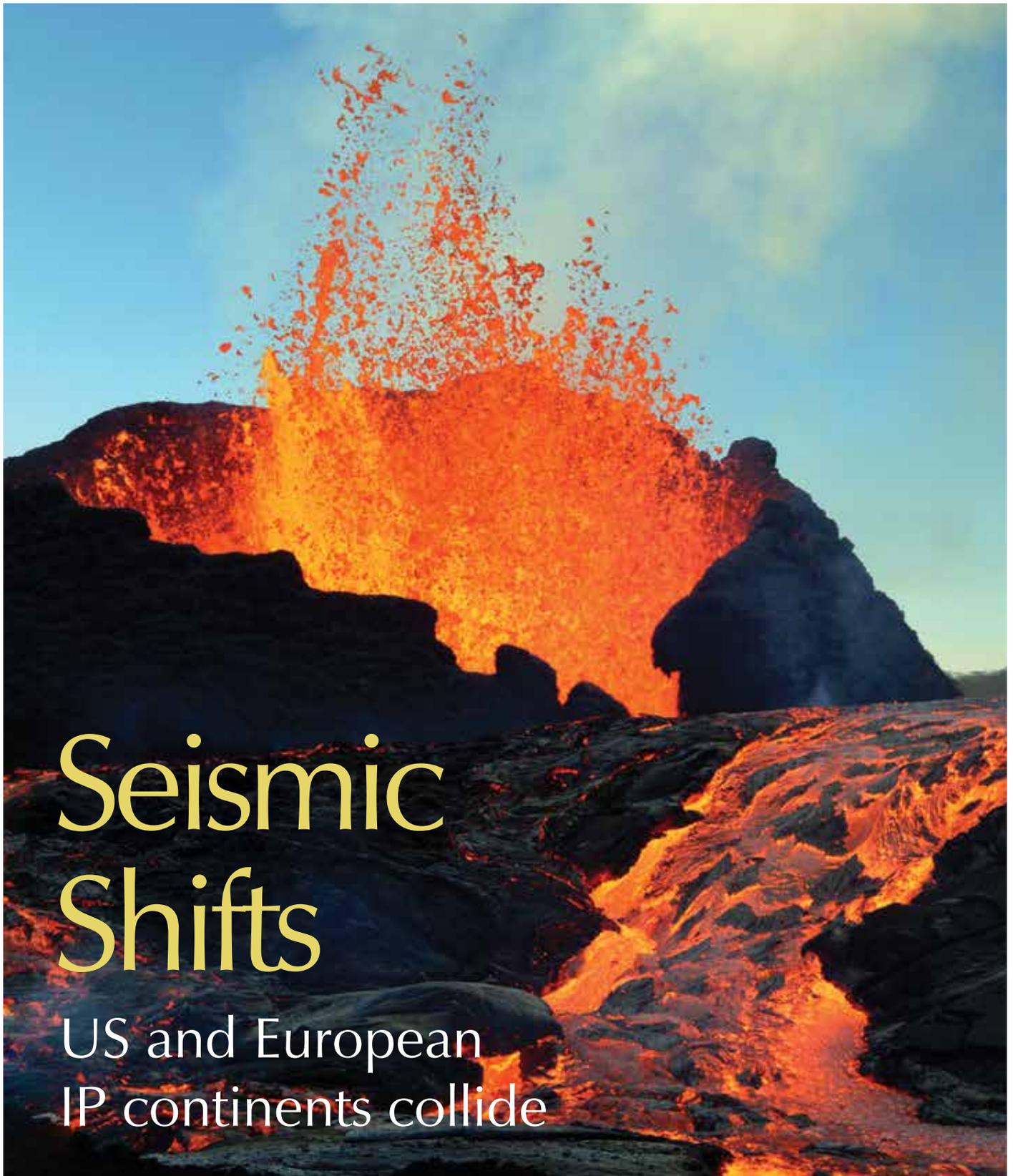


IP Review

Autumn 2013



Seismic Shifts

US and European
IP continents collide

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Seismic Shifts

I have been editing the IP Review, our client magazine, for four years now. I have always avoided including an editorial, preferring to let the stories speak for themselves. So why this time?

Firstly, there are some substantial changes to the intellectual property landscape which are worthy of editorial comment.

Secondly, this edition of IP Review is my last as editor so it seemed appropriate to reflect and acknowledge the handover to my successor.

This year has seen change in the world of patents on a geological scale. In the USA, the America Invents Act ("AIA") came fully into force in March. The largest reform of patent law in the USA for 100 years, the changes, set out in an article later in this edition, harmonise US patent law with the patent laws of the rest of the developed world.

Also this year, we have seen the signing into force of EU Regulations and an international court agreement to create a new European unitary patent right, enabling a single patent to be granted for up to 25 EU Member States. When it comes fully into force it will allow a single patent infringement action to be brought for most of the EU in one

court. We dedicate two articles to this momentous change in European IP law.

So a US patent system more aligned with Europe and a European patent system where litigation is dealt with federally like the US. The mid-Atlantic ridge may be pushing them apart but, at least in patent terms, continental North America and Europe will soon be closer than ever.

In the last few years, we have covered the issues of intellectual property (IP) in a recession, environmentally friendly IP, IP in sport, the online world and most recently Patent Box tax relief.

One of the significant developments in my time as editor has been the ever increasing awareness of the existence and value of IP rights by the general public and particularly the business community. This is likely due in part to high profile "Smartphone Wars" patent disputes. Doubtless the TV show Dragon's Den also played its part, where entrepreneurial investment became prime time entertainment. When a Judge makes

headlines deciding an IP case, it shows that the sometimes dusty world of IP law has impinged upon the popular consciousness. When that decision turns on how "cool" the products are, then perhaps the real world has made a welcome incursion into IP law.

So I hand over the reins to my successor, Matthew Howell, when intellectual property law is high on the public agenda and seismic changes in the law are occurring. No doubt the legal aftershocks of the tectonic shifts will fill the pages of the IP Review in the coming years.

I'm sure Matthew will ensure that the real world runs through every article and that the IP Review remains a fresh, relevant client magazine.

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Trade Marks What's the Key to Online Advertising?



Search something ...

Brand owners need to be careful when using their competitors' trade marks as keywords in online advertising. A recent decision of the UK High Court on a trade mark dispute between Interflora and Marks & Spencer (M&S), confirmed that use of registered trade marks in keyword advertising can constitute trade mark infringement.

The decision does not mean that trade mark infringement will occur every time a competitor's trade mark is used as a keyword. The key issue, as in all trade mark disputes, is the ability of consumers to identify the source of the goods/services in question. In the context of keyword advertising, there will be no infringement of a registered trade mark where the use of that trade mark as a keyword creates a clear impression as to who is providing the goods/services on offer.

Interflora objected that the use of its trade mark in this manner constituted trade mark infringement and sued M&S. At the initial trial, the judge referred a series of questions to the Court of Justice of the European Union ('CJEU') for guidance on this issue. Following the decision of the CJEU, the matter returned to the UK Court.

Impact for Marketers and Brand Owners

In light of this decision, marketers need to think carefully about the risk of trade mark infringement in online campaigns. If they wish to use competitor trade marks as keywords in an online campaign, care should be taken to ensure that there can be no possibility that consumers could believe that the advertised goods and services are linked to those of the trade mark owner.

The Decision

The judge decided that M&S's use of INTERFLORA as a keyword in its online advertising did infringe Interflora's trade marks, since consumers would believe that M&S's services were in some way related to those of Interflora.

Background

The dispute was between Interflora, the owner of registered European Community and UK trade marks for the word INTERFLORA, and Marks & Spencer. M&S had bought the keyword INTERFLORA as a Google Adword in order to advertise its online flower delivery service. As a result, when the word INTERFLORA was entered as an internet search term on Google, adverts for M&S's flower delivery service were returned in the results.

The essential function of a trade mark is to guarantee the origin of the goods/services labelled with that trade mark. In this instance, the judge noted that the use of INTERFLORA by M&S directed consumers to its website, therefore misleading consumers into believing that M&S's flower delivery service was part of Interflora's flower delivery network.

We would also encourage trade mark owners to monitor use of their trade marks in competitors' online advertising campaigns, to ensure that competitors are not using their trade marks in a confusing manner to gain an unfair commercial advantage.

If you need any guidance on this issue please contact your usual trade mark attorney at Withers & Rogers.

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Pinterest



Are you taking steps to police unofficial pin boards, photographs and usernames?



Pinned by Nicole Giblin



HEART SHAPED PAVLOVA

28 repins 3 likes



Pinned by Leanne Taylor



onto Fancy Cakes



DUBAI SKYLINE

76 repins 15 likes



Pinned by Roger Coleman



onto Top Cities



FRENCH VINEYARDS

18 repins 8 likes



Pinned by Dave Walker



onto Wine



CAMDEN TOWN LONDON

102 repins 34 likes



Pinned by Jane West



onto Houses

If the answer is no, counterfeit traders may be using your trade mark and copyright materials to divert trade to their own businesses. With this comes a serious risk to your reputation and goodwill, as an increasing number of pin boards direct the user to third party companies offering counterfeit goods for discounted prices. It is therefore important that brand owners recognize the importance of self-policing. As Pinterest currently has no notification or filtering service, many brands face dilution, as users are not prevented from setting up pin boards under the trade marks of others.

Founded in 2010 with approximately 30 million users, Pinterest is an online social networking site which allows users to create their own personalised pin board and attach images, web links, sounds and video clips from the source of their choice.

The majority of users use Pinterest for personal purposes, for example to showcase their wedding plans or ideas for new home furnishings. However, an increasing number of counterfeiters are using the site to draw users to third party websites which offer counterfeit or replica products. In other cases, users use the photographs from official brand websites to draw visitors to their unrelated websites, resulting in the potential for the diversion of trade.

The luxury goods sector appears to be the most targeted, and a simple search for many well known fashion brands highlights several pin boards which feature registered trade marks in the username and/or the title of the pin board. The pin boards regularly feature photographs from the brand owners' websites or catalogues, and in some cases, the photographs are customised with details of third party websites or advertisements.

With so many pin boards featuring the brand owner's trade mark and official imagery, it is becoming increasingly difficult for the user to determine which pin boards are official, and which are fan pages or counterfeit traders.

Of greatest concern are the pin boards which direct the user to an unofficial website offering the sale of counterfeit goods. In many cases, it will not be obvious to the user that the site they are being directed to is unofficial and that the products offered for sale are counterfeit. Such pin boards not only divert trade away from the brand owner, but are also likely to damage the reputation of the brand where the user has a negative experience and purchases goods of low quality.

In instances where counterfeit goods are offered for sale on a third party site, brand owners may have

a course of action based on trade mark infringement. Trade mark infringement will only be found where the owner of the pin board is actually offering goods for sale and where the customer is likely to be confused as to the origin of those goods. In the UK, brand owners may also be able to rely on a claim of "passing off", where the brand owner can show that the owner of the pin board has held their goods out to be those of the brand owner and that the brand owner has subsequently suffered damage.

Where the owner of the pin board has copied photographs from the brand owner's website and/or customised the images, action could be taken under the provisions of copyright infringement.

Taking legal action can be costly and time consuming, and Pinterest has therefore followed in the

footsteps of eBay and Facebook by introducing policies to help brand owners protect their intellectual property rights. Brand owners can request that pin boards featuring their trade mark are deactivated and can also request that photographs protected by copyright are removed. Unfortunately, Pinterest does not actively police the content of the pin boards and the onus is therefore very much on the brand owner to police the website regularly and take action where necessary.

As Pinterest's popularity grows, it appears almost impossible for brand owners to monitor each and every pin board which features their trade mark or images from their website. There is currently no provision for an automatic notification service. However, Pinterest has developed a software code which can be inserted in the URL of brand owner's websites. This small section of code will disable Pinterest users from copying photographs from the official

website and will also prevent any "pinning" or referencing to the official website being made on unofficial pin boards. This option is recommended for any companies who use photographs of their products to advertise online, as well as companies who may not wish to be associated with social networking sites. The code will not necessarily reduce instances of trade mark infringement, but will go some way to lessen the volume of copyright infringement.

If you are concerned by the use of your trade marks and/or imagery by third parties on Pinterest or other pinboard sites, our Trade Mark group can advise.

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The Unitary Patent A New Patent for Europe



Efforts to introduce a single Europe-wide patent have been ongoing for at least forty years. Along the way, various proposals have come and gone. The issues of language and litigation have always presented major stumbling blocks. However, we are now on the brink of having a patent which covers much of Europe.

The legislation has been all but finalised, and the timetable to implementation is set. It's now time to start preparing for the biggest change in the European patent landscape since the inception of the European Patent Office (EPO) in the 1970's. In this article we provide an introduction to the key aspects of the Unitary Patent, and the accompanying Unified Patent Court.

1. Hang on! Don't we have European patents already?

Yes, we do have a European patent. However, the European patent is European in name only. Although it includes a single central filing and application process, when the EPO grants a European patent, what results is a bundle of national patents. Each patent only covers a single country, and each patent must be renewed separately and litigated in that country. In the following article, we will refer to this as the existing European patent system.

2. So what is the Unitary Patent and how is it different?

The Unitary Patent is a completely new patent that will cover several European countries. This is a hugely significant

development, as up until now patent protection in Europe has been on a country-by-country basis. The Unitary Patent is being implemented by the European Union (EU), and it is intended that it will eventually cover all countries of the EU. However, initially at least, it will most likely only cover a subset of countries.

3. What will the actual geographical coverage be?

As noted above, the Unitary Patent is an EU initiative. It is possible that the patent will eventually cover all countries of the Union. However, certain countries, such as Spain and Italy, are not currently taking part in the Unitary Patent because of objections they have over language provisions. Furthermore, when the Unitary Patent becomes available, it is expected that several other countries will not immediately join up.

As this is an EU patent, several non-EU European countries will not be covered; notably Norway, Switzerland and Turkey. However, these countries are still available through the existing European patent system.

4. How will I apply for a Unitary Patent?

Good news! Unitary Patents will be applied for via the EPO using the existing European patent application procedure. In fact, European patent applications will be used to obtain either traditional European patents, or Unitary Patents. On

grant of a European patent, the applicant will have a choice as to which route to take for Unitary Patent countries.

5. What will happen with translations?

Translations will still be required, but the aim is that the translation requirement will be far less burdensome than under the current European patent system. This will have the knock-on effect that, in some circumstances, a Unitary Patent will be cheaper to obtain than traditional European patents.

During the application procedure, the language regime will be the same as the current system: applications may be filed in English, French and German, and translations of the patent claims into the other two EPO languages will be required prior to grant. Once you have registered a Unitary Patent, a full translation of the specification into one other EU language will be required. If the application was filed in English, then the specification can be translated into any official language of a participating European Union country. Applications filed in French or German must be translated into English due to its predominance as a second language throughout the EU.

In due course, the EPO hopes to implement a system of automatic machine translations. The EPO is working with Google to provide the system. This will mean that the applicant will not be required to provide their own translation of the specification, further reducing costs. The EPO is required to implement the machine translation system within twelve years or less of the implementation date.

6. Will I be able to obtain a Unitary Patent and traditional European patent?

In short, yes. However, only for non-overlapping countries. In other words, you can obtain a Unitary Patent which will cover a certain number of EU countries.

A traditional European patent may then be obtained for any countries which are not part of the Unitary Patent system, but which are part of the European patent system.

The following map of Europe (Fig1) shows the Member States of the European Union in red. The Contracting States of the European Patent Convention are the red and the blue countries.



Fig1

The Unitary Patent A New Patent for Europe



7. How much will a Unitary Patent cost me?

Because the application procedure is the same as for existing European patents, the filing and examination costs should stay the same. But what about after grant?

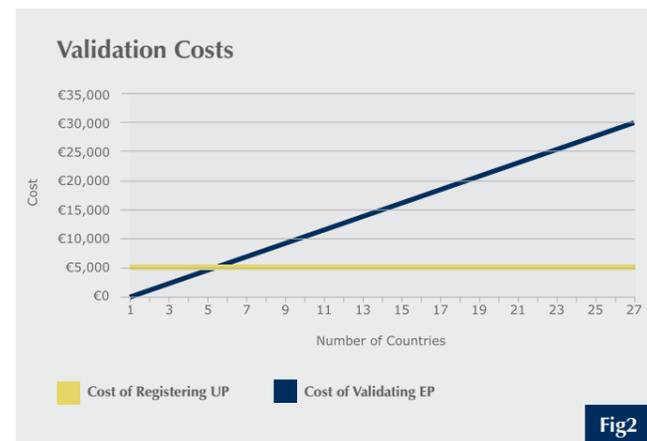
There are two issues here: translations and renewal fees.

8. How much are translations going to cost me?

As noted above, a complete translation of a Unitary Patent specification will be required on grant, and this requirement may be with us for twelve years. The cost of this will be relatively low however, being in the order of €1,000 to €3,000 depending on language and the size of the specification. How does this compare with European patents?

The answer is, “very favourably”. If you only validate your European patents in the UK, France and Germany, then this may seem a little more expensive. However, anyone validating their European patents in more countries than this should see the post grant validation/registration costs either come down, or at least remain where they are. In extreme cases those proprietors who validate in many EU countries should see a significant reduction in validation/registration costs. For example, validating an existing European patent throughout the EU can cost as much as €30,000.

The following chart (Fig2) shows the estimated cost of validating a European patent in different countries versus the predicted cost of registering a Unitary Patent.

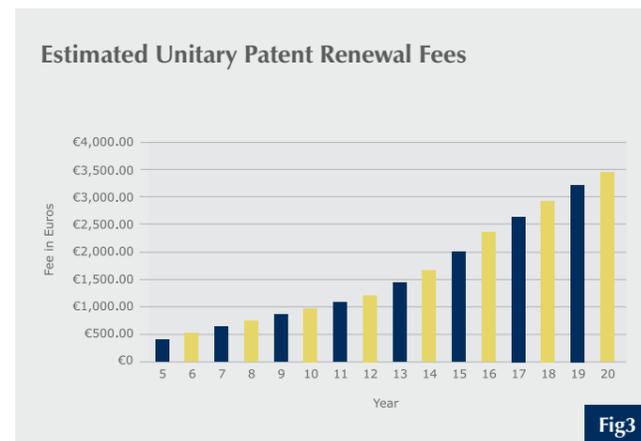


9. How much are renewal fees going to cost me?

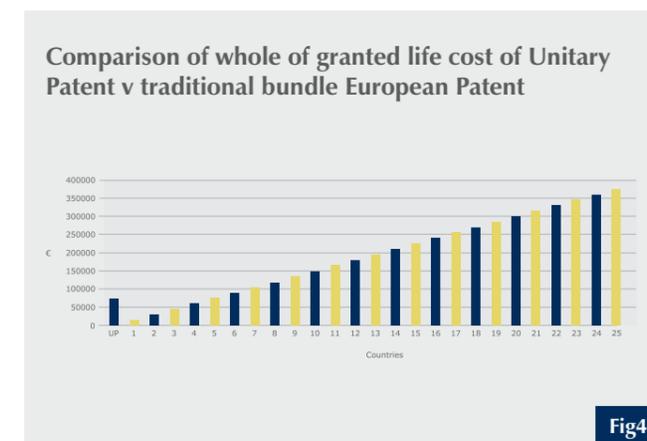
The renewal fees for Unitary Patents have not yet been set. This is the biggest unknown about the whole system. Ultimately, filing strategies, and hence the success or failure of the system, will depend heavily on the cost of renewals. It has recently been announced that the first draft of the renewal fee schedule will not be ready until June 2014.

All we know at this stage is that renewal fees are required to reflect the “average” existing European patent. What this means, and how the amounts might be calculated is open to interpretation. Our best guess is that a single renewal fee on a Unitary Patent will be similar in price to paying renewal fees in four to six European countries. Given this, it is difficult to say exactly when a European patent will be cheaper or more expensive than a Unitary patent. However, it seems likely that renewing a European patent in the UK, France and Germany will probably be cheaper than renewing a Unitary patent. Conversely, renewing a European patent covering the whole of the EU will be significantly more expensive than renewing a Unitary Patent.

The following chart (Fig3) shows one set of estimates for the cost of Unitary patent renewal fees. These estimates are based on the average European patent being one which is validated in five countries, and uses the renewal fees for UK patents as representative of the “average” fees.



The following chart (Fig4) illustrates the approximate whole of life cost for a Unitary Patent from grant including registration and renewal fees up to expiry compared with the same costs for an existing “bundle” European patent by country. The costs are based on current national patent renewal fee levels and exchange rates. We have taken an average cost per country due to the variation in costs from country to country. The “break even” point for the whole of life cost of the Unitary Patent is between five and six countries in a traditional bundle European patent.



10. How will I litigate a Unitary Patent?

A Unitary Patent is of no use without a patent court to litigate those patents. Accordingly, alongside the Unitary Patent we are getting a new European patent court, which is known as the Unified Patent Court (UPC). A Unitary Patent will be enforceable throughout the participating countries in a single legal action brought before the UPC. As such, it will now be possible to bring a single infringement action covering much of Europe. This is a very attractive prospect for patent owners who need to enforce their patents in multiple EU countries.

However, it will also be possible for third parties to apply to revoke Unitary Patents in a single action. Owning a Unitary Patent is therefore a double-edged sword. Because it will also be possible to revoke a Unitary Patent in a single action before the new Court, Unitary Patents will potentially be more vulnerable than traditional European patents and national patents, which must be attacked in the national courts.

11. Where will the new Court be based?

The answer is, “everywhere”! There will be a Central Division with sections in London, Paris and Munich. There will also be Local Divisions and Regional Divisions which may be established in any participating country or group of countries. The UK, Germany and France will certainly have their own Local Divisions, and Scandinavia is planning a Regional Division. There will also be a Court of Appeal, based in Luxembourg.



The Unitary Patent A New Patent for Europe



12. What does this mean in terms of where litigation will occur?

As a patentee, you can choose to bring an infringement action before a Local or Regional Division where the infringement took place, or where the defendant is based. In most cases, this should mean a broad choice of locations. Of course, as a defendant this means you must be prepared to go to Court in any country where you are alleged to infringe or where you are based.

Conversely, if you are applying to revoke a Unitary Patent, this must generally be done before the Central Division, and the technology of the patent will determine whether this is London (chemistry, pharmaceuticals, biotechnology and human necessities, including medical devices), Munich (most aspects of mechanical engineering) or Paris (everything else).

The following table summarises the main routes available:

Type of Action	Route
Revocation - an application to revoke a Unitary Patent on the grounds that it is invalid	Central Division - revocation actions may only be brought before the Central Division
Declaration of Non-Infringement - an application that your business activities do not infringe a given Unitary Patent	Central Division - declarations of non-infringement may only be brought before the Central Division
Infringement	Local/Regional Division where infringement occurred, or where defendant is based, at choice of proprietor
	Central Division on agreement of both parties, if defendant is not based in the EU, or if no Local or Regional Division exists
Counterclaim for revocation - the same as a revocation action, but in response to an infringement action	Local/Regional Division where infringement action is brought
	May be referred to Central Division at choice of court
Appeals	Court of Appeal in Luxembourg

13. Will Europe-wide injunctions be available?

Yes. In the right circumstances, the Court will be able to issue an injunction which covers all countries participating in the UPC system.

14. Will the new Court have powers to litigate other patents?

Yes. From day one the UPC has jurisdiction over existing European patents. However, during a seven year transitional period (which may be extended to fourteen years) patent owners will have a choice between national courts and the UPC. Once a route has been chosen, that route must always be used thereafter for the life of the patent.

15. Will I be able to keep my existing European patents out of the new Court system?

Yes. During the same seven year (or fourteen year) period, you will be able to opt your European patents out of the UPC. The opt-out will last for the life of the patent, but may be revoked by the proprietor at any time. If an opt-out is revoked, it will not be possible to bring a legal action in the national courts, after the end of the seven year transitional period. However, if a legal action is brought in the UPC before an opt-out is registered (for example, a revocation action by a third party), it will no longer be possible to register an opt-out.

16. What is the main reason for opting out?

The main reason is simple: to avoid the possibility of third parties bringing a single revocation action against your existing European patents. Currently, European patents must be attacked on a country-by-country basis, which puts the proprietor in a strong position. Under the UPC, a European patent can be revoked in a single action. The only way to avoid this is to opt out of the UPC.

17. Will I still be able to file national applications directly with the national patent offices?

Yes. The existing system of national protection via the national patent offices will remain in place. Such patents can only be litigated in the national courts. Following the end of the seven year transitional period, the only way to avoid the UPC completely, will be to file national applications. This may be an attractive option to those in the pharmaceutical industry, where strong patent protection in every jurisdiction is essential.

18. When is this going to happen?

The general consensus amongst commentators is that the first Unitary Patents will be registered in late-2015. One of the reasons for this is that thirteen countries must ratify the legislation before it can come into force. This must include the UK, France and Germany. The UK has indicated that the earliest it can ratify the legislation (owing to the rather slow progress in parliament) is April/May 2015.

However, the good news is that the new law will apply to any European patent applications pending at the time it comes into effect. Given that European patent applications can take several years to examine, applications being filed now may have the option of becoming Unitary Patents.



We finally look set to have a patent system in Europe that enables patent owners and potential infringers to litigate in a single Court.

Conclusions

We finally look set to have a patent system in Europe that enables patent owners and potential infringers to litigate in a single Court. The cost of EU-wide patent litigation looks set to fall, as does the cost of protecting your inventions throughout the EU. This will not only benefit existing users of the system. It is likely that EU-wide patent ownership and litigation will become accessible to companies who previously ruled it out.

At this stage there are a few planning steps that you can take. You should ensure that you and your colleagues are aware of the changes. You will need to be prepared to make decisions in the near future. Most notably, will you “opt-out” your existing European patents, and will you register for Unitary Patents or a bundle of national patents in EU countries in future? Denis Keseris’ article “A New Game Plan: Europe - The Unitary Patent and the Unified Patent Court” on page 16 discusses these issues in more detail.

Of course, planning for the changes will very much depend on your circumstances, and we encourage you to get in touch with your usual Withers & Rogers contact to discuss how the changes will impact on you and your business.

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'Right to Repair'

Ruling Rightfully Repaired

An ongoing dispute regarding whether or not the repairing or remanufacturing of a patented product constitutes patent infringement was finally decided in March 2013. The ruling, which was delivered by the UK's highest-ranking court, may have significant consequences for patent owners operating in sectors that have an established aftermarket.



Even though this case related to IBCs, the Supreme Court's decision affects businesses in all fields of technology. For businesses involved with repairing and reconditioning, this decision is good news.

The latest, and final, decision in the dispute was handed down by the Supreme Court – formerly the House of Lords – and brings with it clearer and fairer guidance regarding the extent to which third parties can modify patented products without infringing.

The case in question was between Schütz (UK) Limited and Werit (UK) Limited. Schütz were the exclusive licensee of a European patent relating to an intermediate bulk container (IBC) – a large plastic bottle, capable of containing around 1,000 litres of liquid, surrounded by a protective metal cage. While the metal cages of IBCs might be expected to last many years, the plastic bottles within the cages might need replacing five or more times during the lifetime of the cage. The need to replace the plastic bottles lends itself to a “reconditioning” market, where third parties engage in “re-bottling” – replacing the worn bottle with a fresh bottle supplied by the original manufacturer – or “cross-bottling” – replacing the worn bottle with a bottle from a different source. Werit engaged in cross-bottling, supplying its own bottles to replace worn bottles in Schütz's IBCs.

Schütz argued that, by adding a new, albeit different, bottle to one of their IBCs, Werit were “making” a patented product and therefore infringed. Werit, of course, argued that what they were actually doing was repairing or reconditioning a worn-out IBC, and that simply repairing a damaged product could not be considered “making” it.

In the first round of the patent battle back in 2010, the High Court Judge sided with Werit, agreeing that replacing a bottle of an IBC does not amount to making the IBC. However, under appeal the following year, the Court of Appeal took the opposite view, and decided that replacing the IBC's bottle with a new one did amount to patent infringement.

The Supreme Court was of the view that the Judges in both of the previous court cases had adopted the wrong approach. Instead, the Supreme Court concluded that one must take into account a number of considerations in determining whether the replacement or repair of a part of a patented product amounts to making that product:

- the life expectancy of the parts of the product – the life expectancy of an IBC bottle is far shorter than that of an IBC metal cage;
- whether or not the replaced part is significant to the ‘inventive concept’ of the whole product – the inventive part of the IBC relates to the cage, even though the bottle was a significant feature of the patent claim;
- whether or not the replaced part is a “free-standing item of property” – the IBC bottle has an independent identity when separated from the cage;
- whether the replaced part is in any way integral with or able to interact with the other parts of the product – the IBC bottle has little, if any, interaction with the IBC cage.

Taking into account these considerations, the Supreme Court concluded that Werit did not infringe Schütz's patent.

Even though this case related to IBCs, the Supreme Court's decision affects businesses in all fields of technology. For businesses involved with repairing and reconditioning, this decision is good news. Imagine, for example, a company B, making replacement ink cartridges for a printer, which is protected, along with its cartridges, by a patent owned by company A. Under the Court of Appeal's guidance (i.e. before the Supreme Court's decision), the supply of replacement ink cartridges to printer owners by company B would be considered equivalent to “making”

the patented printer. Such a decision might have had dire consequences for the “spares and repairs” industry had it not been overturned. Fortunately, this latest decision means that companies acting in this industry can continue to provide replacement components for patented products and systems with a near-certainty that doing so would not infringe.

On the other hand, for patent-owning OEMs (original equipment manufacturers), the decision means that they cannot necessarily rely on their existing patents to protect products that can have parts repaired or replaced by third parties.

So, how can companies make this decision work for them? Well, OEMs might consider reviewing their patents in view of the Schütz v Werit decision to assess whether or not they could risk losing out on business to third parties supplying replacement parts for their products. OEMs might also consider modifying their products, where possible, to make the individual components of the whole system more integrated, firstly so that it is more difficult for replacement parts to be supplied for the product and, secondly, so that third parties have less chance of arguing successfully that the replacement part is a non-integrated “free-standing item of property”. Of course, OEMs could also consider entering into the spares and repairs market themselves, by setting up their own remanufacturing business.

This decision provides both patentees, their advisors, and remanufacturers with some guidance as to where the line might be drawn between simply repairing something that is broken, a non-infringing activity, and making a new thing, an infringing activity.

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A New Game Plan:

Europe - The Unitary Patent and the Unified Patent Court

Preparing for changes in European patent law has always kept patentees and applicants on their toes. For some however, the changes being proposed by the introduction of the Unitary Patent and the Unified Patent Court will require more than a mere tweak of their patent strategy. Indeed, some features of the new system will represent opportunities (and pitfalls) that will call for fundamental shifts in how they acquire and use their IP.

The Bottom Line

Most will undoubtedly need to factor in the costs of using the new system before finalising any plans to change their strategies. While the cost of obtaining patent rights in Europe is unlikely to be much altered, the cost of maintaining those rights through the payment of renewal fees, and the cost of asserting those rights in the new court, will more than likely change significantly.

For cost-sensitive patentees, increased renewal fees could be prohibitive. Similarly, for larger companies, the size of their portfolio may mean that the new system is less attractive. It is currently predicted that a first

draft of the court fees will be made available in December 2013, and that the renewal fees will be announced in June 2014.

While it may not be possible to finalise any new strategy before then, there are a few questions that we can all start to consider now. For example, should you seek a Unitary Patent, or continue with country-by-country validations of a traditional European Patent? If the latter, should you opt-out of the jurisdiction of the Unified Patent Court?

If the Shoe Fits...

One of the main reasons EU legislators give for the importance of the new Unitary Patent is

that of matching the coverage of a single patent right to the geographical extent of the common economic market in which it is enforceable. China, the US and Japan all have single markets covered by a single patent right. In Europe, however, patentees have had to rely on an expensive patchwork of patent rights to try and strategically cover the European Union.

For many, a single right covering all of the European Union is certainly an attractive prospect. Universities for example, many of which leverage their IP rights to encourage joint research projects with other universities or private sector players, will be able to cast a wider net, and may therefore stand to benefit significantly from a wider geographical scope of protection.

Similarly, companies that assert patent rights through licensing may find that a Europe-wide patent could generate higher licensing fees, particularly considering that the cost of litigation should decrease, and therefore make the threat of litigation by SMEs carry more weight. One limitation for these types of companies, however, is that while the unitary right can be licensed on a country-by-country basis in the European Union, it can only be sold as a whole, which will limit some forms of technology transfer.

Another significant advantage of the new unitary right is the possibility of obtaining EU-wide injunctions, thereby providing a tool for innovators and investors to protect their investments throughout Europe.

Most will agree, however, that the geographical extent of the new Unitary Patent will be a double-edged sword. Innovators may welcome the ability to protect their innovations throughout Europe by way of EU-wide injunctions, but this same mechanism can potentially create serious barriers to entry onto the European market for other well-intentioned innovators.

For example, recent high-profile litigation in the mobile telephony sector has highlighted the power that an EU-wide preliminary injunction could have, particularly in light of the possibility of bifurcation. One of the issues with bifurcating validity and infringement proceedings is that, often, infringement proceedings are less complex and therefore quicker, which typically leads to a decision on infringement being handed down by a court before the completion of validity proceedings. This is known as the "injunction gap", and it can have a negative impact on business and competition.

Another example of how EU-wide injunctions can be perceived as negative is the case of Non-Practicing Entities (NPEs), aka "patent trolls". Typically, NPEs do not develop or use the invention protected by a patent, but rather have a business model based primarily on patent litigation. While there are a number of safeguards put in place in the new system against its abuse by NPEs, many believe that EU-wide injunctions, coupled with the injunction gap created by bifurcation, will ultimately attract NPEs, which could lead to alleged infringers having to settle sooner to avoid injunctions.

Finally, another aspect of the new Unitary Patent which must be considered is that its validity will be determined unilaterally. The new Unified Patent Court, either at one of its local or regional divisions, or at its central division, will have the power to revoke a Unitary Patent, in every participating country of the EU, in one fell swoop. While this represents an advantage to those wanting to rid the market of bad patents, others with significant investments in key patents will be reluctant to put all their eggs in one basket.

...and Justice for All

The second part of the proposed changes relates to the creation of the new and centralised Unified Patent Court. Many aspects of the new court seem to be focused on providing

patentees and members of the public with expedient justice at a reasonable cost.

Gone (hopefully) will be the days when patent litigation in Europe involved three or four co-pending court cases in different jurisdictions, each requiring a team of local legal specialists. The aim of the new system is to allow SMEs in Europe to avail themselves of the same court system that is now seen by many as being reserved for those with the required resources. Many see this new system as nothing less than the democratisation of patent litigation in Europe.

While the court fees have yet to be set, there is no doubt that the new court system should lead to more cost-effective patent litigation in Europe. Firstly, the new court will eliminate the need for co-pending litigation in multiple European jurisdictions.

Secondly, the new system is aiming to be front-loaded, meaning that pleadings will be based on written submissions made at the beginning of the process, with limited scope for filing further evidence and arguments at a later stage.

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Thirdly, the trials themselves are meant to be actively case-managed by the presiding judge, which should lead to restricted use of costly court powers such as discovery/disclosure and the cross-examination of witnesses. Judges will aim to hand down a judgement after a one-day hearing, which should be set within a year of the first claim being made. All this should, in theory, lead to a levelling of the European patent litigation playing field.

These goals, while laudable, have yet to be achieved, and there are several obstacles which will need to be overcome before the new system can reach them all.

For example, the local nature of the divisions and the judges will make it difficult to achieve uniformity in the application of European patent law. It may also be that some local divisions, wanting to attract cases to their docket, may apply the law in such a way as to be more patentee-friendly by, for example, always bifurcating and granting interim injunctions.

In any event, it seems likely that there will be a number of wrinkles that will have to be ironed out before the new court starts producing consistent judgements by application of

uniform procedure. EU legislators seem to have appreciated this point, and as a consequence are allowing traditional EP patentees to "opt-out" of using the new court. During the first seven years (extendable by a further seven years, following a review of the functioning of the court), it will be possible to opt-out EP patents (not available for Unitary Patents) from the exclusive jurisdiction of the Unified Patent Court.

If opted-out, any action in respect of an EP patent (e.g. infringement or revocation) will need to be brought in a national court of a country in which the EP patent was validated. If not opted-out, an action could be brought in either a national court of a validation country or in the Unified Patent Court.

One very important aspect of the opt-out mechanism is that it will not be possible to file an opt-out, nor to revoke an opt-out, if proceedings have been started in a permissible forum. Accordingly, if no opt-out is filed in respect of a particular EP patent, an infringer could theoretically force the proprietor into either the national or Unified Patent Court systems by filing an action against the patent in the desired forum.

After the end of the transitional period, the UPC will have exclusive jurisdiction for all Unitary Patents and all EP patents that have not been opted-out, as well as all EP patents granted after the end of the transitional period. At that point, the only way to avoid the Unified Patent Court and the 'single point of failure' weakness will be to file national patent applications in national patent offices.

Dry Powder and Wet Toes

Ultimately, while the question of how much the new system will cost patentees will need to be answered before any strategic shifts can be finalised, there does seem to be a number of things that we can start to think about now.

Unfortunately, because of features such as the restrictions on opting-out (or withdrawing an opt-out) when proceedings have been brought in a permissible forum, burying our heads in the sand is not an option. On the other hand, charging ahead in an untried and untested system could lead to disastrous results.

For many, the sensible compromise will be to opt-out their entire portfolio, thereby protecting it from central attack, and to test the waters of the new court on a case-by-case basis. This broad strategy will put rights holders in a solid defensive stance, while allowing them to withdraw their opt-out (provided no actions are pending in national courts) when the time comes to assert their patents through litigation in the new Unified Patent Court.

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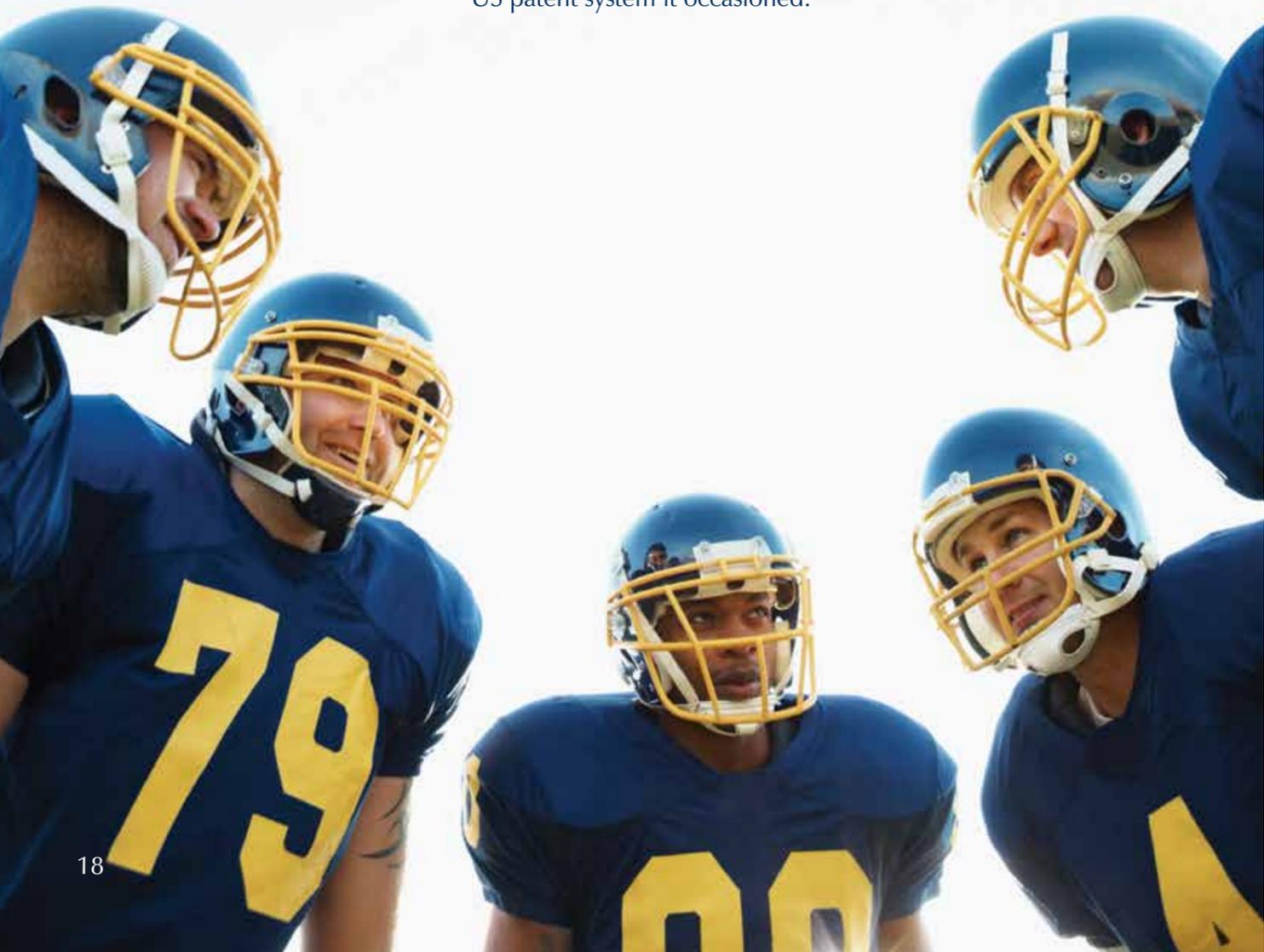
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A New Game Plan: USA - America Invents Act

The America Invents Act is the biggest change to American patent law in 100 years. So how will it affect you?

The AIA came fully into force on 16 March 2013. The new law had been hotly debated for years in US patent circles because of the seismic changes to the US patent system it occasioned.



No more “first to invent”

The most significant change, and the one that has the most substantial effect mainly on US businesses is the shift from so-called “First to invent” to “First to file”. Previously in the US, the right to an invention went to the first person to invent it, whereas in the rest of the world, the right went to the first entitled person to file a patent application. This led to curious effects. For example, it was possible, where two businesses were working on an invention at the same time in competition, for one business to get the rights in the USA because they could prove that they invented it first whilst the other business got the rights in, say, Europe because they filed their patent application first. Whilst ostensibly fairer, the “first to invent” system led to lengthy and expensive trials to prove when an invention was invented. The “first to file” system, though potentially less fair to the first inventor, is much simpler for businesses to understand and leads to very few disputes as to entitlement to a patent.

This shift in US law effectively harmonises the legal issue of which party is entitled to patents throughout the world.

US corporations have learned to record details of the provenance of an invention because it was vital for their domestic protection. European corporations have had to adopt similar systems to ensure protection for their inventions in the US, but SMEs often don't have good systems. This change levels the playing field.

Action: Whilst tracking the origin of inventions is no longer the vital task that it was for US protection, it is sensible to maintain those systems for recording inventorship to preserve the chain of title to the company.

Prior Use

Previously, if a company had publicly used an invention outside the US before the date of a US patent application, that prior use could not be cited against that application. Now all public use anywhere in the world will count against the application.

Again the playing field is levelled for non-US companies.

Action: Record carefully any public use of products to use against later-filed US patent applications.

Grace Period

There used to be a 12-month period before the filing date of US patent applications within which earlier publications would not be taken into account. This was useful to all applicants. Now, only publications by the applicant/inventor themselves will be immune from effect against later filed US applications in that 12 month period.

US patent validity is now essentially harmonised with Europe, save for inventor disclosures.

Action: As above, record the dates of publications of your products as that may be useful to support a later-filed US patent application.

““””

This very significant change in US Patent law reduces the differences between US and non-US corporations.

Prioritised Examination

US patent applications can now be accelerated to achieve grant in one year, subject to a (hefty) fee.

Applicants who have a US patent application which is commercially important can, for a cool \$4,800 US patent office fee, accelerate it through the US examination procedure.

Action: If you have such an application which is important to accelerate then contact us and we can assist.

Supplemental Examination

The USPTO have introduced this procedure to allow applicants to reopen examination where, for example, new information comes to light affecting patent validity. This can be important in ensuring that the granted patent is as strong as possible.

Inter Partes Review (IPR)

If you have a problem with a US patent owned by another and you are aware of an earlier patent publication which

prejudices validity of the patent, the Inter Partes Review procedure provides a cost effective way of attacking it. Attacks must be based on patent publications.

Post Grant Review

A new procedure, similar in many respects to European opposition proceedings, has been introduced. This allows third parties to attack US patents based on all grounds (rather than the IPR procedure which is limited in scope) in the first 9 months after grant.

The USPTO fees are high and the costs will be high too, but much less expensive than defending an infringement action in the US on the basis of a broad granted US patent.

Many companies monitor their competitors' European patent applications to be ready to oppose them after grant. Now US applications should be monitored in similar fashion.

Action: Add US patent applications to watchlists.

Simplification

Several of the quirkier formalities that needed to be observed in a US patent application, which were unnecessary elsewhere, have been removed, making the application process simpler.

Micro-Entity

A 75% fee reduction is available to very small enterprises/individual inventors.

Conclusion

This very significant change in US Patent law reduces the differences between US and non-US corporations. The changes favour those who have not “grown up” with the old system, making overly broad US patents harder to obtain and easier to attack. The harmonising seismic shift brings the US patent system closer to the European system, reducing differences in treatment of applications and simplifying prosecution of patents internationally.

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Technology Giants' Two Penn'orth

Seventeen of the world's largest and most innovative technology organisations have intervened in the consultation on the rules of the Unified Patent Court (UPC).

In an open letter to the Preparatory Committee of the UPC, MEPs and the European Commission, an unusual alliance of businesses better known for their patent battles joined together to raise concerns about aspects of the UPC.

The letter, also carried by the New York Times, asks lawmakers to focus their attention on the dangers attached to so called bifurcation of cases and to injunctions.

Bifurcation - The UPC allows cases to be split so that a local division hears the case on patent infringement while the case on patent validity is heard by the central division. This reflects the German approach to patent litigation, while in most other jurisdictions issues of infringement and validity are decided together by the same court.

Injunctions - A court order legally preventing infringing activity.

The issue of bifurcation creates the potential for a patent proprietor to obtain a finding of infringement and get an injunction long before the strength of the patent is tested.

The signatories also raised their concerns that unlimited EU-wide injunctions could encourage patent assertion entities, so called "patent trolls", to bring unjustified cases of patent infringement to extract financial settlements.

The public consultation on the UPC Rules of Procedure closed on 1 October 2013.

UK Intellectual Property Office (UKIPO) scraps proposal for 'superfast' patent service.

Following a consultation, the UKIPO has decided not to proceed with its plans for an accelerated patent service, whereby processing could be completed in just 90 days, amid concerns that it could undermine quality, while offering little or no advantage over the existing options.

The IP Federation argued that the proposed system could cause backlogs for the examination of non-accelerated and conventional accelerated procedure applications.

There is already a fast-track patent application process in place to get applications granted within a year.

To benefit from this service, applicants must either:

- 1) make use of the sector-specific accelerated scheme,
- 2) provide a good reason, or
- 3) pay all the processing fees upfront to ensure an accelerated process from the outset.

In some circumstances, it may be more advantageous to avoid the accelerated route. This can allow innovators to continue developing products and file improvements as they go along.

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