Dear ABA-IPL Members;

Welcome to the 11th edition of the International Associates Action Group Newsletter. We are still looking for contributors so please get in touch with me at david@gearhartlaw.com If interested in becoming an editor or just want to get involved in our Action group please do let myself or Cristina Guerra know. See you next Month!

Yours,
David Postolski

Welcome to our IAG January 2016 Newsletter

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EU Trademark Reform finally passed – taking effect expected for April 2016

The overhauled rules for the Community Trademark system and trademark laws in all EU Member States will finally be implemented in April 2016 after several years of discussion. The European Parliament has approved the EU trademark reform package on December 15, 2015. The amendments to the Community Trade Mark Regulation and the Trademark Directive will now progress to publication in the Official Journal of the European Union.

Please stay tuned for an overview about the most important changes in one of the next issues of this newsletter!

The trademark reform will also be subject of a panel during the 31st ABA Annual Intellectual Property Law Conference in Bethesda. On April 7, 1:45 – 3:15 p.m., Matthias Berger, Counsel with Fieldfisher, Hamburg, Germany, and Ralph Pethke, Director of the Operations Department, OHIM, Alicante, Spain, will provide a structured overview of all major changes, and practical advice for the dealings with Community Trademarks (then to be called “EU Trademarks”) as well as national trademarks in the EU Member States under the new regime.

Matthias Berger, Fieldfisher, Hamburg, Germany – matthias.berger@fieldfisher.com
UK Private Copying Exception Abandoned

After judicial review, the UK Government quashed the private copying exception in October 2014.

The last position, back in July of this year, left us waiting to see how the UK Government would react to Court rulings; what its future options were; and whether it would introduce a levy scheme. According to press reports, a spokesperson for the UK Intellectual Property Office (IPO) has indicated that it has decided to abandon the private copying exception – whether this is a temporary or permanent measure remains to be seen. But for now, the IPO appears to want to focus its efforts on the upcoming European copyright reforms.

Following the recent ruling on November 12, 2015, of the Court of Justice of the European Union (CJEU) in the Belgian Hewlett Packard vs. Reprobel case, it is not surprising that the IPO has decided not to take further action at this time. The Reprobel case did not deal specifically with private copying, but the ruling discusses in some depth the issue of ‘fair compensation’ required by Articles 5(2)(a) (‘reprography exception’) and (b) (‘private copying exception’) of theInfosoc Directive, and any analysis concerning the criterion of harm must apply in the context of both exceptions, which partially overlap. This recent CJEU ruling provides some guidance to Member States on what they need to consider when implementing a levy scheme into national legislation.

In summary, the CJEU ruled that it is necessary to draw a distinction between the type of user who is reproducing the work, i.e. for private use and for ends that are neither directly nor indirectly commercial, and other users; since the harm suffered by rights holders in each of those situations is not identical and will determine the level of compensation owed. Schemes which would allocate a part of the fair compensation payable to rights holders to the publishers of works by authors, or recovering fair compensation from counterfeit reproductions made from unlawful sources, would be incompatible with EU Law.

Further, the CJEU held that national legislation can introduce a system which combines a lump-sum remuneration (payment made prior to the reproduction) and a proportional remuneration (payment made after the reproduction) provided that calculation of the lump-sum is not made solely by reference to the speed at which that particular device is technically capable of producing copies, and any proportional remuneration, is not varied according to whether those liable for payment cooperate in the recovery of such payment. In addition, the combined system must contain mechanisms for reimbursement where ‘overcompensation’ occurs to the detriment of particular categories of users.

Reprobel is another clear example of the complexities surrounding levy schemes and an indication as to why the Government’s attempt to come to a workable solution for all parties involved has failed.

So what does this mean?

Certainly for the foreseeable future, we will remain in the same position we were pre-October 2014 and post the quashing of the exception in July 2015. Most ordinary users will simply continue as they were, making personal private copies of their legally owned content (e.g. format shifting from CD’s to MP3 players, or storing tracks in a cloud service and creating multiple copies of the same download), whether they are aware or not of the illegalities. Although rights holders are well within their rights to bring infringement proceedings against anyone for personal copying or format shifting, to do so would risk them seeing alienation and a complete disconnect from their consumers; but consumers
Those in the technology and consumables sectors supplying media, devices and services which facilitate private copying will no doubt welcome the fact that the UK Government has taken the private copying exception off the table and has no immediate plans to introduce a levy scheme. However, they shouldn’t get too comfortable, especially in light of the fact that the European Commission has recognized the clear need to ensure no single market issues arise from different copying levies being implemented by different Member States, as indicated by the recent Communication leak on its Digital Single Market (DSM) vision: “Towards a modern, more European Copyright Framework”.

Aliyah Hussein, Fieldfisher, London – aliyah.hussein@fieldfisher.com
European Commission announces plans on content portability and wider copyright reform

As part of its ongoing Digital Single Market project, on 9 December 2015 the European Commission announced specific proposals relating to content portability, as well as its vision for wider modernisation of European copyright rules.

Content Portability

At present, consumers who have paid for or otherwise legally accessed online content in one EU member state may not be able to access it elsewhere in the EU due to territorial restrictions put in place by content providers. The Commission has identified this as a problem for the Digital Single Market, particularly in light of the continuing growth of digital content and the fact that cross-border portability is considered an attractive feature of online content services by consumers.

The Commission has therefore proposed a new Regulation (accompanied by an Impact Assessment) on the cross-border portability of online services which, broadly speaking, will mean people will be able to access their content when they are 'temporarily' abroad in another EU member state. It has identified the aims of the measures as being to: (1) allow a better circulation of content, (2) offer more choice to European consumers (3) strengthen cultural diversity and (4) provide more opportunities for the creative sector.

These measures will no doubt be welcomed by consumers and are a step forward in the Commission's plans to remove barriers hampering access to its vision of a digital single market. However, the content portability proposals are fairly limited in effect, since they only apply to those 'temporarily present' in another EU Member State and not wider geo-blocking practices. The Commission has characterised the issue as 'a question separate from the discussion on cross-border access by consumers to online content...available in Member States other than their own', saying the two issues need to be addressed separately.

It is also notable that the draft Regulation does not define 'temporarily present' other than to say that it means 'that a subscriber is present in a Member State other than his or her Member State of residence'. This begs the question as to how long an individual must be in another EU Member State before their presence is no longer 'temporary'.

The proposed Regulation is expected to come into force in 2017 (the same year as the proposals to end roaming charges in the EU are scheduled to take effect).

Upcoming Copyright Reforms

The Commission has also slated a wider action plan to modernise European copyright rules in the new Communication released on 9 December. They include plans to:

- Enhance cross-border distribution of television and radio programmes online, which will be announced in the context of the ongoing review of the Satellite and Cable Directive.
- Propose legislation to implement the Marrakesh Treaty, the effect of which will be a new mandatory exception facilitating cross-border dissemination of special format printed works produced for people with disabilities.
- Consider proposals on further copyright exceptions, including to allow public interest research organisations to carry out text and data mining of content they have lawful access to, for research purposes. The Commission is also expected to consider how to clarify the current copyright exception permitting the use of works permanently located in public spaces (the so-called ‘panorama exception’).
- Examine whether action is needed on the definition of the ‘communication to the public’ and ‘making available’ rights.
Consider changes to the system governing remunerations of authors and performers which will increase 'legal
certainty, transparency and balance'.

Take 'immediate action' to engage with relevant stakeholders to set up a ‘follow-the-money’ approach to online
enforcement (i.e. engaging various intermediaries, such as payment services providers, to tackle online copyright
infringement by cutting off infringers’ revenue streams).

Consider the need to amend the legal framework focussing on commercial-scale infringements (including to clarify
rules for identifying infringers, the application interim measures such as injunctions and their cross-border effect
and the calculation of damages and legal costs). This is slated to take place by Autumn 2016.

Of these, the most controversial is likely to be the consideration of the ‘communication to the public’ and ‘making
available’ rights. In particular, the Commission has indicated that it will consider whether any action specific to news
aggregators is needed, including 'intervening on rights'. This suggests that the Commission is considering introducing a
so-called 'ancillary right' aimed at preventing news aggregators and search engines hyperlinking freely to articles and
other online news content. The announcement has already attracted criticism from those who see this as undermining
the general position set out by the Court of Justice in Svensson (see the King and Wood Mallesons bulletin on this case
here) that hyperlinking to a copyright work that is freely available online will not usually require the authorisation of the
copyright owner. In particular, Pirate Party MEP Julia Reda (whose report on EU copyright reform was approved in
amended form by the European Parliament earlier this year) has characterised the proposals as 'a full frontal attack on
the hyperlink'.

More broadly, the Commission has recognised in its Communication that the measures it has announced amount to
incremental change, and that full harmonisation of EU copyright law would require much more substantial changes.
However, it has stated that the complexities involved are not a reason to 'relinquish this vision as a long-term target' –
meaning that full harmonisation may still be on the (distant) horizon.

The proposals set out in the Communication will form the basis of legislative proposals and policy initiatives which are
expected to be announced in the next six months.

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Standard Essential Patents (SEPs)

The standard-essential patents (SEPs) are those that cover critical technologies for the operation of a particular technical standard. In the telecommunication industry, especially, technical standards are commonly adopted in order to ensure interoperability between devices, equipment and systems of different manufacturers and competitors. In other words, the technical composition is standardized, so as to enable, for example, a cellphone made by the brand “X” to receive calls from a mobile manufactured by the company “Y”.

This technical standard is made of several patents, the essentiality of which for the implementation of the standard is declared, unilaterally and voluntarily, by the patent holders seeking the benefits that this entails, being the biggest one the widespread and obligatory use of the technology by all companies connected to that standard.

On the other hand, however, the holder of the standard-essential patent is committed, before the standard international body, to automatically license the SEP in FRAND terms (i.e., “fair, reasonable and non-discriminatory” terms), to any interested party.

Therein lies the main difference between SEPs and “ordinary patents”, since the technology, once declared essential, is considered obligatory to a particular technical standard and deserves special treatment, due to the limitations on the enforcement of patent rights as a result of the FRAND system.

So, because of the commitments assumed before the International Institute responsible for the standardization system, the judicial remedies available for the holders of a SEP to protect their industrial property rights, without abusing of their dominant position, are limited.

In Brazil the two leading cases are taking completely opposite directions at the Court of Rio de Janeiro. In the first one, the Judge of the 2nd Business Court of Rio de Janeiro granted an injunction to prohibit a Chinese company from selling cellphones that supposedly used certain essential patents. In view of this, the Chinese company filed a motion requesting the suspension of the preliminary injunction, based on the payment, under protest and into a Court escrow account, of royalties.

The judge granted the request, considering that “[T]he Plaintiff himself affirms that his invention was incorporated to a technical standard, being of obligatory use by industry, in order to allow devices from different manufacturers to be compatible with each other and work properly in cellular networks,” and concluded that “in the standardization negotiation, the business corporations that participate in the standardization process and offer their patents agree to license them on fair and reasonable terms. It is credible the allegation of the Defendant relative to the impossibility of refusing the licensing of the patent”.

In the second leading case, filed against another Chinese company, whose discussion was exactly the same, the Defendant made an equivalent request, i.e., deposit of royalties to suspend the injunction that restricted the selling of several equipments, allegedly infringing an essential patent. When analyzing the offer, the Judge of the 5th Business Court of Rio de Janeiro understood that "It was not responsibility of the judge to impose the licensing value to the parties, but them to reach an agreement". Thus, considering that “the Plaintiff did not accept the offer”, the Judge rejected the request and upheld the PI, which remains effective until nowadays.

As seen, although addressing similar discussions, the two leading cases involving essential patents in Brazil were analyzed in a completely opposite way. While in the first case the understanding prevailed that the deposit of royalties is
This is because, in the first case, the Judge considered the fact that the protection of essential patents should be reduced before the FRAND commitment and also because of the burdens arising from the self-declaration of the technology essentiality. In the opposite way, the second case was treated as a classical infringement of an ordinary patent.

Therefore, we conclude that the parties involved on a SEP litigation in Brazil – where the discussion of SEP matter are brand-new – must demonstrate the sophistication involving these technologies, so that the Judge take into account the singularities of this discussion and do not treat it as an act of mere ordinary patent infringement.

Rodrigo A. Torres and Patrick Rahy, Dannemann, Siemsen, Bigler & Ipanema Moreira, ratorres@dannemann.com.br, Brazil.
Canadian Federal Court of Appeal questions the standard of review on patent claim construction

Whether south or north of the US-Canada border, the proper standard of review of patent claim construction sometimes, especially in complex cases, can be problematic. South of the border, a recent decision of the Supreme Court of the United States signals a growing acceptance that deference should be accorded to the interpretation of patents reached by those who have seen experts and evaluated them: Teva Pharmaceuticals USA v Sandoz, 574 US __ (2015).

This observation was also made north of the border, in a recent appeal to the Canadian Federal Court of Appeal. In Cobalt Pharmaceuticals Company v Bayer, 2015 FCA 116, the Court of Appeal considered the standard of review on claim construction. The Court acknowledged that, as the law currently stands in Canada, claim construction is to be reviewed on a standard of correctness as it is a question of law (and so no deference is given to the lower court’s construction). The assessment of expert evidence on a matter of fact is reviewed on a deferential standard (meaning the assessment by the lower court is overturned only if it contains a palpable and overriding error).

However, the Court of Appeal further noted in passing that, “Often the experts’ testimony stretches beyond opinion evidence and goes into factual matters within their knowledge that are relevant to the construction exercise”. The Court asked, “Can appellate judges really second-guess the trial judge, who, often over many days, has been educated in the relevant art and has seen and evaluated the experts? Who are the appellate judges to review on the basis of correctness, stepping into the shoes of the trial judge and imposing their own views of the matter?”

As noted by the Supreme Court of Canada, the inventor is addressing others in the same line of work. However, words have layers of significance and secondary meanings. The word “bench”, for example, means a physical object to weight-lifters but has numerous secondary meanings for members of the legal profession.

The Court of Appeal suggested that claim construction cannot reasonably be a “pure” question of law that is reviewable on a non-deferential standard – except for an extricable legal question, which is reviewed for correctness. Rather, the Court suggested that interpretations of the specification should be reviewed on a deferential standard when they are heavily dependent on expert testimony.

The Court of Appeal invited the Supreme Court of Canada to provide guidance on the standard of review on claim construction. Leave to appeal to the Supreme Court of Canada was not sought though. However, the Cobalt decision leaves the door open. In future cases where claim construction is disputed, parties may seize the opportunity to ask the Supreme Court to revisit the issue of standard of review on claim construction.

By Mathias Dormann and Jean-Charles Grégoire, Marks & Clerk Canada
International Action Group (IAG)

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- Present proposals to speak, moderate, or organize a program at an ABA-IPL conference, teleconference or webinar in the United States.