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EU Commission Launches Efforts Steering Towards Digital Single Market. With a view to breaking down cross-border barriers such as national licensing and contract restrictions that are holding back the EU digital and online sales single market, the EU antitrust authority launched an overall inquiry into the e-commerce sector. (Page 11)

Australian Senate Considers Bill to Block Access to Infringing Sites. An Australian Senate committee will report on a government bill that would allow copyright owners to seek court injunctions to block overseas infringing sites. (Page 3)

Indian Patent Office Denies Facebook Patent for Web Crawler. The Indian Patent Office has rejected an application by Facebook for a web crawler patent on grounds that the claims were unclear, lacked inventive step and that computer programs "per se" or algorithms are not patentable under Indian law. (Page 14)

Sweden Supreme Court to Rule Whether Photos of Artworks Infringes Copyright. A dispute over whether a state-funded website has a legal right to display images of public artwork will be heard by the Swedish Supreme Court, an official at Sweden's Visual Arts Copyright Society (BUS) has said. (Page 17)

Global Rules Needed to Combat Piracy, Site Blocking ''Sub-Optimal''. Dismissing the option of blocking websites as "sub-optimal", a former chief IP counsel for the U.S. Chamber of Commerce's Global Intellectual Property Center called for "effective new global rules" to combat companies that are hosting pirated content online. (Page 19)

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AUSTRALIA

Copyrights

Australian Senate Considers Bill to Block Access to Infringing Sites

An Australian Senate committee will report by May 13 on a government bill that would allow copyright owners to seek court injunctions to block overseas infringing sites.

The Copyright Amendment (Online Infringement) Bill would enable the owner of a copyright to apply to the Federal Court for an order requiring internet service providers to disable access to online sites located overseas that are infringing their rights.

It could do so without having to establish any liability on the part of an internet service provider.

The court could only grant an injunction after considering the flagrancy of the infringement, whether disabling access is a proportionate response, the impact on those likely to be affected and whether an injunction is in the public interest.

The court would also need to be satisfied that the primary purpose of the online service is to either infringe copyright, or facilitate infringement.

Overseas Site Limitation

The bill would apply only to sites operated from overseas because it is already possible to take direct action against an online location within Australia under section 115 of the Copyright Act 1968, according to an explanatory memorandum.

ISPs would be entitled to contest the application for an injunction, and the operators of allegedly infringing sites could seek to participate in the proceedings.

The government does not have a majority in the Senate, so passing the bill would require the support of either the Labour opposition or independent senators who hold the balance of power.

However, Andrew Stewart, Head of the Australian Media & Content Group at law firm Baker & McKenzie, told Bloomberg BNA on April 9 that he expected the bill would pass and that it struck "a reasonably good balance" in terms of protecting the interests of rights holders and consumers.

Stewart described the bill as introducing a new species of right in Australia.

"It operates quite differently to other kinds of copyright protections," he said.

As well as targeting Pirate Bay-style sites, Stewart said it would target the "next tier down of websites which facilitate copyright infringement," such as directories of sites providing unauthorized access to copyrighted material.

Rights holders might also attempt to use it to target some services that seek to circumvent geoblocking, he said.

ISPs Submit Infringement Code

Meanwhile, ISPs on April 8 submitted a code to the Australian Communications and Media Authority that, if registered by ACMA, would introduce a notification procedure for dealing with infringements by their account holders.

The Australian government had instructed ISPs and rights holders in December 2014 to jointly prepare an industry code to deter copyright infringement, warning it would impose its own controls on ISPs if the attempt fails (see "Prepare Industry Code on Copyrights or Face Legislation, Australia Tells ISPs" [29 WIPR 3, 2/1/15]).

Under the draft code, rights holders that have lodged an infringement report with an ISP would be entitled to obtain from it the IP addresses of all account holders who have received three notices.

They would not initially be entitled to know the identity or contact details of these account holders, but could use a "facilitated preliminary discovery process" to obtain them if they decide to take legal action against an infringer.

The Communications Alliance, which represents Australia's 70 largest ISPs, developed the code in consultation with rights holders and consumer groups.

By Murray Griffin

BRAZIL

Trademarks

Brazil Court Rejects Goodyear Attempt to Extend Trademark's Well-Known Status

Brazil's Superior Court of Justice, the country's second highest appeals court, on March 24 turned down an appeal by Goodyear Tire and Rubber Company to overturn a lower court decision rejecting the company's request to extend the "highly renowned" status for its mark.

Goodyear was granted the status under Brazil's Industrial Property Code of 1971. Under the Code, the National Institute of Industrial Property (INPI) granted well-known status to companies that filed a petition requesting this classification and presenting the required documentation. There was no expiration date for this status.

The Code was replaced by Brazil's Industrial Property

Law of 1996 which contained an article granting special protection to well-known marks. INPI, however, took eight years until 2004 to define the new process for attaining well-known status, leaving companies like Goodyear in a legal limbo, uncertain if their well-known status was still in effect.

Confirmation

Goodyear turned to the courts and in 2002 filed a suit before a federal court seeking confirmation of its status on a permanent basis. However, before the court issued its ruling, INPI in 2005 established a 5-year limit for well-known status. As a result, the federal court confirmed Goodyear's status but restricted it to 5 years.

In its appeal of this ruling, Goodyear argued that since its request was filed before INPI's restriction came into place, it had the right to permanent well-known status for its mark. The Superior Court, however, stated that in granting Goodyear's request to confirm its well-known status but limiting its validity to 5 years, the federal court merely followed the rules set by INPI, the government's patent and trademark agency.

In speaking for the court's majority, Justice Villas Boas Cueva said that INPI's 2005 decision did not affect the well-known status already granted Goodyear and the company's argument for permanent status could not be sustained legally because it amounted to "a perpetual right".

INPI stated that a highly known status was "transitory" and depended on market conditions and the company's "strength". Goodyear did not indicate if it would take further legal action.

In 2013, INPI issued a resolution stating that companies could ask at any time that their trademarks be recognized as well-known (see "Brazil's INPI Authorizes Registration of Well-Known Status for Trademarks" [27 WIPR 3, 10/1/13]). Previously, this could only occur in situations where companies defended their trademarks in court cases against copies, using the argument that their marks were well-known. The resolution contained new rules for well-known status and extended the validity to 10 years.

By Ed Taylor

CANADA

Patents

Canada Court Rules Apotex Infringed AstraZeneca's Velcade Patent

The Federal Court of Canada has found that generic manufacturer Apotex Inc. has infringed AstraZeneca Inc.'s patent for cancer drug Velcade by producing and marketing an essentially identical product, at the same time rejecting Apotex's allegations that the Velcade patent is invalid (*AstraZeneca Canada Inc. v. Apotex Inc.*, Fed. Ct., Nos. T-1409-04 & T-1890-11, 3/16/15).

Apotex's Apo-Omeprazole product infringes claim 1 of AstraZeneca's patent, Canadian Patent No. 1,292,693 and the other claims that depend on it, Justice R.L. Barnes said in the ruling. The generic firm's efforts to challenge the methodology and scientific integrity of AstraZeneca's research "fell well short of the mark," the court said.

The ruling is dated March 16, but was made public April 10.

Apotex developed a formulation that worked and could have checked before it took it to market to see if the product, and specifically its subcoating, infringed the patent, the court said. Apotex also could have presented expert evidence that it reached its formulation by different methods than those claimed in the patent, he said.

"It chose, instead, to challenge the quality and cogency of the evidence presented by AstraZeneca, and there it came up short. The inference I draw from the evidence before me is that the Apotex omeprazole product works because its formulation matches the formulation described in Claim 1," the court said. "Apotex, by its manufacture, promotion and sale of Apo-Omeprazole in Canada and elsewhere, has infringed the rights of the plaintiffs as granted in the asserted claims."

Separate Hearing to Decide Other Issues

The Federal Court's ruling addresses the liability phase of the proceeding, with a separate hearing to be scheduled on the issue of damages. The ruling did not address costs, indicating that also would be the subject of a separate hearing.

The court upheld AstraZeneca's request that damages be assessed based on an accounting of Apotex's profits resulting from the infringing activity. That is entirely at the discretion of the court and there wasn't much evidence presented to explain why the case, originally launched in 2004 and addressing a patent that expired in 2008, has taken so long to come to trial, the ruling said.

However, AstraZeneca said that Apotex continued to infringe the patent after Apotex's initial arguments were rejected in 2003 by the Federal Court of Appeal and after it was found in 2007 to have infringed the equivalent patent in the U.S., it said. "This is a factor that is relevant to the assessment of good faith," it said.

Ruling Upholds Patent's Validity

The Federal Court rejected the generic manufacturer's arguments that AstraZeneca's patent for Velcade was invalid on the basis of anticipation, obviousness, overbreadth, "inutility" and ambiguity.

Omeprazole turned out to be a particularly difficult active pharmaceutical ingredient to formulate, and not all of its idiosyncrasies were known in the prior art, the ruling said. The work that went into developing the patented formulation was complex and time consuming and decidedly not "bench-work," the ruling said. "I find that the discovery claimed by the '693 Patent was inventive and, therefore, non-obvious," it said.

Apotex also argued that there were a number of ways that a stable and gastric acid-resistant omeprazole formulate could be made that do not involve the subcoating that is the key element of the patent, the ruling said. However, a patent is not overbroad because it leaves to the person of skill to avoid known, unsuitable choices, it said. It is also not invalid on the basis that it is not a model of "concision and lucidity," it said.

"The difficulty facing a patentee in a case like this is to draft the claims in a way that will afford a reasonable level of protection. If the claims are drafted too narrowly, they are easily avoided and if they are drafted too broadly, they are vulnerable to validity attack," it said. "The formulation achieved in the '693 Patent achieves the appropriate balance in the sense that it affords protection for a useful discovery without sacrificing the enablement requirement."

By Peter Menyasz

CANADA

Patents

Canadian Court Strikes Out Part of Bayer Infringement Claim as ''Vexatious''

The Federal Court of Canada struck down elements of Bayer Inc.'s application to protect its patent for intravenous antibiotic drug Avelox because it represented "vexatious" litigation (*Bayer, Inc. v. Pharmaceutical Partners of Canada, Inc.*, Fed. Ct., No. T-1440-14, 3/26/15).

Justice Roger R. Lafreniere said the evidence before the court clearly demonstrated that Bayer had no reasonable chance of proving its allegation that Pharmaceutical Partners of Canada Inc. would violate the Patented Medicines (Notice of Compliance) Regulations by inducing infringement of one of its patents for Avelox, Canadian Patent No. 2,378,424.

The ruling is dated March 26, but was made public April 10.

"Bayer has not adduced any evidence that can arguably satisfy all three prongs of the test for inducement, [so] I conclude that the prohibition application as it relates to the '424 Patent will inevitably fail. As such, it is 'vexatious' within the meaning of Section 6(5) of the PM-NOC Regulations," Lafreniere said.

Bayer Will Appeal

Bayer said April 14 that it disagreed with and will challenge the Federal Court's dismissal of all issues related to the '424 patent. "The court's decision does not affect the validity of the patent. We have filed an appeal of the decision and, as a matter of policy, will not comment further on next steps," the company said in a statement emailed to Bloomberg BNA.

Bayer Inc. and Bayer Intellectual Property GmbH applied to the court for a declaration that a letter it received in April from Pharmaceutical Partners was not a notice of allegation of its intent to produce a non-infringing generic version of the product, or for an order prohibiting Health Canada from approving a generic version of moxifloxacin hydrochloride until three patents had expired.

Pharmaceutical Partners responded with a motion seeking an order to strike the portions of Bayer's application relating to the '424 patent as scandalous, frivolous and vexations or an abuse of process, arguing that Bayer could not prove either direct infringement or inducing infringement of its patent.

Bayer conceded that there was no evidence of direct infringement, but maintained that health practitioners would infringe the patent as a direct result of Pharmaceutical Partners' representations in its product monograph and its attempts to promote substitution of the generic product for Avelox I.V., the ruling said.

However, it is well established that there is no patent infringement in selling a product that does not in itself infringe the patent, even if the vendor knows that the purchaser's use of the product will infringe the patent, it said. It is therefore not enough for Bayer to argue that pharmacists or physicians would prescribe the generic product in an infringing way, proving inducement to infringe the patent, the ruling said.

The test for inducement, established by the Federal Court of Appeal in a 2011 ruling in *Weatherford Canada Ltd. v. Corlac, Inc.*, identifies three elements that must be proved:

- The infringement must be completed by a direct infringer;
- The infringement must be influenced by the alleged inducer such that, without it, there would be no infringement; and
- The influence must be knowingly exercised.

Bayer argued that Pharmaceutical Partners clearly intends for its product to be substituted for Avelox I.V. and that it will have to approach hospitals or wholesalers to convince them to dispense its product rather than the patented Bayer product, the ruling said. "This is nothing more than conjecture and speculation," it said. "If Pharmaceutical Partners does in fact induce or procure another person to infringe the '424 Patent, Bayer will have recourse in an action for infringement."

Bayer's '424 patent expires July 25, 2020. Its other patents, No. 1,340,114 and No. 2,192,418, expire Nov. 3, 2015, and Dec. 9, 2016, respectively.

By Peter Menyasz

CANADA

Trademarks

Canada Court Rules Use of Company Name Distinct From Use as Trade-Mark

By Barry Gamache, ROBIC, LLP, Montreal; e-mail: info@robic.com; Web: www.robic.ca

In a decision that highlights what does not constitute trade-mark use, Canada's Federal Court of Appeal recently confirmed an earlier decision by the Federal Court that ordered the expungement of the trade-mark MEDOS further to proceedings under section 45 of Canada's *Trade-marks Act*, RSC 1985, c T-13 ("the Act") (*Medos Services Corporation v. Ridout and Maybee LLP*, 2015 FCA 77 (FCA, Noël CJ, Gauthier and Scott JJA, March 18, 2015)).

Background

The trade-mark MEDOS, owned by Medos Services Corporation, was registered in 1990 in association with the operation of a wholesale and retail business dealing in the distribution and sale of medical and health care supplies and equipment through multiple distribution centers.

On December 23, 2010, further to the request by law firm Ridout and Maybee LLP, Canada's Registrar of Trade-marks issued a notice under section 45 of the Act to Medos Services Corporation as registered owner of the trade-mark MEDOS.

Section 45 of the Act provides that the Registrar of Trade-marks may at any time and, at the request made after 3 years from the date of registration of a trade-mark by any person who pays the prescribed fee will, unless he sees good reason to the contrary, give notice to the registered owner of the trade-mark requiring the registered owner to furnish within 3 months an affidavit or a statutory declaration showing, with respect to each of the goods or services specified in the registration, whether the trade-mark was in use in Canada at any time during the 3-year period immediately preceding the date of the notice and, if not, the date when it was last so in use and the reason for the absence of such use since that date. When the registered owner fails to furnish any evidence or where it appears that the evidence does not reveal use in accordance with the requirements of the Act, the registration of the trade-mark is liable to be expunged or amended accordingly. This is Canada's "use or lose it" provision relating to trade-marks.

As the registrar did not receive any reply from the registered owner of the MEDOS trade-mark by March 23, 2011, he ordered that the trade-mark be expunged on April 26, 2011. The principal of Medos Services Corporation, Mr Alexander Vlasseros, became aware of the registrar's decision and he, along with Medos Services Corporation and Marathon Medical Inc., a related corporation, all appealed the decision.

During the appeal, Mr Vlasseros, who is not an attorney, was granted leave to act on behalf of both Medos Services Corporation and Marathon Medical Inc.

Before the Federal Court

On appeal, Mr Vlasseros argued that natural justice was denied to the appellants since the section 45 notice was never received by the registered owner of the trade-mark MEDOS (thus explaining why no evidence of use was filed) but that the registrar decided to expunge the registration in any event. This argument was dismissed by Justice Harrington of the Federal Court who stated that the appeal brought by the appellants under section 56 of the Act in this case was a perfectly adequate recourse provided by the Act itself when the registrar orders the expungement of a trade-mark under section 45 (for whatever reason) since section 56 provides that an appellant may file before the court any evidence highlighting the use of its trade-mark (even if no evidence was filed before the registrar). Thus, the appeal process provides a mechanism against the unjustified expungement of a registered trade-mark in cases, for example, where the registered owner did not receive the section 45 notice in a timely fashion.

Before the Federal Court, Mr Vlasseros filed telephone bills for, apparently, Yellow Pages advertisement of the trade-mark. However, the bills in themselves did not provide any evidence of use of the trade-mark and Mr Vlasseros' comments during arguments before the court were rejected since they should have been included in the affidavit filed in support of the telephone bills.

Correspondence with foreign suppliers was also relied upon by Mr Vlasseros. Again, these documents did not show use of the trade-mark MEDOS but rather provided speculation as to future projects with the trade-mark in Canada.

Invoices regarding the sale of medical equipment were also submitted. This evidence was also dismissed, with the court concluding that if medical equipment had been sold under trade-mark MEDOS, this occurred decades earlier.

The Federal Court concluded that no evidence of use was filed by the owner of the trade-mark MEDOS at any moment during the 3 years preceding the notice date of December 23, 2010. The court therefore ordered that the appeal be dismissed.

Federal Court of Appeal

Medos Services Corporation, Marathon Medical Inc. and Mr Vlasseros all appealed the Federal Court's order and argued that the trial judge erred in his analysis of what he described as "correspondence with foreign suppliers". In those documents, the appellants argued, evidence of use of the trade-mark MEDOS could be found. The appellants pointed to use of the word "medos" in communications with foreign suppliers that were filed into evidence before the Federal Court.

The Federal Court of Appeal acknowledged the presence of the word "medos" in these communications but emphasized that no mention was made in said documents of the *trade-mark* MEDOS. For example, the word

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"medos" appeared in an email address used by Mr Vlasseros, namely "alexmedossys@hotmail.com". The Federal Court of Appeal insisted that a trade-mark is not used when it is not distinguished from surrounding text. The email address used by Mr Vlasseros could therefore not be relied upon to establish trade-mark use.

A further example concerned the use of the company name "MEDOS SERVICES corp" in the body of an email. Again, the use of a company name could not be relied upon to establish use of the *trade-mark* MEDOS. The word MEDOS was not distinguished from the surrounding text.

Other examples of so-called use relied upon by the appellants were also rejected since they were dated after December 23, 2010.

The appellants' appeal was therefore dismissed and the registrar's order for the expungement of the trade-mark MEDOS remained undisturbed.

Conclusion

This case illustrates why the concept of trade-mark use is important and must be distinguished from trade-name use or even email address use. According to the Federal Court of Appeal, for a trade-mark to be used, it must stand out from the surrounding text. When this occurs, and providing all other legal requirements are satisfied, use of a trade-mark can be established. Contrary to popular belief, merely because words (that also happen to be a trade-mark) are somehow printed on a document, trade-mark use is not necessarily established.

CHINA

Intellectual Property

Government Control of IP Strategy ''Poses Challenges'' for Multinationals in China

Multinational companies have less ability to effect change in China's intellectual property laws than even a decade ago, according to a former senior counsel covering China IP issues for the U.S. Patent and Trademark Office.

Highlighting one of the most significant developments in Asia's biggest economy since he first arrived in China in 2004 as IP attache for the U.S. embassy, Mark A. Cohen, currently a visiting professor at Renmin University of China, Beijing, said that the "good news is that China is interested in IP."

He added however, "[t]he bad news is that China is interested in IP."

Elaborating on the point, Cohen said that the "difficulty" for multinationals "is that when China takes an interest in IP it becomes a matter of state planning and foreigners lose influence."

Cohen spoke at a session on China during an April 8–9 conference held in Cambridge, England, presented by the Fordham Intellectual Property Law Institute, where he had once served as a visiting professor.

China's IP Approach Moves ''Sideways''

Tracking major changes in IP issues, Cohen, who followed his diplomatic stint in China by working as an attorney at Jones Day's China offices, said that whereas "10 years ago we were talking about criminal enforcement — copyright and trademark infringement," today, China is one of "the most litigious IP countries in the world."

"What hasn't changed is the insignificant role that foreigners are playing" and their ability to effect change, he said, referring to the fact that non-Chinese companies are involved in only 2% of the litigation dockets in Chinese courts.

Asked by the panel's moderator, Hugh C. Hansen, a Fordham law professor, to grade China for its current stance on IP, Cohen declined to answer or to specify whether IP issues had improved or declined, preferring to describe its progress as heading "sideways".

However, he was more direct on the impact for multinationals. The "combination of state planning and private property rights can be explosive and challenging," he said.

China Must Rely Less on Incentives

One of the upshots of the Chinese Government taking IP seriously is that China has gone from "being very low in the list of patent filers to becoming the biggest patentee in the world," David J. Kappos of Cravath, Swaine & Moore LLL, New York, who was director of the U.S. Patent and Trademark Office from 2009–13, said.

"It happened the old fashioned way," he said of the finance ministry's 2012 decision to provide financial assistance for domestic Chinese applicants at small and medium-sized enterprises.

"The government pays a lot of money to pay patent applications, at the state, provincial and municipal level," he said, adding that "even if you are a convicted felon you can get your sentence commuted by putting in a patent application."

Kappos underlined that "for all the quantity" in patent filings, China fails to have the quality in patents.

"That's why we are recommending for China to move away from incentives and let the market decide what patent applications" are made, he said.

More Respect for Rule of Law

Another area where China could improve its IP rules is around the "rule of law" which "continued to need to be worked on so it" operates in "a more regular way," Kappos said.

Thomas Pattloch, of Taylor Wessing LLP, Munich, pointed out that there were too many instances when the government is only prepared to follow the rule of law if it suits their purpose.

He Jing, of the AnJie Law Firm, Beijing, acknowledged that "we are not strong on rule of law" and on "transparency."

However he said that court judges in China were increasingly showing signs of wanting to follow the rule of law but questioned whether they felt "sufficiently empowered" and stressed that "this is something international legal professionals should be pushing more for."

By Ali Qassim

CHINA

Intellectual Property

China's Draft Measures for Patent Enforcement Focus on E-Commerce

China's State Intellectual Property Office (SIPO) released a draft of its new "Measures for Administrative Enforcement of Patents" in January 2015 which was finalized on March 20. Bloomberg BNA has spoken with Isabella Liu, Intellectual Property Partner at Baker & McKenzie in Hong Kong, to discuss the significance of the measures and the expectations for the future.

BBNA: What are the main takeaways from these updated administrative measures for enforcement of patents?

Liu: Generally speaking, patent administrative enforcements are much less preferred than civil proceedings in China. The Chinese Government has been attempting to enhance patent protection through administrative enforcement, so as to reduce the workload of the courts. To this end, SIPO has proposed various revisions in favor of patentees, including:

- Improving overall management of administrative enforcement (Articles 4, 9 and 46);
- Reducing the time frame for bringing patent administrative enforcement (Articles 14, 21, 23, 24 and 28); and finally
- Enhancing patent administrative enforcement over activities on e-commerce platforms (Articles 8, 43 and 45).

The proposed amendments, while welcomed (especially those relating to e-commerce), do not address the key concerns that (a) traditionally local patent administrative authorities have limited technical expertise and resources, (b) no damage awards are available in administrative enforcement and (c) administrative patent enforcement actions are conciliatory in nature, i.e. the local patent offices are expected to mediate.

Overall, we are taking a more conservative view as to how materially the new revisions could affect the current administrative enforcement regime. Indeed, the SIPO itself has recognized that it will take revisions of the Patent Law to lead to sea changes. Our overall impression is that the most appealing part of the draft may be restricting the use of administrative enforcement against patent counterfeiting or simple design patent infringement cases via e-commerce platforms.

There are three types of patents in China, invention patents, utility model patents and design patents. Design patents are to protect the outward visual appearance (color, patterns, combination of color and patterns, etc.) of products. Design patent infringement involves only a visual comparison of (a) the patent as granted against (b) the alleged infringing product, hence is less difficult to assess.

BBNA: It seems like a couple of the main items added to these draft measures include better supervision of officials and also conflicts related to e-commerce. Can you expand a bit on these two areas and how they might help shore up the patent system?

Liu: According to the draft, all patent administrative officials should be "qualified and certified", and are required to enforce according to the law. Decisions made by the patent administrative authorities should be published, similar to civil proceedings where decisions made by courts should be published. These are positive changes in favor of patent holders. In practice, often formal decisions are not issued in administrative enforcement actions. It is also helpful to at least have the general principle about qualifications to allow proper staffing of the patent officials.

Also included in the draft, the original 4-month timeframe for case conclusion is reduced to 3 months for an invention patent or utility model and 2 months for a design patent. Various other timeframes are also shortened to allow the adjusted timeframe for concluding the proceedings. While reducing timeframes is generally desirable to patent holders, the obvious concern is whether (a) the shortened timeframe is realistic for a patent infringement action, especially for those cases relating to complicated invention patents, and (b) the quality and suitable attention given to each case.

E-commerce has grown at such a speed in China that it is now the new marketplace. The Chinese Government has placed a lot of its attention in regulating the e-commerce platforms and addressing issues arising from e-commerce activities, including IP infringement. The SIPO issued the "Circular on the Issuance of the Work Plan for the Special Action of Patent Law Enforcement and Right Protection in the E-commerce Sector" in mid-2014. Introduction of e-commerce patent enforcement provisions to the draft fits in well with the government's overall plan to regulate e-commerce. The new draft provides the legal basis for patent administrative authorities to work with internet service providers (ISPs), especially e-commerce platforms such as Taobao, to deal with infringing goods traded online. Specifically, once patent infringement or counterfeiting is found by a patent administrative authority, the authority can notify the relevant e-commerce platform and order them to adopt measures such as removing or blocking [urls] that offer infringing products. These measures can quite effectively reduce the visibility of such infringing goods.

However, these measures may be of little help in complex patent infringement cases, as determining patent

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infringement would still be very difficult, if not impossible for an patent administrative authority without sufficient technical and legal expertise. Again, we expect these provisions to be helpful in dealing with patent counterfeiting cases, or simple design infringement cases.

BBNA: What businesses or industries do you see primarily impacted by these changes, other than e-commerce?

Liu: Design patent owners across all businesses or industries are likely to benefit more from the proposed changes. We expect those in the [fast-moving consumer goods] industry to be more willing to try to enforce their design patents through administrative actions. We do not expect the same impact on technology owners.

BBNA: What kinds of implementation issues do you think may crop up from these regulations?

Liu: As mentioned, the shortened timeframes may not be realistic unless resources are in place to handle the workload. Staffing and quality of the patent officials clearly would impact on how IP owners view and utilize administrative enforcement actions, and it remains to be seen how the management system will be implemented in practice. Implementation of the e-commerce provisions should be straightforward at least for counterfeiting cases and those involving design patents. In practice, many local administrative authorities are already more willing to tackle straightforward online infringement based on our recent experience.

By Michael Standaert

DENMARK

Copyrights

Danish and Norwegian Rights Groups Target File Sharing Sites

A Danish court's approval of new blocking orders against 12 file sharing sites is evidence that the nation's online rights protection process is working well, Head of Danish Rights Alliance Maria Fredenslund told Bloomberg BNA. In an April 2 statement, she said that the March 6 court decision represented the largest number of sites that had been blocked through a single hearing, and even greater numbers could be blocked by single court orders in the future. Previously, the highest number of sites blocked by a single order was four.

Following an application by the Rights Alliance, the Frederiksberg District Court agreed to approve blocking orders against <free-tv-online.me>, <watchseries.ag>, <solarmovies.is>, <tubeplus.me>, <kickass.to>, <torrentz.eu>, <mp3vip.org>, <rarbg.com>, <extratorrent.cc>, <music-bazaar.com>, <eztv.ch> and <isohunt.to>. The order means all Danish ISPs must deny subscribers access to the sites.

As with other nations in the European Union, the Danish rules on website blocking are based on the copyright protection provisions contained in the EU's Information Society Directive (2001/29/EC). Under a Code of Conduct agreed on Sept. 24, 2014, ISPs must block infringing websites at DNS level within 7 days of a court order being granted.

"It's a simple process," Fredenslund said. "We need evidence of course, but once this has been attained we go to the court and present it and the block is approved. We have a long history of site blocking dating back to 2006, but it was a test case to submit twelve sites in a single court hearing."

"We have agreed a code of conduct with Danish ISPs," she said. "All major ISPs are members. When we get a court injunction, the ISPs routinely follow the court ruling and initiate the block. There are no long court hearings, no litigation, and no witness statements".

When a blocking order is instigated, she said, Danish site visitors are directed to the "Share with Care" website, a joint initiative between the Ministry of Culture, the Rights Alliance and ISPs. Along with information designed to raise awareness of copyright breaches, the website provides links to legal alternatives such as Netflix, Google Play, Spotify and Napster.

"This blocking action is not only enforcement, it is also a form of communication that raises public awareness and provides guidance to legal services," Fredenslund said. "It's working because we have lots of practical experience, and also because we have a good working relationship with the ISPs. It's not like we are arguing our case, it's more like a set procedure."

She pointed to a recent project where school students were confronted with notifications when visiting illegal file sharing sites. Although access to the sites was still permitted, the majority of those tested declined to visit the sites after seeing the notices. "Pilot projects showed us that when they reach the infringing websites, more than 80 percent of visitors chose to go elsewhere, and 3.5 percent of these ended up searching for legal services via the Share with Care website," she said.

Norwegian Domestic Website Shuttered

Separately, on April 2, the Head of Norway's Rights Alliance Willy Johansen told Bloomberg BNA that his organization had succeeded in taking down a domestic website that was making movies available for download. The site, <norskfilm.net>, was targeting domestic users with Norwegian-language content and subtitled files as well as international content. Following information provided to the police by the Rights Alliance, a raid took place in February 2015 which resulted in equipment being seized. The case was the first in which a Norwegian file sharing site had been shuttered in this manner, Johansen said.

"The Rights Alliance did not go to court to take out an injunction," he said. "After receiving information on the site's activities it went directly to the police and reported the perpetrators." Those involved would likely appear in court during the summer, Johansen added.

By Marcus Hoy

DENMARK

Patents / Trademarks

Denmark to Establish Patent, Trademark Enforcement Unit, Simplify Registration

The Danish Parliament has passed a legal amendment (L 92) that establishes a new patent enforcement unit under the Danish Patent and Trademark Office (*Patent- og Varemærkestyrelsen*).

Approved on March 24, the bill also eases the language requirements for European patents and simplifies the fee structure related to patent applications. The new body will not itself carry out enforcement activities, but it will work closely with law enforcement authorities in cases where patent breaches are suspected.

The unit will deal with both trademark and patent breaches, though trademark cases are expected to be generally easier for the unit to assess.

Currently, the DPTO can advise individuals and companies of their rights under prevailing law, but it is also concerned with political issues and tasks such as defining the extent of intellectual property rights.

The re-organization means that a dedicated unit will be charged solely with advising rights holders and examining the validity of alleged breaches.

Both patent and trademark infringement can constitute a criminal offense in Denmark, carrying sentences up to 6 years imprisonment.

The unit will help evaluate whether criminal proceedings are warranted in both patent and trademark disputes and pass along evidence to law enforcement authorities who will make the final decision.

According to a March 26 statement issued by the Danish Ministry of Business and Growth (*Erhvervs- og Vækstministeriet*), individuals, companies and government bodies will be encouraged to contact the new unit when infringement is suspected.

The body can offer a written opinion to patent holders when suspected infringement occurs, though this cannot be provided if legal action is ongoing. In consultation with police and state prosecutors, it will also contribute to the pursuit of those suspected of infringement.

While the new unit will be of particular help to consumers and small businesses, it will also assist larger companies that believe that their rights are being breached.

Combat Counterfeiting

In a March 27 statement provided to Bloomberg BNA, Anne Rejnhold Jorgensen, the DPTO's Director of Policy and Legal Affairs, said that the unit would use the authority's competencies to assist police and prosecutors in their efforts to combat IP crime. It would "strengthen the already-close cooperation" between her organization and law enforcement authorities, she said.

"Counterfeiting is a growing problem," she said. "The purpose of the initiative is to strengthen efforts to combat counterfeiting though the establishment of an IPR enforcement unit within the DPTO. The unit will function as contact point for businesses, consumers and public authorities. Here they can receive guidance in concrete cases of counterfeiting as well as general information on counterfeiting issues. Particularly consumers and small businesses will gain a better starting point for deciding on whether to pursue their case or not. We expect such guidance to result in more requests for the pursuit of rights through the Consumer Complaints Board, private advisers and the police."

The legal amendment changes the existing fees for publishing national and European patents. The fee is currently 2,850 Danish kroner ($410) for a national patent and 1,050 kroner ($150) for a European patent. Under the new rules, both fees will be set at 2,000 kroner ($290). A surcharge for applications exceeding 35 pages will be abolished.

The new bill also relaxes a requirement that supporting documentation for the registration of a European patent in Denmark be initially provided in Danish.

Under the new rules, the original European supporting documentation can be used if it is in English, though a Danish version must be provided within three months.

The English-language application will be made available to the DPTO by the European Patent Office, meaning the applicant need not initially file the full application in Denmark.

If the European patent is in French or German, then an English or Danish version must initially be provided.

The relaxed language requirements and new fees will enter into force on April 1, and the new enforcement unit will begin its operations in late 2015. The language requirements are in line with those of the London Agreement, to which Denmark is a signatory.

By Marcus Hoy

EUROPEAN UNION

Patents

Attorneys Concerned Over Lack of Uniformity in Unitary Patent System Across Member States

Although the pending Unified Patent Court and the Unitary Patent Regulation are aimed at harmonizing patent law in the European Union, some national courts in the participating member states could apply the laws differently according to local practices, attorneys from the regional bloc said April 9.

"Yes, there is a general principle [set by the Agreement

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on a Unified Patent Court (UPC)], but if you look at the different practices in the various countries, this could lead to the scope of a claim being interpreted with different results depending on the national laws," of the contracting member states, Cordula Tellmann Schumacher, a partner at the Düsseldorf office of Arnold Ruess, said.

Miquel Montañá, a partner in the Barcelona office of law firm Clifford Chance agreed that "judges in different courts may apply the same articles" from the regulation, "but apply different tests" according to whether the national laws are "stringent" or, in the case of Germany, "more flexible".

Although the UPC's Central Division will have courts in London, Paris and Munich, dealing with life sciences and chemistry, physics and materials and mechanical and engineering respectively, there will also be a number of local/regional division courts based in the 25 participating member states.

Need for ''Common Way''

Given the "local bias and practice" in national courts, it is important that once the UPC is launched, "it finds a common way," Giovanni Casucci, a partner in the Milan office of Bardehle Pagenberg, said.

John Temple Lang, a senior consultant in the Brussels office of Cleary Gottlieb Steen & Hamilton, warned that there must be "very clear interpretations from the word go," because "it would be a catastrophe if there are substantial differences" among national courts, encouraging "considerable scope for foreign shopping" for courts in the EU by patent owners.

The attorneys were debating the prospects of the UPC, once it is launched within the next two years, at a panel session during the April 8–9 annual Intellectual Property Conference in Cambridge, England, sponsored by the Fordham Intellectual Property Law Institute.

The UPC will open its doors when the UPC Agreement comes into force after ratification by 13 countries including France, Germany and the U.K.

Harmonization Possible, German Official Says

Johannes Karcher, head of the EU-patent and Unified Patent Court task force at the Berlin-based Federal Ministry of Justice and Consumer Protection, was more confident that patent law and procedure could be harmonized across Europe.

"It is very clear from the negotiations that I have participated in that a uniform law will be applicable at the UPC," he told delegates.

Karcher said that although Article 5 of the regulation states that the applicable law will be that of the state where the patentee is domiciled, this national law will have to conform with Articles 25–27 of the agreement, which include provisions allowing a patentee the right to prevent third parties from making, offering, placing on the market or using the product, or importing or storing the product for those purposes.

Referring to Articles 25–27, Karcher said "we are relying on these being interpreted in a standard way" across member states and being "implemented into domestic law."

France and the U.K., for instance, "are carrying out surveys as to how they should be implemented," he said.

U.K. Judge Allays Bifurcation Fears

Commenting on the controversial issue about bifurcation — the German-system practice of separating the infringement and validity hearings of a patent dispute — Judge Colin Birss said, "it will happen a bit but not very much."

Sir Robin Jacob, a former judge and director of the Institute of Brand and Innovation Law at University College, London, underlined that judges would have to explain why they are bifurcating, adding that he believed "strong judges won't bifurcate."

By Ali Qassim

EUROPEAN UNION

Copyrights

European Commission Launches Efforts Steering Towards Digital Single Market

As part of a dual approach to breaking down cross-border barriers such as national licensing and contract restrictions that are holding back the growth of an EU digital and online sales single market, the European Union antitrust authority launched an overall inquiry into the electronic commerce sector.

Coming a day after the European Commission sketched out an upcoming legislative package designed to allow for pan-European licensing for movie and music sales, among other things, European Competition Commissioner Margrethe Vestager said that agreements between manufacturers and content owners on one side and their distributors on the other are restricting competition.

"There are indications that some companies may be taking measures to restrict cross-border electronic commerce," said Vestager. "The sector inquiry will focus on better identifying and addressing these measures in line with Commission's priorities to create a digital single market."

The most important target of the inquiry, Vestager said, will be "geo-blocking" that prevents EU citizens from benefiting from the same free movement of goods and capital rules that govern standard cross-border sales. This includes not only online sales but restrictions on the use of products such as movies and music in another EU Member State different from where it was purchased.

She also emphasized that a formal investigation already underway by the EU antitrust authority into contracts held by largest U.S. movie studios and European broadcasters has helped provide guidelines for the new probe.

"We are examining the clauses in their contracts that prevent existing and new subscribers from accessing satellite and online pay-TV when they are outside the area covered by the license," Vestager said.

Besides probing cross-border barriers to the EU digital signal market, Vestager made it clear that establishing fertile ground for EU companies to challenge their U.S. competitors such as Google Inc., Apple Inc. and Microsoft Corp. are goals of the probe.

"Competing in a single market without internal barriers prepares companies to take on their rivals around the world," said Vestager, who added that a fully functioning single market would pump billions into the EU economy. "Because you need to be able to compete at home if you want to compete abroad."

Higher Consumer Prices?

The launch of the overall sector inquiry comes as the EU antitrust authority continues a 3-year probe into Google over its search engine dominance. It also comes in the wake of a European Parliament resolution approved in 2014 that targeted Google by calling for search engines to be declared a utility that is regulated by governments.

Although Vestager, a former Danish finance minister who took office in November of 2014, emphasized that the sector-specific inquiry was designed to bolster the parallel legislative efforts being drawn up to develop an EU single digital market, she has recently made clear she is not proponent of market consolidation in the telecom sector.

The European Telecoms Network Operators Association, which represents the leading EU telecom operators insists reducing the number of service providers in EU Member States is crucial to boosting the EU digital single market, because without consolidation there will not be enough funding to build high-speed broadband infrastructure.

Instead Vestager has stated that market consolidation would likely lead to higher consumer prices when it comes to internet connections and telecom services. The rejection of market consolidation by Vestager in the telecom sector, where several key merger cases are pending, clashes with commitments made by new European President Jean-Claude Juncker when he campaigned for the office he now holds.

Legislative Package

The antitrust probe announced by Vestager is part of an overall strategy by the new European Commission to establish a single digital union similar to the banking union recently completed and the capital markets union also in the works.

Speaking March 25 in Brussels, Digital Co-Commissioner Andrus Ansip sketched out the terms of a digital union legislative package the EU executive body is planning in stages, with the first outline due on May 6. A key component of that plan will call for pan-EU copyright licensing rules which will be designed to allow companies to make easier cross-border online sales for movies, music and broadcasting services.

"I believe that establishing a pan-European licensing scheme is a win-win approach," said Ansip. "It will give EU citizens the single market benefits that they already have in traditional cross-border sales while at the same time allow companies to increase their sales in other EU member states."

Ansip's plans are currently the subject of fierce lobbying in the EU capital. One one of the most outspoken opponents to pan-European licensing system for movies and music are copyright holders, especially in France.

Net Neutrality

Another component of the EU digital single market union strategy being drawn up by the European Commission involves pending EU legislation to overhaul the electronic communications regulatory framework, especially as it applies to net neutrality. EU Member States recently approved a definition of net neutrality that would restrict traffic management and throttling by telecom companies but it would allow for fast lanes for certain specialized services.

"I fully believe that the definition of net neutrality recently approved by EU member states is similar to what was recently approved in the U.S. by the Federal Communications Commission," Ansip said. "This definition is also win-win. It will allow for an open internet but also allow for the development of innovative services."

The European Parliament adopted in 2014 a stricter definition of net neutrality in 2014, which would not allow the kinds of higher speed lanes for specialized services. The two EU law-making bodies are due to begin negotiating a compromise on the issue in the coming weeks.

By Joe Kirwin

GERMANY

Copyrights

Dispute Over e-Book Resale Settled in Germany, for Now, Attorney Says

A recent ruling by the Hamburg Court of Appeals that distributing "used" e-books and audio books requires the rights holders' prior authorization marks the third time a German court has rejected an attempt to extend the rule of exhaustion to digital content, though it has not closed the chapter on the legal issue in Germany altogether, an attorney told Bloomberg BNA on April 21.

In the decision (Az: 10 U 5/22) delivered on March 24, which involved whether clauses prohibiting the resale of protected digital books should be included in terms and conditions, judges in Hamburg dismissed the appeal by German consumer advocates to revoke the clauses and

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thereby extend "the exhaustion of the distribution right upon first sale" under the EU Copyright Directive (2001/29/EC) — or "first sale" doctrine as it is known in the U.S. — to digital works.

Ahead of the judgment's full publication, an attorney specializing in copyright law said that the verdict is an important win for booksellers and publishers in Germany but cautioned that the ruling is not yet set in stone.

"This verdict is significant because it is the third time a German Court of Appeals has ruled no exhaustion with e-books or audio books," Cornelius Renner of Berlin firm LOH, told Bloomberg BNA. "But it is somewhat restricted as a review of the issue at the European Court of Justice could also affect the legal situation in Germany."

Consumer Groups Argue for Same Rule for Digital and Physical

The case was sparked by an appeal lodged by the Federation of German Consumer Organizations (VZBV) involving the rule of exhaustion — which transfers distribution rights from the original owner to the customer after first sale — should also apply to digital copies, i.e. e-books, in the same way it applies to paperback books.

Under German and EU copyright law, digital or intangible works are exempt from the exhaustion principle, whereas the rule applies to physical or tangible works. Therefore, in the case of digital works like e-books, prior authorization from the rights holders is required in order to resell lawfully as the owner retains their exclusive right to authorize and prohibit further distribution even after first sale.

Even so, consumer associations hoping to achieve equivalence between digital and physical works are still pinning their hopes on the 2012 landmark CJEU *UsedSoft* decision (Case C-128/11, see "CJEU Denies Oracle Bid to Halt Resales of Software Licenses" [26 WIPR 11, 8/1/12]), which saw the exhaustion principle extended to software purchased and downloaded online.

"The associations' main argument is that if it applies to software, it should also apply to e-books and audio books," Renner said. "You can always hope that another court will see things differently."

No Exhaustion Principle Without Physical Distribution

Judges in Hamburg nevertheless maintained the distinction in copyright law between physical and digital, and ruled against VZBV.

The court's reasoning has not yet been published but Renner, foresees parallels with arguments presented by the Courts of Appeals in Hamm (Az: 22 U 60/13) and Stuttgart (Az: 2 U 49/11), which both emphasized that the exhaustion principle only applies to physical transfers.

In its May 2014 judgment, for example, the Hamm court referenced 17 para 2 of the German Copyright Law to argue that the copyright owner's distribution right is not exhausted after the first sale of digital copies.

"The rationale behind the principle of exhaustion is that if I buy a copyright-protected book in print, it remains tradable. So, I could have a copy of the work in my hand and pass it on to someone else," Renner explained. "But if I download a file, that simply doesn't constitute physical distribution, which is a requirement of the exhaustion principle."

Pending CJEU Proceedings Influential

Legal developments at the European level remain less clear than in Germany, however.

In January, a Dutch court of appeals (Hof Amsterdam) issued a preliminary ruling that the *UsedSoft* verdict, and the exhaustion principle, should also extend to e-books purchased via digital download. The CJEU is currently reviewing the decision.

An outcome in favor of the Dutch court would have repercussions for the judgments made by the German courts of appeals, according to Renner.

"The ECJ's decision will be significant for German law," Renner said. "If the ECJ says the exhaustion principle applies to e-books, it would have to be adopted by German courts."

"But in my view, the ECJ won't apply [*UsedSoft*] to e-books," he added.

He said as the *UsedSoft* judgment was based on an interpretation of the EU Directive on protection of computer programs (2009/24/EC), and not the Copyright Directive, the court could easily make the distinction it requires to overrule the Dutch court.

"I believe the ECJ can easily differentiate [the cases]," Renner said. "There is a specific Directive for software that differs from the provisions for other works. So, therefore, the ECJ could put forward good arguments for why digital books must be treated differently to software without contradicting themselves."

By Jabeen Bhatti

INDIA

Patents

India Supreme Court Stays Injunction Against Generics-Maker Over Merck Drug

The Supreme Court of India on March 25 allowed Indian generic drugmaker Glenmark Pharmaceuticals to continue to make and sell the diabetes drug Sitagliptin, overriding the Delhi High Court's March 20 order placing an injunction on Glenmark in a patent infringement case brought by Merck, Sharp and Dohme (MSD).

A bench comprising Justices Ranjan Gogoi and N.V. Ramana agreed to examine an appeal by Glenmark (special leave to appeal (c) no. 9220/2015) against a Delhi

High Court ruling (in FAO No. 190/2013) that said prima facie evidence existed of Glenmark infringing MSD's patent on Sitagliptin (brand names Januvia and Janumet) to manufacture its drugs Zita and Zita-Met.

Glenmark had argued that MSD's patent claim on Sitagliptin was overbroad (a *Markush* claim) in claiming "all acceptable salts"; that the Sitagliptin free base was unstable and not industrially applicable on its own; that the patent was anticipated in prior art; and that MSD had failed to disclose several crucial proceedings in various patent jurisdictions.

Delhi High Court Reversed

However, the Delhi High Court had ruled that since Glenmark did use a patented molecule, Sitagliptin, to make its drugs, a case for prima facie infringement existed. The court had ruled that Glenmark should have first challenged the patent before making at-risk product launches.

The Delhi High Court's injunction itself had come after MSD had appealed against a single-judge bench's order of April 2013 refusing to grant an injunction against Glenmark

The case is interesting not only for the many turns it has gone through but also because gliptins (DPP-4 inhibitors used to treat Type 2 Diabetes) are an emerging area of patent dispute in India, much like cancer and HIV/AIDS before them.

The Supreme Court will next hear the case on April 28.

By Madhur Singh

INDIA

Patents

Indian Patent Office Denies Facebook Patent for Web Crawler

The Indian Patent Office on March 24 rejected an application by social networking site Facebook Inc. for a patent on a web crawler on grounds that the claims were not clear, that they lacked inventive step and that computer programs "per se" or algorithms are not patentable under Indian law.

India does not grant patents for mere computer programs — computer programs per se — or business methods. These must be accompanied by a hardware component that exclusively enables undertaking the computer program or applying the business method.

Patent application No. 4436/DELNP/2007 entitled "Method and Apparatus for an Application Crawler" had been filed by Truveo Inc. and was later assigned to Facebook. A crawler is an algorithm-based software application that systematically browses the web for data including text and multimedia files to index other sites' web content and make it easily searchable.

The subject matter of the patent application contained 17 apparatus, method and system claims. The apparatus claimed was a storage device, a processor and "an application crawler for crawling and indexing an object model of running instantiated documents or applications from one or more websites." The method claimed was a computer-implemented method for creating a searchable database by loading and indexing multiple web page components. The system claim was for a computer system having a storage device and a processor, comprising a protocol crawler for identifying video-rich websites, an application crawler and a crawler for analyzing and extracting information.

The examiner objected to a grant of patent, saying that the specification did not describe the invention fully and the drawings referred to in the specification were not prepared in accordance with the instructions under Patent Rules 2003 (as amended in 2006).

The examiner said the method claims represented merely an algorithm implemented through software and hence was not allowable under section 3(k) of the Indian Patents Act 1970 (which bars a mathematical or business method or a computer program per se or algorithms from being patented). Further, the examiner said, the claims represented merely a scheme/rule to implement the claimed method and hence were barred from a patent under section 3(m) (a mere scheme or rule or method of performing a mental act or method of playing a game).

The examiner also found that the apparatus/system claims included no inventive hardware features and hence were not allowable under sections 2(1)(j) (inventive step) in view of U.S. Patents No. 6282549, US 2004/0059809, US 2002/0052928, US 6665658.

In rejecting the application, Assistant Controller of Patents and Designs V. Saravanan agreed with the examiner's objections about lack of inventive step and non-patentability for being a computer program per se, as well as for the applicant failing to file a complete specification (section 10(4)).

By Madhur Singh

ISRAEL

Patents

Israel Offers Streamlined PCT Service

The Israel Patent Office (ILPO) implemented on April 1 a streamlined Patent Cooperation Treaty system, becoming the world's second patent authority to do so. The European Patent Office launched a similar pilot in November 2014.

The "Direct PCT" service is aimed at encouraging Israeli applicants to file first in Israel and then to select the ILPO as an International Searching and Examining Authority (ISEA) for their PCT applications.

Dual application, permitted within 12 months of the original submission, will also allow applicants to submit their responses to any deficiencies identified in the Israeli patent process as part of their international application, saving time and resources, a Justice Ministry spokeswoman said in an April 2 statement.

This is like pulling two rabbits out of one hat, ILPO's PCT Director Michael Bart told Bloomberg BNA on April 12, noting that the majority of Israeli applicants currently file for patents first in the United States.

The combined process will also provide "the greatest chance of receiving a positive international search report" to expedite examination by other patent offices overseas, he said.

One examiner will be responsible for both applications, and the organizational savings will passed on to applicants through a 50% refund of the approximately 3,500 shekel ($877) international search and examination fee.

To be eligible for the new track, applicants must:

- Declare the Israeli application, its examination and deficiency report as the priority application;
- Designate the ILPO as the international search and examination authority; and
- Include a response to the deficiency report in the international application.

"The Israel Patent Office continues to blaze the trail, together with the world's leading patent authorities, in providing innovative options to the applying Israeli public," the ministry, of which the ILPO is a part, said in a statement.

Israel Authorized as ISEA

The ILPO began functioning as an ISEA for the U.S. Patent and Trademark Office on October 1, 2014. The agreement marked Israel's first international authorization as an ISEA. The Republic of Georgia followed on January 1.

Under the agreement, patent applications that receive a favorable examination result from the ILPO will enjoy all the benefits of the USPTO's Patent Prosecution Highway, enabling the acceleration of counterpart national applications in the U.S. and Israel.

The ILPO agreed to limit its ISEA function to a maximum of 75 U.S.-PCT applications per quarter. Neither will it serve as an ISEA for applications including one or more claims on business methods, or G06Q in the International Patent Classification.

The agreement does not apply to patent applications filed by U.S. applicants with other international patent bureaus.

By Jenny David

KAZAKHSTAN

Intellectual Property

Kazakhstan Amends IP Legislation to Comply With TRIPS Requirements

Kazakhstan has enacted amendments to the country's intellectual property legislation, aimed at simplifying procedures to register patents, trademarks and copyrights.

The new law amended the country's Civil Code and the Tax Codes, as well as IP laws.

The Patent Law was specifically amended to meet requirements of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). These amendments allow the extension of patent protections to medicines as well as pesticides and agricultural chemicals for up to 5 years.

The Copyright Law was also amended to allow libraries and archives to make digital copies of published works to replace lost, damaged or obsolete copies.

By Sergei Blagov

RUSSIA

Trademarks

Stolichnaya Belongs to Russia, Dutch Court Tells Vodka Tycoon

Russia won back the rights to the Stolichnaya and Moskovskaya vodka brands after fighting businessman Yuri Shefler in Dutch courts for more than a decade.

The two trademarks belong to Russia, the Rotterdam District Court ruled on March 25. The decision forces Shefler's Dutch company Spirits International to hand over the trademark rights to the country or pay a penalty of 100,000 euros ($109,700) and face an additional daily fine of 50,000 euros, the court said.

The ruling, which can be appealed, will force Shefler's company to stop the sale of Stolichnaya and Moskovskaya vodka in the Netherlands, Belgium and Luxembourg.

It follows a legal battle that started in 2003 and forces Shefler's company to pay Russia damages for the duration of its use of the brands. The decision sets a precedent for other cases pending worldwide including the U.S., Australia, Switzerland and 12 European Union countries, said Joris van Manen, a lawyer at Hoyng Monegier LLP, the law firm which represented Russia.

"Yuri Shefler took possession of the vodka trademarks after the collapse of the Soviet Union and has exploited them since," Hoyng Monegier said in a statement.

The decision is "not correct in light of the facts," SPI Group, the owner of Spirits International, said in an e-mailed statement. "We are examining all of our options for the next steps. In any case, the decision affects only a small part of our overall global market."

By Stephanie Bodoni and Elco van Groningen

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SOUTH KOREA

Patents

Amendments to Korean Patent Act and Examination Guidelines

By Jin-Won Chun, FirstLaw PC, Seoul; e-mail: firstlaw@firstlaw.co.kr

The revised Korean Patent Act ("KPA") was promulgated on January 28, 2015 to allow filing a divisional application even after the issuance of Notice of Allowance and also to ease the procedure for claiming the 1-year grace period for salvaging an applicant's premature invention disclosure.

Further, the Korean Intellectual Property Office's *Patent Examination Guidelines* ("Guidelines"), revised as of January 1, 2015, officially allows an applicant to hold an interview with the examiner to discuss the patentability of a pending application and to seek the examiner's opinion on a proposed amendment to the patent specification and/or claims.

Additional Opportunity to File Divisional Application After Notice of Allowance

Under the pre-existing KPA, once the examination of a patent application has been initiated, a divisional application may be filed only within a designated time period for responding to a Notice of Rejection. Therefore, filing a divisional application after the issuance of Notice of Allowance is not possible.

Article 52(1)(iii) of the revised KPA, applicable to patent applications for which a Notice of Allowance is issued on or after July 29, 2015, allows a patent applicant to file a divisional application within:

(i) 3 months from the receipt of Notice of Allowance issued for the patent application; or

(ii) Before the payment of the registration fee therefor, whichever is earlier.

The statutory revision will provide applicants with an additional opportunity to secure a patent right for such embodiments as disclosed but not claimed in the allowed parent application by way of filing a divisional application (or applications) after the receipt of the Notice of Allowance, in light of, for example, changes in market conditions or international standards, or discovery of unauthorized use thereof.

Post-Filing Request for Granting of Grace Period

The previous KPA provisions state that, to enjoy the benefit of the 1-year grace period with regard to an applicant's disclosure of an invention before the filing of the corresponding patent application, the applicant must state the purport thereof in the patent application at the time of filing the application. While a later submission of an evidentiary document is allowed under the earlier provisions, the evidence must be submitted within 30 days from the filing date. No post-filing request is allowed for an applicant who fails to claim the grace period at the time of filing.

Article 30(3) of the revised KPA, however, allows filing a request for claiming the benefit of such grace period even after the filing date, provided that such request is made within:

(i) The time period during which an amendment to the claims/specification may be made; or

(ii) Within 3 months from the receipt of Notice of Allowance or before payment of the registration fee, whichever is earlier.

Evidentiary documents may also be submitted during the above periods.

This change is also applicable to patent applications filed on or after July 29, 2015.

Interview with Examiner

While the previous *Patent Examination Guidelines* allows an applicant to obtain an interview with an examiner, such interviews have not been recognized as part of the official prosecution procedure in that the examiner is not obliged to accept the request for an interview, keep records thereon, nor provide any comments on an amendment proposed by the applicant.

The revised guidelines introduces two types of official interviews.

Interview for Seeking Examiner's Review of Proposed Amendment

An applicant to whom a Notice of Non-Final Rejection has been issued (in respect of a patent application), may ask for an interview with the examiner to hear the examiner's response to his draft amendment to the claims/specification. The examiner in charge of the case is required to review the draft amendment before the interview for prior consideration of such substantive issues as the likelihood of overcoming the rejection(s) through the draft amendment or the examiner's suggested amendment, for discussion with the applicant during the interview. A request for such interview should be filed no later than 1 month before the due date for responding to the Notice of Non-Final Rejection.

Interview for Seeking Preliminary Examination for Expedited Case

Under the revised guidelines, as for a patent application for which expedited examination has been requested, the KIPO is required to notify the applicant whether the application is entitled to a "preliminary examination". A patent application qualifies for a preliminary examination if:

(i) The request for expedited examination has been allowed; and

(ii) The International Patent Classification (IPC) of the patent application falls under certain list of classes that KIPO has identified as relating to high level of examination.

Such request for preliminary examination should be filed within 2 weeks from the granting of the request for expedited examination. During the interview or preliminary examination, the applicant may discuss the relevant issues including explanation of the invention, difference(s) between the invention and relevant prior art, a proposed amendment to the claims/specifications, etc.

SWEDEN

Copyrights

Sweden Supreme Court to Rule Whether Photos of Artworks Infringe Copyrights

A dispute over whether a state-funded website has a legal right to display images of public artwork will be heard by the Supreme Court, an official at Sweden's Visual Arts Copyright Society (BUS) has said. Erik Forslund, the organization's Reproduction Rights Manager, told Bloomberg BNA in a March 25 statement that the dispute centers on differing interpretations of Sweden's Copyright Act (1960:729).

The website, <offentligkonst.se>, is steered by the domestic arm of the global non-profit Wikimedia with financial support from a state innovation body, Vinnova. Its aim is to provide an "open database for public art" by cataloging and displaying digital images of Swedish artworks. Members of the public are encouraged to upload such images to the website along with accompanying text. While it has the support of a government agency, the website's right to display photographs of public artwork without permission has been contested by BUS since December 2013, two months after its establishment.

According to section 24a of the Copyright Act, images of artwork may be depicted without permission if they are "permanently located in an outdoor public place." However, the Act also states that images may not be depicted in digital format if they are "part of a collection or catalogue". Following discussions between the two parties in early 2014, a complaint was filed by BUS to Stockholm District Court on June 13, 2014 (T 8448-14). The court was asked to rule on whether the online database should be seen as containing "images" or "reproductions" of the artwork concerned, and whether the non-commercial nature of such a project had any copyright relevance. Following oral arguments, these questions were referred to the Supreme Court.

In a June 13, 2013 statement issued when the complaint was filed, Wikimedia Sverige said that a ruling in favor of BUS could potentially criminalize Facebook and Instagram users if they uploaded images of artwork or buildings. However, Forslund told Bloomberg BNA that the complaint concerned only artwork located in outdoor public spaces, and reproduction rights for other types of art were not in dispute. BUS would not object to an individual publishing a similar image on Facebook, he said, though it may be legally entitled to do so.

"Although the legal situation is the same for private users as for commercial and institutional users, we do not have the resources to object and take legal action against unauthorized uses on blogs and social media," he said. "We have to prioritize to see that organized and commercial users respect copyright rules."

"The case concerns a specific provision in the Copyright Act that allows the public to depict outdoor artwork in public places without paying remuneration or gaining prior permission from the artist," he said. "The Supreme Court is to decide whether this limitation of copyright is extended to the publishing of such artworks online."

"BUS holds that limitations and exceptions in the Copyright Act are to be interpreted narrowly and that the current legal position in Sweden is that you need permission for web publishing. For many years, BUS has had standard agreements with municipalities and regional authorities covering exactly that kind of artwork that Wikimedia now chooses to display without paying the artists."

In a March 25 statement, Wikimedia Sverige CEO Jan Ainali told Bloomberg BNA that both parties had supported the referral to the Supreme Court. A principle had already been established, he pointed out, permitting the printing and selling postcards containing images of artwork located in outdoor public spaces, and this appeared to support his organization's position.

A number of politicians have expressed opinions on the issue including Pirate Party Leader Anna Troberg, who is a strong supporter of Wikipedia Sverige's position. "If BUS manages to get anywhere with this action, it would not be a sign that Wikimedia has done anything wrong. It would be a sign that copyright law is broken and obsolete," she said in a June 13, 2014 blog post.

The Supreme Court confirmed on March 16 that it would rule on the case. Both parties will now finalize their arguments before a hearing date is given.

By Marcus Hoy

UNITED STATES

Designs

Design Patent Filing Under Hague Treaty to Begin in May With New USPTO Rules

The U.S. Patent and Trademark Office on April 2 revised its rules of practices on design patent applications to implement the Hague Agreement for international registration.

In February, the U.S. deposited its "instrument of ratification" with the World Intellectual Property Organization, acceding to the Hague System for the International Registration of Industrial Designs and bringing the total membership of the treaty to 64 nations.

With the new rules, as of May 13, qualified U.S.-based applicants may apply for design protection in member countries by filing a single, international design application with the USPTO.

U.S. design patents resulting from applications filed under the Hague Agreement will have a 15-year term, compared to the current 14 years.

The agency's final rule identified additional significant changes to U.S. practice as:

- Providing a right of priority with respect to international design applications;
- Treating an international design application that designates the U.S. as having the same effect from its filing date as that of a national design application;
- Providing provisional rights for published international design applications that designate the U.S.; and
- Permitting an applicant's failure to act within prescribed time limits in an international design application to be excused as to the United States under certain conditions.

By Tony Dutra

UNITED STATES

Patents

eBay Escapes Liability as Computer-Based Auction Patent Found Ineligible

An internet-based auction patent claimed an ineligible abstract idea, according to a March 26 decision by the U.S. District Court for the Southern District of California (*Advanced Auctions LLC v. eBay Inc.*, 2015 BL 86649, S.D. Cal., No. 3:13-cv-01612-BEN-JLB, 3/26/15).

The court thus dismissed on the pleadings a patent infringement case against e-commerce giant eBay Inc.

Advanced Auctions LLC asserted its patent on a computer-based internet auction against eBay in July 2013 (U.S. Patent No. 8,266,000). eBay moved for judgment on the pleadings.

Judge Roger T. Benitez found the patent to be directed to an abstract idea — a judicial exception to patent eligibility under 35 U.S.C. § 101 — that was not saved by internet implementation nor by the specific limitation of being staged in two steps — a silent auction followed by a live auction.

The court said that an auction is an abstract idea — a "fundamental economic practice long prevalent in our system of commerce" — in the same way that hedging financial risk was determined to be abstract by the Supreme Court in *Alice Corp. Pty Ltd v. CLS Bank Int'l*, 134 S. Ct. 2347, 110 U.S.P.Q.2d 1976 (2014).

Further, there was no inventive concept in the elements of the claims, individually or as an ordered combination, that would confer patent eligibility, the court said.

Advanced Auctions argued that specific features — "using two-modes; starting the second mode one hour before or at some other predetermined set time before the end of the auction; and only updating a portion of a complete webpage" — meant that its patent would not preempt inventive activity related to internet auctions. The court however, was not swayed, saying that the innovation was merely "refined for implementation on the Internet."

eBay Has Similar Patents

The opinion may be interesting to other internet auction providers in that eBay is also assignee of patents on internet auctions that may eventually suffer the same fate, including U.S. Patent Nos. 7,162,446 and 7,729,953.

According to Advanced Auctions' response to eBay's motion in this case, the '446 patent "is allegedly *so close* to the claims of the '000 patent that eBay alleges the technology, though conceded to be different, invalidates the claims as obvious under 35 U.S.C. 103."

Advanced Auctions contended that eBay thus could not argue that its own patent was eligible prior art to Advanced Auctions' ineligible later innovation.

"That eBay's patents may also be directed to an abstract idea is not at issue in this case," the court said in a footnote.

Nelson Bumgardner Casto P.C. of Fort Worth, Texas, represented Advanced Auctions. Jared Bobrow of Weil Gotshal & Manges LLP, Redwood Shores, Calif., represented eBay.

By Tony Dutra

VIETNAM

Intellectual Property

U.S. Official Says IP Progress Could Grow Vietnam Economy, Improve Under TPP

A U.S. official has said the Trans-Pacific Partnership would strengthen intellectual property protections in Vietnam, a country bespeckled with shops selling bootlegged films and software for as little as 50 cents. Such protections are key to lifting developing nations like Vietnam out of the "middle-income trap," according to Peter Fowler, the U.S. Patent and Trademark Office's intellectual property attache for Southeast Asia.

Vietnamese laws governing intellectual property are likely to be "tightened" and "clarified" if a TPP trade deal takes effect, Fowler said at a panel on April 20 hosted by the U.S. Consulate in Ho Chi Minh City.

"No doubt Vietnam has a lot of creativity," he said. "But how will it move to the next level?"

Ensuring that people can defend their creative products will help Vietnam upgrade its economy, Fowler said. The country rose out of postwar poverty by exporting cheap shoes and coffee to the world. However, growth has now stalled, with per capita income at $1,910 in 2013. Policymakers in Hanoi are looking for value-adding industries so that Vietnam can escape stagnation and decline.

"To be the next Asian tiger, so to speak, that's based on technology, that's based on information, that's based on intellectual property," Fowler said.

Lack of Enforcement

Most panelists agreed Vietnam has solid IP laws overall, but does not execute them vigorously. Authorities have conducted the occasional raid on businesses running pirated software in their offices. However, illegal use of everything from software to brand logos is otherwise rampant.

Some copyright owners do go to the Vietnamese courts to tackle infringement, but even those who win favorable judgments have trouble forcing the infringing parties to pay their dues.

"The solution is education and enforcement of laws," Vanja Kovacevic, a lawyer with Schmitt & Orlov, said at the forum, held to mark World Intellectual Property Day.

Speakers discussed education in terms of both lawyers and consumers. Tran Manh Hung, a partner at BMVN, which works with international firm Baker & McKenzie, said his firm started a state-approved program to train top law students in IP law, litigation, brand issues, and related skills.

Piracy Kills Culture

Roland Vongphasouk, from Universal Music, said it is also important to educate end-users. He said they should remember that the majority of artists have trouble making a living from their music.

"People say, when you [illegally] download music, it's not a real crime, nobody is dying," he said. "But people are struggling, Vietnamese culture is dying."

Consumers in Vietnam do not hesitate to download "free" films and songs from websites like Zing and Nhac Cua Tui, rather than iTunes and Spotify. Vongphasouk later told Bloomberg BNA that paid services would have to be adapted if they are to attract local listeners. "Vietnam will need something that is a hybrid and specific to its market," he said.

The panelists said Vietnam needs a reliable IP infrastructure to promote innovation and creativity. Vongphasouk pointed to South Korea as a success story. Like Vietnam, it was a war-torn, impoverished nation, but technology and innovation helped it join the club of developed countries. Part of that involved shoring up IP laws, a by-product of which was the proliferation of "K-Pop" music. Vietnam can have its own V-Pop, Vongphasouk said.

U.S. Consul General Rena Bitter agreed that creative industries could be an "economic engine" for Vietnam. As the country competes with neighbors for investment dollars, brand protection would add to its appeal for foreign investors. The question is how much Vietnam will protect intellectual property owners. "That is the edge at which Vietnam stands right now," Bitter said.

By Lien Hoang

INTERNATIONAL

Copyrights

Global Rules Needed to Combat Piracy; Site Blocking "Sub-Optimal", Expert Says

Dismissing the option of blocking websites as a "sub-optimal approach," a consultant and former chief intellectual property counsel for the U.S. Chamber of Commerce's Global Intellectual Property Center called for "effective new global rules" to combat companies that are hosting pirated content online.

"We need a comprehensive global approach" to help rights holders fight to bring down the number of internet users that access websites offering pirated material, Steven Tepp, president and founder of Sentinel Worldwide said on April 9.

Speaking at the Fordham Intellectual Property Law Institute's annual conference, Tepp said the focus on forcing internet service providers to block access to sites that are infringing copyrights or violating trademarks means that criminal enterprises are simply "shifting domains or running from jurisdictions."

Tepp, who also served as senior counsel for policy and international affairs at the U.S. Copyright Office, said that instead, "we need to find the right guys, hold them to account in civil courts and that will end their enterprises."

The conference was held April 8–9 at Cambridge University, England.

Cartier Ruling: U.K. Solution to Regional Problem

At the same session, Judge Richard Arnold of the Chancery Division of the High Court of England and Wales, London, pointed out the challenge faced by courts that are trying to make a blocking order in one country applicable more widely across a region.

Arnold was referring to his landmark ruling in 2014 involving watch maker Cartier International AG's successful claim against trademark thieves that resulted in an order against the country's biggest ISPs to block the websites of the counterfeiters (see "Developments in Trade Mark Law: Blocking Access to Counterfeit Websites" [28 WIPR 34, 12/1/14]).

The website blocking was limited to the infringer's online activities in the United Kingdom — not in other jurisdictions — which led Arnold to question whether national courts "also have the power to stop" sites on a community basis — in this case the European Union.

He argued that although the blocking order dissuades less sophisticated internet users, "those who want to, can circumvent the block."

According to a February 2015 report by the U.K.'s Intellectual Property Office on online infringement, closing down sites within national borders merely displaces the problem as the company simply moves their operation to another country.

"If consumers simply move elsewhere, then overall," the order is "not efficacious," Arnold said. He said that it was for that reason that he "imposed a condition on the trademark order, a sunset clause, that those ISPs come back to court in two years to assess the efficaciousness of the order."

Voluntary Action From Search Engines

In the absence of global rules or consistently enforceable regional solutions, Neville Cordell, a partner at London-based Allen & Overy said the U.K. is looking at industry-led approaches to fighting piracy.

For instance, in 2014, the government sent a letter to search engine Google Inc. and to Microsoft Corp. requesting them to consider downgrading the ranking of sites that have been found guilty of infringement, Cordell said.

The UKIPO's February report highlighted that the EU is keen to promote further industry-based solutions in the European context and is currently working to facilitate separate memorandums of understanding on advertising service providers and payment service providers regarding copyright infringement.

In the U.S., Google voluntarily introduced a system to demote sites suspected of infringing content (see "Google Announces Plan to Factor Takedown Requests in Search Results" [26 WIPR 23, 10/1/12]). "It was fascinating to me that Google crossed its own line in the sand," although he added that, "this is different to entirely removing the site."

By Ali Qassim

INTERNATIONAL

Trademarks

Claiming Trademark Holder Abuse, IPC Asks ICANN to Block .sucks Rollout

The sunrise period for the new top-level domain .sucks scheduled to start March 30 should be halted, the Intellectual Property Constituency (IPC) told the Internet Corporation for Assigned Names and Numbers in a March 27 letter.

Gregory S. Shatan, president of the IPC, said in the letter that the ICANN community should be given a chance to examine the plans of the Vox Populi Registry, which will be operating the TLD.

Shatan's letter to ICANN Global Domains Division President Akram Atallah identified three specific areas of concern:

- Treating trademarked terms registered in the Trademark Clearinghouse (TMCH) as premium names;
- Charging exorbitant fees to brand holders even after the conclusion of the .sucks sunrise period; and
- Subsidizing a complaint site for non-participating trademark holders.

Shatan, a partner at Abelman Frayne & Schwab in New York, noted that IPC members recently learned that the .sucks registry agreement contains a unique provision granting ICANN a one-time $100,000 registry access fee and a $1 registry administration fee for every registration up to the first 900,000 registrations.

High Fees Charged During, After Sunrise

Vox Populi's announced pricing structure sets the price for sunrise registrations — registrations during an initial phase only open to trademark holders — at $2,499 per year. It also classifies registrations of TMCH-registered marks as "sunrise premium" registrations for which it will charge the same $2,499 price or more even after the general availability period begins for domain names in the TLD.

For non-trademark holders, registrations will cost $9.99 per year provided that the registrant does not build its own website, but instead points the URL to Vox Populi's planned everything.sucks omnibus site. Registrants wishing to build their own sites on .sucks domain names will be charged $249 per year.

Sunrise periods are a mandatory rights protection mechanism (RPM) within the new TLD program, and Shatan said Vox Populi is abusing that protection.

"By discouraging trademark owners from using a key RPM, we believe that the registry operator's actions in establishing this predatory scheme are complicit in, and encourage bad faith registrations by third parties at the second level of the .sucks gTLD, and thus drastically increase the likelihood of trademark infringement, all for commercial gain," Shatan said.

Shatan also said that applying sunrise premium pricing

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abuses a second rights protection mechanism, the TMCH, by turning it from a shield used to protect trademark holders into a sword used to gouge them.

While recognizing that ICANN generally does not mandate any particular pricing model in the new TLD program, Shatan said this is an extraordinary situation.

"This scheme constitutes an abuse and a perversion of the mandatory RPMs approved by the ICANN community, solely to make money off the backs of brand owners, and appears to violate the Registry Agreement as well as numerous Consensus Policies," he said.

Shatan also said the IPC is at a loss as to why ICANN should receive a unique $1m payout from Vox Populi that it is not receiving from any other new TLD registry.

By Joseph Wright

Domain Name Briefs

The following items were submitted by the Hogan Lovells Anchovy News, c/o Hogan Lovells LLP, Paris. For further information, contact David Taylor, Partner, on +33 1 53 67 4735 or Jane Seager, Counsel, Avocat a la Cour, on +33 1 53 67 4838; e-mail: david.taylor@hoganlovells.com; jane.seager@hoganlovells.com; Web: www.hoganlovells.com © Hogan Lovells LLP 2015

Reseller's Use of Domain Name Did Not Amount to "Bait and Switch"

In a decision issued by the World Intellectual Property Organization in accordance with the Dispute Resolution Regulations for .nl Domain Names ("the Regulations"), a company established in Nassau, Bahamas under the name Xtralis Technologies Limited (the complainant) was denied the transfer of the domain name <xtralis.nl>. The domain name was registered on June 9, 2009 by Trendesign Bureau voor vormgeving & communicatie on behalf of Sensegroup BV, a Dutch company (Sensegroup BV and its two subsidiaries, Firesense Benelux BV and Secusense BV, are hereinafter together referred to as "the respondent").

Background

The complainant manufactured life safety and security systems such as smoke/gas detection and video surveillance products designed for early detection and prevention of fire and threats of intrusion. For these activities, the complainant owned a number of trade marks, including a Community Trade Mark in the term XTRALIS.

The respondent was the exclusive distributor of the complainant's products for the Netherlands and claimed that it had a signed contract with the complainant "to promote the brand".

After the complaint was filed, the domain name began redirecting to the respondent's website at <www.secusense.nl>. On that website, products of two other manufacturers were offered next to those of the complainant.

Before filing a complaint under the Regulations, the complainant sent an email to the respondent in which it requested the respondent to "remove immediately all references to cooperation and partnership with Xtralis. Use of our branding is not permitted without our express written consent."

To be successful in a complaint under the Regulations, a complainant must satisfy all of the following three requirements:

(i) The domain name is identical or confusingly similar to:

- a trade mark, or trade name, protected under Dutch law in which the complainant has rights; or
- a personal name registered in the General Municipal Register ("*gemeentelijke basisadministratie*") of a municipality in the Netherlands, or the name of a Dutch public legal entity or the name of an association or foundation registered in the Netherlands under which the complainant undertakes public activities on a permanent basis; and

(ii) The registrant has no rights to or legitimate interests in the domain name; and

(iii) The domain name has been registered or is being used in bad faith.

Regarding the first element, the complainant alleged that the domain name was confusingly similar to its XTRALIS trade mark. The panel found that this was a typical case where a domain name included a trade mark in its entirety and concluded that the domain name was identical or confusingly similar to the complainant's XTRALIS trade mark.

Oki Data Precedent

Once this condition was satisfied, the second limb of the three-prong test required the complainant to demonstrate that the respondent had no rights or legitimate interests in the domain name.

To establish the second requirement of the Regulations, the complainant argued that the respondent had no trade mark or trade name rights in the XTRALIS trade mark and that it had not been authorized or licensed by the complainant to use the complainant's trade mark. The complainant also claimed that the respondent did not meet the criteria established in a precedent under the Uniform Domain Name Dispute Resolution Policy (UDRP), the *Oki Data* case.

The *Oki Data* case (*Oki Data Americas, Inc. v. ASD, Inc.* WIPO Case No. D2001-0903), as set out in the WIPO Overview of WIPO Panel Views on Selected UDRP Questions, asserts general guidelines regarding whether resellers and distributors have rights or legitimate interests in a domain name. The WIPO Overview states that:

> "Normally, a reseller or distributor can be making a bona fide offering of goods and services and thus have a legitimate interest in the domain name if its

> use meets certain requirements. These requirements normally include the actual offering of goods and services at issue, the use of the site to sell only the trademarked goods, and the site accurately and prominently disclosing the registrant's relationship with the trademark holder. The respondent must also not try to 'corner the market' in domain names that reflect the trademark."

The panel noted that, for a number of years, the respondent was the exclusive distributor for the Netherlands of the products of the complainant both in the smoke detection and in the security area and that, at some point, the complainant terminated the distribution relationship in respect of the smoke detection products, but not for security systems.

The difficulty in this case was whether or not the respondent's website was selling only the trademarked goods, as referred to in *Oki Data*.

According to the complainant, the domain name was redirecting to a website selling smoke detection products and solutions of the complainant as well as competing products of other manufacturers. The latter products were not those of the complainant, so that in the opinion of the complainant the *Oki Data* criteria, which require the reseller to sell only the trademarked goods, were not met.

The respondent argued in turn that the products sold on the website at the domain name were complementary to those of the complainant and not competing with those products.

As noted by the panel, according to precedents referring to the *Oki Data* case, if the registrant did not use the website at the domain name to sell only the goods of the trade mark owner, this may result in the registrant using the website to bait internet users and then switching them to other goods (a tactic often referred to as "bait and switch").

The panel pointed out that it was evident that "bait and switch" occurred when the trade mark forming part of the domain name was used to expose internet users to a website also featuring products competing with those of the trade mark owner, but that it was less evident whether this would also be the case if the other products offered were not competing.

Relying on precedents, the panel stated that the *Oki Data* criteria were intended to be applied contextually and it was necessary to bear in mind the overarching purpose of the Regulations (namely to defeat cybersquatting) when applying them.

In the panel's view, if the use of the domain name did not amount to "bait and switch" selling, or to the respondent attempting to divert internet users contrary to the complainant's presumed interests, then the *Oki Data* factor requiring the reseller to sell only the trademarked goods was more likely met.

According to the panel, this may also be the case if certain other products were offered that were truly complementary to those of the complainant and, depending on the circumstances, this may also promote the complainant's products in the interest of both parties, as it may represent a more complete offering. The panel considered that such a situation would not necessarily constitute "bait and switch", as the domain name would not be used to bait potential customers of the trade mark owner to switch them to competing products from other manufacturers.

In the present case, the issue of whether the products sold on the website at the domain name were competing with the complainant's products or were complementary to those products was therefore key.

According to the panel, the complainant had not demonstrated (and the respondent denied) that the website at the domain name was offering for sale goods which were competing with those of the complainant. The panel therefore considered that the complainant had not showed that the respondent had failed to meet the second requirement of the *Oki Data* test.

Regarding the website accurately and prominently disclosing the respondent's relationship with the complainant, the complainant argued that the website at the domain name did not accurately disclose such relationship.

The panel held that even after three rounds of submissions, these facts and contentions remained "rather unclear" and therefore provided insufficient basis for the panel to conclude whether or not the website at the domain name accurately disclosed the respondent's relationship with the complainant. In this regard it did not help that the pointing of the domain name had changed after the complaint was filed.

On balance, the panel concluded that the complainant had failed to show that the respondent did not meet the *Oki Data* criteria or that the respondent was otherwise not using the domain name in connection with a bona fide offering of goods or services.

The second requirement of the Regulations was therefore not satisfied and the complaint was denied. The panel decided not to proceed to make a finding with respect to bad faith, given its findings with respect to the second element of the Regulations.

The decision is interesting in that it shines a light on how a panel may interpret the concept of "bait and switch" referred to in the *Oki Data* case. In other words, it may not be enough to simply assert that other products are being sold in addition to those of the trade mark owner (which is how *Oki Data* could be interpreted), it may also be necessary to demonstrate that those other products are competing, and not merely complementary. As the panel in this case stressed, the factors laid out in *Oki Data* need to be viewed in context, given the overarching purpose of the UDRP to combat cybersquatting, and panels are free to interpret them or add additional layers of complexity as they see fit, depending on the particular circumstances of the case at hand.

Tribunal Orders Transfers of Domain Names Registered by Ex-Employee

In a decision dated December 31, 2014, the first instance tribunal of Limoges granted an injunction to a company director for the immediate transfer of two do-

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main names from her ex-husband who had registered them for the company.

Background

The claimant was Mrs Karine P., the director of the company GPR Group, a French company set up in 2005 which sold accessories for motorcycles and quads. The company operated two websites at the URLs <www.gprquad.com> and <www.gpr-mx.com> and the corresponding domain names had been registered by the claimant's ex-husband respectively in 2006 and 2007. In addition to her company and trading name, the claimant had registered four French trade marks including one in the term GPR-MX in 2010 and one in the term GPRQUAD.COM in 2009.

The defendant was the ex-husband of the claimant, as well as an ex-employee of the company. He initially worked as a partner of the company and then became its employee until November 2013, when he was made redundant.

As the relationship between the claimant and the defendant soured and resulted in the end of their relationship both professionally and personally, the company started facing financial difficulties and was placed under administration for insolvency.

The claimant established that further to her separation from the defendant, the domain names stopped pointing, thus disrupting the claimant's business and resulting in a significant loss of revenue. Therefore, the claimant initiated summary proceedings before the tribunal to obtain the transfer of the domain names on the grounds of the defendant's bad faith and the resulting disruption to her business. In addition, the claimant sought damages.

The defendant acknowledged that he had registered the domain names after the creation of the company and that he had used them, as well as the websites, as part of his job and until he was made redundant. However, he asserted that he could not be considered to have used the domain names in a blatantly abusive manner, as he owned the domain names and had registered and used them before the claimant's registration of the trade marks GPR-MX and GPRQUAD.COM.

Tribunal Decision

Whilst the tribunal granted the injunction to transfer the domain names, it did not award the claimant damages. The defendant's retention of the domain names was found to be clearly abusive and a blatant disruption of the company's business justifying interim relief. In addition, the tribunal considered that, in the absence of any evidence to the contrary, the domain names had been registered and used solely to serve the company's commercial activities and not to be used by the defendant for his own personal purposes. Under French law, the actions of an employee who is married to his/her employer will be deemed prima facie to have been performed for the employer.

This case is an interesting illustration of the possibility to obtain the immediate transfer of domain names when it is blatantly clear that they are being used in bad faith and without a legitimate interest. The key for such an action to succeed is to demonstrate that the use of the domain name(s) is clearly abusive and detrimental to the claimant and that urgent court intervention is necessary. In the present case, the fact that the two websites of the claimant were effectively taken down meant that the claimant's main source of business was blocked.

Personal Names and UDRP

In a recent UDRP case before WIPO, a panel denied the transfer of a domain name consisting of the registrant's first name, even though it exactly matched a company's trade mark.

Background

The complainant was Alessandro International GmbH, a manicure and pedicure company based in Germany and whose predecessor was Alessandro Cosmetics, formed in 1989. The complainant owned trade mark rights in the term ALESSANDRO ("the trade mark") in several jurisdictions, including Germany, the European Union and the United States.

The respondent was Alessandro Gualandi, a person living in New York, United States.

The disputed domain name was <alessandro.com>. It was registered on November 17, 1998 by the respondent and was first pointed to a website containing a gallery of pictures of individuals and friends, and then to a website with a list of domain names for sale, unrelated to the domain name. At the time of the decision the domain name was pointing to a website with a list of news in Italian.

The respondent stated that the complainant itself or its representatives had contacted him several times to purchase the domain name and that he had always replied that the domain name was not for sale. On December 3, 2014, the complainant filed a UDRP complaint with WIPO.

The first part of the UDRP concerns whether the domain name is identical or confusingly similar to a trade mark in which the complainant has rights. The complainant successfully evidenced that it owned trade mark rights in the term ALESSANDRO. In addition, by comparing the trade mark with the domain name, the panel noted that the domain name incorporated the trade mark, except for the .com generic Top-Level Domain, which was generally irrelevant in this assessment. Therefore the panel concluded that the domain name was confusingly similar to the trade mark.

Legitimate Interests

The second limb of the three-prong test requires a complainant to demonstrate that the respondent has no rights or legitimate interests in the disputed domain name. In this case, the complainant stated that the respondent had no rights or legitimate interests in the domain name since he had neither used the domain name nor made any preparations to use to domain name for a bona fide offering of goods or services. The complainant also submitted that the respondent was neither commonly known by the domain name, nor was he making a legitimate non-commercial or fair use of the domain name without intent for commercial gain. On the contrary, the complainant asserted that the respondent was making a commercial use of the domain name by pointing it to a website offering other domain names for sale. In addition, the complainant argued that a company's trade mark rights should prevail over a non-famous individual identical name in respect of domain name registrations.

The respondent argued that his own Christian name was "Alessandro" and that therefore he had the right to use it as a domain name, especially to point to a website containing his pictures. The respondent also claimed that the website was never used to run a business but only for his personal use.

The panel considered that the respondent had legitimate interests in the domain name and that therefore the complainant had not met its burden under para 4(a)(ii) of the UDRP. The panel found that for a brief period of time the respondent was using the domain name not only to publish photos and news but also to offer for sale some other domain names. However these domain names were Italian dictionary words (for example <atenzione.com>, <casebelle.com> and <freshmozarella.com>) and did not contain either the complainant's trade mark or the disputed domain name itself.

Therefore the panel considered that the respondent's use of the domain name could not have affected the complainant's trade mark or trade name.

Moreover, the panel pointed out that the domain name clearly reflected the respondent's name, and stated that the use of one's own first name in a domain name corresponded to a legitimate customary practice and was, as such, sufficient to evidence the legitimate interest of a party in a domain name. In light of this, the panel recognized the respondent's legitimate interests in the domain name as he had been commonly known by it, even if he had acquired no trade mark or service mark rights in it (article 4(c)(ii) of the UDRP).

Finally, the panel rejected the complainant's assertion that a company's trade mark should prevail over the personal name of a non-famous individual in respect of a domain name registration.

Reverse Domain Name Hijacking Contention

The third limb of the three-prong test under the UDRP requires a complainant to establish that a domain name was both registered and used in bad faith. Even though the analysis of this third condition was not required to decide the complaint because the complainant had already failed to prove that the respondent had no legitimate interests, the panel decided to consider the issue of bad faith as the respondent had raised a claim of reverse domain name hijacking (RDNH).

On the basis of *Telstra Corporation Limited v. Nuclear Marshmallows* (WIPO case No. D2000-0003), the complaint asserted that the respondent had not actively contacted the complainant to sell the domain name, but, when contacted by the complainant, the respondent replied that the domain name was not for sale, although <alessandro.ws> could be purchased for 25,000 euros. In addition, the complainant argued that the respondent had registered around 30 domain names, including 3 that contained the term "alessandro", which further supported the respondent's bad faith.

The respondent again asserted that he had registered the domain name because of his own personal name and that he was not aware of the complainant's existence until the latter had contacted him. The respondent stated that each time the complainant had contacted him to purchase the domain name, he had always stated that it was not for sale.

The panel refused the complainant's argument relating to the respondent's offer to sell the domain name as the offer was initiated by the complainant. Indeed, the respondent did not contact the complainant to offer the domain name for sale or rent, and therefore there was no offer of the domain name for sale to the public. In addition, the panel considered that the argument regarding the offer for sale of the domain name <alessandro.ws> was irrelevant as the dispute was relating to <alessandro.com>.

The panel noted that, at the time of the registration of the domain name, there was no evidence proving that the respondent was aware of either the complainant's existence or its trade mark. The panel rejected the complainant's argument that the respondent's subsequent knowledge of the complainant's existence could turn a good faith registration into a bad faith one.

The panel also considered that the registration of other domain names containing the term "alessandro" did not indicate that the respondent had registered the domain name in bad faith. In light of this, the panel concluded that the respondent had not acted in bad faith when registering and using the domain name. The panel therefore denied the complaint.

RDNH is defined as "using the Policy in bad faith to attempt to deprive a registered domain holder of a domain name". However, the panel concluded that the complainant may simply have overestimated the strength of its complaint after receiving the respondent's offer to purchase the domain name for 25,000 euros and a list of domain names sold for similar amounts. Therefore the panel decided that the complainant did not act in bad faith when it brought the complaint and so RDNH was not made out.

This case is in line with previous cases under the UDRP whereby panels have refused to overrule the "first come, first served" principle and generally find that registrants have a legitimate interest in their own names. One of the most famous cases involved the domain name <armani.com> (*G.A. Modafine SA v. A.R. Mani*, WIPO Case No. D2001-0537), where the panel refused to order a transfer to the famous couturier and ruled in favor of Mr A. R. Mani (the respondent's real name). The panel found that not only did the respondent have a legitimate interest in the domain name, it had also not been registered in bad faith.

Brand owners in this situation may therefore be advised to shun the UDRP in favor of national court proceedings, if trade mark dilution or infringement (or another cause of action) may be a possibility. Thus the choice of forum for the attempted recuperation of a domain name reflecting a personal name should always be carefully considered, taking into account the particular facts of each case.

New Validation Requirement for .DK

The Danish domain name registry, DK Hostmaster A/S, has announced that as of March 1, 2015, all registrants of .dk domain names will be required to have their name and address data validated where technically feasible and reasonable.

The validation procedure is a new requirement which the registry has to implement further to the revised Danish Domain Names Act which came into force in March 2014. The revised Act contains the provision that DK Hostmaster must validate, where possible, the WHOIS data of .dk domain name registrants. In order to meet this requirement, DK Hostmaster has put in place new processes in the general terms and conditions governing domain name registrations under .dk.

For .dk domain name registrants who are individuals living in Denmark, name and address WHOIS data will be verified against the Danish Civil Registration Register which is also referred to as the CPR Register. Should it not be possible for DK Hostmaster to verify an individual's name and address via the CPR Register, an individual may be asked to provide their CPR number to DK Hostmaster for verification. Failure to do so would be grounds for the refusal or cancellation of a domain name registration.

For .dk domain name registrants that are businesses based in Denmark, name and address data will be validated via the Danish Central Business Register, known as the CVR/VAT Register. Thus Danish businesses will be required to provide their VAT number at the point of registration to enable the validation process to proceed. Again, failure to provide their VAT number will likely result in the deletion of a domain name registration.

Due to the existence of the CPR and the CVR/VAT Register, this validation and update of WHOIS data will largely be automated and in most cases no action will be required by Danish registrants of .dk domain names.

However, for registrants of .dk domain names that are based outside of Denmark, it is not possible to verify WHOIS contact details against a centralized database. In these cases, registrants will be required to provide up to date contact information to DK Hostmaster by updating their Danish domain name portfolio WHOIS data via the DK Hostmaster website.

DK Hostmaster will then validate the details by sending a hard copy letter sent to the addresses registrants have provided in the WHOIS. If the letter is returned as undeliverable, this will be grounds for the cancellation of a domain name.

Upon validation of a registrant's contact details, DK Hostmaster will send an email to the registrant of the domain names seeking their confirmation that the WHOIS information provided to the Danish domain name registry is correct and accepting the terms and conditions of the Danish domain name registration agreement.

According to DK Hostmaster, several thousand .dk domain name registrants have already been reviewed and the contact details of those registrants that could not be matched against the CPR and CVR/VAT Registers will receive a message from DK Hostmaster requesting them to update their contact information accordingly.

A further point to note is that the Danish domain name registry will anonymize the WHOIS data of individuals who are registrants of .dk domain names under certain circumstances. For individuals based in Denmark, they would need to have subscribed to the name and address protection service in the CPR Register to ensure that these details are not displayed in the .dk WHOIS database. Likewise, if a Danish individual wishes to mask their telephone number in the WHOIS they must first ensure that it is not published in any public phone directory.

For individuals who are based outside of Denmark but still wish to have their contact details masked in the WHOIS, they will be required to provide proof to DK Hostmaster that they have the legal right to anonymity in the jurisdiction in which they are based.

The masking of WHOIS data is potentially problematic for brand owners when it comes to enforcement actions. However, the Danish domain name registry does have a data disclosure policy whereby requests may be submitted for the disclosure of an individual's contact details provided there are sufficient legal grounds for such a request. It is worth noting that upon receipt of such a request, the registry will forward a copy of the request to the registrant of the domain name.

Mali's .ML Sets Sight on Malaysian Internet Users

The Republic of Mali recently partnered with Dutch company Freenom in an effort to promote domain name registrations under .ml, the ccTLD for Mali (see "Domain Name Briefs" [27 WIPR 26, 6/1/13]), to increase internet use in the country and to raise Mali's online profile. Freenom operates the .tk registry, which is the ccTLD for Tokelau.

In May 2013, following the same business model as for .tk, the Malian Registry Dot ML (a privately funded joint venture between Freenom and AGETIC, the governmental organization that runs the IT infrastructure in Mali) launched free domain name registrations under .ml.

As is to be expected, the business model of offering domain name registrations for free had the desired effect of increasing the number of .ml domain name registrations. According to Moussa Dolo, General Manager of AGETIC, .ml has become "the fastest growing country code top level domain in Africa". Indeed, Freenom CEO Joost Zuurbier, stated that there are currently approximately 350,000 registered domain names, compared to just a few hundred at the beginning of 2013 before the .ml revolution.

However, it now appears that the model of free domain names in an effort to help raise internet awareness in Mali and to promote Mali's online identity has been set to one side in an effort to continue to grow the volume of domain names under management in the .ml ccTLD.

In what appears to be a complete change of direction, the Dot ML registry has now decided to present .ml as the new TLD for Malaysia and to target Malaysian internet users for domain name registrations. Mr Dolo had said that:

> "Over the last year we have seen a large increase of registrations from Malaysian users. We did our research and found out that the ML extension is popular in Malaysia, as it is an abbreviation of the country name."

As a result of this, Dot ML has started to advertise .ml as the alternative to .my, the official Malaysian ccTLD. As part of the marketing drive, Dot ML is promoting .ml domain names as easy and quick to register by all comers, free of charge, and most importantly, as not requiring paperwork, contrary to .my domain names. According to the Dot ML Registry, the registration process for .my domain names is slow and burdensome for Malaysian internet users and in particular for small and medium sized companies.

While it is true that registration requirements do exist for .my domain names and a local presence and supporting documentation is required, .my appears to be progressing well in Malaysia. There are currently over 291,000 active .my domain names and registrations have been increasing steadily over the years.

In response to Dot ML's announcement, the Malaysian registry published a press release in which its CEO Hasnul Fadhly Hasan denounced the "clear misrepresentation of Malaysia". He stressed that .my is "the one and only ccTLD representing Malaysia" and that .my provides the citizens and businesses of Malaysia with "the true Malaysian identity online". Mr Hasan also highlighted that the documentation required to register a domain name is a crucial step to ensure that the domain name is held by a Malaysian or a legally operating entity, with a view to reducing fraud and abuse cases, thus protecting internet users.

Sadly, the same cannot be said of .ml. According to the latest Global Phishing Survey report published last September, .ml is the second most used TLD for phishing attacks, after .cf. In fact, 20% of the world's malicious registrations were made in the .tk, .cf, .ga, and .ml registries (all run by Freenom), which is not that surprising as all of these ccTLDs offer free domain name registrations and are available to any applicant without restrictions.

Cybercriminality and the resulting potential bad reputation and loss of credibility for the .ml ccTLD might explain this move from the registry to turn to the rest of the world and to target other markets such as Malaysian internet users.

Another reason may be that .ml does not appear to have met with success within Mali itself. Indeed, internet usage is somewhat low in the country, possibly due to Mali being one of the poorest countries in the world. Consequently, according to a recent article published by the French newspaper Le Monde, Mr Dolo has acknowledged that 94% of all .ml domain names were registered by people living outside of Mali.

This is not the first time that Freenom has "repurposed" a ccTLD and attempted to penetrate other markets in an effort to grow the volume of domain name registrations. At one point, .tk was marketed as the new Turkish ccTLD, with Freenom claiming that .tk was easy to register, open to all and free, in contrast with the official Turkish ccTLD .tr with its registration requirements. Indeed, Freenom claims that .tk is now more popular amongst Turkish internet users than .tr.

It will be interesting to see if the same situation happens in Malaysia with .ml. In any event, the .ml registry intends to pursue the growth of .ml and is already considering the next stage. Indeed it is currently assessing Manila and Milan as future targets if the launch in Malaysia is successful.

Cayman Islands Opens .KY to All Applicants

ICTA, the Information and Communications Technology Authority responsible for managing the country code Top Level Domain (ccTLD) .ky for the Cayman Islands, has announced that as of September 2, 2015, domain name registrations under .ky will be open to all applicants and that it has appointed Uniregistry to act as the new registry operator.

Currently .ky domain names are restricted to individuals and entities that are based in the Cayman Islands. Under the current rules, ICTA does not charge registrants any registration or annual management fees.

However, under the new proposals, ICTA and Uniregistry plan to introduce an annual fee of $39.98 per domain name when registering .ky domain names.

Existing registrants of .ky domain names which were registered prior to March 2, 2015 will need to apply for the renewal of their domain names before September 2, 2015. Failure to do so will result in the domain name not being renewed and being made available for registration by any interested party under the new registration rules.

Despite the removal of any registration restrictions, there will be some restrictions concerning the use of domain name registrations under .ky. For example, using a .ky domain name for the promotion of pornographic material, alcohol or gambling is prohibited and breaching this will lead to the immediate deletion of the domain name.

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International Developments

B & B Hardware v. Hargis Industries — U.S. Supreme Court's Roadmap for Giving Preclusive Effect to ITC Decisions in Patent Cases

By Daniel H. Shulman (Reynolds Group) and Donald W. Rupert (Marshall, Gerstein & Borun LLP)

On March 24, 2015, the U.S. Supreme Court handed down its decision in *B & B Hardware, Inc. v. Hargis Industries, Inc.*[1] The decision was remarkable enough for its specific holding, namely, that administrative decisions by a non-Article III court, the U.S. Patent and Trademark Office Trademark Trial and Appeal Board ("TTAB"), could give rise to issue preclusion in district courts under ordinary principles of issue preclusion. The implications, however, are sweeping in the intellectual property world. Beyond the specific cases that arise in the TTAB, or even for that matter in the newly created Patent Trial and Appeal Board ("PTAB"), patent disputes have become increasingly frequent in another non-Article III court, the International Trade Commission ("ITC"). While the U.S. Court of Appeals for the Federal Circuit has held — going back to at least the mid-1980s — that ITC decisions could not have preclusive effect on district court proceedings, *Hargis* provides a basis for questioning that line of authority. What is more, an analysis of how the Federal Circuit arrived at those holdings reveals a series of interpretation errors and compounded mistakes — many of which are now even more clear after *Hargis*.

Hargis Supreme Court Decision

Hargis presented the issue to the court of whether a determination of likelihood of confusion between two trademarks in an opposition proceeding at the TTAB would preclude re-litigation of the same issue in a district court infringement proceeding involving the same two parties and marks. The court held that if ordinary principles of issue preclusion are met, the answer would be "yes":

> "[W]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim."[2]

Using those guideposts, the court began its analysis.

First, the court confirmed its prior holdings that agency decisions (i.e. non-Article III courts) can create issue preclusion for district courts.[3] The court reaffirmed its prior statements that "the principle of issue preclusion was so 'well established' at common law, in those situations in which Congress has authorized agencies to resolve disputes, 'courts may take it as given that Congress has legislated with the expectation that the principle [of issue preclusion] will apply except when a statutory purpose to the contrary is evident.' This reflects the Court's longstanding view that '[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose'."[4]

Second, the court found unpersuasive any notion that allowing issue preclusion to flow from an administrative agency would violate the Seventh Amendment right to a jury trial. The court specifically noted that decisions from juryless tribunals can give rise to issue preclusion. The court also specifically found that the policy in favor of issue preclusion compelled that decisions of the TTAB should have preclusive effect, even though the TTAB only has the power to control registration of marks and no authority to award damages for trademark infringement (the focus of the later litigation between the parties in *Hargis*).[5]

Third, the court addressed whether there is an "evident" reason that Congress would not have wanted the TTAB determinations to have preclusive effect. As shown below, it is *this* factor that has guided the Federal Circuit's holdings on ITC matters. The court's analysis here, therefore, is highly instructive. It noted that neither (a) the text, nor (b) the structure, of federal trademark law (i.e. the Lanham Act) forbids issue preclusion.[6] The court stated that even available *de novo* review of TTAB decisions by district courts did not compel that conclusion; issue preclusion arises from a finding not appealed. A party is not precluded from seeking review of a finding in a reviewing court. When a party does not seek review, however, that finding can have preclusive effect in subsequent cases.[7]

The Supreme Court distinguished its earlier case, *Astoria Federal Savings and Loan Assoc. v. Solimino*,[8] on the grounds that the state agency decision for which preclusive effect was sought in that case was, per the statute's text and structure, a prerequisite to district court proceedings. There, had issue preclusion applied, the district court proceeding would have been purely *pro forma* because the issues would have already been conclusively litigated in the first required agency action. In contrast, the Lanham Act created parallel, and not prerequisite, proceedings with opposition and infringement cases. Notably, in both *Astoria* and *Hargis*, the court looked only at the statutes themselves, and made no mention of the legislative history to find the "evident" intent of Congress.

Fourth, the court dismissed the argument that the precise statutes involved, or factual situations, might be different between infringement cases and opposition proceedings. The court noted that cases based on different statutory texts that nevertheless implicate the same legal standard can give rise to issue preclusion.[9] The court also said that the presence of factual distinctions on the issues (in the case of opposition proceedings, for example, that the analysis is based on confusion of the conflicting marks as used on goods in the proposed registrations, rather than actual use in commerce) might be a reason not to apply issue preclusion in "some or even many cases," but is not a reason to *never* apply issue preclusion.[10]

Fifth and finally, the court noted that the procedures used in both the district court and the TTAB were fair to the parties. Specifically, it held that the TTAB had adopted, by rule, the same Federal Rules of Evidence and Federal Rules of Civil Procedure as used by district courts. The court therefore found the procedures in the TTAB adequate to provide litigants with an opportunity to completely litigate issues. The court also found that the unavailability of live testimony in TTAB decisions did not detract from that fundamental fairness.[11]

Federal Circuit's ITC Decisions

Before applying the *Hargis* analysis to the matter of issue preclusion of ITC determinations, it is important to review how the Federal Circuit arrived at its position that ITC determinations should not give rise to issue preclusion. In doing so, it is useful to start from the most definitive pronouncement the Federal Circuit made to justify that result, and work backward from there looking at the authority it cited in support. When one does so, one can see the conclusion rapidly unravels.

The review of these authorities starts with *Texas Instruments Inc. v. Cypress Semiconductor Corp.*,[12] which has become the main cited Federal Circuit decision on the matter of issue preclusion and the ITC. In that case, Texas Instruments asked the district court to apply issue preclusion because the ITC had already determined that the same defendants (i.e. Cypress) had infringed the same valid patents with the same products being litigated in the district court. Thus, issue preclusion was squarely presented to the Federal Circuit.

The Federal Circuit's analysis cited six different authorities or grounds for denying issue preclusion. Each was either misguided, misapplied, or is now unfounded in light of *Hargis*.

The Federal Circuit began by looking for the "evident" intent of Congress on this issue, citing, as did the Supreme Court in *Hargis*, the Supreme Court's *Astoria* case. Despite recognizing first the policy in favor of issue preclusion, the statement that provided the launching point for the Federal Circuit was the rather unremarkable one that, "an administrative agency decision, issued pursuant to a statute, cannot have preclusive effect when Congress, either expressly or impliedly, indicated that it intended otherwise."[13]

Federal Circuit Improperly Relied on and Miscast Legislative History

In its first misstep, rather than analyzing the text and structure of the statutes in play (as the Supreme Court did in *Astoria*), the Federal Circuit turned immediately to the legislative history. In doing so, the Federal Circuit resorted to passages of the Senate Report accompanying the 1974 amendments to the Tariff Act (the Act giving rise to ITC proceedings) allowing the ITC to consider invalidity and unenforceability defenses. Even were legislative history persuasive (which is, at best, questionable), the legislative history *in this case* was miscast by the Federal Circuit. The Federal Circuit relied on the following passage from the relevant Senate Report:

"[I]n patent-based cases, the Commission considers, for its own purposes under section 337, the status of imports with respect to the claims of U.S. patents. The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have res judicata or collateral estoppel effect in cases before such courts."[14]

The context of this passage is important, but ignored by the Federal Circuit in *Cypress*. The amendments being discussed were to add standard patent law defenses, i.e. invalidity and unenforceability, as defenses that could be raised in an ITC action. As the same legislative history pointed out in the passage just prior to that cited by the Federal Circuit, there was a gap in "existing law" that deprived respondents in the ITC of those defenses:

> "The Commission has also established the precedent of considering U.S. patents as being valid unless and until a court of competent jurisdiction has held otherwise. However, the public policy recently enunciated by the Supreme Court in the field of patent law (compare with *Lear, Inc. v. Atkins*, 395 U.S. 653 (1969)) and the ultimate issue of the fairness of competition raised by section 337, *necessitate that the Commission review the validity and enforceability of patents, for the purposes of section 337, in accordance with contemporary legal standards when such issues are raised and are adequately supported*. The Committee believes the Commission may (and should when presented) under existing law review the validity and enforceability of patents, but Commission precedent and certain court decisions have led to the need for the language of amended section 337(c). The Commission is not, of course, empowered *under existing law* to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purposes of determining whether section 337 is being violated" (emphasis added).[15]

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The passage above continued directly with the passage cited by the Federal Circuit in *Cypress*.

It is important to note *exactly* what the passage cited by the Federal Circuit in *Cypress* said, because the Federal Circuit neglects a key phrase. The passage notes (with the key phrase emphasized) that "any disposition of a Commission action *by a Federal Court* should not have res judicata or collateral estoppel effect in cases before such courts." The words "by a Federal Court" is critical. The passage immediately subsequent to that passage addressed the availability of judicial review of ITC determinations, and subsequent appeals.[16]

It first appears that the phrase "disposition of a Commission action by a Federal Court" is odd. An ITC decision is self-executing. It does not require further district court "disposition". However, it is reviewable, and, it is reviewable "by a Federal Court". In that sense, an ITC decision may very well be "disposed of" by a Federal Court. The conclusion that such a disposition — keeping in mind the deferential standard of review for factual matters decided in agency proceedings[17] — is not to be binding in "such courts" seems most clearly to be a reference to reviewing courts, i.e. courts of appeals. Consider that the Federal Circuit was not created until 1982. In 1974, at the time of this amendment, patent issues were decided by regional circuits. Accordingly, this statement appears to stand for no more than a recognition, under normal appellate practice, that a review of a factual matter under a deferential standard would not preclude a different result, in a different reviewing court, also applying a deferential standard of review.

Indeed, even assuming the legislative history should have influenced the analysis when the text and structure of the statutes did not make any such intent "evident," the Federal Circuit's citation to that passage would *only* support its conclusion *if the phrase ''by a Federal Court'' had been removed*. In other words, the Federal Circuit based its holding on a passage it read as "[t]herefore, it seems clear that any disposition of a Commission action should not have res judicata or collateral estoppel effect." However, that is not what the legislative history says, and likely not what it meant.

Federal Circuit's Case Citations Similarly Misapplied

The Federal Circuit's citation to the above legislative history in *Cypress* represents a culmination of errors. In support of its (likely incorrect) reading of that legislative history, the Federal Circuit cites three cases: *Tandon Corp. v. ITC*,[18] *Texas Instruments Inc. v. ITC*,[19] and *Corning Glass Works v. ITC*,[20] all inapposite. In fact, just noting the parties in those cases, i.e. the ITC on one side, should immediately indicate that an ITC decision was being reviewed, and so issue preclusion of an ITC determination in a later case could not have arisen directly in those cases. In fact, it did not.

Beginning with *Tandon*, the cited passage dealt with the Federal Circuit's statement that ITC factual decisions would be reviewed for substantial evidence rather than clear error.[21] The Federal Circuit noted that the "substantial evidence" standard was dictated directly by the statute, and in reality, the analysis should have ended there. However, in dicta, the Federal Circuit noted the same legislative history passage it relied upon above concerning disposition by a Federal Court and the res judicata or collateral estoppel effect of ITC decisions.[22] The Federal Circuit's citation plainly related to the standard of review, as did the Federal Circuit's next sentence, "[t]hus, our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals." That statement, read especially in the context of the standard review of factual findings, is at least arguably (if inartfully), proper. Additionally, it is consistent with the proper reading of the legislative history, which, after all, related to appellate review of ITC decisions. Yet, it says nothing about issue preclusion.

The above statement in *Tandon* cites *Lannom Mfg. Co. v. ITC*,[23] but *Lannom* also had nothing to do with issue preclusion. There, all of the respondents had dropped out of the case, but the ITC found the patents invalid on its own initiative. The Federal Circuit, citing to that same legislative history passage referenced above — properly in this case because the amendments discussed were directly applicable to the availability of invalidity defenses — held that for invalidity to be considered, that issue needed to be raised as a defense by a respondent.[24] *Lannom* was limited to this context, and said nothing relevant to issue preclusion.

The next case cited in *Cypress* was *Texas Instruments Inc. v. ITC*.[25] That case was at best inapposite, and arguably supports the case for issue preclusion. The case involved an appeal of a decision from the ITC concerning a patent that had expired prior to appellate review. Because the ITC is only empowered to authorize prospective injunctive relief, the Federal Circuit dismissed the appeal as moot.[26] However, Texas Instruments had also asked the Federal Circuit to review the ITC's decision that the patents had been held unenforceable, concerned about the effect that decision would have on other cases and patents in the family. The Federal Circuit noted its prior holding that ITC decisions had no collateral effect (citing *Tandon*, which as explained above, does not support that proposition), but nevertheless instructed the ITC to vacate the decision on remand due to the mootness of the case.[27] Because of the mootness issue, the issue preclusion matter was not actually decided. However, it is interesting that if the ITC decision truly had no preclusive effect, remanding to vacate the decision would have been unnecessary.

The last case cited in *Cypress*, *Corning Glass Works v. ITC*,[28] provides the most tenuous support of all. *Cypress* cites a footnote in *Corning Glass*, but remarkably, that footnote expressly says that the matter of issue preclusion has not been decided by the Federal Circuit:

> "The ITC takes the position that its decisions have no *res judicata* effect in such litigation. *Although this question has not been addressed by this court*, the legislative history of the Trade Reform Act of 1974 supports the Commission's position" (emphasis added).[29]

Of course, the reference to the legislative history there is to the same passage the Federal Circuit has repeatedly relied on.

Finally, in *Cypress*, a footnoted reference suggests that issue preclusion by the ITC would raise Seventh Amendment concerns.[30] *Hargis* disposed of that argument.

The Federal Circuit's conclusion regarding the lack of issue preclusion arising from ITC proceedings, as it held in *Cypress* and subsequent cases, is not supported by the authorities it relied on. Accordingly, having unraveled the Federal Circuit's reasoning, we now apply the matter of issue preclusion in the ITC to the *Hargis* framework.

Application of *Hargis* Means ITC Decisions Give Rise to Issue Preclusion

The first two considerations by the court in *Hargis* merely confirm the applicability of issue preclusion to non-Article III courts, and that doing so does not implicate Seventh Amendment concerns. Notably, the court's response to the Seventh Amendment argument overcomes the rationale cited by the Federal Circuit in the footnote in *Cypress*.

The third consideration under *Hargis* is the "evident" intent of Congress. Beginning with the text and structure of the Patent Act and the Tariff Act, there is no explicit indication that Congress intended that ITC determinations *not* be given preclusive effect. Indeed, were it so, one would have expected the Federal Circuit to begin there rather than begin and end with questionable legislative history. In fact, what interplay does exist in the Tariff Act and district court litigation actually suggests that issue preclusion was, if not intended, then perhaps contemplated.

28 U.S.C. 1659 provides that a party to a district court proceeding who is also a respondent in an ITC case may take advantage of an automatic stay of the district court litigation pending the resolution of the ITC case. While issue preclusion is not mentioned anywhere, an automatic stay to allow the ITC case to resolve first would have its greatest benefit, from an efficiency standpoint, only if the same matters would not have to be re-litigated in the stayed proceeding. Further, as to the legislative history of the Tariff Act, as described in detail above, it can hardly be said that any Congressional intent concerning issue preclusion is "evident".

The fourth argument in favor of issue preclusion in *Hargis* also applies to ITC cases. The court noted that the minor variations in the Lanham Act wording between infringement cases and opposition proceedings made no difference in terms of the actual law applied. Similarly, ITC cases follow Federal Circuit law arising out of the Patent Act on the issues of infringement, validity and unenforceability, in determining whether importation of an infringing article constitutes "unfair trade practices" under the Tariff Act.

The final criteria — the fairness and adequacy of the forum procedures — also favors issue preclusion arising out of ITC matters. ITC procedures are adversarial and closely follow the Federal Rules of Evidence and Federal Rules of Civil Procedure (albeit on statutorily mandated shortened schedules). Additionally, and unlike the TTAB, ITC cases do include live testimony. There is no meaningful argument that could be made that the procedures in the ITC are not equivalent to district court proceedings, or at least as close to district court proceedings as TTAB proceedings are.

Conclusion

In light of *Hargis*, and giving critical examination to the evolution of the Federal Circuit's law, it is likely that the matter of issue preclusion concerning ITC matters should be revisited. The relevant authority, both that erroneously relied on, as well as the new Supreme Court authority, strongly suggests that prior Federal Circuit precedent is wrong. The authors acknowledge that the implications of *Hargis* and this analysis significant. Currently, there are 45 cases pending at the ITC involving allegations of patent infringement. Plaintiffs who have attempted to enforce their patents at the ITC have done so with a "nothing to lose" expectation, because they could revisit issues in the district court litigation involving the same patent. In light of *Hargis*, that expectation may well be unsettled and issue preclusion may shut the door to subsequent district court litigation. Indeed, it is difficult to see how *Hargis* does not compel that result.

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The views expressed herein are those of the authors and not their respective companies or firm.

Notes

1 Case No. 13-352, 2015 WL 1291915 (2015).

2 2015 WL 1291915, at *7 (quoting Restatement (Second) of Judgments 27, p 250 (1980)).

3 Id.

4 Id.

5 Id, at *8.

6 Id, at *9.

7 Id.

8 501 U.S. 104 (1991).

9 2015 WL 1291915, at *10–11.

10 Id, at *11.

11 Id, at *13. The court did recognize that the inability to introduce a live witness, in a particular case, may tip the scales of fairness, but called such a situation "rare" and noted the showing of unfairness would need to be "compelling" (id).

12 90 F.3d 1558 (Fed. Cir. 1996).

[13] Id at 1568 (citing *Astoria Federal Savings and Loan Assoc. v. Solimino*, 501 U.S. 104, 110 (1991)).

[14] Id at 1569 (quoting S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), reprinted in 1974 U.S.C.C.A.N. 7186, 7329).

[15] S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), reprinted in 1974 U.S.C.C.A.N. 7186, 7329.

[16] Id. ("The Judicial review provided is in the Court of Customs and Patent Appeals, in the same manner and subject to the same limitations and conditions as in the case of appeals from decisions of the U.S. Customs Court.")

[17] Note the reference in the passage cited by the Federal Circuit to "binding interpretations of the U.S. patent laws *in particular factual contexts*."

[18] 831 F.2d 1017 (Fed. Cir. 1987).

[19] 851 F.2d 342 (Fed. Cir. 1988).

[20] 799 F.2d 1559 (Fed. Cir. 1986).

[21] *Tandon*, 831 F.2d at 1019.

[22] Id.

[23] 799 F.2d 1572 (Fed. Cir. 1986).

[24] Id at 1580.

[25] 851 F.2d 342 (Fed. Cir. 1988).

[26] Id at 344.

[27] Id ("Even if TI's argument had merit, the established practice in dealing with civil cases that become moot while on their way through the appeal process is to 'reverse or vacate the judgment below and remand with a direction to dismiss'.")

[28] 799 F.2d 1559 (Fed. Cir. 1986).

[29] Id at 1570 n.12.

[30] *Cypress*, 90 F.3d at 1569 n.10

U.K. Supreme Court Codifies Test on Extending Accessorial Liability for Infringement — When Does Joint Liability Arise?

By Jonathan Radcliffe, Charles Russell Speechlys LLP, London; e-mail: jonathan.radcliffe@crsblaw.com

I. Summary and Implications

The U.K. Supreme Court handed down on March 4, 2015 a judgment that codifies the law on accessorial infringement, specifically, on liability where someone has assisted the principal tortfeasor in the commission of tortious acts.[1] Although not of itself an intellectual property case, this judgment has a wider significance for infringement of all intellectual property rights.

All five Supreme Court judges agreed on the test for accessorial liability, although differed on the result. The decision has potentially significant strategic implications for patent and intellectual property litigation and the question of infringement, and for devising structures to mitigate or avoid potential liabilities.

- The Supreme Court's restated test for accessorial liability is that a defendant will be jointly liable if:

  (i) That defendant has assisted the commission of the tort by another person;

  (ii) It is pursuant to a common design; and

  (iii) An act is done which is, or turns out to be, tortious.

  If these requirements are satisfied, the result is that the accessory's liability is not for the assistance in doing the tortious acts, but for the tortious act of the primary actor, because the law treats that defendant as party to that act by reason of the assistance.

- Determining accessorial liability is a very fact sensitive exercise, and is likely to be an exercise of judgment by the trial judge on the particular facts and witnesses at trial. There are no hard and fast rules to define the necessary amount of connection between the defendant and the tort.

- Patent and intellectual property disputes often have complex and interwoven "contributions" to the alleged infringement, e.g. the commissioning of the development, and subsequent manufacture, importation and sale of tablet formulations, which is undertaken by multiple group companies and third parties. The *Sea Shepherd* judgment potentially opens the way for carefully crafted strategies to limit the extent of such potential liabilities (for example using contracts to provide how title in the products passes and when).

II. Facts of the Case

Fish & Fish operate a fish farm in Malta, and were transporting tuna in fish cages when the Sea Shepherd Conservation Society ("SSCS") ship the *Steve Irwin* rammed a tuna cage, and divers then forced it open to release the fish. This incident was part of a campaign to intercept and oppose the overfishing of bluefin tuna in the Mediterranean.

SSCS was founded and is based in the State of Washington in the U.S., for the purpose of conserving and protecting ecosystems and species. It was founded by a Mr Paul Watson, and has a network of subsidiaries in various countries, including the defendant SSCS UK (a U.K. company limited by guarantee and a U.K. registered charity, based in the U.K.). SSCS UK's general objectives are to conserve and protect the world's marine wilderness ecosystems and marine wildlife species, and at the relevant time its primary objective was to provide funds and support the aims and objectives of its parent organization, SSCS.

The trial judge found as a matter of fact that in conducting the operation against Fish & Fish, as master of the *Steve Irwin*, Mr Watson was not acting for SSCS UK but only for SSCS. Although the *Steve Irwin* was registered in the name of SSCS UK it only held a bare legal title, as the *Steve Irwin* was beneficially owned and operated by SSCS.

SSCS and Mr Watson had no U.K. presence. As only SSCS UK as an English company had a U.K. presence, it was therefore the anchor defendant for the purpose of the English court establishing jurisdiction over the action. The argument against SSCS UK was that it had contributed in two main ways to the operation against Fish & Fish.

A. Participation in Fundraising for Bluefin Tuna Campaign

SSCS UK's fundraising activities on behalf of SSCS included making use of SSCS UK's bulk mailing services for a fundraising mailshot in the U.K. and so that U.K. donors could contribute through sterling cheques or transfers.

The mailshot solicited funds for the Bluefin Tuna Campaign; it was designed, organized and paid for by SSCS but was sent out in the name of, and with (at least) the knowledge of, SSCS UK, but not by SSCS UK or on SSCS UK's instructions. This only raised donations of 1,730 pounds sterling, which were paid to SSCS UK who then sent them to its parent SSCS.

B. Recruitment of Two Volunteers

SSCS UK had passed on the names of people who had contacted it about volunteering. One volunteer sourced a marine pump for the *Steve Irwin*. He and the other volunteer then transported the pump to the *Steve Irwin* and did a day's work on board.

Fish & Fish brought a claim in the English courts in tort against SSCS UK for the loss and damage it had suffered. A preliminary issue in the litigation was whether SSCS UK could be held liable, directly or vicariously, for this damage. The trial judge held that it could not be held liable; this was reversed by the Court of Appeal.

The Supreme Court held 3-2 on the facts that SSCS UK should not be liable, essentially for the reason that in the wider scheme of things SSCS UK's acts had been of minimal importance. However, the importance of the case is not in the result — where the judges disagreed on the application of the test of accessorial liability to the facts of the case — but that all five justices agreed on a restated test for accessorial liability.

III. Supreme Court Restated Test for Accessorial Liability

As a general proposition, accessorial liability through joint tortfeasance arises where a claimant contends that it has suffered damage as a result of a tort committed by the primary tortfeasor, and contends that another party who did not directly join with the primary tortfeasor in actually committing the tort, and was not the primary tortfeasor's agent or employee, should also be liable for the tort, because that other party assisted the primary tortfeasor to commit the tort (i.e. that other party was an accessory).

The classic principle of accessorial liability arising from assisting the principal joint tortfeasor is from the 1924 Court of Appeal decision in *The Koursk*, that:

> "Persons are said to be joint tortfeasors when their respective shares in the commission of the tort are done in furtherance of a common design".[2]

The joint tortfeasor needs to join or share in the commission of the tort. This generally means doing some act which at least facilitates the tort's commission.

The legal elements of liability as a joint tortfeasor can only be formulated in general terms because such liability is always fact sensitive. The Supreme Court's restated test for accessorial liability is that a defendant will be jointly liable if the following three conditions are met, namely that:

(i) **The defendant has assisted the commission of the tort by another person.** The assistance provided by the defendant must be substantial, i.e. not de minimis or trivial. However, the defendant should not escape liability simply because the assistance was:

- relatively minor in terms of its contribution to, or influence over, the tortious act when compared with the actions of the primary tortfeasor; or
- indirect so far as any consequential damage to the claimant is concerned.

(ii) **The assistance was pursuant to a common design.** Mere assistance by the defendant to the primary tortfeasor, or "facilitation" of the tortious act, is insufficient in itself. There must be a common design between the defendant and the primary tortfeasor that the tortious act be carried out, i.e. the act constituting or giving rise to the tort. This will normally be expressly communicated between the two parties, but can also be inferred.

(iii) **An act is done which is, or turns out to be, tortious.** It is not necessary for a claimant to show that the defendant appreciated that the act which the defendant assisted further to a common design constituted or led to a tort, or that the defendant intended that the claimant be harmed. However, the defendant must have assisted in, and been party to a common design to commit, the act that led to that tort.

There will be no liability if the activity which the defendant assisted and which was the subject of the common design was carried out tortiously, if it could also perfectly well be carried out without committing any tort. The claimant does not need to show that the defendant knew that a specific act harming a specific claimant was intended.

If these requirements are satisfied, the result is that the accessory's liability is not for the assistance in doing the tortious acts, but for the tortious act of the primary ac-

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tor, because the law treats that defendant as party to that act by reason of the assistance.

The Supreme Court recognized that accessorial liability is a balancing exercise. Whilst this reformulated test identifies when there will be liability for assisting a primary actor to commit a tort, it is also important to ensure that appropriate boundaries are drawn around it, so that the mere facilitation of the tort will not give rise to such a liability, even when combined with knowledge of the primary actor's intention. These limitations on the scope of liability as a joint tortfeasor are based on what the Supreme Court described as "a pragmatic concern to limit the propensity of the law of tort to interfere with a person's right to do things which are in themselves entirely lawful".

IV. Boundaries of Accessorial Liability After Supreme Court's Decision

The Supreme Court recognized in *Sea Shepherd* that the ambit of the test for accessorial liability is potentially very broad. Because of the danger that this could spill over to catch activities that in themselves may be entirely lawful, the Supreme Court acknowledged that it is important that the law should not interfere with a person's right to do those things.

In practical terms, where therefore are the boundaries? The Supreme Court held that this is to be found in the question of intent. This serves the function of a control mechanism limiting the ambit of a person's obligation to safeguard the rights of others, where this would constrict the person's freedom to engage in otherwise lawful activities.

- For there to be liability, as well as knowledge that an otherwise lawful act will assist the tort, there must be a shared intention that it should do so. The necessary limitation on the scope of accessorial liability is therefore achieved by the combination of active cooperation and commonality of intention. This limitation is "encapsulated in [the] distinction between concerted action to a common end and independent action to a similar end, and between either of these things and mere knowledge of the consequences of one's acts."[3]

- The Supreme Court in *Sea Shepherd* acknowledged the proposition that the manufacture or sale of equipment which its purchasers are likely to use to infringe intellectual property rights will not give rise to accessorial liability, simply because the manufacturer or seller is aware of its likely use. Where the manufacturer or seller had no control over the use of the equipment after he has parted with it, liability would have to be founded on mere knowledge of its likely use, and mere knowledge is not tantamount to a common design.

- Inducing or procuring a tort necessarily involves common intent if the tort is then committed. However, mere assistance may or may not do so, depending on the circumstances. The mere supply of equipment which is known to be capable of being used to commit a tort does not suggest intent. Other circumstances may do so.

V. When Will a Defendant Be Accessorily Liable as a Joint Infringer?

A useful illustration of the types of practical issues accessorial liability can throw up is the patent litigation in the English Court of Appeal in *Fabio Perini SpA v. LPC Group Plc & Ors*[4] (it is of note that Lord Neuberger gave lead judgments in both *Sea Shepherd* and *Fabio Perini*).

A. Facts in Fabio Perini

This litigation concerned machinery and methods for sealing the tail ends of rolls of paper, such as lavatory rolls and kitchen towel, so that they remain rolled up.

The paper is supplied in the form of very large "parent" rolls, three meters in diameter. These have to be unwound and then rewound to the relevant diameter for lavatory rolls and paper kitchen towelling, before being cut into individual rolls. If the loose end of the smaller roll is not sealed before further conversion steps are taken the end can unwind, interfering with the rest of the process.

The sealing is a gluing process that involves rolling the smaller dimensioned roll over a slit from which glue is dispensed over the full length of the loose end, and then rewinding the roll to complete the seal. One of the key arguments on interpretation of the relevant claim was what was meant by the word "slit".

The relevant paper converting machines were purchased ex works from PCMC Italia's Italian factory by the U.K. customer (LPC), who then imported them into the U.K., where they were installed and used for over a year in LPC's premises.

LPC was held liable for infringement at trial as it had imported the infringing machines into the U.K. and used them for over a year. The question for the Court of Appeal was whether, and on what basis, PCMC Italia should also be held liable as a joint infringer.

PCMC Italia not only installed the infringing machines at LPC's premises, but under the terms of its contract with LPC its employees supervised the commissioning and start-up use of the infringing machines, as well as training LPC staff to use the machines.

The trial judge had emphasized that these were method claims, and that the contract specifically called for machines that operated in accordance with this method. PCMC Italia had assembled these machines on LPC's premises and caused them to work in accordance with the method claims. He had therefore held that PCMC was liable as this work had been done pursuant to a common design, evidenced by the contract.

B. Court of Appeal Decision

The appeal court decision in *Fabio Perini* is significant in that it relaxed the rules imposing liability for accessorial infringement on joint defendants — a move that shifted the balance of power in favor of rights holders. The key findings illustrating the boundaries of accessorial liability were:

- Merely exporting a machine from another country to a third party in the U.K., even helping to install the machine in the third party's premises in the U.K., would not normally lead to accessorial liability. This is because it is the use of the machine that constitutes the infringement of the method claims of the patent.
- Even if, taken on their own, neither (a) the sale and installation of the machines, nor (b) the provision of the various commissioning services, would give rise to liability, that did not mean that the combination of the two could not do so.
- However, the commissioning and other services provided by PCMC Italia crossed the boundaries of accessorial liability. These services — performed in LPC's premises in the U.K., "were plainly undertaken to enable, indeed to assist, even to join in with, LPC's use of the machines", namely to infringe the method claims of the patent.

VI. Comment

A common feature of patent and intellectual property disputes is that they often have complex and interwoven "contributions" to the alleged infringement. Thus in life sciences disputes, different group (and indeed unrelated) companies across multiple countries will be responsible for the different stages of the development, and subsequent manufacture (both the active ingredient and the formulating), importation and sale of the drug in issue.

The extent to which accessorial liability will allow the English courts to seize jurisdiction may be critical in such disputes, especially if a primary objective behind such an assertion is to secure English-style document disclosure from potential defendants.

The *Sea Shepherd* judgment potentially opens the way for carefully crafted strategies to limit the extent of such potential liabilities, for example using contracts to provide how title in the products passes and when.

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Notes

[1] *Sea Shepherd UK v. Fish & Fish Limited* [2015] UKSC 10, March 4, 2015.

[2] *The Koursk* [1924] P 140, Court of Appeal.

[3] [2015] UKSC 10, at [44].

[4] *Fabio Perini SpA v. LPC Group Plc & Ors* [2010] EWCA Civ 525.

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Intellectual Property Insights

Designs for Life: An Essential Overview of Design Protection, Enforcement and Exploitation — Part II Bringing the Design to Market

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Part I in this series (see "Designs for Life: An Essential Overview of Design Protection, Enforcement and Exploitation — Part I Design Stage" [29 WIPR 33, 4/1/15]) considered how a business can manage the designs process so as to protect itself when creating a new design.

This installment will address the issues that may be encountered when bringing that design to market and how this may be done safely and securely — from striking a deal with a manufacturer or distributor, to enforcing the designs and defending against possible infringement claims.

I. Design Manufacture

Arguably the most important step in bringing a design to market is choosing the right manufacturer. Not only must the candidate have the capacity to make the product, and do so at the right price; but it will also potentially be involved with, or at least have access to, the most intimate details of the product's design process.

This makes it extremely important to carry out proper due diligence on all prospective manufacturers before entering any arrangement with them. It is sensible to consider hiring an agent to help assess a potential manufacturer and provide a detailed view on their competencies and capabilities, particularly when dealing with manufacturers overseas who cannot (easily) be seen face to face.

Rights holders should be wary of the potential for counterfeiting too. The wrong manufacturer may see the product and decide it wants to cut out the design owner and make its own version, so a confidentiality agreement should be put in place before discussing any details of the product with any prospective manufacturers. To help minimize the risks, avoid providing overly detailed specifications or explanations of the design to manufacturers unless it is necessary — only provide them with what they need to do their job.

If a business operates in a market where counterfeiting is a particularly serious concern, one practical option to minimize risk can be to engage multiple manufacturers and task each of them to make different parts of the product embodying the design, thereby preventing any one manufacturer from having access to information on how to make the whole product.

From the legal perspective, the next important step is to make sure the manufacturing agreement is right. Prevention is better than cure and many disputes can be avoided in advance by a properly drafted and carefully considered agreement.

For a manufacturer to do its job, a business will need to give the manufacturer rights to use its existing IP. Commonly this will be done by license. Ensure the scope of this license is clear. It should give the manufacturer the rights it needs, but clearly limit it to only those rights it needs. Giving a manufacturer an exclusive licence can also be tempting, but be wary that whilst exclusive rights can be a valuable tool to forge a strong commercial relationship, markets can change as products grow and being tied to one distributor can become difficult if the market outgrows their capacity.

An alternative is a sole licence which will permit both the rights holder and the licensee to exploit the design, but exclude anyone else. Finally, a non-exclusive licence permits a business to grant further licences to anyone else, even if they overlap with the rights in the licence.

However, it is often the case that a manufacturer would also be asked to help develop a product. Even if a manufacturer is not expressly asked to help in the design process, issues encountered during manufacturing (for example, in relation to tooling) and their solutions can easily lead to the creation of additional IP rights. Ownership of such rights can become complex. Who actually came up with a design in the heat of the moment can very quickly become unclear, and if this is not dealt with up front in the manufacturing agreement then it can be a recipe for future trouble.

Generally any new IP specific to the product should vest in the design rights holder. In return, the manufacturer may seek to take ownership of any IP it develops for the manufacturing process. However, care needs to be taken here that the manufacturer does not gain ownership of any IP that is essential to make the design. Allowing a manufacturer to do so can hamper or even halt a business's ability to go elsewhere if needed.

Finally, another important part of the manufacturing agreement is the warranties. Both parties should give warranties that their existing IP is valid and does not infringe any IP of a third party. This is essentially to prevent a party from suffering loss due to an IP infringement, where it had no hand in causing that infringement. However, these warranties should always be limited to only validity and infringement issues within the knowledge of the party giving the relevant warranty (unless a broader warranty can be secured from the other party). It is functionally impossible to say with certainty that a design does not infringe any third party rights, not least because of the existence of unregistered designs. Similarly, it can never be said with absolute certainty that a right is valid.

II. Design Distribution

Similar considerations as with manufacturers come in to play when selecting distributors for a design. Again, a distributor may require a licence to the design, so a business should think carefully what type of licence should be given.

Also, be sure to consider the ownership of any new IP as well. If the distributor is involved in marketing or design activities (for example, designing packaging) you should agree whom the resulting IP will vest in and ensure that the other party is licensed to use it.

Finally, it is worthwhile keeping in regular contact with manufacturers and distributors. Explain how important the IP is and seek notification from them if they should encounter any copies on the market. Manufacturers and distributors can be invaluable sources for keeping track of new infringements, especially where manufacture is based overseas in markets that are harder to monitor, such as Asia.

III. Design Protection and Enforcement

Once the manufacturer(s) and distributor(s) are lined up, and the design is ready to go to market, the next step is to consider (if this has not been done already) is how to go about protecting it.

Design law can give monopoly rights over how a design looks and can be a powerful tool to stop would-be copycats. Some design rights are automatic, whereas others require registration. However, it should always be kept in mind that all of these require enforcement to give any effective protection. If they are not enforced, a business will soon discover that its IP rights will have no real value.

A. What are the Rights?

In the United Kingdom, a creator of a design can have a number of rights available to protect that design. These can include design rights (registered or unregistered) at either U.K. or European Community level. It may also include other associated rights such as copyright.

As discussed in Part I of this series, how one becomes eligible for each of these rights and the scope of protection afforded by each of them differs.

(i) Copyright

- Protects artistic works (such as surface decoration) and sculptures;
- Qualifying individuals acquire automatic protection, which typically lasts until 70 years after the death of the author;[1]
- Territorial scope is U.K. only, but recognized by many other countries;
- Infringed by copying the whole or a substantial part of the copyright work (assessed qualitatively).[2]

(ii) U.K. Unregistered Design Rights

- Protects the shape and configuration of the whole or part of an article, excluding surface decoration;
- Qualifying persons acquire automatic protection, which lasts for 10–15 years (15 years from the end of the calendar year in which the design was first recorded in a design document or an article was first made to the design, whichever occurs first; or if articles made to the design are made available for sale or hire within 5 years from the end of that calendar year, 10 years from the end of the calendar year in which that first occurred).[3] However, a licence of right is available in the last 5 years of protection;
- Territorial scope is U.K. only;
- Infringed by copying the design in which the design right subsists so as to produce articles exactly or substantially to that design.[4]

(iii) U.K. Registered Designs

- Protects a registered design, which can be either the whole or a part of a product, including the lines, contours, colors, shape, texture or materials of the product or its ornamentation;[5]
- Arises by registration with the U.K. Intellectual Property Office, and lasts for up to 25 years, subject to payment of 5-yearly renewal fees;[6]
- Territorial scope is U.K. only;
- Infringed by any design which does not produce upon the informed user a different overall impression to the registered design.[7]

(iv) Community Unregistered Design Rights

- Protects the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, colors, shape, texture and/or materials of the product itself and/or its ornamentation;[8]
- Qualifying individuals acquire automatic protection, which lasts for a period of 3 years from the date on which the design is first made available to the public within the Community;[9]
- Territorial scope is the European Union;
- Infringed by any design which does not produce upon the informed user a different overall impression to the registered design.[10]

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(v) Registered Community Designs

- Protects the appearance of the whole or part of a product resulting from the features of, in particular, the lines, contours, colors, shape, texture and/or materials of the product itself and/or its ornamentation;[11]
- Arises by registration with the Office for Harmonization in the Internal Market (OHIM), and lasts for up to 25 years from the filing date, subject to renewal fees being paid every 5 years;[12]
- Territorial scope is the EU;
- Infringed by any design which does not produce upon the informed user a different overall impression to the registered design.[13]
- In theory it is possible to have a product that is protected by all of these rights, but in practice normally only one or two will apply.

B. Which Rights to Sue Under?

From experience, the majority of cases settle after a cease and desist letter is sent, and there is no need to commence proceedings. This is particularly the case when the claimant has a registered design to rely on (and represents a good reason to obtain such protection). However, sometimes court action does become unavoidable.

If it is necessary to sue an infringer, it is advisable to rely not only on any registered rights in possession, but also on any available unregistered rights.

Unlike for registered designs, to show infringement of unregistered rights, a claimant must show that its designs were copied by the defendant (i.e. they were not independently designed). However, whilst this can make it harder to rely on unregistered designs, statistically unregistered design infringement cases are much more likely to succeed in U.K. courts than those for registered design infringement (whether U.K. or Community).

The lower success rates for registered design cases may in part be due to clear cases of registered design infringement tending to be settled before trial, allowing the more borderline cases to skew the statistics. However, that is not the only reason. When pleading unregistered design infringement, the claimant can pick and choose those parts of the design which it asserts to have been infringed and rely solely on those as separate designs, directly targeting the infringing product. The claimant can leave out those parts of the design to which the alleged infringing product bears less resemblance, the net result being that the court is more likely to find infringement.

By contrast, with a registered design, the claimant has to rely on the full the design as filed, and if the defendant's product differs to any material extent, it will be harder for the court to find infringement.

C. Where to Sue?

With few exceptions, rights owners need to sue in the country where an infringement takes place. In the U.K., the Court of Session in Scotland and the Northern Ireland High Court are able to hear design rights cases, but the vast majority are heard in the English High Court and Intellectual Property Enterprise Court (IPEC). Any of these courts can hear cases concerning the U.K. or Community rights, and their decisions can have effect throughout the U.K. or EU as appropriate.

In England, rights owners can choose between starting proceedings in the High Court or IPEC. Although it is a division of the High Court, the IPEC is intended for handling less complex and lower value IP cases — the length of the trial is typically a maximum of 2 days, and damages recoverable from a defendant are limited to 500,000 pounds.

The costs in IPEC are often lower than in the High Court. However, the ability for the winner to recover costs is strictly limited in IPEC. In theory, the loser can be ordered to pay up to 50,000 pounds of the winner's costs, but it is more usual for the winner to recover around 35,000–40,000 pounds in practice, as they are scale costs for different stages of the case, and if a particular stage is not completed, costs cannot be recovered for that stage. By contrast, in the High Court, the losing party may be ordered to pay around 60% to 80% of the winner's total costs, which is usually a significantly larger sum.

Whilst IPEC proceedings could cost much less than in the High Court, the IPEC may not be the best forum for even simple cases. Tactically, a confident design right owner may choose to start proceedings in the High Court, because even though their costs are likely to be higher, they will be able to recover much more of their costs from the defendant when they win. Because starting proceedings in the High Court brings the threat of a substantial bill for the losing party, it has the advantage that it might promote a speedy settlement, whereas a defendant receiving IPEC proceedings has limited downside risk on costs and may be more inclined to fight.

As an alternative to court proceedings, the UKIPO will soon be offering an opinion service on designs (a consultation on the service which closes on May 15, 2015 is currently being run by the UKIPO). It is unlikely that the opinion will be binding, but it can be obtained for relatively low cost, and might help resolve a dispute between two parties as to whether there is infringement of a U.K. registered design, or whether a U.K. registered design is valid. If the designs opinion service follows the recent changes to the equivalent patents service, where a registered design is found to be invalid, it will now be open for the UKIPO to start the process to remove the design from the register.

IV. Defending Against Infringement Claims

When bringing a new design to market, it is also a risk that sometimes, even if a business has obtained its own rights, it may find itself accused of infringing a third party's rights. In this regard, it is important to remember that the mere granting of design registrations (as with other IP rights) to an applicant does not mean it does not infringe a third party's rights.

When accused of infringing a third party's rights, and if an amicable settlement cannot be reached, there are ways not only to defend against the claim but also to strike back. Not only can a defendant show that it does not infringe the disputed rights (as discussed above), but the validity or subsistence of the rights being asserted can also be attacked.

A. Attacking Validity of Registered Designs

U.K. registered designs, registered Community designs and unregistered Community design rights are largely harmonized at a European level and so the way to attack their validity is largely the same.

As briefly discussed in Part I of this series, to be valid, a design must be novel and have individual character.[14] If it can be shown that a U.K. registered design, Community registered design or a Community unregistered design that is asserted lacks either of these characteristics, it can be invalidated, effectively defeating the claim against the defendant.

B. Novelty

Novelty means the design must be new in the sense that no identical design to it has been disclosed to the public.[15] Designs are considered "identical" where their features differ from each other only in immaterial details.[16] In practice, this tends to require that either the design itself or one almost entirely the same was disclosed before the design in question was filed (or the priority date if priority is claimed, or the date the design was first made available to the public for an unregistered design).

These types of disclosure do however, happen. For example, a product might be disclosed at a trade show and the design might not have been filed soon enough to take advantage of the grace period during which it must be registered.

It should also be remembered that a disclosure to "the public" can mean the public anywhere in the world. As such, novelty is assessed at a worldwide level, not only in the U.K. or Europe. As explained by Lord Justice Jacob in *Green Lane v. PMS* in an admittedly fanciful example, "a disclosure in a document written in Sanskrit and misplaced in the children's section of Alice Springs public library is one which is 'made available to the public'."[17]

C. Individual Character

Individual character can be a more difficult concept to pin down.

A design has individual character if it produces on the informed user a different overall impression than any design which has been made available to the public before the filing date of the design (or the priority date if priority is claimed, or the date the design was first made available to the public for an unregistered design).[18] The relevant designs available to the public are commonly referred to as the "design corpus".

Good sources of designs for the "design corpus" are often the design holder's competitors, and sometimes also the designer's own products. Drawing the line correctly between where the old design ends and a new design begins can be tricky, and can be a way to open up an avenue for attack.

Individual character will be assessed through the eyes of the informed user. The informed user is an artificial construct of design law and has steadily been defined more and more by case law. This "user" is not an expert in the design field in question, but is more discriminating than the average consumer. He can compare the designs side-by-side and is particularly observant,[19] so will notice differences between designs, but he will not go as far as to notice only minimal differences.[20] He is familiar with the design field, but does not have an archival mind and will not be aware of designs that are only obscure in the field.[21]

When making his assessment of the design, the informed user will also consider the design freedom available to the designer. The more freedom the designer has, the more weight the informed user will put on similarities between the designs and the design corpus. The informed user will also consider the visual prominence of each feature of the design when comparing it to the design corpus.

The informed user then has to assess the overall impression of the design. It may sound obvious, but what matters most to this assessment is what the designs, the design corpus and the infringing designs all look like. As acknowledged by Jacob LJ in *Philips v. Remington*[22] and again in *Procter & Gamble v. Reckitt Benckiser*,[23] while parties have to try and put the overall impression into words "it takes longer to say than to see".

Expert evidence will only be of limited use in this assessment. An expert can sometimes help explain the design corpus and what limitations the designer would be under in designing a new product; but when it comes to assessing overall impression they are likely to be of limited use to a court. Jacob LJ noted in *Reckitt Benckiser* that "anyone can point out similarities and differences, though an educated eye can sometimes help a bit."[24]

Overall, as summarized again by Jacob LJ in *Dyson v. Vax*,[25] when it comes to design infringement "what really matters is what the court can see with its own eyes".

D. Attacking a U.K. Registered Design Right

The U.K. design right has its origins in national law so how a defendant can attack it if it is asserted against them is different to the rights set out above. Since a U.K. design right comes in to existence automatically, the validity of the right per se cannot be challenged, but rather a defendant would challenge whether the right should subsist in the design at all.

One way to argue that no design right should subsist in a design is to argue that the designs alleged to be infringed are not original themselves in the sense that they have been copied from elsewhere, and so are not deserving of protection.[26] The term sometimes used is that the design must not have been "slavishly copied".

Alternatively, even if the designs were not copied from elsewhere, they can still be challenged on the grounds that they were "commonplace in [the] design field in question at time of creation".[27] However, it should be noted that the consideration of commonplace is limited to the "design field" in which the design exists (which has to be in a qualifying country). A defendant cannot

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draw from wholly different types of products in order to invalidate a design for a specific type of product.

Whether the design is commonplace will then be assessed by comparing the degree of similarity between the design in question and other designs in the same field. Merely because there is an existing design that has some similarities to the design in question does not necessarily mean the design is commonplace. However, the more similarities one can find with existing products and the more widespread they are in the design field, the more likely the design would be found to be commonplace.

Other common defence arguments are that the design being enforced is not protectable in the first place. For example, it may constitute surface decoration or fall foul of the must fit or must match exclusions. For more detail on what is excluded from design protection, refer to Part I in this series.

V. Damages

It is important to consider what damages one could either claim from an infringer or could be expected to pay if found to have infringed another's rights. Damages payments are sometimes very significant, whilst other times there is a risk that they can be dwarfed by the costs of the litigation (which depends both on the damages at stake, as well as the way the case has been fought).

A. General Principle — Damages are Compensatory

Damages awards by the English courts are generally intended to put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not suffered the wrong for which he is getting compensation. It is rare (but not impossible) for a claimant to be awarded "punitive" damages, namely those which are purely intended to punish the defendant for its wrongdoing regardless of the claimant's loss.

There are two different ways of assessing the level of recompense: damages, or an account of the defendant's profits. The winning claimant has the option to elect which he would like, and generally the court will order a certain level of disclosure from the defendant before the election needs to be made.

B. Assessing Damages

Within the damages head, there are two ways to assess the amount due. One is loss of profits, and the other is a reasonable royalty.

If the claimant can prove that a sale made by the defendant to the design represents a sale that would otherwise have been made by the claimant, then the defendant is likely to be ordered to pay an amount equivalent to the profit that the claimant would have made on that sale. This is sometimes referred to as the "substitution principle".

It may, however, be difficult to prove that the defendant's sales have caused the claimant to lose sales. For example, if the claimant's products were more expensive than the defendant's infringing products, not all the sales by the defendant necessarily represent a lost sale for the claimant. Some of the defendant's customers might not have bought the item at all at the claimant's price.

In such circumstances, the court may adopt an alternative approach, that of the "reasonable royalty". It will calculate what hypothetical royalty the defendant might have paid the claimant, had the parties negotiated a licence for the defendant to use the claimant's design right.

What might a reasonable royalty be? The court assumes that both parties are willing to negotiate a licence; even if the parties are quite clear that in reality they would not have reached such a deal. However, the calculation is not entirely hypothetical; the court will take into account any opportunities which the licensee would have had to take a licence from elsewhere and the impact this would have had on the applicable royalty rate.

In *Kohler Mira v. Bristan*,[28] the defendant had infringed the claimant's unregistered design rights for showers. The judge held that a reasonable royalty was 30% on the defendant's 22.2% profit margin, or a royalty of 6.7% on the sale price of the infringing products.

C. Assessing an Account of Profits

If elected by a claimant as an alternative to damages, the court can order the defendant to pay an account of its profits from sales of the infringing products. Historically there has been a lack of clarity about precisely what costs incurred by the defendant should be taken into account when this is assessed, but recent cases have made it clear that the profits should be calculated by reference to the defendant's retail sale price, less the purchase price (or manufacturing cost) and any direct costs that would not have been incurred but for the sales having been made.

For example, if an infringing product had a discrete sales team that was hired for the purpose, these costs can be taken into account, but if they were simply employees who would otherwise have sold other products of the defendant, that is not a relevant deduction. This position has made accounts of profits much more popular than they were in the past.

VI. Injunctions

As is often the way with IP rights, damages are not always the principal remedy sought for design infringement. Commonly, the claimant is much more interested in obtaining an injunction to prevent further infringing sales. An injunction is an order restraining a party from doing something, for example from continuing to infringe a design right.

Injunctions can be interim or final. Interim injunctions are those awarded before final judgment, often early in the proceedings. These can be a useful way to stop an infringer's acts immediately, but they are difficult to obtain and generally the party seeking one has to give an undertaking that if it goes on to lose at trial, it will pay damages to the injuncted party for the losses suffered as a result of the injunction. Therefore, they are not without risk; even where the merits of the case are strong, the balance may not be in favor of the court granting an injunction.

A final injunction is more common. A final injunction comes after trial and may end the ability of a party to use or sell products that infringe a specific IP right. These are powerful tools that halt infringement and, at least in theory, stop it from happening again.

The negative publicity of not only having to withdraw products from the market, but also being labelled an IP infringer can also be highly damaging to a company's reputation, which should not be underestimated in some industries.

VII. Alternatives to Litigation

Finally, when protecting a design or defending against an infringement claim, it should be borne in mind that going to court is not the only option.

In the U.K., the rules of litigation place a particular emphasis on encouraging parties to attempt alternative dispute resolution. Aside from the parties directly agreeing a settlement through negotiation, more formal approaches are mediation and arbitration.

Mediation is a form of dispute resolution where the parties agree to work towards a settlement with the assistance of a neutral third party. It is up to the parties to agree terms of settlement. Mediation can be a cost-effective and valuable tool to settlement, particularly in disputes where the costs of court action would far outstrip the potential to recover damages.

Arbitration is different in that the parties instead agree to submit to a binding decision made by an arbitrator (or panel of arbitrators) who then decide how the dispute should be resolved. This can either be done under a set of established rules or "ad hoc", where the parties determine what rules will apply themselves. Arbitration is rarely used for design infringement (unless it is part of a bigger dispute), but can be particularly useful in IP disputes with a cross-border angle, potentially resolving multiple disputes in multiple jurisdictions simultaneously in a way a court cannot.

There are other methods of alternative dispute resolution (such as expert determinations or neutral evaluations), but mediation and arbitration are the ones most commonly seen in IP disputes. The key message to remember is that there are often other options available when a party feels it is being forced into using the courts.

VIII. Conclusion

There can be many hurdles on the way to bringing a design to market. However, good preparation, an understanding of the potential pitfalls and robust legal advice can head off many of these obstacles in advance. Design law can be difficult to follow sometimes, but when used properly it can help make the journey to market as smooth and profitable as possible.

About the Authors

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Designs for Life: An Essential Overview of Design Protection, Enforcement and Exploitation

Part III of this practical series, looking at ways to exploit designs to maximize return on investment, how to extend protection as well as common problems encountered by design owners in the design field, will continue in World Intellectual Property Report next month.

Notes

1 U.K. Copyright, Designs and Patents Act 1988 ("CDPA"), s 12(2).

2 CDPA, s 16(3)(a).

3 CDPA, s 216(1)(a).

4 CDPA, s 226(2).

5 Registered Designs Act 1949 ("RDA"), s 1(2).

6 RDA, s 8(2).

7 RDA, s 7(1).

8 Regulation 6/2002/EC on Community Designs ("Community Design Regulation"), Article 3(a).

9 Community Design Regulation, Article 11(1).

10 Community Design Regulation, Article 10(1).

11 Community Design Regulation, Article 3(a).

12 Community Design Regulation, Article 12.

13 Community Design Regulation, Article 10(1).

14 Community Design Regulation, Article 4.

15 Community Design Regulation, Article 5(1).

16 Community Design Regulation, Article 5(2).

17 *Green Lane Products Ltd v. PMS International Group Plc & Ors* [2008] EWCA Civ 358.

18 Community Design Regulation, Article 6(1).

19 *PepsiCo v. Grupo Promer* (Case C-281/10 P).

20 *Shenzhen Taiden v. OHMI Bosch Security Systems* (Case T-153/08).

21 *Procter & Gamble v. Reckitt Benckiser* [2007] EWCA Civ 936.

22 [1998] RPC 283.

23 [2007] EWCA Civ 936.

24 Ibid.

25 [2011] EWCA Civ 1206.

26 *C&H Engineering v. Klucznik & Sons Limited* [1992] FSR 421.

27 CDPA, s 213(4).

28 [2014] EWHC 1931.

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Comment and Analysis

Linkage System Between Pharmaceutical Patent and Generic Market Approval Finalized

By Hyun Sil Lee and Hoy Mee Chung, FirstLaw PC, Seoul; e-mail: firstlaw@firstlaw.co.kr

After numerous changes and modifications, the revised Korean Pharmaceutical Affairs Act ("KPAA") has finally entered into effect as of March 15, 2015, thereby to fully put in operation the patent approval linkage system introduced following the ratification of the Korea-U.S. Free Trade Agreement.

Specifically, the revised KPAA further refines the requirements regarding the patent listing on the so-called "Green List" and the notification obligation of a generic drug manufacturer, which have already been in place since 2012, and newly provides the requirements and procedures for the blocking of the marketing of a generic drug, a first generic applicant's exclusivity, and the reporting of a settlement agreement.

Listing of Patents on Green List

The holder of a market approval for a medicinal product may file with the Ministry of Food and Drug Safety ("MFDS") an application for registering on the Green List the patent(s) covering the approved drug under a license or consent from the patentee, within 30 days of the issuance of the market approval or the registration of the patent, whichever is later.

If a patent applied for the patent listing satisfies the following criteria, the MFDS will register the patent on the Green List:

(i) The patent relates to a compound, a dosage form, a composition and/or a medicinal use of the approved drug;

(ii) The patent is directly relevant to the matters specified in the market approval of the drug;

(iii) The patent was filed before the market approval; and

(iv) The patent and the market approval remain in effect.

Notification of Application for Generic Drug Approval

An applicant who files an application for market approval of a generic drug in reliance on the safety and efficacy data of a brand drug will notify the patentee and the holder of the market approval for the brand drug of the filing of such application within 20 days from the application date. Such obligation of notifying the application for generic approval is exempted, however, where:

(i) The registered patent has expired;

(ii) The market approval is applied under the condition that the generic drug will not be marketed until the patent expires;

(iii) The holder of the market approval for the brand drug and the patentee have consented to the application for generic approval; or

(iv) The generic drug is irrelevant to the medicinal use sought to be protected by the registered patent.

If the notification obligation has not been fulfilled, the market approval of a generic drug will not be granted; and if the notification is made after the above 20-day period, the application for generic approval will be deemed to be filed on the date when such notification is actually made.

Restraint on Marketing of Generic Drug

The patentee of the brand drug, who has been notified of the application for generic approval, may file a request for restraint on the marketing of the generic drug, within 45 days from the receipt of the notification, after initiating a patent infringement action or filing or responding to a scope confirmation trial based on the registered patent(s). When filing such request, the patentee must submit a declaration stating that the restraint request has been made based on a duly registered patent (or patents), and he has filed a patent infringement action or filed or responded to a scope confirmation trial in good faith, has a probability of success in such infringement action or trial, and will not unreasonably delay the litigation or trial procedure. Further, such request for restraint on the marketing of a generic drug cannot be made repeatedly against the same generic drug, except the case where an application for generic approval is filed for a new medicinal indication.

The MFDS will grant the request for restraint to stay the marketing of the generic drug until the passage of 9 months from the patentee's receipt of the notification of the application for generic approval, unless:

(i) Such request was made without satisfying the statutory requirements mentioned above;

(ii) The brand drug manufacturer has engaged in a wrongful conduct in association with the registration of the patent(s) on the Green List;

(iii) Where multiple applications are filed for market approval of generic drugs having the same type and strength of active ingredients, formulation, dosage and effect, such restraint is requested against only part of the generic drugs;

(iv) Any generic drug(s) having the same type and strength of active ingredients, formulation, dosage and effect as those of the generic drug, for which restraint is requested, is already available for sale;

(v) There is rendered a trial or court decision to the effect that the generic drug does not infringe or does not fall within the scope of the patent, the patent is invalid, or the registration on the Green List is null and void.

"[R]equest for restraint on the marketing of a generic drug cannot be made repeatedly against the same generic drug, except the case where an application for generic approval is filed for a new medicinal indication."

The restraint on the marketing of generic drug, if allowed, may be lifted when:

- A trial or court decision as indicated in item (v) above is issued;
- The market approval for the brand drug is revoked;
- The registered patent expires; or
- The patentee is found to have violated the Korean Monopoly Regulation and Fair Trade Act ("Fair Trade Act") or have engaged in wrongful conduct in connection with the issuance of such restraint.

Exclusive Market Approval for First Generic Drug

A generic drug applicant may be granted an exclusivity of marketing of a generic drug for 9 months, by way of satisfying the following requirements:

(i) It has filed an application for market approval of a generic drug on the earliest date among generic competitors;

(ii) It has filed an invalidation trial or a scope confirmation trial involving the patent registered on the Green List prior to the filing of the application for generic approval, either earlier than all the other generic competitors or within 14 days from the earliest filing date of such a trial brought by another generic competitor, or has received an earliest favorable trial decision; and

(iii) The favorable decision is rendered within 9 months from the notification of filing an application for generic approval.

Where more than one generic applicant satisfy requirements under (i) and (ii) above, they may all be qualified for the exclusivity.

Such generic exclusivity will offer the advantage of blocking the marketing of other generic drugs which contain the same active ingredients as those of the brand drug and have the same type and strength of active ingredients, formulation, dosage, and effect as those of the first generic drug, for a period of 9 months from the date when it becomes possible to market the first generic drug. The exclusivity period of 9 months is extendible for up to 2 months if the first generic drug is applied for medical insurance reimbursement listing.

The exclusivity, however, may be forfeited if:

- The market approval for the first generic drug becomes ineffective;
- The registered patent expires or becomes null and void;
- The trial or court decision rendered in favor of the first generic drug applicant in an invalidation trial or a scope confirm trial is overturned;
- The first generic drug is not marketed without a justifiable cause within 2 months from the date when it becomes possible to market the generic drug; or
- The first generic drug applicant is found to have violated the Fair Trade Act or have engaged in wrongful conduct.

Reporting Settlement Agreement

When the holder of the market approval for the brand drug or the patentee and the applicant for generic approval enter into a settlement agreement concerning the manufacturing or marketing of the generic drug or the obtaining or removal of the exclusive market approval for the generic drug, or the applicants for generic approval enter into a settlement agreement with each other concerning the obtaining or removal of the exclusive market approval for the generic drug, the parties to the settlement agreement must report the relevant information such as the parties, contents and date of the settlement agreement to the MFDS and the Korean Free Trade Commission within 15 days from entering into the settlement agreement.

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Breweries Battle Over Intellectual Property and Innovation in Japan

By John A. Tessensohn, Board Member, SHUSAKU YAMAMOTO, Osaka, Japan

Springtime visitors to Japan will be welcomed by the country's spectacular cherry blossoms and gorgeous weather but also by a relentless barrage of online, print and television beer commercials. Spring is the season when major Japanese breweries make a concerted effort to campaign for beer consumers' hearts and minds, encouraging them to enjoy their respective products during that quintessential Japanese social event, the "*hanami*" (cherry blossom viewing) party. *Hanami* usually involves a picnic party with friends, family or colleagues under cherry blossom splendor, accompanied by copious amounts of food and beer.

This spring's battle of the beers promises to spill out from under the cherry blossoms and into Japanese courtrooms as a result of patent lawsuit over non-alcoholic beer. Battle lines were drawn when the high-profile dispute between two of Japan's biggest beer breweries, Suntory Holdings and Asahi Beer, came quickly to a head with the first hearing of Suntory's patent infringement lawsuit at the Tokyo District Court on March 10, 2015. The following will examine this patent infringement case and recent intellectual property developments fermenting in Japan which together confirm that Japanese corporations are increasingly likely to initiate patent infringement lawsuits against defendants in Japan, thereby shattering the myth of the reluctant Japanese litigant.

Suntory v. Asahi

According to a press release from Suntory dated March 10, 2015, the company filed a lawsuit with the Tokyo District Court against competitor Asahi in January 2015, seeking the suspension of sales and production of non-alcoholic, beer-flavored drinks and claiming that Asahi infringed its Japanese Patent No. 5382754 ("the '754 Patent") when the competitor sold its "Asahi DRY ZERO" non-alcoholic beer beverage. According to the press release, the two beer giants could not resolve the infringement issue through negotiations after Suntory filed the suit against Asahi.

The Suntory '754 Patent is titled "pH-adjusted non-alcoholic beer with low extract content" and is directed specifically to "a beer-taste beverage with a low total amount of an extract component(s), having a pH adjusted to a specific range to provide the robust feel to the beverage."

The patent was filed on May 27, 2013. Sensing that the invention was important, Suntory requested accelerated examination of the application on August 5, 2013 and it was registered by the Japan Patent Office on October 11, 2013.

At the first hearing of the patent infringement proceeding on March 10, 2015, Asahi, Japan's second-biggest seller of such beverages after Suntory, urged the court to reject the claim, arguing that the '754 Patent was invalid as its non-alcoholic, beer-flavored beverage was "obvious" and could be "easily made" from existing technology. It waits to be seen how Asahi's invalidity defense will fair in this ongoing battle of the breweries.

Asahi - Accused Infringer

Suntory - Patentee/Plaintiff

Large Beer Consumption Market

The progress and outcome of this headline grabbing patent infringement litigation will undoubtedly keep legal observers brimming with anticipation during the *hanami* season and beyond.

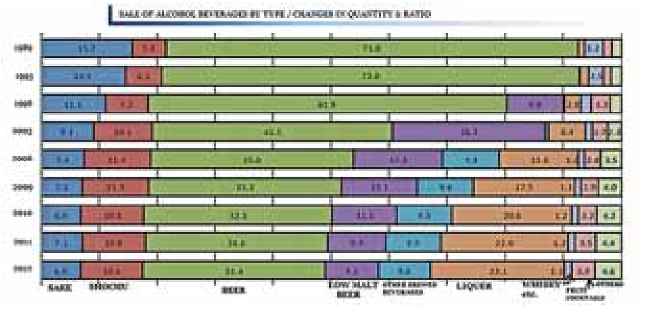
Global Beer Consumption by Country in 2012

2012 Ranking	2011 Ranking	Country	2012 Volume Consumed (thousand kiloliters)	2012 Share of Global Market	2012 Change from 2011	2011 Volume Consumed (thousand kiloliters)	2011 Share of Global Market
1	1	China	44,201	23.6%	-1.2%	44,738	24.1%
2	2	United States	24,186	12.9%	1.4%	23,861	12.9%
3	3	Brazil	12,800	6.8%	1.5%	12,608	6.8%
4	4	Russia	10,560	5.6%	-0.9%	10,660	5.7%
5	5	Germany	8,630	4.6%	-1.6%	8,770	4.7%
6	6	Mexico	6,890	3.7%	2.1%	6,750	3.6%
7	7	Japan	5,547	3.0%	-1.0%	5,603	3.0%
8	8	United Kingdom	4,319	2.3%	-3.7%	4,485	2.4%
9	9	Poland	3,790	2.0%	5.3%	3,600	1.9%
10	10	Spain	3,220	1.7%	-1.8%	3,280	1.8%

Source: Kirin Beer University 2013

Japan is ranked 7th largest in the world in terms of annual consumption of beer. It has a very mature and competitive market with dominant domestic players and a high innovation rate. The *Suntory v. Asahi* infringement case is just one piece of evidence of this competitiveness and innovation. The Japanese beer market is categorized according to type — regular beer, low malt beer or "*happoshu*" (bubbling spirits and beer-like alcoholic beverages). While there has been a trend over the past few years by the younger generation to move away from beer and alcohol generally as a result of the rising popularity of low-alcohol beverages such as "*chuhai*" (shochu-based beverage), the high-end, premium beer segment is still gathering attention and drawing interest in craft beer.

The overall beer market in Japan is estimated to be worth 1 trillion yen (US$8 billion). Beer is an extremely popular beverage amongst Japanese, as the following chart illustrates. Beer possesses the lion's share of all alcoholic beverages consumed in Japan, surpassing even the famed indigenous liquor, *sake*.



Source: National Tax Agency (March 2014)

However, it is also very apparent from the above chart that the Japanese beer market has steadily declined as domestic consumption has nearly halved over 20 years. The decline could be attributed to general economic stagnation and recessions in the country and the rapid aging of the Japanese population. Given that this may be the case, it is not inexplicable that brewers would look to innovation and even resort to litigation to preserve their market share.

Demand for non-alcoholic, beer-flavored drinks has been expanding in recent years amid the decline in beer sales, with an increasing number of people abstaining from drinking alcohol for health reasons. Suntory holds the largest share in the domestic market for non-alcoholic, beer-flavored drinks, with sales of its alcohol, calorie and carbohydrate-free, beer-flavored beverage "ALL-FREE" totaling 7.2 million cases in 2014. Asahi has second spot in the domestic market, with sales of 6.3 million cases of "Asahi DRY ZERO" in 2014.

"Healthy" Non-Alcoholic Beer

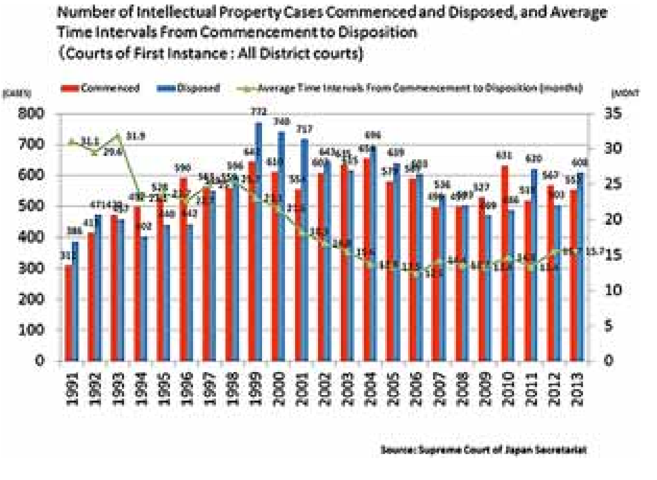
Another example of innovation in the beer industry saw Japan certifying its first ever beer-like, non-alcoholic beverages for specified health use on February 18, 2015. Japan has a growing, lucrative multi-billion dollar market for health food and drink as a result of the increasing health consciousness of Japanese consumers. In this environment, companies have developed non-alcoholic, beer-like drinks with health benefits. The Consumer Affairs Agency, the Japanese regulatory authority tasked with certifying food and drink products with health benefits, approved two beer-like nonalcoholic beverages as foods with government-certified health benefits.

This is the first time the agency has officially recognized non-alcoholic beers as such health products. The two beverages were Sapporo Breweries Ltd's "Sapporo Plus" and Kao Corp.'s "Healthya Malt Style". The label on "Sapporo Plus" indicates that the dietary fiber in the beverage works to "moderate" the absorption of sugar, while the label on "Healthya Malt Style" indicates that it contains abundant tea catechin to facilitate easier fat-burning. Both products have yet to be launched for public sales in Japan as of March 2015.

In 1991, Japan's unique health food regulatory regime — FOSHU (Foods for Specified Health Use) was launched by the Ministry of Health, Labor and Welfare, under which branded products with health functional ingredients are individually approved and authorized to carry their various health claims. The Japanese certified health drinks market has expanding rapidly in scale, driven as mentioned by rising health awareness among consumers. It is estimated to be worth $20 billion in 2014. Rising medical costs and growing health concerns are causing the higher-aged population to be more aware of what they are eating and drinking. That being the case, beverage producers are seizing the opportunity to urge this demographic towards purchasing health certified beverages, and the prospect of enjoying a drink of certified, healthy, non-alcoholic beer while viewing beautiful cherry blossoms might just be a premise that would appeal to these consumers.

Intellectual Property Litigation Trends

The Suntory-Asahi beer patent lawsuit discussed is emblematic of a larger trend which has witnessed a surge in intellectual property litigation from 20 years ago, shattering the perception that Japanese companies are litigation shy. Traditionally, much has been made of the importance of "*wa*", i.e. harmony, peace, and tranquility as the pre-eminent concerns of Japanese society and businesses by and large. Yet even traditional ideals have had to make way in an industry which is increasingly threatened by the rapid advance of low-cost foreign competitors and has seen domestic rivals shedding their aversion to litigation and heading to court to enforce their patents. The following statistics would seem to confirm that this is the case.



The battle of the breweries is indicative of the wider trend of Japanese companies displaying a new enthusiasm for enforcing their intellectual property rights through litigation. This has become a necessary rule of doing business and maintaining a competitive advantage in the Japanese marketplace, rather than an exception.

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