Law of that state.

Although National patents are granted under the ARIPO system the annual renewal fee is payable to the ARIPO office which then transmits a portion of that fee to the countries in question. Although for most of the ARIPO countries the duration of patents is 20 years from the date of application there



are some exceptions with Malawi and Zambia being 16 years and Kenya being an initial period of 7 with a further

10-year period and thereafter two further 5-year extension of term periods.

The ARIPO legislation does not provide for infringement proceedings as these are the preserve of the countries in which the patent is operative. Generally speaking however interdicts against infringement, seizure of goods and damages are available. The Courts are however relatively untutored in Intellectual Property Law and this is a factor that must always be borne in mind.

Conclusion

As mentioned in the introduction the number of patents filed in ARIPO and OAPI is not large. However the statistics indicate a positive trend as can be seen from Figures 8 and 9. The filing and prosecution of patent applications in Africa can be somewhat daunting. This is because of different cultures, poor systems in the postal and communications arena and sometimes and overly easy going attitude are concerned. For OAPI countries the OAPI regional system must be used however the use of the ARIPO regional systems can alleviate the problem to some extent. Both the OAPI and ARIPO

Patent Offices are in themselves relatively well organised and helpful. Unfortunately however the low volume of Intellectual Property work in most African countries means that local associates often have little or no understanding of the importance or processes of Intellectual Property Law.



PAPER: MC/1.6 by Vladimir RYBAKOV

EURASIAN PATENT SYSTEM: AN ADVANTAGE TO BE EMPLOYED

I. EAPC and EAPO

The Eurasian Patent Convention (EAPC) was signed on 9 September 1994 by prime ministers of 10 CIS countries former USSR republics and came into force on 12 August 1995. The main purpose of the EAPC and the Eurasian Patent Organization established by it is to create an international regional system of legal protection for inventions on a basis of a common Eurasian patent covering the territory of all the Convention's Contracting States.

The Convention constitutes a special agreement within the meaning of Art. 19 of the Paris Convention and therefore all provisions of the Paris Convention are applied to a procedure of obtaining a Eurasian patents. The Convention is also a regional patent treaty within the meaning of Art. 45 of the Patent Cooperation Treaty (PCT). Therefore, Eurasian patents may be obtained on the basis of an international application filed in accordance with PCT.

The Eurasian Patent Organization is an intergovernmental organization, which may be joined by any country on condition it is a state-member of the United Nations Organization and is bound by the Paris Convention and the PCT. Till now, 12 countries (all of them former USSR republics) have become signatories to the Eurasian Patent Convention, but only 9 of them (identified in Fig.1) has ratified it. These 9 countries together cover most of the territory of the former Soviet Union and hold the main parts of its population and its economical potential. Three remaining countries which signed the Convention are Georgia, Ukraine and Uzbekistan. The reasons they did not ratified the Convention were and are of a rather political character, and any increase in number of EAPO members is hardly to be expected in the nearest future.

An executive authority of the Eurasian Patent Organization is the Eurasian Patent Office (EAPO) having its seat in Moscow.

Today this is a quite smoothly functioning patent office which proceeds each year from 9 to 11 hundreds patent applications coming from more than 30 countries all over the world. More detailed statistical information of the Eurasian Patent Office activities is provided by Fig. 2 and FIG. 3.

Main features of Eurasian Patent Legislation

The base of the Eurasian Patent Legislation is constituted by:

Eurasian Patent Convention;

Eurasian Patent Regulations;

Rules for Drafting, Filing and Examination of Eurasian Application in the EAPO.



In the frame of this brief presentation I would like to highlight only a few most important features of the Eurasian Patent Legislation.

First of all, under the Eurasian Patent Convention, any person or entity, by filing a proper Eurasian patent application, can obtain a single patent valid in all contracting states. Such Eurasian patent for all main practical purposes is equivalent to national patents in contracting states. In other words, a Eurasian patent provides in each country protection of a patented invention in accordance with national patent legislation.

All conditions of patentability established by the EAPC are the same as in PCT or European Patent Convention. A procedure of issuing a patent in the EAPO is standard: formal examination is followed by substantive examination with each stage accompanied by payment of official fees (which will be discussed more detailed below)

PCT application according to Chapter I PCT should enter the regional Eurasian phase in 21st month from the priority date, PCT application according to Chapter II PCT should enter the regional Eurasian phase in 31st month from the priority date. By this date a request for Eurasian patent and a document of payment of official filing fee should be filed. All other documents including Russian translation can be filed within two months after filing date. I think such procedure is rather very comfortable for applicants.

When filing an Eurasian application all contracting states must be designated in accompanying request. It means that an applicant is not able at this stage to seek a patent protection only in some of the contracting states. The first opportunity to limit the territory to be covered comes at a moment of paying annuities after the Eurasian patent has been granted. If a patent owner does not pay a due annuity for a certain country, the patent become invalid over a territory of this country. Annuities are not to be paid before a Eurasian patent is granted, and they are paid not in each designated countries, but only to the Eurasian Patent Office.

The Eurasian Patent Regulations make provision for administrative revocation of a patent in the EAPO basing on oppositions of third parties filed in the EAPO within 6 month after patent is published. The EAPC make provision for judicial invalidation of a patent on the territory of any of the contracting state during all 20 years of potential validity of a patent. Such invalidation can be effected upon decision of a court of this country and as a ground for invalidation can be considered follows:

- wrongful grant of a patent because of noncompliance to patentability requirements;
- availability of features in the claims which features were absent in the originally filed application;
- untrue designation of an inventor or patent owner.

An official language of the EAPO is Russian. Therefore all applications and documents should be filed or later translated into Russian. All correspondence with the EAPO is to be done in Russian and



exclusively through registered Eurasian Patent Attorneys. As a Eurasian patent attorney can be registered a patent attorney from any of contracting states. There are a special qualifying exam in the EAPO for candidates to be registered. As you can see on the table in Fig.4 the most of Eurasian patent attorneys are form Russia and Belarus.

The table in Fig. 5 shows the most important fees, such as filing, examination and granting fees. As can be seen, a sum of filing fees depends to a high degree on a total number of claims, while examination fee is determined basing on number of independent claims only and equals either USD800 or USD1400. Granting fee is fixed, annuities increase each year of a patent's validity. Evidently, there are many other fees, e.g. for extension or reinstatement of terms, late filing of translation, making amendments, filing appeals etc. Please take notice that applicants which are citizens of contracting states are entitled to a reduction of 90% of most Eurasian fees. Applicants which are citizens of states whose per capita national income is below 3,000 US dollars are entitled to a reduction of 80% of certain Eurasian fees.

An annual fee for keeping a Eurasian patent valid is equal to a sum of fees for keeping a Eurasian patent valid in Contracting States. Amount of the fee for keeping a Eurasian patent valid regarding each of Contracting States is established by corresponding State and practically in all countries annuities for Eurasian patents are 20-25% higher as for national patents in these countries. It should be pointed as a disadvantage of Eurasian patents.

Eurasian Regional Phase of PCT Applications vs National Phases in Contracting States.

Let us now take a look at an applicant selecting the best way to protect his invention in contracting states of the EAPC (EAPC countries for short).

Two options open to him evidently are:

1. to file an Eurasian application, or
2. to file an appropriate number of national applications.

We will consider two extreme cases falling under option 2: (a) filing a single national application, or (b) filing national applications in all 9 contracting sates. The country of choice in case (a) is in our example Russia.

Focus points of our comparative assessment are qualitative comparison and financial comparison. We will start with qualitative comparison as shown on Fig.6

Organizational efforts

Eurasian way obviously has great advantages over an option 2(b). Everybody present knows what does it mean to file 9 applications in different countries. Please notice that a reliable communication (e.g. by fax) with countries like Tadjikistan, Turkmenistan, Kirgizstan is very, very difficult. Further please take into account that in such countries like Armenia, Azerbaijan and Moldova all application



materials must be in a national language, so our hypothetical applicant, having selected an option 2(b), shall prepare additional three translations into native languages for these countries. According to EAPC, total examination procedure is conducted in Russian language and all publications are in Russian language. Theoretically any country can request a translation of the specification and claims into a native language, but no one such request is known to be made till now.

As you probably know, in some Eurasian contracting states there are two type of patents for inventions: preliminary patent and regular patent. For example in Kazakhstan, after formal examination is completed, a preliminary patent must be requested and official fee of USD200 must be paid even if the applicant requested a regular patent. Preliminary patent is valid within 5 years. A fee for grant a regular patent is also USD200. It is my personal opinion, that it makes the whole procedure a little too complicated.

Speed

EAPC procedure is the fastest. Nowadays a formal examination of an application in the EAPO, on average, takes two months. A substantive examination begins exactly in 6 months after publication of a Eurasian application. In case of PCT application it means that for applications under Chapter I the substantive examination begins in 2 - 3 months after completing the formal examination. For PCT applications under Chapter II the substantive examination begins as soon as the formal examination is completed. Our experience shows that the examination in the EAPO is conducted rather rapidly. Usually it takes 6 to 8 months to have a first Office Action from the EAPO and an average total duration of the examination is about 12 months. After a granting decision is taken and issue fee is paid, it takes 4 to 5 months to have a Letters Patent.

Among the contracting states only the Russian Patent Office has comparable duration of examination procedure though it is, on average, somewhat longer than in the EAPO. In majority of other contracting states formal examination takes 4-6 months and even an official receipt comes only after several months has passed since a filing date.

Patent regulations

In all important practical aspects, Rules for Drafting, Filing and Examination of Eurasian Applications are similar to PCT Regulations. However, these Rules were introduced only recently, so practice of applying them consistently is only developing, which brings an element of slight unpredictability into results of patent examination. On the whole, however, a probability to obtain a patent on the base of an international application which was favourably evaluated at the preliminary international examination stage is very high. In comparison, Russian Patent Rules are more detailed, and practice of their application becomes more and more predictable. However, this practice has important peculiarities (which are out of the scope of this presentation), which in many cases makes proceeding of international applications more complicated. The main problem with Patent Rules in other EAPC countries lies in inconsistency of their employment by patent examiners.



An important problem of Eurasian patents which is not solved yet legislative, is a possibility of coexistence in one and the same state a national patent and an Eurasian patent for the same invention with the same priority date. Another point an applicant should take into consideration is that an Eurasian patent can be assigned only in all countries where it is valid. Of course licensing agreements have no such limitation.

Examination reliability

Patent Offices in all EAPC countries (with exception of Russia) are very young (less than 10 years old) and very small, and so the number of skilled patent examiners is limited. The EAPO is also young, but it drew its main human resources from the Russian Patent Office, with the result that some of best Russian examiners are working now at the EAPO. I may also add that a special agreement between the Russian Patent Office and the EAPO has been signed, under which all searches for the Eurasian applications are conducted by the Russian Patent Office. We estimate quality of such searches as high enough.

Costs

For our brief financial analysis, let us assume that the hypothetical (non-PCT) patent application comprises 25 claims (including two independent ones) and 30 pages of description, and there are no penalties for late filing etc. Ensuing expenses for all three cases under consideration will be as follows. In the EAPO case the total sum of filing, examination and granting fee will be amounting to USD4100.

The total sum of fees in Russia will be USD1140, while for all 9 EAPC states it will be amounting to USD7440. Naturally all these figures are rather approximate since they do not include possible costs of real examination procedure. Please do not forget attorney charges and translation costs!

Revocation, invalidation etc.

According to the newest information from the EAPO no one case of administrative cancellation or judicial invalidation is known up to the date of October 10, 1999. It can be explained by following reason. In all contracting states the real patent system is still a new institution. For more than 70 years inventors and applicants from these countries could obtain only Author's Certificate, instead of a patent. Therefore most local businesspeople are not accustomed to employ such an instrument like a patent in their activity as well as to protect their rights in courts. It is correct both to national and

Eurasian patents. Still it is to be noted that an amount of licensing agreements registered in these countries is growing up rapidly and in my opinion it means that in the nearest future we have to await for increasing of number of patent cases in courts.

Summing up



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It can be concluded from above, that when thinking about patent protection in the Eurasian countries, the main issue to decide is: what procedure to choose in order to optimize expenses and scope of protection in the Eurasian region? If a decision to patent in Eurasian region is made, then evidently obtaining a Eurasian patent is the first choice. Indeed, a detailed study conducted by our company showed that, except in cases of very large applications (e.g. having 80-100 claims or even more) a Eurasian application costs less than filing separate applications in 3 EAPC countries (especially if a translations into 2 or 3 different languages must be done).

And if we add to our analysis considerations of reliability and quality of patent examination and protection, an employment of the Eurasian Patent Organization seems to be the best for most of practically important situations of legal protection of new inventions in the territory of the Eurasian region.



PAPER: MC/1.7 by Dr. Daniel ALGE, Vienna

OPPOSITION PRACTICE AT THE EPO

1. The Nature of the EPO Opposition Proceedings

The post-grant opposition proceedings at the European Patent Office (EPO) are initiated at a point in time, when the European Patent (EP) has already been split into a bundle of national patent rights. The aim of the opponent is not as in traditional pre-grant opposition the refusal of the patent application, but the revocation of an EP as granted with effect *ex tunc* in all designated contracting states (Art. 68 EPC). Indeed, a granted EP is already enjoying the same rights as would be conferred by a national patent granted in that state. Opposition proceedings are the only exception where the EPO has a competence for the EP after grant. It should be remarked that the EPO cannot take any action in respect of a granted EP, however clear it may have become after grant that the EP is invalid, unless initiated by an admissible opposition. Otherwise (if no opposition is filed), the (national part of the) EP may only be attacked by national revocation proceedings.

Due to these facts the opposition proceedings at the EPO are regarded as being related to the concept of traditional revocation procedure. Such post-grant opposition proceedings under the EPC are therefore considered as contentious proceedings between opposite parties normally representing opposite interests (in contrast to observations filed (anonymously and free of official fees) by a third party according to Art.115 EPC; such a third party is not a party to opposition proceedings). This has also been clarified by excluding the patent proprietor from the expression "any person" in Art. 99 EPC, so that it is not possible for the proprietor to file an opposition against his own patent (decision of the Enlarged Board of Appeal 9/93 (G9/93)): if the proprietor was an opponent, there would be no contentious proceedings. With respect to the nature of the opposition proceedings it is essential that the deciding body (the opposition division (OD) or the Board of Appeal (BoA)) takes a neutral position between the warring parties. The opposition division has therefore to be unbiased and impartial with respect to any party (G5/91).

Moreover, the right to be heard (to present comments; Art. 113 EPC) has to be carefully considered with respect to each party. It is therefore especially for opposition proceedings important to notice that a decision may not be based on facts which a party could not comment on. Finally, the opposition proceedings have neither devolutive nor suspensive effect, especially with respect to the (national) validity of the EP.

Due to this nature of the opposition proceedings, the extent to which an EP is opposed is in the sole discretion of the opponent. The initial request determines the extent of the proceedings (party disposition). If the opposition as filed only relates to parts of the patent (e.g. only to some, but not all of the independent claims), the OD may only examine these parts of the EP. The formal competence of the OD is strictly limited to these parts (G9/91).



Once initiated, the opposition proceedings, however, have merely administrative character and the OD is enabled to investigate fully the grounds for opposition which have been both alleged and properly supported. Moreover, the OD even may on its own motion raise or consider a ground for opposition not covered by the opposition brief in cases where, *prima facie*, there are clear reasons to believe that such grounds are relevant and would prejudice the maintenance of the EP (Art. 114 EPC). Such *ex officio* examination by the OD has to be within the range of the extent of the initial request, but may also be continued even after withdrawal of the opposition by the opponent or in the event of death or legal incapacity of the opponent (R. 60(2) EPC).

The opposition proceedings are independent from examination proceedings. Therefore, documents of prior art and the content of the examination files are not automatically part of the opposition proceedings.

In opposition proceedings, each party bears its own costs. The OD may order a different apportionment of costs "for reasons of equity" (Art. 104 EPC), e.g. if one party has caused the other additional expense, e.g. by filing evidence late, or otherwise abusing the proceedings.

The opposition is regarded as being an inseparable part of the business assets of an opponent. In the case such business assets are transferred or assigned also the opposition, which is part of them is assignable or transferable (in accordance with the principle that an accessory thing becomes part of the principal thing ("*accessio cedit principali*"; G4/88)).

2. The Proceedings: From the Opposition Brief to the Final Decision

2.1. The Opposition Brief

Apart from the identification of the opponent (R. 55a EPC) and the number, title and proprietor of the opposed EP (R. 55b EPC), the notice of opposition has to contain a statement of the extent to which the EP is opposed and of the grounds on which the opposition is based as well as an indication of the facts, evidence and arguments presented in support of these grounds (Art.99 and R. 55c EPC). The statement according to R. 55c EPC establishes the legal and factual framework within which the substantive examination of the opposition in principle is conducted.

The notice of opposition may be filed in any of the official languages of the EPO (German, English or French) or in a national official language according to Art. 14(4) EPC. In the latter case a 20 % reduction of the opposition fee is possible.

2.1.1. The Opponent

The opponent may be any person, except the proprietor (G9/93). A prerequisite for an admissible opposition is that the opponent is clearly identifiable (R. 55a EPC) within the opposition term. Errors in the name or address may be corrected if the identity of the opponent is sufficiently defined in the opposition brief. It is even possible to file an opposition on behalf of a third party, if this is not connected with a circumvention of the law by abuse of process. Such a circumvention of the law



arises e.g. if the opponent is acting on behalf of the patentee or on behalf of a client in the context of activities wherein the lack of appropriate representation is given (G 3/97).

If more than one opponent is present, each opponent is an independent party in opposition proceedings and the different notices of opposition as well as all other communications are communicated to all parties.

2.1.2. The Opposed Patent

The opposed patent has to be sufficiently identified in the opposition brief (R. 55b EPC). Errors in the number or the title of the EP or in the name of the patentee are correctable if the EP is clearly identifiable by the information in the opposition brief.

2.1.3. The Extent, Grounds, Facts, Evidence and Arguments on which the Opposition is Based

According to R. 55c EPC, the notice of opposition has to contain a statement on the extent to which the EP is opposed as well as the grounds on which the opposition is based. As outlined above, the definition of the extent in the opposition brief defines the formal area of competence wherein the OD is allowed to act, whereas the grounds for opposition as raised by the opponent concern the procedural principles to be applied in the opposition proceedings (G9/91).

The possible grounds for opposition are defined in Art. 100 EPC:

Art. 100a EPC: the EP lacks novelty (Art.54 EPC), lacks inventive step (Art. 56), lacks industrial applicability (Art. 52(4) and 57 EPC), is not a patentable invention (Art.52(2) EPC), is excepted from patentability (Art. 53 EPC); although these grounds are summarised under Art. 100a EPC, all these grounds are regarded as individual grounds (G 1/95);

Art. 100b EPC: the EP does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art (Art. 83 EPC);

Art. 100c EPC: the subject matter of the EP extends beyond the content of the (first) application as filed (Art. 123(2) EPC).

This list of grounds is complete, other grounds (e.g. especially lack of clarity (Art. 84 EPC), lack of unity (Art. 82 EPC), prior national rights (Art. 139 EPC) or fraud with respect to the EPO (see: US law)) are no grounds for opposition. Although there are some decisions of the BoA of the EPO in which both, Art. 84 and Art. 83 EPC, are seen as relevant aspects under Art. 100b EPC, this practice is currently limited to cases, where essential elements of an invention are missing in the granted claims.

There is no duty for the OD for an obligatory review of all grounds. Although the OD may of its own motion raise a new ground (Art. 114 EPC), this is only allowed for the OD if there are prima facie clear reasons that such grounds are relevant.



In addition to the grounds for opposition, each of these grounds has to be substantiated in the opposition brief with facts, evidence and arguments. These facts, evidence and arguments have to be presented in a way that they are understandable and may be examined by the OD and the proprietor. Otherwise, the opposition is rejected as inadmissible. Examples of inadmissible substantiation have been decided to be: a general statement that the EP is not novel or not inventive with respect to the documents cited in the European search report; the citation of only prior national rights as prior art; relying on a 200 page document without identification of relevant passages.

If prior public use (in the context of novelty and inventive step) is raised as a ground for opposition, sufficient substantiation has to include: the date of prior use, the exact subject matter which has been used and the circumstances of such prior use.

2.2. From the Opposition Brief to the Final Decision

2.2.1.: Proceedings Without Oral Proceedings

The opposition brief is examined by the OD. If the OD notes that the brief does not contain a reasoned statement of the extent and grounds of the opposition (including facts, evidence and arguments); or that the opposition fee has not been timely paid (i.e. within the opposition term); the notice of opposition is rejected as inadmissible, unless the deficiencies have been remedied before expiry of the opposition period (R. 56(1) EPC). If other formalities are not in compliance with the EPO practice, the opponent is invited to remedy these deficiencies (R. 56(2) EPC).

In the case of an admissible notice of opposition, the opposition is communicated to the proprietor of the EP. The proprietor is invited to file his observations. The proprietor may also file amendments to the claims as well as to the descriptions and the drawings (R. 57(1) and 58(2) EPC). Such amendments are only admissible if they are made with respect to one of the grounds raised in the opposition proceedings (R. 57a EPC). This observation of the patentee is communicated to the opponent. An invitation of the OD (with a fixed period to reply) is connected with such a communication, if the OD considers it expedient (as often as necessary; Art. 101(2) EPC). Otherwise, only a notice is sent to the other party (without invitation to reply). Of course, each party may file observations, even without invitation.

The OD also issues communications (to the patentee) in which the OD summarises its opinion with respect to the opposition. In such a communication the patentee may be invited to file e.g. amended claims. All such communications to the proprietor have to contain a reasoned statement which should cover all grounds against the maintenance of the EP (R. 58(3) EPC).

Then the OD revokes the patent, if it is of the opinion that the grounds for opposition prejudice the maintenance of the EP (Art. 102(1) EPC), or rejects the opposition, if it is of the opinion that the grounds for opposition are not sufficient for revocation (Art. 102(2) EPC). In the case that the EP has been amended by the patentee and the OD is of the opinion that the EP in the amended form fulfils



(all) the patentability criteria of the EPC, it decides to maintain the patent as amended. This is usually done in an interlocutory decision (separate appeal allowed). The written proceedings are closed, when the decision is handed over by the formalities section of the OD to the EPO postal service (G 12/91).

2.2.2.: Proceedings With Oral Proceedings

Oral proceedings have to be explicitly requested by any party in the course of the opposition proceedings prior to a decision being given, or if the OD considers it expedient. After the communication of the opposition to the proprietor and optionally after communication of the proprietor's statements or further counter or counter-counter-(ad.lib.)-statements, the parties are summoned to oral proceedings by the OD (minimum period: 2 months). When issuing the summons, the OD communicates the points which in its opinion need to be discussed for the purposes of the decision to be taken. Also a final date for making written submissions in preparation for the oral proceedings is fixed. If accompanying persons will attend (inventor, foreign patent attorneys, members of the patent group of the client, etc.), their names and the topic of their potential contribution should also be provided in the preparatory statements (G 4/95).

New facts and evidence presented after that date need not to be considered by the OD. Such new facts may be new claims with features contained in the description; new evidence may apart from new prior art documents - comprise comparative results or scientific declarations.

At the beginning of the oral proceedings the parties and representatives are identified and the requests are brought forward (again). The agenda of the oral proceedings is typically designed to clarify formal aspects (Art. 123(2) and enablement (Art. 83); for new claims: Art. 123(3) (extension of granted claims is forbidden) and Art. 84 (clarity of claims) also) first and to address material questions (novelty, inventive step) afterwards. A typical oral proceedings before the OD at the EPO has the following agenda: Art. 123(2) and (3); clarity; enablement; novelty; inventive step.

Each of these issues is separately decided by the OD and may not be discussed afterwards, even when overlaps between some points exist (as e.g. between enablement and clarity, between enablement and inventive step and between novelty and inventive step). Finally (if the decision should be based on amended claims), the specification also has to be brought into conformity with the amended claims.

The decision at oral proceedings is therefore a summary of a number of sub-decisions each independently made one after the other in the course of such an oral hearing. The reasons for the decisions (as well as the protocol) have to be filed afterwards (usually somewhere between 2 weeks and 3 months after the date of oral hearing) in written form to the parties. The date of this written decision is important for the period for filing appeal. Occasionally, the OD also indicates at least parts of the reasons for the decision already at the oral hearing.

2.3.: Comments



Since the requests and grounds as given in the notice of opposition define the scope to which the examination of the OD extends (Art. 114 is not very frequently applied only in "prima facie" cases), it is essential to bring evidence to as many grounds as possible in the opposition brief. It is not necessary to bring all the detailed proofs already with the opposition brief or that the argumentation is already striking and convincing, however, the basis for these proofs or argumentation should already be given in the statements contained in the opposition brief.

In opposition proceedings (as well as in all other proceedings before the EPO) it is important to understand that the concept of novelty of the EPO is rather narrow. It is therefore essential for the argumentation with respect to novelty to characterise all features of a claim to be examined properly and compare all these features with a potentially novelty destroying prior art. Implicit Disclosure is only in exceptional cases accepted by the EPO.

With respect to inventive step the problem/solution approach is in more or less all cases applied, especially in oral proceedings. The OD follows the route for defining inventive step as defined in the guidelines ("Guidelines for Examination in the European Patent Office" Part C Chapter IV: 9) very closely. (Mis-)use of this approach is therefore mandatory, at least in oral proceedings.

One of the arguments which makes the decision in most cases where inventive step has to be considered are comparative results. Comparative results, however, should be well designed in order to succeed (with respect to the closest prior art, the claim language and the alleged (unexpected) effects). Here the patentee generally is in a better position and should make use of this advantage.

The OD at the EPO consists either of three technical examiners or (in rare cases the OD is enlarged by a legally qualified examiner). The "primary" examiner (i.e. the examiner being entrusted with the examination of the opposition) is in most cases the examiner who has been responsible for the grant of the patent. He was the one who allowed the claims now being attacked by the opponent. It is clear that this member of the OD has already a certain bias toward the invention and that at least some new facts and arguments should be brought forward by the opponent in the case this member shall be convinced by the opponent. All other members of the OD must be examiners which have not taken part during the examination proceedings: the chairman and the protocolist.

As in all patent offices, senates like the OD are composed of people having different attitudes and (often) different opinions. The examiners of the EPO, especially the older ones, have been educated in national patent offices and have in many cases kept their general attitude towards patent right also at the EPO. Although they act in line with the established rules and decisions of the EPO, certain concepts of patent law (inventive step, sufficient disclosure, claim formalities) with a different tradition in some member countries can affect the opinion of the examiners. A typical example for this is the attitude of the OD with respect to inventions with claims which are overbroad or not precise enough (and unclear) and wherein e.g. an essential feature is missing. Whereas an OD with a majority of members with an UK related legal background ("UK biased OD") would view such a claim as invalid under consideration of clarity and enablement, an OD with a majority of members with a more German related education ("DE biased OD") would invalidate such a claim under Art. 56 EPC



(lack of inventive step), because the object of the invention is not solved by the claim. It has been explicitly clarified by the Enlarged Board of Appeal that an objection to a member of an OD may not be based on nationality (G5/91). An opponent/proprietor may therefore have advantages before the OD if such circumstances are considered.

On the other hand, also the technical background of the OD members differs. Whereas the primary examiner generally is at least with respect to his knowledge about the special field of technology an expert in this technical field, this may or may not be the case for the two other. Another variable is whether they have a practical background in this field of technology or only a theoretical knowledge thereof. The educational (legal and technical) background of the members of the OD is in some cases an valuable information for designing the strategy (e.g. for presenting the subject matter of the invention in question), especially during oral proceedings.

When oral proceedings are prepared, it is important to file all new grounds, proofs, arguments, etc. early enough; of course before the time limit set in the summons. New matter filed after this time limit may be disregarded (Art. 114(2) EPC) or if they are prima facie material may lead to the postponement of the proceedings, which may then lead to a decision on the apportionment of costs.

Facts or evidence which are presented at the oral proceedings for the first time are in most cases not considered, except e.g. documents which are short enough to consider within 5 or 10 minutes and e.g. clearly take away novelty of a claim; or additional proofs (or addition to proofs) which are short, clear and assist in the argumentation already on file. Moreover, it is rarely accepted by the OD that the proprietor files a new claim set which is based on a feature which is taken from the description and is not already claimed in a subclaim. New (auxiliary) claims therefore should also be filed with a preparatory statement well before the oral proceedings, if these claims contain new features only being present in the description.

In oral proceedings, accompanying persons (scientists, inventors,..) may play an important role, because the OD often pays much attention to expert presentation. In order to be helpful in amplifying a certain way of argumentation, the comments of an accompanying person should be in line with this argumentation. Since these persons do not often have a thorough understanding of the legal concepts behind novelty, inventive step,..., it is important to prepare them well for such oral proceedings, if they should play an active role. It is helpful, when a scientist, especially the inventor, knows about the crucial questions and at least to a certain extent the way how these questions are legally addressed by the OD. Apart from the technical and the legal background of the accompanying person, also the personality should be considered, especially in view of the structure of the OD.

It is important to name these accompanying persons in the preparatory statement to the oral proceedings and to announce their topic, because otherwise the OD can decide that such an expert is not heard. In rare cases, experts have been declined to talk at oral proceedings, because no topic was announced in the preparatory statement.



In opposition proceedings, especially in oral hearings before the OD it is important to avoid complicated argumentation.

Simplification should be made as much as possible. Indeed also the problem-solution approach is a reductionistic simplification scheme. Indeed, complicated argumentation (e.g. to use more than 3 documents to prove lack of inventive step, presenting practical evidence that an invention does not work or a complex discussion to support a prejudice in the art) hardly leads to an acceptance of this argumentation. Moreover it seems to be a general attitude of ODs that the reference of a party to decisions of the BoA, which is regarded as relevant by the party, is not paid much attention to.

Before turning to the connection of national infringement proceedings with EPO opposition, it has to be emphasised that opposition proceedings at the EPO are frequently also initiated to clarify unclear claims. Although lack of clarity (Art. 84 EPC) is not a ground for opposition, questions of clarity of a claim can also be addressed when a document of the prior art is discussed in opposition proceedings. Statements and declarations of the proprietor with respect to the scope or the interpretation of a claim are (at least when these statements are written down in the decision or in the minutes) helpful and may even make a thorough nation-by-nation analysis with respect to claim language/doctrine of equivalence unnecessary. Such clarifications also need some kind of assistance from the OD (or the BoA). However, since the senates of the EPO often are not interested at all in problems which are associated with the enforcement of an EP, this aspect is not always easy to address.

3. National Infringement Proceedings vs. EPO Opposition

Proceedings

National infringement proceedings and opposition proceedings at the EPO are independent proceedings. However, there are important connections as far as the validity of a patent in infringement proceedings is concerned and a parallel opposition proceedings is initiated or pending before the EPO. If infringement proceedings have been instituted against a third party, this party may intervene in pending opposition proceedings after the opposition period has expired (Art. 105 EPC). Such an assumed infringer has to file a notice of intervention and pay the opposition fee within three months of the date on which the infringement proceedings were instituted. The intervener may file new grounds, facts and arguments in this notice of intervention; he is not bound to the extent and the grounds already brought forward in the proceedings.

National revocation proceedings may be initiated before specialised senates associated with the patent office (Germany, Austria), before specialised courts (the Netherlands) or before ordinary (civil) courts. In Denmark and in Ireland it seems to be possible to choose between the revocation at the patent office and the revocation at court whereas in the United Kingdom, France, Switzerland, the Netherlands, Italy, Spain, Belgium, Finland and Cyprus nullification of a patent is only possible in (civil) court proceedings.



Often national revocation proceedings (either filed separately or within the context of infringement proceedings) are initiated at a point of time when opposition proceedings (even between the same parties) are still pending. Although there are some issues of invalidity which are not within the power of the EPO to decide (prior national rights, patent granted to a non-entitled person, problems with extension of the patent due to individual amendments under national law), the essential facts and arguments may often be identical in EPO and national proceedings. The question then is how a national revocation/infringement board deals with such parallel EPO proceedings. Indeed there are a variety of possibilities which are realised by the contracting states: In Germany, it is prohibited by law to file national revocation proceedings against an EP. Infringement proceedings are stayed depending on the court's own opinion of the likelihood of the opposition succeeding. In Austria, proceedings for contestation of a EP has to be interrupted ex officio insofar as an opposition proceedings concerning the same matter is pending at the EPO. If a final decision of the EPO is issued, the national proceedings have to be stopped upon request or ex officio. Also in France, the court will normally order a stay of national proceedings. In Switzerland, Ireland, Denmark, Finland and the Netherlands, a stay may be ordered, however especially in Switzerland and in the Netherlands the circumstance of the case are considered first. In the United Kingdom, Belgium, Spain and Italy national proceedings are unlikely to stay.

Early initiation of infringement proceedings during (or even before) pending opposition proceedings at the EPO is also in view of a high likelihood of staying always recommendable when actions of alleged infringers may become statute barred. The limitation periods vary in the EPC member countries: 3 years in Austria, France and Germany; 5 years in Belgium, Denmark, Greece, Italy, Spain and Sweden; 6 years in Ireland and in the United Kingdom; 1 to 10 years in Switzerland; no statute of limitations in Luxembourg; in the Netherlands, damages are claimable only from the period commencing 30 days after a writ has been served on the alleged infringer. In some countries there is also room for the concept of an "innocent infringer" who was not aware of the patent in issue (DK, FR, NL, ES, SE, IE and UK).

Moreover for interlocutory and preliminary injunctions the question of validity of the patent may not be a crucial point. There is of course a risk for the plaintiff who obtained and enforced a preliminary injunction against an alleged infringer, if the patent is revoked in EPO opposition proceedings.

The availability of cross-border jurisdiction and enforcement according to the Brussels (or Lugano) Enforcement Convention (BEC) seems to be in principle accepted in most EPC member countries (except UK; see: referral to the ECJ in *Fort Dodge v. Akzo Nobel* (GB)) as being possible also for infringement actions, at least if the defendant is sued at its domicile (Art.2 BEC), however, according to Art. 16(4) of this Convention any question or validity of patents is mandatorily a matter solely for the national courts of the State in which registration has, or is deemed to have, taken place. A new Article introduced into the Protocol to the BEC in 1978 provided a concurrent jurisdiction for opposition proceedings at the EPO, which indeed would have been excluded by this Protocol as well as by Art. 16(4) BEC.



It is clear that harmonisation with respect to civil court proceedings in the EPC member states are only possible in the context of general harmonisation of civil law or practice, however, especially questions like "to stay or not to stay" or the role and acceptance of decisions of opposition proceedings at the EPO do not seem to be connected with unresolvable general law practice.

Abbreviations used:

EPO: European Patent Office

EP: European Patent

EPC: European Patent Convention

G./...: Decision of the Enlarged Board of Appeal

OD: Opposition Division BoA: Board of Appeal Art.: Article

R.: Rule (of the Implementing Regulations to the EPC) BEC: Brussels Convention on Jurisdiction and Enforcement of Judgements

ECJ: European Court of Justice OJ: Official Journal of the EPO FSR: Fleet Street Report

Decisions:

G9/93: OJ 1994, 891

G5/91: OJ 1992, 617

G9/91: OJ 1993, 408

G4/88: OJ 1989, 480

G3/97: OJ 1999, 245

G1/95: OJ 1996, 615

G12/91: OJ 1994, 285

G4/95: OJ 1996, 412

Fort Dodge v. Akzo Nobel: FSR 1998, 222



PAPER: MC/2.1a by Jean-Marie BOURGOGNON

TRADE MARK USE ON THE INTERNET

INTRODUCTION

Following the first session of the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) which took place in Geneva from July 13 to 17, 1998, the International Bureau was asked to prepare a study, for the consideration of the Standing Committee, on the basis of the following two questions :

- a. How can a relationship be determined between a sign or mark that is used on the Internet and particular goods or services? and
- b. How can a relationship be determined between a sign or mark that is used on the Internet and a particular country or territory?

Responses were received from eight States, four Non-Governmental Organisations, and eight independent experts.

I. SUMMARY OF THE RESPONSES CONCERNING THE USE OF TRADEMARK ON INTERNET

1. How can a relationship be determined between a sign or mark that is used on the Internet and particular goods or services?

According to the Wipo, the opinion seems to prevail that this question should be answered in applying rules and principles of established trademark laws.

It has been noted that, where a sign was used on the Internet in order to promote particular goods or services, the relationship between a sign or a mark and the goods or services would be determined in the same manner as in respect of other means of advertising such as, for example, advertisements in the printed Press or in broadcasting.

Furthermore, the mark and the goods or services on which it is used should appear together on the Internet and be clearly identifiable.

As regards goods and services offered in electronic form, it has been suggested that a "relationship" between these "e-goods" and a given mark used on the Internet be established by the use of the mark on or in relation to those goods.

There were also commentaries and suggestions to overcome the domain name dilemma, because the system does not permit co-existence of identical domain names. In particular, it was proposed:

- a. to use of descriptive second-level domain names (SLD) relating to categories of business;



- b. to use SLDs corresponding to the international classification of goods and services for the purposes of the registration of marks;
- c. to use SLDs corresponding to geographical areas ;
- d. to introduce electronic directories analogous to "yellow pages" for identical domain names.

2. How can a relationship be determined between a sign or mark that is used on the Internet and a particular country or territory?

As a general rule, the appearance of a sign or a mark on the Internet is not sufficient to establish a connection between the mark and the territory. According to certain comments, it is necessary to prove that there were a commercial use of the sign in the given territory.

It has been suggested that the language used constituted an important element. When messages on the Internet appear in a given language, for example in Japanese, a connection between the sign used in that message and the territory in which the language is spoken, i.e. Japan, should be assumed in any case.

An other aspect is that the relationship between a sign used on the Internet and a given territory should be established with regard to the territory from which the transmission was emitted, and for the territory in which it was received.

II. STUDY CONCERNING THE USE OF TRADEMARKS ON INTERNET

This question shows two core features of trademark law, which are challenged by the Internet: the speciality of trademark rights the territoriality

From there two knowledges, it is necessary to examine the consequences of Internet use of signs or marks for the established rules and principles of law, i.e : Are the existing principles of trademark law and their interpretation sufficient or is there a need for improvement, for example by establishing new principles or by adapting the interpretation of existing principles to the Internet situation and internationally harmonizing such principles and their interpretation ?

Signs or marks can be used on the Internet in many contexts. For example, they can appear: in the text of a web page on a banner advertisement in a invisible metatag in a sub-directory in a e-mail header information

The question is to identify the problems relating to the use of signs and marks on the Internet considering whether existing principles of law can provide adequate solutions to those problems.

The legal situation for someone intending to use a sign or mark on the Internet is far from clear. Two main areas of problems result from the use of a sign on the Internet :

- A. the territoriality of trademarks laws



B. the application of the factors (principles of substantive law) to the legal issues.

Relation of a sign or mark with a particular country or territory

The use of a mark in a particular country is an important question in relation to a variety of legal issues.

For example the determination of the competent jurisdiction and the applicable law, or the question to know whether a right has been established, maintained or infringed by the use of a sign on the Internet require the establishment of a relationship with at least a country.

This relation may be established taking account of the fact that the mark has been used in relation with a commercial or a non commercial activity in the territory.

1. Factors to be considered when establishing a relationship to a particular country

Serving customers in the particular territory or country;

Entering into other commercially motivated relationships with persons in the particular territory or country, such as assigning passwords or concluding subscription agreements. Both factors would provide less evidence of a relationship to a particular territory or country if the goods or services are delivered electronically over the Internet, as in the case of computer programs, information services or search engines;

Actual visits to the web site for which or on which the sign is used from persons in the particular territory or country;

Use of an ISO Standard country code 3166 Top Level Domain (ccTLD);

Use of the language predominantly used in the particular territory or country (with the restrictions mentioned above);

Indication of prices in a particular national currency;

Indication of an address or a telephone number for contacts or orders in the particular country or territory;

Activities in the particular country or territory which are not carried out over the Internet, such as advertising or other presence on the market;

If the use is supported by a right(e.g. a trade name, a trademark or a geographical indication), that the right has been established in that country or territory;

If the use is not supported by a right but motivated by the subject matter of an existing right, that the right is protected in that country or territory.



Some factors might be applied to both commercial and non commercial use (such as the use of ccTLDs, language, address, visits on the site, etc.), while other factors relate to the use of a sign or a mark in a commercial context (contact with customers, indication of prices, commercial motivated relationship, etc.). In some cases none of the factors may be relevant (for example, when there is no link between the use of the sign or the mark and a single territory or country or if other unlisted factors are more relevant). In some cases, it might be difficult to establish a relationship with any specific territories. Additionally, solutions enabling businesses to define the territories or countries with which they want to establish a relationship over the Internet and to avoid a relationship with others might have to be found. In the absence of viable technical means, it seems that this could only be effected through disclaimers.

2. Application of the factors to the legal issues

The factors that we have suggested can efficiently contribute to the finding of adequate solutions. These have to be applied to the following issues:

a. Jurisdiction

- General jurisdiction with regard to the domicile, the residence or place of business of the defendant,
- Jurisdiction for dealing with claims relating to the use of a mark on the Internet: world-wide
Inconvenience: variety of conflicting Court decisions.

Proposition:

Either Courts of the territory in which the defendant has his domicile, residence or effective place of business, provided that the use of the sign has a demonstrable effect on that territory or Courts of the territory in which the plaintiff has his domicile under the same conditions.

b. Choice of the law

As a consequence of the territoriality of rights choice of the law issues determines whether a right exists. Differences exist with regard to the types of rights involved: trademarks, trade name, geographical indications, etc. and for the legal system of the countries (registration or use for example).

c. Establishment and maintenance of rights

It is necessary that the mark has been used in a particular country or territory.

d. Infringement of rights

The former consideration is required.

e. Enforcement



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Because sovereignty and consequently jurisdiction on territorially limited, the enforcement of the judgements should normally be confined to the jurisdiction in which they have been passed.



PAPER: MC/2.1b by Tan Tee Jim, S.C., Singapore

TRADE MARK USE ON THE INTERNET

Introduction

The nature and extent of trade mark use which is allowed on the Internet has caused so much concern to so many people in the past few years. The concern started in the mid-1990s when companies began to realise that the Internet could be used as an effective communication and commercial tool. Hitherto, they had thought that the Internet, which has its roots in a military project in the United States, was the sole and exclusive preserve of the US government, universities and research institutions. Companies of all sizes began to register domain names. This is because domain names were perceived to be valuable business identifiers in electronic commerce. Most companies registered domain names which were easy to remember and/or similar to their trade marks or corporate names. This inevitably led to disputes between companies having legitimate claims to similar names and trade marks.

In the meantime, the Internet also spawned two new technologies. One of these allowed a company's Internet site to be "linked" and "framed" to that of another, often without its knowledge and consent. The other enabled a trade mark to be embedded or "meta-tagged" in an unrelated site, thereby causing deception to users and detriment to trade mark owners. The concern over trade mark use on the Internet deepened with the emergence of the predatory practice of "cyberpiracy" (or "cybersquatting"). Companies which were not quick off the mark in registering domain names found their names or trade marks usurped by "cyberpirates" whose intention was to obtain the names and marks for ransom.

These concerns led to a number of initiatives and proposals by the United States Government and international organisations to control, if not eradicate, the burgeoning Internet disputes and cyberpiracies sprouting around the world. Many of the proposals were directed at mollifying the interests and concerns of various sectors of the Internet community (including academics, consumers, engineers, scientists and trade mark owners). In the event, they were often not generally well received and only served to aggravate the existing concerns. Despite this, the process to seek a uniform approach to address the concerns and to resolve trade mark/domain name disputes is still being vigorously pursued, led by the World Intellectual Property Organisation (WIPO) and a new international body called the Internet Corporation for Assigned Names and Numbers (ICANN) which is responsible for the management of the policy and technical aspects of the domain name system.

At root, the concerns stem from the fundamental conflict between the domain name system and the trade mark system. This conflict in turn reflects the tension between a recent technological phenomenon which has grown exponentially in a spontaneous, uncontrolled and unregulated manner in cyberspace and an existing legal regime designed to control and regulate rights and



interests in the physical, territorial world. The fear is that, if left unchecked and unregulated, the Internet and its laissez faire system of allocating domain names will threaten the very basis of the existing trade mark system.

The purpose of this paper is to review some of the issues causing the concerns over trade mark use on the Internet.

Does registration of a domain name create user rights under common law?

The answer is, No. To know why, it is critical to understand the difference between a trade mark and a domain name.

Nature and Function of a Trade Mark

A trade mark is any word, name, device, brand, logo, shape or any visually perceptible sign capable of being represented graphically and which is capable of distinguishing goods or services of a person from those of another. [The TRIPs Agreement set the following minimum standard for a trade mark to be protected: "Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combination of colors as well as any combination of such signs, shall be eligible for registration as trademarks."] The function of a trade mark is to give an indication to the purchaser or possible purchaser as to the manufacture or quality of the goods, to give an indication to his eye of the trade source from which the goods came, or the trade hands through which they pass on their way to the market. It tells the person who is about to buy, or considering whether he shall buy, that what is presented to him is either what he has known before under the similar name as coming from a source with which he is acquainted, or that it is what he has heard of before as coming from that similar source.

The primary public policy consideration underlying this function of a trade mark is the protection of consumers. Specifically, it is to prevent consumers from being confused as to the source and quality of the goods. This is because the use of a confusingly similar trade mark can mislead a consumer to purchase goods from an unauthorised source or to purchase goods of a different or inferior quality than those which the consumer had sought. Hence, in most jurisdictions, a person infringes a registered trade mark if, without the consent of the owner of the trade mark, he uses in the course of trade a mark which is identical with the trade mark in relation to goods and the goods are identical with those for which the mark is registered.

Nature and Function of a Domain Name

The domain name system (DNS) is basically a database function that works like the white pages of the telephone directory. Every computer that wants to receive data on the Internet must have its own identification number so that the data can be properly forwarded. This number is called an IP



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(Internet Protocol) address and, like telephone numbers, each number is unique. Without one, nobody can contact you on the Internet.

Because engineers have trouble remembering long numbers, they designed the DNS so that each IP address can be reached (or "mapped") by dialing one or more user-friendly domain names (such as "coca-cola.com" and "ficpi.org") which corresponds to a numeric IP address. Due to existing technical constraints, no two domain names can be the same. In other words, no two companies can use the same domain name.

Domain names are allocated by local private or governmental registries, save for the names in the gTLDs of ".com", ".org" and ".net" which are allocated and administered by National Solutions Inc. (NSI), a private company operating under contract to the US government. There are over 250 registries worldwide.

A very large majority of the domain name registries allocate domain names on a "first-come, first-served" basis, with one registrant being allowed only one domain name within a gTLD. Also, the domain name registries feel they do not have an obligation to check the legality of the registration or to evaluate whether someone else has a better right to the domain name. This is different from the practice in the trade mark registries which allow multiple registrations of an identical mark in different classes and which carry out stringent checks to prevent conflicting marks in a particular class.

Hence, a trade mark owner must quickly apply for domain name registration. Otherwise, he will find that his mark has already been registered as part of a domain name and that it would be difficult for him to cancel the registration if the other person has an equally legitimate claim to the mark. This problem is compounded in the open gTLDs of ".com", ".org" and ".net" in which a domain name is available for registration by any company in the world.

Mere registration of a domain name does not connote trade mark use and does not create user rights.

It is generally accepted that mere registration of a domain name incorporating another's trade mark, without more, is not considered use of the mark in commerce. This is because a domain name, of itself, does not necessarily function as a trade mark. The situation is analogous to so-called 'vanity' telephone numbers. A domain name per se, like telephone numbers, merely informs the public how to reach a company. If, however, the domain name is used as a source indicator, a potential trade mark infringement can arise.

In the US case of *Juno Online v Juno Lighting, Inc.* 979 F. Supp. 684 (N.D. Ill., 1997), the plaintiff registered the domain name "juno.com". Shortly thereafter, it used the domain name to provide e-mail services and create a web page. It had also applied for registration of the "JUNO" trade mark. The defendant opposed the trade mark application (on the ground of non-use of the mark). It succeeded because the court held that the mere act of "warehousing" the name (i.e., registering a



domain name but not using it) was not "use in commerce" under the US Lanham Act. In another US case (*Lockheed Martin v NSI* 985 F. Supp. 949), the court held the use of a domain name solely as an Internet address does not constitute trade mark use. The court specifically pointed out that "[d]omain names, like trade names, do not act as trademarks when they are used merely to identify a business entity."

Clearly, "something more", in addition to mere registration of another's trade mark as a domain name, must be done before it can be said that there is trade mark use. From the cases in the major common law jurisdictions, that "something more" includes the following:

a. the registration of a domain name incorporating another's trade mark is part of the "business" of, or was done with the intention of, selling the mark to the rightful owner of the mark. [This is known as "cyberpiracy" or "cybersquatting".]

In the US case of *Panavision v Toeppen* 945 F. Supp. 1296 (C.D. Cal., 1996), the defendant registered more than 100 domain names, including "Panavision" which is the trade mark of the plaintiff (a well-known Hollywood camera and lens maker). When asked by the plaintiff to return the domain name, the defendant offered to sell for US\$13,000. The plaintiff refused and successfully sued for the return of the name. The court held that the defendant's act of registration constituted use of the trade mark because it was part of his "business" of registering and selling the mark.

Similarly, in the UK case of *British Telecommunications v One in a Million* [1998] FSR 265, the defendants registered many domain names comprising the trade marks and trade names of well-known companies (such as BT, Marks & Spencer, Nokia and Burger King). They blatantly advertised themselves as dealers in Internet domain names. The plaintiffs succeeded in obtaining an injunction against them. The High Court judge said that the use of a trade mark in the course of the business of a professional dealer for the purpose of making domain names more valuable and extracting money from the trade mark owner was a use of the mark in the course of trade.

b. the registration was done with a view to advertising future products or services.

In *Maritz, Inc. v Cybergold, Inc.* 947 F. Supp. 1328 (E.D. Mo., 1996), the defendant registered a domain name and maintained a website for the purpose of sending out e-mails advertising its future services and soliciting potential users. The court held that there was use because the website was used "to develop an indispensable part of its advertising service its mailing list."

c. using another's mark as a domain name to publicise views contrary to those of the trade mark owner.

In *Jews for Jesus v Brodsky* 159 F. 3d. 1351 (3d Cir., 1998), the defendant, a professional Internet site developer, registered the domain name "jewsforjesus.org" in order to "intercept potential converts" to the plaintiff and to criticise the plaintiff.



The court granted the plaintiff's request for a preliminary injunction because it was of the view that the injunction was necessary to protect the name of the plaintiff and the public from deceptive use of the mark by the defendant.

Can registration of a trade mark be infringed by the use of a domain name comprising that mark?

The answer from many jurisdictions is clearly, Yes. This is particularly so where the plaintiff's mark is well-known, where the defendant's motive or reason for choosing the name is questionable or due to bad faith and/or where the defendant's use of the name would damage the plaintiff's goodwill or reputation.

In the One in a Million case, the UK court said that it was impossible to imagine any unconnected party using the phrase "Marks & Spencer" if the purpose of that party was not to deceive and that in the case of the words "Sainsbury", "Ladbroke", "Virgin" and "BT", the possibility of intentional deception was not far-fetched. The court also noted the plaintiffs' history which showed a deliberate practice over a substantial period of time of registering domain names which were chosen to resemble the names and marks of other people.

In the US case of Hasbro, Inc. v Internet Entertainment Group, Ltd. 40 USPQ 2d 1479 (W.D. Wash, 1996), the defendant used the domain name "candyland.com" for a sexually explicit site. The plaintiff sought an injunction prohibiting the use of the name because, for nearly 50 years, it had been selling a well-known children's board game named "CANDYLAND". To demonstrate the distinctiveness of its mark, the plaintiff conducted a survey which found that 94% of mothers were aware of the "CANDYLAND" mark as used in connection with the game and that 60% of households with five-year old children had the game. The plaintiff also showed that since 1975, about 23 million "CANDYLAND" games had been sold worldwide. In response, the defendant claimed that it had purchased the rights to the domain name for US\$20,000 and spent over USD700,000 in association with the site. It argued that the use of the domain name for its sexually explicit site was not likely to be confused with the plaintiff's use of the "CANDYLAND" mark on children's board games. The court did not accept the argument. An injunction was ordered against the defendant.

In the unreported Singapore case of Singapore Post v Cyberville Technology, the defendant registered and operated a website under the domain name "singpost.com". The plaintiff, who is and has been for very many years the only postal company in Singapore, objected to the use of this name. The defendant did not give any satisfactory explanation for choosing the name, other than that "singpost" was not registered as a trade mark. After much persuasion from the court, the defendant consented to an injunction being granted against it.

A similar situation arose in New Zealand where the defendant managed to register "nzpost.com". In granting an injunction to NZ Post which operated postal services in New Zealand, the court accepted the possibility that, regardless of the defendant's intent, his full and exclusive control of the domain name meant that



1. NZ Post was prevented from exercising its lawful right to communicate effectively with its customers and suppliers over the Internet; and
2. the defendant was potentially damaging the reputation of NZ Post by associating it with the goods and services being offered on the site.

In India, in the case of Titan Industries Ltd v Prashanth Koorapati, the plaintiff, who is a well-known manufacturer of "Tanishq" jewellery and watches, successfully prevented the defendant from operating any business and selling any goods under the domain name "tanishq.com". The Delhi High Court noted that the defendant ought to have been aware of the overwhelming reputation of the plaintiff's mark and held that the defendant's choice of the name was neither bona fide nor innocent.

In France, the company, Sapeso, and its subsidiary, Atlantel, had filed the trade mark "Atlantel" with the trade mark office. Atlantel also filed the domain name "atlantel.fr". Another French company, Icare, filed the domain name "atlantel.com" with NSI in the US. Sapeso and Atlantel sued Icare for trade mark infringement and for unfair competition. The suit was successful. The court in Bordeaux took into consideration Icare's bad faith in filing the domain name "atlantel.com", noting that Icare must have known of the existence of Atlantel as both companies operated in the same town. Icare was ordered to remove the registration from the French Internet network within 48 hours and from the worldwide network within 21 days under penalty of US\$1,650 per day for delay.

Are there other Internet uses which infringe trade mark rights?

Indeed, there are.

Linking and Framing

One of the reasons for the immense popularity of the Internet is its ability to allow access to data and information (in the form of text, graphics, audio, video, etc.) stored in the files of millions of individual computers. [It thereby encourages a culture in which the sharing of data and cross-referencing of information are common.] This is done by "linking" or connecting the contents of two different files (or between different parts of a single file). There are two basic types of link:

1. Hypertext Reference (HREF) link is done by using a piece of text (eg., a word or sentence) which is differentiated from other text onscreen by another colour or formatting such as underlining. It serves much the same function as a footnote in an article or a road sign (i.e., to direct a reader from one site to another site on the Internet or to a different place in the same site). The code (called Hypertext Markup Language (HTML)) which makes up this type of link is composed of two elements. The first is the text which is visible to the reader. The other, which is not visible onscreen, provides the computer with the Uniform Resource Locator (URL) of the document to which the hyperlink is made. This type of link allows the viewing of content from only one site at a time.



2. Inline link is done by using "inlined" images. These images are graphics which are visible onscreen to the viewer as an integral element of the site being viewed, but which actually originates at a different source. This feature is enabled by the ability to write an HTML command in one document which instructs automatic retrieval of an image from the source document and incorporates this inlined image into the host document.

There is yet another way of linking documents on the Internet. Framing, first released in 1996 as a proprietary feature of Netscape Navigator 2, allows each Internet site to be divided into multiple elements and windows which can operate independently of each other. The frame itself may consist of control bars, graphics and/or text. Unlike HREF and inline links, frames allow the owner of the site to incorporate another (or remote) site wholesale and enable users to "look through" to the contents of the remote site, without ever terminating the connection to the host site. In this manner, the owner can use frames to incorporate the entire content of the remote site and surround the site with his own logo, trade mark and advertising material. As in inline linking, framing gives the appearance that the content of the remote site is part and parcel of the host site.

Linking and framing are considered by many to be vital to the seamless functioning of the Internet. They facilitate quick access to data and information and reduce the need to use long or complex addresses. They are the Internet's version of the following tools of the information world: footnotes, bibliographies, telephone books and library catalogues.

Not unexpectedly, linking and framing have raised various legal issues. As regards trade mark, the HREF method of linking between documents may result in the user thinking that the linked sites are connected and that the goods and services advertised on the remote site are connected with those in the host site or are otherwise endorsed or approved by the owner of the host site, when they are not. When inline linking and framing are used, the risk that a user will be deceived about the source of goods or services is greater. This is because, unlike HREF linking, inline linking and framing display the contents of the remote site under the address or URL of the host site and do not allow users to terminate the connection to the host site. Thus, it is possible for images to be inlined into a document and combined with trade marks, logos and text which falsely describe their ownership without the user ever becoming aware that the image is derived from an outside source. Similarly, by using frames, text as well as images drawn from a remote site can be simultaneously displayed and juxtaposed with other materials in a manner that may mislead the user as to the source of the framed content.

There are two prominent cases involving linking and framing in the United States. In *Washington Post Co. v Total News, Inc.*, [No. 97-1190 (S.D.N.Y. filed February 20, 1997)]. The plaintiffs' complaint can be found at <http://www.ljx.com/internet/complain.html>.] the defendants operated an Internet site which consisted of a collection of over 1,000 sites of newspapers and broadcasters (such as the plaintiffs which are The Washington Post, CNN, Time, Reuters, The Los Angeles Times and Dow Jones). A user at the defendants' site can, without leaving that site, view articles and entire pages from the other sites. However, when each of the plaintiffs' sites was displayed on the defendants'



site, the borders surrounding the site were partially or totally excluded by the "frame" of the defendants' site. The frame comprised advertising material for which the defendants received revenue. The plaintiffs claimed that the defendants' practice of framing the content of their sites constituted, amongst others, copyright and trade mark infringements. In particular, they contended [At paragraph 52 of their complaint.] that the "Defendants' unauthorised use of Plaintiffs' marks in connection with advertisements that have not been approved by Plaintiffs for use on their respective sites . . . is likely to cause confusion and mistake and to deceive consumers as to the source or origin of the content and advertising depicted at Defendants' website. In addition, the manner in which Defendants cause Plaintiffs' websites to appear within a window on

Defendants' site, together with those new and competing advertisements, and under the totalnew.com URL, is likely to cause confusion and mistake as to the source or origin of the content and advertising depicted at Defendants' website."

The suit was keenly followed. But, in June 1997, the parties settled, with the defendants agreeing to cease framing the plaintiffs' sites in exchange for permission to link to the latter's sites using HREF links consisting only of highlighted text.

In *Ticketmaster Corp. v Microsoft Corp.*, [No. 97-3055 DDP (S.D. Cal. filed April 28, 1997)]. The plaintiffs' complaint can be found at <http://www.callaw.com/ticket.html>.] The plaintiffs claimed that the "Seattle Sidewalk" guide on the defendants' site illegally used the "Ticketmaster" name and trade mark by providing links which "have circumvented the beginning pages of Ticketmaster's Web site, which display advertisements, products and services of entities with which Ticketmaster contracts, and have linked directly to the subsidiary pages of the website."

The defendants denied the claim and asserted defences such as fair use, non-commercial use and estoppel. They said that linking freely to other sites was an intrinsic part of Internet culture and that the links in fact amounted to free advertising for the plaintiffs. The case was however eventually settled. The terms of the settlement are confidential.

In the United Kingdom, the practice of linking was disallowed, albeit based on copyright, in the case of *Shetland Times v Wills*. [(1997) 37 IPR 71.] There, the plaintiffs, a newspaper publisher, placed some articles of their newspaper, "The Shetland Times", on their Internet site (shetland-times.co.uk) under relevant headlines and invited readers to access it to offer comments and suggestions. In this way, the plaintiffs hoped to be able to charge for advertising space in their site after it has achieved a significant amount of traffic.

The defendants provided a competing news reporting service on their Internet site known as "The Shetland News". They incorporated the plaintiffs' headlines into their site. Hence, a user could, by clicking on the plaintiffs' headlines highlighted in the site, gain access and read the plaintiffs' articles, thereby by-passing the plaintiffs' Internet site and missing any advertising material which may appear on it. The plaintiffs applied for an interim injunction to restrain the defendants from (1)



reproducing the headlines in their site and (2) creating a link directly from the defendants' site to the plaintiffs' articles.

Both applications were granted. The court held that there was arguably copyright infringement in respect of some of the headlines which were informative enough to constitute copyrightable literary works. Secondly, the court accepted the plaintiffs' argument that an Internet site constituted a cable programme service and held that by incorporating the plaintiffs' headlines into their site without permission, the defendants had committed copyright infringement in including copyright works in a cable programme service.

It should however be mentioned that the above decision is interlocutory. The court itself acknowledged that no detailed information was made available to it beyond the outline of the nature of the parties' Internet sites. In November 1997, the parties settled. Under the settlement, the defendants are allowed to link to stories on "The Shetland Times" site by means of headlines provided that (1) each link to any individual story is to be acknowledged by the legend "A Shetland Times story" and (2) there is to be a button showing clearly "The Shetland Times" masthead adjacent to each headline. It cannot therefore be said that as a result of the decision, linking of Internet sites is clearly outlawed in the United Kingdom.

Meta Tagging

Another type of misuse of a trade mark involves hiding the mark within a site such that a person searching the mark in another site is led to the site without his knowledge. This is often done for a competitive purpose, i.e., to attract persons interested in a competitor's goods or services to one own's goods and services. The purpose is achieved by meta tagging (a technique whereby a mark is inserted in the keyword section of the site to make it easier for search engines to locate the site, even though the site may have nothing to do with the inserted mark) or by having the mark written within the text (the functional equivalent of writing with white ink on white paper). For instance, a person looking for suitable airfares to Paris on the Internet may type the search term "SQ" (for Singapore Airline) or "AF" (for Air France), if he does not know the Internet address of these airlines. Through meta tagging, a third party (e.g. travel agent) can direct the person to his site for the airfares, thereby promoting his services.

Trade mark owners in the United States have been successful in preventing their marks from being meta-tagged. In *Oppedahl & Larson v Advanced Concepts*, [Civil Action No. C-97-3204 (N.D. Cal.)] the plaintiffs' (law firm) site was noted for information on Internet issues such as domain names and trade mark infringement. One of its partners did a search of his firm's name to determine who has been viewing and linking to its site. He was surprised to find several unrelated sites. One of the sites belonged to an Internet design company. The sites did not mention the name of the law firm, but the underlying HTML code did include references in the meta tags to the firm.

The plaintiffs alleged that the defendant's actions constituted infringement of section 43(a) of the Lanham Act [Section 43(a) protects against: "[a]ny person who, on or in connection with any goods



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or services ... uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact which (1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services or commercial activities by another person ..."], Trademark Dilution Act as well as common law unfair competition. They said that the use by the defendants of pages bearing a mark which is substantially similar to their mark "Oppedahl & Larson" was misleading and was likely to cause confusion and mistake, and to deceive the public into believing falsely that the defendants' pages were connected with and/or sponsored or authorised by the plaintiffs, when in fact the defendants had no connection whatsoever with the plaintiffs. In the event, the defendants consented to judgment and to being enjoined from using the plaintiffs' mark "Oppedahl & Larson" or the words "Oppedahl" or "Larson" in Internet pages without the plaintiffs' consent [See <http://www.patents.com/ac>].

In *Playboy Enterprises Inc. v Calvin Design Label* [985 F Supp 1220 (ND Cal 1997)], the defendants used the "Playboy" trade mark in the meta tags on their web page which provided adult material and photographs. The plaintiffs succeeded in obtaining a preliminary injunction from the California District Court to enjoin the defendants from using any of the plaintiff's trade marks in association with their web site, either as meta tags or domain names. The court found that the plaintiffs had demonstrated a sufficient likelihood of success on merits of their claim to trade mark infringement, unfair competition and dilution and found that irreparable harm would likely occur if the order was not granted.

Deploying the law of trade marks, one should be able to prevent the use of trade marks in meta tags in most jurisdictions. For instance, the use of the words "Oppedahl" or "Larson" in the meta tags of unrelated sites could be construed as a misrepresentation, as the person who enters these words as search terms could assume that any hits generated as a result of the search originate from the law firm. Similarly, in the Playboy situation, a person who comes across the defendant's site after searching the keyword "Playboy" could be deceived into thinking that there is an association between the defendant and Playboy Enterprises Inc.

Search for an appropriate dispute resolution mechanism for the Internet

It is trite that the Internet has rendered geographical and political boundaries increasingly porous and irrelevant. It is undermining laws which are inherently territorial. Trade mark law, for instance, is distinctly based on geographical separations. Trade mark rights arise within a country, usually on the basis of use of a mark in the country. There is no global registration scheme, and the trade mark owner must constantly be alert to any infringement of his rights in the countries where he operates his business. However, the task of policing and enforcing trade mark rights is becoming increasingly difficult, if not impossible.

IAHC Proposal



As a consequence, it was increasingly felt by many people that there should be a dispute resolution mechanism which can be applied globally. The first concrete proposal in this regard was made in February 1997 by the International Ad Hoc Committee (IAHC) which comprised key Internet players such as the International Telecommunications Union

(ITU), International Trademarks Association (INTA), Internet Assigned Number Authority (IANA) and World Intellectual Property Organisation (WIPO). The committee recommended that each application for domain name registration should be accompanied by a clause whereby the applicant agrees to participate in on-line mediation and in binding mediated arbitration under the rules of the WIPO Arbitration and Mediation Centre. It was also recommended that, for a trade mark owner to successfully challenge a domain name application, the following conditions would have to be met:

1. the trade mark owner should have demonstrable intellectual property rights;
2. the domain name holder should not have any demonstrable intellectual property rights; and
3. one of the following 4 circumstances must be present:
 - (d) the domain name holder has made an offer to sell or rent the domain name;
 - (e) the domain name holder is also the holder of other contestable domain name registrations in which he has no demonstrable rights;
 - (f) the trade mark owner has a long established market presence under the trade mark; and
 - (g) the trade mark owner is active under the trade mark in a broad geographical area.

US Green Paper

However, before the proposal could be implemented, the United States Government in January 1998 issued "A Proposal to Improve Technical Management of Internet Names and Addresses" (commonly referred to as the "Green Paper" [See <http://www.ntia.doc.gov>.]) and invited comments on the paper. Beside incorporating elements of the proposal of IAHC, the paper made further recommendations such as

1. adherence to certain guiding principles for the management of the domain name system, namely,
 - the continued operational stability of the Internet;
 - competition to promote innovation, preserve diversity and enhance consumer choice of the Internet;
 - private, bottom-up coordination which is more flexible than governmental control and is able to move rapidly to meet the changing needs of the Internet and its users; and
 - broad representation to reflect the diversity of Internet users and their needs.



2. the creation of a new, private, not-for-profit corporation responsible for coordinating specific domain name functions; and
3. the creation of five new gTLDs.

Not surprisingly, the Green Paper drew criticisms from around the world. To many, the paper was U.S.-centric and ignored the contributions of the international community in the IAHC process. Trade mark owners were particularly concerned with the assertion in the Green Paper that "[I]t is important to keep in mind that trade mark domain name disputes arise very rarely on the Internet today." Equally troubling was the proposal that each registry must establish minimum dispute resolution and other procedures related to trade mark considerations. Beyond these minimal criteria, registries would be permitted to establish additional trade mark protection and trade mark dispute resolution mechanisms.

US White Paper

These criticisms were noted, and in June 1998, the United States Government issued a further paper entitled "Technical Management of Internet Names and Addresses" (commonly known as the "White Paper" [Available at http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm]) which reiterated the four guiding principles and confirmed the call for the creation of a new, private, consensus-based, not-for-profit corporation responsible for coordinating specific domain name functions. In addition, the White Paper proposed pre-payment for registration of domain names, concluding that the failure to require pre-payment had "encouraged" cyberpiracy which "is a practice that should end as soon as possible", and requested WIPO to initiate a process (which would include the participation of trade mark owners) to

1. "develop recommendations for a uniform approach to resolving trademark/domain name disputes involving cyberpiracy (as opposed to conflicts between trade mark holders with legitimate competing rights);
2. recommend a process for protecting famous trade marks in the generic top level domains; and
3. evaluate the effects, based on studies conducted by independent organisations such as the National Research Council of the National Academy of Sciences, of adding new gTLDs and related dispute resolution procedures on trade mark and intellectual property holders."

Accordingly, a new, private, consensus-based, not-for-profit corporation, called Internet Corporation for Assigned Names and Numbers (ICANN), was formed in November 1998. In its Articles of Incorporation, it declared that it "shall operate for the benefit of the Internet community as a whole, carrying out its activities in conformity with relevant principles of international law and applicable international conventions and local law and, to the extent appropriate and consistent with these Articles and its Byelaws, through open and transparent processes that enable competition and open entry in Internet-related markets. To this effect the Corporation shall cooperate as appropriate with relevant international organisations."



WIPO's Final Report

WIPO agreed to canvass the views of Internet users, businesses and governments with a view to issuing recommendations for resolving disputes involving trade marks and domain names. One of its meetings was held in Singapore in January 1999. In May 1999, it presented its Final Report and stated that the recommendations in the Report represented "a chance to stop a practice that is regarded by all as an abuse and unjustifiable, and that is considered by all to involve a wasteful diversion of economic resources as well as undermining consumer confidence in the Internet as a safe place to do business."

The Report included the following key recommendations [The full report is available at <http://wipo2.wipo.int/process>]:

establishment of a minimum "best practices" code for all generic top-level domain name registrars and the collection of accurate and reliable contact details on domain name applicants by registrars so that intellectual property owners can enforce their rights in a borderless and other anonymous medium;

mandatory dispute settlement procedures to deal with cases of bad faith and abusive registration of domain names that violate trade mark rights; and

special protection for famous or well-known trade marks by allowing owners of such marks to obtain an exclusion prohibiting any other person from registering the mark as a domain name.

"Bad faith" is defined in the Report as

(3) an offer to sell, rent or transfer the domain name to a mark owner for valuable consideration;

(4) an attempt to attract Internet users to the domain name holder's website or other on-line location for financial gain by creating confusion with a trade or service mark;

(5) preventing the owner of the mark from reflecting the mark in a corresponding domain name; or

(6) registering a domain name in order to disrupt the business of a competitor.

The recommendation to give protection to famous or well-known marks smacks of preferential treatment for a certain class of Internet users. But WIPO countered the criticism by noting that global companies with internationally recognised marks were the most frequent victims of cybersquatting and recommending the creation of an administrative panel of experts to rule on famous or well-known marks. Some of the criteria which it has recommended for determining whether a mark is famous or well-known include:

the degree of public knowledge or recognition of the mark in the relevant sector;

the duration, extent and geographical area of any use of the mark;



the record of successful enforcement of rights in the mark; and the value associated with the mark.

Disputes would be settled by accredited organisations whose powers would be limited to orders for cancellation or transfer of domain names and imposing procedural costs (excluding attorney fees) on losing parties. However, losing parties will retain the right to challenge the dispute ruling before their national courts.

WIPO did not make any recommendation as regards the amount of contact details which an applicant for domain name registration must disclose in his application. This is because it was aware of the likely objections on the ground of privacy. It however said that collecting contact details on domain name holders and applicants was essential in order to prevent fraudulent business practices and ensure consumer protection in general. Those who wish to keep their contact details private will still have the option of acquiring a sub-domain name from Internet service providers (ISPs), although it was pointed out that these ISPs would be responsible for any domain name abuse by their clients.

ICANN

Currently, ICANN is in the process of setting up membership structures and rules for the smooth takeover of the management of the domain name system by September 2000. It has proposed the creation of four separate membership organisations: three specialised Supporting Organisations ("SOs") and an at-large membership. The SOs are to be delegated "the primary responsibility for developing and recommending substantive policies and procedures regarding those matters within their individual scope." [ICANN Articles of Association, Art. IV, Sect. 1(c).] Of particular interest to trade mark owners is the Domain Name Supporting Organisation ("DNSO") which is to be composed of "representatives from name registries and registrars of top-level domains, businesses and any other entities that are users of the Internet and others with legitimate interests." [Ibid, Art. VI, Sect. 3(a)(ii).] In the event, at its meeting in Berlin in May 1999, ICANN established the DNSO which has been delegated the task of recommending an appropriate policy of overseeing and managing the domain name system. The issues confronting the DNSO include: what is the appropriate membership structure, what are the conditions to impose for registration of domain names, how many top level domain names should be allowed, what duties should be imposed on registries, what are the rules for dispute resolution and whether, how and when to expand the present number of top level domains.

ICANN has also been delegated the task of introducing competition into the business of registering domain names in the popular gTLDs of ".com", ".net" and ".org". This business has been held on an exclusive basis by NSI since December 1992. NSI has been criticised as favouring trade mark owners and big corporations in disputes between two parties which have legitimate claims to a domain name. ICANN is now working on setting up guidelines to ensure parity between such parties in a dispute.

What defensive action should be taken by the trade mark owner?



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It is clear from this paper that, because of the poor interface between the trade mark system and the domain name system, it is imperative that a trade mark owner must now not only register his mark in the national trade mark offices but also register the mark as part of a domain name in the local and international domain name registries. Failure to do so can be costly to the trade mark owner. This is illustrated in a 1995 case involving McDonald's Corporation, one of the most vigilant trade mark owners with one of the most valuable trade marks. A journalist (Josh Quittner) applied for and was granted the domain name "mcdonalds.com". He published an article about the fact that the owners of many famous trade marks failed to register their marks as domain names. [He was obviously well aware of the trade mark significance of a domain name, for he wrote in *Life in Cyberspace: You Deserve a Break Today*, *Newsday*, October 7, 1994, at A05: "Domain names are to the Internet what addresses are to the Postal Service. They're more than that, since your domain name can tell the on-line world something about who you are. Domain names are kind of like postal addresses, vanity license plates and billboards, all rolled into one digital enchilada."] Quittner asked the readers of "Wired" (a well-known magazine which deals with Internet and digital technology issues) what he should do with the domain name "mcdonalds.com":

"You [the reader] tell me. I could auction it off. I could hold on to it as a trophy I could set up a Mosaic home page, explaining the difference between McDonald's and Josh 'Ronald' Quittner. Got a suggestion? Send it to ronald@mcdonalds.com."

McDonald's tried to stop him but, eventually, gave in to his demand to donate USD3,500 to a school to purchase some Internet equipment in exchange for the return of the name! [The problem for the McDonald's Corporation is that it will still not be able to prevent another person from registering "mcdonalds" as the domain name in countries where it has yet to register the name.]



PAPER: MC/2.2a by K.L. HENRIKSEN

BAD FAITH REGISTRATION

1. Introduction:

The 9th Commandment of Christianity is one of the cornerstones in civilized society and in this connection it is a general principle of law. It reads: "Thou shalt not covet thy neighbour's house". In this connection you may also refer to the 7th Commandment, namely "thou should not steal". In many other religions there are rules regulating the conception of property and relations between people, and during the centuries or even millenniums the concept has been extended from the material property also to the immaterial property in other words the intellectual property. If you "covet" "steal" adopt someone else's property you are in "bad faith" and your act is basically not acceptable. But is this a sufficient definition of "bad faith"? And if we think the act is wrong what can we do about it?

History:

A short historical summary is needed to place this very specific issue in the right context. The concept of a proprietary right is basically a natural thing and created by nature itself. Most probably man has always had a sense of proprietary right or ownership from the very beginning. The stone age man having used a long winter to produce a flint axe had no need of a legal training or other knowledge to react immediately against another person who would try to deprive him of his tool. This example is easy to understand and in relation to the material production there is a short way to the codification of the proprietary right which has been accepted and developed over the millenniums. However, in connection with the immaterial production the intellectual production the development is different, and rather late in the history of man is the intellectual property right more broadly accepted and codified. Pieces of art and technical inventions are phenomena which are as old as the history of man. But why did not the primitive and universal conception of a proprietary right in these phenomena earlier lead to the creation of general rules of law similar to those regulating proprietary rights in the material products? The reason is probably that the appropriation stealing of others intellectual pieces of work did not lead to an economical or a proprietary loss. This is partly due to the fact that at the time no one was in possession of methods of reproduction or ways of distribution which permitted a broader and systematical use of arts and technique. The situation around 1500 at the end of the Middle Ages with the invention of the printing technique ca. 1450 made a mass production of literary works possible, and there are many examples of isolated rights and privileges often granted by the local sovereign. The big development however takes place in the 19th Century. The industrialization implies mass production and distribution methods which create a broad market. The industrial culture creates a large working class with economical potentials and the line is straight to our days and the consumer society. At the end of the 19th Century most industrial countries have a reasonably effective intellectual property system whose basic principals are unchanged today. At the end of the 19th Century the first international treaty



came into force namely, the Paris Convention from 1883 and the Bern Convention from 1886 which is still in force and today world wide.

The Paris Convention:

The Paris Convention does not really contain a "bad faith" clause but it is worth to mention article 6bis which protects the wellknown trade mark even without a registration. In principle it is irrelevant whether the younger registrant or user is in bad faith. The article does not take into account the knowledge or intention of the registrant or user and the basic principle is no doubt to prevent people - competitors or others from "coverting" "stealing" adopting a trade mark belonging to someone else even if the trade mark is not registered or used in a specific country. Article 6bis of the Paris Convention reads in full:

1. The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.
2. A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.
3. No time limit shall be fixed for requesting the cancellation or the prohibition of use of marks registered or used in bad faith.

The term "bad faith" is directly mentioned in the end but without any definition.

I shall not go into detail with regard to the protection of the well-known marks but merely emphasize that it is beyond doubt that a wellknown trade mark is more likely to be adopted by someone else than a more or less unknown trade mark. Consequently the provisions concerning protection of the well-known marks are of great importance in connection with the discussions of "bad faith".

The Trips Agreement:

Article 6bis of the Paris Convention is directly referred to in article 16 of the Trips Agreement. The increasing internationalization and globalization of international trade has made it still more important to improve the protection for trade marks - not just the well-known ones - and hence the question of "bad faith" is of great importance.



The EEC Directive: In the Harmonization Directive or more correctly the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trademarks (89/104/EEC) there is a specific provision concerning "bad faith". Article 3 concerns the grounds for refusal or invalidity and the specific provision reads as follows:

(1)

(2) Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that:

1.

2.

3.

4. the application for registration of the trade mark was made in bad faith by the applicant.

In Article 4 concerning further grounds for refusal or invalidity concerning conflicts with earlier rights there is also a reference to "bad faith":

1.

2.

3.

1 Any Member State may furthermore provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:

a. b. c. d. e. f.

(7) the trade mark is liable to be confused with a trade mark which was in use abroad on the filing date of the application and which is still in use there, provided that at the date of the application the applicant was acting in "bad faith".

Now, what does that mean? "Bad faith" with regard to what?

The Community Trade Mark:

The Council Regulation (EEC) number 40/94 of 20 December

1993 on the Community trade mark contains a similar provision in article 51 which also concerns the absolute grounds for invalidity:

(2) A Community trade mark shall be declared invalid on application to the Office or on the basis of a counter claim in infringement proceedings,



(2)

(3) where the applicant was acting in bad faith when he filed the application for the trade mark

(4) (5)

Again what does "bad faith" mean? But at least we now know that the "bad faith" must be present at the time of filing the application.

It should be added here that the Harmonization Directive is an order from the Council of the European Communities to the governments of the Member States. The Directive contains the minimum provisions which the National Governments are obliged to apply as part of National Trademark Law. The Council Regulation contains the statutory rules with regard to the common trade mark system which is valid in all the Member States.

Denmark:

Reverting to the Danish Trade Marks Act the Consolidate Trade Marks Act No. 162 of 21th February 1997 it does not contain any provision concerning "bad faith" in general.

There are certain references to situations where a person must be in "good faith" for example in connection with co-existence of rights (sections 8 and 9), registration of recordal of the right to a trade mark (section 39), concerning damages (section 43) and concerning purchase of goods with an unlawful trade mark (section 44). However, an essential and important provision is contained in section 15 of the Trade Marks Act. There is a specific provision concerning protection of a foreign trade mark which does not need to be wellknown or even known and this provision reads:

(3) A trade mark shall, furthermore, not be registered if

(1) (2)

(3) It is identical with or only insignificantly distinct from a trade mark which at the date of filing of the application for registration or, where appropriate, of the priority claimed in respect of the application for registration, has commenced to be used in another country and is still in use there for goods or services which are identical with or similar to those for which the later trade mark is sought registered, and the applicant at the date of the filing had, or should have had, knowledge of the foreign trade mark.

The point is that if the applicant knew or ought to have known about the trade mark abroad if he was in "bad faith" he is not entitled to obtain registration of the trade mark in Denmark. This provision has proved to be of importance in several cases over the years. It is an old provision in Danish Trade Mark Law but strangely enough the provision was out of the Trade

Marks Act from 1991 1997 where it was re-introduced as a result of many complaints from trade mark practitioners.



As will appear from the above the statutory rules concerning "bad faith" are not many and not fully clear and a few comments on the definitions or lack of same are therefore required.

2. Problems:

When trying to define the term "bad faith" it lies near to hand to say that it means "knowledge", but the above provision in the Danish Trade Marks Act certainly goes further as in this connection the "bad faith" is explained to the effect that "the applicant at the date of the filing had, or should have had, knowledge of the foreign trade mark". In relation to the Law of Property there are several definitions of "bad faith" and several degrees of the same. It is hardly relevant to go deep into this academic discussion but at this stage conclude that "bad faith" means "with knowledge" or even "without a bona fide intention". The "should have known" definition is basically an intensification of "knowledge".

In most cases it is essential to prove at what time the "bad faith" was present. Generally the question is whether the "bad faith" was present at the time of filing the application, i.e. at that very moment or earlier. There is of course also a question of "subsequent bad faith" but in this connection the important question is whether the "bad faith" was present at a given moment, typically at the time of filing.

When speaking of "bad faith" in a wider sense, the question is whether the definition applies to "offensive trade mark registration and defensive trade mark registrations". An offensive registration is used to give a broader protection for example with regard to later extension of the use to other goods and services. The concept of "line extension" is certainly accepted and in my opinion there is hardly any basis for speaking of "bad faith" in this connection. The requirement of use will generally regulate the situation after a certain period.

The same applies to the defensive registration which can of course only be enforced if the use requirement is fulfilled.

Re-registration of a trade mark to avoid cancellation because of non use is another question of "bad faith". In my opinion re-registration is not acceptable as it would undermine the user requirement completely.

Generally, there is a question whether the applicant should have a bona fide intention to use the mark some time in the future. This is not necessary according to the Harmonization Directive or the Danish Trade Marks Act. The Danish attitude is simply that anyone may apply for registration of a trade mark whether or not he has an intention to actually use the mark. The use requirement will regulate any misuse in this connection. In other countries such as the United Kingdom and USA the applicant must have a bona fide intention to use the mark and if there was no such intention at the time of filing the application or registration may be cancelled.

3. Tools:



As will appear from the above there are certain "tools" to be used if a trade mark owner becomes aware that his trade mark or a very similar trade mark is applied for or registered. In such a case it is possible to file an observation, an opposition, an application for administrative revocation or invalidation or even a petition to the Courts. The claim is broadly "bad faith" on part of the applicant at the time of filing but of course it is a problem to prove the "bad faith". There are certainly a number of possibilities including clear evidence that the applicant knew about the trade mark for example if the applicant has purchased goods from the owner of the trade mark, received brochures, price lists etc. The problem with invoices is often that they do not directly refer to the trade mark. The problems to build up a case that convinces the examiner, the registrar or the judge, that the applicant had knowledge of the trade mark at the time of filing or where that is possible that he ought to have known about the trade mark. This may be difficult but in Denmark there are several decisions concerning this problem which over the years have confirmed a certain practice. A few years ago a big Dan-ish brewery filed a trade mark in Denmark which was already registered and used by a German brewery in Germany. It was not possible to file evidence that the Danish brewery had knowledge of the foreign trade mark but the trade mark was often mentioned or advertized in international brewing literature. The Danish brewery admitted unofficially that they could hardly claim that they did read the international brewing magazines and a settlement was reached. There are also court cases about "bad faith" where the judge on the basis of the facts of the case states that the applicant knew or ought to have known about the prior rights.

4. Practical procedures:

I have already briefly mentioned how a trade mark owner may proceed and I will not go into many details. Apart from the administrative procedures there are procedures before the court the latter being normally rather expensive. The advantages are normally that it is possible to file evidence before the Court to a much larger extent than before the administrative body. But of course it is advisable to file opposition or administrative revocation before the registration office if that is at all possible. A third possibility is the out of office or out of Court agreement with the other side. It should be possible to make an agreement if it is beyond doubt that the applicant had knowledge of a foreign trade mark but often there is a dispute about who is the actual owner of that trade mark which will of course complicate the situation. If the applicant is an agent or a former agent the situation should be rather clear as the above provisions directly aim at this specific situation

The agent or representative is directly mentioned in the Council Regulation Article 8 (3), and there is hardly any doubt that an agent or a representative "knew or ought to have known" about the trade mark.

Both in Denmark and EU before OHIM it is possible to file an opposition or an application for revocation after registration.

It is so in many countries.

5. Conclusion:



After this rather short presentation one should of course make a kind of conclusion or statement. However, that is difficult but I will go as far as claiming on my own behalf that there is indeed a need for a "bad faith" rule as without the possibility of filing evidence of "bad faith" in the broader sense it is too easy to steal someone else's trade mark. The means of communication today have made the world extremely small and it is very easy to learn about trade marks ordinary marks or wellknown marks in other countries. It is very easy to immediately adopt such a mark and to file an application in ones own country and that is generally not reasonable. Although it is still in many cases very difficult to prove "bad faith" there is still the possibility and in many cases it has been possible to lift the burden of proof.

Steps have been taken to grant the wellknown marks a broader protection which is of course an effort in the same direction. Both registration authorities and courts as well as international bodies are fully aware of the need for a broader protection for this type of marks.

In many countries the official examination of applications with regard to relative grounds for refusal has been abolished. This means that the action in this connection is moved from the examining division to the opposition division or to the courts. Whether that will facilitate a "bad faith" action remains to be seen.

A simple piece of advice: The trade mark should be filed in the specific country. The costs involved are generally much lower than those involved in a conflict.

Finally I would like to raise the question whether there is a need for a definition of "bad faith". I have been looking for definitions without great success and I am inclined to say that it is better not to have an official definition in order that we may interpret the concept in the way it suits the concrete situation best. A legal standard as "bad faith" is quite useful to practitioners and to the courts as it will be more flexible and adjustable in accordance with the changes in the outside world.



PAPER: MC/2.2b by William HOWIE

BAD FAITH TRADE MARK REGISTRATIONS

My brief is to discuss in a general sense the law relating to bad faith trade mark registrations concentrating on common law jurisdictions.

Within the time available I will concentrate on issues concerning:

1. Proprietorship
2. Deception and Confusion/Contrary to Law
3. Intent to Use

These divisions will necessarily involve some overlap and at the outset it is important to acknowledge the issues are complex with a level of inconsistency between courts in various jurisdictions. Also in my view it is important to recognise trade mark law must be applied to the commercial conditions existing in the 1990's.

What is the legal significance of the term bad faith or mala fides. It indicates an intent to deceive or something that is founded on a falsehood. In my view it is equally significant to recognise that all trade mark applicants in common law jurisdictions should proceed on the basis of a covenant of good faith and fair dealing with the receiving office. Failure to do so establishes a basis for a Commissioner or other adjudicating officer to exercise any discretion against the applicant.

1. Proprietorship

It could be expected that this issue would be well settled and straight forward. The applicant must present the documents to the registering office on the basis that he believes he is the proprietor of the mark, which is either used or proposed to be used. If an applicant seeks to protect a mark which he knows belongs to some other party, either:

- a. the right will be denied or
- b. the applicant may be treated as trustee for a beneficial owner.

Trade mark legislation and common law jurisdiction contains a provision generally stating that any person claiming to be the proprietor of a trade mark used or proposed to be used can apply in the prescribed manner to have a trade mark registered. There are clearly differences in the different statutes and the positioning of the various provisions in the statutes, but as a guide refer to S17(1) UK, S12(1) Singapore S26 (1) NZ.

One view and I believe the preferred view is to consider the claim to proprietorship no more than claiming the applicant is entitled to be registered as the proprietor. In practice it is difficult to object



to registration on this ground so long as the claim to proprietorship was made in good faith. However the English Court of Appeal has taken the position that as a matter of law the issue of proprietorship should be determined. Many cases however have been decided by the Commissioner exercising his discretion if he considers there is an element of bad faith by the applicant in claiming proprietorship.

Vitamins Limited Application (Pabalate) [1956] RPC 1

Brown Shoe Company (Naturlizet) [1959] RPC 29

North Shore Toy Co v CL Stevenson Limited (Lul-A-Bye) [1973] NZLR 563

Hong Kong Caterers Limited v Maxim Limited [1983] HKLR 287

These cases all represent situations where registration was refused on the basis the applicant knew the mark applied for belonged to somebody else.

However circumstances can arise where a degree of knowledge or other factors involving the parties has led to a result where the trade mark registration has been allowed or upheld.

Rawhide Trade Mark [1962] RPC 133

Genette Trade Mark [1958] RPC 168

Ali-Bassam Trade Mark [1995] RPC 511

The Ali-Bassam Court of Appeal decision in the UK is the authority for the proposition that the question of proprietorship is to be determined as a matter of legal right.

The English Court of Appeal placed considerable emphasis on the proprietorial rights established through the common law heritage of the trade mark registry system. It is at least open to question as to whether this is the most helpful approach in the modern commercial world where situations can and do exist with a trade mark having a reputation that is valuable but not necessarily in circumstances which would establish proprietorship if solely judged on the tests applied at common law last century.

In Kerly there is a passage!

"It may be that our law ought to make greater provision than it does for safe guarding the rights of the owners of foreign marks. It does not follow however that Section 17(1) is the right tool for this purpose."

It is unlikely that the future will view the Ali-Bassam decision as a giant step forward and it remains to be seen whether other Courts and particularly Appellant Courts in other jurisdictions will view it as establishing any obstacles to the granting of relief in circumstances where they view a foreign trade mark owner as having certain rights that should be protected.



In this area of the law I believe the influencing factor should be whether the applicant is viewed to have acted in good faith. If not a discretion may be exercised against registration. If he has and on the facts does not contravene some other provision of the Act the registration ought to be allowed.

2. Deception and Confusion

It shall not be lawful to register a trade mark, the use of which would be likely to deceive or cause confusion or be disentitled to protection in a Court of Justice. This wording or some similar wording may be found in most common law jurisdictions. S11 UK, S16 NZ and S15 Singapore.

If bad faith encompasses as I believe an intent to deceive it becomes clear that this provision is one relevant to situations involving bad faith trade mark applications. Broader issues are raised than those encompassed by a consideration proprietorship. It is a complex issue, the clarification of which has in my view been significantly assisted by Court of Appeal decisions in Singapore and in New Zealand, adopting tests appropriate in the modern world recognising practical business expectations and probabilities that face the traders in today's commercial situations.

The Singapore case yet to be reported is *Tiffany & Company and Fabriques de Tabac Reunies SA* Civil Appeals 317 of 1998. To emphasise the point I have just been making I quote one passage from that decision:

"Therefore, the Bali case was decided in 1969 during a time when tourism and the dissemination of information was not quite as wide spread. Since then, modern technology and communication have improved at such a rapid rate that we in Singapore may be as familiar with famous international marks as someone in the country where the mark is actually in use. In this day and age, Lord Upjohn's assertion that the practical likelihood of confusion or deception can only be shown by proving the existing user of the mark by someone else in the same jurisdiction can no longer hold true".

The relevant New Zealand case is *Pioneer Hy-Brid Corn Co v Hy-Line Chicks Pty Ltd* [1979] RPC 410. In that case the Court held that the test for deception and confusion needed to be based on practical business probabilities. Richardson J stated:

"It does not follow that 'user' is an element in determining whether deceptional confusion is likely to resolve from use of the mark. Both in principle and in accordance with the English and Australian authorities I have discussed, I consider there is no justification for such a conclusion".

The Singapore Court of Appeal favoured the New Zealand Court of Appeal approach and while it acknowledged there was some difference in phrasing between the legislation did not consider there was anything in the variations in presentation of the concepts which warranted a different conclusion.

The Singapore case went on to hold:



"We have therefore established that there need not be use of the mark TIFFANY by the Appellants or anyone else in Singapore for likelihood of deception or confusion among the local public that would lead the Respondent's mark being disentitled to protection in a Court of Justice to arise, so long as this fact itself can be shown in some other way. Of course it must be emphasised that proof of reputation of some other person in relation to the mark alone does not automatically mean that likelihood of confusion or deception has been shown. This is a separate element which must be established by the Appellants in this case. However, the fact is that confusion or deception have no borders and can arise as easily from knowledge, cognisance or awareness of an international reputation. It clearly does not arise only where the other mark has been used in Singapore previously."

The relevance of this decision by the Singapore Appellant Court following the New Zealand Court of Appeal should establish a basis to enable Courts to respond in situations where a trade mark has been taken in situations of bad faith seeking to rely upon the reputation of some other trader even where that that reputation is not based upon use in the particular jurisdiction where the dispute arises. This should establish a further and useful weapon against bad faith trade mark registrations.

The Tiffany case referred to the Bali decision. This was a decision by the House of Lords and dealt with rectification of a long standing registration for a word/device mark and opposition to an application to protect the word mark per se. The House of Lords held the date of registration was the relevant date to consider issues of deception and confusion under Section 11 but did not find it necessary to deal with the timing issue in connection with the opposition to the application.

Bali Trade Mark [1967] RPC 472

In Kerly's commentary it is stated that with an application the appropriate time to consider issues of deception and confusion is the date of the decision as to registrability of the mark;:

"In relation to an application for registration, the primary question to be decided is whether the mark was deceptive (or otherwise disentitled to protection) at the date of the application to register. It is submitted however, that registration ought to be refused if the mark is deceptive at the date of the decision whether or not to register, regardless of the position at the date of application."

The Tiffany case supported the view expressed in Kerly although it found that there was confusion and deception at the date of the application and stated:

"We are of the view that there is much weight in the comments by the editors of Kerly's. Kerly's submits that, if the mark is confusing at the date of the decision to register, registration should be refused. This seems to gel with the purpose of S15. As agreed by both parties here, it is for the protection of the public from deception or confusing marks".

Following the House of Lords the Appellant Courts generally have considered the date of registration which of course is postdated to the date of application to be the relevant date for issues under UK S11 and other equivalents but what weight this new decision may have will remain to be seen.



3. Intent to Use

This is a narrower point but does arise in a situation where the applicant can be shown to have filed a trade mark application with no intention to use the mark. Such an application is based upon a falsehood but from a practical position one very hard to establish.

Interesting recent authority arises from decisions in a New Zealand case that was appealed through to the Privy Council. The New Zealand Court of Appeal decision and the Privy Council decisions are referenced.

Unilever plc v Cussons (New Zealand) Pty Ltd [1997] 1 NZLR 443:

Cussons (New Zealand) Pty Ltd v Unilever plc 8TCLR 97

Briefly Unilever had a trade mark registration for RADIANT. It was vulnerable for non-use. Cussons commenced using RADIANT in New Zealand and during negotiations with Unilever, Unilever filed a new application for the same mark. In an interlocutory action and it is important to note that it was an interlocutory action Unilever sought to restrain Cussons use. The interlocutory action at the first instance was refused on the basis the Court considered the registrations vulnerable. The New Zealand Court of Appeal differed. The matter went to the Privy Council but only on the basis that the Privy Council's decision would be fully determinative of the issues between the parties. Thus the issue at the Court of Appeal and Privy Council involved statutory interpretation and there was no issue regarding whether or not a discretion could or should in the circumstances be exercised by the Commissioner against the applicant.

From the point of view of bad faith applications, however, it is relevant to note that in these decisions it was agreed there is nothing to prevent the registration of a mark twice for the same goods by the same proprietor, thus following;

Origins Natural Resources Inc v Origins Clothing Limited [1957] FSR 280.

In the New Zealand Court of Appeal decision Gault J held: "At the time of any new application to register, the trade mark must be used or proposed to be used (s26(1)). If the Commissioner believes an application is made with no intention that it be used and it has been made simply to perpetuate a block against competitors, he may refuse the application (s26(2)). Further, if an application is accepted by the Commissioner, it has to be advertised and any person may give notice of opposition to the registration (s27). Those procedures provide safeguards against the suggested potential abuse."

Gault J went on later in the decision to hold:

"In the world of commerce between vigorous international competitors, the law does not impose some equivalent of Queensberry Rules. We see no basis in this evidence for refusal of relief for the lack of "clean hands"."



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Thus if this can be established that the party has filed an application with no intention to use the application may be refused at the discretion of the Commissioner. However robust commercial competition and seeking to position themselves to achieve a commercial advantage and dealing in a manner that is not fully open with the competitor does not necessarily establish any basis for exercising a discretion against the party on the basis of bad faith.

4. Conclusion

In the time available it has been possible only to touch very briefly on some interesting areas in a topic, which as indicated at the outset is complex and very dependent upon fact situations. Fundamental to all of the decisions that have been referenced, in my judgement, is the obligation of an applicant to act in good faith when seeking to secure the registration of a trade mark.

The other significant factor is the greater willingness of some Courts to recognise the reality of a modern world with telecommunication, Internet and the so called global village creating situations that do not comfortably rest with concepts founded on common law issues determining the origins of trade mark protection from last century. It is my view that the law in this area will need to be further developed and expanded to cope with the modern world and it is pleasing that some Appellant Courts have been prepared to grapple with this issue.



PAPER: MC/2.5 by Paul STEINHAUSER, Amsterdam

Trademark Litigation in Europe: The Interplay between National Trademarks and Community Trademarks

Transnational Aspects of Trademark Litigation on the basis of National Trademarks

Nationality-principle of Trademark Law

Nationality -principle of Procedural Law

Nationality-principle means that a country cannot legislate outside its own territory.

Jurisdiction and Enforcement Aspects under National and International Law

The competence of national courts is given under national procedural law; international rules issuing from treaties form part of national law.

Does one have a choice whether or not to apply national trademark law or CTM law?

No, a CTM one enforces through the special Community Courts of each EU country, which have exclusive jurisdiction (art. 92 CTMR). If the CTM is identical to a national mark one can also enforce the national mark. A positive judgement means that a party cannot try the case again under CTM law (art. 105 par. 2 CTMR).

Jurisdiction Principles:

Basic and primary rule: competent is the court of the place where the defendant is established (forum rei)

Once there is more than one defendant, the claimant may chose: the court that is competent in respect of one of the defendants is also competent in respect of the others.

This can give a court jurisdiction in respect of a defendant, established outside the national territory.

Secondary rule: competent is the court of the place where the infringement took place (forum delicti)

This too can give a court jurisdiction in respect of a defendant, established outside the national territory.

These principles apply under national and international law. See articles 2, 5 (3) and 6 of the Brussels Convention.[Where is being referred to the Brussels Convention it implies the Lugano Convention of 1988, with which the Brussels Convention was extended to the EEA.] The fact that one can chose between these three rules opens the door for forum shopping. Forum shopping happens at the



national and international level. Most EU countries did not create courts with exclusive jurisdiction in TM matters (contrary to patent matters).

Once a defendant is domiciled outside the country where the litigation takes place, international law becomes involved. If no treaty rules differently, the main principle is that the national court competent for the place of establishment of the claimant has jurisdiction. For the enforcement of the judgement we need an enforcement treaty between the country of the litigation and that of the defendants country of domicile. This main rule can be set aside by a treaty. The Brussels Convention does so for defendants domiciled within a EU country.

Be aware that this has consequences when some of the defendants are domiciled within and one or more others are domiciled outside the EU.

Can a competent national court give a judgement which has effect outside its country?

Yes, this follows from the fact that it is competent to hear the case against the foreign defendant.

But does this also mean that it can order a defendant not to infringe the TM of the claimant in another country?

That is a different matter. In most countries the courts accept that they can do so where the defendant is domiciled in their country. But more and more countries in Europe are accepting that this is also possible in respect of foreign defendants.

The first country to accept this was the Netherlands, where the Hoge Raad (the Dutch Supreme Court) rendered its *Lincoln v. Interlas* decision of 1989.[HR 24-11-1989 NJ 1992, 404] This was a TM case, which inspired the Dutch patent court of The Hague to develop their cross border injunction practice

[The Benelux Court of Justice in its *Barbie doll* decision of 26-3-1993 BIE 1993, 66 held that Benelux Trademark Law allows the court to give an injunction with extraterritorial effect.].

The argument is a practical one: it is an efficient way of maintaining a right in a time of increased internationalisation of the commercial contacts. The only requirement is that the case is connected with the Dutch jurisdiction, e.g., that the goods concerned are being offered for sale in the Netherlands.

Outside the Netherlands this possibility is also accepted by the Dusseldorf court (in patent cases) [See e.g. "Cross-border Jurisdiction in Europe from a German Perspective" by Meibom & Pitz in *Patent World* 1998 p. 28 and from the same authors *EIPR* 1997 p. 469. See also von Rospatt in *IIC* 1998 p. 504. For France see Mousseron, Raynard and Véron in *IIC* 1998 p. 884] and the London court (in a copyright case) [Decision of Lloyd J. in *Pearce v. Ove Arup* (incl. 3 Dutch defendants).] after the abolition of the "Double Actionability" rule.



Here again, what has been accepted under national law can be restricted or set aside by a treaty. And indeed the cross border decisions are heavily influenced by the Brussels Convention and the interpretation of it by the ECJ and the national courts.

Be aware again, that these restrictions do not apply if the defendants are domiciled outside the EU.

The above mentioned possibilities for forum shopping in the EU are restricted by art. 16 (4), 19, 21, 22 and 23 of the Brussels Convention.

Art. 16 (4) provides for exclusive jurisdiction in respect of claims for the validity of (patents and) trademarks for the courts of the country where the registration of the right has been applied for, has taken place or is deemed to have taken place.

Art. 19, 21, 22 and 23 are meant to avoid contradictory decisions...The basic rule is that when more than one court is competent the first adhered court has preference over the other court(s). The second court must refer the case to the first one. Art. 22 sees to the connexity of cases.

Art. 24 broadens the competence of the national courts in that it allows them to give provisional measures even if the court of another country is competent to hear the basic case. It is this article which formed the basis for the cross border *hausse* in patent cases in the Netherlands where the president of the patent court of The Hague, mr. Willems, in summary proceedings ("Kort Geding") gave injunctions not to infringe the parallel patent in other EU countries thereby even provisionally considering the merits of the invalidity arguments, raised by the defendants.

So far, the ECJ has not given any decision regarding the transborder aspects of the enforcement of IP rights. Two decisions, however, are of importance.

Kalfelis v. Schroeder of 1988 [ECJ 27-9-1988 NJ 1990, 425, [1988] ECR 5565] says that the provisions of art. 6 represent an exception to the general principles of forum rei and must therefore be interpreted narrowly. The ECJ acknowledges that the principle of art. 2 means to protect the defendant. For that reason the ECJ demands a connection between the claims against the various defendants at the time that the proceedings commence.

Shevill v. Press Alliance of 1995 [ECJ 7-3-1995 Jur 1995 p. 415, [1995] ECR I-415] confirms the restrictive attitude of the ECJ and introduces in the context of art. 5 (3) the notion of the place of the headquarters from where the harmful event is directed.

It are these two decisions that caused the Court of Appeals of the Hague to restrict the until then very generous interpretation of art. 6. Until then the only obstacle was that the Dutch defendant was merely involved in order to create competence against the foreign defendants.

In its *Expandable Grafts v. Boston Scientific* decision of 1998 [23-4-1998 IER 1998, 30 obviously influenced by the criticism of fellow European judges. See also [1998] EIPR N-132 and *Ebbink* in *Patentworld* 1999 p. 24. Sometimes the case is being referred to as *Boston v. Cordis.*], the Court of



Appeals cites the arguments of the ECJ in *Kalfelis v. Schroeder* and reads in them an instruction to interpret connection broadly so that the chance of contradictory decisions is limited. This means, e.g., that there is insufficient connexity if the claims are directed against a defendant in the Netherlands and a defendant in France with no other common element than the fact that it concerns the same European patent. There is more connexity if the defendants belong to the same concern.

But even then the Court of Appeals feels that a further restriction is necessary, i.e., that the Dutch defendant should be the "spider in the web". In addition, the Court of Appeals held that consequence of art. 19 is that also in summary proceedings the court has to refrain from an injunction in respect of a territory where an invalidity claim has been raised that is not *prima facie* unfounded.

Translated to a trademark case, this would mean that if the owner of a mark would adhere a Dutch court against a Dutch and a French party who both are selling the same product with the infringing mark, but who between them have no relation, the Dutch court cannot give an injunction against the French party.

But if the Dutch defendant is the spider in the web, organising the distribution of the infringing product i.a. in France through the French defendant, the Dutch court can give an injunction against the French defendant.

If in the course of these proceedings a nullity action against the French trademark would be commenced which is not *prima facie* unfounded, no injunction for France can be given.

Earlier in 1996 [Pres. Rotterdam Court 28-3-1996 IER 1996 p. 162 in *Molnlycke v. Kimberly Clark*] the president of the Rotterdam Court held that he had jurisdiction over *Kimberly Clark Ltd* who was co-defendant in a trademark case (*FLEXIFIT*) together with *Kimberly Clark Benelux B.V.* and he based the order to refrain from infringing the mark in the UK on art. 5 (3), because *Ltd* was manufacturing the product in the UK and distributing it to the Netherlands.

Soon thereafter [Pres. The Hague Court 7-11-1996 IER 1997 p. 20 in *Schellens v. Velouta*] the Court of the Hague in patent proceedings found that a restrictive interpretation of art. 5 (3) means that a jurisdiction based on this article should not be extended to redress harmful events in other countries.



PAPER: MC/3.6 by Ethan HORWITZ

COST OF ACTION VS. DAMAGES IN TRADEMARKS INFRINGEMENT ACTIONS IN THE UNITED STATES

I. Introduction

Trademark infringement litigation in the United States is not designed to recover damages. A large percentage of the cases involve preliminary injunctions, and so damages do not have time to develop.

But even cases that go to full trial often do not result in monetary recovery except in cases of counterfeiting or bad faith. An injunction is usually the only relief granted. Most cases require bad faith or actual instances of confusion for a monetary award to be made. As a result, with a few exceptions, the business underlying the mark must warrant the cost of litigation.

II. Cost of Action

Trademark infringement litigation is not cheap, but it is not the most expensive type of litigation-it is clearly significantly less expensive than patent litigation.

The procedural rules in the United States probably make the United States the most expensive jurisdiction to litigate.

Those rules include extensive discovery where documents are produced, witnesses examined under oath and written interrogatories and requests to admit are served and require answers. Another significant expense is the trial which can last days and often weeks. Attached is a table of costs derived from the American Intellectual Property Law Association (AIPLA) 1999 Forensic Survey. The table gives typical costs through discovery and through trial in a variety of cities and as a national average. The nationwide median of the cost of litigation through discovery is \$151,000 and through trial is \$300,000. But in any significant litigation, these numbers are deceptively low.

III. Monetary Recovery

In trademark infringement and unfair competition cases, there are at least five ways of measuring monetary recovery:

1. An award to plaintiff measured by defendant's profits, either as a way of measuring plaintiff's loss or under an unjust enrichment theory;
2. An award to plaintiff measured by its actual business damages and losses caused by the wrong;
3. An award to plaintiff measured by its own loss of profits caused by the wrong;



4. An award to plaintiff of punitive damages in addition to actual damages, for the purposes of punishing defendant; and
5. An award to plaintiff of reasonable attorney's fees incurred in prosecution.

These five types of recovery are referred to as "monetary recovery." In a given case, a court may award one or more, or none, of the five types of recovery to the plaintiff. They are merely alternative ways of measuring the injury that either the plaintiff or the public has suffered by defendants' wrong.

In deciding what type, if any, of monetary damages to award, courts have balanced several factors, such as: whether defendant was willful, negligent, or innocent; whether plaintiff suffered losses in any provable amount; whether there is proof of actual confusion of some customers; and whether defendant realized profits from its infringing actions. In various cases, different courts have given widely disparate emphasis to one or more of these factors, making predictability of result a dangerous undertaking. In modern cases, courts have occasionally awarded monetary recovery on the rationales of preventing unjust enrichment and/or deterrence of defendant and others.

In general, injunctive relief is generally granted upon a showing of a "likelihood of confusion" and neither proof of actual confusion nor proof of intent or willfulness is required. But, when it comes to making an award of monetary relief for past acts of infringement, judges are hesitant to do so, whether it is labeled "damages," "profits" or "attorney fees," without that indefinable "something more." Monetary damages in trademark cases without fault or knowingly performing illegal acts seems to give most judges considerable pause. Perhaps this obvious ambivalence towards monetary awards flows from a visceral feeling that an injunction which forces defendant to forfeit its mark and associated good will and start anew, is sufficient to satisfy "justice" in many cases. Yet, when faced with a proven pirate, counterfeiter or calculating infringer, judges do not hesitate to "throw the book" at such a defendant and make a monetary award under one or more of the categories listed previously. Similarly, where defendant has asked for permission to use the mark, been refused and proceeds to use it anyway, courts are not hesitant to make monetary awards.

1. Lost Profits

To obtain an accounting of profits, the courts almost always require that defendant's infringement imply some connotation of "intent," or a knowing act denoting an intent to infringe or reap the harvest of another's mark and advertising. The courts have defined the required state of mind using a wide range of descriptions, ranging from deliberate and knowing to willful and fraudulent. Courts have said that an accounting of profits is properly denied where there is no deliberate intent to cause confusion or "willful" infringement in the sense of a "deliberate intent to deceive." A court may generally award profits only when a defendant's infringement was "willful" or in "bad faith," and the "willfulness" needed for an accounting of profits is satisfied by evidence that the junior user knowingly sought to benefit from the senior user's good will or that its acts were "surrounded by an



aura of indifference to plaintiff's rights." To put it bluntly, courts are not willing to grant an accounting of profits unless the judge "gets mad" at the defendant.

As the other side of the "intent" coin, it has been held that a plaintiff is not entitled to a monetary award when the defendant apparently acted in a good faith belief in its right to use the mark. Even though a defendant loses the case, if it is found that it acted in good faith in claiming ownership, and the cases involves complex and difficult factual and legal issues, an injunction may suffice, and profits or damages may be refused. The fact that an infringer acted upon the advice of counsel does not automatically make the infringement innocent. The advice of counsel may in some cases, however, come to the aid of the defendant in showing that it acted in good faith. Conversely, the failure to follow the advice of counsel by, for example, not conducting a full trademark search may weigh as evidence of bad faith.

It is impossible to lay down any specific rule as to the kind of intent required before an accounting of profits will be granted. The main problem is that "intent" itself is merely a judicial attempt at evaluating the subjective state of mind of the infringer, a notoriously difficult task.

While proof of actual confusion is not needed to obtain an injunction, some courts have said that proof of some actual confusion is required for an accounting of profits. The thinking is that while a "likelihood of confusion" can support injunctive relief, there can be neither actual damage to plaintiff nor unjust enrichment to defendant unless some purchasers have been confused in fact. The rationale appears to be that at least in cases of competing goods, proof of some instances of actual confusion strengthens the inference that sales made by the infringer would have been made by the plaintiff.

Under the federal Lanham Act, as well as the common law, it is the infringer's burden to prove any proportion of his total profits which may not have been due to use of the infringing mark. In computing defendant's profits under the Lanham Act, the defendant also bears the burden of proof as to the allowance of any deductions from his gross sales. In the absence of a statute, courts under common law have applied the same principle that it is the infringer's burden to prove costs and deductions from gross sales which are allowable to arrive at a profit figure. Thus, the plaintiff need only prove gross sales and it is then the infringer's burden to prove (1) which, if any, of those sales were not attributable to the wrongful act, and (2) deductible costs and expenses to arrive at net profits.

In most cases the only way for plaintiff to find out what the infringer's gross sales have been is from the infringer itself in discovery. Any doubt about the actual amount of gross sales or profits will be resolved against the infringing party. If the infringer fails to provide satisfactory evidence of its actual sales volume, the court may rely on indirect or circumstantial

evidence and extrapolate sales from that other evidence. If the infringer provides no evidence from which the court can determine the amount of any cost deductions, there is no obligation to make an estimate, and "costs" need not form any part of the calculation of profits. Moreover, the infringer's



burden of proving deductible costs is not carried by records showing only a vague, undifferentiated category of "overhead" or "checks written." When the burden is not carried, plaintiff is awarded all revenue for that year.

2. Actual Damages

Plaintiff may be awarded damages in some circumstances in addition to defendant's profits. But damages and profits cannot be awarded simultaneously if it would result in over-compensation. For example, where the parties directly compete, over-compensation may result if plaintiff seeks both damages for lost profits on sales diverted to the infringer and the profits made on those sales by the infringer. The equities may well dictate that the court in a case of non-competition award either profits or damages.

Courts require that recovery of damages requires proof that some consumers were actually confused or deceived. This could be proven by the testimony of buyers or customer surveys. While wrongful intent to cause confusion or deception is not a prerequisite to recovery of actual damages, the presence of such an intent is relevant. Deliberate infringement may make the recovery of any damages more certain and significantly higher.

If plaintiff shows no probability of actual loss caused by the infringement, the court may deny any recovery of damages. Since it may be very difficult for plaintiff to prove the fact and amount of damage to its good will, plaintiff should be allowed the chance to prove this with whatever evidence he can muster. If there is doubt that plaintiff has suffered any real damage, the court may find that the infringer is sufficiently punished by an injunction which deprives it of the advertising investment it has made in the trademark whose use must be discontinued. If the infringer reasonably requires the trademark owner to incur additional expense in order to respond by additional advertising, the cost of such advertising may be recoverable as actual damages.

Plaintiff's damages may be measured by the profits lost by plaintiff because of defendant's infringement. To determine what profits plaintiff would have made but for defendant's infringement, the court may use a pre-infringement "base period" as the basis for predicting what plaintiff would have made during period of infringement. One possible measure of the trademark owner's lost profits is to multiply the trademark owner's profit margin times the number of infringing items sold by a competitive infringer. Plaintiff need only to make a prima facie showing of reasonably forecast profits, whereupon defendant has the burden of proving, if it can, that plaintiff's losses were caused by something other than defendant's own wrongful conduct. Where a defendant introduces evidence that plaintiff's decline in sales was due to factors other than the diversion of sales to defendant due to its infringement, this does not negate proof of plaintiff's lost profits.

While a defendant can be ordered by the court to undertake a corrective advertising campaign to undo the confusion or deception caused by its illegal actions, the issue is whether the plaintiff, as the injured party, is entitled to recover from the infringer the actual or estimated costs of corrective advertising. If plaintiff actually expends funds on a corrective advertising campaign, then the court



can be relieved of trying to estimate in advance what it would cost. However, usually corrective advertising is limited to actions for false advertising.

It has been urged that an award of a reasonable royalty is a more workable measure of damages than an accounting of profits. The problem with using a reasonable royalty as a measure is that it in effect compels plaintiff to license defendant at a rate that defendant proposed and plaintiff originally refused. Defendant is no worse off than if it had been licensed in the first place, which is exactly what plaintiff refused to do.

On its face, § 35 of the federal Lanham Act appears to make monetary recovery automatic in every case of infringement of a federally registered mark. However, the federal courts have held that § 35 of the Lanham Act does not mean that a successful plaintiff is entitled in all cases to a monetary award in addition to injunctive relief. The award for damages is "subject to the principles of equity." Monetary relief is denied where an injunction will satisfy the equities of the case and where there has been no showing of fraud or palming off. Thus, the "subject to the principles of equity" language in the federal act has been interpreted to incorporate the traditional requirements of some bad intent on the infringer's part before monetary recovery is allowed.

3. Increased Damages

Lanham Act § 35 gives a court the discretionary power to:

1. Increase damages up to treble damages; and
2. Increase or decrease an award of profits by any amount if the court finds the profit recovery is "either inadequate or excessive."

Appellate courts have generally emphasized that trial judges have wide discretion to exercise the power to modify monetary awards. It is unclear what effect the phrase in the Lanham Act "shall constitute compensation and not a penalty" has on the judicial power to increase damages or profits. It may be that the phrase reflects a congressional intention to forbid any award where plaintiff has suffered no provable damages or defendant no provable profits. This somewhat vague language seems to create a green light for the judicial increase of damages or profits to deter willful infringement so long as there is some "remedial" aspect of the increase."

Where damages have been increased, the reason usually given is some variation of the "knowing and willful" infringement theme. It appears that under Lanham Act § 35, the discretionary power to increase, while it must be "compensation and not a penalty," is properly invoked not only to adjust for difficulties in proving amount, but also to deter in egregious cases of infringement.

4. Punitive Damages

While the Lanham Act § 35 does not authorize an additional award of punitive damages for willful infringement of a registered trademark or for a violation of § 43(a), punitive damages are still



available for accompanying state, non-federal causes of action for trademark infringement. In states where punitive damages are allowable in tort cases, they are equally allowable in cases of trademark infringement and unfair competition.

In most jurisdictions, punitive damages are awarded: (1) to punish one guilty of a willful wrong; (2) to make an example of the defendant to others (hence "exemplary" damages); (3) to deter defendant from future misconduct; and (4) as an approximate award to plaintiff of his expenses of litigation. In most jurisdictions, punitive damages are awarded only where defendant's conduct in a tort case has been egregious.

Evidence of the financial status of the defendant is relevant evidence from which the amount of punitive damages may be set. Financial status is considered, "as obviously what would be pecuniary punishment to a man of small means would not be felt as such by one of large means." In most jurisdictions, punitive damages cannot be awarded unless there are some actual damages awarded, no matter how small.

The federal Lanham Act does not specifically allow for the recovery of punitive damages apart from the judicial power to increase damages or profits. For infringement of federally registered marks, there is little need in most cases to utilize the theory of punitive damages, however, for the federal statute permits not only up to a trebling of actual damages but also an unlimited increase of an award of defendant's profits.

5. Attorneys Fees

Congress in 1975 amended Lanham Act § 35 by adding the sentence: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." The Senate Committee on the Judiciary felt that attorney fees should be available in "exceptional cases, i.e., in infringement cases where acts of infringement can be characterized as 'malicious,' 'fraudulent,' 'deliberate,' or 'willful.' The attorney fee remedy should coexist with the existing provision for treble damages and attorney fees should also be available to defendants in exceptional cases."

Pursuant to the 1975 statutory authorization, the federal courts have awarded attorney fees to prevailing plaintiffs with some regularity. Usually, the type of conduct that has sufficed to make out an "exceptional case" is intentional, deliberate or willful infringement.

More than negligence is required. Where there is proof of intentional infringement, as in a counterfeiting case, it is an abuse of discretion not to award attorney fees.

Reliance on advice of counsel does not take an otherwise "exceptional" case out of that category unless there is evidence proving the reasonableness of that reliance. While under certain circumstances a party's reasonable reliance on the advice of counsel "may defuse otherwise wilful conduct," there must be proof of what counsel's advice was and that reliance on that advice was reasonable under the circumstances. Conversely, the failure to consult counsel prior to engaging in infringing conduct supports a finding of willful infringement and an award of fees.



Even when an award of fees in favor of a prevailing plaintiff is appropriate, the amount of those fees can be scaled downward to reflect the plaintiff's own less than acceptable behavior.

Some courts hold that a different standard applies to prevailing defendants than to prevailing plaintiffs. Those courts hold that "bad faith" is not necessary for the prevailing defendant to prove. Such courts may award attorney fees in "exceptional circumstances such as total lack of merit or harassment." Other courts hold that the same standard of "bad faith" is required for both prevailing defendants and prevailing plaintiffs to recover attorney fees. A basis for an award of attorney fees to a prevailing defendant is that the plaintiff has either initiated or conducted the litigation "vexatiously" or "unjustifiably."

If attorney's fees may be awarded under state law, they may be awarded in a case of trademark infringement or unfair competition. In the absence of an applicable statute, most state jurisdictions do not generally allow for the recovery of attorney's fees. Attorney fees may be awarded to prevailing plaintiff under a state law even in the absence of a finding that the case is "exceptional" under the federal Lanham Act. A state law permitting the recovery of attorney fees is not preempted by the Lanham Act.

6. Costs

Expenses which are taxable as costs are set forth in detail in the Federal Judicial Code. Costs are not attorneys fees as is usual in countries outside of the United States. Rather, they are for necessary expenses such as filing fees and court reporter fees. Courts must exercise their discretion sparingly in taxing as costs any expenses not specifically allowed in the statute. "Taxable costs" recoverable as of right are only those listed in Fed. R. Civ. P. 54(d). Other expenses are allowable only in the discretion of the court where there is "aggravated" conduct such as "fraud."

IV. Counterfeiting Remedies

Lanham Act § 35(b), 15 U.S.C.A. § 1117(b), provides for special monetary remedies for counterfeiting cases. Congress in 1984 for the first time created special powers in counterfeit goods civil cases for judges to grant ex parte seizure orders and also mandated certain monetary remedies. The 1984 Act added language requiring that unless the court finds extenuating circumstances, treble damages or profits and a reasonable attorney fee award must be awarded to an infringed trademark owner if the defendant counterfeiter knew that the goods were counterfeit and intended to offer them for sale.

Therefore, under the 1984 Counterfeiting Act, the award of treble profits/damages and a reasonable attorney fee is mandatory, except in rare cases, against one found to have been intentionally using a mark knowing it to be a counterfeit. Thus, an effective panoply of civil remedies is available against the counterfeiter. In some cases, trebling the profits of a prosperous counterfeiter can result in a substantial recovery.



Congress has emphasized that it will be a "rare case" and a "highly unusual" instance in which a defendant who has trafficked in goods that he or she knows to be counterfeit can show some "extenuating circumstances" justifying that treble damages not be assessed. But if the counterfeiter's actions were not accompanied by a deliberate intention to deceive, then the "extenuating circumstances" exception can be used to deny recovery of treble damages.

Treble damages are a suitable remedy for counterfeiting because simple damages will under-deter: "the violator will know that he won't be caught every time, and merely confiscating his profits in the cases in which he is caught will leave him with a net profit from infringement." Congress has stated that in counterfeiting cases, it is appropriate for the court to award treble damages purely as a penalty, and not as any form of rough compensation when damages are difficult to compute.

Willful blindness is no defense to a charge of knowledge and treble damages. The 1984 Act created § 35(b) which imposes mandatory treble damages for a violation that consists of intentionally using a mark "knowing such mark or designation is a counterfeit mark." It is sufficient knowledge that a retailer "failed to inquire further because he was afraid of what the inquiry would yield. Willful blindness is knowledge enough."

Thus, a retailer who buys inferior quality merchandise marked with a famous name brand at an unusually low price from an itinerant peddler and resells it cannot defend on the ground that he or she did not "know" that something was amiss. This is "willful blindness."

A court-ordered destruction of counterfeit goods is also available as a remedy. Despite Congress's failure to enact a civil provision analogous to the criminal provision authorizing destruction of the goods, it has been held that such a destruction remedy was intended by Congress to be allowed in civil cases as well.

Lanham Act § 35(c), 15 U.S.C.A. § 1117(c), as added in

1996, provides for the election of statutory damages in a counterfeiting case. To help stem an increasing wave of counterfeit activity, Congress in 1996 increased penalties and facilitated procedures for the anti-counterfeiting battle. One of the elements of this legislative package was the provision for statutory damages.

Table: "Typical charges from 1999 AIPLA Economic Survey"



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OVERVIEW

Appellate review in the United States has several levels: First, a "final rejection" is appealed to an administrative panel of three "Examiners-in-Chief" who were retitled by Commissioner Lehman as "Administrative Patent Judges" or APJs. See § II, A Proud Heritage. Denial of relief before the ALJs



opens the door to a judicial remedy of either a direct appeal to the United States Court of Appeals for the Federal Circuit or a civil action (a trial de novo) in Washington, D.C. federal district court (with a subsequent right of appeal to the Federal Circuit). Improvements are being sought in quality in part by having more clearly defined issues set forth before an appeal is reached. See § III, A Clearer Pipeline of Appeals. An oral argument is a cursory procedure of generally about twenty minutes; this plays a very small role in the U.S. proceedings vis a vis what happens in Europe and Japan. See § IV, The Oral Argument at the Board.

Previously, the Federal Circuit and its predecessor Court of Customs and Patent Appeals were thought to provide significant guidance on ex parte appeals. This is no longer the case. See § V, Non-Existent Judiciary Review of Ex Parte Doctrines. The problem is made acute by the failure of judicial reviewers to more than occasionally issue precedential opinions on ex parte appeals. See § VI, "Precedential" versus "Non-Precedential".

A major and long overdue reform is for the United States to emulate the leadership roles of Europe and Japan where appellate opinions are made public and where there even is a trend toward publication in electronic form. See § VII, Electronic Publication of All Manuscript Opinions.

A PROUD HERITAGE, GOOD JUDGES Historic Role of the Board of Appeals

If a generation ago one had comparatively viewed the various patent appellate bodies of the world, there would have been no question at all that the United States had the oldest and one of the most successful patent review boards of any patent office in the world.

The origins of a Board of Examiners-in-Chief may be traced to the modern examination law of 1836 which, after 1839, put senior examiners more in the role of advisors to the Commissioner who was responsible for a final decision. See generally, P.J. Federico, *The Board of Appeals 1861-1961*, 43 *Jour. Pat. & Trademark Off. Soc'y* 691 (1961). Judicial review was permitted to the Circuit Court for the District of Columbia, with various reported opinions having been published including *In re Kemper*,

14 F.Cas. 286 (C.C.D.C.1841); *In re Winslow*, 30 F.Cas. 306 (C.C.D.C. 1850) (Cranch, C.J.); *In re Janey*, 13 F.Cas. 349 (C.C.D.C. 1847) (Cranch, C.J.); *In re Aiken*, 1 F.Cas. 226 (C.C.D.C. 1850) (Cranch, C.J.); and *In re Crooker*, 6 F.Cas. 867 (C.C.D.C. 1850) (Cranch, C.J.).

In *Aiken*, the origins of the Board of Appeals are traced to the original patent examination statute of 1836; but, the role of the initial Board was held to be purely advisory to the Commissioner. Chief Judge Cranch first noted that the Commissioner's denial of the patent was based upon a decision of the Board; the Commissioner said to the applicant that "[y]our claims to letters-patent for alleged novelties in a submerged propeller have been submitted to a board of examiners, who have decided unanimously that they present nothing essentially new or patentable, and confirm the former



decision of this office respecting the same." Aiken, 1 F.Cas. at 227. Chief Judge Cranch found this to be possibly misleading, as giving the Board too much authority:

* * * I have no knowledge of any legal board of examiners in the patent office having power or authority to affirm or reverse the decisions of the commissioner of patents. The powers and authority of the board of examiners provided for in the [examination law of] 1836 were transferred to the judge by the [revised patent law of] 1839; and so much of the act of 1836 as provided for a board of examiners is repealed by the [amendment of] 1839. By the * * * Act of 1836, upon the filing of an application * * *, the commissioner is to make, or cause to be made, an examination of the alleged new invention[.] This examination may be made by the commissioner alone or with the aid of such examiners as he may assign for that business; but he cannot transfer to them, or any of them, his own power to decide. He cannot constitute them a board of examiners, known in law as such. They are but the assistants of the commissioner in the discharge of his duties.

The Board was formally constituted in 1861, more than 135 years ago. Federico, *supra*. While various details were changed over the years, the fundamental nature of the Board as an essentially "judicial" reviewing body of Examiners grew more and more over the years. With the explosion of the corps in the 1980's to much more than a thousand examiners, the Commissioner virtually never participated in the decision making process of individual appeals (although under 35 USC § 7 he and his administrative colleagues remain technically members of the Board) and the Board's actions were tantamount to a judicial ruling.

A century after its creation in 1961, the fifteen members of the Board were some of the most distinguished senior members of the patent law community. Before their appointments as Examiners-in-Chief, these brilliant lawyer-administrators had spent an average of more than twenty-nine (29) years in the corps! Federico, *supra*, 43 Jour. Pat. & Trademark Off. Soc'y at 697-98. Federico, the principal author of the 1952 Patent Act, had 211 published opinions (including non-patent and petitions opinions). Nogi Asp had a total of sixty-five (65) published opinions. Later, the distinguished Herbert Magil had thirty-four (34) opinions that were published, mainly in the 1960's; Examiner-in-Chief Wolffe had ninety-four (94) published opinions.

The 1992 Manipulation of the Board

In the waning months of the Manbeck Administration, the Board as it had been known for generations was dismembered. Commissioner Manbeck took the approach that the individual Board members were to do his bidding on the interpretation of the law, whereas in previous years the Board Examiners-in-Chief had been quite independent from the Commissioner; they relied instead upon the case law of their reviewing body, the U.S. Court of Appeals for the Federal Circuit (and, before that, the U.S. Court of Customs and Patent Appeals).

Gross improprieties and at least implicit intimidation was used by the Commissioner to force Board members to accept his interpretations of the law and practice. The egregious nature of the Commissioner's gross interventions is manifested by *Ex parte Alappat*, 23 U.S.P.Q.2d 1340 (PTO



Bd.Pat.App & Interf. 1992), rev'd on other grounds sub nom In re Alappat, 33 F.3d 1526 (Fed. Cir. 1994) (Rich, J.) (en banc) In an initial opinion, a three member panel of the Board (Linguist, Thomas, and Krass, Examiners-in-chief) had reversed the Examiner's rejection. Commissioner Manbeck, furious with the result, ordered reconsideration with a panel including himself as well as Deputy Commissioner Comer (a person with no patent background or expertise), Assistant Commissioner Samuels (a trademark expert with no patent background) as well as the Chair and Vice-Chair of the Board, Messrs. Serota and Calvert; joined on the expanded panel were the three unanimous members of the original panel – outvoted 5-3 in an opinion by the Chairman.

Such gross manipulation of the Board shifted the emphasis in the PTO from the case law of the Federal Circuit as the reviewing body and instead to the directives of the administration of the PTO, some without significant patent legal background.

Critical View from the Board Critical View from the Board

In a letter signed by most of the Board members to the Commissioner, a blunt complaint was aired: The Commissioner is authorized under 35 USC 7 to "designate" the members of a panel.

There is no apparent authority, statutory or otherwise, to un-designate a duly formed panel and to redesignate a completely new panel for any purpose, let alone the purpose of reaching a conclusion opposite to that of the original panel, after the original panel not only reached a decision, but signed that decision.

These matters raise questions of a very serious nature including ultra vires agency action, interference with the judicial independence of the [Board] and denial of an appellant's right to procedural due process.

44 PTCJ 33 (1992). Commissioner Manbeck made things worse through his answer:

The members of the Board are employees of the Patent and Trademark Office. Accordingly, they are expected to follow the policy established by the Commissioner for the Patent and Trademark Office. They are also expected to follow prior decisions of the Board, particularly those of expanded panels, unless overturned by the Federal Courts. Any panel which finds that it cannot follow a prior decision of the Board is asked, prior to the time a decision is entered, to call that fact to the attention of the Examiner-in-Chief who serves as Chairman of the Board. Any other practice leads to inconsistent policy and application of the law to individual cases which come before the Patent and Trademark Office.

On those rare occasions when a decision of the Board is entered without knowledge of, but which turns out to be contrary to, a prior Board decision, the Board can reconsider its decision sua sponte or upon a request for reconsideration by either the applicant or the examiner. The panel to hear any request for reconsideration may be designated by the Commissioner, and may include himself, the Deputy Commissioner, and any Assistant



Commissioners appointed pursuant to 35 USC 3(a). * * * [W]hen appropriate, an expanded panel may be designated by the Commissioner to hear a request for reconsideration. The expanded panel may or may not include the original panel members, although it is generally Patent and Trademark Office practice to include original panel members when a case is being reconsidered by an expanded panel.

44 PTCJ 33 (1992).

"Administrative Patent Judges"

Shortly after taking over as Commissioner, and seeking to restore prestige to the Board, Commissioner Lehman elevated the title of an Examiner-in-Chief to a nonstatutory "administrative patent judge" or APJ. He explained this in his letter of October 18, 1993: "The Examiners-in-Chief at the B[oard of Patent Appeals and Interferences] * * * play an important role in the administration of the United States Patent and Trademark laws. In recognition of this contribution by the Examiners-in-Chief * * *, I have authorized the Chairman of the BPAI to use the title Chief Administrative Patent Judge, the Vice Chairman to use the title Vice Chief Administrative Patent Judge, and the Examiners-in-Chief to use the title Administrative Patent Judge. * * *" 46 PTCJ 534 (1993).

The Current Board

Is the Board doing its job? Very well? Apart from the backlog statistics, nobody on the outside really knows because of secrecy of Board operations. Therefore, there has been nothing done in the past five years to in any way give the Board a public imprimatur of confidence.

A CLEARER PIPELINE OF APPEALS

Clean, joined issues crisply articulated in a solid Examiner's Answer is critical to the optimum functioning of the Board process. Where the issues are not joined, where there is fuzzy reasoning, or a confused factual or legal analysis, the Board must virtually de novo reconsider everything from scratch. What a waste of premium resources.

There are several reforms that should be undertaken.

"Beans" for a Completed Appeal

A great number of appeals is brought because a hopelessly muddled case is simply bucked up to the Board, to get it off the Examiner's docket. What's more, the Examiner who maintains his or her rejection, no matter how bad the rejection may be, is rewarded by the bean counters with one "disposal" credit simply for shifting the case to the Board!

One may think, arguendo, that there is a payback time for the Examiner guilty of this conduct. Not really. It will be several years before the case is reversed and then all will be forgotten as to what happened so many years before.



Restoration to the 1960's era practice of giving a disposal only for abandonment or allowance should be one of the best ways to stop Examiners from dumping their mistakes up to the Board: They only get credit for their work when the case is granted or abandoned many years hence.

An Appeals Conference

Selectively administered within the discretion of the Group Director, an Appeals Conference has proven very useful to sharpen up the issues in an appeal so that a greater percentage of the cases are cleanly presented to the Board; some are so clearly understood that the Office will drop a rejection at this stage (saving an appeal) or clarify the issue to the extent that the applicant will voluntarily withdraw the appeal in favor of a continuing application.

In an appeals conference, the Supervisory Primary and a senior, independent Primary Examiner meet with the Examiner in charge of the application to determine whether the appeal should be permitted to go forward to an Examiner's Answer. The conference can be very beneficial in the sense that an appeals conferee presents an independent voice. He can lead to an allowance of the case. He can also help reshape the statement of issues and the legal analysis to make a cleaner presentation to the Board. Obviously, a

few minutes are well spent at the corps level if it will save the Board from wasting its own time in trying to dig through raw facts to understand the issues.

The work of the Board is greatly simplified with an effective appeals conference mechanism. Several changes should be made:

Mandatory, Effective Conferences

A Group Director has every incentive to block Appeals Conferences because it lowers the production of his group – even if it wastes the resources of the Board. A mandatory imposition of an Appeals Conference procedure is worthwhile.

Appeal Conferee Accountability

The Appeals Conference conferee should be accountable for the rate of affirmances and reversals.

Remands Keep the Pipeline Clean

It is absolutely a waste of high level resources for a Board to take an entirely de novo review of a mangled treatment of law and facts. Remand should be made to the Group Director instead of the Primary

Examiner in those cases where the Patent Judge determines that the Primary Examiner is unable to prepare an appropriate Examiner's Answer. The Group Director should be accountable for the quality of the work and for proper reassignment of a remanded case.

THE ORAL ARGUMENT AT THE BOARD



Up until at least 1992, the oral argument at the Board generally consists of a fifteen minute monolog by the patent attorney with little if any response from the Board. Zero interaction. (Since 1992, the question is open.)

A far better approach is the collegial, interactive group discussion that the Japanese Patent Office now uses. Ideas can be exchanged. Experts can be brought along. Although there is a thirty minute limit on the argument, Japanese Examiners have been very lenient in keeping time.

Additionally, the physically elevated status of a stiff row of three Patent Judges in the United States deters anything other than a formal presentation from the "well". There is no chance for interaction in such a setting.

NON-EXISTENT JUDICIAL REVIEW OF EX PARTE DOCTRINES

The CCPA of the late 1970's is to blame for the virtual destruction of an effective appellate review of ex parte patent appeals. In its zeal to make room for the broader jurisdiction of what in 1982 became the Federal Circuit, publication of precedential opinions in ex parte patent appeals was largely snuffed out. Once this appellate route was snuffed out and as new judges entered the scene with no background in the ex parte patent practice issues, if anything, interest diminished.

Should the Federal Circuit give precedential consideration to larger and larger numbers of ex parte patent appeals? This is one possibility. But, if one takes as a given that there should be two cracks at the apple at different levels of review, the better solution may be to have an effective Appeals Conference between the Examiner and the Board level, with the Board itself being the second line of review. Then, the Federal Circuit would be a third level of review that should not require many more opinions than today.

"PRECEDENTIAL" VERSUS "NON-PRECEDENTIAL" Patent Judge Autonomy to Designate

Without benefit of public comment, the Board a few years ago started issuing opinions that are not "precedential". It is estimated that virtually all opinions are in this category, as any "precedential" opinion would have to be published.

It should not be up to the Commissioner to determine whether an opinion is "precedential" or not. Rather, each panel should determine this point.

(Otherwise, a Commissioner could cherry pick, say, 0.1 percent of all Board opinions and have a pool of thirty or so opinions each year based upon this 0.1 percent fraction. Selection of this nature can lead to "black" being "white".)

Non-Precedential Opinions

Shorter Opinions



If the opinion is designed only for the parties as a non-precedential opinion, it makes no sense to have a grand explanation of what the Examiner did in the proceedings below.

The legal reasoning should not be short-changed, but should be brief.

The Examiner's Answer

The legendary Herbert Lidoff set a good example by affirming many appeals with scant language but with a statement that the Board agreed with the conclusion and reasoning of the Primary Examiner.

Where the Primary Examiner has done a nearly perfect job, why not reward the Primary Examiner by adoption of the Lidoff practice.

Opinions for Review by the Court

The Court has been critical of the Board in terms of how opinions are drafted.

ELECTRONIC PUBLICATION OF ALL MANUSCRIPT OPINIONS

Today, virtually none of the literally thousands of opinions from the Board is published. Even if, say, one (1) percent of the opinions were published, this would provide a rich fabric of administrative case law of at least thirty per year. Today's technology permits easily loading all opinions onto the on line search equipment available throughout government and the private sector.

Benefits of Publication

Submarine Patent Law Doctrines

Batchelder Paradigm: Seemingly Odd Case Law

Like a submarine barely visible to the patent bar, *Ex parte Batchelder*, 131 USPQ 38 (1960), was, on the surface, but an aberrant Board opinion that denied narrowing of Markush claims to eliminate an anticipated member. Thus, if a particular "R" (Markush) group on a chemical ring was defined in the original application as "A, B, C, D, ... X, Y or Z", and if C were anticipated by prior art, it was held to be new matter to subtract the anticipated member: Under today's language, the new Markush group "A, B, D, ... X, Y or Z" would be held to lack a "written description" under 35 USC § 112, ¶ 1 (then, "new matter" under 35 USC § 132).

Literally hundreds (if not thousand) of generic claims were denied over the next fifteen year, all on the authority of the progeny of *Batchelder*. By the late 1960's, the Board itself had a thick file of "Batchelder" opinions that would justify any denial of a Markush claim that was not literally supported in the original application.

In case after case, Examiners would cite *Batchelder*, and applicants would fold. But, a significant number of appeals were taken within the PTO, all to no avail. The Board had before it the numerous, secret opinions that extended *Batchelder* to virtually any fact pattern.



There are two basic problems with the unpublished Batchelder line of opinions from an overall pragmatic standpoint:

First, there are some extensions of Batchelder that were clearly wrong. Yet, because they could not be cited by the Board of discussed (due to secrecy), this meant that a Board panel would silently listen to an appellant's argument to distinguish what was on the record, followed by a sometimes verbatim copying of the reasoning of the unpublished opinion into yet another denial.

Second, had the general public known about the numerous Batchelder opinions, several good things would have happened:

(a) Teaching Function: The public would have been better warned about the importance of multiple generic defense lines of decreasing scope in the original application – applicants would have drafted better claims and obtained better patents;

(b) Critical Commentaries: By exposing the Batchelder line of cases to public scrutiny, the rejection would have been demolished almost immediately by critical commentary;

(c) Fewer Appeals: If the patent community was aware of the full size of the Batchelder problem, applicants who thought of Batchelder as just an aberrant opinion would have refrained from many, many appeals, knowing that far from being an aberration, Batchelder was the foundation for a long line of subsequent opinions; and

(d) Critical public debates before judicial review: Because of the secrecy of virtually the entire Batchelder line of case law, there was little if any public debate or commentary, leaving it up to the judicial reviewer to take a de novo approach to a legal issue of first impression. Far better decisions and a more efficient judiciary would be the result of public debate on issues before they reach the court. In the Batchelder line of cases in *In re Welstead*, 463 F.2d 1110, 1112 (CCPA 1972), the critical issue was not even understood by the appellants until too late. Batchelder was finally overruled sub silentio seventeen (17) years later in *In re Johnson*, 558 F.2d 1008 (CCPA 1977); and *In re Driscoll*, 562 F.2d 1245 (CCPA 1977).

Thirty Shoes of "Batchelders"

By the late 1960's there were roughly thirty "shoes" or drawers of slip opinions of various categories. The Batchelder paradigm was multiplied thirty times over for issues of various kind that existed as submarine case law.

Abolition of the "C-Note" Practice

The Board of Appeals issues several thousand opinions a year, releasing but a few. The rationale is that the opinions denying a patent are never available due to secrecy of PTO proceedings under 35 USC § 122.



The result over the years has been a set of ad hoc files of opinions categorized by topic, all available within the PTO but maintained in secrecy from those outside the PTO. When an Examiner has a factual pattern similar to one of the secret opinions, he or she would clip into the file a "C-note" – as in "see this case". A reference would be made to the appeal number of the case.

The Board would then patiently listen to the attorney's arguments about everything but the C-note referenced case – which is not in the written proceedings and not mentioned by the Board at the hearing.

Immediately after the hearing, the Board, confirming that the factual pattern is similar to the C-note referenced case, affirms on perhaps identical wording – but, without citation of the C-note referenced case. (And, thence, this later opinion is added to the C-note file!)

Accountability of Everyone

Attorneys, Examiners, Patent Judges – all of them will have great exposure through a system of publication of all opinions. For the great bulk of all attorneys, Examiners and Patent Judges, this is a very good thing. Their handiwork will be manifested on the Internet for anyone to search through whole text.

Malpractice and Frivolous Appeals

Attorneys who do a great job on appeals will be discovered. Their work should increase.

Attorneys who take far, far too many appeals under the blanket of secrecy that exists today will be exposed: Second thoughts will be given to taking frivolous appeals, where once appeals were taken to pocket the client's money with the security blanket of secrecy covering up the mistake.

Rewarding the Good Patent Judges

While the secrecy blanket on Board activity precludes other than anecdotal reports of excellence in work at the Board, in a normal bell shaped curve population there should be an overwhelmingly high percentage of members of the Board who deserve praise for their work. Keeping the Board's work under a shroud of secrecy blocks their work. What incentive does a Patent Judge have to draft a detailed opinion if nobody will ever read it? Why should extra efforts be taken in an important case if the work will be buried in Suitland or some other warehouse as part of an abandoned file?

A whole text search of all the opinions of a particular Patent Judge will be possible. This will mean that a very good profile can be made on a person by person basis.

Also within any bell shaped curve, there is a narrow blip at the other side. Here, too, electronic publication will be excellent by letting the public evaluate opinions and offer their constructive views in the legal journals, all with the benefit of an improved dialogue.

Restored Board Visibility



The great majority of the Patent Judges have never had an opinion published! Never! Not once! This is a disservice both personally and institutionally to one of the great appellate patent bodies of the world.

An Easy to Generate System

Procedurally, the hundreds of millions of dollars spent so far by the PTO on electronic search systems should easily have created the technology and the capacity to directly load onto its system all of the opinions of the Board, even on the same day that they are delivered to the public.

Legally, there is no statutory bar to dissemination of the information as the PTO has the discretion to cause publication even today of any Board opinion. 37 CFR § 1.14(a)(3). To the contrary, the statute does not exclude publication of opinions by the Commissioner, 35 USC § 122 and the regulations specifically authorize publication 37 CFR § 1.14(d).

The current procedure is cumbersome. The procedure should be streamlined, e.g. as new 37 CFR § 1.14(e):

- (i) Secrecy of any future opinion by the Board in any patent application file is deemed waived thirty days from the date of the mailing of an Examiner's Answer unless the applicant files an opposition to publication.
- (ii) Any opposition to publication shall be based solely on the ground that there is trade secret information in the application itself, and shall include the averment that there has been no foreign counterpart application filed and published.
- (iii) Where an opposition has been filed under subparagraph (ii) and is to be maintained as to an opinion, the applicant must reaffirm that opposition within thirty days of that opinion, specifically reaffirming that there is trade secret matter remaining in the application and that the averments under subparagraph (ii) on nonpublication remain valid.
- (iv) A condition precedent to reaffirmation of the opposition under paragraph (iii) is that concurrently with such filing the applicant shall submit a redacted copy of the opinion that eliminates only the trade secret information itself. Failure to comply with this provision shall constitute a secrecy waiver as to the opinion which shall then be published forthwith in electronic form.

SHORT RANGE GOAL TO END THE BACKLOG

Rumors circulate that the PTO has record backlogs of cases at the Board of perhaps nearly 10,000 or more, and time delays from this backlog of five or so years. Whether the numbers are accurate, they are in the right ballpark.



With roughly 30 Patent Judges handling ex parte appeals (the remainder focusing upon interferences), a short range goal should be set to deal with 5,000 dispositions per year, admittedly a higher number than the PTO has been handling and which has resulted in this massive backlog.

There are several ways to approach the backlog problem:

First, if there are roughly thirty Patent Judges to do the work and each could dispose of 170 appeals in one year, this would provide more than 5000 dispositions per year. Based upon 2000 professional hours per year, this would translate into one opinion for every eleven hours.

It may be considered that in a normal bell shaped curve of, say, 100 appeals, there may be, say, 20 "slam dunk" affirmances on a clear record; 20 or so "slam dunk" reversals on an equally clear record; 40 "muddied" cases that could go either way and require some time for reflection; and 20 or so cases where the Examiner has failed to articulate his reasoning to be readily understandable.

Here, the bottom twenty percent of the cases should be disposed of immediately with a remand to the Group Director for reassignment and reconsideration within the group. It is an absolute waste of PTO resources to have a physically remote Patent Judge deal with the nitty gritty of getting a case in order, searching, etc., vis a vis a regular patent examiner.

The forty cases which are slam dunks, either affirmances or reversals, could be dealt with in the Lidoff style, i.e., a one paragraph statement that "we agree with the Examiner for the reasons stated in his Answer" or "we agree with appellant for the reasons set forth in his Brief." Since the cases are non-precedential, there is no reason to reinvent the wheel and write a neatly tailored opinion where one side has already done the job.

If the slam dunk affirmances and reversals add up to 40 cases and the remands add 20 to jump the total to 60, one could figure a time for each of these cases as at most three hours each. This would leave more than enough time to handle the difficult cases in the middle of the bell shaped curve.

THE FUTURE

There is a general recognition among comparative experts that there are advantages to be gained by having an inter partes system with a stronger role for the senior Examiners. Yet, there is nothing on the immediate horizon in the United States to suggest any major reform at an early date. There is some movement in the United States to introduce an inter partes appeal in the case of a new reexamination procedure: Under legislation that is now before the United States Senate and already passed by the full House of Representatives, there is a provision for inter partes reexamination of granted patents. In this legislation, an appeal would be open to both the patentee and a third party attacker to the Board of Patent Appeals and Interferences. This is just one indication of the importance of a right of appeal to the Board that is now felt within interested circles in the United States. (There is no prediction, here, that this legislation would pass and, if it did, the procedure would only be open to reexaminations filed not earlier than 2001 on the first anniversary of reenactment).



FÉDÉRATION INTERNATIONALE DES CONSEILS
EN PROPRIÉTÉ INTELLECTUELLE

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INTERNATIONALE FÖDERATION
VON PATENTANWÄLTEN

FICPI Historic Event
5th Open Forum
Monte Carlo
3-6 November 1999



PAPER: MC/3.3 by Knud RAFFNSØE, Denmark

Appeal Examination System towards the 21st Century

Introduction

To any patent applicant or patent owner as well as any third party opposing a patent, who is adversely affected by a decision of the European Patent Office, by which his application is rejected, or his patent revoked or unjustifiably limited, or an opposition is rejected, it is of vital importance to have access to complete review, or reexamination of the grounds for the appealed decision by appeal proceedings which are fair and efficiently managed and are completed within a reasonable time frame.

The importance of this somewhat trivial observation is underlined by the fact that the subject matter of cases brought before the appeal boards of the EPO are without exception important inventions, for which typically heavy investments have been made, or third parties feel that the patent owner seeks an unjustified monopoly in view of the state of the art.

In particular, to the applicant or patent owner, the appeal examination is tremendously important, since the appeal procedure is the last chance he will get to have a patent granted. Under the European procedure there is no further possibility for judicial review, or further appeal from decisions taken by the EPO appeal boards, whereas the opponent left without success in central proceedings before the EPO can continue to attack the patent by national revocation actions in the EPC countries for which the patent is upheld. Many users have taken the view that this constitutes an unbalance to the disfavour of the patent owner.

The most important prerequisite to achieve the goals mentioned and meet user's expectations is the form, content and reasoning of the decision, from which an appeal is to be made.

In this context, a general principle underlying the good faith between the EPO and its users is the principle of protection of legitimate expectations, which overall is well-recognized in European Community Law. This Principle implies that communications from the office must be clear and unambiguous and drafted in such a way as to rule out misunderstandings on the part of a reasonable addressee. There is case law from the appeal boards deciding that a communication from the office, wrongfully leading an applicant to take an action causing rejection of his application, is null and void in its entirety.

I am pleased to note that the majority of users in Europe by and large find the decisions of the various divisions of the European Patent Office, including in particular the examining and opposition divisions to be clear and well-reasoned and leaving the appellant with a fair picture of the point of departure for the efforts he will have to make to reach a successful result on appeal.



Other factors which are equally useful for the credibility of the EPO appeal system is the information given to the users, on one hand, by the guidance for appellants and their representatives, last published in the EPO Official Journal

1989, from page 395, and on the other hand, through the publication of all-important appeal boards decisions by various means of publishing. By far the most consulted collection of such decisions is the booklet on Appeal Board Case Law, published by the EPO, which in the latest edition from 1996 includes more than 1400 decisions from the technical appeal boards. Rightfully, this booklet has for any European Patent Practitioner acquired the status of a "bible", which is a must to consult in appeal proceedings.

This does not mean, however, that the satisfaction of users extends to all features and elements of the appeal procedure itself. In particular, the long duration of appeal proceedings is repeatedly met with heavy criticism.

Grounds for Rejection or Revocation under the EPC (OH 1)

Although under Article 106 of the EPC the majority of decisions taken by the receiving, examining, and opposition division as well as decisions from the legal division are appealable, this presentation will concentrate on ex parte appeal examination of decisions by the examining divisions and inter partes examination of decisions from the opposition divisions.

The grounds for rejection of a European Patent Application or revocation of a granted patent which will typically be examined in the appeal procedure, comprise in particular

1. Subject matter falling with the exclusions from patentability stated in article 52 (2) to (4) and Article 53;
2. Lack of Novelty and/or inventive step under Articles 54 and 56, or, less frequently, lack of industrial applicability under Article 57;
3. Impermissible amendment in violation of Article 123 (2) or (3) entered either during pregrant examination or after grant;
4. Insufficient disclosure under Article 83;

These reasons constitute the exhaustive list of reasons for revocation summarized in Article 100, but nevertheless opponents have requested in a number of cases the invalidation of a patent for lack of compliance with the requirement of Article 83 for the claims to be supported by the specification, the so-called "overly broad claims" attack. Although by itself, this is not a formal reason for revocation, such questions have in some cases been decided by opposition divisions and appeal chambers against the applicant or patent owner by using either lack of inventive step or insufficient disclosure as the formal reason for revocation.



A proposal to add lack of support for the claims as a formal ground for revocation has so far been bluntly rejected in the discussion about revision of the EPC initiated this year due to the fear that such a reason would be used against the patent owner in any opposition proceedings.

Key Elements of the Appeal Procedure (OH 2)

Under Article 108, a written notice of appeal must be filed, and payment of the appeal fee must be effected within two months from the date of the appealed decision, and within a further time limit of two months a detailed written appeal statement must be submitted setting out all grounds for the appeal as well as the facts, evidence and arguments on which the appellant will rely.

In ex parte cases such as appeals from decisions of the examining division an interlocutory revision of the appeal will be made, after formal examination of the appeal with respect to admissibility, by the department of first instance, whose decision is appealed. If the appeal is considered admissible and well-founded, the first instance department will rectify the appealed decision and there will be no proceedings before the appeal board.

If a rectifying decision has not been made within one month after receipt of the appeal statement, the appeal will without delay be remitted to the appeal board.

In inter partes proceedings such as appeals from opposition decisions the other party to the proceedings will be informed of the notice of appeal and, after receipt of the appeal statement, be invited to file his observations together with any fact and evidence on which he will rely in the appeal proceedings.

During the continued proceedings the party or parties are invited to file observations as often as considered necessary by the appeal board. Such repeated exchange of written communication will typically take place, where amendments are filed by the patent owner or new evidence is introduced by one of the parties. It is clearly left with the discretion of the appeal board, however, to decide whether it is necessary to invite parties to file observations.

Under article 117 the means of giving or obtaining evidence (OH 3) include

- a. hearing of the parties
- b. requests for information
- c. production of documents
- d. hearing of witnesses
- e. expert opinions,
- f. inspection of specimens
- g. sworn statements

Evidently, by far the most common means of evidence is hearing of the parties and production of documents, although technical experts appearing on behalf of a party is used in many cases.

It is important to note that although it is normally to be expected that all relevant evidence will have been made available to the department of first instance which has made the appealed decision,



admission of new facts and evidence is by no means excluded and consideration will be given by the appeal board subject to the power of the board to disregard evidence that is not submitted in due time.

When examination and consideration of the facts, evidence and arguments brought forward by the parties have been completed, preparations for oral proceedings, which is requested by parties in the vast majority of cases, are made by informing the parties of the date envisaged for the oral hearing, normally with a suggestion of 2 or 3 alternative

dates. After having received the response from parties summons to attend oral proceedings are communicated, normally together with communication of the preliminary considerations of the appeal board identifying the questions which must in particular be addressed at the oral proceedings.

Also this preliminary assessment of the appeal board, by which parties to the appeal proceedings is normally granted a time limit expiring one month before the oral hearing for filing written arguments, amendments etc., has proven to be very helpful in most cases.

Oral proceedings (OH 4) in appeal cases are conducted in the EPO office premises in Munich and, in case of decision by an examining division or an opposition division before a technical appeal board composed of two technically qualified members and one legally qualified member, although in some cases, the appeal board may be composed of five members.

At the opening of proceedings the chairman of the board normally gives a statement of the keys issues for discussion at the hearing and asks the parties to state whether the requests they have made in written submission are upheld.

The parties are then invited to give their oral presentation starting with the appellant. At the hearing a party will often be assisted by a technical expert for explanation of specific issues of the case. Frequently members of the appeal board will direct questions to the parties for a clarification of issues or aspects.

In inter parte appeals from opposition divisions where several grounds for revocation have been applied by the opponent, these grounds will typically be discussed one by one, starting with impermissible amendment, if that ground has been invoked, and continuing with novelty and inventive step.

In cases where it is revealed through the exchange of arguments that the claims on appeal cannot be upheld, but there may be a chance of allowance of claims of a more limited scope, it is not uncommon that an interruption of proceedings is made to give the patent owner an opportunity to produce an amendment and the opponent, if any, to review such an amendment.

When the parties have been heard on all issues of the appeal an interruption will be made for the appeal board to take its decision, during which the parties must leave the room.



It is an essential advantage of the appeal proceedings at the EPO that the decision of the appeal board is announced, although without any reasoning, at the end of the hearing which will typically last for half a day or, not uncommonly, for a whole day. The detailed written decision accompanied by the minutes of the oral proceedings will follow with a delay which is found in some cases to be much too long.

The decision can either be confirmation of the appealed decision, i.e rejection of the appeal, or reversal wholly or in part of the appealed decision, whereby the claims can either be maintained in unamended form, amended or rejected.

However, if the appeal board finds fundamental deficiencies in the first instance proceedings leading to the appealed decision, it shall remit the case to the department of first instance.

Prior Art

Out of the many issues which can come up for examination and discussion in appeal proceedings, the examination of various items of prior art and their relevance with respect to the claims on appeal is by far the most commonly applied.

As well known, the principle of universal and absolute novelty constitutes the essential requirement for patentability in the European patent system, which means that everything made available to the public before the filing and priority date by written or oral disclosure, by use or in any other way can count as prior art.

A special category of prior art is provided by the disclosure of an older European application filed before the application on appeal, but published after the filing or priority date. Such a disclosure will count as prior art only for the examination of objective novelty and, if novelty is established, it must be disregarded in the examination of inventive step.

There is a massive volume of appeal board case law on the question of availability to the public, but the general principle is that a disclosure affecting novelty or inventive step, which has been given only to a single person which is under no obligation to observe secrecy will count as valid prior art, which dependent on circumstances can be combined with other prior art, including common general knowledge.

A special form of prior art frequently encountered in opposition appeals is disclosure through prior public use. In EPO practice the burden of proof on the party asserting prior public use is very strict and requires presentation of exact and indisputable evidence as to the date and exact content and form of the prior use together with a demonstration that information destroying novelty or inventive step can be directly recognized from the actual form of the prior use. There is case law, however, that even a prior use which has occurred in a single private premise, may be admitted as prior art on proof that there has been no restriction of access to the premises. Thus, it is not required that a member of the public has actually observed and familiarized himself with the prior use.



In some cases, prior use may be of a character such that exact proof can be brought forward only by taking of oral evidence from a witness. The examination of such situations illustrates one of the most difficult and complicated aspects of the European appeal system inasmuch as although hearing of witnesses can take place before an appeal board, this will not provide sufficient proof, since the appeal board have no possibility to hear a witness under oath. In such cases it will normal be necessary to hear the witness before a national court in his home country, which has the power of granting sanctions against perjury.

Inventive Step - the "Problem and Solution" Approach

In the vast majority of cases, EPO appeal board practice in the examination of inventive step is to follow the so-called "problem and solution" approach, by which a determination is made of the closest prior art, followed by an objective establishment of the problem to be solved by the claimed invention and the assessment as to whether the invention as claimed would have been obvious when starting from the closest prior art and the technical problem.

It is established case law, however, that the problem and solution approach rules out an ex post facto analysis which inadmissibly makes use of knowledge of the invention and at least one important decision has found that the problem and solution approach has an inherent weakness in the sense that the closest prior art will usually have been revealed through a search made with full knowledge of the invention. Therefore, use of this approach can not be a sine qua non for determination of inventive step.

In several cases where inventive step analysis following the problem and solution approach has resulted in an assessment of prima facie obviousness, so-called secondary indicia for inventive step have been considered by the appeal boards, but in general such secondary indicia are merely auxiliary considerations. The secondary indicia (OH 5) which may or may not be taken into account will typically comprise

technical prejudice in the art satisfaction of long-felt need commercial success

surprising simplicity or result

Impermissible Amendment and the Inescapable Trap

As well-known, EPO practice is rather strict in the application of the prohibition in Article 123 (2) against introduction of an amendment by which the application will contain subject matter beyond the content of the original application. Many users find the practice too strict and out of line with the way in which an average expert would read and understand the specification.

In consequence of the strict application of Article 123 (2) this ground for revocation is frequently raised in oppositions and in the preparation of an opposition the practitioner will always consider, whether there will be any likelihood of success by raising an objection against impermissible amendment.



The real dangerous situation for the patent owner arises if an amendment in violation of Article 123 (2) has been made in the sense of a "limiting extension" during pregrant examination and is attacked in opposition, since the limiting extension cannot be removed again without broadening the claim, which is explicitly prohibited by Article 123(3).

So far no satisfactory solution has been found to this problem, but the matter is on the agenda for the ongoing revision of the EPC.

Late Submission of Grounds, Evidence, Arguments and

Amendments

The relatively flexible and liberal approach taken by the EPO appeal boards to late submissions is generally applauded by the users. In recent years practice has developed to take into account a range of aspects in the determination whether a late filed submission should be disregarded or admitted into the proceedings.

The overriding principle is that examination by the EPO of its own motion takes precedence of the possibility of

disregarding facts and evidence not submitted in due time and following this approach the relevance of the late submitted facts or evidence become decisive. Recent case law has established, however, that late submissions may not constitute a procedural abuse or lead to an excessive delay in proceedings.

With these reservations it is generally possible, however, to have late filed submissions, such as fresh prior art or evidence expanding prior art already in the file, taken into consideration by the appeal board, at least if filed before termination of the exchange of written submissions, one month before the oral hearing.

In general, the same kind of flexible approach is taken to late filed amendments, normally in the form of amended claims with the reservation, however, that unwanted procedural delays are not accepted, and that late filed claim amendments must be appropriate and necessary to overcome objections raised by the opponent or the appeal board and must be clearly allowable. As earlier noted, amendments can be made as late as during the oral hearing.

National Post Appeal Options outside the EPO (OH 6)

Even when a European patent is successfully maintained in unamended or amended form in the central appeal proceedings before the EPO its validity may still be attacked by national proceedings in each EPC member country for which the patent is upheld.

Evidently, in each member country validity may be challenged by court action, which is also frequently done as defense in infringement actions. In such cases the appeal options afforded by each country's national court system will be available to both parties to the conflict.



In addition, the validity of a European patent may in several member countries be attacked also by national administrative reexamination proceedings starting before the national patent office. In my home country this possibility is available and the possibilities for appeal are multiple, since the party adversely affected by the first instance decision of the national patent office may file a complaint with the national appeal board, from which further appeal can be made to the high court and even the supreme court. Evidently, any

decision taken at the national level will have effect only in the country concerned, but still it may have an impact on validity also in other countries, in particular in view of the development with European judges in charge of patent proceedings to take more account of decisions made in parallel cases in other countries.

To complete the picture of possibilities at the national level it should be mentioned that some member countries provide the possibility of branching-off utility model protection from a European patent application designating the country.

In cases where a European patent application is finally rejected by an EPO appeal board decision, the applicant will thus still have an option for protection in such countries, which include e.g. Austria, Denmark, and Germany, provided the subject matter is eligible for utility model protection and there is still some time left of the term of protection for a utility model which is limited to ten years.

This option is not available, however, in case of revocation of a granted European patent in opposition proceedings.

Wishes for the Future

From a European user's point of view the major deficiency of the EPO appeal system is its limited scope leaving no possibility for judicial review of an EPO appeal board decision rejecting an application in ex parte proceedings or revoking a patent in inter partes opposition appeal proceedings and leaving no possibility for central proceedings with effect in all countries once the opposition term has expired or opposition proceedings have been terminated.

It is to be hoped that the follow-up action plan from the European Commission on the Green Paper on the Community Patent System expected before the end of the year will seriously address these defaults.

OH 1

REJECTION/REVOCAION GROUNDS

- 1.
- 2.

SUBJECT MATTER EXCLUDED, EPC ART.
52(2) TO (4)

LACK OF NOVELTY, INVENTIVE STEP OR
INDUSTRIAL APPLICABILITY,

EPC ART. 54, 56, 57

IMPERMISSIBLE AMENDMENT, EPC ART



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|----------------------|--|
| 3. | 123 (2) |
| 4. | - (3) |
| OH 3 | INSUFFICIENT DISCLOSURE, EPC ART. 83 |
| A. B. C. D. E. F. G. | MEANS OF EVIDENCE HEARING OF PARTIES REQUESTS FOR INFORMATION PRODUCTION OF DOCUMENTS HEARING OF WITNESSES EXPERT OPINIONS |
| OH 5 | INSPECTION OF SPECIMENS SWORN STATEMENTS SECONDARY INDICIA/INVENTIVE STEP TECHNICAL PREJUDICE SATISFACTION OF LONG-FELT NEED COMMERCIAL SUCCESS SURPRISING SIMPLICITY OR RESULT |



Paper MC/3.3 – Yoshinori Teramoto, JP

The Japanese Appeal System

November 4, 1999

The Japanese Appeal System by Yoshinori Teramoto
Director General, Department of Appeals
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Introduction

Good afternoon, ladies and gentlemen. It gives me a great pleasure to introduce the Japanese appeal system and to discuss the future appeal systems with you.

First, I would like to tell you about the "International Patent Appeal Examination Symposium" that was held in Tokyo in November last year. In the symposium, scholars, attorneys, enterprises, representatives of IP offices of Europe, the US, China, Korea and Japan participated to discuss the present and future appeal systems of each country. Messrs. Knud Raffnsøe and Harold C. Wegner also participated in the symposium.

A Summary of Discussion was put together in the symposium, in which the following challenges were recognized concerning the appeal systems of the participating countries:

(Establishment of stable and high quality rights)

(a) Effective feedback of the decisions made by the appeal boards, the industrial property tribunal or the courts to the examination body is necessary for ensuring stable and high quality patent rights;

(b) Adequate communications between the parties and the office and exchange of opinions through interactive and face-to-face communications are regarded as two important factors for an accurate understanding of common issues;

(Strengthening of the function of dispute settlement)

(c) It was recognized that the revocation system including such systems of invalidation trial, opposition, and reexamination plays an active part in dispute settlement. With a view to utilizing their function effectively, a prompt appeal procedure is necessary;

(Dissemination of information and transparency)

(d) Quality of appeal board or industrial property tribunal decisions will be improved by developing communication environment that enables the dissemination of information about such decisions and court cases. All relevant information in addition to such decisions should also be opened to the public to assure transparency.



The Japanese Patent Office (JPO) had been aware of the above challenges indicated in the symposium, and has already implemented the following measures concerning the appeal system:

- (1) Strengthening of communication between the appeal department and the examination department
- (2) Prompt procedure of appeal examination
- (3) Strengthening of the dispute settlement function of the trial system
- (4) Dissemination of information via the Internet

Before explaining these points in detail, I would first like to introduce to you the outline of the Japanese appeal system.

1. Outline of the Japanese Appeal System

Two major constituents of the Japanese appeal system are the ex parte appeal and the inter partes trial. Under the ex parte appeal, there are systems of appeal against the examiner's decision of rejection, post-grant opposition, and trial for correction. Under the inter partes trial, on the other hand, the system of trial for invalidation of a patent has been established. Moreover, an advisory opinion system on the technical scope of a patented invention has been introduced, in which the JPO delivers an official opinion about whether the article in dispute should fall into the technical scope of a patented invention.

The outline of the flow of procedures from examination to trial, and trial to court proceedings is as follows. Where the applicant finds the decision of rejection made by the patent examiner dissatisfactory, the applicant is allowed to file an appeal against the said decision of rejection. Where any person finds a defect, on the other hand, in the contents of a patent, the said person is allowed to file an opposition submitting the evidence and reason of defect within six months from the publication date of the patent gazette. The parties concerned are also allowed to demand a trial for invalidation of a patent. In addition, the system of trial for correction has been established for the purpose of giving the applicant an opportunity to correct the deficiency in the patent. Against the above decisions of the Department of Appeal, the parties concerned are allowed to file an appeal with the Tokyo High Court, and then, if necessary, the Supreme Court.

I would like to give an outline of each system and then present the problems and the solutions with regard to the Japanese appeal system.

2. Proceedings in the appeal system

(1) Ex parte proceedings

(1-1) Appeal against the decision of rejection [1]



An applicant who is dissatisfied with the decision of rejection made by the patent examiner is allowed to demand an appeal against this decision within 30 days from the date when the said decision was made. If any amendment is made to the specification or drawings within 30 days from the filing date of the demand for the appeal, the examiner is to review the application. Of such appeal cases, about 80 percent have become the subject of review by the patent examiners and half of these reviewed cases have become the subject of further examination by the appeal examiners later on [2].

Appeal examiners are responsible not only for judging whether the decision of rejection made by the patent examiner in charge is justifiable but also for canceling the decision of rejection and making an appeal decision to grant a patent where the appeal examiners find the application patentable. If the appeal examiners find other grounds for rejection than those cited by the patent examiner in charge, the appeal examiners are also allowed ex officio to make a decision of rejection based on the said grounds.

In the case of the appeal examiners judging that the reasons for the decision of rejection indicated by the patent examiner are unjustifiable, the appeal examiners are allowed to cancel the decision of rejection and remand the case to the relevant examination department [3]. Under conventional practice, however, only a few cases had been remanded to the examination department.

(1-2) Post-grant opposition system [4]

Anyone can file opposition within six months from the publication date of the patent gazette. The post-grant opposition system has been implemented in the form of ex parte proceedings rather than inter partes proceedings [5]. After the demandant submits the grounds and evidence for the opposition, therefore, the appeal examination is to be carried out based entirely on the interactions between the JPO and the patentee. Where more than one oppositions are filed, the appeal examiners are to consolidate these oppositions and examine them altogether. The JPO is to carry out examination ex officio also with regard to other reasons not asserted by the demandant.

(1-3) Trial for correction [6]

Appropriate enforcement of a patent can be hindered due to defects found in the patent claim, the specification, or the drawings at the time of infringement cases or concluding a license agreement. Due to the defects, moreover, a trial for invalidation might be demanded. The system of trial for correction has been established in order to give the patentee an opportunity to correct the defects found in the patent.

With the revision of laws in 1993, the patentees have also been allowed to request correction in the course of a trial for invalidation of a patent. With this revision, problems that can derive from parallel examination by a trial for invalidation of patent and a trial for correction have been settled.

(2) Inter partes proceedings



(2-1) Trial for invalidation of a patent [7]

Under Section 123(I) of the Patent Law, the parties concerned with a patent are allowed to demand a trial for the invalidation of the patent where the patent is not patentable (e.g. novelty, inventive step, and industrial applicability). The number of applicable grounds for invalidation of a patent exceeds the number of those for opposition. (For example, violation with regard to joint application and a misappropriated application are included in the grounds for invalidation of a patent but not in those for opposition.)

A patent can be invalidated only under the JPO trial system and any other authorities including courts are not allowed to deal with invalidation of a patent. In a case of patent infringement, therefore, the court is required to take the position that the patent is valid even if the court itself finds grounds for invalidation, unless the patent is invalidated under the trial system.

The proceedings of a trial for invalidation of a patent are to be carried out in inter partes form, unlike those of an opposition. Therefore, so-called "attack-and-defend" proceedings are conducted between the demandant of a trial and the patentee.

(3) Advisory opinion on the technical scope of a patented invention [8]

Advisory opinion on the technical scope of a patented invention is an advisory system in which the JPO delivers an official opinion with respect to the technical scope of a patented invention from a neutral standpoint in a short period. A result of the advisory opinion does not have any legal binding force, but has been socially and appropriately respected as an authoritative judgment. Under the system, examination is to be carried out following the same procedures with those to be applied to a trial.

3. Current situation and future direction

(1) Strengthening of communication between the appeal department and the examination department

As the role of IP rights in economic activities becomes increasingly significant, the granting of high-quality rights without defects becomes extremely important. To this end, it is necessary to feed back the appeal decisions precisely to the examination department, and work toward the appropriate granting of rights. The frequency of demand for appeal against the decision of rejection is high in Japan, compared with other countries (an appeal is demanded against approximately 20% of the applications that were rejected in examination [9]). Also, the decision of rejection is cancelled for approximately 70% of the cases examined in the appeal department after the reviewing by the examination department. Due to such a situation, the JPO has been making efforts to strengthen the communication between the appeal and examination systems by reinforcing feedback from the appeal department to the examination department. Specific measures for the feedback are as follows.



The JPO gives feedback in cases where an appeal decision has been made in appeal against the decision of rejection, by distributing the appeal decision to the examiner in charge. In addition, the JPO reinforced its internal practices in May this year, so that the comments of the appeal examiners are fed back to the examiner in charge promptly and securely in cases where an appeal decision has been made to cancel the decision of rejection and grant a patent right.

Also, since it is possible to remand the case from the appeal department to the examination department under the Japanese Patent Law, the appeal examiners remand the case if necessary, in order to improve the efficiency of procedures in both the appeal and examination departments.

In addition, the JPO accumulates important court decisions and appeal decisions in a database within the JPO for examiners and appeal examiners to retrieve. Also, opinions are periodically exchanged between examination department and appeal department.

The JPO believes that the quality of judgements in appeals and examinations will improve and that the number of requests for trial can be reduced through the above communication between the appeal and examination departments.

(2) Prompt procedure of appeal examination

The implementation of expeditious appeal examination for quick establishment of stable rights is one of the most important challenges in effective functioning of the IP system.

With regard to appeals against the decision of rejection, the JPO aims to shorten the period from the demand for appeal to first action to 12 months.

As for opposition, it aims to complete the procedures within 12 months.

When a trial for invalidation is filed, often an infringement lawsuit is also filed at the same time. Therefore it is especially important to hand down a trial decision at an early stage. In this regard, the JPO has set as its goal the shortening of the processing period of trials for invalidation to 12 months. Particularly, trials for invalidation involving infringement lawsuits shall be given highest priority.

Also, it is important to indicate the judgment at an early stage in the system of advisory opinions on the technical scope of a patented invention. Therefore, the JPO aims to conclude advisory opinions in three months at the earliest and six months at the latest.

In trials for invalidation and the system of advisory opinions it is necessary to secure both parties a sufficient chance to claim their opinions, and to make expeditious and accurate decisions in the proceedings based on accurate comprehension of such arguments. Because of this, the JPO plans to utilize further oral hearings in trial proceedings. In oral hearings, both parties can sufficiently claim their opinions on technical contents. They also realize prompt trial procedures, even for cases that require a long time for documentary proceedings.



The above goals regarding the opposition, trial for invalidation and the advisory opinion system have nearly been achieved in the past year. The JPO plans to make efforts to further shorten the appeal period in the future.

As for appeals against the decision of rejection, the JPO aims, with the next couple of years, to achieve the above goal of shortening the period between the request for appeal and the first action to 12 months, via such means as increasing staff.

(3) Strengthening of the dispute settlement function of the trial system

As mentioned earlier, the trial for invalidation and the advisory opinion system functions as a means of dispute resolution between parties.

When a trial for patent invalidation is requested, the case is quite often also filed with the court for infringement litigation. Thus, the trial for invalidation is recognized as a system that aims to resolve specific disputes between parties concerned. In order to resolve disputes at an early stage, it is extremely important for the JPO to make appeal decisions expeditiously.

A patent can be invalidated only by the trial decision of patent. One of the reasons for this is that appeal examiners, who are experts in their respective technological and legal fields, are considered to make more appropriate decisions than court judges, who do not have such specialized knowledge. Another reason is that, since the decision of invalidation affects not only the parties concerned in the lawsuit, but also third parties, it is necessary to hand down the decisions of invalidation by JPO trials alone rather than judging the invalidation in infringement lawsuit procedures.

Nevertheless, a case (Vitamin D Case [10]), in which the JPO concluded that the patent was to be invalidated in the trial for invalidation of the patent after the court made the judgment that the patent was infringed, revealed the problem caused by the coexistence of infringement lawsuits and trials for patent invalidation. Expeditious procedures in a trial for invalidation is essential for avoiding such a problem.

To this end, the Japanese Patent Law was amended this year to establish a system in which if patent infringement litigation is filed in the court system, the court will report it to the JPO, and if a trial has been requested for that right, the JPO will inform the court as such. This system has promoted further coordination between the JPO and the courts [11].

The number of intellectual property disputes is expected to increase in the future. Thus, an official judgment, with regard to whether the subject of specific technology falls into the technical scope of the patented invention or not, could greatly help settle disputes. The system was improved last year so that an appropriate judgment can be made based on the doctrine of equivalents.

Either party concerned is not legally bound by the JPO's judgments made under its advisory system. However, the recent survey result shows that the advisory system has been able to play a very



effective role in the initial stage of a patent infringement dispute. The following cases have been reported in which a written judgment made by the appeal examiners under the advisory system was obtained before any of the parties concerned were under dispute. In one case, the infringer stopped the act of infringement. In another case, the parties concerned came to a compromise. There is yet another case where the court made a finding that the patent had been infringed based on the contents of the advisory opinion.

In addition, the Japanese Patent Law was amended this year to make it possible for courts to demand expert opinions from the JPO concerning the technical scope of a patented invention [12]. Such cooperation of JPO appeal examiners in helping the courts to make technical judgments is expected to contribute to speeding up the resolution of infringement cases.

(4) Dissemination of information via the Internet

Since 1998, the JPO has been publishing patent information to the general public via the Internet free of charge (IPDL: Industrial Property Data Library). The information includes the text data and data on examination status of decisions of appeals and oppositions.

The accumulated data are in Japanese, but in the near future automatic translation software is planned to be installed in the JPO website, gradually making public inspections in English possible.

Also, court decisions on IP cases in various Japanese courts are already available for inspection on the Internet.

4. Conclusion

As I mentioned above, the Japanese appeal system has a responsibility to ensure intellectual property rights of high quality as well as a supplementary role in dispute settlement. Thus the Japanese appeal system can be regarded as a very important body. To fully utilize these functions, the JPO will continue to implement the above policies and improve the appeal and trial system in reference to the systems of other countries.

In the International Patent Appeal Examination Symposium held in Tokyo last November, it was agreed that a global human network should be established among IP offices, scholars and users, and that further discussions should be held in the future aiming at the improvement of appeal systems. Our discussions in Monte Carlo will indeed represent the realization of this agreement. I am convinced that discussions in this meeting will significantly contribute to the future development of the appeal system worldwide.

I believe it is necessary for us to reinforce this human network by organizing such meetings in the future, and to continue to hold further discussions for the development of the appeal system worldwide.

Thank you very much for your attention.



[Notes]

[1] Patent Law Section 121 - (1): A person who has received the examiner's decision that his application is to be refused and is dissatisfied may demand an appeal within 30 days from the transmittal of the examiner's decision.

[2] FY1997 Statistics: Approximately 15,500 demands for appeal against the decision of rejection, 12,000 cases reviewed by the examiners, 9,500 cases examined by the appeal examiners (Of which, 6,000 cases were reviewed by examiners.).

[3] Patent Law Section 160 - (1): Where an examiner's decision has been cancelled in an appeal under Section 121(1), the appeal decision may be made to order a further examination to be carried out.

[4] Japanese Patent Law Section 113: Only within six months from the publication of the Gazette containing the patent, any person may file with the Commissioner of the Patent Office an opposition to the patent on the ground that the patent falls under any of the under-mentioned paragraphs. In this context, if there are two or more claims, opposition may be filed for each claim.

[5] Under the procedures of opposition, the demandant may assert grounds for opposition by submitting the evidence when he submits a written request for opposition to the demandant. After that, no opportunity to submit written arguments is given.

[6] Japanese Patent Law Section 126 - (1): The patentee, except in the case where an opposition or a trial under Section 123(1) is pending at the Patent Office, may demand a trial for correction of the specification or drawings attached to the request...

[7] Japanese Patent Law Section 123 - (1): In the following cases, a trial may be demanded for the invalidation of a patent. In this context, if there are two or more claims, a trial may be demanded for each claim...

[8] Japanese Patent Law Section 71 - (1): A request for advisory opinion may be made to the Patent Office with respect to the technical scope of a patented invention.

[9] FY1997 Statistics: Approximately 78,500 applications were rejected. 15,500 appeals against the decision of rejection were accepted.

[10] Vitamin D case: In 1990 and 1992, Research Institute for the Medicine and Chemistry Corp. et al. (hereinafter referred to as X) filed a lawsuit against Asahi Chemical Industry Co., Ltd. et al. (hereinafter referred to as Y) with the Shizuoka district court to seek damages based on the grounds that Y had been infringing X's invention relating to the manufacturing process of vitamin D. Against this action, Y filed demand for trial for invalidation of the patent in question with the JPO. The Shizuoka District court judged on March 25, 1994 that the patent had been infringed and ordered



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that Y should pay damages of about 800 million-yen. However, the JPO made the trial decision that the Patent should be invalidated on April 26, 1994, right after the judicial decision.

[11] Japanese Patent Law Section 168 - (3): In the event that a lawsuit on the infringement of a patent right or an exclusive license was filed with a court, the court shall notify the JPO Commissioner as such. The court shall notify the Commissioner likewise when litigation procedures have been completed.

Japanese Patent Law Section 168 - (4): When the JPO Commissioner receives the notification provided in the preceding paragraph, the Commissioner shall notify the court on whether or not a request for trial has been filed for that patent right. The Commissioner shall notify the court likewise when the decision of the trial is made or the request for trial was dismissed or withdrawn.

[12] Japanese Patent Law Section 71 - (2): In the event that a court entrusted the JPO with expert opinions on the technical scope of a patented invention, the JPO Commissioner must designate three appeal examiners to prepare such expert opinions.



PAPER: MC/3.5 by Professor, Jur. Dr. Marianne LEVIN, Faculty of Law, Stockholm University

SPARE PARTS and their PROTECTION From a EUROPEAN PERSPECTIVE

I. Introductory remarks

THE SUBJECT

The original example in the outline to this Conference, about an axe, tells us that the seminar will be directed towards non-human spare parts, how ever interesting and intriguing it would have been to talk about "human spare parts" in the light of biotechnological inventions and the status of so-called biobanks in the countries of the European Union. In our case the farmer had a trusted axe that lasted him for 35 years. Two new heads and five handles have been exchanged over the years since he was a boy. Also this situation, however, leaves us with enough to discuss in the light of present and future events.

This is true not least as intellectual property rights in general seem to expand in all directions: the scope of protection; the threshold for protection; the internationalisation of protection and procedures; and last but not least, the estimated value of protection has lately been in focus. This development speaks for easier access to protection of all kind also for spare parts, not least copyright and trade mark protection must be considered. Another unavoidable subject in this context is, of course, the treatment of spare parts in Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs (O.J. L 289, 28/10/1998 p. 0028 - 0035) and in the amended proposal for a Regulation on design protection of 21 June 1999.

DEFINITIONS

A spare part is an article for the repair of a complex product so as to restore its original appearance. In other words, it must fit and it must match. This article is produced and sold separately from the original product; however, in some cases you may get an extra part already as you buy the complex product, a refill for a pen is one example of what can be included at the sale. Our starting point could well be the axe, a product that consists of only two components. It should at the same time be noted that the special regulation in the design Directive 98/71/EEC concerns a complex product. That is a product, which is composed of multiple components, "which can be replaced permitting disassembly and reassemble of the product". The definition seems to be especially aimed at car outer spare parts. When talking about spare part problems from a general legal perspective already two-part products, as axes or razors, are of great interest and relevance, and also spare parts similar articles should be included in our discussion. An aspect on two-part products is that the fewer parts, the more will the part be decisive for the impression of the product as a whole. This could be decisive for enjoying protection.



It may sometimes be important to know what is the spare part and what is the main product. This is for instance the case in relation to trade mark law, and the answer could change over a period of time. Which is the main product, the handle or the blade of a razor? Today certainly the blade, which today is a highly developed and continuously refined product. But grandfather's golden handle was probably the main product and he changed the blade every or every second, day; they were cheap and rapidly consumed products. Still the razor blade is normally more often exchanged than the handle, but as costly. And for our farmer: which is the main product and which is the replacement part? It seemed that both parts were almost equally important and long lasting, but in my view, at least, also here there is a dominance for the handle being the spare part and the head the main product.

II Grounds for Considerations with regard to spare parts

BALANCING EXCLUSIVE RIGHTS PROTECTION AND THE IDEA OF EFFECTIVE AND FREE TRADE

All intellectual property protection must be based on a delicate balance between monopoly-like exclusive rights and the freedom of copying the (unprotected) works of others and to be able to produce and develop already made innovation without unduly taking advantage of someone else's intellectual and pecuniary investments. Exclusive rights should only come in question if they, notwithstanding their monopolistic structure and effects, promote and inspire useful competition. In our society, where economic and technical progress are put up as goals and regarded as a general good, intellectual property's inspiring functions are highly respected, not least where the basic investments are high. This has also led to the obvious and already mentioned result that there is more intellectual property protection at hand.

In many constitutions the importance of competition rules either directly or indirectly, has been emphasised. It is, for instance, well known that the rules on competition in Article 81 against anti-competitive agreements and Article 82 against a dominant position (former articles 85 and 86) sometimes complicate life for intellectual property holders in a similar way as the articles 28 and 30 (former Article 30 and 36 respectively). It has also been an important question whether the holder of an intellectual property right is in a (non-acceptable) dominant position in the meaning of Article 82. It is obvious from the decision of the European Court of Justice (ECJ) in Case C-242/91 and C-242/91 (Magill), [1995] E.C.R. p. I-743 that competition questions are hierarchically above intellectual property rights in the Community.

In relation to car spare parts production the question of dominant position through a design right was raised in in two cases on 5 October 1988, C-238/87 (Volvo), [1988] E.C.R. p. 6211 and Case 53/87 (Maxicar/Renault), [1988] E.C.R. p. 6039. It is obvious that there is no alternative design available that could substitute for the original shape ... One of the questions was whether the design right to a part as such would constitute a dominant position. The ECJ answered that this was not the case. In the absence of Community legislation national rights must prevail. Another question was whether a refusal to grant a licence in such situation would be a misuse of a dominant position. The answer of the ECJ was negative as a principle. The holder of an exclusive right should freely



manoeuvre the subject-matter of the design right, which must include a right of choosing licensee partners; only where consumers would be left without any necessary articles for the repair of their cars, other considerations could be made. It was also an interesting discussion in the Court on whether high pricing by an original producer would be a misuse. Again the ECJ general answer was in the negative and the logic is obvious: The original producer has made investments in the design and should have a fair right to regain his costs with a normal profit; otherwise he would not be able to stay long in business. However, the situation could turn to a misuse, if he under the protection of his monopoly claimed excessive prices.

It can be noted that the ECJ marked that the preliminary ruling was given in the absence of Community legislation in the field. Today, such legislation partly exists, but the spare part issues that have created such obstacles in the history of the Directive are still not solved, nor is a linked unitary right under a regulation.

INTERESTED PARTIES - AREAS OF CONFLICT

When the work on harmonised design legislation started, the discussion was petrified by different views on and interests in spare parts, and especially car spare parts. Other spare part similar products that succeeded in getting an exception were modular products, thanks to very effective Danish lobbying (read Lego A/S). But the British, French, German, Italian and Swedish car producers were perhaps not as shrewd, but there were also obvious economic, political and trade interest of quite other dimensions with regard to cars. While toys (or razors or axes) will not in the first instance have an impact on the economy or working places in the Community, this could be the case with cars and spare parts. Hence, a fair balance of rights has to be found for the optimal effect on the market:

Original car producers (in the interest of their owners/share holders) wanted to earn as much as possible also on the after market, which is considerable in this case. On the other hand, they could argue that if there was no protection available for the after market, car prices would have to be raised, as now the development costs were divided on both the cars and the separate parts.

Insurance companies (in the interests of their owners/share holders) want to have low prices when they take the cost for repair of damaged cars.

Consumers and their organisations want high quality and low prices in general - and who does not? They have taken the same side as the insurance companies.

Independent car part producers (in the interest of their owners/share holders) want to have availability to producing any part they want and where they find a market worth competing on. They will normally offer parts at lower prices than the originals are sold.

The car producers on the other hand will call them "pirates" and argue that as the pirates don't have to bother with design development costs, also with the same quality their production could be made cheaper with a greater profit than their own and that this creates an unfair competition. They will



also argue that the independent producers are only interested in those parts that move fast, i.e. that crashes often.

III. Availability of Spare Part Protection under Intellectual Property Laws in Europe and main characteristics

COPYRIGHT

Protection of the exterior of the car as an artistic work is quite probable today. This is also quite possible with other useful products. And as far as also a part is the author's own individual creation, also it may as such enjoy copyright protection 70 years post mortem auctoris. In the lack of general harmonisation of copyright law in Europe, the interpretation and acceptance of copyright to useful products ("applied art") will vary from country to country. But recent reforms seem to have considerably lowered thresholds everywhere, cf. Benelux Court of Justice of 22 May 1987 (Screenprints) as an early example of copyright protection to a car part.

In addition, it should not be forgotten that technical drawings would be protected as literary works under some jurisdictions, inter alia in the Nordic countries. The protection is limited to the description in the form of a drawing. The drawing is protected against copying, which would not extend protection to the copying of three-dimensional objects. Only where the object as such is appreciated as an artistic work, also the protection of the three-dimensional object would be covered.

DESIGN

So far, to various extent in different countries articles as a whole, as well as separable parts thereof, have been eligible for design protection. The less required of decorative features under design legislation, for instance only a novelty requirement, the easier it has been to protect also parts of products. Under the European Directive the requirements are now unified to (relative) novelty and individual character (appreciated by an informed user), articles 4 and 5.

With regard to spare parts, as defined in the EC Directive, a transitional provision has been introduced in Article 14 in conjunction with Recital 19, with the aim at amending the Directive with adequate provisions in the near future. But until such amendments are adopted, Member States shall maintain in force their existing legal provisions relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance. Changes to those provisions may only be made if the purpose is to liberalise the market for such parts.

A special international exception of design rights in aeroplane spare parts imported for reparation is based in the Chicago Convention on air traffic.

Both copyright and design protection concern the exterior, the shape of an article. But while in most countries design law is a priority right which similar to patents has a barring effect, copyright gives



protection against precisely copying; no copy, no infringement. However, that is a defence which is not likely to be useful for an independent spare part producer.

A protection under either a design right or a copyright of a car as a whole will probably seldom cover merely the part as such. But as has already been pointed out, the fewer parts the greater the possibility.

The question of whether both copyright and design protection can be enjoyed to the same object has been solved for all Union Members in the Directive: Cumulative protection should be available, see article, see Article 17 in conjunction with Recital 8. But in especially Italy and in the U.K. double protection has so far been unwanted and rejected. The British situation has varied over the years and describes an interesting development.

A very important decision by the House of Lords concerning spare parts came in 1986, British Leyland v. Armstrong Patents Co. Ltd. With this decision a new path was entered. The Law Lords limited the availability of full copyright to drawings of useful and functional items. Spare parts should not be protected contrary to the interest of a consumer. "The owner of a car must be entitled to do whatever is necessary to keep it in running order and effect what ever repairs may be necessary in the most economic way possible". An implied licence, a right to repair was interpreted. As a result the following reform of design rights under the 1988 Copyright, Designs and Patent Act resulted in an Unregistered Design right with special rules to secure production of spare parts: with must-match and must-fit exceptions in Sec. 213(1)(b).

With regard to registered design rights in England, the House of Lords 1994 decided that body parts of a car were not eligible for design protection (R v. Registered Designs Appeals Tribunal Ex Parte Ford Motor Co. Ltd.). Protection required that the part could lead an independent life of its own "and not merely be an adjunct of some larger article of which it forms a part". An exclusive steering wheel that could be used in different cars was mentioned as an example of a protectable article in the meaning of the law. In Italy, the Supreme Court on 24 July 1996 (No. 6644) declared void a registration of a car body part, and a similar case has been reported from Spain, the Appeals Court of Vizcaya on 3 December 1996 (No. 428/96).

It is interesting and important that the denial of design protection in the just mentioned cases has not been due to failure of fulfilling the protection requirements, but the mere fact that registrations have concerned spare parts. In Germany, on the other hand, the Supreme Court on 16 October 1986 has expressed car body parts protectable as a principle. Also in France car body parts have been held protectable, and the difference in attitude between France and Italy is at the moment indirectly at stake in a soon expected decision by the ECJ, Case C-38/98 (Renault/-Maxicar). In Denmark, Finland and Sweden there are so far additionally quite a number of expectedly valid registrations of car parts. But at the present united Nordic work on implementation of the European Design Directive, at least the Danish government will make use of the possibility to restrict the national spare part protection.



PATENT

The technical effect of a spare part is, of course, patentable as any other invention and would give protection up to 20 years after that the application was filed, if the patent was granted. The protection as a utility model, where such is available, would give the same type of protection for a shorter time but at a "lower price". When a patent concerns a product as a whole, it should also be noted that the production of and repair with parts that is equal to a production of the patentable product would constitute an infringement.

TRADE MARK

Under modern, European trade mark law the shape of products can be a trade mark as such under the basic prerequisite that the shape is distinctive, c.f. the (First Council) Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks. This represents a radical change of the trade mark tradition in many countries. But there is no doubt, in my view, that for instance most cars, thus, are eligible for trade mark protection and would also without registration enjoy such under those national legislations that recognise protection by use. Trade mark rights have in addition since long, and long before the harmonisation of European trade mark law, been available to decorative elements of a car, as the front grill of a BMW, or the purely decorative star of a Mercedes, or the flying lady of the Roll Royce. Today, the only aspects - beside distinctiveness - that could deprive a shape from trade mark protection are mentioned in article 3(1)(e) of the Directive. There is a narrow disclaimer for shapes that consist exclusively of the nature of the goods, shapes that exclusively are necessary to obtain specific a technical result, or what consists exclusively of a shape that gives substantial value to the goods. Furthermore, it follows from the ECJ in Case C-109/97 of May 4, 1999 (Windsurfing Chiemsee) that anything that can function as a trade mark will enjoy such protection to the extent that it is not an undue obstacle to others possibilities to trade and advertise goods.

In the interest of society as a whole and of us as consumers it is obvious that the access to spare parts can be vital. If spare parts are not protected under patent, design or copyright law, i.e. there are no obstacles to the production of the parts, trade mark law must not create a production monopoly. It should always be possible to inform the buyers that there are certain goods available on the market that fit and match other products. These may need to be mentioned by name or mark in some instances. The situation in national trade mark law is regulated in the European Union as a whole by Article 6(2) of the Directive:

"The trade mark shall not entitle the proprietor to prohibit a third party from using the, in the course of trade, the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practice in industrial or commercial matters".

UNFAIR COMPETITION



Competition should be fair and effective. In order to balance various interests, rules on unfair competition are sometimes available also to original producers in relation to spare part producers. But more than any other modality of protection, unfair competition can only be appreciated ad hoc in the specific situation, c.f. ECJ in Case 6/81 (Beele). In the European Union there is only little harmonisation in this field, mainly concerning advertising and other typical cross border activities, while subsidiarity is prevails otherwise, cf.

C-267/91, and 298/91 (Keck/Mithouard), [1993] E.C.R. s. I-6097.

IV. Conclusive Remarks

In conjunction with the example with the axe, the following questions were asked: How do we balance exhaustion of rights and replacement parts and when should a replacement part be protected and when should it not?

There are no strait, objective or obvious answers to such questions. Any answer will be political. At a first glance it may not seem obvious that parts without a life of their own should be object of a protection of their own. But the answer is not that simple. This has not to do with spare parts especially, but with the whole complex of how we should handle intellectual property rights on primary and on secondary markets. Spare parts are in fact only a very good example of the extreme situation we stand with in the sophisticated, modern world with digitalisation and international networks.

Intellectual property rights should serve innovation in a broad sense. We have to balance exclusive intellectual property rights with national and international trade and economic policy and the result should be an optimal inspiration to competition, dissemination and investments in creativity. It seems more or less impossible to any legislator to formulate such rules once and for all. Whether we like it or not, new more flexible solutions have to be found. The courts have and will have a big responsibility for these developments. But it is also obvious that if intellectual property right holders go to far, the exclusive right is really at risk and there will only be some sort of unfair competition law left with blurry contours. All other considerations on protection will be made according to the specific situation. The future availability of exclusive right protection - design rights or other rights - can only at best be a question of a kern of a sole right, which is surrounded by a flexible area of broad consideration of all interests in the aim at finding an the optimal output as a whole.

Directive 98/71/EC on the legal protection of designs

SOME OF THE MAIN CONCERNS

Granting design protection to features dictated solely by a technical function should not hamper technological innovation.

Protection must not hinder the interoperability of products of different makes. Mechanical features of a design, which are excluded from protection for such reasons, should not be taken into



consideration for the purpose of assessing whether other features of the design fulfil the requirements for protection. In certain cases, however, the mechanical fittings of modular products may constitute an important element of the innovative characteristics of modular products and present a major marketing asset. They should then be eligible for protection.

Protection should not be extended to those component parts which are not visible during normal use of a product, or to those features of such part which are not visible when the part is mounted, or which would not, in themselves, fulfil the requirements as to novelty and individual character. Features of design which are excluded from protection for these reasons should not be taken into consideration for the purpose of assessing whether other features of the design fulfil the requirements for protection.

Article 7 Designs dictated by their technical function and designs of interconnections

1. A design right shall not subsist in features of appearance of a product, which are solely dictated by its technical function.
2. A design right shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically connected to or placed in, around or against another product so that either product may perform its function.
3. Notwithstanding paragraph 2, a design right shall, under the conditions set out in Articles 4 and 5, subsist in a design serving the purpose of allowing multiple assembly or connection of mutually interchangeable products within a modular system.



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PAPER: MC/3.6 by Keith BERESFORD

THE STATE OF THE ART IN SPEECH RECOGNITION

Keith Beresford will review the state-of-the-art in speech recognition software, and its current level of usefulness in our profession.

He will demonstrate the system with which he is most familiar, namely Dragon Naturally Speaking and will discuss the principal issues which need to be considered when deciding whether or not to adopt a speech recognition system, in particular:

Accuracy Speed Editing Control

Creating Commands

Use with:

- Word Processors
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If you would like information, please contact Keith Beresford at:

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PAPER: MC/3.7 by Alison DYER, South Africa

INDIGENOUS RIGHTS

INTRODUCTION

All of us are familiar with conventional intellectual property rights which first developed in European and North American law as a mechanism to protect individual and industrial inventions. However, in the last two decades, there has been a movement to protect the indigenous knowledge, culture and resources of so-called indigenous or traditional peoples.

Although this may seem to be an issue which only concerns such indigenous or traditional peoples, it is not so. Firstly, I believe this issue is closely related to trends in Europe to claim monopoly rights for words such as champagne and camembert. For example, in South Africa the major stumbling block to the conclusion of a very important trade accord between South Africa and the European Union has been the insistence of five EU States that South African wine producers cease to use the terms "port" and "sherry" for fortified wines, despite the fact that these terms have been in use in South Africa for three hundred years.

Secondly, if specific legislation is passed to protect indigenous knowledge, culture and resources, this will affect the commercial activities of companies, including European and US multinational companies.

I will now seek to define some of the relevant terms.

By indigenous knowledge, culture and resources there is meant knowledge of current use, previous use or potential use of plant and animal species, as well as soils and minerals; knowledge of preparation, processing or storing of useful species; knowledge of eco system conservation; knowledge of traditional farming and building methods; indigenous resources including biological resources such as plants, animals and other organisms that originate or originated in indigenous lands and territories; cultural landscapes including sacred sites; non-renewal resources such as rocks and minerals; places of past cultures such as ancient ruins; and cultural property such as handicrafts, works of art, songs, stories and performances and the like.

By indigenous peoples there is meant "the existing descendants of the people who inhabited the present territory of the country wholly or partially at the time when persons of a different culture or ethnic origin arrived there from other parts of the world, overcame them and, by conquest, settlement or other means reduced them to a non-dominant or colonial situation; who today live more in conformity with their particular social, economic, and cultural customs and tradition than with the institutions of the country of which they now form a part, under state structure, which incorporates mainly the national, social, and cultural characteristics of other segments of the population which are predominant" (working definition adopted by the UN Working Group on Indigenous Populations).



In short we are talking of the traditional knowledge, culture and flora and fauna of the original inhabitants of a land.

The first fundamental question is whether legal rights of whatever kind should be afforded to such indigenous knowledge, culture and resources, and whether such rights should be limited to so-called indigenous or traditional peoples. This is a political rather than a legal issue and thus not for us to debate in this forum. Nevertheless, it is clear that many people and organisations, both nationally and internationally, believe that such indigenous knowledge, culture and resources should be protected.

The second question is then how can and should such indigenous knowledge, culture and resources be protected. In considering this question, I will deal mainly with indigenous knowledge and resources and leave aside indigenous culture.

TRADITIONAL INTELLECTUAL PROPERTY RIGHTS

In the context of indigenous knowledge and resources, it is really only patent rights, and possibly to a much lesser extent design rights, which are relevant.

It is generally accepted worldwide that the fundamental requirements for an invention to be patentable are that the invention must be new, involve an inventive step, and be capable of being used or applied in trade or industry or agriculture. Further, as you all know, for something to be new, it must not form part of the state of the art, which encompasses all information which has been made available to the public anywhere in the world

By definition, indigenous knowledge is that knowledge which has been and is still being used by indigenous people. Thus, this indigenous knowledge is available to the public, in the sense that it has been or is being used. In addition, certain of this indigenous knowledge will have been documented by scientific workers such as anthropologists. The consequence of this of course is that indigenous knowledge per se cannot be regarded as being new and thus is not patentable.

The same applies to indigenous resources in their natural state.

There are other problems with attempting to provide traditional patent or design protection to indigenous knowledge and indigenous resources, such as problems of identification of inventorship and ownership.

My conclusion is that conventional intellectual property rights, such as patent and design rights, are generally inappropriate and inadequate for protecting indigenous knowledge and indigenous resources.

Obviously, traditional patent and design rights can and often have been obtained for what I would call derivatives of indigenous knowledge and indigenous resources. As an example, I have recently applied for patent protection, on behalf of a client, for an extract from the plant mesembrine.



The traditional communities of the Cape Province in South Africa have used this plant, which they called kougoed or kanna which translates as "chewing stuff", for many years as an inebriant, a sedative and to elevate mood. My client sought to extract and identify the active components and to determine dosage ranges therefor, and it is this which is the subject of patent protection. Revenue from this invention will flow to my client, the patentee, and not to the traditional communities from whose area the plant was taken. It is this which bothers those advocating protection for indigenous knowledge, culture and resources.

One additional problem with traditional patent rights is the misunderstanding thereof by those who seek protection for indigenous knowledge and indigenous resources. There appears to be a widely held misconception that the patenting of a derivative of indigenous knowledge or an indigenous resource, such as for example an extract from a plant, somehow prevents the indigenous peoples in whose territory the plant grows or who first used the plant, from continuing with their traditional use of such plant.

SPECIAL MEASURES FOR THE PROTECTION OF INDIGENOUS KNOWLEDGE, CULTURE AND RESOURCES

Various organisations have been and still are working on the preparation of model legislation specifically designed to protect the intellectual property of indigenous peoples.

For example, Professor Dr Erica-Irene Daes, the Chairperson- Rapporteur of the United Nations Working Group on Indigenous Populations has elaborated a draft body of Principles and Guidelines that largely reflect the main suggestion of indigenous peoples themselves. The principal issues of her draft on Principles and Guidelines for the Protection of the Heritage of Indigenous Peoples are: Indigenous people should be recognised as the primary guardians and interpreters of their cultures, arts and sciences, whether created in the past, or developed by them in the future; Indigenous peoples are recognised as collective legal owners of their knowledge, in perpetuity; The right to learn and use indigenous knowledge can be acquired only in accordance with the laws or customary procedures of the indigenous peoples concerned, and with their free and informed consent; The duty and responsibility of states, educational and scientific institutions and the United Nations system is to help indigenous peoples themselves develop the technical capacity to document and, if they choose, develop and apply their own knowledge commercially.¹

This is intended to provide a framework from which suitable legislation can be drafted.

Turning to the African situation, the June 1998 Ministerial Meeting of the Organisation of African Unity approved model legislation on community rights and on access to biological resources in connection with the Convention on Biological Diversity. Thus, Article 5 of the above-mentioned African model legislation recognises and protects the rights of local communities "to benefit collectively from their own knowledge, innovations and practices, and to continue to be in perpetuity the lawful and sole custodians of their knowledge". No knowledge may be sold or acquired without the prior informed consent and participation of the communities concerned, as



well as full disclosure and approval by the appropriate state authorities, which must ensure that the communities concerned are paid a minimum percent of revenues.

Despite these efforts, and various other multinational and national initiatives, as far as I am aware, no legislation has as yet been finalised to give protection to intellectual property (excluding copyright) of indigenous peoples. I believe the reason for this is the number of problems associated with drafting suitable legislation. I will set out certain of these problems below.

To my mind, one of the major problems is that of territoriality. Certain countries, such as for example Australia, have indigenous peoples with specific indigenous knowledge, culture and resources which does not extend outside the borders of the country. However, this is unusual. In the

African context, indigenous knowledge, culture and resources does not stop at national borders. For example, the baobab tree (*Adansonia digitata*) is widely spread through Africa, from South Africa up to West Africa. It is known to have medicinal uses. A refreshing drink is prepared from the pale yellow or whitish fruit pulp and this drink has been used to treat fevers, and diarrhoea.² It would obviously be inappropriate to grant the indigenous peoples of South Africa exclusive rights to exploit the properties of the baobab tree, when the very same tree has been utilised by indigenous peoples in other countries of Africa.

This problem is not unique to Africa, but also applies to South America and other parts of the world.

Thus, I believe that any legislation to protect the intellectual property of indigenous peoples would have to be regional rather than national in scope.

Secondly, I believe that there are various problems associated with the specifics of any such legislation. I will just deal briefly with two of these.

Firstly, I believe that any legislation must provide clear identification of the indigenous knowledge or resource to be protected. In the case of a resource such as a plant, this may not be too difficult. However, in the case of indigenous knowledge such as for example a knowledge of processing or storing of useful species, it may be difficult to write a suitable definition.

Secondly, I believe that it is necessary to provide clear identification of the owners of the indigenous knowledge or resource concerned. This is important in view of the fact that revenue may flow to the owners of the indigenous knowledge or resource from the exploiters thereof. Unless the recipients of this revenue are clearly identified, problems are inevitable. In certain draft legislation, it has been provided that indigenous knowledge or resources may be owned by the whole community, a particular family or clan, an association or society, or individuals who have been specially taught or initiated to be its custodians, and that the traditional owners of indigenous knowledges must be determined in accordance with traditional communities' own customs, laws and practices. The problem of identification of ownership may not be all that severe where the owner is a single person or a family, but may be substantial where the owner is a clan or a tribe. One way of overcoming this



problem would be to provide that any revenue flows not directly to the clan or tribe members but to the tribe or clan's governing authority, for general use for the benefits of the clan or tribe.

I have touched only briefly on the problems associated with drafting appropriate legislation, and it may be that as I am a conventional patent practitioner, I see problems where none need exist. Nevertheless, my feeling at the moment is that it will be difficult to draft and implement suitable legislation for the protection of indigenous knowledge and resources.

CONTRACTS BETWEEN GOVERNMENTS OR NON-GOVERNMENTAL ORGANISATIONS AND COMPANIES

Despite the fact that there is at present no legislation in force to provide protection for indigenous knowledge and resources, innovative solutions for the compensation of indigenous peoples for the exploitation of their indigenous knowledge and resources have been found in certain circumstances.

One method of solving the problem is to utilise the law of contract. For example, it is open to a group of indigenous people who are the possessors of a particular indigenous knowledge or resource, to enter into a contract with a third party for the third party to exploit the indigenous knowledge or resource in a wider context. The quid pro quo is obviously that the third party must pay back to the group of indigenous people a royalty or the like, based on the profits derived by the third party from such exploitation. Such a contract may be time limited, in the sense that royalties are only payable for a particular period of time, or may be indefinite.

The contract may include clauses permitting the third party not only to exploit the indigenous knowledge or resource as such, but to develop the indigenous knowledge or resource to improve on it. In this case, it is necessary that the contract includes suitable clauses providing for the rights of the group of indigenous people should the relevant work lead to patentable inventions.

One of the best known examples of such a contractual arrangement which is in place, is the contractual arrangement between INBio of Costa Rica and the company Merck. The purpose of the agreement was for INBio to collaborate with private industry to create mechanisms to help preserve Costa Rican conservation areas by making them economically

viable, while Merck was interested in collaborating with INBio to obtain plant, insect and environmental samples for evaluation for pharmaceutical and agricultural applications. Each party has certain obligations for example INBio is required to provide plant and insect samples to Merck and Merck is required to evaluate these samples. Further, it is provided that inventions made as part of the research collaboration will be owned by Merck but that INBio will be compensated for its contribution to any invention by a royalty on sales of products.

On a smaller scale, in South Africa, the National Botanical Institute has entered into an agreement with Ball Horticulture of the USA, through which local plant species will be offered to Ball Horticulture for trials. Selected species will then be developed by Ball and ultimately commercialised for horticultural purposes.



Many other contractual arrangements of this type have been entered into around the world.

Another way forward is not simply to contract between a group of indigenous peoples or a governing body and a third party, but to enter into collaborative arrangements with the end view to increase job creation and economic growth for a country or a region of a country as a whole.

An example of this is the arrangement recently concluded between Daimler-Benz of Germany, Mercedes-Benz of South Africa, the South African Department of Agriculture, the Agricultural Research Council and the CSIR, to develop a comprehensive programme aimed at establishing a plant fibre composite component industry in South Africa, with a view to stimulating socio-economic growth in this country. A significant part of the project is to explore indigenous fibre plants in South Africa, investigate their properties and assess their commercial potential. It is believed that there is considerable scope to create employment for rural communities through the cultivation of these plants and converting them into textile articles on a small-scale cluster basis. For example, a market study recently carried out by Textek, a Division of the CSIR, shows that there is a great demand for textile souvenirs which have an ethnic national symbolism. Also the production of indigenous fibre-based non-woven products offers enormous potential for creating jobs because it requires a relatively simple technology that is widely accessible.³

To summarise, until suitable legislation is introduced for the protection of the industrial property rights of indigenous peoples, the best way of protecting such intellectual property appears to be contracts or other co-operative agreements,

between the indigenous peoples or relevant government concerned, and the third party wishing to exploit the particular knowledge or resource.

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