Dear ABA-IPL Members;

Welcome to the January 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 2017 Newsletter

Inside this issue:

- **CANADA**  To Extend, or Not to Extend?  
- **EUROPE** General Court: OHIM not bound by USPTO decision  
- **ISRAEL** Israeli Designer Successfully Sues Fashion Chain for Copying Dress  
- **EUROPE** G1/15 - The End of Poisonous Divisionals  
- **INDIA** Trademark Litigation 2017  
- **EUROPE** UK to Ratify UPC Agreement: Counting down to the UP and UPC
Ready to Expand your International Reach?

The American Bar Association Section of Intellectual Property Law (ABA-IPL), which is one of the largest intellectual property associations with nearly 20,000 members, is actively seeking to grow its international membership. The ABA-IPL Section owes its influential voice in the IP bar to a vast network of IP attorneys throughout the United States and the world. Become a new ABA-IPL international member and gain these membership benefits and more:

Network of Nearly 20,000 Members:
- Join other IP professionals from all sectors from the United States and all over the world.
- Build one-on-one relationships with leaders in the IP profession, multinational organizations, law firms, and corporate counsel.
- Meet liaisons from the WIPO Standing Committees, EPO, IPO and SIPO/US Bar Liaison Councils, IAPIP, APAA, ABPI, FICPI, AIPPI, MARQUES, and more.
- Become connected to Associates from countries around the world who are affiliated with the ABA-IPL Section by joining the International Action Group.

Knowledge and Skill Building:
- Access expert content, news, information, and trends in Section publications, including bi-monthly issues of Landslide® magazine.
- Gain new perspective on various IP issues and expand your knowledge beyond your country through accredited legal education programming.
- Follow the latest U.S. developments in the courts, legislature, and executive branch through the Section’s advocacy efforts.
- Participate in one or more substantive committees and gain a deeper understanding of current issues.

Writing and Presenting Opportunities:
- Write an article that may be selected for the Section’s flagship publication, Landslide® magazine.
- Author or peer review an ABA-IPL-published book.
- Write for the Section’s monthly eNews by submitting, legislative, and case law updates from your country.
- Organize or present a program at an ABA-IPL conference or webinar.

Product and Service Discounts:
- Book Discounts – Find educational materials and books at a significant discount exclusively for members at the ABA Web Store.
- Legal Education Discounts – Receive discounts on top-notch IP webinars and conferences available through the ABA Center for Professional Development.
- ABA Member Advantage – Get discounts on travel, lodging, computers, office equipment, shipping, practice management software, services, and much more.

www.ambar.org/iplmembership
Click here to join today!

ABA Section of Intellectual Property Law
@ABAIAL
ABA Section of Intellectual Property Law

International Associate Rates:
Annual ABA Dues $175
Section of Intellectual Property Law Dues $75
To Extend, or Not to Extend?

Brand extensions are closely related to brand equity. The equity of the brand is leveraged by extending the brand to additional wares and services or expansion into new geographical markets. A brand extension can reduce the cost of the introduction of a new product and increase the changes of a successful launch. Costs can be reduced since it may be easier to obtain distribution with a known brand and less promotional activity may be required.

Brand extensions capitalize on the brand image of the core product or service to efficiently inform purchasers about a new product or service. Brand extensions can facilitate acceptance of the new product or service by providing two benefits. First, awareness for the extension may be higher because of previously established brand awareness. Second, consumers may form expectations for the extension on the basis of what they already know about the core brand.

The decision to extend the brand can be a difficult one. Ideally an appropriate extension can help the core brand image by improving the nature of the associations and clarifying the business definition and core benefits for the brand. On the other hand, extensions may harm the core image if the brand becomes associated with a large number of unconnected products or services.

It is important that there is a common sense connection between the core brand and the extension. For example a ZzzQuil branded sleep aid product from the makers of NyQuil makes sense but a Zippo branded perfume for women seems questionable.

A brand may also be extended through licensing. The licensee is typically responsible for production, distribution, sales and marketing while the brand owner must ensure that the product design, quality, distribution and marketing appropriately communicates the brand image to potential customers. A carefully developed and controlled licensing program can help minimize the cost and risks related to extending a brand. The program must comply with the requirements of the Trademarks Act concerning licensing.

John McKeown, Goldman Sloan Nash & Haber LLP, Canada

mckeown@gsnh.com
General Court: OHIM not bound by USPTO decision

In Ecolab USA Inc v Office for Harmonisation in the Internal Market (OHIM) (Case T-610/13), the General Court (First Chamber) has upheld a decision of the Second Board of Appeal of OHIM finding that the mark GREASECUTTER was descriptive and lacked distinctive character for goods in Classes 3 and 5 of the Nice Classification pursuant to Articles 7(1)(b) and (c) of the Community Trademark Regulation (207/2009).

On November 17 2011 Ecolab Deutschland GmbH (which was succeeded by Ecolab USA Inc) obtained from the World Intellectual Property Organisation an international registration for GREASECUTTER designating the European Union for goods in Classes 3 and 5.

On February 2 2012 OHIM refused protection in the European Union, arguing that the mark lacked distinctive character and was descriptive for the goods concerned. Ecolab appealed.

Although the Board of Appeal allowed registration for some goods (ie, dentifrices in Class 3 and herbicides in Class 5), it maintained the refusal with respect to the other goods. On appeal, the General Court upheld the board's decision and dismissed the action.

First, the court rejected the argument that the word 'greasecutter' cannot be found in English dictionaries, stating that:

“[… although the term ‘greasecutter’ does not exist per se in English or other languages of the EU member states - as pointed out by the applicant - it is a neologism [...] being composed of English words which are easily identifiable by the English-speaking public, especially since they form a comprehensible expression obeying English grammatical rules, one which is not unusual in English language structure.”

In addition, the court reiterated the rule as to when a neologism may be allowed, stating:

“for a... neologism or a word produced by a combination of elements to be regarded as descriptive within the meaning of Article 7(1)(c) of Regulation 207/2009, it is not sufficient that each of its components may be found to be descriptive. The word or neologism itself must be found to be so. A trademark consisting of a neologism or a word composed of elements each of which is descriptive of characteristics of the goods or services in respect of which registration is sought is itself descriptive of the characteristics of those goods or services for the purposes of that provision, unless there is a perceptible difference between the neologism or the word and the mere sum of its parts.”

Finally, the court rejected Ecolab's argument that a similar trademark (GREASECUTTER PLUS in Class 3) had been allowed by the United States Patent and Trademark Office. In this regard, the court was firm, saying that:

“[...] it must be remembered that the Community trademark regime is an autonomous system with its own set of objectives and rules peculiar to it; it is self-sufficient and applies independently of any national system. [...] OHIM, and, as the case may be, the Courts of the European Union are accordingly not bound by a decision given in a member state, or in a third country, that the sign in question is registrable as a national mark. Registrations already made in the member states or in third countries are therefore a factor which may only be taken into consideration, without being given decisive weight.”

The court further argued that "OHIM is under a duty to exercise its powers in accordance with the general principles of EU law [and]... the way in which those principles are applied must be consistent with respect for legality.”
In summary, OHIM cannot rely on decisions from other jurisdictions. In particular, not only are decisions from IP offices in the member states irrelevant (despite them being part of the EU system), OHIM must also disregard any decisions from non-European jurisdictions, such as the United States in the present case.

Vincenzo Melilli, BUGNION S.p.A, Italy
melilli@bugnion.it

This article first appeared on WTR Daily, part of World Trademark Review, in (October 2015). For further information, please go to www.worldtrademarkreview.com
Israeli Designer Successfully Sues Fashion Chain for Copying Dress

Israel fashion designer Gadi Elemelech sued Renuar, a chain of selling women’s clothing for selling clothing that was confusingly similar to his haute couture dress. The dress in question appeared in Elemelech’s 2013 collection, and in Renuar’s 2014 range.

The Tel Aviv District Court ruled that the sale was actionable under the tort of Unjust Enrichment, since the dress was confusingly similar and they knew about his design. The court awarded damages of 55,000 Shekels and a further 35,000 Shekels legal costs.

The unique design feature that was copied is in the neck shown above. The one on the right is Elimelech’s and that on the left is Renuar’s.

At present, since the A.Sh.I.R. case, unregistered designs can be litigated under the Law of Unjust Enrichment. In the pending Israel Design Law which is under legislation, there is a clause providing a specific limited protection period for unregistered designs.

Dr. Michael Factor, IP FA©TOR, Israel

mfactor@ipfactor.co.il
G1/15 - The End of Poisonous Divisionals

On 29 November 2016, the decision in case number G 1/15 was announced by the Enlarged Board of Appeal of the European Patent Office (EPO). The decision has made clear that so-called “poisonous divisionals” cannot exist.

The background

The potential for a divisional patent application to be cited against its own parent application arose from several decisions before the Technical Boards of Appeal of the EPO. This concept became known as the problem of “poisonous divisionals”. The term “toxic priority” was also used.

T 1496/11

Technical Board of Appeal Decision No. T1496/11 was the decision that started it all.

The invention in that case related to banknotes comprising a transparent window that could function as a lens so that, when the banknote was folded in two, an area of micro-printing on the banknote could be viewed through the lens.

The priority application disclosed only a “printed or embossed” feature to be viewed. The divisional application disclosed the same “printed or embossed” feature. Claim 1 of the parent application, however, referred more broadly to a “feature which can be inspected, enhanced or optically varied by the optical lens”.

The broader wording of the parent application covered other possibilities that were not disclosed in the priority application, such as a window acting as a filter or polariser.

The Board of Appeal in T 1496/11 held that the broader Claim 1 of the parent application was not entitled to the priority date, and therefore lacked novelty under Article 54(3) EPC over the narrower embodiment disclosed in its published European divisional application (which was entitled to priority).

T 1496/11 thus led to the risk that a published divisional application could be cited against a later application claiming that priority, if the claims of the later application were broader than the subject matter disclosed in the priority application.
Referral to the Enlarged Board of Appeal

Some later decisions supported the findings of T1496/11. Some other decisions did not.

Due to uncertainties arising from the different findings in different Appeal Decisions at the EPO, the Enlarged Board of Appeal of the EPO, which is the highest body of the EPO, was asked to consider the situation.

G1/15 Decision

On 29 November 2016, the decision in G1/15 was announced, as follows:

“Under the EPC, entitlement to partial priority may not be refused for a claim encompassing alternative subject-matter by virtue of one or more generic expressions or otherwise generic "OR"-claim) provided that said alternative subject-matter has been disclosed for the first time, directly, or at least implicitly, unambiguously and in an enabling manner in the priority document. No other substantive conditions or limitations apply in this respect.”

Take away points

- G1/15 makes clear that a claim to priority cannot be lost by broadening a feature disclosed in the priority application.
- Priority will always be valid in respect of the narrower features disclosed in the priority application that will be covered by the broader feature.
- Poisonous divisionals cannot exist.
- Divisional patent applications in Europe are safe to file.

Rupert Knights, Dolleymores, UK
rupertknights@dolleymores.com
Trademark Litigation 2017 - India

Legislative framework and causes of action

Trademark law, rules and regulations

Trademarks in India are governed by the Trademarks Act 1999, which supersedes the Trade and Merchandise Marks Act 1958. The Trademarks Rules 2002 supplement the Trademarks Act.

India is a member of the Madrid Agreement Concerning the International Registration of Trademarks.

Infringement and passing-off remedies

Trademark owners have two causes of action available against wrongful use of their marks by other traders: infringement and passing off. The right to sue for infringement arises from the violation of the statutory right conferred by a trademark registration to use a trademark exclusively. The right to sue for passing off arises from deceit involving use of a trademark or getup that is likely to cause confusion/deception leading to the passing off of goods of one for those of another. The Supreme Court in Durga Dutt v National Pharmaceutical Laboratories, AIR 1965 SC 980, aptly highlighted the difference between infringement and passing off as follows:

While an action for passing off is a Common Law remedy being in substance an action for deceit, that is, a passing off by a person of his own goods as those of another that is not the gist of an action for infringement. The action for infringement is a statutory remedy conferred on the registered proprietor of a registered trademark for the vindication of 'the exclusive right to use of the trademark in relation to those goods', if the essential features of the trademark of the plaintiff have been adopted by the defendant, the fact that the get-up, packing and other writing or marks on the goods or on the packets in which he offers his goods for sale show marked differences, or indicate clearly a trade origin different from that of the registered proprietor of the mark would be immaterial, whereas in the case of passing off, the defendant may escape liability if he can show that the added matter is sufficient to distinguish his goods from those of the plaintiff.

Infringement: In order to file for trademark infringement, the plaintiff must hold a trademark registration. Section 28(1) of the Trademarks Act states:

Subject to the other provisions of this Act, the registration of a trademark shall, if valid, give to the registered proprietor of the trademark the exclusive right to use of the trademark in relation to the goods or services in respect of which the trademark is registered and to obtain relief in respect of infringement of the trademark in the manner provided by this Act.

Section 29 adds:

A registered trademark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trademark in relation to goods or services in respect of which the trademark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trademark.

Section 29(9) clarifies that where the distinctive elements of a registered trademark consist of words, the trademark may be infringed by use of these words orally or in writing.

Passing off: Passing off is a common law remedy available to the proprietor of an unregistered trademark that can show that its trademark, on account of prior, extensive and continuous commercial use, has acquired tremendous goodwill and reputation in the trade, and use of a deceptively similar mark amounts to misrepresentation to the public, causing injury and damage not only to the proprietor, but also to the goodwill and reputation of the trademark. The trinity of fundamental elements of passing off (reputation, misrepresentation and damage to goodwill) were established by the UK House of Lords in Reckitt & Coleman Ltd v Borden Inc,[1990] 1 All ER 873. In Patel v Shah, AIR 2002 SC 275, the Indian Supreme Court held that the plaintiff need not show actual damage: mere likelihood of damage is sufficient to succeed in a passing-off action.

Alternative dispute resolution

Under Section 89 of the Code of Civil Procedure 1908, the court may refer a dispute to arbitration, conciliation or mediation where it appears to the court that there exist elements of a settlement which may be acceptable to the parties.

In practice, many infringement and passing-off actions are indeed referred to mediation, and many such proceedings result in a settlement between the parties.
Litigation venue and formats

Court system and litigation venues
Hierarchy of courts: In India, courts follow a strict pyramidal structure. At the bottom are subordinate civil courts and courts of small causes, which are below the district courts. The district courts are subordinate to the high courts (one per state). At the top is the Supreme Court, whose decisions are binding on all high courts and subordinate courts.

Jurisdiction: According to Section 134 of the Trademarks Act, subordinate courts – which have jurisdiction over other commercial matters – do not have jurisdiction over cases of infringement or passing off. Hence, only district courts and high courts exercising ordinary original civil jurisdiction can decide on such matters.

In addition, the territorial jurisdiction of a court is determined on the basis of where the infringement took place or where the parties are based. Thus, Section 20 of the Code of Civil Procedure provides that civil suits are to be heard where the defendant carries on business or where the cause of action arises, wholly or in part. However, Section 134(2) of the Trademarks Act allows the rights holder to sue instead at a place where it carries on business. This freedom has now been restricted (see below).

Forum shopping
The Supreme Court recently dealt with, and put an end to, the controversy surrounding the extent to which a plaintiff can avail of the additional forum provided under Section 134(2). In Indian Performing Rights Society v Dalia 2015 (63) PTC 1 (SC), the court held that if the infringement has occurred at a place where the rights holder carries on business, the rights holder will be deemed to be carrying on business only at such place for the purpose of territorial jurisdiction under Section 134(2), notwithstanding the fact that the rights holder may be carrying on business at other places.

Establishment of commercial courts
In 2015 the Indian legislature passed a new act, which came into effect in January 2016, with the objective of streamlining and expediting commercial lawsuits, including IP disputes. Under the act, commercial courts are established at the district level and commercial divisions are established within high courts with ordinary original civil jurisdiction. The commercial appellate division of the relevant high court will be competent to hear appeals of decisions of commercial courts and commercial divisions. The act applies only to "commercial disputes of specified value" – that is, lawsuits relating to commercial matters whose value exceeds Rs10 million (approximately $150,000). Where the value is below Rs10 million, the suit is to be instituted before the competent district court or the high court that has jurisdiction over such matter.

The act has also introduced summary judgments for commercial disputes. Any party that feels that its opponent has no real prospect of succeeding in or defending a claim and that recording evidence would be superfluous may apply for a summary judgment. This procedure is meant to ensure speedier disposal of suits, since they can be shorn of stereotypical and hopeless claims or defences.

The act also provides for case management hearings during which the court shall set timelines for further proceedings. The endeavour shall be to hear and conclude oral arguments within six months of the time when the parties have finished reviewing all the documents.

Remedies
The following remedies are available under Section 135 of the Trademarks Act:

- a permanent injunction restraining infringement/passing off;
- damages/rendition of accounts;
- delivery up of labels/marks for destruction or erasure; and costs.

Injunctive relief
A court may grant an injunction as a final relief, as well as temporary relief pending disposal of the suit. Trials typically last several years in India. Thus, motions for temporary injunctions tend to be hotly contested. The factors that the court will consider while deciding an interim injunction application are:

- whether the plaintiff has made out a prima facie case;
- in whose favour the balance of convenience lies; and
whether the plaintiff will suffer irreparable harm if a temporary injunction is not granted.

**Damages and rendition of accounts**

Plaintiffs can claim damages or rendition of accounts – not both. This follows the decision of the Delhi High Court in *Titan Industries v Jain*, 2006 (32) PTC 95 Del, in which the court held that where damages and rendition of accounts are claimed together, the plaintiff must elect one single relief during the course of trial.

More recently, the same court in *Cartier International v Bhatia*, 2016 (65) PTC 168 (Del), awarded damages in the unprecedented amount of Rs 10 million to the plaintiff in an *ex parte* suit against the defendants, who had sold online counterfeit watches of luxury brands. But where the plaintiff provides scant evidence of any damage suffered, the court will award minimal damages (see *Prestige Housewares v Gupta*, 2007 (34) PTC 335 (Del)).

Under Section 135(3) of the Trademarks Act, a defendant in an infringement suit is exempt from rendering accounts or paying damages if it satisfies the court that it was unaware and had no reasonable grounds to believe that the plaintiff’s trademark was registered. Such exemption also exists in an action for passing off, if the court is satisfied that the defendant was unaware of and had no reasonable grounds to believe that the plaintiff’s mark was in use, and that when it became aware of the existence and nature of the plaintiff’s mark, it stopped the use complained of.

**Delivery up**

Although Section 135(1) of the Trademarks Act talks about “delivery up of the infringing labels and marks for destruction or erasure” only, and not of infringing goods themselves, it is not uncommon for plaintiffs to apply for the delivery up of the infringing goods as well. This is because Section 135(1) is an inclusive, non-exhaustive provision.

**Anton Piller orders**

A rights holder can also apply for an Anton Piller order at the interim stage of a suit. Such orders ensure that infringing products are not released onto the market despite an injunction order having been served. Courts may issue Anton Piller orders in the following situations:

- The plaintiff has an extremely strong *prima facie* case;
- The actual or potential damage to the plaintiff is very serious;
- It is clear that the defendant possesses vital evidence; and
- There is a real possibility that the defendant might destroy or dispose of such material so as to defeat the ends of justice.

**Evidencing the case**

It is a matter for the courts to decide whether two competing marks are deceptively similar; this cannot be left to witnesses (see *Ciba Ltd v Ramalingam*, AIR 1958 Bom 56). The courts may consider witness statements, however, in assessing whether marks are confusingly similar.

**Investigations and first steps**

Before filing a lawsuit, it is essential for rights holders to gather all documents relevant to the case. These documents must be filed along with the complaint itself.

Once rights holders have become aware of third-party infringement, it is not uncommon for them to engage independent investigators to ascertain the nature and extent of the infringing activities.

**Survey evidence**

Survey evidence is not a popular method to prove confusion and deception. In fact, it is of little value unless the question asked and answers given are recorded, and those conducting the survey are subjected to cross-examination (see *PP Hamsa v Syed Agencies*, 1990 (2) KLJ 555).

**Available defences**

**Invalid registration**

Section 31 of the Trademarks Act states that the registration certificate is only *prima facie* proof of validity of the mark. Further, the rights conferred under Section 28(1) are contingent on the registration being valid. A defendant may thus
plead invalidity of a registration in an infringement suit, coupled with filing a petition for cancellation of the registration before the Intellectual Property Appellate Board (IPAB), an independent statutory tribunal for adjudicating such petitions. If the court finds the plea of invalidity to be *prima facie* tenable, it will stay the suit to await the outcome of the cancellation petition filed before IPAB. However, this will not preclude the court from ordering an interim injunction where appropriate. If IPAB cancels the trademark registration, the suit for infringement will not survive and the defendant will escape liability.

**Use in accordance with honest practice**
Section 30(1) of the Trademarks Act protects a defendant’s use of the plaintiff’s trademark where such use is for the purposes of identifying the proprietor of the mark. For instance, a shopkeeper may display items or promotional material with a registered trademark, provided that this use identifies the proprietor with its goods or services. But a shopkeeper may not use that trademark to identify the goods or services of someone else (see *Kamath v Lime and Chilli Hospitality*, 2015 (62) PTC 23 (Bom)). Further, such use must not be such as to take unfair advantage of, or be detrimental to, the distinctive character or repute of the plaintiff’s trademark.

**Use to indicate kind or quality of goods**
Section 30(2)(a) allows use of a mark in relation to goods or services to indicate the kind, quality, purpose, value and geographical origin of the goods or services, among other things. This “use of a mark” is not the same as “the use of a mark as a trademark”. It is the use of a sign purely for descriptive purposes (see *Kamath*, referenced above).

**Use in relation to spare parts and accessories**
Section 30(2)(d) permits use of a trademark on accessories to or spare parts for goods or services to which the trademark applies if:

- such use is reasonably necessary in order to indicate that the goods or services are so adapted; and
- the purpose or effect of the use is not to indicate a connection in the course of trade between any person and the goods or services.

In *Hawkins v Murugan*, 2008 (36) PTC 290 (Del), the judge ruled that where the defendant used the words ‘Suitable for Hawkins Cookers’ in conjunction with its own brand MAYUR in relation to gaskets used for pressure cookers, there was no infringement of the plaintiff’s trademark HAWKINS in view of Section 30(2)(d). This decision was overturned on appeal (2012 (50) PTC 389 (Del)), where the court held that the term ‘reasonably necessary’ meant that the defendant was not justified in using the trademark of the plaintiff when the gaskets could be used in relation to pressure cookers of other manufacturers as well.

**Exhaustion of rights**
Section 30(3) provides that a registered proprietor’s rights are exhausted once the proprietor puts the goods on the market. The interpretation of the term ‘market’ has been the subject of great controversy. Whether the sale of genuine imported goods in India would amount to infringement is pending before the Supreme Court. The Appellate Bench of the Delhi High Court, in *Kapil Wadhwa v Samsung*, 2013 (53) PTC 112 (Del) (DB), had reversed the single judge’s finding and held that India follows the principle of international exhaustion, which implies that the sale of goods anywhere in the world exhausts the rights of the trademark owner.

**Prior user**
Section 34 protects a prior user’s right against the registration of an identical or deceptively similar trademark by a subsequent user.

In *Neon Laboratories v Medical Technologies*, 2015 (64) PTC 225 (SC), the Supreme Court upheld an injunction in favour of the prior user of an unregistered mark against a party which held a prior registration, but whose use was subsequent.

**Good-faith use of name**
Section 35 precludes a registered proprietor from preventing others from doing business in their own name in good faith. In *Precious Jewels v Varun Gems*, 2015 (1) SCC 160, the Supreme Court vacated an injunction order issued in favour of the plaintiff against using the trademark RAKYAN for jewellery, when both parties belonged to the same family and shared the surname Rakyan.


Appeals process

An appeal from an order or judgment of a district court goes before the relevant state’s high court. An appeal from an order of a single judge of a high court exercising ordinary original civil jurisdiction goes before the division bench of the high court. As per Section 104 of the Code of Civil Procedure, it is not normally possible to appeal further. However, under Article 136 of the Constitution of India, the Supreme Court has authority and discretion to grant leave to hear an appeal from any judgment, decree, determination, sentence or order in any cause or matter passed or made by any court or tribunal in India.

Hemant Singh, INTTL ADVOCARE, hemant@inntladvocare.com

Note: This article first appeared in World Trademark Review.
UK to Ratify UPC Agreement: Counting down to the UP and UPC

On the 28 November 2016 the UK Government made an unexpected announcement that it was intending to proceed with preparations to ratify the Unified Patent Court Agreement. The UK government announced it will continue with preparations for ratification over the coming months; this was despite the vote in June 2016 that the UK would leave the EU. This has come as a surprise to many who expected Brexit to be a barrier to ratification by the UK. Following the sudden announcement that the UK is intending to ratify the UPC Agreement, the patent landscape in Europe is once again on the brink of the most significant change in a generation. Owners of European patents and applications filed and granted at the European Patent Office (EPs) who thought they had been afforded some breathing space now need to make important decisions about their patent portfolios, and prepare themselves to act quickly. We are likely to have a new pan-European court for hearing patent cases in Europe by Autumn 2017 and if owners of European patents want to avoid this Court, it is likely that they will need to file “opt outs” to avoid the new Court from early 2017.

This article from the UPC group at HGF brings back into focus the key decisions patentees, applicants and their advisers will need to make in order to navigate the new regime and make the best choices for their patent portfolios.

The Unified Patent Court

The Unified Patent Court (UPC) will be a new court with a new set of procedures and rules that have been negotiated between the participating European Member States. The Procedural Rules of the UPC seek to coherently pull together the wide range of legal procedures available to patent litigants around Europe. This is quite a feat given the differences between the common law and civil law traditions across Europe.

The UPC will consist of a Court of First Instance, with Central, Local and Regional divisions, as well as a Court of Appeal and a Registry. The Central Division will deal with revocation actions and declarations of non-infringement. The Local or Regional divisions will deal with infringement, including preliminary injunctions. There are also rules on how the various courts can deal with counterclaims, stays and transfers to another court.

The Central Division will be headquartered in Paris, with sections in London (pharmaceuticals, chemistry and medical devices) and Munich (mechanical engineering) with Paris dealing with electronic and software cases.

The opt-out

When the UPC opens for business, unless they are opted-out, all existing granted EPs will be subject to the jurisdiction of the new court as well as the relevant national courts. This will mean that patentees will be able to enforce EPs in a single action across all Member States that have ratified the UPC Agreement and for which the patent is validated. It will also mean that an EP can be revoked in a single action brought before the UPC’s Central Division. This is in contrast to the current position where an EP is a bundle of national rights, each of which must be revoked in separate actions in the national courts.

Because this is such a fundamental change to European patent litigation, for a transitional period of at least 7 years, patentees will be able to exercise an “opt-out” to take existing, pending and future EPs out of the jurisdiction of UPC for the lifetime of those patents. The opt-out allows patentees to maintain the current position, i.e. any litigation must be before the relevant national court. The Rules of Procedure allow for a “sunrise” period of a few months before the UPC system goes live, in order for patentees to opt-out their existing EPs from the UPC’s jurisdiction before the court opens its doors.
Why opt out?

The decision to opt out granted and pending EPs from the jurisdiction of the UPC will depend on many factors; there is no one size fits all. Patentees shouldn’t assume that opting out will be the best option: there may be advantages to keeping at least some patents within the jurisdiction of the UPC. As details of the Rules and Procedures for the UPC system have crystallised, many patentees are considering a nuanced approach to managing the opt-out (or remaining subject to the UPC’s jurisdiction) for their patent portfolio.

The unitary patent

A unitary patent (UP) will be a single patent offering uniform protection in up to 25 participating Member States of the European Union, obtained via the current application system operated by the European Patent Office (EPO). Initially it is unlikely that a UP will cover all 25 participating Member States. The exact coverage will depend upon which Member States have ratified the UPC Agreement at the time.

Applicants will not be forced to choose a UP. They will still be able to follow current practice and select individual EP countries in which to validate their EP. Given that not all EPC contracting states will be part of the UP (such as Croatia, Spain, Turkey, Norway) a combination of a UP and additional EP validations will always be needed for maximum coverage. It will not be possible to validate both a UP and individual EPs in countries covered by the UP for the same patent. The UP therefore adds a new layer of choice for patentees obtaining patents via the EPO. The national filing route will also remain an option for some patentees.

Why request a UP?

Some key considerations:

- If a patent is validated in more than 4 participating Member States, there may be cost savings on a UP vs a bundle of EPs on the renewal fees and reduced administrative burden over the lifetime of the patent.
- Requesting a UP may be more straightforward than fulfilling the validation requirements in multiple EPC states.
- A UP can only be litigated before the UPC. This can give rise to the potential to obtain a pan-EU injunction throughout the participating Member States in a single infringement action. However a UP will always be vulnerable to central revocation before the UPC; there is no opting-out of the jurisdiction of the UPC for a UP.
- For inventions that are likely to be important to the business, applicants should consider filing EP divisional applications to maximise flexibility on choice of jurisdiction.
- The target timeline for resolution of first instance proceedings within the UPC is 12 months, which while equivalent to proceedings before the English, Dutch and German Courts is significantly better than proceedings before many other national Courts or the EPO.
- A UP may be "licensed" in respect of the whole or part of the territories of the participating member states, but any challenges or transfers will affect all licences as the patent is a unitary right.
- For in-licensed patent applications, there may be no control in the licence agreement as to whether the application should grant as a UP rather than a bundle of EPs; licensees may not have any choice.

What happens next?

The new system comes into effect when the UPC Agreement is ratified by 13 participating countries which must include the three EU Member States in which the most European patents had effect in 2012 (the year before the Agreement was signed (Article 89)). Now the UK is preparing to ratify, there is no doubt these three countries are the UK, Germany and France.
By November 2016, a total of 11 Member States had ratified the UPC Agreement: Austria, Belgium, Bulgaria, Denmark, Finland, France, Luxembourg, Malta, the Netherlands, Portugal and Sweden. Italy, Ireland, Lithuania, Slovenia, Germany and the UK are taking steps or moving through the legislative process to ratify the UPC Agreement.

We estimate that the new timetable for ratification will be such that the UK and Germany will ratify, then officially "deposit" their ratification by spring 2017, paving the way for the UPC to open for business by autumn 2017, and at the same time, UPs will become available for patent applicants via the European Patent Office. The participating EU member states have also agreed a Protocol to allow certain articles of the UPC Agreement to take effect provisionally to allow the Court to ensure its IT systems are operational and so that it can hire Judges and other staff before the first day of operation. Importantly, this also allows the Registry to offer patentees the ability to pre-register any opt-out, which will then take effect on the first day that the Court is open.

When do we need to take action?

Now – patentees will need advice in order to start considering their strategy as to whether they will want to opt-out EPs from the jurisdiction of the UPC. Such a review should consider the following issues:

- the strength of the relevant patents;
- the value of the technology covered by each patent or patent family to the business in the relevant jurisdiction;
- how various patents interact to protect commercial products;
- the likelihood in a given industry that a third party will consider a central attack on the validity of patents attractive;
- for patents that are jointly-owned or licensed into or out of the business — who has the right to exercise the opt-out of the EPs (and any associated SPC)?

This exercise needs to be done sufficiently ahead of the launch of the UPC in order to give patentees time to execute any opt-out before the UPC opens for business. An opt-out is only effective once it is entered on the Register.

Estelle Senior, HGF Limited, UK
esenior@hgf.com
International Action Group (IAG)

A hub for international associates affiliated with the ABA-IPL to participate in all areas of the Section, in order to communicate, network, and to work together to build global bridges.

For more information about the benefits of ABA-IPL, please visit our International Associate webpage, http://ambar.org/ipINTLassoc

ABA-IPL International Associates

ABA-IPL offers exceptional value to international intellectual property law professionals interested in affiliating with the Section; in particular there are many opportunities for international affiliates with an interest in US and comparative IP law, such as:

- Participation in substantive committees. Committees are a great way to develop connections with IP law colleagues, get involved with speaking and authorship opportunities, provide input regarding important policy decisions, and more;
- Maintain your connection to U.S. and global trends in IP law with the Section’s bi-monthly Landslide® magazine;
- Network and participate in Section international programming and events with member colleagues: leaders, global law firms, and multi-national corporate counsel from over 75 countries; and
- Present proposals to speak, moderate, or organize a program at an ABA-IPL conference, teleconference or webinar in the United States.

Download a digital version of International IP Legal Updates at http://ambar.org/IPLawIAG