

WI^{IP}R

WORLD INTELLECTUAL PROPERTY REVIEW

2008





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EDITOR'S NOTE

The intellectual property world has undergone significant changes since the last edition of **World Intellectual Property Review** was published a year ago. In that time, intellectual property rights globally have evolved dramatically.

This edition presents a comprehensive assessment of significant developments in countries across five continents, many providing recent case studies that illustrate the practicalities of amendments to the trademark and patent environment, either in law or working practices. It also features topical and insightful editorial comment from a range of leading trade associations, including INTA, ECTA, ITMA and Marques.

One of the greatest challenges facing trademark and patent practitioners now and for the foreseeable future is enforcement. The variety of the complexities of actively persuading emerging market countries to take seriously the issue of copyright and patent protection are potent and are borne out throughout the magazine. There is no doubt they will continue to present legal problems for IP owners and their lawyers. On the one hand, emerging countries signal a threat. On the other hand, chance is in fact there, now, to turn that threat into an opportunity.

Perhaps the greatest example of this is China. It is causing panic buttons to be pressed by IP practitioners in every Western jurisdiction, yet there is a vast wealth of unreported development occurring behind the bamboo curtain to crack down on IP infringement—for example, official provincial IPR offices set up across the country to deal swiftly and effectively with any complaints. Harmonisation of IP across Europe meanwhile is proving a headache at several levels, and contributors from across the EC provide insightful and practical analysis.

A raft of best IP practice guides are also featured in this edition, including for example the importance of conducting a trademark audit, the use of online third-party trademark searches and taking seriously the threat of counterfeiters.

Once again, we would like to say thank you to our editorial panel, comprising some of the world's greatest experts in their fields, whose guidance we find priceless.

As ever, we welcome any feedback, positive or negative, so please contact us if you feel you have something to say. It has been a fascinating experience compiling this edition and we appreciate any opportunity to be told what we are doing right—or wrong.

Bill Lumley

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NG33 5NR
United Kingdom

Directors and publishers:
Nicholas Lipinski and John Eddington

Group managing editor:
Bill Lumley
Email: blumley@newtonmedia.co.uk

Advertising enquiries:
Nicholas Lipinski
Telephone: +44 208 290 4943
Email: nlipinski@newtonmedia.co.uk

Sales managers:
Matt Saunders
John Haley

Production and design:
Strano & Pettigrew Design Associates
Lead Designer: Kimberley Leung
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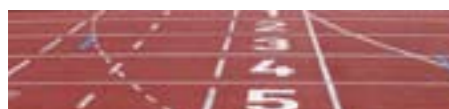
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Contacts:

- Robert Young
- Manuel M. Soto
- Mario Ponce
- Javier Uhthoff-Orive
- Consuelo González
- Carlos Uhthoff-Orive
- Eryck Castillo
- Héctor Flores
- Carlos Trujillo
- Saúl Santoyo
- Marcela Bolland
- Ignacio Domínguez
- Eugenio Pérez



Main office:
Hamburgo 260 Col. Juárez
C.P. 06600 D.F., México
tel + 52(55) 5533 5060
fax + 52(55) 5208 8387
+ 52(55) 5208 8507

e-mail:
mailbox@uhthoff.com.mx
www.uhthoff.com.mx

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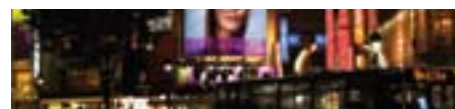
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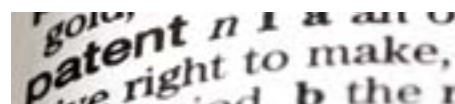
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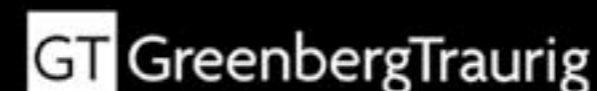


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Jacqueline Needle, partner, Beck Greener

Jacqueline Needle, a partner of Beck Greener, is a graduate in electrical and electronic engineering. She is a Chartered Patent Attorney, a European Patent Attorney and a European Trademark Attorney. In 1997, Needle was awarded, with distinction, an LLM. in Advanced Litigation. She is now one of the select group of patent attorneys in the UK with a Litigator's Certificate, which gives her the right to conduct litigation in IP matters in all of the English courts.

Needle has extensive experience of patent drafting and prosecution and has responsibility for corporate patent portfolios that include applications in a large number of countries.

She is an experienced writer and, as well as making contributions to various books on intellectual property matters, she has written for journals, magazines and the UK national press. She is also an experienced lecturer and, uniquely, was invited to address a committee of both houses of the UK Parliament on intellectual property matters.



Simon Cohen, partner, intellectual property, Taylor Wessing

Simon Cohen has been a partner in the intellectual property department at Taylor Wessing since 1996. He specialises in patent litigation, licensing and pharmaceutical regulatory work, and represents clients in the UK Courts and at the European Patent Office. He obtained a BSc in biochemistry and genetics from London University and a Diploma in Intellectual Property Law also from London University (QMW).

Cohen has acted in high-profile patent cases in the High Court, Court of Appeal and House of Lords.

He lectures and writes regularly on pharmaceutical and biotech patent issues. The publications to which he contributes articles include *European Intellectual Property Review* and *Bioscience Law Review* (of which he is the UK correspondent).

He is listed in *Legal 500*, *Chambers* and *Legal Experts*.



Jane Collins, head of trademarks, Syngenta

Currently, Jane Collins is chairman of MARQUES, the association of European brand owners. She has a law degree from Southampton University. She was articled to family solicitors in London, married, and lived in Denmark and the Middle East for nine years. She is qualified as a Danish/English bilingual secretary and translator. She returned to UK in 1987 and joined Baron & Warren patent and trademark firm in 1988, qualifying as a trademark attorney by exam. From 1993 to 1999, Jane worked as a trademark manager for Batmark, the trademark department of British American Tobacco. In 1999, she was appointed managing trademark attorney for Zeneca Agrochemicals. In December 2000, she was appointed global head of trademarks at Syngenta, based in Switzerland, after Zeneca Agrochemicals merged into the newly formed company (36,000 trademarks in portfolio). Since May 2006, she was general trademark counsel based in the UK. She has wide experience of all kinds of trademark and related work.



Yoshitaka Sonoda, partner, Sonoda & Kobayashi

Yoshitaka Sonoda is a partner at Sonoda & Kobayashi. Dr. Sonoda, a patent attorney specialising in physics and electro-mechanics, received his Ph.D. from the University of Tokyo for his study of transient vibrations in nonlinear systems. He acquired fluency in both English and French while performing post-doctoral research at the Saclay Nuclear Research Center of the French Atomic Energy Commission. He continued his researches at Hitachi and then entered the intellectual property field in 1987. He has authored many articles in professional journals and is a frequent speaker at international conferences. He is a member of JPAA, JIPA, AIPLA, APAA and AIPPI.



Robert Barchiesi, president, International AntiCounterfeiting Coalition

Robert Barchiesi most recently served as the Director of Investigations at the Recording Industry Association of America.

Prior to joining the Recording Industry Association of America, Barchiesi served the law enforcement community in several executive positions, beginning his career with the New York City Police Department and retiring as a Detective Sergeant; he culminated his career with appointments as the Special Agent in Charge of Investigations in the US Virgin Islands and the Chief of Police in Crystal River, Florida.

Barchiesi is a frequent keynote speaker at anti-counterfeiting conferences throughout the United States and is the co-author of *Rock Solid, a true crime*. In that capacity, he was interviewed by Morley Safer on *60 Minutes* and has appeared on other TV and radio talk shows.

He received a B.A. from John Jay College of Criminal Justice and graduated from the University of Alabama with a M.A. in Criminal Justice.



Paul J. Sutton, senior chair, intellectual property and technology practice, Greenberg Traurig, LLP

Paul J. Sutton senior chair, intellectual property and technology practice, *Greenberg Traurig, LLP*. He was selected by *Super Lawyers* magazine in 2006, 2007 and 2008, and is listed in *Strathmore's Who's Who*. With four decades of law firm and corporate experience concentrated in intellectual property law, including serving as Gulf + Western Corporation's in-house patent counsel, Sutton has successfully counselled clients in all aspects of patents, trademarks, copyrights, licensing, trade dress, trade secrets, unfair competition, patent misuse, false advertising, grey goods, computers, the internet and anti-counterfeiting. He has a proven track record in patent and trademark litigation, representing clients at the trial and appellate levels before federal and state courts, the US International Trade Commission, administrative tribunal, and in various alternative dispute resolution forums.



Mark A. Steiner, partner, Townsend and Townsend and Crew LLP

Mark A. Steiner is a partner at Townsend and Townsend and Crew LLP and leader of the firm's trademark and copyright practice group.

With more than 20 years of trademark and copyright law experience, Steiner offers clients a strong combination of trial expertise, counselling, enforcement, procurement, and technology licensing advice in matters concerning trademarks, trade identity, Internet domain names, copyrights, trade secrets and unfair competition. He has represented notable companies in a variety of industries, including e-commerce, computer hardware and software, networking, retail stores, personal care products, sporting goods, clothing, toys and games, food and beverage, hotels and restaurants. He serves as intellectual property counsel to companies at various stages of development, from inception to maturity. Steiner regularly assists clients in the management and enforcement of domestic and international trademark portfolios, and is experienced in handling trademark applications filed under the Madrid Protocol. Additionally, he has expertise in using European Community Designs to protect IP assets.

Steiner is a member of the American Bar Association, American Intellectual Property Law Association, Bar Association of San Francisco—where he was previously chair of the Intellectual Property Committee—and the International Trademark Association.



Sergio Olivares, partner, Olivares & Cía.

Sergio Olivares is a partner at Olivares & Cía, which was founded in 1969.

Olivares participates in many seminars and conventions as speaker and moderator with regards to the intellectual property topics. His experience includes the Licensing Executive Society, the Inter-American Association of Intellectual Property (ASIPI), the Mexican National Association of Entrepreneurial Lawyers (ANADE), and the International Law Section for Combating Counterfeiting and Piracy programme held by the California Bar.

Olivares is not only involved with the academic side within the field of intellectual property, but his involvement as partner/attorney at Olivares & Cía. has ranged from prosecuting and obtaining trademark and copyright registrations for national and international clientele to litigation related to trademark, patent and copyrights. Recently, he has been involved in patent litigation related to the correction of life patent terms as well as regulatory issues, both for patent and trademarks.

Among the clients he has represented both in prosecution and litigation are S.C. Johnson & Son, Novartis, Microsoft, Starwood Hotels and Resorts Worldwide, Mattel, Alberto-Culver Company, Christian Dior, and Pepsico.

Olivares is the current vice-president for the term 2005-2007 of the Mexican Association for the Protection of Intellectual Property (AMPPI) and is a current Mexican delegate of the Inter-American Association of Intellectual Property (ASIPI), as well as being a Mexican member of the International Association for the Protection of Intellectual Property (AIPPI). He is also a member of the Mexican-Bar Association and the International Trademark Association (INTA).



Susan E. Cullen, consulting practice director, Thomson Scientific

Susan E. Cullen, Ph.D., is director of the IP consulting practice at Thomson Scientific Professional Services.

Dr. Cullen led a research group for 18 years, and has 10 years of IP management experience, including directing a licensing office and participating in the redesign of IP practices at Monsanto/Pharmacia. Since 2000, she has worked as a consultant in IP analysis, and aims to help make people and companies successful through effective IP management. She develops methodology for extracting competitive and technical intelligence from IP, gives advanced training for users of Thomson analytical tools and provides customised consulting for clients of Thomson. Her consulting clients have included more than 80 companies in industries as diverse as semi-conductors, oil drilling, heavy machinery and automotive, energy, consumer goods, foods, optical equipment, medical devices, printing and digital security.

Dr. Cullen has a Ph.D. in Microbiology from Albert Einstein College of Medicine, a B.S. in Chemistry, and is a registered US patent agent. She is also an Adjunct Full Professor at Washington University in St. Louis.



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Susan Natland outlines the benefits of undertaking a trademark audit and provides a guide to putting such a programme in place.

THE IMPORTANCE OF TRADEMARK AUDITS

One of the most important services that should be performed by trademark professionals and that is often overlooked, is a trademark audit. Trademark professionals dedicate a great deal of time to clearing, filing and enforcing marks. However, trademarks are not static. It is imperative that trademark professionals from time to time step back and review a company's trademark assets, to ensure that they are sufficiently identified, protected and exploited.

A trademark audit allows a company to review, manage and fully exploit the value of existing and potential trademarks. A trademark audit can range from a yearly review managed internally to a comprehensive audit conducted by outside counsel. Trademark audits are also often conducted as part of a comprehensive due diligence programme by an acquiring company, the results of which can often make or break a deal.

The benefits of a trademark audit include the identification of new brands and the maximum exploitation of existing brands. At the very least, a trademark audit should include a survey of what marks are currently used by a company, whether proper trademark use and notice

A TRADEMARK AUDIT ALLOWS A COMPANY TO REVIEW, MANAGE AND FULLY EXPLOIT THE VALUE OF EXISTING AND POTENTIAL TRADEMARKS.

IN ADDITION, ONE OF THE BEST REASONS TO PERFORM A TRADEMARK AUDIT IS THAT IT MAY IDENTIFY OPPORTUNITIES TO INCREASE REVENUE THROUGH EXPLOITATION OF EXISTING OR NEWLY IDENTIFIED BRANDS.

is being made, what applications and registrations exist, and a review of the chain of title.

Through this analysis, a trademark audit will identify trademark assets that have not been adequately protected, and thus may be impossible or difficult to enforce or exploit. While companies are usually aware of their core brands, a review of product lines, brochures, websites and other marketing materials will often reveal trademarks that have not been identified, including in many cases, non-traditional marks. In addition, a company may have expanded use of its marks into product lines or geographic markets that were not initially contemplated at the time of filing applications or, in some cases, the initial filing may simply not have been broad enough.

Of course, it is not just good enough to own registrations for a particular mark, the registrations should be broad enough to cover not only the goods and services currently provided under the mark, but ideally, those with which the mark may be used in the future in the geographic regions of interest. Regions that should be considered are those where the marks are used or will be used, where infringement may be likely, where manufacturing may occur, or where a company wants to have blocking registrations in place. In addition, for companies that own European Union applications or registrations, particular attention should be given to whether protection has been sought in Norway, Switzerland and other countries in Europe that are not members of the European Union.

A cost/benefit analysis (taking into account the longevity of a product line or new geographic market) should follow to evaluate whether new applications should be filed to cover the

expanded breadth of the goods, services or countries where a mark is used or contemplated being used. This ensures that a company obtains proper protection to exploit and enforce its mark in connection with all of the goods and services and geographic regions of interest. In many cases, the Madrid System represents a cost-effective filing strategy for filling the geographic gaps in protection.

In addition, one of the best reasons to perform a trademark audit is that it may identify opportunities to increase revenue through exploitation of existing or newly identified brands. A primary path to increase revenues other than direct sales under a mark comes from licensing arrangements. As with acquiring companies, the value of the brand will be of primary concern to a licensee, including whether or not it has been adequately protected. Regular trademark audits demonstrate a commitment to the value of those assets and will usually result in a positive review by a potential licensee.

A trademark audit can also identify critical ownership issues. In some countries, including the US, if an application is filed in the name of a party that did not own the rights to the mark at the time the application was filed, any resulting

registration may be void, in which case a new filing should be considered. Further, a mark may have been assigned to another entity, or a name change or merger may have occurred since filing. Ensuring that the chain of title is sound is imperative, and every attempt should be made to correct potential problems in the chain of title revealed by the audit promptly. In some jurisdictions, filing a lawsuit or an opposition based on a registration that lacks proper ownership or a clean chain of title could result in an inability to enforce the trademark. In addition, in certain jurisdictions, failure to record changes to the chain of title promptly may affect or limit the ability to obtain damages in an infringement action. Similarly, a review of liens and security interests tied to trademark assets should be reviewed to determine if such encumbrances should be removed.

As the audit is conducted, attention should be paid to whether proper trademark use and trademark notice is being practised by the company. If not, guidelines can be prepared by a trademark professional for marketing and business personnel to follow. Proper trademark use and notice can deter third parties from adopting a mark similar to a client's or company's mark and, in some cases, can ensure that a mark does not become generic.



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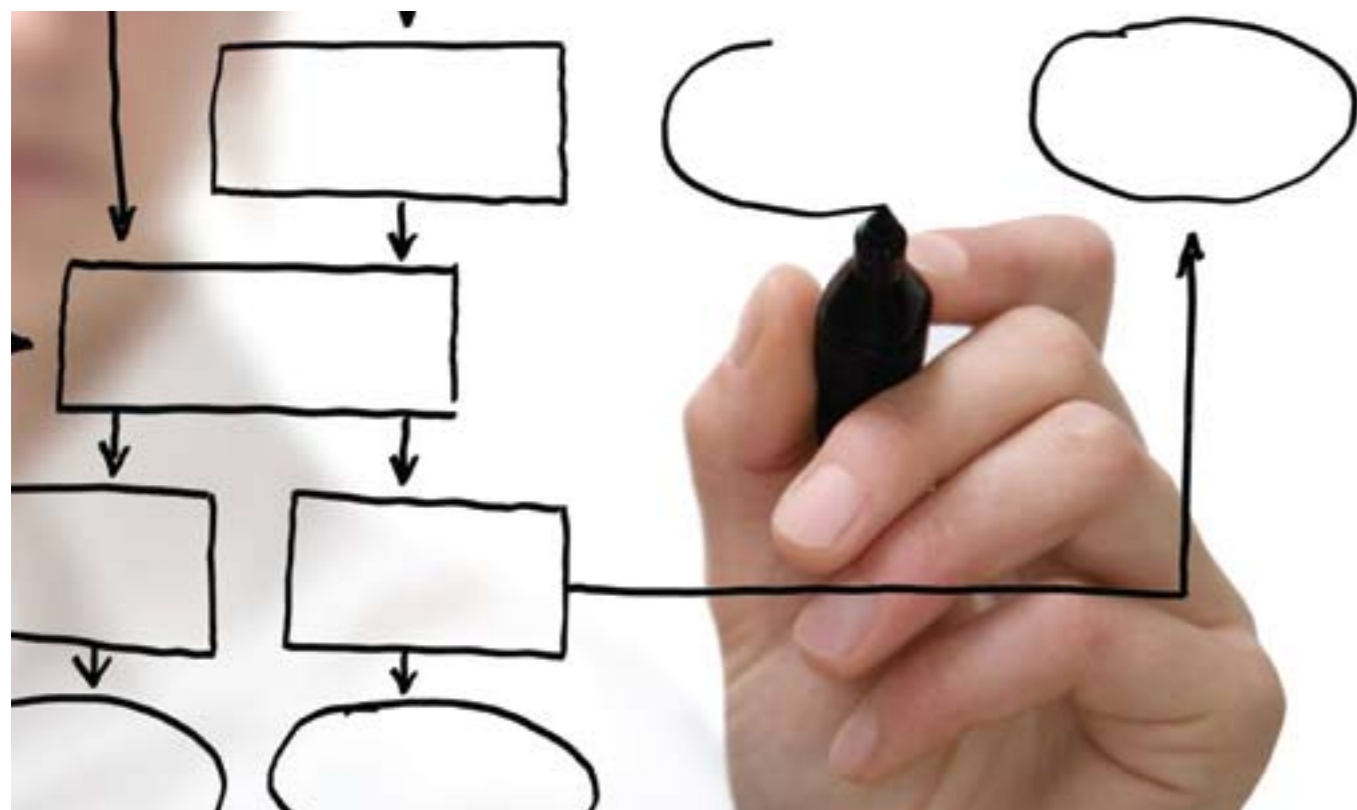


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BARDEHLE PAGENBERG Munich office:
Galileiplatz 1, 81679 Munich, Germany
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A company must also have a programme in place to monitor effectively potential infringements and to enforce its own trademarks. Failure to police and enforce trademark rights can weaken or even completely destroy the value of a brand. Thus, an audit of policing activities and monitoring programmes should be conducted. For example, watching services for marks in which the company has lost interest should be cancelled, whereas they should be added for marks that are important to the company and not currently being watched. The scope of the watching services (in terms of classes and types of watching service) should also be carefully reviewed to ensure that all

third-party marks of interest will be revealed. Many companies should also conduct periodic Internet searching to reveal misuses and other infringing activity. An additional area that is often overlooked is appropriate customs recording of registered marks. This can be an important tool in stopping the import (and, in some countries, the export) of counterfeit or infringing goods.

Domain name acquisition can also play a vital role in the protection of a company's trademarks. Thus, an audit of a company's domain name portfolio should be conducted in conjunction with the trademark audit. Domain name acquisition is becoming an inexpensive means to keep others from adopting marks or trade names that are identical to those of your client or company.

When trademark audits are not regularly performed, certain events, such as a desire to enforce, sell or continue to use certain marks, typically highlight deficiencies in a trademark programme. In many cases, it is too late to cure the deficiencies. Consequently, valuable trademark rights can be lost or weakened, or a company may not be able to fully exploit or enforce its trademarks in connection with certain goods, services or countries of interest. Regular trademark audits will help optimise the business benefits that a company derives from its valuable trademark rights and ensure that the integrity of a company's trademarks is maintained.

INTA can be found at www.inta.org. Susan can be contacted at: susan.natland@kmob.com.



Susan M. Natland

Susan M. Natland, a partner at Knobbe Martens Olson & Bear LLP in Irvine, California, specialises in all aspects of client counselling, management and protection of domestic and international trademark portfolios, including trademark selection, procurement, licensing and enforcement. Her practice includes *ex parte* and *inter partes* proceedings before the Trademark Trial and Appeal Board, intellectual property licensing, domain name disputes, counterfeit goods and customs, copyrights, entertainment law, rights of publicity, and trademark and copyright litigation.

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IP and Litigation contacts:

Sergio L. Olivares, Sr. | sor@olivares.com.mx
Antonio Belaunzarán | abm@olivares.com.mx
Luis Schmidt | lsl@olivares.com.mx
Sergio L. Olivares, Jr. | sol@olivares.com.mx
César Ramos | crm@olivares.com.mx
José I. De Santiago | jsp@olivares.com.mx
Alejandro Luna | alf@olivares.com.mx

Corporate and Commercial Law contact:

Gustavo A. Alcocer | gal@olivares.com.mx

Pedro Luis Ogazón 17
Col. San Ángel
01000, México, D.F.
T. (5255) 53 22 30 00
F. (5255) 53 22 30 01
olivlaw@olivares.com.mx



WIN PATENT DISPUTES WITHOUT LOSING YOUR SHIRT

Paul J. Sutton provides a practical guide to successful patent litigation.

Few US companies are able to avoid being drawn into litigation. Of all the types of litigation, patent litigation is considered to be among the most challenging. Lately, there has been an explosion of patent cases. The combination of complex patent laws and complicated technologies, along with ever-increasing legal costs, poses a challenge that directly affects the bottom line. Huge potential jury awards, disruptive and costly discovery proceedings, and enormous outside counsel fees all come into play. Today, the median legal costs associated with a simple U.S. patent infringement litigation are approaching \$5 million. These litigation costs often include hundreds of thousands of dollars in expert witness and non-legal fee costs. Business individuals and in-house counsel responsible for supervising patent litigation need information that will enable them to efficiently manage their patent cases.

PATENT LITIGATION CAN BE EFFECTIVELY MANAGED IN WAYS THAT WILL VERY SIGNIFICANTLY DRIVE DOWN LEGAL FEES AND COSTS, WITHOUT COMPROMISING QUALITY OR ULTIMATE SUCCESS.

Intellectual property is increasing in value to many companies that are using patent litigation to increase or maintain market share—in times of prosperity as well as during downturns in the economy. Patents are being used, and in some instances misused, as weapons toward such ends. There are many companies whose businesses are based principally on intellectual property, such as patents. And investors and shareholders alike recognise that recent US court decisions have upheld patents covering diverse fields, including business methods.

That said, there is no reason why your company needs to write a blank cheque to obtain a successful outcome. Patent litigation can be effectively managed in ways that will very significantly drive down legal fees and costs, without compromising quality or ultimate success.

Staying involved from the beginning will generate efficiencies that can result in enormous savings. By participating in key decisions during the course of litigation, the client avoids being surprised and is in a position to monitor and control costs. Before entering any such litigation, actively and aggressively engage your outside counsel in a rigorous pre-retention discussion of the merits of your case and the strategy to be followed. You will greatly benefit from this initial assessment of the strengths and weaknesses of your case. An honest assessment of weaknesses in your case may encourage you to consider initiating settlement discussions before costs begin climbing. Frank face-to-face discussion between principals will often save you money and may result in settlement or a narrowing of the issues in dispute.

Having a single in-house lawyer or IT contact is critical to enhancing and maintaining the ongoing dialogue between outside counsel and the client. Costs will rise without such a contact, and there will be a greater po-

tential for unfortunate miscommunications and surprises when invoices for legal services arrive.

Have you considered alternative dispute resolution? Whether by way of arbitration, binding or non-binding mediation, or some other mutually agreed means, legal ADR costs are often but a fraction of those associated with court proceedings. Furthermore, it permits the principals or top executives of the parties to get into the same room with one another, if desired. There are countless instances where principals are able to not only settle a case during or after ADR sessions, but also have an opportunity to explore mutually beneficial business opportunities between them that may not be directly related to the dispute at hand.

Does your business insurance policy cover any aspect of patent litigation costs? Examine your policy. Where a patent infringement complaint includes an allegation of infringement by virtue of an "offer for sale", some insurance policy advertising clauses may trigger help to a defendant in the form of coverage for reasonable legal defence fees. It is rare in most instances, however, for defendants to enjoy the benefit of insurance that will cover the bulk of their legal costs.

Know your factual story for the jury very early on. This will permit you to focus resources and will enable you to identify the information needed during discovery to flesh out your case. A number of top litigators prepare their trial opening statement at the beginning of their case, so that all pre-trial activities are

performed within the context of that statement. This will result in far lower overall legal costs than would be encountered where there are unfocused pursuits of extraneous information.

Have you obtained legal fee quotes (or caps) directed to phases of the litigation? While the specific facts of each case may be different, there will often be reasonable expectations as to what type of motion and discovery practice will be required of you and/or your opponent. Fee quotations directed to various stages of litigation, even if exceeded, tend to result in an overall reduction in litigation costs. Such arrangements are becoming common and can be subject to periodic review/adjustment where appropriate. Remember that a fee arrangement that is not fair to either the client or outside counsel will result in unnecessary and costly tensions.

Is a contingency or non-hourly fee arrangement something to consider? As the cost of hourly legal services continues to increase, the demand for the contingency option is becoming more compelling to some. By carefully considering choosing outside counsel willing to take on a US case on a contingency fee basis, companies need not compromise their standards of quality. It is no longer necessary to choose a second-rate legal team since first-rate teams are often available on a contingency or alternative fee arrangement.

A growing number of firms are willing to consider taking on matters on a contingency or some other alternative, non-hourly fee ar-



Office Address:
Shinjuku Mitsui Building Suite 5303
2-1-1 Nishi-Shinjuku, Shinjuku-ku
Tokyo, Japan

Telephone:+81-3-5339-1093
Fax:+81-3-5339-1094
Mail:info@patents.jp
URL:www.patents.jp

Mailing Address:
PO Box 268
2-1-1 Nishi-Shinjuku, Shinjuku-ku
Tokyo, 163-0453, Japan

The firm of SONODA & KOBAYASHI was established in 1998 with the specific goal of creating an intellectual property law office that provides the highest possible level of IP services to clients. Moreover, at SONODA & KOBAYASHI, we realize the importance in protecting our clients' intellectual property rights, and the impact these rights have on their international businesses. Over the last decade, our unique philosophy and high standards have allowed us to exclusively represent leading global companies in a wide spectrum of enterprises, as one of the most trustworthy law firms in Japan for the prosecution and enforcement of intellectual property rights.

Most of the patent attorneys and technical staff at SONODA & KOBAYASHI hold advanced degrees, including Ph.D.s from prominent universities, in a wide range of technical fields such as biotechnology, pharmacology, photochemistry, nuclear engineering, semiconductor physics, etc. At SONODA & KOBAYASHI we feel that having patent attorneys and staff possessing advanced degrees in a broad range of technical fields is essential in providing our clients with the appropriate expert consultations they require, regardless of the technical field of their inventions. Moreover, at SONODA & KOBAYASHI, our patent attorneys are also encouraged to assume leadership roles in various IP organizations, such as the Japan Patent Attorneys Association and the Japan Intellectual Property Association, as well as to publish articles in professional IP journals, in order to remain as current as possible in each of their respective fields.

At SONODA & KOBAYASHI we understand the legal and linguistic barriers our foreign clients face when prosecuting and enforcing intellectual property rights in Japan. Moreover, in order to help our clients overcome these barriers, we believe that in addition to a thorough knowledge of international patent law and technology, an open-minded non-culturally or linguistically biased approach is required. Therefore, at SONODA & KOBAYASHI, our unique combination of professional expertise and cosmopolitan awareness, allows us to provide each and every one of our global clients with the appropriate customized IP strategies that they require, and to continue our commitment towards offering highest quality IP services available.

Areas of Practice

- Prosecution of patent, utility model, design and trademark rights;
- Representation at infringement lawsuits and ADRs;
- License negotiations, expert opinions, strategic consultations, FTO searches and opinions, prior art searches, translations, etc.

Technical Fields

- | | | |
|------------------------------|----------------------------|-------------------------|
| ·Biotechnology | ·Material Science | ·Computer Science |
| ·Biochemistry | ·Nano Technology | ·Electrical Engineering |
| ·Genetic Engineering | ·Organic Chemistry | ·Electronics |
| ·Molecular Biology | ·Photochemistry | ·Mechanical Engineering |
| ·Pharmaceuticals | ·Semiconductor Physics | ·Optics |
| ·Biological Material Science | ·Synthetic Chemistry | ·Physics |
| ·Inorganic Chemistry | ·Communication Engineering | ·Robotics |

agement. The hourly attorney will be paid regardless of the outcome and is usually happy to be engaged to litigate a new matter regardless of the merits. The contingency lawyer, on the other hand, much like in a joint venture, has a direct financial interest not only in the ultimate outcome of the case, but in the way the case is handled.

Is there an opportunity to pool resources among multiple defendants? While the interests of co-defendants may not always be aligned, common interests can be identified. Sharing of defence resources and evidence is beneficial. Co-defendants who are competitors may nonetheless pool resources. Since written joint defence agreements are discoverable, avoid giving opposing counsel the ability to misrepresent to a jury the nature of such agreements. Written joint defence agreements may not be necessary.

Have you chosen the right tribunal before which to litigate? A patentee may want to select a fast track tribunal. The US International Trade Commission will render a decision in little over a year. The ITC does not award damages but grants injunctive-type *in rem* relief against the importation of infringing products. Some District Courts have “rocket dockets”, whereby the defendant(s) are initially at a disadvantage. Choosing the right tribunal may reduce your costs.

Choose your litigation team carefully. A tension exists between the use of more experienced attorneys and junior attorneys with lower hourly rates. The use of a more experienced attorney may get a better result at a lower cost. It is essential to assemble a team whose members interact well with one another. A fragmented team will often duplicate efforts, thereby driving up costs. Assemble the right mix of senior and junior team members.



Retain your expert(s) before your opponent hires them. By retaining testifying and non-testifying experts very early in patent litigation, you will be able to define critical issues upon which to focus discovery efforts. Retaining highly qualified experts prevents their being used against you by adversaries.

Avoid unnecessary discovery disputes. Pick your discovery battles carefully. Don't waste your credibility with the judge by fighting over discovery issues that are, in the long run, unimportant. “Scorched earth” tactics usually benefit lawyers, not their clients, and always run up fees at an alarming rate. One can be tough without being wasteful.

Summary judgment motions will often narrow the case, thereby reducing costs. Similarly, serving early requests for admissions will help narrow issues before trial.

Hire non-lawyer technical advisors as “in-house” experts and appoint people at lower hourly rates. This will assist with discovery and co-ordination of team activities.

Identify your best witnesses early on. Employees and expert witnesses must be retained. Identify such individuals early on and “cement” their anticipated testimony so that there are no surprises at trial.

Choose an e-discovery vendor and negotiate preferred rates early on. Outsourcing of document production tasks may be feasible. Define the vendor's tasks and maintain control over its activities so that costs do not run wild.

An early Markman hearing may be helpful. The Markman determination is one of the most crucial parts of a patent litigation. The scope and meaning of the patent is defined by the judge. Markman hearings may occur at various times during patent cases—before or during discovery, just prior to or during the trial, and sometimes after trial and before the jury is charged. Try to align the Markman timing with your business strategy.

Since success in patent litigation may depend upon issues totally unrelated to the technology covered by the patent, it is advisable to encourage consistent communications between client and litigation team.

Paul J. Sutton senior chair, intellectual property and technology practice, Greenberg Traurig, LLP. He can be contacted at: suttonp@gtlaw.com.

CO-DEFENDANTS WHO ARE COMPETITORS MAY NONETHELESS POOL RESOURCES. SINCE WRITTEN JOINT DEFENCE AGREEMENTS ARE DISCOVERABLE, AVOID GIVING OPPOSING COUNSEL THE ABILITY TO MISREPRESENT TO A JURY THE NATURE OF SUCH AGREEMENTS.



Paul J. Sutton

Paul J. Sutton was selected by *Super Lawyers* magazine in 2006, 2007 and 2008, and is listed in *Strathmore's Who's Who*. With four decades of law firm and corporate experience concentrated in intellectual property law, including serving as Gulf + Western Corporation's in-house patent counsel, Sutton has successfully counselled clients in all aspects of patents, trademarks, copyrights, licensing, trade dress, trade secrets, unfair competition, patent misuse, false advertising, grey goods, computers, the internet and anti-counterfeiting. He has a proven track record in patent and trademark litigation, representing clients at the trial and appellate levels before federal and state courts, the U.S. International Trade Commission, administrative tribunal, and in various alternative dispute resolution forums.



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CONSIDERATION OF IP ASSET VALUE BY PRE-MERGER FIRMS



Nels A. Pearsall discusses asset value issues for firms potentially pooling their IP rights through a merger.

Introduction

Firms developing, licensing, acquiring, selling and/or owning intellectual property rights need to understand how conditions within the market can impact the underlying value of IP rights. Similarly, firms entering into mergers, joint ventures or other pooled resource strategies should attempt to identify possible implications of a planned merger, joint venture, etc. on IP values. This will allow merged entities the opportunity to formulate and implement appropriate optimising IP management strategies that are consistent with the overall goals and efficiencies attributed to the merger.

Firms developing, acquiring, possessing and using IP assets in conjunction with tangible assets, almost assuredly, will benefit from the ability to fully understand and accurately assess the value and potential benefits associated with their implementation.

Intellectual property within firms

Firms view owned IP assets in a similar way to owned tangible assets in that both are utilised in their business models to add value to their company. The material and physical nature of tangible assets, however, allows for significantly less uncertainty with respect to the underlying value. Since tangible assets typically are observable and can be identified through descriptions of physical characteristics, estimates of value can be compared to those of other tangible assets possessing similar physical characteristics, utility, efficiency, etc. within the market. This ability to compare enables firms to develop a better understanding of asset utilities, characteristics and life cycles, thereby reducing uncertainty in determination of an asset's value.

Intangible assets such as patents, copyrights, trademarks and trade secrets are identified and/or associated with the ownership rights and protection of ideas, concepts, expressions, inventions, processes, etc. IP ownership rights, similar to ownership of tangible assets, convey some level of presumed value (either positive or negative) associated with the IP asset. However, unlike tangible assets, IP assets often are unique by nature and, as such, can bring new challenges to understanding the underlying value of the asset for the owner of the assets and especially for interested parties outside of the owner firm. For non-owners of IP assets, significant levels of uncertainty associated with asset utility, efficiencies, characteristics, life cycle and investment could result in inaccurate or unrealistic estimates of IP asset value. In fact, some authors have noted that when looking at "tangible assets (such as inventory and factories) in contrast to intangible intellectual property assets, methods ordinarily used to value mergers involving tangible assets do not work well when applied to acquisitions of intellectual property".¹

Firms looking to benefit from ownership of IP assets should therefore initiate processes that attempt to quantify their value. In doing so, profit-maximising firms will be incentivised to: (1) identify the owned IP assets of the greatest value; (2) determine if the owned IP assets are being used in such a way as to maximise their value (be it through the firms' own use/disuse or through sales or licences of IP assets to outside firms); and (3) develop a strategy to ensure the maximum asset value can be realised. In doing so, IP asset owners are not necessarily subject to the various rigid constraints associated with the implementation of tangible assets. That is to

say, while owners of tangible assets such as production equipment might expect that the most efficient and profit-maximising uses of these tangible assets result from their successful implementation, owners of IP assets might benefit from the uniqueness inherent in IP assets such that the most efficient and profit-maximising uses of IP assets might be influenced by the availability of comparable alternatives within the market. For example, owners of IP assets could benefit from their implementation of an owned IP asset or from rents obtained through agreements enabling other firms' access and use of the owned IP asset. Similarly, owners of IP assets might benefit from their ability to preclude competing firms from access and use of the owned IP assets.

Methods of valuing intellectual property

Firms attempting to determine asset values, whether tangible or intangible, consider asset-specific factors and characteristics associated with their ownership and/or use. There are three main types of valuation methodologies often used, which (1) assess the costs to develop an asset (the cost approach); (2) estimate income associated with ownership and/or use of an asset (the income approach); and (3) examine results of similar market transactions involving assets possessing similar characteristics (the market approach).

The cost, income and market approach are recognised as fundamental valuation methodologies from which any derivation might originate. A review of more complex analyses often reveals elements of one of these approaches. Implementation of these analyses requires consideration of facts and issues often occurring at different points in time (e.g. past, present and future). The ability to develop estimates of value based on these three approaches provides a means by which comparisons of value can be established. Additionally, this allows for consideration of elements that might potentially influence value as well as consideration of how these elements might be quantified.

As might be expected, these methodologies provide estimates of value independent of one another and, as such, it is often useful to consider potential benefits and drawbacks associated with any given approach.

A) The cost approach

Valuation of an IP asset using the cost approach focuses on various costs associated with the de-

velopment of the asset. These costs include cost required to replace or reproduce the IP asset; therefore, application of this approach calls for some understanding as to both the availability and substitutability of other assets and/or inputs. Additionally, it becomes important to consider potential benefits associated with the IP assets and how those benefits coincide with a firm's strategy. There are several ways in which the cost approach might be valuable to a firm. For example, a firm owning an IP asset might use the cost approach because it wants to—at the very least—recoup its cost of developing the asset. Similarly, a firm might not want to pay more for an IP asset than the cost (to the firm) to redesign or reproduce the asset.

One important component of the cost approach is the consideration of the types of costs and how these costs might impact an estimate of value. Elements of value attributed to an IP asset might be derived from features associated specifically with the asset. For example, a strong brand name or trademark might attribute most of its value to features recognised within the marketplace. To create a new sub-brand launched under the umbrella of the stronger and more recognisable incumbent brand might not require significant expenditures for a firm. In such an instance, however, the cost approach (i.e. the cost to develop the IP asset) might provide an estimate of value that does not fully incorporate the value of the strong brand.

B) The income approach

The income approach provides an estimate of value based on expected revenues as a direct result of the asset, discounted to the present. This allows for significant flexibility in identifying parameters and developing assumptions to be incorporated into an analysis of value. Specific elements of future income, such as the incremental revenue attributed to an asset, can be valued independently of other elements. For example, incremental benefits attributed to IP assets, including cost savings from improved technology; the ability to preclude entry into a market (e.g. barriers to entry); revenues generated from different income streams, including premiums associated with an IP asset, royalties or licence fees; access to additional technology (e.g. cross-licence agreement); etc. can be valued as separate revenue streams.

C) The market approach

The market approach relies on an analysis of comparable transactions. This approach is often constrained by the number of compa-

HOWEVER, UNLIKE TANGIBLE ASSETS, IP ASSETS OFTEN ARE UNIQUE BY NATURE AND, AS SUCH, CAN BRING NEW CHALLENGES TO UNDERSTANDING THE UNDERLYING VALUE OF THE ASSET FOR THE OWNER OF THE ASSETS AND ESPECIALLY FOR INTERESTED PARTIES OUTSIDE OF THE OWNER FIRM.

rable transactions available within the market. Additionally, consideration of similar transactions within the market often requires substantial analyses and adjustment to ensure the applicability of any comparison.

IP Value and mergers

Pre-merger firms should attempt to identify the possible effects on IP values arising from planned mergers, joint ventures, etc. This will allow merging entities the opportunity to implement optimising IP management strategies that fully take advantage of the efficiencies derived from the merger. More specifically, merging firms might consider whether conditions following the merger, either within the firm or within the market, will impact and/or create: (1) IP asset strengths and/or deficiencies; (2) potential redundancies of IP assets; (3) cannibalisation among merged entity IP assets; (4) IP assets of the greatest value; (5) profit-maximising uses of IP; (6) post-merger IP asset management strategies; and (7) existing licence agreements.

Furthermore, merging parties also should consider possible regulatory issues associated with proposed merged IP assets. For example, "under the new Financial Accounting Standards Board's rules, FASB 141-142, a company undergoing a merger or acquisition must now identify and evaluate IP and other 'intangible' assets."² In fact, according to the Korniczky and Colbern article:

"The new accounting rules no longer allow 'pooling' of goodwill, which will make it easier to see where the company's money went in an

acquisition. Prior to the new rules, the process was akin to purchasing a bag of groceries without looking to see what's in the bag. Now, you need to know exactly what you're buying before you can attach an accurate value. The company's accountant must distinguish between tangible assets (e.g. real and personal property, inventory, FF&E) and intangible assets (patents, trademarks and copyrights, accounts receivable and other contractual obligations), and allocate a purchase price to each individual asset."

In addition to distinguishing between tangible and intangible assets, FASB 141-142 requires:

"...breaking down acquired assets into separate categories that traditionally were lumped together into a single intangibles or goodwill reporting item. Categories include 'marketing-related assets,' covering trademarks, 'customer-related assets' (customer lists), 'contract-based assets' (licences and employment agreements), 'artistic-related assets' (photographs) and 'technology-based assets' (trade secrets and patents)."³

In addition to FASB 141-142, the Federal Trade Commission and the Department of Justice have issued *Antitrust Guidelines for the Licensing of Intellectual Property*, which among other things, addresses antitrust implications of IP:

"The Agencies apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of tangible or intangible property. That is not to say that intellectual property is in all respects the same as any other form of property. Intellectual property has important characteristics, such as ease of misappropriation, that distinguish it from many other forms of property. These characteristics can be taken into account by standard antitrust analysis, however, and do not require the application of fundamentally different principles."

In fact, the FTC and DOJ have investigated mergers that have required the divestment of IP assets or have simply blocked mergers when post-merger pools of technology and/or IP assets have raised sufficient concerns regarding potential anti-competitive issues. For example, the FTC required Aspen Technology in order to divest some of the IP assets acquired in its purchase of Hyprotech, and in its challenge to Oracle's attempted acquisition of PeopleSoft, the DOJ raised issues regarding the two firms' combined IP assets within relevant markets.⁴

Conclusion

Firms anticipating the pooling of intellectual property rights through a merger should en-

deavor to understand how conditions within the market can impact the post-merger value of those rights such that the post-merger IP values are not diminished and/or compromised. Pre-merger firms should also formulate and implement appropriate optimising IP management strategies that are consistent with overall goals and efficiencies attributed to the merger.

Nels A. Pearsall is vice president, CapAnalysis, an in-house affiliate of Howrey. He can be contacted at: PearsallN@howrey.com.



Nels A. Pearsall

Nels A. Pearsall has provided economic research and consulting services for clients in a variety of industries. He has provided expert testimony in various matters involving intellectual property, antitrust, and generally commercial damages. He has been engaged as an expert witness, provided testimony, drafted expert reports, constructed economic models, and developed analyses of reasonable royalty rates, licence agreements, substitute products, and market conditions to determine the impact of market/industry-specific events on sales of IP assets, profits attributed to IP assets, overall IP value, market entry/exit, aggregate product sales, and more generally, equilibrium conditions within a market.

¹ Bryer, Lanning, G., and Scott J. Lebson, White Paper redacted from the recent book *Intellectual Property Assets in Mergers and Acquisitions*, published in 2002 by John Wiley & Sons publication.

² Korniczky, Stephen S.; Stuart, Colbern, III, *IP Gains Importance in the Valuation of Company Assets*, San Diego Business Journal, June 10, 2002.

³ Banham, Russ, *Valuing IP Post-Sarbanes-Oxley - It's no longer a matter of making a best estimate*, Journal of Accountancy (Online Edition), November 2005, see <http://www.aicpa.org/PUBS/jofa/nov2005/banham.htm>

⁴ The FTC and DOJ define relevant product market in the Horizontal Merger Guidelines. "Absent price discrimination, the Agency will delineate the product market to be a product or group of products such that a hypothetical profit-maximising firm that was the only present and future seller of those products ("monopolist") likely would impose at least a "small but significant and non-transitory" increase in price. That is, assuming that buyers likely would respond to an increase in price for a tentatively identified product group only by shifting to other products, what would happen? If the alternatives were, in the aggregate, sufficiently attractive at their existing terms of sale, an attempt to raise prices would result in a reduction of sales large enough that the price increase would not prove profitable, and the tentatively identified product group would prove to be too narrow.

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ENFORCING IP STANDARDS



World Intellectual Property Review asks the newly appointed chair at the Association of European Trademark Owners, Jane Collins, to outline her plans and her predictions.

What will be the major issues to face global business with regard to trademark protection in the future?

Overwhelmingly the answer to that is counterfeiting. It is exploding, quite frankly. The number both of seizures and problems are up, and more and more industries are experiencing problems in this area.

For us, the headache is enforcement. Unfortunately we often find ourselves trying to enforce laws in countries where enforcement is not that efficient. The geographical regions where enforcement is better tend to be those where there is less counterfeit being produced. The laws are there, but the will to enforce them is not. A lot of counterfeits are produced in less developed countries, where it is just a way of earning a modest amount. The people who are making the counterfeits are not the ones making the money—it's the organised crime, essentially moving things around the world. These goods are predominantly produced in China and other places mainly in the Far East.

THE PEOPLE WHO ARE MAKING THE COUNTERFEITS ARE NOT THE ONES MAKING THE MONEY—IT'S THE ORGANISED CRIME, ESSENTIALLY MOVING THINGS AROUND THE WORLD.

The worry concerns the new European partners in the European Union that have borders with places such as Ukraine, from where a lot of counterfeit comes in. We're particularly interested in customs controls, which are likely to prove a challenge. We are keen to have increased co-operation with customs authorities and to offer them education. Of course we accept they are not just looking out for counterfeits as they are also there to ensure people are paying duty for example.

What have been the key achievements of Marques on

which you intend to build? Summarise the existing Marques strategy and how it may evolve?

Key achievements recently include UNCTAD (the United Nations Commission on International Trade Law). We took the lead and, because of our intervention, eventually people sat up and noticed and acknowledged IP to be a problem with this proposal, and finally something is being done about it.

We've certainly tried lobbying national offices, and there has been some dialogue. We also hold the National Forum a couple of times a year, to which we invite the attendance of European national offices. It's a mixture of us giving presentations on business and trademarks, hearing from them their own problems, and letting them know what we are hoping to get out of the national offices. That's turned out to be a very good dialogue—it's very informal and we get our views across, but we can also get a better understanding of the problems confronting some of the national offices.

My priority in Marques is to work out a new strategy together with my executive team. The last strategy was created in 2006 and we have moved on hugely since then.

When I took over as chair of Marques the statutes were changed such that I and my suc-

cessors can only hold the post for two years, with two vice chairs sitting on the executive. There is a movement up the system whereby you are involved in the leadership for six to eight years.

I think it is a good thing to have set change, because it brings fresh blood into the organisation. Furthermore, since the chairman is always a trademark owner, it becomes more attractive if you can say to your boss that the chair is just a two-year post.

I do not expect to face obstacles internally in my role. We have a great team of both volunteer executive council members and paid staff. We have always run the organisation by consensus, and the executive is able to bring a wealth of business acumen with them as well as understanding what trademark owners themselves want rather than service providers.

What are the key challenges you see for European IP owners and practitioners?

Externally, we have a number of obstacles. We are the only organisation that specialises in taking care of the particular trademark needs of trademark owners. All other organisations either support attorneys' interests as well, or they are part of bigger employer organisations.



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HEAD OF THE INTELLECTUAL PROPERTY, MEDIA AND TECHNOLOGY DEPARTMENT

@ andres.moncayo@bfmyl.com

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Ing. Enrique Butty 275 - 12^º Floor
C1001AFA - Buenos Aires - ARGENTINA

www.bfmyl.com

Moreover, we often come up against political obstacles. There are a lot of vested interests in the national trademark offices and many governments and judges have on occasion shown themselves to be hostile to certain interests of trademark owners. I am thinking here of things like attitudes towards parallel imports. On the face of it they look like a good thing. However, the pharmaceutical, agrochemical and spare parts industries have to face at best a problem with quality, and at worst it is known that parallel imports are often a front for counterfeiting, which in turn is used to launder money and finance things like terrorism. Our *amicus curiae* team has already had submissions rejected in the UK, but it will not deter us from trying.

We have worked very closely with WIPO on the reform of the Madrid Protocol. The safeguard clause will be effectively repealed this year. However, WIPO has consulted us concerning the ways in which we may be able to improve the system further for example by getting national offices to improve the services they provide and make them more uniform. We also support the proposal to do away with the requirement for a 'home' application.

We are working hard to persuade new countries, particularly in Latin America, to join the Madrid Protocol. We have come up against a significant amount of opposition from attorney firms who pay lip service to the system but who are using their political influence in governments to slow down progress. They are doing this because they fear losing some of the income they generate by charging foreign companies extremely high fees for handling national applications.

The other challenge will be establishing what to do about the OHIM surplus. We are com-

pletely opposed to allowing the money to go into EU coffers or dishing it out to national offices. Many national governments already regard national trademark fees as a form of tax and this would just be subsidising national governments further. We want to see further reductions in OHIM fees, with a flexible mechanism for reviewing them on an annual basis. Currently fees are fixed on a one-off basis and the procedure for review is cumbersome and dominated by vested interests of national offices.

Do you think global jurisdictions are adequately addressing conflicts that arise from differing IP legislation?

We supported the Singapore Treaty and we support reform of IP law generally. The problem is that while many jurisdictions have good IP laws they often have very poor infrastructure to enforce it. Local protectionism and corrupt judges are just two of the problems that are only likely to improve as local companies begin to export and want to protect their rights. Things have moved slowly in China but we are seeing now that Chinese companies are moving to enforce their rights and I believe this will lead to a better enforcement environment generally. However, I'm realistic about how long it will take.

The Singapore Treaty in itself is probably quite bland, but what is good about it is we managed to get a large spread of countries to agree on certain minimum standards of formalities in trading filing and maintenance. The more we can get people together to try to harmonise trademark laws, the easier it will be for everyone. We've seen how much easier things are with harmonisation within Europe, and if we can achieve that globally it will make life a lot easier. But cost is the bottom line: if I can't justify cost relating to results to my marketing bosses then they are not going to want to do anything. Simplicity tends to mean lowering of costs.

I have a tough job ahead of me but it's exciting and I feel I'm in the right organisation to be doing it. Its aims are exactly what my company wants. It's not diverted by any conflicting interests of perhaps attorney groups or service providers.

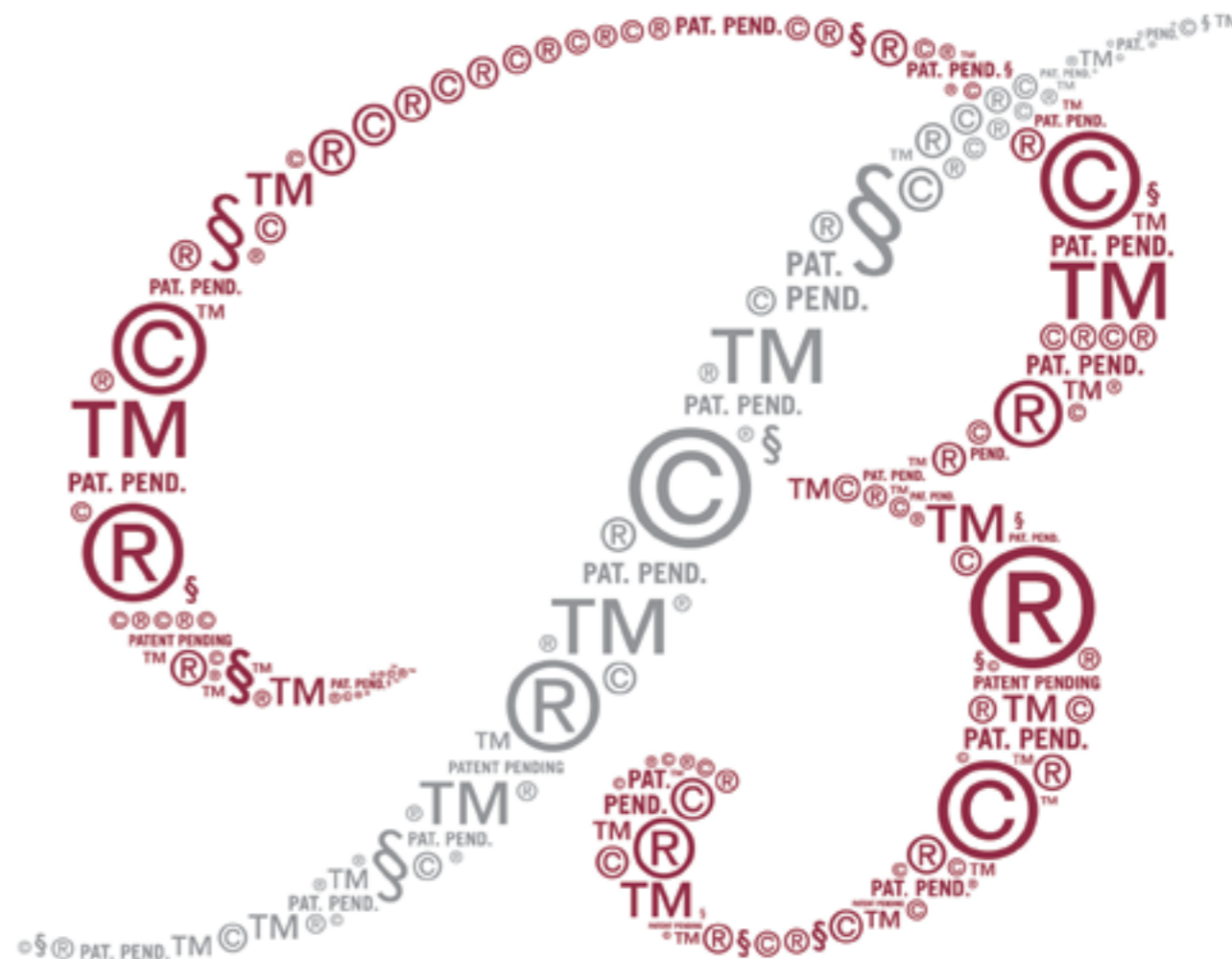
Currently, Jane is chairman of MARQUES, the association of European brand owners. She can be contacted at: info@marques.org.

THERE ARE A LOT OF VESTED INTERESTS IN THE NATIONAL TRADEMARK OFFICES AND MANY GOVERNMENTS AND JUDGES HAVE ON OCCASION SHOWN THEMSELVES TO BE HOSTILE TO CERTAIN INTERESTS OF TRADEMARK OWNERS.



Jane Collins

Jane Collins has a law degree from Southampton University. She was articulated to family solicitors in London, married and lived in Denmark and the Middle East for nine years. She is qualified as a Danish/English bilingual secretary and translator. She returned to UK in 1987 and joined Baron & Warren patent and trademark firm in 1988, qualifying as a trademark attorney by exam. From 1993 to 1999, Jane worked as a trademark manager for Batmark, the trademark department of British American Tobacco. In 1999, she was appointed managing trademark attorney for Zeneca Agrochemicals. In December 2000, she was appointed global head of trademarks at Syngenta, based in Switzerland, after Zeneca Agrochemicals merged into the newly formed company (36,000 trademarks in portfolio). Since May 2006, she was general trademark counsel based in the UK. She has wide experience of all kinds of trademark and related work.



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'CLASS ACTIONS' FROM JACOBS TO JACOB



Olivier Vrins and Marius Schneider provide an overview of transit, Customs warehousing and inward processing under EU trademark law.

Class International: From Fortress Europe to Camp Europe

On May 26, 2005, the IP law community recorded the first tremors of what was to become a violent earthquake, with its epicentre at the European Court of Justice (ECJ). On that day, Advocate General Jacobs rendered his opinion in case C-405/03, *Class International v Colgate Palmolive*, advising that external transit, Customs warehousing and even the offering or selling of goods so stored should not, *per se*, be considered a trademark infringement.¹

In that case, a container of genuine *Aquafresh* toothpaste had entered the EC from South Africa without the trademark holder's consent and had been stored in a Customs warehouse in Rotterdam. The defendant had not yet contracted to sell the products inwards or indeed decided what to do with them.

On October 18, 2005, the ECJ endorsed its Advocate General's approach. It held that in situations in which goods placed under an external transit or Customs warehousing procedure are original goods bearing a trademark, the trademark proprietor's right to control the initial marketing in the EU is not adversely affected.² Hence, a trademark proprietor cannot oppose the mere entry into the EU, under such procedures, of original goods bearing that mark, which have not already been put on the market in the EU previously by that proprietor or with his consent.³ The mere physical introduction of the goods into the territory of the EU, the Court said, is not 'importing' within the meaning of Article 5(3)(c) of the Trade Mark Directive⁴ and Article 9(2)(c) of the CTM Regulation,⁵ and does not entail

'using the mark in the course of trade' within the meaning of Article 5(1) and Article 9(1) respectively.⁶ For the purpose of these provisions, 'importing' requires introduction of the goods into the EU for the purpose of putting them on the market therein. On the other hand, if the trademark owner can establish that the goods have been subject to an act that necessarily entails their being put on the market in the EU, the exclusive rights conferred on the proprietor of that mark have been adversely affected. The offering or the sale is then 'using the mark in the course of trade.'

The message thus conveyed to shipping companies was clear: 'Welcome to Camp Europe!'

Montex: From Fortress Europe to Forgeries' Europe?

Class was concerned with genuine goods that had originally been placed on the market outside the EU by the owner of the trademark in question. As the Border Measures Regulation⁷ does not apply to such goods, many had continued to argue that *Class* was not relevant to 'counterfeit' goods bearing a trademark without the authorisation of the trademark owner. Unfortunately, these illusions were annihilated in case C-281/05 *Montex v Diesel*.

This dispute followed the detention by German Customs, under the Border Measures Regulation,⁸ of jeans bearing the *Diesel* trademark that had been made in Poland by a third party without the consent of the holder of the trademark and that were destined for Ireland. The owner of the German trademark registration (who had applied for border measures) had not registered the *Diesel* trademark in Ireland and,

therefore, could not oppose the placing of the goods in the market in that country. It was not disputed that the goods were not, at the time of their detention by Customs, in free circulation in the EU, but in transit. Considering that this transit infringed its trademark rights because of the risk that the goods could be marketed in Germany, *Diesel* applied for an injunction prohibiting *Montex* from carrying its goods across the German territory.

The ECJ held that, under EU law, the proprietor of a trademark can prohibit the transit through a Member State in which that mark is protected of goods bearing the trademark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected, only if those goods are subject to an act of a third party while they are placed under the external transit procedure, which necessarily entails their being put on the market in that Member State of transit. It is in that regard, in principle, irrelevant whether the goods were manufactured in the country of origin lawfully or in infringement of the trademark rights of the proprietor in that country.

Surprisingly, the Court stated in *Montex* that "none of the provisions of [the Border Measures Regulation] introduces a new criterion for the purpose of ascertaining the existence of an infringement of trademark law or to determine whether there is a use of the mark liable to be prohibited because it infringes that law". Not one single reference is made in this decision to the eighth recital of the Regulation,⁹ which provides that, in the absence of EU rules in this regard, the criteria to be used in deter-

mining whether goods infringe an intellectual property right should be the same as those used to determine whether goods produced in the Member State where the Customs action has taken place infringe the rights of the holder. This 'provision', which has been considered by some as a legal fiction, has been applied by many national courts¹⁰ to conclude that the Border Measures Regulation¹¹ did explicitly prohibit the transit of such goods, irrespective of whether the goods are actually bound for the country of transit.

adidas-Salomon: "Raise the drawbridge: The war is not Finnish yet!"

That national courts of the EU Member States were dissatisfied with the ECJ's stance in *Class* and *Montex* is not surprising.

Thus, on October 5, 2006, the Helsinki Court of Appeal unanimously approved the findings of the District Court in an earlier decision of August 31, 2005 at first instance, where it had been held that, by placing counterfeit 'three stripes' shoes of Chinese origin, on their way to Russia and intercepted by Customs in Finland, under a Customs warehousing procedure, the Russian owner of these shoes had infringed adidas-Salomon's trademarks in Finland. The Finnish Court, to the attention of which the Advocate General Poiras Maduro's opinion in the *Montex* case had been brought, held that, under Section 4(1) of the Finnish Trade Marks Act, the rights owner could rely on its mark to prevent any non-authorized use thereof, irrespective of whether the goods had been imported into the Finnish territory or were due to be trans-shipped to a third country.

It is true that, at some point, the UK Courts followed the same approach as the Finnish courts in *adidas-Salomon*. Thus, in *Waterford Wedgwood PLC v David Nagli Ltd*,¹² Sir Richard Scott VC concluded that counterfeit Waterford crystal goods being brought from Bilbao and trans-shipped from Felixstowe to New York needed to be considered 'imported' within the meaning of the UK Trade Marks Act 1994. However, the English judges now seem to have revisited their point of view in the light of *Class*.

Eli Lilly: End of Break and Back to Class Again...

In *Eli Lilly Company v 8PM*, UK Customs had blocked a shipment consigned to a UK company called 8PM, on suspicion that it contained counterfeit pharmaceuticals bearing some of Eli Lilly's trademarks. 8PM was conducting business as follows: patients in the US got a doctor's prescription for the product;

they ordered the goods from a Canadian company over its website; the Canadian company then placed an order with a Turkish company, which had stocks of the drugs concerned, all genuine and packaged in boxes bearing the Lilly trademarks, instructions and information leaflets in Turkish. A dispensing label, which bore the words 'Complete Care Pharmacy' and that gave a post office box address in Slough, UK and a US toll-free number, was stuck onto one side of the Lilly box containing the product. The product was then placed in an anonymous brown box, which was sealed and provided with a label containing the patient's name and address. About 700 such individual brown boxes were placed in larger boxes, which were freighted to 8PM in Slough. There, 8PM opened the larger boxes, affixed Royal Mail stamps to the actual patient boxes and posted them to the patients concerned. 8PM's activities were all carried out under inward processing relief in the form of a suspension system in the UK, before being re-exported to the US. Thus, the goods were never released for free circulation in the EU.

IT CAN BE ANTICIPATED THAT THE CLASS, MONTEX AND ELI LILLY DECISIONS WILL HAVE VERY HARMFUL EFFECTS FOR TRADEMARK OWNERS.

Lord Justice Jacob found that in the case at hand, the essential functions of Lilly's trademarks were in no way affected by 8PM's activities in the EU, as no one even could see the trademarks there. There was no use of the trademarks 'in the course of trade' in the EU in the sense of Article 5 of the Trade Mark Directive.¹³

Like *adidas-Salomon* had done in the above-mentioned Finnish proceedings, Lilly attempted to distinguish the case from the facts of *Montex*, which related to goods under Customs seal. Moreover, in *Montex*, the defendant had not given the false impression to consumers that the goods emanated from an EU Member State. But, whilst *adidas-Salomon* succeeded in persuading the Helsinki Court of Appeal to follow this argument, Lilly failed in this respect before the UK Court of Appeal. In a case like this, Jacob LJ recalled, the cornerstone of the reasoning consisted in asking

whether the right of initial marketing of the goods in the Community had been interfered with. Both in the *Eli Lilly* case and in the *Montex* case, the answer was negative. To endorse Lilly's argument would have overlooked the fundamental reasoning followed by the ECJ in *Class* and *Montex*.¹⁴

Conclusion: State of play and perspectives

The *Montex* decision confirms that the Customs authorities from the EU Member States are, in principle, always entitled under the Border Measures Regulation to carry out checks on goods (other than original goods) suspected of infringing certain intellectual property rights and to detain them irrespective of the Customs status of the goods, i.e. including those cases where the goods have been placed under the external transit procedure, the Customs warehousing procedure, the inward processing procedure, or any other suspensive or non-suspensive procedure.

However, the Border Measures Regulation does not provide any criterion for the purpose of ascertaining the existence of an infringement of an intellectual property right, e.g. whether there is a use of a trademark that is liable to be prohibited because it infringes trademark law. The Regulation does not prohibit the placing under a suspensive procedure of goods that bear a sign identical or confusingly similar to a trademark registered in the country where the Customs intervention has taken place. Once Customs has taken action under the Regulation, it belongs to the national courts to decide, on the basis of substantive national law or EU legislation (other than the Border Measures Regulation) whether the goods, considering the Customs procedure under which they circulate, do infringe an intellectual property right.

Where the distribution of the goods is legal in the country of destination, the trademark owner should not be able to impair the transit of the goods bound for that country, unless he can show that the goods are actually due to be put on the market in the Member State of transit. As Jacob LJ put it in the *Eli Lilly* case, "the touchstone is clear: no placing on the market, no infringement".

Montex does not, as a consequence, compel the national courts to dismiss a trademark infringement action in any case of transit, but makes it clear that they will need to decide on a case-by-case basis with reference to the concrete indications that may suggest that the goods are actually bound for the country of transit. The same applies under *Class* and *Eli Lilly* as regards goods placed under a Customs



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THE AUTHORS AND ECTA ADVOCATE A SUBSTANTIAL REFORM OF THE CURRENT TRADEMARK LAW SYSTEM, WHICH WOULD BE MORE LENIENT TO TRADEMARK HOLDERS AND PROPERLY BALANCE THEIR RIGHTS AGAINST THOSE OF LEGITIMATE TRADERS AND SHIPPING COMPANIES.

warehousing procedure or an inward processing relief in the form of a suspension system. The same reasoning is likely to be applied to all suspensive Customs procedures.

However, neither *Class* nor *Montex* or *Eli Lilly* does (clearly) address the question of whether trademark owners can claim trademark infringement in the country of transit, or at least seek an injunction in that country in order to prevent the occurrence of an infringement in the country of destination, where the distribution of the goods would be unlawful in the country of destination. The fact that, in *Montex*, the ECJ did hold that the unlawful origin of the goods was of no relevance to the assessment of a possible trademark infringement in the Member State where the goods are subsequently being placed under a suspensive Customs procedure is not particularly promising in this context. However, one could argue that *Class*, *Montex* and *Eli Lilly* should leave it to the national courts to decide whether they are entitled, under the appropriate national law, to impose preventive measures in order to prohibit the importation of goods in a third country where these would infringe trademark rights.

Anyhow, it can be anticipated that the *Class*, *Montex* and *Eli Lilly* decisions will have very harmful effects for the trademark rights holders. Counterfeiting is known to involve a specific risk of a delivery being declared to be 'transit goods', only for the counterfeits to be sold within the 'transit' country at a later stage. Now that this mere abstract risk was found by the ECJ not to be sufficient to enable the trademark owners to claim trademark infringement, it will be very important for them in future cases to gather as much evidence as possible to identify a planned distribution of the goods in the country where the goods are placed under a suspensive procedure. Given the short deadlines Customs seizures are subject to under the Border Measures Regulation, this will give rise to considerable problems in practice. That ECTA, among many other IP rights holders' associations, has expressed deep concerns about *Class* and *Montex* is therefore not astonishing.

All this pleads, in our view, for a substantial reform of the current trademark law system, which would be more lenient to trademark holders and properly balance their rights against those of legitimate traders and shipping companies.

Olivier Vrins and Marius Schneider are both members of the ECTA Anti-Counterfeiting Committee and have extensive experience in IP litigation and anti-counterfeiting matters. They are the authors of numerous publications in this field and the editors of the book 'Enforcement of Intellectual Property Rights through Border Measures—Law and Practice in the EU', Oxford University Press, 2006.

Together, they maintain the website: www.BorderMeasures.com. For further information on ECTA, please refer to www.ecta.eu.

¹ [2005] ECR I-8735.

² Case C-405/02, para. 57.

³ *Ibid.*, para. 50.

⁴ Directive (EEC) 89/104.

⁵ Regulation (EC) 40/94 on the Community Trademark.

⁶ *Ibid.*, para. 44.

⁷ Regulation (EC) 1383/2003.

⁸ At the time, Regulation (EC) 3295/94, as amended by Regulation (EC) 241/1999.

⁹ Or, under Regulation 3295/94, to Art. 6(2)(b) thereof.

¹⁰ Cf, under design law, president of the Haarlem District Court, 28 December 2001 (*Nokia*); under trademark law, Paris Court of Appeal, September 28, 2001 (*Yves-Saint-Laurent*); under patent law, Dutch Supreme Court (*Hoge Raad*), March 19, 2004 (*Philips*) and Commercial Court of Bari, October 21, 2005. Note that in an earlier decision of September 28, 2000 (*Nike*), the president of the Haarlem District Court had refused to consider goods in transit to a country

where their commercialisation would have been lawful, a trademark infringement.

¹¹ Or at least, Regulation 3295/94.

¹² [1998] FSR 92 (p. 103).

¹³ UK Court of Appeal, Supreme Court of Judicature, *8PM Chemist Ltd v Eli Lilly Company anor*, [2008] EWCA Civ 24 (Jacob LJ, para. 27).

¹⁴ *Ibid.*, para. 50.



Marius Schneider

Marius Schneider is a partner in the Intellectual Property department of the Eeman & Partners law firm in Brussels (Belgium). He holds a Master's degree in European Law from the University College London and a Master's degree in Intellectual Property from the Catholic University of Brussels.



Olivier Vrins

Olivier Vrins is a lawyer in the Intellectual Property department of the Altius law firm in Brussels (IP & ICT Belgian Law Firm of the Year 2008). He holds a Master's degree in European Law from the University of Ghent and a Master's degree in Intellectual Property and Unfair Competition from the University of London. He maintains close contacts with the World Customs Organization as a member of the SECURE Working Group and is a member of several IPR-related international associations.

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Contacts:

Oscar M. Becerril	Arturo Pérez Arredondo
Patricia Becerril de Marbán	Fernando Rosales
Nuria Becerril	Héctor Chagoya
Fernando Becerril	Oscar González
José A. Romero	Enrique Morineau
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HOW TO EAT AN ELEPHANT

Jacqueline Needle discusses the significance of recent changes to the European patent provisions one bite at a time

On December 13, 2007, the new European Patent Convention, EPC 2000, came into effect. European practitioners pored over the provisions. Surely something that had taken seven years to bring into force would be significant?

There was also unexpected excitement. The French Parliament had approved a ratification bill paving the way for the London Agreement to come into effect. This brought hope that the traditional sting in the European patent tail, namely the need to prepare translations on grant, would be neutralised.

Then, as firms began to turn their attention to office parties and the Christmas holidays, the European Patent Office (EPO) quietly slipped out fee increases for 2008 and 2009, which could have a more noticeable impact than the supposedly more significant changes.

European Patent Convention

The European Patent Convention is commercially significant. Norway and Croatia joined in 2008, bringing to 34 the number of member countries. The EPC countries together have a population of 573 million people, approaching double the US population of 301 million, and dwarfing the populations of Russia (141 million) and Japan (127 million). By comparison, India and China have populations of 1,130 million and 1,322 million respectively. Thus, a European patent can provide protection throughout a market that is not only of a significant size, but that also has mature industries and a sophisticated infrastructure. Why wouldn't industry in the industrialised world want a European patent?

The London Agreement

While the ability to obtain a European patent covering a major and mature market by filing

and prosecuting just a single application in a single language is an immense commercial advantage, the need on grant to translate that patent into up to 26 different languages brings with it a significant cost.

The London Agreement, which will enter into force on May 1, 2008, will reduce the cost at grant by avoiding the need to file translations in many countries. The cost at grant for a typical case should be reduced by many thousands of pounds.

Countries that ratify the London Agreement and have English, French or German as an official language will no longer require a translation of any part of the specification.

Countries that ratify the Agreement and that do not have English, French or German as an official language will specify English, French or German as their prescribed language. If the

European patent is granted in the prescribed language, no translation of the description or drawings will be required to validate the European patent in that country. If, for any particular country, the European patent is not granted in its prescribed language, a translation into that prescribed language (or an official language of that country) will need to be filed. Those countries that ratify the agreement and that do not have English, French or German as an official language will still be able to require that a translation of the granted claims into their national language be filed.

It is likely that many of the countries that do not have English, French or German as an official language will choose English as their prescribed language. This means that the translation costs associated with an English language European patent will generally be less than for a European patent granted in French or German.

IT IS BECOMING MORE IMPORTANT THAN EVER TO IDENTIFY THE INVENTION TO BE PROTECTED AND THEN TO INCLUDE IN THE APPLICATION ONLY A SINGLE INDEPENDENT CLAIM IN EACH CATEGORY.

Revised Fees for 2008 and 2009

While the London Agreement provides industry with the hope of reduced patenting costs in Europe, the recently announced changes in the EPO fees are designed to increase costs significantly unless shorter specifications with fewer claims become the norm. The first fee changes came into effect on April 1, 2008, with further changes to follow one year later. Attention needs to be paid to the form and content of international applications being filed now in order to avoid the worst of the increases.

April 1, 2008

As well as a general increase of between five and six percent on all European fees from April 1, 2008, the following specific changes are made:

- Renewal fees will be increased on average by 30 percent.
- The additional fee for late payment of a renewal fee will be increased from 10 per-

cent to 50 percent.

- Claims fees will be increased from 45 euros to 200 euros.

The new fee of 200 euros per claim is for all claims in excess of 15 in number.

April 1, 2009

On April 1, 2009, the following new fees will be introduced:

- A fee of 12 euros will be payable for each page in excess of 35 in the European patent application as filed.
- There will be no printing fee payable on grant for a European patent application having more than 35 pages.
- The claims fees for the 16th and each subsequent claim up to the limit of 50 will remain at 200 euros.
- For the 51st and each subsequent claim, a claims fee of 500 euros will be due.

From April 1, 2009, the EPO will also prevent applicants from paying designation fees for only a few countries. The designation fee per country is to be dropped in favour of a single designation fee of 500 euros to cover all contracting states.

Mitigating the Increases

It is becoming more important than ever to identify the invention to be protected and then to include in the application only a single independent claim in each category. Full use should be made of multiple dependencies for the dependent claims in order to provide full claim coverage with a minimum number of claims.

In the past, to keep the number of claims low, we would put additional statements of invention in the preamble to the specification. Whilst this remains a useful technique, care now needs to be taken to not unduly increase the number of pages in the specification.

These issues should be taken into account when drafting international applications currently being filed. It is important to focus on the invention, and to describe and illustrate only true embodiments of that invention. Extraneous matter will cost a heavy premium. For example, if the invention is a lighting system for a bicycle, there is generally no need to describe the bicycle, or even illustrate it, and the manner of supporting the lamps on the frame should only be described if that is part of the claimed invention. For the illustrations, six individual views taken from all angles should be replaced by a single perspective view. Exploded views, or views with cut-outs, can be usefully employed.



The swingeing increases in renewal fees will be much harder to avoid. Obviously, the faster a European patent application proceeds to grant, the shorter is its time in the EPO and, hence, the number of years for which European renewal fees are paid is reduced. Unfortunately, the EPO does not do speed. There is a programme, PACE, for accelerating applications, but currently that is not very effective.

The fine for paying a renewal fee late has been increased from 10 percent to 50 percent of the relevant fee. Clearly, this particular increase can be avoided by paying the renewal fees on time. This might also result in faster prosecution. We do find that cases where the renewal fee is regularly paid late, together with the fine, move forward noticeably more slowly than counterparts regularly renewed within the normal period. Therefore, renewing on time may also result in quicker prosecution, with a consequent reduction in the number of renewal fees that need to be paid at these new, high rates.

Prosecution at the EPO should be made proactive. We suggest that on entering the regional phase, amendments should be offered to the claims of international applications, which clearly address the issues raised by the international search. For direct European applications, a full response should be made to the European extended search report, without waiting for an examination report to be issued.

EPC 2000

EPC 2000 has resulted in the production of a totally revised European Patent Convention and rewritten rules. However, there is actually very little of major significance in the revisions. The changes worthy of comment are:

- Second medical use claims are allowed.
- Further processing can be used for partial, as well as total, loss of rights.

- A European patent can be limited at the EPO at the proprietor's request for the life of the patent.
- Non-unity of ex-PCT applications will be handled differently in the European phase.

Second Medical Use

Until the revision, claims for a second medical use were required to be of the 'Swiss type', which meant that it was necessary to claim "the use of a substance X for the manufacture of a medicament for therapeutic application Z". Although still possible, Swiss type claims are no longer required, as a second or further medical use of a known substance is no longer excluded from patentability.

Therefore, the subsequent medical use of a known product can be claimed by a claim to "substance X for use as a medicament to treat medical condition Z".

Further Processing

Further processing is now available to correct failures during prosecution, even where those failures only lead to a partial loss of rights. So, if an application is filed with a missing or incorrect claim to priority, that can now be corrected by use of the further processing procedure. The procedure also remains to correct failures leading to a complete loss of rights. For example, a failure to respond to an official action in time leads to the deemed withdrawal of the application, but this consequence can be avoided by use of further processing.

In all cases, in order to avoid the consequences of a failure, it is necessary to complete the act that was omitted, to request further processing and to pay a further processing fee. All of these actions are to be completed within two months of a notification from the EPO or of the time limit for doing the omitted act.

Central Limitation

EPC 2000 enables the proprietor of a European patent to seek limitation of a European patent, or even its revocation, at the EPO for the entire life of the patent. This could prove to be a very useful innovation as only six of the contracting states allow post grant amendment.

The patent proprietor makes application to the EPO for limitation, and there is no opportunity for third parties to intervene in the proceedings. An application for limitation can be filed at any time after grant, and even after expiry of the patent, but limitation or revocation proceedings cannot be entertained if an opposition is in progress. The Examining Division does not consider any prior art that may have led the proprietor to request limitation.

Its role is only to determine that the requested amendments limit the scope of the patent and are otherwise allowable.

Non-Unity of ex PCT cases

There have been changes in the searches available to international applicants entering the European phase where the international application contains multiple inventions but not all of the inventions were searched during the international phase. Previously, the EPO gave the applicant the opportunity to have searches made of the non-searched inventions. This will no longer be the case.

If the international application was searched by the EPO, such that no supplementary search is required on European entry, the European application can only proceed on the basis of the searched claims, and the remaining claims will need to be deleted.

If the international application is subject to a supplementary search on European entry, it is possible to rearrange the claim order so that the first claims in the European application are claims that were not searched in the international phase. The European supplementary search will then be on the basis of the claims first in the application. This will give the applicant the ability to choose either the claims searched in the international phase or the claims searched in the supplementary search, as those to continue in the EPO.

Jacqueline Needle is a partner with London firm Beck Greener. She can be contacted at: jneedle@beckgreener.com.

REARRANGING THE CLAIM ORDER GIVES THE APPLICANT THE ABILITY TO CHOOSE EITHER THE CLAIMS IN THE INTERNATIONAL PHASE OR THE CLAIMS SEARCHED IN THE SUPPLEMENTARY SEARCH, AS THOSE TO CONTINUE IN THE EPO.

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Jacqueline Needle

Jacqueline Needle, a partner of Beck Greener, is a graduate in electrical and electronic engineering. She is a Chartered Patent Attorney, a European Patent Attorney and a European Trade Mark Attorney.

In 1997, Needle was awarded, with distinction, an LL.M. in Advanced Litigation. She is now one of the select group of patent attorneys in the UK with a Litigator's Certificate which gives her the right to conduct litigation in IP matters in all of the English courts.

Needle has extensive experience of patent drafting and prosecution and has responsibility for corporate patent portfolios which include applications in a large number of countries.

She is an experienced writer and, as well as making contributions to various books on IP matters, she has written for journals, magazines and the UK national press. She is also an experienced lecturer and was invited to address a committee of both houses of the UK Parliament on IP matters.

LOSING SIGHT OF THE GOAL?



Gareth Morgan says that while reform is a commendable aim, a degree of doubt must be cast over the structure of the proposed European patent reforms.

Introduction

The reform of the patent system within Europe has now been discussed for almost four decades and is beginning to assume the status of a Viking saga or Homeric epic. Following the publication last year of an opinion from the legal service of the European Parliament suggesting that member states were not free to enter into the European Patent Litigation Agreement (EPLA) without breaching certain obligations under the EC Treaty and other EU legislation,¹ there was a concern within Europe that a chance for reform had once again been lost.

However, the Commission, spurred on by Commissioner McCreevey, has continued to make the reform of the patent system a priority and, during 2007/08, has found willing allies in the Portuguese and Slovenian presidencies. These tenures have been notable for a flurry of non-papers, proposals and an injection of significant impetus into driving forward negotiations on both the Community patent and also the single patent jurisdiction. The current proposals for an EU patent jurisdiction were published as council document 5954/08, and focus on the main features of the court system in part 1 and remedies in part 2. This article will focus mainly on part 1 of this paper.

At the end of 2007, and prior to the publication of the latest proposals, a meeting of the UK AIPPI was held in which representatives of industry stakeholders in the European patent system gave a stark message that they would only support an alternative patent system for

Europe if it presented clear advantages over the current system. One speaker, a representative of a major UK-based multinational pharmaceutical company went as far as to state that the concerns within his organisation had led it to alter its patent-filing strategies. Namely, it is not using the current European patent system to the extent it had previously because it is concerned about the possibility that a new enforcement regime might apply to patents filed via this system. Instead, this company is now filing more national patents within Europe.

This bizarre situation has come about because of the existence of two methods of prosecuting patents within Europe and the proposals now afoot to introduce (a) a third route to obtain patent rights across Europe, i.e. the Community patent and (b) a new method of litigating patents within Europe in a single tribunal, i.e. there would be no need to litigate a patent in all countries in Europe in order to fully enforce it against infringers. It is presumed that the new single jurisdiction would allow litigants to sue on both Community patents and European patents (subject to any transitional period), but not national patents.

The current system theoretically requires a patentee to enforce its patent in all jurisdictions around Europe in which it is valid. In practice, this does not happen, and most significant parallel litigation only occurs in the main patent jurisdictions of Germany, the Netherlands and the UK. It is only rarely that multi-jurisdictional patent litigation truly takes in many

member states around Europe. Nevertheless, judges, politicians and users of the current system have noted that it cannot be helpful for patentees to obtain inconsistent judgments in different member state patent courts around Europe. This is a possibility exacerbated by the lack of any single harmonising legal instrument for patent law in Europe.

Whilst the common sense principles behind the introduction of a single jurisdiction cannot be doubted, the key to the success of any such system lies in the confidence that users would have in the system. Without such confidence, the system would become nothing more than a white elephant.

The current proposals

The key features of the current proposal for a single EU Patent Court are that:

- Each member state has the right to set up its own division, which is formed or dominated by local judges.
- Infringement and validity issues could be tried separately with different competencies attaching to national and central chambers.
- To ensure that consistency is introduced into the manner in which the new court applies patent law and tries patent cases, a central framework is to be set up to train judges to sit in the new court.
- The default position is that the language

NEVERTHELESS, JUDGES, POLITICIANS AND USERS OF THE CURRENT SYSTEM HAVE NOTED THAT IT CANNOT BE HELPFUL FOR PATENTEES TO OBTAIN INCONSISTENT JUDGMENTS IN DIFFERENT MEMBER STATE PATENT COURTS AROUND EUROPE.

of the proceedings should be the official language of the member state in question (or any language designated as such). The parties can agree a language regime at first instance, subject to the approval of the court. Any veto of the proposed language regime would result in the case being referred to the central chamber, where the language of the proceedings should be the language in which the patent was granted.

- The proposed rules of procedure and remedies available are currently not mapped out with any great detail, although it is expected that in this regard, the final proposal will draw heavily on Directive 2004/48/EC on the enforcement of intellectual property rights and on the preparatory work carried out in anticipation that the EPLA might have come into being. In this regard, the relevant documents would include: the latest draft EPLA (the most recent version can be found on the European Patent Office website²); the draft statute of the European Patent Court; and the Second Venice Resolution of the European Patent Judges, setting out possible rules of procedure of a European Patent Court (November 4, 2006).

Are these proposals an improvement?

Immediately, one can gauge that there would be reservations surrounding the acceptance of a single patent litigation regime based on the above proposal. In particular:

1. A single jurisdiction?

The proposals do not represent a step forward to a unified European patent jurisdiction.

Rather, the proposals seek to maintain the right of each member state to establish a chamber of the court that is, largely, staffed by judges drawn from that member state.

2. A split jurisdiction?

The proposals currently suggest that there should be a split in the jurisdiction for the national and central chambers of the new court, with only the central chamber being competent to hear validity disputes. This proposal raises further concerns that such a concept:

- Is alien to most European jurisdictions
- Is born out of a lack of confidence in the predictability of litigating the validity of a patent at a national level in the new court, which, in turn, hardly inspires confidence amongst potential users, and
- Causes confusion when a validity action brought by a claimant could be tried in a different manner to a counterclaim raised by a defendant complicates the current proposal.

3. A simple language regime?

The flexibility in the language regime suggested leaves much to the discretion of the court and the desires of the parties. This potentially increases the cost of litigating under the suggested system. It also creates uncertainty for litigants and could result in the infringement and validity portions of actions being litigated in different languages. Clearly, this is not efficient as regards selection of legal counsel, or the selection of the personnel within the company to deal with the dispute.

4. What is the law?

The current proposals do not prescribe any substantive law that would exclusively govern disputes before a single European patent tribunal. Given the concerns raised above relating to the potential for forum shopping and strategic litigation that bifurcation of infringement and validity coupled with mixed competencies of national and central chambers would create, key to the success of the new single jurisdiction will be the uniform application of a single European patent law and related jurisprudence. Without this the proposed jurisdiction will be no better than the current system, where certain interpretative differences are thought to exist between the patent courts of different member states.

Conclusion

Although the Portuguese and Slovenian presidencies are to be congratulated in continuing to progress towards the goal of a single jurisdiction in which to hear patent disputes in Europe, it is clear that industry is becoming

concerned that the legislators are losing sight of the original aims of this project. The current proposals do not meet the requisite standards of certainty, convenience and cost to present much, if any, improvement over the current system. Clearly, this is not what European industry requires.

Therefore, the likelihood of the current proposals both coming into effect and gaining widespread acceptance have to be doubted. The French presidency has made reaching agreement on both the Community patent and the single jurisdiction as being of the utmost importance during its presidency in the second half of 2008. It is hoped that the above concerns are given due consideration during the further negotiations that will take place this year in order to avoid the new systems becoming an embarrassing white elephant lacking willing users.

Gareth Morgan is an associate in the London office of Taylor Wessing's intellectual property department. He can be contacted at: Gy.Morgan@taylorwessing.com.



Gareth Morgan

Gareth Morgan has experience in all areas of contentious and non-contentious intellectual property law with a particular focus in the life sciences and healthcare sector. He qualified as a solicitor in 2000, as solicitor advocate in 2004 and is an associate of the Chartered Institute of Patent Agents (CIPA). He has a degree in biochemistry and a DPhil in molecular biology, both from Oxford University. He gained a diploma in intellectual property law and practice from the University of Bristol in 2001.

¹ Primarily because the matters governed by the EPLA were within the exclusive competence of the Community
² <http://www.epo.org/patents/law/legislative-initiatives/epl.html>

IP THEFT AND HOW TO AVOID IT



Bill Lumley examines the steps you can take to protect your business from IP theft.

IP theft is a massive problem. According to the US Chamber of Commerce, American businesses alone lose over \$250 billion a year to copyright piracy, and intellectual property theft costs 750,000 jobs.

There is a widespread view among business managers that the protection of IP is a luxury they can only afford when they are ready to do so, and it is among the first things they economise on, to a large extent through ignorance, rather like deciding not to invest in advertising or PR.

Maggie Ramage, partner at Alexander Ramage Associates and a member of the governing council of the UK Institute of Trade Mark Attorneys (ITMA), argues strongly against any business taking such a stance. "There are no trademark police out there looking after your patch," she stresses. "The owners of the IP need to do that for themselves."

There are two strands to this, she explains: You need to protect your own rights, ensuring your patent, trademark or other IP is on file, and also you need to have an idea what everyone else is doing and defend your rights accordingly. "If anyone is copying your IP—and it could be coincidental or legitimate—you need to take action. If you don't protect yourself, then no one will do it for you," she says.

If a business finds out that someone is counterfeiting its products in China, for example, and is about to export to the whole of Europe, then that business needs to take prompt measures

to stop that in its tracks. "It is important not to delay taking any such action," she stresses. "The courts take a very dim view of delays as they tend to view this simply as acquiescence. If you leave something for six months before deciding to pursue it, you could find you have actually missed the boat."

There are certain procedures that business managers can put into place to help keep an eye on the market, such as CompetitorWatch, which enables them to see what their competitors are filing and to determine if anything is being filed that abuses their own rights. Ramage says: "I carry out a trademark watch globally for a number of clients and I am alerted to any mark in any country in the world that is similar to my clients' rights, at a stage when I can do something about it."

"That has been essential for me and my clients in seeing what other people are up to, because there are huge numbers of entrepreneurs out there and, in some countries, IP theft is rather more marked than others. In the emerging economies—countries such as India and China—you really find a lot of entrepreneurs helping themselves to Western rights and then either setting up a business on the back of those rights or hoping to sell them back to the rightful owner," she says.

China was always seen as the place where most counterfeiting was taking place, but this is beginning to change as such activities move into other countries, such as India. However,

Ramage says that, surprisingly, the region that poses the biggest problem with respect to IP abuse in the form of deliberate copying in her experience is the US. "It's not just the small businesses, but it can be quite big concerns deliberately copying their competitors in order to slow them down," she says. "In the US market itself, on the US trademark registry, others may copy and file copy marks around the world when the work in fact originates from the US. I've found that there is a massive sense of entrepreneurialism in the US. They skate as close to the wind as they think they can get away with."

For example, one of her biggest UK clients owns a cosmetics business and around half its annual trademark budget goes on defending itself in the US alone.

She says: "My advice to anyone moving into the US market is twofold. Firstly, whatever you do, check for the availability of whatever you are planning to produce. If we are talking about a trademark, make sure you don't infringe someone else. Infringement proceedings and opposition proceedings in the US can run into millions of dollars. Secondly, you must make sure, once you have done your availability check, that you get your own marks on file in the US. It is such an entrepreneurial culture that everybody else there does so and you must be ahead of the game."

In her experience, she says, people who move into the US market without filing at the point of entry often find that copycats come along, by which time it is too late to act. The original

business will then spend a lot more money on defending its own patch and trying to get rid of offenders than if it had put its mark on file in the first place, she advises.

“If you have problems in the US, go to a US attorney immediately, and if you are based elsewhere, then do so via your local attorney. Do not try and do it yourself, because the system is absolutely fraught with danger. In the UK, for instance, if you need a UK attorney, most of whom are qualified to act in community trademark matters, contact the Institute of Trade Mark Attorneys.”

It is difficult to illustrate the issue of IP theft with case studies, because very often a case turns on a legal point and observers often do not know what story lies behind such a point unless they have gone into the case in some detail. But it is clearly becoming more popular for people to treat IP theft seriously and to spend money on measures such as raids. Ramage, for example, has now conducted seven raids in China for a clothing manufacturer. “At one time, people would have stopped short of going that far, but you can take action to prevent the goods from going out of the door at source and that is something that is increasing,” she says.

In addition to individual cases turning on a particular legal point, the technicalities of which most of the outside world is unaware, it is an unfortunate fact that in certain cases where lawsuits have been withdrawn, politics may have been involved. Often the big food manufacturers stop short of suing a major supermarket because their products would otherwise be delisted or they may at best be given unfavourable treatment.

For example, some years ago, Ramage was involved with some famous trademarks and found that a large supermarket had come out with a jar very similar to the familiar jar of one of her client’s products. “We made an approach to the supermarket chain, which replied that if we continued with the action then it would delist the product, end of story. In such cases, people need to judge whether losing a sale is worse than losing a relationship. It is always a great shame when they back down, because it gives out the wrong message and also gives unfair power to organisations such as supermarkets, which end up thinking they can do anything,” she says.

Recently, a manufacturer producing food for a large food retailer in the UK appeared to have lifted one of her clients’ trademarks. “When we contacted them about it, the response was ‘what are you going to do about it, because we are not going to change’. Eventually, my client

said that the relationship with the retailer was so valuable to them that they just had to accept it. But for me that is just the top of the iceberg.”

IP insurance

If abuse of your IP threatens the very survival of your business, then you may consider peace of mind requires more than best practice in registering and protecting IP, in which case, you may wish to pay an insurer to underwrite the risk.

THE MOST OBVIOUS VICTIMS OF IP THEFT ARE IN THE TECHNOLOGY SECTOR, MUCH OF IT DRIVEN BY TECHNOLOGICAL INNOVATION EMERGING FROM UNIVERSITIES.

Intellectual property cover is a niche form of insurance cover that tends to be written out of the London market and by certain legal expenses specialists. Historically, this type of insurance has been relatively expensive, given that any serious IP dispute is liable to involve significant lawyers’ costs, and if there is a damages award of some description, then the costs will mount even higher.

The widest form of cover tends to be related to the actual costs of suing or defending an action, but cover is also available for the damages aspect of a claim, so if an award is made against your business, then the damages award will be levied to whatever level the court deems appropriate.

Mark Philmore, specialist consultant at MFL Science and Technology Insurance brokers in the UK, which specialises in insurance for early stage technology businesses, says the main types of business that look at buying IP insurance are those that rely on a small number of pieces of IP. They can be the early stage science and technology businesses or SMEs looking for that extra pitch against the competition. By contrast, typically bigger organisations, for example the Fortune 500, tend to self-insure, he says.

The main concern with having an IP risk is to have a fighting fund with which to pursue someone else in the event that their own IP is breached in some way, he says. “It’s probably true of most businesses that they are more concerned about being able to take action against someone else abusing their IP. If they have IP

that is critical to their business, then they want to be able to protect their position by pursuing an action. Therefore, a much more cost-effective solution is to insure against the legal expenses aspect only. This also includes pursuit and defence aspects,” Philmore explains.

Protection is available against the whole gamut of IP, encompassing trademarks, copyright, patents, web addresses, design rights and fundamental know-how.

A further option is after-the-event cover, which is essentially where a business chooses not to take out any insurance protection until such time as it has a known dispute.

Philmore explains: “If you get into a dispute, you can insure against the potential downside of you losing that particular action or dispute after the event. That is obviously fraught with difficulties because, if the balance of probabilities is stacked against you, then the availability of insurance cover is less likely, but if you have reasonable prospects of victory, then your prospects of obtaining insurance cover will also increase.”

Risk management

Insurance is only a last line of defence and there are other practical risk management measures that can be put in place. The most common and enforceable of these are confidentiality agreements, Philmore says. “Any such agreement ultimately needs to be challenged in the courts, which brings up the question as to whether the two contracts are on a level playing field,” he says.

Another key measure that a business can take to help protect its intellectual property is making sure it provides a good environment in which to work, thus keeping people in the business, Philmore says. “One of the biggest risks to the business is people leaving and taking the IP with them. Putting clear employees’ terms and conditions into their contracts, with explicit condition that they are legally bound not to abuse the business’s IP, is certainly one way of limiting this risk.”

Another practical risk management technique is for business managers to ensure they are constantly aware of what is going on in their particular industry and are prepared for any potential infringements, so they can at least warn people off in the initial stages.

“In addition, you should ensure you document every aspect of your IP to protect against external breaches, providing a paper trail and an audit trail,” he says.

“All of these first lines of defence are liable to be tested by the courts, but you need to build up a strong defence mechanism so you can demonstrate the nature and value of your IP and when you first became aware of breaches,” says Philmore.

The most obvious victims of IP theft are in the technology sector, much of it driven by technological innovation emerging from universities.

“Commercialising that in some way is a big area where IP is critical, because those businesses ultimately get funding on the back of the IP generated at the universities.

“If that IP disappears then that business has basically gone too. So they are largely reliant on three or four pieces of IP, typically patents, and if they lose them then that business is compromised.” In such cases, the purchase of IP insurance cover would probably come under the heading ‘best practice’.

If you do decide you are going to acquire insurance as an extra string to the bow that protects your business, then it is crucial to ensure you understand the cover you are buying. Key exclusions under this form of cover tend to be:

- Lawsuits between two named insureds under the same policy
- Infringement known or existing prior to the effective date of the policy
- Criminal acts
- Wilful infringement
- Antitrust or anti-competition matters

Practical steps

Latika Sharma, head of IP at PricewaterhouseCoopers Legal, outlines the key measures a business should pursue to ensure they stay ahead of the game when looking after their IP rights.

Undertake regular audits

On a relatively frequent basis, look at what IP you use, who owns it, whether you have all the licences and third-party rights you need, and whether the portfolio matches your business needs as the business develops.

Formal protection strategy

Put in place a formal protection strategy, for instance, getting a registration wherever you can and should, and having a formal procedure in place for identifying in advance where those needs are going to be.

Patenting may not be the best option

Normally, it’s best to pursue a patent registra-

tion if it is available to you (and you have the funds), but there are occasions when patenting may not be the best option. For example, you may have the type of technology that cannot be reverse-engineered. Protecting it by patent means you need to publish your innovative ideas, which may not be something that other people could work out anyway once the product hits the market, in which case the first-to-market opportunity may be more lucrative than patent protection. Also, you may be able to maintain a monopoly by simply not releasing the information. Sometimes, the secrecy is more valuable than the monopoly rights given by the patent.

Practical steps

You should also make sure you are taking practical steps such as putting your copyright notice on appropriate documentation, thinking through who is creating your new IP, and how you are capturing it—is it being reported regularly? Do they know who to tell? Is there a link between the people creating your new IP and those taking the protection? Similarly, there should be a formal enforcement strategy in place for when problems arise.

Eye the competition

As well as formally monitoring what your competitors are doing, it’s important to make sure that everyone in the organisation keeps their eyes and ears open. It’s important to educate your employees, because they are a fantastic resource for you to find out what other people are doing. If an employee sees something similar in the market, they should know who to look out for, why, and precisely who to call.

Review your contracts and licences regularly. Make sure your contracts and licences are relevant to the business, and that you and the other parties are still complying. This includes regularly checking the amounts being paid. If you are a licensor, you should carry out regular royalty audits to make sure your licensees are not under-reporting the amounts they should pay—not surprisingly, this is very common. This sort of exercise will often pay for itself.

Practical IP theft prevention

The value of a business’s intellectual property underpins its bottom line. It is unfortunate therefore that, for political reasons, producing an official guide to best practice for protecting against the risk of IP theft is not as straightforward as it sounds. The World Intellectual Property Organization (WIPO) itself has been cautioned by a number of developing countries concerned that formalised best practice would turn into binding obligations.

Wolfgang Starein, director of the organisation’s enforcement and special projects division, says: “What we did instead was to use advisory committee and enforcement sessions. We did not showcase them as best practice, but rather made them available indirectly, indicating that a number of good practices do exist.”

In practical terms, he says, one of the most decisive contributors to IP theft prevention is co-operation between government agencies and private sector groupings. “Very often in this field, you have a number of different entities that are not very inter-connected and don’t know exactly what the other is doing or how they could achieve synergy.”

It is important, he says, to look into local legislation and determine whether there are shortcomings, to ensure the minimum requirements of the World Trade Organization’s (WTO) Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement are fulfilled. The agreement introduced intellectual property rules into the multilateral trading system for the first time in 1996.

If there are any proven technological measures by which a business could protect its intellectual property then these should be used, in particular ones that distinguish between a genuine good and a counterfeit, Starein says. “There are a number of such technological measures that can be taken. The disadvantage is that the so-called counterfeiter and pirates are constantly vigilant and always on the lookout for ways to circumnavigate protection measures.”

Of equal importance is the existence of enforcement legislation in the country in which the business is taking place, and the knowledge that it can be applied reasonably and quickly to achieve efficient remedies that are not excessively costly. Starein advises IP owners to ensure that they are aware from the outset of the relevant legal infrastructure in each country in which they are trading or considering trading.

“From the view point of a manager, you need to establish that your brands are well known and you need to take necessary measures against counterfeiting. If there is a problem, the better known a brand is the more likely it is to be counterfeit. But it is a vicious circle for, conversely, if a product is comparatively unknown, then the threat of counterfeit is relatively low,” he says.

The unfortunate reality is that nowadays almost everything that has some market value is prone to counterfeit, whereas not so long ago, it was only luxury items that were susceptible.

PIRATES AND IT



Software IP theft is a global problem, a solution to which could boost the fortunes of regional governments as well as the software industry it blights. Bill Lumley investigates.

Software theft is a widely underrated global problem. An estimated \$34 billion is lost each year in revenue through the use of unlicensed software. In the US, it is estimated that 21 percent of software use is unlicensed, while in Eastern Europe the figure is 68 percent. Yet many corporate users are unaware they are even breaking the law.

The economic rewards for both industry and government from reducing software theft are huge. In February this year, a report from the Business Software Alliance (BSA) measured the economic benefits of lowering the PC software piracy rate to local economies in terms of revenues and jobs.

Under international copyright conventions, software is considered a literary work, just like any other form of product based on language. There is, therefore, no fundamental difference between the fight against software piracy and other types of copyright theft.

The most damaging type of threat to the software industry comes from PC software generally being overused, typically by a company with 100 employees using software for which the company has bought perhaps just 50 licences.

Increasingly, laws are being passed worldwide that make the use of unlicensed software a criminal offence. In February 2007, the Federation Against Software Theft (FAST) launched a campaign warning that if business managers in the UK were found guilty of software piracy then they faced unlimited fines and up to 10 years in jail for each offence.

However, within business, even when software is found being used illegally and an individual is found to have acted as such, it is an extremely difficult case to prove in a court of law.

“A year later, it is still the Holy Grail as far as I am concerned,” says John Lovelock, chief executive at FAST. “We are obviously working towards it, but I doubt we’ll ever get a judge to jail someone for 10 years for using illegal software.”

The law in question is the UK Copyright Design and Patents Act. If a company is using illegal software then the body corporate can be sued, but only if it can be proved that the directors had knowledge that illegal software was being used. “The directors will always try and blame it onto some IT person, or CIO, or anyone else they can find to hang the wrap on,” says Lovelock.

However, David Eastwood, partner in KPMG’s intellectual property and corporate governance practice, takes a more lenient view of the Act. “It’s a very fine statement to have software theft penalties enshrined in law. It’s a tool that has to be used sparingly in the right circumstances, where people have clearly and deliberately misbehaved. You wouldn’t use it with reputable corporate customers that are simply having difficulty keeping track of their IT systems,” he says.

The BSA survey, conducted in conjunction with International Data Corporation (IDC), looked at 42 countries and asked what would happen if there was a 10 percent drop in the global PC software piracy rate in the next four

years. The answers revealed that it would result in 600,000 new jobs, a staggering \$141 billion in new revenues within these 42 countries, plus \$24 billion extra in tax revenues to the respective local economies.

The tax revenue figure is crucial because it provides those lobbying governments and their local judiciaries with powerful material to encourage them to take action in implementing and enforcing legislation against perpetrators of software piracy.

But software licensing is a vastly complicated area to understand—even for corporations buying major software companies’ products. Among corporations that are in breach of software licensing agreements, the cause is very often plain failure to understand of the number of licences due to be paid for rather than malicious intent to defraud by the use of illicit software.

UNDER INTERNATIONAL COPYRIGHT CONVENTIONS, SOFTWARE IS CONSIDERED A LITERARY WORK, JUST LIKE ANY OTHER FORM OF PRODUCT BASED ON LANGUAGE.

Table 1: Proportion of unlicensed software in use

US	21 percent
Western Europe	34 percent
Asia	55 percent
Middle East & Africa	60 percent
Latin America	66 percent
Eastern Europe	68 percent
Worldwide	35 percent

Source: Business Software Alliance

Software piracy varies dramatically by region (see Table 1: Proportion of unlicensed software in use). One of the reasons that the US has a comparatively low piracy rate is that it has a very strong set of laws dealing with IP, according to David Eastwood at KPMG. Last September, he helped produce a global report on unlicensed software usage, also in conjunction with IDC, which said that the annual loss of IP to software businesses worldwide equates to Microsoft's annual revenue as the world's second-largest software company.

There are a number of global bodies that work on behalf of the software industry to

help address the issues of software piracy. These include FAST, the Software & Information Industry Association (SIIA) and the Business Software Alliance (BSA), each of which puts education at the top of their list of priorities.

Also taking education seriously in the fight against theft of software IP is the UN intellectually property agency WIPO, which is developing a guide to copyright for children in an effort to reach the younger generation about the way they should behave regarding copyright and software, according to Victor Vázquez López, senior legal counsellor, copyright and related rights sector.

WIPO is also organising seminars and workshops worldwide to help to promote training for judges, police and prosecutors to improve the fight against software piracy.

Most businesses probably have more people than they have licences for the software they use, but do not necessarily know that is the case. Such a situation could easily arise when a merger or acquisition takes place, and one business has the latest software and the other

doesn't, or they just roll it out to get the new business running. "It often then gets forgotten," says Lovelock.

"Therefore, we have to educate before we legislate." This means telling businesses to look inwardly, to check their policies and procedures, and get control over their IT environment. And it applies not just to software but to the whole IP raft of goods that can be smuggled into a company's estate.

Some IT developers take steps to protect their own IP using technological measures. The problem with these is that the software is often difficult to use, while vendors want the end product to be user-friendly, so they tend to shy away from employing such measures.

"The best way of doing it is through education through the press, through running education programmes at universities, and working with the government with regard to educating in schools on the broader aspects of IP, including software. So we try and collaborate with other bodies like ourselves, and government and the education institutions, to raise awareness of intellectual property," says Lovelock.

OF EQUAL IMPORTANCE IS THE EXISTENCE OF ENFORCEMENT LEGISLATION IN THE COUNTRY IN WHICH THE BUSINESS IS TAKING PLACE, AND THE KNOWLEDGE THAT IT CAN BE APPLIED REASONABLY AND QUICKLY TO ACHIEVE EFFICIENT REMEDIES THAT ARE NOT EXCESSIVELY COSTLY.

Neil McBride, vice president, legal affairs, at the BSA, says there are a number of ways of discouraging software theft but agrees that the most effective is education.

"Our ultimate goal is to show the benefits of using licensed legal software, and the practical and legal risks of using unlicensed software," he says.

The BSA runs marketing campaigns around the world, providing a message through public advertising about software licensing. It runs software asset management courses, inviting businesses to come and get trained in how to use software lawfully. It runs websites that provide resources for businesses to undertake self-audit and check they have all the licences in place. These include free software audit tools that enable companies to begin the process of establishing exactly what licences they do and do not have, and to help them get their business in order.

On the public policy side, BSA advocates around the world, both for governments and multilateral organisations, on behalf of issues such as stronger IP protection and patent reform. "We find this often gets them energised and engaged about the benefits that come from licensed software," says McBride.

One of the reasons that the US has a comparatively low piracy rate is that it has a very strong set of laws dealing with IP, he adds. "It's a crimi-

nal offence in the US, where there are significant legal consequences from stiff civil penalties to criminal prosecution of up to five years."

He suggests there is a direct correlation between piracy rate and enforcement. The latter is a two-sided coin. On the one side is having the legal system in place, comprising the laws of damages and so forth. The other side is having the practical commitment of governing authorities to enforce those laws.

The BSA devotes many of its resources to explaining to companies and governments the legal, technical and operational risks involved with using pirated software. "Technical risks involve getting incomplete or outdated versions of software to subjecting yourself to virus vulnerability and other security risks in your PC, damage to your server, operational risk, loss of productivity and associated financial repercussions.

"Essentially, you can cause costly damages to your company by trying to cut a corner," he says. Government authorities and trade associations are clearly beginning to address the real challenges that confront the software industry as it tries to cut the loss of its intellectual property.



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Tokyo Office
Izumi Garden Tower
6-1, Roppongi 1-chome
Minato-ku, Tokyo 106-6036 Japan
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E-mail: inquiry@amt-law.com
URL: <http://www.andersonmoritomotsune.com>

Beijing Office
Beijing Fortune Bldg., Room 809
No. 5, Dong San Huan Beilu
Chao Yang Qu, Beijing 100004 China
Telephone: +86-10-6590-9060
Fax: +86-10-6590-9062
E-mail: beijing@amt-law2.com
URL: <http://www.andersonmoritomotsune.cn>



WHITHER RENTAL RIGHTS?

Luis C. Schmidt examines the state of copyright owners' entitlement to rental rights and finds little sign of rights protection either for performers or for phonogram producers.

International copyright law has embraced the question of whether copyright owners—or neighbouring rights holders—should be entitled to rental rights and, if so, whether said rights should be rendered as exclusive or remunerative. Answers have been discussed in international and regional treaties as well as in most countries' national systems, but these issues remain open.

Under copyright theories, distribution has been regarded as the spreading or dissemination of works embedded in originals or in multiple copies through commercial or non-commercial means. Accordingly, the copyright holder makes the work accessible to the public, for trade or other purposes, regardless of whether the corresponding copies are ultimately acquired or not. Also, distribution entails any activities associated with the offering of the copies, such as their storage or transportation.

A number of national jurisdictions recognise a distribution right of exclusive nature, independent from the right of reproduction. The German Law of 1901 pioneered in this field by introducing the so-called *Verbreitungsrecht*. On an international level, the splitting of distribution rights from reproduction rights was firstly recognised in the Berne Convention in connection with cinematographic works. However, distribution was recognised as a right of full scope in more recent international treaties. Article 1705(2)(b) of NAFTA (North

American Free Trade Agreement) imposes on the three member states an obligation to grant copyright owners a right to authorise or prohibit “the first public distribution of the original and each copy of the work by sale, rental or otherwise”.

Likewise, Articles 6 (1) of the WIPO Copyright Treaty, and 8 (1) and 12 of the WIPO Performances and Phonograms Treaty, confer upon authors of literary and artistic works as well as performers or phonogram producers the “exclusive right of authorising the making available to the public” of the original copies of their works, performances or phonograms, through sale or other transfer or ownership.

A relevant issue is the moment when distribution rights terminate. International treaties, as well as the domestic laws of various countries, have stated that distribution rights are exhausted after the copy incorporating a work of authorship has been sold for the first time. The acquirer is entitled to dispose of the original or copy by virtue of successive sales. The first sale doctrine, as it has been called in Anglo-Saxon systems, was preceded by the *Erschöpfung* theory of German law and later adopted by the international copyright system. In particular, the WIPO treaties allow the member states to “determine the conditions” that are applicable to the exhaustion of rights after the first sale or other transfer of the copy of a copyrighted work.

Since proprietors can rent their originals or copies of works for commercial purposes, governments have asked whether copyright owners should be entitled to exclusive or non-exclusive remunerative copyright rights. On an international level, the majority response has been that copyright owners should indeed be entitled to rental rights. Substantive provisions can be found in NAFTA, Article 1705 (2)(b); TRIPS, Article 11—applicable to computer programs and cinematographic works; WIPO Copyright Treaty, Article 7—applicable to computer programs, cinematographic works and works embodied in phonograms; WIPO Performances and Phonograms Treaty in Articles 9 and 13; and the Directive 92/100 of the European Community.

As a general international rule, holders of copyright distribution rights can be the subject of rental rights at least in connection with computer programs and cinematographic works. The foregoing implies that first sale doctrine shall not extend to rentals and, to the contrary, that rental rights shall remain with the copyright holder, even after a transfer of proprietorship of the original or any copy of the work. In other words, the predominant rule dictates that distribution rights cannot become exhausted in bulk or as a whole, since at least rental rights shall be regarded as an exception to that rule. Thus the scope of exhaustion becomes restrictive or limited not only from a territorial angle, but also from a material or objective perspective.

SINCE PROPRIETORS CAN RENT THEIR ORIGINALS OR COPIES OF WORKS FOR COMMERCIAL PURPOSES, GOVERNMENTS HAVE ASKED WHETHER COPYRIGHT OWNERS SHOULD BE ENTITLED TO EXCLUSIVE OR NON-EXCLUSIVE REMUNERATIVE COPYRIGHT RIGHTS.

International treaties impose a certain degree of formality or limitations in connection with distribution rights. NAFTA is clear enough about this when it states that the member states' domestic laws need to provide "first public distribution rights" by "sale, rental or otherwise".

TRIPS establishes that, concerning cinematographic works and computer software at the least, member states shall regard rental rights as exclusive rights to authorise or prohibit. Likewise, the treaty does not impose exhaustion or restrictions to bring the rights to an end. Pursuant to cinematographic works, members can choose not to grant exclusive rental rights, unless the rental leads to uncontrollable copying situations. From the foregoing, TRIPS recognises exclusive rental rights as a first alternative and, secondly, it offers to member states the chance not to confer exclusive rights, unless rental itself leads to the widespread copying of films. However, if a member country does not opt for an exclusive rental rights system, it still can follow a remunerative system, upgradeable to an exclusive system, in the event that the government authorities face a widespread problem of film copying, motivated by the rentals.

The WIPO Copyright Treaty addresses the issue of rental right in a manner that is practically identical to TRIPS, with certain minor variations. On the other hand, the WIPO Performances and Phonograms Treaty, confers on performers and phonogram producers an exclusive rental right of performances fixed in phonograms (performers) and of authorising the commercial rental of phonograms' copies (phonogram producers), while giving the con-

tracting parties having a remuneration system as at April 15, 1994, to maintain that system, provided that said system does not lead to the material impairment of the exclusive rights of reproduction held by the performers or phonogram producers.

International treaty rules have been implemented into the national legislations in different forms. However, the general rules deriving from international treaties have taken the lead in that regard. Countries belonging to the European Community have adopted Directive 92/100, which is compatible with the standards imposed by the TRIPS and WIPO treaties. Spain, for example, incorporated the Directive into domestic legislation in 1996 and, in keeping with that, a general distribution and specific rental rights, provided that the latter is not subject to exhaustion. On the other hand, Germany, Denmark, the Netherlands and some other European jurisdictions had adopted a distribution model before TRIPS. Latin America countries such as Costa Rica, El Salvador, Panama, Peru and Venezuela have orientated their national laws toward a distribution rights system.

In order to comply with the NAFTA Treaty of 1993, the Mexican government inserted distribution as a bundle of patrimonial rights in the Copyright Law of 1996. Accordingly, distribution was defined as the "making available to the public of the original or copy of a work by virtue of sale, rental and in general, any other form". In addition, the law set a distribution exhaustion criterion: "when distribution is made by means of sale, this right shall become exhausted after the first sale (of an original or copy)". The obscure language used by the legislator of 1996 has raised the question of whether it is the sale right or whole distribution right that exhausts. Working in benefit of copyright owners, it would seem that only sale rights end after originals or copies are placed into commercial streams, while all other distribution rights continue. In any dispute, the NAFTA standard should prevail, as in light of the Constitution, it is self-applicable and preemptive over the Copyright Law.

NAFTA is a reason, in itself, to justify the existence of a copyright rental right in Mexico of exclusive nature. TRIPS and the WIPO Copyright Treaty give additional supportive background, in harmony with NAFTA, since they both state that member countries are required to either establish direct exclusive rental rights or, alternatively, exclusive rental rights triggered from the widespread copying of films. The decision of the legislator in 1996 indicates that Mexico opted for the former option.

Pursuant to the distribution and rental rights of performers and phonogram producers, Mexico seems to have elected the remunerative rights formula proposed by the WIPO Performances and Phonograms Treaty (for unknown reasons, the pertinent provision in the Copyright Law utilises the expression "making available" rights instead of "distribution rights"). The problem is that, before April 15, 1994, performers and phonogram producers were subjects of compensation only in connection with the public performance rights. The 1996 law extended the remunerative system to rental rights in an apparent contradiction with the terms of the WIPO Performances and Phonograms Treaty. Certainly, the foregoing has opened a new question—whether performers and phonogram producers enjoy rental rights of any kind or nature.

Luis Schmidt can be contacted at:
lsr@olivares.com.mx



Luis C. Schmidt

Luis C. Schmidt joined Olivares & Cia in 1991 and became a partner two years later. A music producer and musician since a teenager, in 1984 he had his first contact with copyright law and with other aspects of intellectual property law working for Televisa, one of the world's largest broadcasting companies, then at Washington firm Arent Fox Knutner Plotkin & Kahn.

Schmidt holds a JD degree from Universidad Nacional Autónoma de México (UNAM), a master's in intellectual property law from Franklin Pierce Law Center, and various other post-graduate diplomas from Universidad Panamericana, Mexico, Georgetown University, US, and the University of Amsterdam.

He has acted both as secretary and president of the board of the Mexican Intellectual Property Association (AMPPI) and the Mexican group of AIPPI, where he holds an advisory position.

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REVOLUTIONISING PATENT MAPPING AND MINING

Michael Schwegman, Steven Lundberg and Warren Woessner explain how their software dramatically speeds up the process of patent mapping and mining.

In the realm of intellectual property law, time can mean the difference between record profits and missed opportunities. Nowhere is this more true than in the high-technology marketplace, one of Schwegman, Lundberg & Woessner's major practice areas. So for years, while our Minneapolis-based team of patent prosecutors helped a wide range of clients with traditional patent mapping and mining, we wondered: Couldn't this be done better—and faster?

We began to answer that long-standing question in 2004, when firm co-founder Steve Lundberg envisaged a potential solution: software to help patent experts rapidly sort, rank and analyse patents. He shared this idea with Pradeep Sinha and Janal Kalis, who developed the technology behind the software. After four years of trial and error, we are launching ClaimBot®, a product we believe to be the only one of its kind.

ClaimBot® was not designed to replace patent experts, but to take away many of the mundane tasks, such as hours spent digging through paperwork, and creating charts and spreadsheets of patent information. The focus of our firm has always been prosecuting patents and managing our client's intellectual property, which takes considerable time. With software to search patents electronically, our team has more time to analyse existing patents in depth and show clients where they face infringement, what minor adjustments may be required to avoid infringement, or how to get more licensing revenue by enforcing their existing patents.

"It's a fundamentally different approach," notes Lundberg. "It's the first time anyone has designed a process that searches by elimination, not inclusion." In other words, patent attorneys can create limitation descriptions in a metadata store, called Scope Concepts. ClaimBot® removes all claims that do not cover a target, allowing for more robust results. Initial min-

ing focuses on global concepts and subsequent mining focuses on local, or more specific, concepts. For a mid-size portfolio (i.e. 500 patents with 2,000 independent claims), this mining process generally takes just two to 10 minutes instead of the previous five to 25 attorney days for manual review.

While ClaimBot® allows our firm to complete mapping and mining in a few hours, instead of days or weeks, it does require substantial work up front. First, we need to enter and categorise all of a client's patents, so that the software has data to analyse. It's a challenge at the beginning, but once the data has been entered, our clients can have incredibly accurate results, in record time. "The map allows them to see the breadth of the view of their portfolio," said Kalis. "It gives them an aggregate image that is simple to follow.

"We're able to deliver results in the way a client wants, index with keywords for incredible searchability, and develop Scope Concepts. We offer our clients a map they can hang on their wall, a visual aid that shows the large number of claims they have and what those claims cover," adds Kalis.

"It's a tool that gives our clients a significant edge over others in their marketplace," said Lundberg. ClaimBot®, he says, works for companies trying to understand their own patents and what patents their competition holds. "It makes us better, faster, less expensive," claims Sinha. "It has immediately and effectively reduced our clients' costs, while improving claim exploration accuracy." Sinha stresses: "This software is still evolving, and that's what's so exciting ... we simply don't yet know all the practical applications."

Currently, ClaimBot® can help clients in the following areas: IP development, prosecution support, annuity payment decisions, patent

licensing, IP due diligence and product development. In addition to compiling client-specific information, there are plans to map specific industries, including standards-related technologies such as LTE, WiMax, bar coding, JPEG and MPEG, satellite digital broadcasts for cell phones, CPS and others. By specialising, we can help clients better understand the marketplace and how to use their patents more effectively. "We want to close the gap between what clients have and what they think they have," says Lundberg.

WE'RE ABLE TO DELIVER RESULTS IN THE WAY A CLIENT WANTS, INDEX WITH KEYWORDS FOR INCREDIBLE SEARCHABILITY, AND DEVELOP SCOPE CONCEPTS.

Another area where ClaimBot® purports to assist clients is by scanning Patent Asserters. "As we become a central repository for Patent Asserter information, clients can turn to us for help avoiding patent infringement with the companies most likely to sue."

ClaimBot®'s first major test came when a client approached them for advice prior to entering the WiMax marketplace, he says. "We helped this client understand the major players in the marketplace, their technical spaces and separate technology areas, easily sharing data between our Minneapolis and Phoenix offices. Since experiencing positive results on the WiMax project, we've utilised ClaimBot®

by working with a number of other high-tech organisations.

“We felt like private detectives finding all these clues, receiving an unprecedentedly positive reaction from the financial community,” Kalis claims. “We’re hearing a lot of ‘wows’, especially from the financial community, and that hasn’t happened before.

“Our firm is keen to see how the landscape of patent mining and mapping will evolve. If initial results are any indication of the future, we

feel confident about saying that clients utilising this technology will find themselves days or weeks ahead of their competition—and in a much better position to understand and enforce their patents. And in today’s world, better enforcement and quicker action are the keys to financial success,” Kalis says.

Steven W. Lundberg is president of Schwegman, Lundberg & Woessner. He can be contacted on +1 612 373 6902 or wipr08@slwip.com.

Key benefits of ClaimBot®

By Lars Svensson

President, Lucid Patent, LLC

In addition to saving time, eliminating repeated searches and allowing for more extensive analysis by our mapping and mining experts, ClaimBot® offers the following IP portfolio management benefits:

- **Visibility.** Many organisations can’t readily answer the question: “What is the claims coverage of our patent portfolio?” Although this information is available in the patent documents, this answer is not enough. Those who need this information do not normally have the time or the skill to peruse patents and gain the knowledge needed to leverage the patent portfolio’s claim coverage. Product management, engineering and R&D need easy access to this information. Then they can use it to decide which new patent applications will support the organisation’s strategy. ClaimBot® makes portfolio claim coverage visible and accessible to stakeholders by mapping, mining and reporting.

- **Planning and defence.** Creating a portfolio with strong claim coverage is about prosecuting the right applications. This is achieved by involving cross-functional teams to review the organisation’s current portfolio, product roadmap, competitive landscape, science trends and directions, and the general strategy of the organisation. This joint review leads to better decisions about which disclosures will be prosecuted, which should be covered through licensing or which should be ignored. ClaimBot® simplifies this practice through its reporting, and mapping and mining features. For strategic planning, ClaimBot® allows users to review and report on maps of competitors’ patent/application portfolios. This knowledge is valuable when building product roadmaps and for deducing competitors’ strategic directions.

- **Armed neutrality.** Some organisations have significant patent holdings but don’t have a licensing programme in place for capitalising on the portfolio’s value. In these cases, patents may be held as a negotiation tool should someone decide to aggressively enforce its IP against the holder of an ‘idle’ portfolio. With ClaimBot®, internally held patent claims that cover the scope of their opponent’s claim can be quickly located. That can help the ClaimBot® user move the discussion from litigation to negotiation. ClaimBot® can quickly mine claims that may have coverage on the opponent’s products or services. The preceding strategy is only recommended in a situation where the opponent has significant intellectual property. This defensive strategy will not normally be successful in the case of a Patent Asserter since the Asserter will not possess enough total intellectual property.

- **Aggressive enforcement and M/A.** Finding patent claims that have coverage on a particular target (idea, product, technology) within a given portfolio is of high importance in portfolio management. Previous methods for finding claims and reviewing them for coverage are costly and slow and, for that reason, have limited use. A portfolio can be aggressively leveraged only when claim coverage data are readily available. This general statement is true whether the objective is to establish freedom to operate, to license, to offensively enforce, to develop knowledge strength for cross-licensing deals or litigation or negotiations, to review the claim coverage of a portfolio for a merger or acquisition, or to satisfy a need to protect one’s own products. ClaimBot® quickly focuses claim coverage questions on the truly applicable claims, which gives the ability to quickly and repeatedly answer all claim coverage questions.

Schwegman, Lundberg & Woessner, P.A. protects and manages the ideas that fuel the world economy. Ranked first in overall patent quality by PatentRankings, LLC for three years in a row, with top 10 rankings in chemical, biotech, computers/electrical, and medical patents, the firm has more than 80 attorneys.



Micheal L. Schwegman

Micheal L. Schwegman is a registered patent attorney and founding partner. Practice focus: Computer hardware and software, networks and communications, medical devices and mechanical systems.



Steven W. Lundberg

Steven W. Lundberg is a registered patent attorney and founding partner. Practice focus: Software, medical and telecommunications technology, and related opinion and licensing matters.



Warren D. Woessner

Warren D. Woessner is a registered patent attorney and founding shareholder. Practice focus: Chemical patent law, biotechnology, pharmaceuticals, vaccines, medical treatments, diagnostics, biofuels and agricultural chemistry.

Lars O.H. Svensson

Lars O.H. Svensson has a MS in Physics, and is president of Lucid Patent, LLC, marketer of ClaimBot®. He is a certified leadership consultant using the Klingborg concept and supported SLW during the development of its mapping and mining practice.

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THE HOLY GRAIL OF INTELLECTUAL PROPERTY AWARENESS

Christophe Sevrain outlines the fundamental issues behind the development of a successful IP portal to search for IP quickly and efficiently online.

For more than 20 years, I have been licensing technologies from universities, national laboratories, corporate research groups and other research institutions to complement my own patent portfolio. The original purpose was to increase the value of my start-ups by strengthening their intellectual property, reducing the time-to-revenues, partnering with top-notch researchers, and lowering the overall business risk. Later, I created a consulting firm to help other corporations grow at much higher rates, using breakthrough strategies and a strong focus on plan execution, and to allow clients to benefit from that experience in intellectual property licensing and technology commercialisation.

Finding intellectual property (IP) was very tedious 20 years ago, and it still is today. Websites such as Google Patents or Delphion only list published IP, so if you are looking for early stage patents in order to influence their prosecution, you will not find them there. In addition, there is no way to know from these listings whether they are available for licensing and, if so, in which fields of use they might be and who

to contact for more information. In addition, patents are not easy to read as they are written in highly legalistic language, and potential licensees—often business executives, business development or product development professionals, and less often attorneys or PhDs—may not be inclined to read many such documents.

Other websites, such as academic institutions' websites, are a lot more helpful in providing that type of information on their websites. Unfortunately, in order to undertake a thorough search, each such research institution needs to be visited, since each only lists its own IP. Due to the sheer number of them, unless they are at the top of the searcher's mind, they will be omitted. To make matters worse, searchers need to learn each site's navigation, enter keywords and request alerts (if available) on each and every website. Finally, these sites are all handled differently in terms of update frequency, searching methods, IP groupings, and whether confidential IP is listed or not, and so forth.

So, what is the solution that would make searchers find IP quickly and efficiently, by the

type they are looking for, rather than by the institution? The answer is one that would generate collaboration with universities, while giving universities global visibility regardless of their size, and more value for their IP through multiple biddings and multi-field of use licences. Since I have been searching IP for many years from many places, I have developed a list of the key features a portal should have in order to be successful. In fact, I have filed international patents on both the business process and all these features. It would have been embarrassing not to patent a concept to market patents.

Features of a successful IP portal

1. It should be a convenient, easy-to-use, online location to provide a central depository for published as well as unpublished IP, with worldwide visibility 24/7.
2. Such a portal should allow the patent holder to list confidential as well as non-confidential information. Indeed, more and more, licensees are looking for pre-issued, pre-published IP so that they can influence the prosecution of the patents. In fact, if aca-

VOLUME IS EVERYTHING, AND NO SITE WILL BE SUCCESSFUL UNTIL IT HAS SUFFICIENT IP TO GENERATE THOUSANDS OF VISITORS PER MONTH

demia could license IP as early as the provisional stage, it would potentially allow them to license it before incurring significant legal costs. A high return on investment (ROI) is easier to achieve when the 'I' is small. I can't remember how many times I have facilitated such early licensing agreements, but these are more common than most people think. Ideally, the patent holders would have the choice to require the execution of a very rigorous online non-disclosure agreement (NDA) for the IP that they consider too sensitive to be made public. Yet, it would be viewable after that strict NDA was agreed to, which is nothing more than the click of a mouse. This convenience and speed would please many licensees.

3. Of course, such a portal would need to be a powerful source of qualified leads for the patent holders, and it needs to provide an area on the website where said patent holders can view who has signed the NDA on which piece of IP, and even who has looked at each listed IP. Armed with that information, these leads can be followed and contacted, whether they are from South Korea, Germany or the US.

4. It would require short, easy-to-understand invention descriptions, including what is innovative and different for that particular piece of IP, and it should provide application examples to make it easy for individuals who may not be patent attorneys to understand it.

5. Most patents are initially available for all fields of use, unless limited by the claims themselves. One of the key trends in the industry is the increased interest in licensing technologies in several non-overlapping fields of use. Even Fortune 100 companies in the US are looking for the generation of revenues from their intellectual property assets in markets that are outside their core businesses. It would therefore be important for an IP portal to provide a simple disclosure

of available fields of use, to make it easier to license IP in multiple fields of use.

6. The ideal portal would increase the chance of having good hits, on both sides. The potential licensees would find the type of patents that they are looking for, while the potential licensors would get good leads. So, the IP depository would use powerful search mechanisms to optimise the quality of the matches. It would search through available fields of use declared by the patent holders, the IP descriptions, as well as uploaded materials in any format: Word, PDF, PowerPoint files, and so on.

7. Timing is everything. For instance, what if you look for IP in January, but someone lists in February IP that would interest you? How do patent holders 'fish' past visitors still looking for that perfect invention? It is critical that each searcher has the ability to save their searches indefinitely and receive alerts via emails or other means when a new piece of IP is identified that fits their search criteria. This brings the searcher back onto the website, which can only help the potential licensors of technologies.

8. Who has time to enter hundreds or even thousands of pieces of IP one by one on any portal? Although it should be easy for a single inventor to enter their own information in five to 10 minutes, the uploading of dozens or hundreds of patents should be automated. Large patent holders either have a website, or database files, written in formats such as comma-separated value (CSV) or extensible markup language (XML) files. The IP holders should be able to provide such files to the portal operator and have that operator take it from there and upload it. Alternatively, such IP holders could allow the portal operator to 'crawl' their existing website and upload all their IP at once, using proprietary and secure software.

9. Ease of use must be an important component. If a searcher is not able to simply 'click' on a link to email the patent holder or to go to their website, then it will detract from the power of this website. Of course, the more standard contact information such as address, and telephone and fax numbers, should be easily available as well.

10. It must be cheap. Searchers should be able to search freely. Quality and reliability never comes completely free, and IP holders should have a choice to subscribe to such a service for an unlimited number of IP pieces, or to only pay a fee that would be

low enough to pass on to the licensee when the IP is licensed. This, along with the ability to terminate any listing at any time for any (or no) reasons whatsoever, should be another key to success for such a tool.

In conclusion, volume is everything, and no site will be successful until it has sufficient IP to generate thousands of visitors per month, visitors that keep coming back, and a large volume of IP listed at all times. To generate such a worldwide universal appeal, I believe that such a system should be web-based, technically very advanced yet easy to use, with features that make both the searching and the posting of IP a very simple, fast and inexpensive process.

Christophe J-P. Sevrain is chairman, e-IP LLC.
His website is at:
www.TechTransferOnline.com.



Christophe Sevrain

Christophe Sevrain has been a creator of new businesses for more than 20 years. He has years of experience leading companies, has access to the leading minds, and is experienced in raising working capital through strategic alliances.

Mr. Sevrain's latest interim general manager role was launching Delphi Medical Systems from no revenue, to approximately 400 employees and more than half a billion dollars in bookings in only 18 months. Prior to this, he was also a vice president of the IV Systems and Medical Products Division of Baxter International. His experience is wide-ranging as an interim general manager or functional manager of R&D or business development for a wide variety of companies. He has developed strategies for breakthrough processes, written strategic and business plans, acquired key technologies and businesses, and driven explosive growth for companies throughout the world. A native of Paris, France, Mr. Sevrain moved to the United States in 1981.

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MONITORING OPPORTUNITY IN AN IP PORTFOLIO

Sue Cullen explains the importance of being on top of the IP game with the right monitoring and analysis processes in place.

How to find out who is using your technology

In this day and age, it is imperative that every business understands what is happening in its market and what its competitors are doing. It is equally important for companies to look inward, to align their product development and R&D strategies with market opportunities, and drive their organisations to take advantage of emerging markets. Examining the position of your company's intellectual property (IP) portfolio in its competitive space provides a systematic way to do this. An IP citation review can identify the companies that are building on, or building around, your technology, can enable you to wield your portfolio effectively, gain advantage in your current markets, and glimpse new opportunities in adjacent markets.

When your patents or applications are cited on the application of another entity, it can be a sign that they are:

- (1) improving your technology
- (2) finding other ways to extract value from your technology
- (3) adjusting your technology to fit their specific needs
- (4) identifying different ways of solving the same problem
- (5) changing the game entirely so that the problem you solved is no longer relevant
- (6) acknowledging that they may need to license from you
- (7) being 'informed' by a patent examiner that they are potentially infringing on your rights

Though reasons for citation may vary, one way to begin finding opportunity and assessing risk is to study the citations of your own patent portfolio, and look at who is citing your documents, how often they are citing them, and what kinds of technology they are developing.

Regarding patent citations

Citations are a required part of patent prosecution. To argue for patentability, each patent applicant or examiner refers to work that has gone before in order to give a sense of the novelty of the invention being examined. Similarly, in rejecting applications, examiners may use references that show either lack of novelty or obviousness.

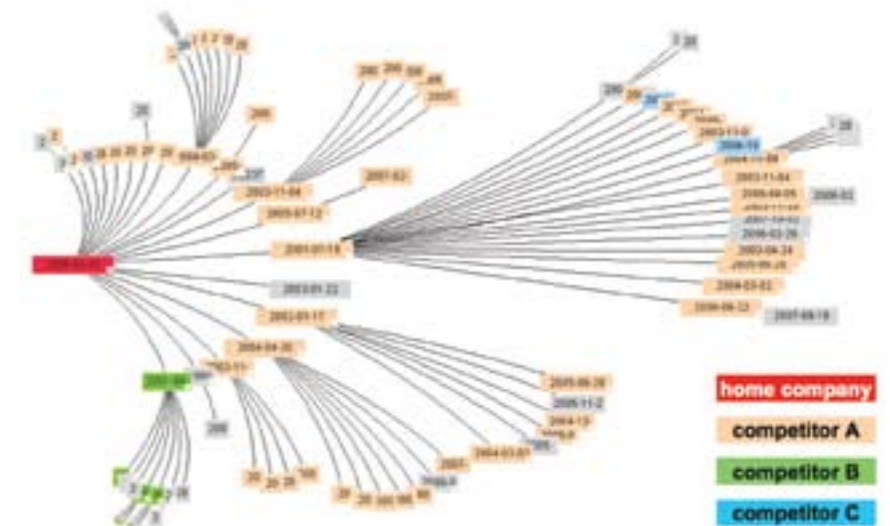
In a portfolio citation analysis, references can be conceptualised as links that join the present to the future. By looking at citation information through a variety of lenses such as ownership, technical area or use, it is possible to project how others are building on your technology to develop their own (see Figure 1).

Who's citing whom?

Two groups that may cite your patents or applications are other patent applicants or patent examiners. If another applicant cites your patent (as occurs in US practice), this is a voluntary citation where the applicant is essentially asserting that his invention is patentable over your earlier invention. In contrast, an examiner's reference is involuntary in the sense that it was not raised by the applicant. Examiner's references may either be simply for information or may actually challenge patentability.

In the European Patent Office and in WIPO (as well as in PCT and WO) examination offices, citations are entirely examiner-driven and published search reports from the examiners

Figure 1



Citation analysis shows how competitors are building on the core technology, giving a glimpse into the evolution of the original invention. This is an example of a Citation Tree built in Aureka, a Thomson Scientific product.

Figure 2 INTERNATIONAL SEARCH REPORT

International Application No PCT/US 01/		
A. CLASSIFICATION OF SUBJECT MATTER		
IPC 7 C09C3/10 C09C3/08	C09C1/56	
According to International Patent Classification (IPC) or to both national classification and IPC		
B. FIELDS SEARCHED		
Minimum documentation searched (classification system followed by classification symbols)		
IPC 7 C09C		
Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched		
Electronic data base consulted during the international search (name of data base and, where practical search terms used)		
EPO - Internal		
C. DOCUMENTS CONSIDERED TO BE RELEVANT		
Category *	Citation of document with indication, where appropriate, of the relevant passages	Relevant to Claim No.
X	WO 99 51 14 October 1999 (1999-10-14) claims 1-44	1-36
P, X	WO 00 05 3 February 2000 (2000-02-03) the whole document	1-39
A	US 5 6 20 May 1997 (1997-05-20) the whole document	1-36

X or Y references are the basis for initial examiner rejections and may represent "close" art.

give reasons for their references. In contrast, the United States Patent Office asks applicants to provide references along with the application. The examiner can supplement these and, since 2000, United States examiner references are differentiated from applicant references, but the reasons for the examiner's added references are not explained within the published document.

On an EP or WO search report, a reference coded 'X' or 'Y' is adverse, because it indicates a patentability challenge noted by an examiner. X or Y references are the basis for an initial examiner rejection and may identify very close art. The X notation challenges novelty. The Y notation indicates a reference that, when combined with one or more other references, suggests the application covers an obvious (non-inventive) matter (see Figure 2).

Segmenting your portfolio for downstream analysis

If you or your client have a small to medium-sized patent portfolio, it is recommended that you monitor all the patents and applications that are in it.

If your portfolio is large, it may be more practical to segment the portfolio so that more critical patents and applications can be selectively monitored. Some important portfolio segments may be patents or applications that cover:

- currently successful products
- potentially important new products in development
- technology you already license
- technology with licensing potential

If you first focus on monitoring citations to patents and applications in these four areas, you will be protecting your most valuable assets. Then, if resources permit, you can return to the rest of your portfolio for broader analysis.

Citations of your portfolio can be thought of as downstream analysis. Downstream citation analysis leverages examiner and applicant expertise to highlight what is happening in the technology area since the descriptions of your inventions were published. As you perform a downstream assessment, ask the following questions:

- Who is citing your technology?
- What kind of downstream technology are they developing?
- What is the amount and rate of activity?
- Which of your patents is most highly recognised?
- Can the closer downstream art be isolated by identifying adverse (X or Y) examiner references?

By answering these questions, you are gathering the information you need to make strategic decisions about R&D direction, collaboration to increase market, improving your value as a supplier, licensing opportunities, or enforcement. Without it, you could be missing important opportunities or be blindsided.

How to monitor citation portfolio-wide

For monitoring downstream citation, the citation tree is a high-impact visualisation tool that can be found on *Aureka* and *Thomson Innovation*, two Thomson Scientific products. Starting from a base document, the citation tree

tool can look backward or forward at the references linked to the base document through citation. The tree can include several generations of references, allowing you to get a view that emphasises both the players in the field and the directions they may be taking. The documents in the tree can be further probed by searching (e.g. claims), and documents of interest can be colour-coded to call attention to aspects most meaningful to you.

While citation trees start from a single document, *Aureka* citation reporting covers many documents, even a whole portfolio, and gives you an aggregated view that summarises the downstream (or upstream) collections. You can also create reports that identify highly cited documents, and single out those documents worthy of exploration through the citation tree tool (see Figure 3). For analysis of large document sets, the information on the citing (or cited) references may be exported into a tool such as Microsoft Excel®, where systematic analysis that addresses your specific questions may be carried out.

After you have a clear idea of your current downstream picture, you can keep your monitoring evergreen by setting up alerts that will automatically notify you whenever one of your essential patents is cited. Alerts are easily set to check for new citations and can ensure that you are informed early enough to take action if required (see Figure 4). The *Aureka* and *Thomson Innovation* products from Thomson Scientific include simple-to-execute means for setting up citation alerts.

Example for use of citation analysis—industrial standards

Industrial standards are specifications that are agreed upon by producers or imposed by the government to assure interoperability and/or safe and effective functionality in a particular technology. Intellectual property protects the technology required to meet industrial stan-

IF YOUR PORTFOLIO IS LARGE, IT MAY BE MORE PRACTICAL TO SEGMENT THE PORTFOLIO SO THAT MORE CRITICAL PATENTS AND APPLICATIONS CAN BE SELECTIVELY MONITORED.

Figure 3 Basic Report: Forward Citation Frequency For Most Cited Documents

Document ID	Assignee	Cited by	Percentage
W020		18	19.2%
W020		17	18.1%
U866		7	7.5%
U867		7	7.5%
EP11		7	7.5%
U866		5	5.3%
W020		5	5.3%
U866		4	4.3%
U870		3	3.2%
EP13		3	3.2%
U867		3	3.2%
EP13		3	3.2%
W020		2	2.1%
EP13		2	2.1%
U869		1	1.1%
Number of citations in Top 15 documents		87	
Total number of citations		94	
Number of documents after filter		64	
Total number of documents in group		65	

A Citation Report from *Aureka*, a Thomson Scientific product, summarises visually the most cited documents in the Citation Tree (in Figure 1).

dards and, in large markets, is often widely licensed. When there are multiple holders of IP covering aspects of the same industrial standard, cross-licensing is often a solution and may be facilitated by Industrial Standards Groups (ISGs).

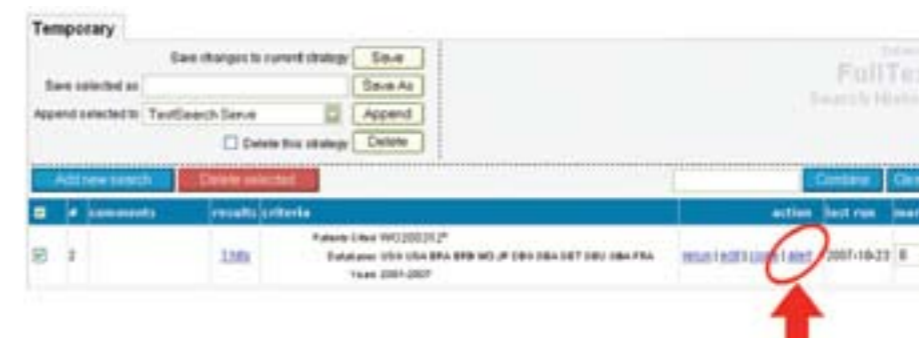
Citation analysis of technologies that contribute to a particular industrial standard can help to identify key patents and determine whether or not a company should join an ISG that facilitates development in that technical area by encouraging cross-licensing. For companies participating in the technical area, there may be two choices: join the ISG and benefit from licensing opportunities, or remain separate from the group and out-license your technology separately. Looking at patent citations can

help a company make the right choice. The members of a standards group will typically have high cross-citation. An outlier company X may have a technology cited by the ISG members, but it may or may not need to cite them. If company X cites the ISG members often, then it may benefit from joining the group. If company X does not cite the ISG members, it may not need to join and, instead, could benefit more from an independent licensing programme.

Analyse your citation data

It is imperative that organisations know who is citing them and why. Such analysis can provide insight into competitor activity, identify potential partners, and help you protect your

Figure 4



Thomson Scientific has a user-friendly way of setting up alerts to monitor when an important source document is cited.

IP portfolio. Doing citation analysis is an important IP analytic method to add to your company's repertoire. To learn more about this type of analysis, Thomson also can connect you with experts who can be engaged to assist you by doing your first analysis and modelling best practice that your own staff can emulate.

Susan E. Cullen, Ph.D. is Thomson Scientific Professional Services Consulting practice director. Thomson Scientific can be found at: scientific.thomson.com.



Susan E. Cullen

Susan E. Cullen, Ph.D., is director of the IP consulting practice at Thomson Scientific Professional Services.

Dr. Cullen led a research group for 18 years, and has 10 years of IP management experience, including directing a licensing office and participating in the redesign of IP practices at Monsanto/Pharmacia. Since 2000, she has worked as a consultant in IP analysis, and aims to help make people and companies successful through effective IP management. She develops methodology for extracting competitive and technical intelligence from IP, gives advanced training for users of Thomson analytical tools and provides customised consulting for clients of Thomson. Her consulting clients have included more than 80 companies in industries as diverse as semi-conductors, oil drilling, heavy machinery and automotive, energy, consumer goods, foods, optical equipment, medical devices, printing and digital security.

Dr. Cullen has a Ph.D. in Microbiology from Albert Einstein College of Medicine, a B.S. in Chemistry, and is a registered US patent agent. She is also an Adjunct Full Professor at Washington University in St. Louis.



ACHIEVING HIGH-QUALITY PATENTS

LexisNexis intellectual property expert Peter Vanderheyden explains the importance of full-text search when protecting valuable IP assets.

A recent survey by LexisNexis revealed that 90 percent of legal professionals agree that not being able to access the right information at the right time is a huge waste of time.

Furthermore, 97 percent of legal professionals believe a research tool that returns the most comprehensive results is important.

Finding the exact data needed is especially important in the world of intellectual property. Research has always been key when it comes to developing, maintaining and protecting intellectual property. However, the world is smaller and more immediately engaged as the economy and competition have become global.

There used to be a finite number of available electronic resources for patent prior art searching. Now, patent and non-patent prior art is readily available across the Internet, and includes seminars, journals, product manuals, newspapers, etc.—any and every form of communication needs to be checked.

The challenge is twofold. First, the determination must be made if the sources being searched are the most appropriate sources. Second, once the most relevant sources have been selected, each source must be searched effectively by checking all details included in the source data.

Of course, in the patent space 'close' is not good enough; it's all about finding the needle in the haystack. Importantly, the search must include the most comprehensive field of haystacks.

That's why full-text searching is so critical. Full-text searching provides the ability to evaluate the entire text of a patent or other forms of prior art. Searching just the abstracts or relying on indexes isn't sufficient and can be costly.

Abstracts and index databases of patents and scientific journal articles describe inventions about as well as the description on the back of a book tells the whole story—it's not judging a book by its cover. The devil is in the details, no more so than in the patent world where details matter. When the relevance of prior art can hinge on a single word, every word matters.

Details—the ones that could make or break a patent application—are not likely to be listed in the abstract of a patent application or even a proprietary abstract. Solid patent applications typically have a cursory description in the abstract, with claims available only in the full text.

Journal abstracts can provide a general idea of a technology, compound or process, but they rarely include patentable details regarding the novelty or application of the subject art. Even if they did include some level of this detail, they are highly unlikely to cover sufficient information to allow 'someone of average skill in the art' to create or replicate the subject technology.

Patent abstracts from the actual patent—as well as proprietary patent abstracts—have their limitations. Primary among them is the length

FULL-TEXT SEARCHING CAN DISCLOSE THE MANY NUANCES OF THE TECHNOLOGY OR ITS APPLICATION THAT CANNOT ADEQUATELY BE COVERED IN AN ABSTRACT OR SUMMARY.



of the abstract. By definition, it is an abbreviation of the document and, thus, meaningful words are not included. In the case of US patent abstracts, there is a constraining size limit, which dramatically restricts detailed coverage.

In the case of proprietary abstracts, there are three challenges. First, the abstract is one individual's interpretation of the technology. It is highly likely that the writer, no matter how good, will miss some nuance of the technology that could be important to the search. Second, proprietary abstracts are prohibitively expensive to use and, thus, access to them is typically limited within a law firm or corporate enterprise, and nearly inaccessible to the small enterprise or individual inventor. Finally, proprietary abstract and index systems require extensive search training and expertise that few people have or can afford to acquire. Without deep experience with these systems, they are fraught with error and can potentially provide the user with a false sense of security.

Furthermore, relying on the indexing systems of patent grants and applications is an inadequate way of conducting prior art research. Indexing methods, both human and machine, are neither error-free nor uniformly precise. That's not to say that using indexing methods is not helpful in the search process; they can help narrow a search or give general insight into a technology area. However, relying on indexing alone as a primary limiter is not a suf-

ficient means of conducting a prior art search for a specific patentable technology or claim.

The US Patent and Trademark Office (USPTO) classification system is a good example. The classification system is robust and does a good job in segmenting technology to allow a general view of patents by technology. But even this complex, robust classification system comes with limitations.

For example, a patent applicant may plan to file a patent on a new boot technology—the sole of a hiking boot. In researching prior art, the filing attorney may limit their search to the USPTO class that covers boots. However, the sole of the boot may be made of a compound that can be used in other applications—like a rubber compound that is used in the production of automobile tires and perhaps has been disclosed as a traction-enhancing compound in a prior patent. Searching by just the class (index) with keywords may eliminate this use, and therefore a lot of time and effort could be wasted and risk incurred by this limited evaluation. Expanding the search to include all patent abstracts would also likely miss this prior art.

To further complicate matters, some form of rules change could still be implemented by the USPTO. In addition, patent reform legislation continues to work its way through the US Congress (at the time of this article being written). Regardless of what legislative or rules changes that are eventually put into effect, it is highly

THE BOTTOM LINE IS THIS: THE WHOLE REASON TO DO A PRIOR ART SEARCH IS TO FIND A POTENTIALLY SMALL, SINGLE ELEMENT WITHIN THE PRIOR ART THAT COULD MAKE OR BREAK AN APPLICATION OR HELP INVALIDATE A COMPETITIVE PATENT.

likely that identifying prior art and linking that prior art to a specific claim will become more of a burden for the applicant or examiner or both. Additionally, it may be up to the applicant to explain how the claim is unique in relation to the prior art.

Accordingly, the importance of full-text searching will only increase in necessity.

The patent world realizes this and is more interested than ever in full-text searching. Since the onset of patent information on the Internet in the mid-1990s, when access to abstracts and bibliographic information was a valuable novelty, the ability to search the entire patent document became a reality and a necessity. The abstracts—once considered "good enough" in conducting patent research—have become more and more commoditized.

Full-text searching is, quite simply, the most robust, important method of research in the intellectual property world.

Full-text searching includes the patent elements in the broader context of the invention or the article, so the reader can understand the full implications of the technology, process, and/or steps of the invention as they were expressed by the inventor.

The benefits of full-text searching are numerous. For example, all claims can be uncovered, not just the main claim that might be summarised in the abstract. Of paramount importance in prior art searching are the examples included in the patent; these examples are only found within the complete text of the application.

Timeliness is another key benefit. Abstracts and indexes databases take time to compile, whereas full-text searching is often available within days of publication. For attorneys with little time to oppose an application, the time is not there to wait for the abstract or indexing to become available.

Full-text searching is the only solution for attorneys to construct bullet-proof patent applications. Because every word is indexed, it is possible to find obscure terms or phrases that could be the key to ensuring prior art is discovered.

Full-text searching can disclose the many nuances of the technology or its application that cannot adequately be covered in an abstract or summary. Finding data included in tables, formulae and other graphics is only possible with full-text searching capabilities. It's the details and specific language of a claim and/or prior art that eventually may determine the validity of a patent. At this level, even a single word change can make all the difference.

As information becomes more global, ensuring a patent is defensible internationally is increasingly important. Full-text searching allows searching in the original language, eliminating 'lost in translation' errors. In order to search patent databases globally, patent attorneys must have access to full-text patents across the globe.

LexisNexis® offers a suite of intellectual property solutions that include access to both patent and non-patent prior art, including *lexis.com*®, PatentOptimizer™, and TotalPatent™ solution offerings. The TotalPatent service has the broadest collection of full-text patents available today. TotalPatent customers have access to 22 full-text databases—virtually all the major patent authorities around the globe—in order to view and search the claims that make an invention patentable.

Additionally, a robust collection of bibliographic information with images, citations, legal status, and patent family collections all in one place ensures patent attorneys are comprehensively searching patent prior art. Further, full-text searches into non-patent literature can be launched directly from the full text within PatentOptimizer or TotalPatent, or can be accessed directly through *lexis.com*.

The bottom line is this: the whole reason to do a prior art search is to find a potentially small, single element within the prior art that could make or break an application or help invalidate a competitive patent. It is not about looking for a pile of documents to print and read. It's the proverbial search for the needle in the haystack...but if there is only access to a hand-

ful of hay, the efficacy of the search is greatly compromised and risk can be increased.

LexisNexis can be found at www.lexisnexis.com.



Peter J. Vanderheyden

Peter Vanderheyden, vice president of Global Intellectual Property for LexisNexis, brings more than twenty-five years of leadership in the industry. In his role, Mr. Vanderheyden is responsible for the growth and development strategy of LexisNexis services and solutions for intellectual property professionals.

With a proven track record of translating customer needs into successful businesses, Mr. Vanderheyden integrates business planning, marketplace needs, teams and technology to consistently deliver innovative strategies and customer-focused solutions.

Prior to LexisNexis, Mr. Vanderheyden held a number of leadership positions in the industry including vice president of marketing and business development for IP.com and consulting engagements helping companies develop strategic business plans for both "start-up" and product re-launched businesses.

Mr. Vanderheyden spent more than 16 years with IBM in a variety of executive positions including financial leadership of a trading area and as a solutions development executive. During this time, he founded the Delphion Company as a spin-off from IBM focusing on an innovative and efficient method for researching intellectual property information.

He is a published author of journal articles and has spoken at industry conferences on intellectual property. Mr. Vanderheyden holds a Bachelor of Science degree in business from the University of Minnesota.



E-INVOICING: CONTROLLING YOUR IP SPEND

Domenic Leo provides a guide to e-invoicing and spend management to gain control of costs associated with IP assets.

In the demanding world of intellectual property, corporate IP professionals often overlook an important business aspect of operations: How much does it really cost to develop, protect and cultivate your portfolio?

Some industries, such as technology and pharmaceutical, can readily trace a return on investment. Consumer product firms can reference branding efforts and the income produced from products to add value to their IP portfolio. However, to fully understand the costs associated with IP spend, analysis must extend beyond these traditional measures.

Spend management, the practice of accessing metrics surrounding legal costs and leveraging that information to reduce costs, has been

THE PRIMARY BENEFITS OF E-INVOICING FOR LAW FIRMS INCLUDE INCREASED ACCURACY OF BILLING INFORMATION AND A QUICKER TURNAROUND IN INVOICE PAYMENT.



generally overlooked in the IP world. However, as C-level executives take an even more avid interest in company-wide financial performance and expenditures, professionals from most corporate environments agree that there is a need to explore technology that supports spend management.

Successful legal spend management relies on a variety of factors. Most importantly, it hinges on the first fundamental step: converting paper invoices from outside counsel and agents into an electronic format. This article will focus on the benefits of e-invoicing and the technology you can use to accomplish true IP spend transparency.

Tracking IP Spend

Tracking costs relating to IP has been, traditionally, a challenging process. Developing an efficient method to gather and accumulate this information has proven to be difficult based on the variability and globalisation of IP portfolios. Priority filings for patents or trademarks are often complicated, expensive and time-consuming.

The worldwide filings of one trademark or patent can cost hundreds of thousands of dollars, spent in more than 100 jurisdictions over a span of years. By factoring in different languages, subject matter complexities and administrative obligations, it is easy to see that tracking IP cost is difficult.

Starting with Standards

A critical component of successful e-invoicing relies on the metadata that populates each invoice line. IP e-invoice systems work best when there is accurate and consistent coding.

The absence (until recently) of industry standards for legal billing codes had led many law departments to create their own codes. This presented a major challenge to law firms and agents. Law firms and agents often need to use

different code sets for each client. It is almost as if they need to speak a different language for each client. If IP departments, law firms and agents used the same codes, it would be easier to track IP spend and consistently report on the data.

Fortunately, the Legal Electronic Data Exchange Standard (LEDES), a not-for-profit organisation charged with creating and maintaining open standard formats for the electronic exchange of legal billing and information, ratified intellectual property code sets for billing related to patent and trademark expenses in July of 2007. It is the first of its kind for IP and provides legal professionals with standard, industry-endorsed IP billing description codes that promise to simplify law firm and corpo-

IT IS IMPORTANT TO NOTE THAT A MAJOR CHALLENGE OF INTRODUCING E-INVOICING IS EDUCATING YOUR LAW FIRMS AND AGENTS ON THE BENEFITS AND HELPING THEM CONVERT TO BILLING ELECTRONICALLY. AS WITH ANY TECHNOLOGY, HABITS MUST BE CHANGED FOR THE PROCESS TO BE SUCCESSFUL.

rate legal department billing processes. Visit www.ledes.org to view the industry-endorsed IP billing code set.

The Basics

E-invoicing and legal spend management technology has flourished in corporate law departments throughout the past decade. However, e-invoicing and spend management for IP differs greatly from a general legal/litigation-based environment.

The preparation, prosecution and maintenance of IP involve a very different process than that of litigation. For every firm advising a company on a legal or litigation-related function, there is an average of eight firms doing the same for IP. The management of intellectual property includes more matters and firms, and a larger geographical spread.

Since IP e-invoicing is a relatively new practice, many lawyers perceive invoices as simply being a process of payment for legal services rendered. Fundamentally, this is true. But practically speaking, this is akin to seeing only a grain of sand when you visit the beach.

Collectively, invoices have valuable information stored in their line items—from rates to hours to work descriptions—all related to work performed on your IP portfolio. Compiling and analysing this data provides important information not only on how your department's resources are expended, but also on how your patent or trademark agents and outside counsel are performing for you.

In order to examine the costs associated with assets effectively, e-invoices must be accurate and provide information for cost/benefit analysis. For example, the data gleaned from e-invoices can help identify if the preparation of patent filings costs more for one type of innovation within the company than others.

A good e-invoicing system will automatically check e-invoice data upon submission, validate it against existing corporate billing guidelines, flag any errors, and deliver it to the first person in the approval workflow based on invoice matter and content. It is also capable of processing invoices in multiple currencies—a very important factor for IP portfolios. It then shepherds the e-invoice through the entire workflow process and can deliver the final approved product to accounts payable.

It is important to note that a major challenge of introducing e-invoicing is educating your law firms and agents on the benefits and helping them convert to billing electronically. As with

any technology, habits must be changed for the process to be successful.

The primary benefits of e-invoicing for law firms include increased accuracy of billing information and a quicker turnaround in invoice payment. Bills will not get lost in the approval process and, with less human error involved, the billing information stays intact and error-free. Additionally, many e-invoicing solutions allow law firms and agents to follow the status of their invoice online. Now, instead of having to call a corporate client for an invoice's status, a law firm or agent can quickly gather that information by going online.

A good e-invoicing and legal spend management provider will work directly with the law firms and agents to ensure that they are educated on the process and can submit e-invoices through its system. Other providers take this one step further. For example, DataCert not only shoulders the entire law firm and agent e-invoicing conversion process, but it also regularly holds workshops for both corporate customers, law firms and agents to gather user feedback and share product feature updates.

Reporting

In addition to eliminating the paper shuffle and decreasing the time to approve and pay invoices, e-invoices can yield fascinating information on the spend surrounding IP portfolios, including what type of costs the company wants to incur to protect and cultivate its IP assets.

“The real advantage in e-invoicing is that it allows you to take the expenses and associate

them with the individual cases,” shares David Hoiriis, chief intellectual property counsel for Honeywell International.¹ “Honeywell has about 25,000 patent files at any point in time. Associating expenses directly with those cases and using consistent methodology to code them enhances our capabilities for expense control and processing.”

Detail-specific reporting leveraged from e-invoicing activity can provide financial, operational and firm transaction data such as invoice charges, hours billed, docket budgets and general legal spend parameters. Foreign filing designations are also available so that IP departments can adjust their portfolio based on their cost analysis from jurisdiction to jurisdiction. These types of analytics help IP practitioners provide information to support the value of their work to management and peers.

Conclusion

Tracking the costs associated with IP spend does not have to be an arduous task. The proper e-invoicing and legal spend management solution will not only automate the process of invoice workflow, approval and payment, but more importantly, furnish analytics based on past spending that help you determine the value of your IP portfolio.

Domenic Leo is general manager of intellectual property solutions. He can be contacted at domenic.leo@datacert.com.

Honeywell: An E-Invoicing Success Story

David Hoiriis, chief intellectual property counsel for Honeywell International Inc., recently shared his company's experience with an e-invoicing initiative.¹ He stated: “In a large, multinational company like Honeywell, the elimination of paper becomes a significant issue, because we have to move paper place to place to be reviewed, approved, processed and stored.”

Hoiriis continued by identifying his three goals for e-invoicing:

- Reduction in low-priority/administrative billing activities such as handling mail or copying invoices
- Elimination of billing errors and delays resulting from paper invoice processing
- Ability to use the data within the e-invoices

to effectively manage expenses and aid long-term, strategic decision-making.

After implementing his e-invoicing and IP spend management solution, Hoiriis shared that his department is successfully processing close to 1,000 e-invoices a month.

“Before implementing our IP e-billing solution, we would tackle big numbers without having a lot of time to address smaller amounts,” he said. “Our IP e-billing solution has enabled us to address many concerns quickly. We are able to get a clearer picture of our expenses.”

¹ “Implementing an IP E-Billing Solution Achieves Real Business Benefits”, *Metropolitan Corporate Counsel*, vol. 15, no. 1 (January 2007).

A GOOD E-INVOICING AND LEGAL SPEND MANAGEMENT PROVIDER WILL WORK DIRECTLY WITH THE LAW FIRMS AND AGENTS TO ENSURE THAT THEY ARE EDUCATED ON THE PROCESS AND CAN SUBMIT E-INVOICES THROUGH ITS SYSTEM.



Domenic Leo

Domenic Leo, DataCert's general manager of intellectual property solutions, is a respected thought-leader in the intellectual property (IP) and legal fields, with more than 20 years of experience. Leo previously served in senior management roles at Thomson MDC, a unit of Thomson Scientific & Healthcare. As vice president of professional services and best practices, he worked with Global 1000 corporations such as AT&T, ExxonMobil, Honeywell, and Nike.

He is an attorney and member of the American and Michigan Bar Association and serves as chair of the Intellectual Property Workgroup for the Uniform Task Based Management System (UTBMS). He is co-chair of the American Intellectual Property Law Association's (AIPLA) IP Assets Subcommittee for Cost Management. Leo earned a Bachelor's degree in political science and public administration from Oakland University and a juris doctorate from the Detroit College of Law (now Michigan State University).



PROTECTING THE 2012 GAMES

Declan Cushley explains the complexities underlying copyright protection in respect of the 2012 London Olympics.

Staging the Olympics Games doesn't come cheap. Estimates put the cost of the 2012 Olympics at £2 billion (\$3.89 billion). The Games give companies the opportunity to promote their brands to a potential worldwide audience, as well as the chance to benefit from being associated with the event. For sports events organisers, whose aim is to maximise the generation of income, corporate sponsorship is one of the most lucrative sources of revenue, together with broadcasting rights, merchandising and ticket sales.

According to Lord Coe, up to 10 so-called 'tier one' sponsorship partners will be appointed from the telecommunications, car, airline and utility/fuel industries, which should raise between £400 million and £500 million. Since June 2007, when Browne Jacobson held its roundtable debate on the London Olympic Games and Paralympic Games with attendees from Camelot, BP and London 2012, Deloitte has joined EDF Energy, Lloyds and Adidas as UK partners. In response to this rapid growth in corporate interest, the authorities have increasingly turned to legislation to protect one of their most valuable assets—the official corporate sponsor—against some of the chaos that has ensued at previous games.

At the 1992 Barcelona Olympics, for instance, official sponsors, including Reebok, paid \$700 million. When the US basketball team won gold, Nike sponsored the press conference, and when Michael Jordan accepted his gold, he covered up the Reebok logo on his kit.

The 1996 Atlanta Games saw an all-out battle ensue between official and unofficial sponsors. Nike, which was not connected with the Games, covered the City's billboards with Nike advertisements and handed out free merchandise to spectators, infuriating and undermining official sponsor Reebok, which had paid for a multi-million dollar sponsorship contract.

Meanwhile, at the same event, Reebok—the official sponsors—were not best pleased when, at a press conference, the British 100 metres runner Linford Christie appeared wearing blue contact lenses with the highly recognisable Puma logo in white in the centre of each lens. The Puma logo lens received worldwide coverage and was front page of most international newspapers.

To protect the official sponsors, the 2000 Sydney Olympics saw the first example of legislation restricting the use of certain words in

ACCORDING TO THE DEPARTMENT FOR MEDIA, CULTURE AND SPORT, WHICH IS THE GOVERNMENT DEPARTMENT BEHIND THE LONDON OLYMPIC & PARALYMPIC GAMES ACT 2006 (THE ACT), ITS MAIN AIMS ARE TO REDUCE 'AMBUSH MARKETING', ELIMINATE STREET VENDING AND CONTROL ADVERTISING DURING THE GAMES.

one brand pays to sponsor an event and a rival brand attempts to associate itself with the event without being an official sponsor.

The Act deals with a range of diverse issues, from laying the statutory basis for the Olympic Delivery Authority to the Olympic Transport Plan. It also creates new civil and criminal offences, and imposes restrictions on advertisements, street trading and ticket touting in the vicinity of Olympic events.

However, it is the Act's introduction of the new London Olympic Association Right (LOAR), which has attracted the most attention. Large sections of the media and advertising industries have continually questioned whether the proposed legislation goes too far in giving what some see as draconian commercial rights to the London Organising Committee for the Olympic Games (LOCOG—London 2012) and its official sponsors, to the detriment of the media and British athletes. The Institute of Practitioners in Advertising (IPA) reports that it is "firmly of the belief that official sponsors do not require any additional protection and that IOC requirements are more than adequately complied with within existing UK law".

The Act also creates a new Paralympics Association Right, affording the Paralympic Games 2012 the same protection as that offered to the Olympics. It is designed to complement the Olympic Symbol Protection Act 1995 (OSPA), which creates the Olympic Association Right (OAR) and gives special protection to Olympic symbols and mottos. OSPA protects words such as Olympic, Olympiad and Olympians, together with the Olympic symbol of five interlocking rings. These protected emblems,

which are referred to in OSPA as "controlled representations", cannot be used in the course of trade if they are likely to suggest an association with the Olympic Games or the Olympic movement. It further prevents any organisation or individual from applying to register a mark incorporating a "controlled representation", unless the proprietor of the Olympic Association Right makes the application, or the application is made with its consent.

The OAR was granted to the British Olympic Association (BOA),¹ which holds the exclusive right to exploit controlled representations through merchandising and sponsorship arrangements. The Government and the BOA argued that a more robust LOAR was necessary because, historically, attempts by the BOA to enforce the OAR have not been particularly successful, due to well advised "unofficial sponsors" creating an association with the Olympics without specifically using any of the protected representations.

The new LOAR is a much broader right than the OAR and creates a new, specific and very effective form of intellectual property right, providing clear benefits to official sponsors. This, in turn, will help the IOC command higher sponsorship fees in the future. The London Olympic Games and Paralympics Games Act 2006 grants to London 2012 the London Olympic Association Right. It allows London 2012 to prevent people, without its authority, from:

"creating an association between a business, goods or services and the London 2012 Olympic Games and/or Paralympic Games, including by use of the Listed Expressions."

Olympics advertising. Now, the organisers behind the 2012 Games appear to have gone a step further.

According to the Department for Media, Culture and Sport, which is the government department behind the London Olympic & Paralympic Games Act 2006 (the Act), its main aims are to reduce 'ambush marketing', eliminate street vending and control advertising during the Games. Ambush marketing is usually where

Infringement of the LOAR



Infringement of the LOAR

The current Listed Expressions are:

Group A	Group B
Games	London
Two Thousand and Twelve	medals
2012	sponsors
Twenty-Twelve	summer
	Gold, Silver, Bronze

If two or more words in group A or any combination of words from Group A and B are used together, this will be an indication of infringement of the LOAR. However, it is important to remember that whether or not there has been an infringement of the LOAR, there will always be a question of fact and the Listed Expressions in the prescribed combinations only provide indications of infringement. One can certainly see situations in which the use of two words from Group B could be an infringement of the LOAR; for example, if a company in the run-up to the Summer of 2012 were to run an

advertisement along the lines: "Join us for a Summer of Medals".

All of these rights can be enforced by way of an injunction to prevent infringing activities, suing for damages and/or requiring account to London 2012 of the infringer's profits.

Both the OSPA and the Act grant exceptions for journalistic and editorial use. Both also allow for accurate statements of fact to be made, provided these are made in accordance with honest commercial practices and not made gratuitously for purely marketing purposes. Further, any business that has continually used the word 'Olympic' as part of its trading name since before 1995 will continue to be able to do so, for example, Olympic Fish & Chips.

Concerns remain that the Act may:

- Significantly impact all indirect marketing and sponsorship spend.
- Deter the hospitality and travel industries from effectively marketing London.
- Severely hamper the ability of UK Olympic Champions to 'cash in' on the 2012 Olympics through TV and media opportunities.

It remains to be seen how London 2012 will interpret and enforce the LOAR. In the media, it has presented a very bullish approach. Business will need to exercise extreme care, and one can only presume (on the part of LOCOG) that in the run-up to 2012, pragmatism and common sense will prevail, and the games will truly represent an opportunity for all.

¹ The right was granted by the Secretary of State under Section 1 (2) Olympic Symbol etc. (Protection) Act 1995

Declan Cushley is a partner with Midlands-based law firm Browne Jacobson. He can be reached at: dcushley@brownejacobson.com.



Declan Cushley

Declan Cushley joined the firm from Molson Coors in 2005, where he was European IP counsel. Before that he spent six years at Wragge & Co, during which time, he was seconded to the in-house team at British Airways and BP. He also spent some time working within the IP team of a leading New York law firm.

He has extensive experience in advising on major sponsorship agreements, brand management, infringements and licensing. He also works closely with the firm's corporate department on the IP and commercial issues arising from mergers and acquisitions, disposals and banking transactions. Most recently, Declan has also been at the forefront of the debate about the implications of legislation surrounding the London Olympics.

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THE UK PROFESSION: PROTECTING MARKS IN EUROPE AND BEYOND



The UK's professional body, the Institute of Trade Mark Attorneys (ITMA), is devoting a good deal of time and money towards encouraging overseas trademark attorneys to file through the UK for CTMs and international registrations through the Madrid System. Gillian Deas explains why ITMA believes the UK profession is best placed to serve overseas attorneys.

Back in the mid-1990s, ITMA first sent a delegation of members to the US in an attempt to raise the profile of the Institute in a number of US cities. The aim was to inform audiences of the introduction of the CTM system from April 1996, but it quickly dawned on the delegation that a piecemeal approach targeting three or four cities barely touched the US profession in its totality. Besides, others had already trodden the path with far more resources than ITMA, a relatively small body of some 1,600 members.

WE HAVE STRONG EXPERTISE IN ARGUING CASES BEFORE TRADEMARK REGISTRIES IN THE UK AND ELSEWHERE, AND ARE USED TO DEALING WITH THIRD-PARTY OPPOSITIONS, REVOCATIONS AND GENERAL CONTENTIOUS ISSUES.

Despite its size, ITMA has always fought above its weight. The next major foray overseas was across the North Sea to Amsterdam in 2003, where we joined the International Trademark Association's Annual Meeting, promoting the Institute as the 'Gateway to Europe'. The aim was to raise the profile of the institute by taking an exhibition stand and to make an impact with the very British red London double-decker bus. The following year, we repeated the exercise, but this time on American soil, in Atlanta, Georgia, where the iconic British black taxi cab became the ITMA symbol.

Brand awareness, as we all know, is one thing, but the real test comes in establishing the brand as a leader in the market. To achieve this, ITMA decided to tackle the burgeoning markets of the Far East, where we believe that having an impact with local firms of trademark attorneys will stand us in good stead for decades to come. Thus, the first Far East delegation was born, with a team of six holding seminars in Beijing and Tokyo, covering a range of subjects, including general information about CTMs and community designs, and more specific advice on opposition procedures, types of marks accepted by the Office for Harmonisation in the Internal Market (OHIM), and non-use. Our aim was to demonstrate that with expertise in OHIM procedures and practices, it makes sense for Japanese and Chinese attorneys to use UK attorneys before submitting applications to OHIM, not least because we speak the same language and are very familiar with the office in Alicante.

Such was the success of this seminar programme that a similar programme was arranged for 2006, but which also included

Osaka. Plans are already under way to visit the Far East again in 2008, taking in Seoul at the same time.

This is how ITMA is taking its message into the Far East marketplace. But what are the key selling points that underpin such an ambitious programme? Primarily, we have a firm belief in our members. It is a confidence that our members will offer and deliver unparalleled service. The UK, after all, is one of the few countries that requires its trademark attorneys to pass stringent professional examinations in trademarks, and to maintain high practice and procedural expertise through a comprehensive programme of continuing professional development (CPD).

But what else separates UK trademark attorneys from other European bodies? The most obvious point to make is language. While others may argue that English is not necessarily the first language, it is universally used. By using the English/Italian language regime for CTMs, applicants can ensure that virtually all of the proceedings before OHIM take place in English. The level of opposition, revocation and invalidation that takes place in Italian, for example, is essentially *de minimis*.

Further, because the vast majority of contentious proceedings before OHIM are conducted in English, which is of course the UK profession's native tongue, many cases are won or lost on the turn of a phrase and the subtleties of language.

These are distinguishing features of the UK profession, but it would be remiss of me to exclude an array of skills that UK attorneys possess, which make them highly desirable as trademark attorneys acting on behalf of overseas clients before OHIM, WIPO and indeed the UK-IPO. These qualities may well be shared by other national professions, but need to be mentioned in any article expounding UK virtues.

UK trademark attorneys are used to dealing with stringent examination procedures, particularly objections raised on absolute and relative grounds. This is especially important since the introduction of new UK procedures in October 2007. We have strong expertise in arguing cases before trademark registries in the UK and elsewhere, and are used to dealing with third-party oppositions, revocations and general contentious issues.

We work closely with other national organisations, including INTA, BMM, APRAM, ECTA, GRUR, Marques, PTMG, the UK-IPO, OHIM and WIPO, as well as through associates all over the world. In short, we have the full range of professional expertise.

And on a lighter note, we are prepared to share some of these skills. ITMA is a relatively small organisation. Of its 1,600 members, only about 600 are actually practising UK trademark attorneys. The rest of the membership comprises people from allied professions, students and overseas members. We are always on the lookout for new blood and we welcome new members. Our conferences, of which there are two a year, attract about equal numbers of overseas and UK delegates, and offer not only cross-fertilisation of ideas but congenial social networking. For further information, see our new and improved website at: www.itma.org.uk

Gillian Deas is president of ITMA. She can be contacted at: gdeas-itma@dyoung.co.uk.



Gillian Deas

Gillian Deas joined D Young & Co in 1997 and became a partner in 2004. Previously, she had many years' in-house trademark experience with Shell Oil Company, with responsibility globally for protecting its petrochemical trademarks. She also has experience in-house in a multinational tobacco company. Her experience in private practice is in protecting trademarks used in retailing, pharmaceuticals field, electronics, telecommunications, agro and industrial chemicals, and the service industries.

She was elected a Fellow of the Institute of Trade Mark Attorneys in 2002 and became the senior vice president of the Institute in March 2006. She is a member of ECTA and an associate member of the Pharmaceuticals Trade Marks Group, and has been a member of the Registry Practice Working Group—Designs, liaising with the UK Designs Registry since 2004.



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Fax: +44 (0) 20 7269 8555

Briton House, Briton Street, Southampton, SO14 3EB

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Nineteenth Century Origins - Twenty-First Century Know-How

TRADEMARKS IN CYBERSPACE



Chris McLeod spells out the significance of recent European court cases on the use of third-party trademarks as keywords for online search marketing.

The tension between trademarks and the Internet is an issue that concerns all trademark owners. It is clear that, at present, there are very few jurisdictions in which the rights of trademark owners are protected on the Internet, and the growing body of case law suggests that it will be a brave judge who steps out of line with current thinking. The principal areas of contention appear to be metatags and AdWords.

Metatag is defined as “a tag—that is, a coding statement—in the Hypertext Markup Language (HTML) that describes some aspect of the contents of a Web page...the information that you provide in a metatag is used by search engines to index a page so that someone searching for the kind of information the page contains will be able to find it. The metatag is placed near the top of the HTML in a Web page as part of the heading”.¹

AdWords is defined as “Google’s flagship advertising product and main source of revenue. AdWords offers pay-per-click (PPC) advertising and site-targeted advertising for both text and banner ads. The AdWords program includes local, national and international distribution. Google’s text advertisements are short, consisting of one title line and two content text lines”.² As an interesting aside, AdWords is a registered European Community trademark of Google, Inc. for “dissemination of advertising for others”.

In a decision of February 26, 2008 by the Frankfurt Oberlandesgericht (OLG), *Case 6 W*

17/08, the Court held that the use of a third-party trademark as a keyword in AdWords advertising in a search engine does not constitute infringement of that trademark, provided that when the mark is entered into the search engine, the advertisement triggered by the keyword is clearly separate from the hit list, i.e. from the other search results.

The facts of the case were that the seller of a drink containing probiotic micro-organisms, which was also licensed to use the registered trademark, took action against the seller of another drink, which had bought the trademark as an AdWord so that when the mark was entered into the German Google search engine as a search term, the results produced a link to the competitor’s website. The location of the links next to—and therefore separate from—the search results resulted from the defendant having bought a number of AdWords relating to the mark. The defendant’s conduct was therefore held to be permissible.

The OLG went on to distinguish AdWords from metatags, because metatags, being buried in the source code of a website, divert users of search engines to different websites, and those websites appear in the search results rather than in a separate list such as Google’s ‘sponsored links’ which use AdWords. The OLG held that AdWords do not use trademarks for their principal purpose of connecting the trademark proprietor with the goods, but that what it described as a ‘guiding function’ is only used to present an advertisement that is recog-

nisable as such. It added that this did not give the impression of a connection between the advertised goods and the business of the trademark proprietor and that this course of action did not constitute unfair competition in that it did not take unfair advantage of reputation or divert trade.

This judgment follows hot on the heels of the UK High Court judgment in *Victor Andrew Wilson v Yahoo! UK Ltd* and the related company *Ouverture Services Ltd (Yahoo) ([2008] EWHC 361 (Ch))*. Mr Wilson, a mobile caterer, owned a Community trademark registration of ‘Mr Spicy’, covering foodstuffs and restaurant services. Yahoo had sold the word ‘spicy’ to advertisers, so that when the word was used as a search term, a list of ‘sponsor results’ would appear. The list of sponsor results would also appear when ‘Mr Spicy’ was used as a search term, which led Mr Wilson to seek summary judgment against Yahoo for infringement of his registered trademark. The Court held that the advertisers had only bid for and bought the term ‘spicy’ and not ‘Mr Spicy’, and that they were not therefore using Mr Wilson’s trademark, which could not therefore have been infringed. It would be interesting to know how the judgment might have differed if the advertisers had bought the term identical to Mr Wilson’s trademark.

These two decisions are pre-dated by the UK Court of Appeal judgment in *Reed Employment v Reed Elsevier ([2004] EWCA Civ 159)*. This involved, amongst other issues, use of the

IT IS CLEAR THAT, AT PRESENT, THERE ARE VERY FEW JURISDICTIONS IN WHICH THE RIGHTS OF TRADEMARK OWNERS ARE PROTECTED ON THE INTERNET, AND THE GROWING BODY OF CASE LAW SUGGESTS THAT IT WILL BE A BRAVE JUDGE WHO STEPS OUT OF LINE WITH CURRENT THINKING.

word 'Reed' in metatags. This use was deemed not to constitute registered trademark infringement because it was invisible, i.e. because people using search engines and being guided to a website because of metatags could not see the metatags when they reached the website. The key issue in this context was that the full term used in the metatags was 'Reed Business Information', which was deemed to be similar to the complainant's registered trademark 'Reed'. This meant that there was a requirement of a likelihood of confusion, which was held not to exist because consumers were not confused by the metatags into believing that they were dealing with the complainant rather than the defendant. Interestingly, Jacobs LJ reserved his judgment on what the position would have been if the marks had been deemed identical. This leaves the door open for future judgments.

None of these judgments make particularly good reading for trademark owners. The French, however, take a different view. In 2005, in a case brought by Louis Vuitton against Google and its French subsidiary, the Court of First Instance found in favour of Louis Vuitton, ruling that Google's sale of AdWords containing Louis Vuitton's trademarks constituted trademark infringement, unfair competition and misleading advertising, and awarded costs of €200,000 against Google. The decision was appealed to the Paris Court of Appeal, which upheld it in 2006.

This judgment is in line with a decision of the Court of Nanterre in December 2004. This related to the sale by Google, as AdWords, of

terms that were trademarks of Meridien Hotels, namely 'meridien' and 'le meridien' to other companies. In this decision, the Court ordered Google's French subsidiary to remove the trademarks from its list of AdWords, with a fine of €150 per day for every day it failed to comply with the order. Although Google stated at the time that it would appeal against the decision, it appears that no appeal was filed. The stance taken by the French courts is further reinforced by a decision of the Court of Appeal of Versailles in November 2006. This case involved Overture France and its parent US company, Overture Services Inc, which were involved in the sale of keywords equivalent to Google's AdWords (Overture has since been acquired by Yahoo) and the French company Accor, which operates a number of hotel chains under trademarks such as Ibis, Sofitel, Mercure and Novotel.

Overture sold to advertisers keywords containing these and other trademarks but was not an authorised user or a licensee of any of the trademarks. Accor commenced proceedings against the companies on the basis of trademark infringement. The defendant argued that it was authorised to use the marks as it was offering services that were compatible with the marks. Accor rejected this allegation, and claimed that the defendant was a competitor and therefore was not offering complementary goods. The Court of Appeal upheld the first instance decision and found the defendant guilty of trademark infringement.

So where does this leave the trademark owner? Whilst the French courts have a clear position in favour of the trademark owner and therefore against ISPs, as is demonstrated by the substantial and growing body of French case law, the position elsewhere is quite unfavourable to trademark owners. On one hand, we have the UK courts arguably considering metatags as being incapable of constituting trademark infringement because they are invisible, which appears to ignore the intent of those using them and the effect of their use—diversion of trade—and to disregard the ease with which metatags can be revealed by users of Internet Explorer or similar software. On the other hand, we have the increasingly powerful companies such as Google, which generate large sums of money from AdWords and which have not yet been successfully challenged in the UK courts. That is not to imply that there is anything underhand about the practices or policies of companies such as Google. Indeed, Google is transparent about trademark rights and has a complaints policy, which can be viewed on its website at: http://www.google.com/tm_complaint_adwords.html.

However, trademark owners are unlikely to be content with the current state of play. We can probably expect future disputes concerning metatags and that these will have different outcomes. It also seems likely that a major UK or US trademark owner, or perhaps a group of major trademark owners, will take on companies such as Google in the context of AdWords, particularly following Google's recent announcement of its policy change in relation to UK and Ireland trademark complaints.

Chris McLeod is the director of trademarks for the UK based in Hammonds' London office. He can be contacted at: chris.mcleod@hammonds.com.



Chris McLeod

Chris McLeod's particular expertise covers advice in relation to all aspects of trade marks from pre-filing searches and clearance through filing and prosecution to post-registration matters and third-party conflicts. He also advises in relation to designs and copyright.

He is treasurer and a member of the Council (board of directors) of the UK Institute of Trade Mark Attorneys (ITMA), sits on the committee which produces its monthly publication the ITMA Review and sits on its Designs and General Purpose and Finance committee. He is an active member of INTA and the Pharmaceutical Trade Marks Group (PTMG). He is a regular contributor to the *ITMA Review*, *Trademark World*, *Copyright World*, *Entertainment Law Review* and *EIPR* (European Intellectual Property Review). He is a listed contributor to *World Trademark Report* and a frequent contributor to *World Trademark Review*. He provides free trade mark advice to members of the public as part of the ITMA clinics which are hosted by the UK Intellectual Property Office.

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FAST TRACK

Stephen Kinsey examines the rules allowing online UK trademark applications to be fast-tracked to examination and the challenges the profession will face.

In April this year, new statutory rules relating to trademark registration in the United Kingdom come into force. They allow trademark applications to be fast-tracked to examination, provided that the application is filed online and accompanied by the online payment of the statutory fees and an additional £300 fee. In return, applicants or their attorneys may expect an examination report within 10 working days, or the additional fee will be refunded.

A fast-track registration procedure was one of the minor recommendations of a review of the UK's intellectual property regime conducted in 2006 by Andrew Gowers, a former editor of the *Financial Times*, at the request of the UK Government. The presumed intention was that an anxious trademark applicant could rapidly achieve some protection against third-party allegations of infringement, or perhaps quickly create a piece of mortgageable intellectual property in order to raise capital. No one was unkind enough to suggest that an expedited registration procedure might favour those who

did not wish too much scrutiny to be applied to their proposed trademark. If, for example, it was becoming a generic term or was rather too close to an existing trademark, whose owner was not paying attention, so much the better if it could be registered quickly!

In any event, as it remains a statutory requirement under the Trade Marks Act, 1994 that all applications be published and then be subject to a three-month term for possible oppositions, the scope for implementation of the recommendation was somewhat limited. It had to be confined to the process of examination of the application before publication. Of course, all trademark applications are a matter of public knowledge within a matter of days—as soon as they appear on the UKIPO website. Publication for opposition purposes takes a little longer, and it is normally four weeks or more before an examiner has informed the applicant as to whether there are any problems regarding the registrability of the mark.

THE PRESUMED INTENTION WAS THAT AN ANXIOUS TRADEMARK APPLICANT COULD RAPIDLY ACHIEVE SOME PROTECTION AGAINST THIRD-PARTY ALLEGATIONS OF INFRINGEMENT, OR PERHAPS QUICKLY CREATE A PIECE OF MORTGAGEABLE INTELLECTUAL PROPERTY IN ORDER TO RAISE CAPITAL.

The UKIPO held a public consultation on 'fast-track processing' in the course of 2007 and published a response document at the same time as the new statutory rules were introduced. The response document makes it clear that demand for the expedited examination procedure is not expected to be high. Indeed, the fee has been set at a high level to discourage widespread adoption of the procedure when it is not really required, but it is still open to doubt as to whether many applicants will see a reduction in the waiting time of three weeks or so as a sufficient benefit—unless routine non-expedited examination becomes much slower.

The change is best understood as part of a general desire, inspired and enabled by the World Wide Web, to create commoditised and delay-free legal processes, including trademark registration. Professor Richard Susskind, the influential author of *The Future of Law*, predicted in 1996 that the legal profession of the future would be constituted of two tiers, the legal specialists and the legal information engineers of the information society. The business of the legal information engineers would be to package different types of legal advice and knowledge as information and sell it for mass consumption. The legal specialists would continue to advise in complex areas of law that are not amenable to systemisation. Consequently, legal risks would be managed in advance of problems occurring so that dispute pre-emption would take the place of dispute resolution. Ironically, in giving priority to speedy registration, the UKIPO has given less opportunity for the dispute pre-emption that, characterised by exchanges between the examiner and the attorney, was the rationale of the old procedures. Trademark attorneys are increasingly involved in opposition and invalidation proceedings to prevent or at least modify registrations that arguably should not have taken place. Some businesses may feel that registration itself is being devalued in the process and is no longer a confirmation of a property right, but merely an expression of interest. Against this trend of acceleration, a 12-month post-oppo-

sition cooling-off period has been introduced to allow extended negotiations between the applicant and the opponent, if both agree. In terms of the proportion of cases that have been settled, this has been very successful, but it is still a matter of dispute resolution rather than pre-emption.

The result is continuing pressure to reform and refine opposition procedures. A further consultation document published by the UKIPO on 2 March 2008 seeks views on a number of proposals that have the aim of making the tribunal system in contested proceedings more 'flexible, efficient and proportionate'. They include reducing the statutory term for opposition to two months.

It is obvious that the track to registration is set to get faster still, and professional advisers will have no option but to keep up to speed.

Stephen Kinsey is a partner in the London firm of Wildbore & Gibbons. He can be contacted at: kinsey@wildbore.co.uk.



Stephen Kinsey

Stephen Kinsey is an accredited trademark and design litigator, and has been a Fellow of the Institute of Trademark Attorneys since 1993. He has more than 25 years' experience of dealing with trademark registries all over the world.



Bill Lumley looks to the Far East and finds a sense of expectation among the IP community that, despite a poor reputation for abiding by IP protocol, the Chinese market will increasingly find itself participating on a level playing field with the rest of the world as the Bamboo Curtain rises.

China has been defending itself against accusations of intellectual property rights abuse, supported by key IP experts, who have argued that the media spotlight has been on it not least because it is such a vast market.

China's case has not been helped by high-profile coverage of French dairy producer Groupe Danone in its battle against its Chinese partner Wahaha. In June 2007, it went to court to prevent Wahaha badging its own beverages with the Danone logo. By early November, it had withdrawn the lawsuit, but by the end of the month had successfully had the assets frozen of offshore companies believed to be connected to Wahaha. The battle was ongoing as we went to press.

As recently as November 2007, EU Trade Commissioner Peter Mandelson hinted in a speech delivered in Beijing at China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) International High Level Food Safety Forum that China might find itself in formal dispute with the European Union over intellectual property issues and demanded that Beijing comply with the rules of the World Trade Organization (WTO).

Furthermore, there is an overwhelming perception in the West that China is a creature that cannot be tamed when it comes to piracy and counterfeiting. But are such criticisms really fair?

Meir Pugatch is director of research at the Stock-

holm Network, a pan-European think tank and market-oriented network. He is also an academic dealing with intellectual property issues as senior lecturer at the University of Haifa in Israel. He says a question of fairness is irrelevant. "Intellectual property is a commercial issue, a business issue and a global competition issue. Taking into account the practicalities of IP in the Chinese market, fairness is not part of the equation.

"China is undergoing a huge reform of its entire economic performance, and not only on IP, all of which is aimed at making China a global competitor and a major player in every sense. I think in the past 20 years China has understood that, with the transition into a property-based economy and a market-driven one, there is also great merit in exploiting intellectual property rights. Moreover, China has seriously recognised the fact that it wants to move from a model of imitation and reverse engineering into one of innovation. For instance, China today is becoming an 'Ivy League' player in terms of application for patents, domestically and internationally. It also encourages the commercial exploitation of IP rights in universities; it recognises the merit of providing a higher level of protection to pharmaceutical-related IP rights, etc.

"On the other hand, China, being China, still seems to provide a rather subjective, and sometimes even an abusive, interpretation to the meaning of protecting and enforcing IPRs. For

the time being, it seems China is a little more 'flexible' in the way it interprets the need to protect the IP rights of foreign companies compared to the need to protect the corresponding rights of its own domestic innovators."

This is the crux of the problem and the source of all the conflicts in this arena, he says. "While recognising the importance of IP, I don't think China has internalised the fact that you can't simply play by the rules, but that you also have to apply them equally for all players."

Recent attacks and debates, and the conflict between the US and China on the issue of counterfeiting, are not an indication that China thinks intellectual property rights are not important, but that there is an implementation gap and an internalisation gap in terms of what it means to play by the rules and respect intellectual property.

It is therefore not about fairness but about understanding that this system needs to be upheld at all levels—from the legislation level through the implementation level to the enforcement level. "I think companies are fair in pushing China, because China is a global competitor and it wants to use the system and, therefore, China needs to play by the rules," Pugatch says.

IP pitfalls versus opportunities in China

Many companies see investment in China as a strategic choice given the growth of the market

and its enormous potential. In the short term, there are of course visible risks to companies that base their business models on IP rights. He says: "The risks concern operating with a system that is not entirely legally clear, not entirely legally enforceable, and so on.

"But a solution is not to deter corporations from inventing but to work with the Chinese government, with the Chinese people and with other companies to further internalise and implement the existing understanding in China about the importance of IP."

From the perspective of companies investing in China, the idea now is how to behave strategically about the way they implement and enforce their intellectual property rights. There are different commercial ways and procedural ways to do it with local partners, but there is a degree of 'professionalisation' that needs to be taken into account by companies that are going to invest there and are heavy in their IP assets, he suggests.

"I am more optimistic than others. Despite the huge problems China has, I think it does understand the importance of IP rights and, at some point, this understanding will grow," he concludes.

Global business consulting firm L.E.K Consulting revealed as recently as May 2006 in a survey of lost revenues by members of the international Motion Picture Association (MPA) that, in fact, China was seventh in the list of countries measured by revenues lost by US MPA members, at \$244 million, compared to the biggest offender, the US, at \$1.31 billion. In fact, the worst offender by loss per capita was the UK at \$6.77 billion, compared to just \$0.19 billion in China (see chart).

Dr Kegang Wu, chief China adviser and director, ChinaLink, at the British Chamber of Commerce, agrees that China's IP situation has been made out to be significantly worse than it actually is. This is mainly due to media profile, he says,

Country	Revenues lost by US MPA members (\$ millions)	Population (millions)	Loss per capita (\$ millions)
US	1,311	293	4.47
Mexico	483	105	4.60
UK	406	60	6.77
France	322	60	5.37
Russia	266	144	1.85
Spain	253	40	6.33
China	244	1,299	0.19
Japan	216	127	1.70
Italy	161	58	2.78
Germany	157	82	1.91
Thailand	149	65	2.29

Source: L.E.K. Consulting

but emphasises that the media should not be blamed. "The Western European point of view has not paid sufficient interest in terms of what measures are available in a Chinese business context for the prevention of IP right fraud," Wu says. "Changes in the Chinese market now mean it is quite easy to take up a case against IP right fraud, contrary to popular Western thought, especially among the SME companies.

"Chinese Customs actually has an IP rights registration system that can enforce legislation of patents through screening exporting products made in China. Once your IP is filed in its database, it would actually check your IP against relevant product categories to see if there are any exporting products from China using your IP. The Chinese Customs has in the last 10 years stopped more than 4,000 cases of export goods suspected of IP infringement using the system."

Patent rights protection

Businesses outside China, particularly in the UK, are not generally aware of the opportunities for patent rights protection in place in China, he says. For example, Canton Fair, China's biggest trade fair, is one of the world's top three in terms of scale. It features 12,000 exhibitors at each of its twice-yearly two-week sessions. The fair is visited by around 200,000 overseas traders. Since 2004, the fair has had one dedicated office set up specifically to deal with complaints.

Any new product made in China is likely to be on display and it is not difficult on walking around the trade fair to find if there is any product that has copied your design or patent, he says. "We have clients who visit the trade fair on an annual basis, not to buy or sell but simply to spot products that have copied their own design or patent. It is very simple."

In the West, if a business finds someone who is infringing its IP rights, then it needs to take them to court, going through the legal proce-

dures, but in this case, you can simply go to the trade fair's on-site office, show staff the product and produce the evidence you have of IPR abuse, including legal documents and your own patent certification.

The trade fair authorities would then send a team in and check your documents, and have the power to close down the stand on the spot without going to court once the complaint is proven.

"There is a whole host of administrative procedures in China that allow you to deal with IP fraud without the expense of hiring a lawyer," he stresses.

For example, it is now 10 years since China set up a province-level IPR bureau in every local authority. Businesses are able to complain to these if they believe their IP rights to have been infringed. Every province and major city has a chamber of commerce with a division to deal with legal complaints that can be dealt with out of court using mitigation.

Last year, there were around 3,000 cases of foreign companies challenging Chinese companies in the courts. "While many of them were quite successful, whether or not to take the matter to court depends on who you are. Large companies can afford to pay for lawyers, with IP worth a lot of money, but for SMEs, it is more effective if they take prevention measures. There are admin procedures that we can actually use as tools to prevent and challenge any Chinese companies, and usually these are very effective, quick and inexpensive," Wu says.

Fewer concerns for business?

IP rights protection in China has been improving steadily, he says, and will continue to do so. The Chinese government is clearly stepping up its efforts. The question of China's IPR protection has been always on the implementation of laws rather than the laws themselves, because China has met compliance with IPR protection since joining the World Trade Organization (WTO) in 2001.

It is implementation that sometimes raises questions, and he advises a three-point approach to prevention rather than waiting for the court case to come about:

- Filing your patent right and trademark with Customs
- Understanding the power of local IPR authorities and making good use of their services
- Building details of the IPR protection responsibilities into contracts with the manufacturers

Wu says: "For a product that a client proposes to manufacture in China, we always advise

them to sign the non-disclosure agreement there and then, and to build this into the manufacturer's contract, so the manufacturer itself takes a share of the responsibility when it comes to protecting trademarks or patents locally. It's a matter of understanding that there is a different scenario in China in terms of the legal set-up, because the Chinese government has a much bigger remit in its administration of IP rights, resulting in plenty of resources."

Cases can be reported to the local bureau of IPR, to a trade show office or to Customs & Excise, which can all prevent products from using a patent or trademark without authority. "All these administrative measures and procedures are less known to companies in the West, where businesses are overwhelmingly used to the culture of going to see a lawyer," he suggests.

"Companies that take preventative measures at the point of negotiating a contract or commissioning manufacturing when setting up production in China will be taking a tremendous step to reducing risk of IPR infringement."

Once the cases arise, it is quicker he says to use the available avenues of administrative procedures of government to stop infringement. "It normally takes days or weeks with them, but if you took the court route, it takes months or years to resolve and that's not a scenario most SMEs would be able to afford," he says.

"I see court as the last resort. If you can stop it from happening and can use the governmental procedures to stop it happening, then it is quick and inexpensive."

The Intellectual Property Rights Bureau has been around for 10 years and is becoming increasingly practical. It is reputed never to ignore any complaint and to have stepped up its administrative process to stop infringement.

The Chinese central government has recognised two things: firstly, it is under tremendous international pressure to take actions to implement the laws and, secondly, it has recognised that as Chinese companies themselves are doing more and more internationally, they are starting to look at their own IP brandings and rights. China now has the world's second highest spend on R&D and it realises that unless it implements the legal IPR protection procedures itself, then these Chinese companies are likely to be copied and infringed.

Statistics from the IPR Court of the Chinese Supreme Court show that 95 percent of the annual 15,000 IP court cases it has dealt with in the last 10 years were domestic disputes be-

tween Chinese companies, meaning that less than five percent were international cases.

It is inevitable that China will come to play on a level playing field with the rest of the world when it comes to IP, Wu asserts. "At the end of the day, it will completely bring everything in line with the international markets. I do not believe it is the political will that is a problem. It is more the difficulty of law enforcement. Political will has always been there, as has organisational structure and administrative procedure. But law enforcement has been inconsistent, or at least not at the same level as in Western countries, and this has been for two reasons. Firstly, litigation culture in China is a new one. Secondly, Chinese companies have been largely undertaking 'OEM' contracts, meaning that many of them have not even realised that some of the goods they made are without IPR. To some extent, this makes the Chinese manufacturers victims themselves as such goods were sometimes made to the specifications of Western companies. To tackle this issue, it will require greater co-operation between China and the West.

MANY COMPANIES SEE INVESTMENT IN CHINA AS A STRATEGIC CHOICE GIVEN THE GROWTH OF THE MARKET AND ITS ENORMOUS POTENTIAL.

"Most Chinese laws have been brought in line with the WTO only since 2001, so we are looking at a six-year journey for a whole country to have introduced more than 300 trade laws to comply with WTO. The administrative procedures need to be better understood by non-Chinese, because if they don't understand them, then they won't use them."

As more Chinese manufacturers are transforming from OEM to ODM and more Chinese companies are marketing their own branded products with their own IP in the West, it is in China's interest to improve its enforcement of IP laws. The imminent issuing of 'National Strategic Framework for Intellectual Property Rights' by the National Intellectual Property Rights Bureau may prove to be another positive step in the direction.

Ang KT, regional director of the Asia Pacific International Confederation of Authors and

Composers (CISAC), says the question of whether problems with IP in China are overstated depends upon from where you are looking at the issue. "The problems are not overstated if you look at the scale of it. In absolute numbers, it is quite a big concern. On the other hand, if we inject in a historical and time perspective, then we may be asking for too much within too short a period of time (on the other hand, this is really the consequence of the scale of the problem). Moreover, if we look at the problems from a per capita point of view, the issues would appear to be overstated. I do believe that China has done a great deal within a fairly short period of time," he says.

But he is not so optimistic as to assume China will be on a level playing field with the West in IP as soon as the next two years. "While a certain section of the IP community might be able to do so, it still has quite some ways to go. A huge section of the Chinese population is still relatively poor. Thus, piracy is not likely to go away anytime soon—the temptation to make a fast buck would be too great to resist. Again, in absolute numbers, Chinese creations or inventions may seem large within the next few years."

From the point of view of the copyright industry, the key threats business managers should look out for or prepare themselves for in China are, in Ang's view, piracy and counterfeiting, and they will continue to be for a long time to come. "This is one threat that managers should be prepared for," he warns. "Secondly, co-ordination between State and provincial authorities is not always as developed as it could be. Furthermore, the Western business model may not always work in China: it is almost a given at this stage that little income will be made from the sale of sound recordings or the downloading of ring tones; however, the right owners expect to profit from touring, merchandising and rising up the popularity ladder to earn from endorsements and advertisements."

Since 2001, China has comprehensively revised its laws and regulations in relation to IPRs and has begun to take on seriously its obligations to protect and enforce IP rights. It has accepted the World Trade Organization's TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreement, setting minimum standards of protection and enforcement for IPRs internationally in respect of administrative, civil, criminal and border measures.

The message to business managers is to look closely at the IPR infrastructure put in place throughout the country by a Chinese government clearly concerned about furthering IPR protection, and to put it to good use.

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PATENTLY JAPANESE

Yoshikazu Iwase spells out the significance of recent changes in Japanese patent licensing practice.

The recent state of the Japanese economy has resulted in numerous company re-organisations, including M&A transactions, and numerous bankruptcies and other types of corporate revitalisations. Intellectual property rights (IPRs) and the licence of such IPRs are inevitably transferred in such transactions, and IPR issues are always essential items that must be thoroughly checked in the course of the due diligence process where, among other things, confirmation of ownership and transferability of licence agreements are key.

Ownership of patent, utility model, trademark and design rights (i.e. patent rights, etc.) is governed by the Japan Patent Office (JPO) and can be ascertained therewith. On the other hand, although a copyright registration system exists in Japan, it is not frequently used.

A. Types of patent licences under Japanese law

Owners of all kinds of IPRs may grant, as licensors, licences to third-party licensees to use inventions, designs, trademarks and copyrighted works. Regarding patent rights, etc., Japanese law provides for (a) a statutory exclusive licence and (b) a non-exclusive licence.

(a) A statutory exclusive licence, which is granted upon registration, offers very strong protection, whereby the licensee can file a suit seeking injunctive and monetary relief against any infringer, and the patentee that granted a statutory exclusive licence may no longer practise the patented invention.

(b) A non-exclusive licence is granted by agreement and with no registration required for such grant to be effective. As a contractual right, the scope (i.e. the type of activity that is permitted) of the licence, its options and its obligations can be, in principle, set forth by agreement between the parties. A non-exclusive licence can be contractually exclusive without registration, where there can only be one licensee, with the licensor having agreed not to grant any further licences. Being a contractual grant of rights,

its power is limited in that, for instance, the contractual exclusive licensee may not, in principle, claim injunctive or monetary relief against infringers.

B. Registration of patent rights, etc.

Registration is critical when IPRs are transferred in the framework of M&A transactions. The transfer of certain IPRs does not become valid until their registration and all IPRs require registration in order to be able to claim their transfer against a third party, or for providing collateral. The latest amendments to the patent law intend to promote the use of registration of patent licences that purport to protect licensees from termination of the licences in case of M&A or bankruptcy, as discussed below.

1. Transfer of patent rights, etc. requires registration to become valid

Patent rights, etc. are granted upon registration following their examination by the JPO. Their valid transfer requires both an agreement between the transferor and the transferee, and the registration of the transfer. In addition, registration allows the assignee of a patent right, etc. to prove the assignment of such right against a third party; and a licensee needs to obtain the registration in order to be able to successfully argue against a third party that a licence was granted to such licensee. However, registration is not required for the valid acquisition of IPRs in the case of a merger or through other types of general transfers. The law provides that the transfer of IPRs under such types of acquisitions shall be notified to the JPO without delay.

2. Transfer of licence of patent rights, etc. requires registration to become effective in relation to a third party

Registration is required in order for the licensee to claim against a third party (e.g. an assignee of the patent) that a licensee has been granted for the use of the patented inventions. For example, where licensor A (i.e. previous patentee) assigns a patent right to third party C (i.e. a new patentee), registration of the licence is required in order for licensee B to

claim against such new patentee (see Exhibit 1). Without such registration, licensee B cannot claim a licence, which was granted by the previous patentee A (i.e. licensor) against the new patentee, and licensee B may be subject to an injunction sought by the new patentee.

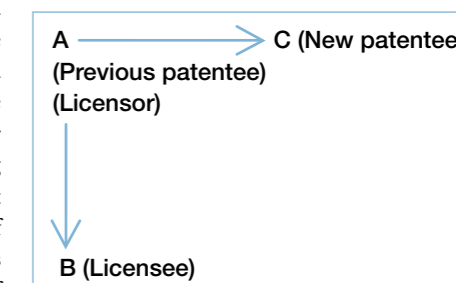


Exhibit 1

Typically, to protect a licensee from any unexpected assignment that may lead to the extinction of the licence, a contractual prohibition of assignment of the copyright without the licensee's consent should be provided. An alternative consists in providing, in the licence agreement, that the licensor may not assign the patent or contract without the consent of the licensee. However, this contractual protection does not invalidate the assignment itself and only provides the licensee with a right to monetary relief against the licensor.

Moreover, in the case that licensor D goes bankrupt (see Exhibit 2), the trustee (F) may at its discretion terminate the licence agreement, unless the licence agreement is registered. In such a case, the licensee will not be protected by contractual provisions.

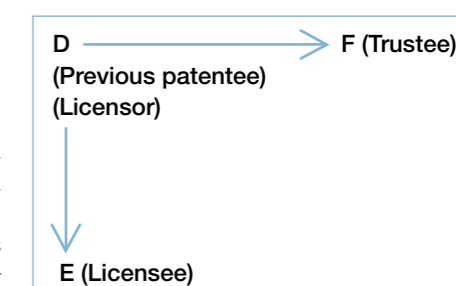


Exhibit 2

As such, the registration of the licence has gained significance by securing the licensee's position.

3. The 2007 Amendment—Registration of comprehensive licence has become available.

The amendment to the Act on Special Measures for Revitalisation of Industrial Activities (the '2007 Amendment') effective as of August 6, 2007, has made comprehensive licences registrable. Many licence agreements comprehensively identify the licensed rights by their technology field or by the relevant products, and not by patent numbers. For example, in the Japanese electric industry, comprehensive cross-licensing without identifying each patent number has been common. Prior to the 2007 Amendment, registering a comprehensive licence was impossible, because licensed patents had to be identified by their patent numbers when registered under the Japanese Patent Law.

Under the 2007 Amendment, a licence agreement is registrable provided it:

- (i) Is made between two entities (instead of a licence by or to an individual)
- (ii) Is written
- (iii) Is a non-exclusive licence of a patent or utility model right (trademark, design and copyright licences are excluded), and
- (iv) Concerns a comprehensive licence (i.e. other than a licence in which all patent or utility model rights, which are subject of licensing, are identified in the licence agreement).

Under the 2007 Amendment, the names of the licensees and other potentially sensitive information mentioned on the registered comprehensive licence will not be made public.

4. The 2008 Amendment—Registration of licence granted in relation to pending patent applications will become available

Under a proposed amendment to the Patent Law (the '2008 Amendment'), it will be possible to register a licence granted in relation to a pending patent application. Where a patent is issued to a pending application with respect to which a licence was registered with the JPO, the registered licence is automatically granted to the issued patent. Under the 2008 Amendment, after a pending patent application licence is registered: (a) where the pending patent application is assigned, the licensee can claim the licence against third parties, including the new, and any subsequent, owner of the pending patent application, and (b) where the owner of the pending patent application goes bankrupt, the trustee cannot terminate the licence. As under the 2007 Amendment, the names of the licensees and

THE LATEST AMENDMENTS TO THE PATENT LAW INTEND TO PROMOTE THE USE OF REGISTRATION OF PATENT LICENCES THAT PURPORT TO PROTECT LICENSEES FROM TERMINATION OF THE LICENCES IN CASE OF M&A OR BANKRUPTCY

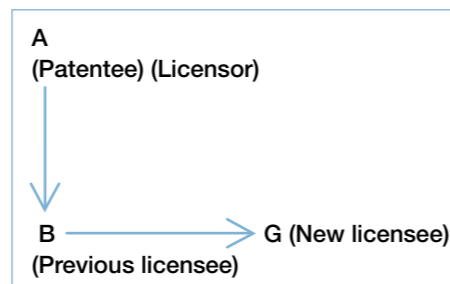


Exhibit 3

D. Conclusion

Prior to the recent changes in patent law, the benefits of licence registration had been quite limited. We will see whether and how the registration of comprehensive licences and that of licences granted in relation to pending patent applications will be utilised and impact the Japanese economy.

other potentially sensitive information about the licence will not be disclosed to the public.

C. Transferability of licence agreements—Article 94(1) of the Patent Law

Article 94 (1) of the Japanese Patent Law provides that a non-exclusive licence may be transferred only:

- (a) Where the business involving the working of the relevant invention is also transferred
- (b) Where the consent of the patentee (or, in the case of non-exclusive licence on the exclusive licence, the patentee and the exclusive licensee) is obtained, and
- (c) where the transfer occurs as a result of general succession, including inheritance.

In the context of asset purchase, business transfer and M&A transactions, (a) and (c) are important. Where a patent licence agreement is silent about its transferability, generally speaking, a successor of the licensee (i.e. new licensee G) may claim the licence against the licensor A by virtue of this Article 94(1) (see Exhibit 3). However, it is considered possible to contract out the application of Article 94(1) in a licence agreement. Thus, where there is a provision such as "this Licence Agreement cannot be transferred, without prior written consent of the Licensor, under any circumstances, including but not limited to the sale or transfer of substantially all of the assets of the Licensee", such licence agreement will not be transferable. In such case, the new licensee G wishes that the previous licensee B obtains the consent of licensor A to avoid the termination of the agreement due to breach of contract.

Yoshikazu Iwase is a partner at Anderson Mori & Tomotsune. He can be contacted at: yoshikazu.iwase@amt-law.com.



Yoshikazu Iwase

Yoshikazu Iwase has primarily worked in the fields of domestic and international intellectual property matters, including patent, trademark and copyright infringement litigation, and licensing and other transactions. His litigation experience involves many patent infringement trials and revocation suits against the trial decisions of the Japanese Patent Office concerning registrability/validity of trademarks and patents. He received an LLB in 1995 from the Tokyo University and an LLM in 2003 from University of California, Berkeley. He was admitted to the Japanese Bar in 1997 and to the New York Bar in 2004.

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THE FILING OF A PATENT INFRINGEMENT SUIT CAN BE DEEMED TO BE A TORT

Yoshitaka Sonoda examines a recent case in the Intellectual Property High Court of Japan and notes implications for strategies concerning patent infringement litigation.

Summary

The patent is a powerful instrument that bestows upon the patentee a right to exclude others from specific protected activities. This very power, however, means that patentees are expected to observe certain rules of behaviour, and the law has certain checks against abuse of this power.

When bringing action in an infringement suit, a patentee effectively forces the defendant to expend considerable time and money in responding to the allegations of infringement, and this can represent a significant burden whose expenditure may not always be justified. The validity of a lawsuit may particularly come into question when the suit is used to create circumstances favourable to a patentee who makes no serious effort to consider the validity of the patent and the circumstances of infringement.

In a recent decision by the Intellectual Property High Court of Japan (*Heisei 18 (ne) 10040*; October 31, 2007), the filing of a request for preliminary injunction by the patentee was found to constitute a tort and the patentee was ordered to pay damages to compensate for losses suffered as a result of the lawsuit. A judgment was also made as to the eligibility of a plaintiff to request a declaratory judgment. The case will be discussed with a view to its implications on strategies for patent infringement litigation.

Facts

- SEL (Semiconductor Energy Laboratory, a Japanese company) owns Japanese Patent No. 3,241,708 directed to an active matrix liquid crystal display device, and its main source of income in the liquid crystal display business is in royalties from licensed patents.

- CMO (Chi-Mei Optoelectronics, a Taiwanese company) made and sold liquid crystal modules, forming the core portion of liquid crystal display devices, in Taiwan. A Taiwanese company, Tatung, bought the liquid crystal modules, used them to make liquid crystal display devices (LCDs), and exported them to Japan. Seiyu Corporation (a Japanese retailer) purchased the LCDs and sold them in Japan.

- SEL filed suit against Seiyu requesting a preliminary injunction against the sale of the LCDs.

- Alarmed by the suit, Seiyu discontinued sales of the LCDs and returned the remaining LCDs.

- SEL held a press conference announcing that a lawsuit had been filed against Seiyu and explaining its allegations, which were published by the press.

- CMO filed suit against SEL, requesting an injunction against further public allegations of infringement, damages and a declaratory judgment that SEL does not have the right to demand an injunction against Seiyu's sale of the LCDs.

Issues

The main issues in the case were:

- 1) Do the LCDs sold by Seiyu infringe SEL's patent?
- 2) Does CMO have the eligibility to request a declaratory judgment under these circumstances?
- 3) Were SEL's filing of a request for preliminary injunction and subsequent press release tortious acts?

4) Is CMO entitled to receive damages from SEL?

Holdings

1) Do the LCDs sold by Seiyu infringe SEL's patent?

No. The specification lacks an enabling disclosure and the patented invention lacks an inventive step, because it is only a combination of prior art. Furthermore, the LCDs sold by Seiyu do not have an 'oxide semiconductor film' with a large resistance as claimed.

2) Does CMO have the right to request a declaratory judgment?

No. Even if a declaratory judgment were made in response to CMO's request, it would have no legally significant effect on the relationship between SEL and Japanese retailers, and SEL would still have the right to file for an injunction. If such a declaratory judgment were to cause SEL to refrain from filing suit against the Japanese retailers, that would merely be an incidental effect. CMO cannot effectively benefit from a declaratory judgment to the effect that SEL has no right to demand an injunction against Seiyu. Therefore, CMO is not eligible to request such a declaratory judgment.

3) Were SEL's filing of a request for preliminary injunction and subsequent press release tortious acts or unfair competition?

They were tortious acts but were not unfair competition.

Fundamental Rules

The filing of a lawsuit seeking resolution of a legal dispute is, in general, a legitimate

act and does not constitute a tort. However, where the case is so lacking in good faith as to upset the original objectives of the legal system, such as where the cause of action asserted by the plaintiff lacks any substantial factual or legal justification and the plaintiff was aware of this fact or could have easily known this fact but nevertheless proceeded to file suit, the act of filing suit itself can constitute a tort (Supreme Court of Japan; *Showa 60 (o) 122*; January 26, 1988). This ruling also applies to requests for preliminary injunction.

Furthermore, even if the situation is not exactly as described above, the filing of a request for preliminary injunction can constitute a tort if the preliminary injunction is requested against a customer of the plaintiff's competitor on the pretence that it represents an enforcement of legitimate rights, but is in fact aiming to damage the competitor's trust in the eyes of its customers.

Whether or not a request for injunction constitutes a tort needs to be determined on the basis of observation of overall facts, including the history of negotiations between the parties before the request was filed, reactions of the defendant during the negotiations, and the expected reaction to the filing of the request for preliminary injunction.

- **Request for Preliminary Injunction**
SEL's evaluation of the validity of the patent performed before filing the request for preliminary injunction was inappropriate as demonstrated by the fact that the lack of an enabling disclosure was overlooked. Al-

though SEL asserts that the lack of validity of the patent was not obvious in view of the fact that the JPO itself had acknowledged its patentability, the lack of any serious effort to make a thorough evaluation of the validity of the patent is not justifiable.

Furthermore, despite requests by CMO, SEL declined to clarify which claims it considered to be infringed by which parts of the products being sold, even though that information would have been essential in resolving the dispute. Instead, SEL merely sent a list of 40 patents to CMO stating that CMO should be able to perform the necessary analyses. However, the '708 patent based upon which SEL requested the preliminary injunction against Seiyu was not among those listed.

SEL knew that upon filing a request for preliminary injunction, Seiyu would be likely to pull the disputed LCDs from its shelves and discontinue its sales because Seiyu did not have the capability to assess a patent infringement case of this nature properly.

SEL was well aware that the press would make its claims public when SEL released the information to the press.

In view of all the above-described facts, it is apparent that SEL's actions, while ostensibly for the purpose of protecting its patent rights, were actually aimed at damaging the trust of CMO to its customers in order to gain more negotiating leverage, and were therefore seriously lacking in good faith and, in fact, tortious. On the other hand, the actions cannot be considered to constitute dissemination of false allegations as provided by the Unfair Competition Prohibition Law and, therefore, do not represent unfair competition.

• Press Conference

The press conference was held to give the public the impression that the LCDs sold by Seiyu infringed SEL's patent, and cannot be considered to have been necessary for a fair enforcement of their patent right, so it lacked good faith and was tortious.

However, the press release cannot be considered to be a dissemination of false allegations as defined by the Unfair Competition Prevention Law.

4) Is CMO entitled to receive damages from SEL?

Yes. The Intellectual Property High Court found the series of acts performed by SEL to be tortious and ordered SEL to pay compen-

PATENTEES MUST BE AWARE THAT THE FILING OF A PATENT INFRINGEMENT SUIT COULD BE HELD TO CONSTITUTE A TORT IF THE ACT IS FOUND TO BE AIMED AT DAMAGING THE TRUST OF A COMPETITOR TO ITS CUSTOMERS AND THEREBY IMPROVING THE PATENTEE'S POSITION.

satory damages amounting to approximately 20 million Japanese yen (approximately \$200,000).

Lessons for the future

1) Patentees must be aware that the filing of a patent infringement suit could be held to constitute a tort if the act is found to be aimed at damaging the trust of a competitor to its customers and thereby improving the patentee's position.

2) Filing a patent infringement suit could be deemed to constitute tortious conduct in any of the following cases:

- No serious effort was made to assess the validity of the patent and the possibility of infringement before filing the lawsuit, as a result of which the patentee overlooked the fact that the patent is invalid and/or the products in question do not infringe.

- Assertions as to which products infringe which patents for what reason are not clearly explained to the alleged infringer.

- A lawsuit is filed against a customer of a competitor despite the presence of another party with whom the dispute could have been resolved at a more basic level.

- A press release is issued in order to prompt a serious reaction, such as discontinuance of sales of allegedly infringing products, even if the released information contains nothing more than the fact that a lawsuit was filed and the allegations made by the plaintiff.

3) Therefore, any patentee planning to file an

infringement suit should take the following into consideration before taking action:

- The patentee must be careful to evaluate the validity of the patent and the circumstances of infringement in a fair and objective manner.
- The patentee must provide a clear explanation of the case for infringement to the alleged infringer in order to give the latter a fair opportunity to consider the circumstances.

- When suing the customer of a competitor, the patentee must make a good faith effort to bring the dispute to a resolution, rather than simply attempting to improve the patentee's standing.

- The same applies to press releases as well.

4) A manufacturer producing products outside Japan that does not make, sell or use the products inside Japan is not eligible to request a declaratory judgment regarding the right of a Japanese patentee to request an injunction against Japanese distributors or users.

Yoshitaka Sonoda is a partner at Sonoda & Kobayashi. He can be contacted at: ysonoda@patents.jp.



Yoshitaka Sonoda

Dr. Sonoda, a patent attorney specialising in physics and electro-mechanics, received his Ph.D. from the University of Tokyo for his study of transient vibrations in nonlinear systems. He acquired fluency in both English and French while performing post-doctoral research at the Saclay Nuclear Research Center of the French Atomic Energy Commission. He continued his researches at Hitachi and then entered the intellectual property field in 1987. He has authored many articles in professional journals and is a frequent speaker at international conferences. He is a member of JPAA, JIPA, AIPLA, APAA and AIPPI.

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FAMOUS & WELL-KNOWN TRADEMARKS IN THE MEXICAN IP LANDSCAPE



Mexico's IP laws have undergone upheaval in recent years, most notably those affecting the most well-known trademarks. Begoña Cancino surveys the changes and examines how best to protect and enforce well-known and famous trademarks in Mexico.

Mexican IP law has suffered several amendments during the last decade. However, none of them has received such simultaneous praise and criticism as the ones enacted on June 16, 2005, which address key concerns of big companies. These introduce the additional concept/category of 'famous' trademarks to the traditional concept of 'well-known' trademarks, and create an administrative procedure to recognise both statuses.

The most significant changes comprise modifications to Article 90, Section XV, regarding 'notorious' trademarks, and the creation of a new Section XV Bis pertaining to famous trademarks and a new chapter (Chapter II Bis), which illustrates the new administrative procedure that the Mexican Institute of Industrial Property (IMPI by its initials in Spanish) must follow in order to issue a declaration of notoriety or fame.

Those in favour of these amendments argue that, since Chapter II Bis has been incorporated to Article 90, the owners of well-known and famous trademarks have been provided with a new tool to protect and enforce their IP rights. They point out that this alternative saves the owners the need to file a large number of documents every time that they intend to prove the notoriety or fame of their registered marks within a litigation process. Opponents argue that this procedure is unpractical since the standard of proof is too high, making it more expensive and difficult to obtain the official declaration of notoriety or fame.

Regardless of whether one sides with those for or those against these amendments, it is undisputable that, currently, as a consequence of the additions referred to above, our IP law prescribes the protection of well-known and famous trademarks through two different schemes: the long-

held concept of estimation, and the new official declaration of notoriety or fame procedure.

Prior to these amendments, Mexican IP law merely acknowledged the existence of well-known trademarks, maintaining that they did not need to be registered in order to be protected. Therefore, the protection and enforcement of such well-known trademarks were based on the IMPI's subjective judgements. These judgements, called 'estimations', were the only legally available option to: i) refuse or ii) cancel a trademark registration and/or iii) prohibit the use of a well-known trademark in Mexico, when its use or registration would likely cause confusion.

According to the estimation scheme (which remains valid), the acknowledgement of notoriety (and fame, after the amendments) of a trademark in order to refuse a trademark ap-

plication relies exclusively on the IMPI's judgement. The owner of the opposed well-known or famous trademark will never be called to file any evidence to support the refusal, nor even be informed of the existence of such an application. This is due to the fact that Mexican IP law does not provide an 'opposition' procedure.

We need to assume that the estimation scheme will apply when the well-known or famous trademark has not been registered in Mexico. This means that, in order to enforce such rights, the owner has the burden of proof in every litigation proceeding intended to cancel new registrations and to prohibit the use of the respective trademarks. The outcome of those actions will depend on the evidence offered to prove the status of notoriety or fame by the granting date of the trademark being challenged or by the commission of the infringement.

The decision ruled in litigation procedures in which the legal standing is based on a famous or well-known trademark will never constitute a declaration *per se*. The recognition of both statuses in such instances only affects the parties involved in the trial, being decided case by case upon a mere estimation grounded on the evaluation of the evidence offered by the plaintiff, with the main purpose to cancel a trademark or to decide the commission of the infringement.

It is fundamental to consider that all the means of proof allowed by Mexican IP law could be employed to demonstrate the notoriety or fame of a trademark within a litigation proceeding. However, in order to obtain the declaration of notoriety or fame through the special procedure provided in new Chapter II Bis, the applicant must state and prove the 15 requisites expressly contained in such section.

The main endorsing argument of supporters of the official declaration procedure is the complete uncertainty regarding the contents and amount of documents that the plaintiff must file in order to achieve a favourable decision in each litigation procedure that is intended to enforce a well-known or famous trademark under the estimation scheme. They sustain that, with this new alternative, the interested party would only need to prove the status of its trademark once (during the official declaration procedure), with the advantage to offer such official declaration as irrefutable proof of the notoriety or fame of the trademark in every litigation procedure, saving time and unnecessary expenses.

However, in order to attain the official declaration, the interested party needs first to obtain the trademark registration in connection with the goods or services in which it gained

its notoriety (in Mexico) or fame (in Mexico or abroad). This requirement not only increases the expenses and timeframe to obtain the declaration of interest, but also entails serious consequences when the owner finally wants to use it to enforce its IP rights.

Given the above, the writer will discuss below the aspects that may arise from the coexistence of both schemes (estimation and declaration) within the Mexican practice, with the main purpose of ascertaining, in her opinion, which would be the best way to protect and enforce well-known and famous trademarks in Mexico.

Before providing some predictions on this matter, it is important to summarise the following facts:

As mentioned before, Mexican IP law states two alternative tools to protect and enforce well-known and famous trademarks within its territory: the estimation scheme and the official declaration issued by the IMPI.

Although the Mexican law does not establish what is meant by the concept of estimation, we know that it usually implies a subjective and somewhat inexact judgement.

On the other hand, Section 98 Bis-1 conceptualises the declaration of notoriety or fame as an administrative act through which the IMPI declares—based on the evidence provided by the interested party—that the conditions of notoriety or fame of a trademark are in force at the issuance of the act.

It is important to stress that while the estimation scheme affords the protection regardless of whether or not the trademark is registered in Mexico, it is compulsory to have the trademark registration—in connection with the goods or services in which it gained its status of notoriety or fame—in order to obtain the official declaration.

Likewise, while Mexican IP law assumes the estimation as a unilateral and discretionary faculty of IMPI authorities that must be legally motivated and, if required, supported by the proper evidence, it also provides a complete administrative procedure at the request of the interested party to issue the declaration of notoriety or fame.

In light of the foregoing, and attending to the benefits sustained by the followers of the amendment enacted on June 2005, some predictions can be made specifically in connection with the effects of these amendments in the current frame of protection and enforce-

ment of well-known and famous trademarks in Mexico.

As mentioned before, the scope of protection of well-known and famous trademarks in Mexico intends to be enforceable through three different actions:

- i) the refusal
- ii) the cancellation of a trademark registration and
- iii) the prohibition to use a well-known or famous mark.

However, the effect of these actions and its enforceability *per se* may vary if the status of the trademark was decided through estimation or by means of the declaration of notoriety or fame, mainly because in the first case, the registration is not needed, while in the second case, obtaining the registration is compulsory.

In the following paragraphs, there are some explanations of these issues in more detail.

A) Refusal of a trademark registration.

When a third party requests a trademark registration that would likely cause confusion with a well-known or famous trademark (whether registered or not), the authorities are entitled to refuse it. It is important to mention that Mexican IP law specifies that the notoriety of a trademark must be proved in Mexico, unlike the status of fame, which could be proved in Mexico or abroad.

Estimation. Since Mexican IP law does not offer an opposition procedure, the owner of the mark opposed will not be in a position to file validly any evidence to support the refusal, and will not even be informed of the existence of the new application; thus, the rejection must be carefully grounded and based upon a mere estimation of the IMPI as a consequence of the discretionary faculties of the registry authorities, without evidence confirming both statuses.

THE DECISION RULED IN LITIGATION PROCEDURES IN WHICH THE LEGAL STANDING IS BASED ON A FAMOUS OR WELL-KNOWN TRADEMARK WILL NEVER CONSTITUTE A DECLARATION PER SE.

DECLARATION. IN THIS CASE, WE MUST TAKE FOR GRANTED THAT THE PLAINTIFF NOT ONLY HAS A DECLARATION, BUT ALSO A TRADEMARK REGISTRATION.

Declaration. If a declaration of notoriety or fame has been issued already, the refusal must be grounded on such official acknowledgment, which implies the admittance of the status previously proved by the owner within the prosecution of the procedure stated in Chapter II Bis of Mexican IP law.

B) Cancellation of a trademark registration.

The plaintiff may bring an action against a trademark registration unlawfully granted so long as he proves that, by the granting date of the trademark being challenged, his trademark had been considered (esteemed) or had been declared notorious (in Mexico) or famous (in Mexico or abroad). It is important to clarify that this action does not constitute a current declaration of notoriety or fame per se.

Estimation. In this case we must take for granted that the plaintiff does not own a trademark registration; thus, it is up to the plaintiff to demonstrate (with all the evidence allowed by Section 192 of the IP law) the notoriety or fame of its trademark, and it is up to the authorities to estimate such status in light of the evidence provided. It is important to stress that in order to prove the notoriety or fame of a trademark in this kind of litigation, the owner does not need to submit all of the documents set forth in Chapter II Bis (particularly on its Section 98-Bis-2), since this evidence is required specifically to obtain the declaration of notoriety or fame, and as mentioned before, this will not be the purpose of the cancellation action.

Declaration. In this case, we must take for granted that the plaintiff not only has a declaration, but also a trademark registration. This is the typical case in which the followers of the amendments have tried to demonstrate the efficiency of the declaration of notoriety or fame, sustaining that the owner of the declaration can save time and expenses by enclosing such official document as the only evidence.

However, for those who could not obtain the registration needed because of a pre-existing trademark unlawfully granted, this prerogative will not be available. In that case, the filing of a cancellation action is necessary, and the only way to prove that the trademark challenged was unlawfully granted is by means of estimation, showing the evidence allowed by law Section 192.

It is also important to point out that the declaration of notoriety has no retroactive effects. Thus, to make a declaration valid in order to cancel a trademark registration, the issuance of this official recognition must be made prior to the granting of the trademark challenged through a cancellation proceeding.

Nevertheless, if the mere existence of the declaration implies that the owner already has a trademark duly granted, he is entitled to challenge every further trademark under the whole actions catalogued in Section 151 (v.gr. Error, false data, etc.) without being limited to demonstrate the notoriety or fame of its trademark.

C) Prohibition to use a well-known or a famous mark

The owner of a well-known mark may bring an action through the IMPI for infringement of a well-known trademark under Section 213, subsection VII. However, there are no infringement actions provided specifically in connection with famous trademarks, a clear omission in the amendments of July 2005.

Estimation. In this case, we must take it for granted that the plaintiff does not own a trademark registration. Therefore, it is up to him to demonstrate (with all the evidence allowed by law Section 192) the notoriety of its trademark in Mexico (Section 90 XV), and it is up to the authorities to estimate such status in light of the evidence provided. It is important to mention that, according to the IMPI criteria in connection with the granting of preliminary injunctions, it is highly probable that if the plaintiff applies for such measures, they will be rejected if he is unable to demonstrate the ownership of IP rights duly granted as well as the use of the Trademark Registration sign (M.R. or others) in the products distinguished with the well-known trademark of interest.

Declaration. In this case, we must take it for granted that the plaintiff not only has a declaration, but also a trademark registration and, in that case, he is entitled to enforce such trademarks with the distinction of well-known, as mentioned in the previous paragraph based on Section 213 subsection VII, or in the other actions referred to infringement of trademark registrations.

In this case, and considering that the plaintiff already has a trademark registration, he will be able to apply for and obtain the preliminary injunctions established at law, as long as he fulfills the corresponding requirements.

Given the above, in opinion of the writer, the importance of the declaration of notoriety or fame to refuse a trademark is the same as that of the estimation, and such importance in the cancellation and the infringement action relies on the prior obtaining a trademark registration and not in the declaration per se—it being clear that paying a fee to obtain an official recognition does not make a trademark notorious or famous.

In fact, considering the high fees imposed and the timeframe needed to obtain the declaration, nowadays, it is becoming more advisable to register trademarks in order to protect and enforce them throughout the whole catalogue of actions stated at law, than to rely on a government agency such as the trademark office (which has limited capabilities) to make the decision as to whether a mark is well-known or famous, and restrict a client's options to enforce them.

Begoña Cancino is a partner in the litigation department at Becerril, Coca & Becerril, S.C. She can be contacted at: bcancino@bcb.com.mx.



Begoña Cancino

Begoña Cancino qualified as an attorney-at-law with law studies at Universidad La Salle and took post-graduate courses in copyrights and intellectual rights, specialising in intellectual property. She is bilingual (Spanish – English), with basic French. A member of the Mexican Association for the Protection of Intellectual Property (AMPPI), she has published articles in various publications. She joined Becerril, Coca & Becerril in 2005. She has experience in industrial property law and copyrights. Her current practice area is litigation, trademarks and copyright.



WAYS TO COMBAT COUNTERFEITERS

Saul Santoyo and Satoshi Yoshiki provide a practical guide to assembling an anti-counterfeiting programme in Mexico.

Counterfeiting is a serious problem that affects us all. The global counterfeit market already accounts for at least eight percent of world trade, according to some conservative figures.

This problem causes huge economic losses, not only for Intellectual Property (IP) owners, but for all related, legitimate businesses. It affects the tax revenues of governments; discourages foreign investments; deceives consumers; restricts the creation of employment; poses an incredible threat to the health and safety of the general population; and inhibits innovation and growth in all countries.

Mexico is one of the countries most affected by this widespread problem, and IP owners interested in enforcing their rights should start by developing a strategy intended to tackle the problem at different levels. It is of utmost importance to identify the most efficient ways of enforcing IP rights so as to apply cost-effective measures that will provide satisfactory results.

A tailor-made anti-counterfeiting programme is the most efficient tool to combat this serious and growing problem. It should be directed at reducing the presence of counterfeits as a first step and aim to restore the market for original products as its long-term objective. High levels of counterfeiting and piracy could be reduced significantly by implementing efficient programmes that include aggressive enforcement of IP rights.

The objectives for an anti-counterfeiting programme

The overall objective—and the appropriate legal measures by which to achieve it—depend on the nature of each specific case, but whatever the case may be, a successful anti-counterfeiting programme must involve undertaking several measures according to different goals.

It is well documented that indifference or tolerance towards street vendors selling counterfeit products eventually encourages others to join in such activity, as there is no apparent risk but only the promise of increased profits. Nonetheless, IP owners that decide to aggressively enforce their rights can significantly reduce the presence of counterfeits affecting them.

Mexico has a huge informal economy made up of thousands of street vendors located throughout the country, who not only pay no taxes but also usually sell counterfeit products of all types. Therefore, it is important to direct efforts intended to reduce the availability of counterfeits by diminishing their presence in the marketplace.

THEREFORE, IT IS IMPORTANT TO DIRECT EFFORTS INTENDED TO REDUCE THE AVAILABILITY OF COUNTERFEITS BY DIMINISHING THEIR PRESENCE IN THE MARKETPLACE.



Afterwards, all efforts should be directed to locate the source, supply chain and channels of distribution of counterfeits, so as to aggressively attack them whether they are imported or locally produced. It is very important not only to combat domestic production and distribution of counterfeits, but also to steadily combat the introduction of (either legally imported or contraband) foreign-made counterfeits, because once such products enter the country, they atomise and are scattered throughout the Mexican territory—a situation that significantly increases the difficulty to deal with the issue.

Eventually, the above-mentioned efforts should provide positive results that will allow IP owners to reinstate control of the marketplace with their genuine products. Still, it is important to mention that, even after reaching this goal, IP owners should continue to monitor the presence of counterfeits and enforce their IP rights, thereby adopting a zero-tolerance campaign towards counterfeiters.

Mexican law and regulations

The legal actions that may be an important part of an anti-counterfeiting programme are established in the Mexican legislation, which stipulates several legal procedures for the enforcement of IP rights against counterfeiters, including administrative infringement actions, criminal actions and other legal actions established in specific laws. The different authorities directly involved in the anti-counterfeiting efforts include the Mexican Institute of Industrial Property (IMPI) and the General Prosecutor's Office (PGR), and other relevant authorities that may collaborate with said efforts, such as the Mexican General Customs Administration (AGA), the Federal Commission for the Protection from Sanitary Risks (COFEPRIS), and different police corporations such as the Federal Investigation Agency (AFI), the Tax

& Customs Inspection Unit (UAIFA) and the Federal Police.

In such respect, it is well worth mentioning that Mexican law and regulations do not provide the means by which a trademark owner can officially request the government department responsible for customs control to regularly monitor and intercept any counterfeit goods bearing a fake or forged trademark. In other words, AGA has no legal obligation to enforce intellectual and/or industrial property rights by its own means.

Although there is a plan for launching a customs trademark registry, as part of a larger collaborative effort between AGA and IMPI to combat counterfeiting, for the time being, there is no legal provision in Mexican legislation that enables customs authorities to keep a record of the registered trademarks and their authorised licensees and/or distributors and/or importers.

Even more so, the customs authority cannot order the seizure of counterfeit or infringing products by itself, and may only take action if it receives an order from a competent authority, such as the IMPI, PGR or a judge.

The nature and seriousness of counterfeiting problems may vary depending on the specifics of each industry, thus it is indispensable to understand the characteristics and particulars of each case, so as to be in a position to employ effectively the correct means to reach all the previously established objectives.

In this sense, while we can safely consider that administrative and/or criminal actions that result in raids may be the most useful weapons in the short or medium term to strike counterfeiters, still we should have in mind that these

MEXICO IS ONE OF THE COUNTRIES MOST AFFECTED BY THIS WIDESPREAD PROBLEM, AND IP OWNERS INTERESTED IN ENFORCING THEIR RIGHTS SHOULD START BY DEVELOPING A STRATEGY INTENDED TO TACKLE THE PROBLEM AT DIFFERENT LEVELS.

tools may become less effective in the long run, as it is highly probable that counterfeiters will develop more sophisticated methods for evading these actions.

Notwithstanding the above, raids are the most powerful instruments included in anti-counterfeiting campaigns, since as previously mentioned, they help to reduce the presence of counterfeits in the Mexican market and have proven successful in shutting down clandestine manufacturing facilities and warehouses, while discouraging retailers and distributors from distributing counterfeits, which ultimately results in a significant reduction in the availability of counterfeits in the market.

Likewise, the raids and border measures implemented at some customs offices are regarded as having been very effective because they had a significant outcome at a lower cost, mainly because they effectively interrupted the counterfeiters' supply chain and they dealt with a 'sitting target' (i.e. offending merchandise awaiting customs clearance) that usually involves very large volumes of counterfeit goods.

It is very important to be ready to enforce IP rights, starting at Mexican customs, by monitoring and obtaining the seizure of counterfeit goods before they enter Mexico through several strategic ports of entry and, if deemed viable, co-ordinating efforts with the relevant authorities to seize offending products in order to put an end to these illegal activities, even with the filing of criminal action and arrest of the people involved. It is safe to conclude that the key for a successful anti-counterfeiting programme is a well-structured network that enables not only the monitoring and detection of the import/export operations involving trademark coun-

terfeited goods, but also enables the appropriate legal measures to be taken depending on the nature of each specific case.

Act agreement: a future answer for the global problem?

Recent press releases have announced the US Government's proposal for an Anti-Counterfeiting Trade (ACT) Agreement. This important initiative supported by a group of trading partners, including Mexico, Canada, the European Union, Japan, Switzerland, South Korea, New Zealand and other countries, is intended to provide common standards for anti-counterfeiting enforcement and legal frameworks so that law enforcement agencies, judges and rights holders have the necessary tools to effectively combat this problem.

According to the announcement, the ACT agreement would include international co-operation and sharing of information between law enforcement authorities, such as customs and other relevant agencies, and enforcement practices that promote strong intellectual property protection in co-ordination with rights holders and trading partners.

These types of action demonstrate that many countries have already realised that isolated efforts would not be sufficient to combat this growing problem, so the plan now is to provide a multinational structure intended to sum international anti-counterfeiting efforts aimed at surpassing borders and attacking an international problem with global solutions.

The launch of negotiations for the proposed agreement are expected to start before the end of the year, and we sincerely hope that they will be successful so that it can be implemented as soon as possible.

While it is great news that Mexico is involved in this international effort, it is crucial for the Mexican Government to include this problem on its primary agenda in order for it to benefit from a real opportunity to successfully combat counterfeiters. Thus it would be essential to amend the domestic law in order to establish a suitable legal frame that may allow IP owners to be better suited to enforce their rights against illegal activities.

Particularly, it would be of paramount importance to amend the Mexican Customs Law, so that the customs authorities would have the legal faculties to seize the imports of counterfeit products *ex officio* and also to amend the contents of Article 223 of the Industrial Property law, so that the crimes referred to therein may be pursued by the judicial authorities *ex officio*.

Saul Santoyo is a partner at Uthoff, Gómez Vega & Uthoff, S.C. He can be contacted at: saulso@uthoff.com.mx. Satoshi Yoshiki is an associate of Uthoff, Gómez Vega & Uthoff, S.C. He can be contacted at: sato@uthoff.com.mx.



Saul Santoyo

Saul Santoyo specialises in intellectual property litigation and counselling. He has a Law Degree from Universidad La Salle, Faculty of Law, Mexico City, 1997 and a Diploma in Industrial and Intellectual Property Law from Universidad Panamericana, Faculty of Law, Mexico City, 1999. He holds a Diploma as a Consultant and Arbitrator on International Commerce and Intellectual and Industrial Property of Internet Conflicts from the International Tribunal for Conciliation and Arbitration of MERCOSUR and Instituto Tecnológico y de Estudios Superiores de Monterrey, Campus Estado de Mexico, 2002, and completed the Internet Law Program, from The Berkman Center for Internet & Society at Harvard Law School, Mexico City, 2006.



Satoshi Yoshiki

Satoshi Yoshiki specialises in intellectual property litigation, domain names dispute resolution procedures and counselling. He has a Law Degree from Universidad Iberoamericana, Faculty of Law, Mexico City, 2004. Satoshi Yoshiki is an active member of the Mexican Association for the Protection of Industrial Property (AMPPI) and Mexican Bar Association (Barra Mexicana, Colegio de Abogados). He is fluent in Spanish and English.



PATENT LITIGATION IN MEXICO

Carlos Perez De La Sierra highlights the issues that arise for Mexican attorneys from the emerging field of patent litigation in Mexico.

Patent litigation in Mexico is a relatively new field of practice for Mexican attorneys. With amendments to the industrial property law—which introduced the concept of damages for infringement of industrial property rights and entered into effect in 1994—and with Mexico’s joining the Patent Cooperation Treaty (PCT) as from January 1994, the basis for patent litigation in our country was established.

As of today, the number of cases of patent infringement tried by the Mexican Patent Office is still relatively low, especially when compared to cases involving trademarks. As a result, we still face some inconsistencies during the process and, more importantly, in claims interpretation and in substantive issues such as novelty, inventive step and obviousness. Furthermore, very few cases have gone all the way to the appeal level and, thus, the courts are yet to produce rulings that give a clearer degree of certainty, in as much as how these concepts are to be interpreted. While the law certainly contains definitions for these concepts, the complexity of most patent cases more often than not requires additional guidelines on how to interpret them.

The process in itself is quite different to those followed in the US, Canada or Europe. To begin with, all claims for infringement are tried by the Mexican Patent Office, which renders the cases administrative processes rather than judicial instances. Decisions rendered by the Mexican Patent Office only rule on whether the infringement took place or not and, in a declarative type of decision, the defendant will

be ordered to immediately stop the infringing activity and will also be fined.

It should be noted that there is no discovery period under applicable law. Therefore, the attorney for the plaintiff is required to thoroughly prepare the case before the initial pleading is filed, without being able to avail himself, at this stage, of any information or documents in the exclusive possession of the defendant. The claim for infringement contained in the initial pleading of the case cannot be amended once filed. However, it should include all argument and evidence by which the case is supported, whether this be documentary evidence, expert testimony, or official inspections or documents in the possession of the defendant that would be relevant to the case and that the Mexican Patent Office can order the defendant to produce.

As noted above, all evidence should be included with the initial pleading. The only exception to this rule for the plaintiff is in the case of documentary evidence that may be in the exclusive possession of the defendant and that, once offered, the Mexican Patent Office deems is relevant to the case. In this event, the Mexican Patent Office would request said documentary evidence to be produced by the defendant under the warning that if the same is not produced as ordered, the allegations of the plaintiff made in connection with the respective documents will be taken as proven. While there are certainly some concerns over the legality of this rule under constitutional rights, the courts are yet to produce applicable case law under which to avail themselves of a clearer position.

Expert testimony is quite common and actually needed on most patent litigation in Mexico as well. However, the process for rendering the same is rather unique in our country. The party offering said means of proof is required to provide a questionnaire on the issues to be covered by its appointed expert. Then, the other party will have the right to add to the questionnaire those questions it deems appropriate and will also have the right to appoint its own expert to cover the same issues. Once confirmed by the Mexican Patent Office, if objections raised by the parties against the admission of a given expert are overruled, they are called by the Patent Office to produce their testimony in writing, normally within 20 days following the specific official request.

As is frequently the case, if the testimony of experts happens to be conflicting, the Mexican Patent Office will be left with no choice but to appoint a third and final expert to respond to the questionnaires originally submitted by the parties. This third expert will also be required to produce its testimony in writing within 20 days following the serving of the appointment confirmation.

The results of an official visit of inspection are also used as a form of evidence in many patent infringement cases. This particular type of evidence is used to demonstrate that the alleged infringing product is on the market and that the defendant manufactures and/or markets the noted product, and to obtain a sample of the alleged infringing product so that it can be examined by the experts and by the Patent Office, in order to determine if the claims of

the respective patent are being infringed or not. On a different matter, the inspection visit is also used to implement seizure measures, of which a detailed reference will be made later.

Now, once the claim has been admitted by the Mexican Patent Office, together with the evidence offered by the plaintiff, the serving of the same on the defendant is ordered. If inspection visits were offered as part of the evidence, the same take place precisely on the date of service of the claim, even if the facilities of the defendant were also chosen for an inspection visit. It is quite relevant to point out that the inspections are to take place without any prior notice to the defendant or to the place where said inspections are to take place, leaving the visited entities, among which the defendant is normally included, without any time whatsoever to prepare for such visits. Inspections are made by an official inspector appointed by the Mexican Patent Office, who can be accompanied by a representative of the plaintiff. An official report is prepared by the inspector for each visit, so that it can be introduced into the case as evidence offered as the result of the inspection visit.

The defendant is then given a non-extendable term of one month in which to produce a response to the infringement claim. Any counterclaims of interest by the defendant will also need to be instituted within this term of one month, again with no extensions available. Nullity claims instituted by the defendant after the one-month period granted in which to respond will not be deemed linked to the process and, thus, the claim for infringement may very well be decided upon before the nullity case is decided and without taking the same into consideration. The defendant is also required to produce all argument and evidence (documentary evidence, inspection visits, expert testimony, etc.) in support of its defence, within the month granted. The only exception to this rule concerns documents offered by the defendant in its response that are not located in Mexico. In these cases, the Mexican Patent Office will grant that further extensions are available under the law, which will result in the respective evidence being withdrawn from the case and, thus, not being taken into consideration.

Once the defendant produces its response and all evidence offered by the parties has been completed, the case is closed and ready for a decision to be rendered. Then, the parties must simply wait for the Mexican Patent Office to render its decision, although the law does not provide for any specific time frame or schedule by which said decisions are to be made available. Therefore, even in the case of a completed

FINALLY, IT SHOULD BE NOTED THAT DAMAGES, AS MENTIONED ABOVE, ARE NOT AWARDED BY THE MEXICAN PATENT OFFICE WITH ITS DECISIONS ON INFRINGEMENT CASES.

process, a decision from the Patent Office may very well still take one year to be released.

Injunctions are not available under Mexican law, at least in the form known in other jurisdictions. For instance, no judge in Mexico can award such a measure and, thus, we are left with the figure of provisional measures on industrial property cases, as contained in the industrial property law, which are authorised by the Mexican Patent and Trademark Office.

Both forms of provisional measures are to be supported by posting appropriate bonds with which to guarantee potential damages to the defendant. Bonds for the seizure of goods are normally of a token value to begin with and can be increased by the Patent Office to meet the value of the goods seized. Bonds to obtain an order to cease all infringing activity involve a much more significant amount, since the defendant will be forced to cease manufacture and/or distribution of its products, as from the issuance of the order.

At any rate, and contrary to judgments awarding injunctions in other jurisdictions, there is a relatively simple means to lift the provisional measures awarded by the Mexican Patent Office. Under the law, defendants wishing to lift the measures imposed will only need to post counterbond for twice the amount of the original bond posted by the plaintiff. Therefore, it is of major importance, especially for orders to cease all infringing activity, to carefully determine the amount of bond that will most likely guarantee that the defendant will not counterbond and, thus, to insure that the awarded measures stay in place while the case is being tried.

Finally, it should be noted that damages, as mentioned above, are not awarded by the Mexican Patent Office with its decisions on infringement cases. Once a declaration of infringement is obtained from the Mexican

Patent Office and when it becomes firm, the plaintiff will have the right to seek an award of damages through a civil case. According to applicable provisions included in the industrial property law, damages are to be awarded to the plaintiff for an amount of at least 40 percent of the market value of sales of the infringing goods. Sales made while the case was being tried are to be considered by the civil judge, even if these were made having posted counterbond to lift provisional measures. It is very important to note that provisional measures do not constitute an authorisation to the defendant and, thus, it will certainly be liable for damages, if found to have infringed the given patent, for all the time the infringement took place, regardless of having sold infringing products by having placed a counterbond.

Carlos Pérez De La Sierra is founder partner and managing partner of Calderón y De la Sierra (1982). He can be contacted at: cpdelasierra@calderoniplaw.com.mx.



Carlos Pérez De La Sierra

Carlos Pérez De La Sierra is attorney at law, born in Mexico City in 1961. He has been involved in all aspects of counselling, prosecution, licensing and litigation involving patents, trademarks, copyrights and unfair competition causes, with special interest in litigation.

He is an active member of the Mexican Association for the Protection of Intellectual Property (AMPPI); La Barra Mexicana Colegio de Abogados, A.C. (the Mexican Bar); International Association for the Protection of Intellectual Property (AIPPI); The International Trademark Association (INTA); American Intellectual Property Law Association (AIPLA); Inter-American Association of Intellectual Property (ASIPI); and MARQUES.

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SECURING EVIDENCE IN IP LITIGATION

Omar Baki and Barry Franks provide a series of Swedish case studies that illustrate some of the difficulties that lie ahead for the European Minimum Enforcement Standards

A traditional problem within intellectual property law has been, and still is, how to get hold of evidence of infringement of intellectual property rights and of the extent of such infringement. As such evidence is directly responsible for success in any subsequent suit for damages, there has been a need for rights owners to have a legal tool that enables them to obtain evidence concerning the infringement. The introduction on January 1, 1999 of the ‘search order’—new to Swedish civil (as opposed to criminal) law—has fulfilled this need and has been shown to work satisfactorily. Now, with the forthcoming implementation of the so-called ‘Enforcement Directive’ (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights), the legal basis for securing evidence will not change but will be reinforced. Nonetheless, there are a number of problems

that need to be corrected and there are still obstacles that need to be overcome before we have a unitary, pan-European set of rules that truly give the rights owner the possibility to collect and secure evidence simultaneously in a plurality of European jurisdictions.

In Sweden, since January 1999, it has been possible to get hold of evidence concerning intellectual property infringement by petitioning for an action to secure evidence, called a search order (*intrångsundersökning*). This action to secure evidence has similarities to dawn raids in Swedish antitrust law and is often referred to as a civil law search warrant.

The prerequisites for a court to render a search order are the same for all types of intellectual property law, and their inspiration came from other precautionary measures such as sequestration pursuant to Chapter 15 Article 1 of the Swedish Code of Judicial Procedure and other similar regulations. If there is reasonable cause to believe that someone is infringing a right, if the grounds for the action are in proportion to the harm that will occur to the subject of the action and if the appellant can provide satisfactory security (pledge or personal guarantee), then the search order request shall be granted by the court. Normally, the alleged infringer should be given the opportunity to be heard before a decision concerning the search order can be taken as rendered. Considering that the whole purpose behind the investigation can be sabotaged if the alleged infringer is heard, in practice, the rule is for the decision to be made without the alleged infringer being heard. To allow this, there must be some urgency—in other words, a risk that evidence will be destroyed, concealed or falsified if the alleged infringer is heard. In the overwhelming majority of cases, the decision is taken on an *ex parte* basis. Additionally, in most cases, it is decided that the decision will not be communicated to the alleged infringer before enforcement service has been commenced. In practice, this means that the first the alleged infringer knows about the decision is when the enforcement authority comes knocking on their door.

Although this relatively new action has been achieving its aim fairly well, there are still some weaknesses in the law that are worth remarking on. These are principally related to making sure that the decision is not communicated to the alleged infringer too early,

and that the alleged infringer, in practice, gets a real opportunity to defend himself against unjustified attacks, before the seized material is handed over to the applicant. The problem is that, in general, most of such searched documents may contain commercial or trade secrets, and their discovery could damage the alleged infringer.

Since the law came into force, more than a hundred cases have been tried by Swedish courts. The great majority of the cases concern copyright and trademark infringement. As indicated above, the search order is granted *ex parte* in the majority of cases. Only a few have been granted after the alleged infringer has been heard.

A number of real-life cases that illustrate some of the pitfalls in the current system are described below.

In a representative case, a search order was granted against an individual businessman who sold unauthorised parallel-imported Nintendo games and games consoles—both via his website on the Internet and in his shop (see Stockholm’s Court case no. T 24723-06, *Nintendo co. Ltd & Bergsala AB v. Gametronics*). As the businessman did not obey a number of requests to voluntarily discontinue his unauthorised business, legal action was taken. Following a decision from the City Court of Stockholm, the shop was closed and the website taken out of service, and all physical and electronic documents were examined and copied. As the search warrant allowed it, the businessman’s house and storage space, including attic and cellar were also investigated. In this case, the businessman refrained from summoning legal counsel during the service and decided not to appeal the decision. The result of the investigation was a hundred physical documents and thousands of electronic documents that showed both the infringement and the extent of it. The businessman didn’t put up any resistance—in all likelihood because the applicant had already received the documents from the investigation and could use these in Court irrespective of any review of or appeal against the decision to grant a search warrant.

In an atypical case, the German shoe manufacturer Puma applied for a search order of a Swedish distributor’s premises on the grounds of infringement of Puma’s trademark (Kris-

tianstad District Court case no. T 1189-06, *Puma AG Rudolf Dassler Sport v. LT Skor AB*). Somewhat surprisingly, and without stating a reason, the Court decided not to grant a search order *ex parte* but dispatched the petition to the alleged infringer. After six months of exchanging briefs between the parties, the Court took the decision to allow a search of the shoe distributor’s premises. By then, the execution of the order would have been just for the sake of form and most likely would not have turned up any evidence. Consequently, the parties settled out of court.

The starting point for the Court’s decision in each individual case must be that an alleged infringer is not voluntarily going to hand over evidence that supports the allegation of infringement. The fact that, in order to be effective, the decision to permit a search order must be granted without the alleged infringer being heard is illustrated by a case in which the representative for a medium-sized technical consultancy company was discovered deleting relevant electronic documents in the middle of the enforcement authorities’ execution of the search order. In this case, the electronic documents could be retrieved by forensic computer analysts. One wonders what would have happened if the decision had been granted only after hearing the alleged infringer. A number of other cases that illustrate the alleged infringer’s unwillingness to hand over information are almost comical, such as when the alleged infringer’s representative tried to hide in, or even under, a car or pretended to be someone else in order to prevent enforcement of the search order.

The rule of law, and the slim possibility of preventing the applicant from getting his hands on documents once a search order has been granted, are often raised as an argument against the practice of taking an *ex parte* decision. In a typical case, the alleged infringer only knows about the search order once the search itself has actually commenced. If the action is swiftly finished then it is practically impossible for the subject of the search to prevent the seized material from being handed over to the plaintiff. If approval for the search order is withdrawn after documents have been delivered to the applicant then there is no way to prevent the applicant from referring to them in subsequent court proceedings as would be allowed by the Swedish evidentiary procedural rules.

IN PRACTICE, THIS MEANS THAT THE FIRST THE ALLEGED INFRINGER KNOWS ABOUT THE DECISION IS WHEN THE ENFORCEMENT AUTHORITY COMES KNOCKING ON THEIR DOOR.

A single exception that proves the rule can be found in a case between two manufacturing companies. In 2003, Stockholm's Court granted a search order against a Swedish manufacturing company, which was alleged to have infringed a patent for a train coupling (City Court of Stockholm's case no. T 21617-03, *Voith Turbo Scharfenberg v. Dellner Couplers AB*). One day before the enforcement of the search order by the enforcement authorities, the alleged infringer found out about the decision and, in an emergency action, appealed the decision at Svea Court of Appeal. The Court of Appeal stayed the decision one day after the start of the action but before it had been completed. As a result, the applicant was prevented from receiving any of the seized documents. One week after the action, the Court of Appeal squashed the decision to grant a search order. In this case, it was worthwhile opposing the action and appealing to the Court despite the narrow time margin. It appears that this is the only case where an alleged infringer has succeeded in preventing material being handed over to the applicant when the decision had been taken without the alleged infringer being heard.

In a number of cases, the alleged infringer has attempted unsuccessfully to prevent the enforcement of a search order. In a recently completed case (Court of Appeal for West Sweden case no. Ö 4731-07 *Tawi AB v. Skoogs Maskin and Svets AB*), an industrial company applied for, and was granted, a search order against a direct competitor, and the search was enforced. During the execution of the search order, the alleged infringer attempted to have the Court's decision stayed and annulled. The search was completed before the Court of Appeal could take a decision on staying, whereupon the request for a stay lapsed. The applicant then received all of the seized material. A week later, the Court of Appeal partially revoked the grant of the investigation. This example clearly shows that the applicant got hold of various types of material without having a right to do so.

The above examples illustrate some deficiencies in the legislation. The possibility of hearing the alleged infringer before a decision is taken often results in meagre recovery of materials if an investigation is finally granted. If, however, the alleged infringer is not heard then, as a rule, he has no practical way of preventing the material being handed over to the applicant and, once handed over, it is not possible to get the material 'unhanded over'—as the saying goes, "You can't unscramble eggs!"

These deficiencies need to be addressed—on the one hand to increase the possibilities for a search warrant being granted and on the other hand to give the alleged infringer a practical possibility to defend himself against an unjustified attempt (e.g. a 'fishing expedition') to obtain commercial secrets.

There have been cases where search orders have been aimed at not only seizing evidence relating to IP infringement but also evidence relating to other types of crimes, such as industrial espionage. A problem has been, and still is, that a completed search often gives the applicant surplus information that is not related to an infringement or its extent. In such cases, the applicant is not obliged to return such information but is free to use it for purposes other than proving infringement or the extent of infringement. A number of cases can be cited in which the main purpose was obviously to obtain evidence of something other than infringement and, in this way, change the purpose of the legislation. Using such a procedure may be considered unethical but it is clearly allowable.

Experience has shown that a well-executed search order often leads to the parties settling at an early stage in a trial and this obviously greatly reduces costs, especially for the plaintiff, instead of litigating for several years.

The conclusion is that the Swedish civil law evidence investigation action, or search order, despite some deficiencies, has been successful, and its use is a natural and necessary part of preparations for an infringement suit.

From a European perspective, the Swedish measure of preserving, obtaining and presenting evidence conforms well to Articles 6 and 7 of the Enforcement Directive, and may be said to go beyond its minimum requirements.

Following the implementation of the directive in the Member States' different legislations, rights holders will be presented with new opportunities concerning multi-jurisdictional litigation, even though the purpose of the En-

forcement Directive is to provide a minimum enforcement standard and not a set of rules for pan-European IP litigation. As the Member States' procedural laws have relatively big discrepancies, the route to a pan-European dawn raid is still a long one, despite the new possibilities enabled by the Enforcement Directive. The authors look forward to handling and solving the problems caused by cases based on the Enforcement Directive where the securing of evidence has to take place simultaneously in several European jurisdictions.

Omar Baki is an attorney at law at Brann AB. He can be contacted at: omar.baki@brann.se.

Barry Franks is a European patent attorney and vice president of Brann AB. He can be contacted at: barry.franks@brann.se.



Barry Franks

Barry Franks is a European patent attorney and vice president at Brann AB. After nearly 10 years as an EPO examiner in The Hague, he moved to Sweden where, from 1995 to 2001, he worked in IP both in private practice at Brann AB and in industry. From 2001 to 2006, he worked as IP counsel for GE Healthcare in the UK and Sweden. In 2007, he returned to Brann AB and is based in the Uppsala office.



Omar Baki

Omar Baki, attorney at law, is a partner at Brann AB's Stockholm office, with over 13 years of national as well as international IP litigation experience.

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FURTHER DOWN THE ROAD OF HARMONISATION

In Sweden, a proposal for a new Trademark Act intends to bring about a more uniform regulation on trademarks. Claes Henriksson outlines the implications, with the assistance of Olle Nilsson (legal intern).

The present Swedish Trademark Act entered into force in 1960 as a result of a collaboration between the Nordic countries. Ever since, Swedish trademark legislation has continued to be influenced by international co-operation, the most significant being the harmonisation of trademark law within the EC. Changes have been made to bring Swedish legislation more in tune with the EC Trademark Directive of 1989 and the Council Regulation of 1994, together with the case law of the European Court of Justice.

As a result of European harmonisation, many distinctive features of the rules governing trademarks are common to the Member States of the EC. However, harmonisation within the EC is not complete and, when comparing separate countries or regions within Europe, differences are found.

In Sweden, the registration of trademarks is administered by the Swedish Patent and Registration Office (the PRO). One Swedish characteristic common to only a few other European

countries is the extensive search and examination procedure conducted by the PRO. Under the present system, the PRO examines not only absolute ground for refusal to register a trademark, such as lack of distinctiveness, but also relative grounds, such as likelihood of confusion between the trademark applied to be registered and an earlier trademark (the latter of which may be registered in Sweden or as a Community trademark). Another feature worth noting is that the PRO examines the trademark applied for not merely in relation to earlier trademarks but also in relation to trade names registered in Sweden. Thus, there is a crosswise protection element between trademarks and trade names whereby an earlier trade name right would constitute a bar to registering a (confusingly similar) trademark, and vice versa.

Though still relatively alike, differences also exist between the respective trademark laws of the Nordic countries. However, since the bonds between the Nordic countries remain strong, a Trademarks Committee (the Committee) was appointed in Sweden in 1997 and assigned the task to review the current legislation, *inter alia* with the objective of harmonising the legislation in collaboration with committees in the other Nordic countries.

A final Committee report, containing a proposal for a new Trademark Act, was presented in 2001. (As is further detailed below, the proposal has not yet been enacted.) Compared to the present act, editorial changes are proposed in order to further align Swedish legislation with the EC Trademark Directive, but it also encompasses certain more notable changes.

Some of the main differences proposed to be introduced are simplified procedures regarding registration as well as revocation by the PRO of trademarks, and the possibility of transferring a trademark application to a party that has shown better right to it. Of importance to foreign applicants is also the proposal to authorise the PRO to require foreign trademark applicants to appoint representatives domiciled in Sweden.

The most significant proposed change relates to the registration procedure. With the intention

of limiting the PRO's costs and speeding up the application process, the Committee proposes a reduced scope of the PRO's statutory *ex officio* examination. Another reason for the change is to further align the Swedish application process with the Community Trademark system, which offers no statutory examination of relative grounds for refusal.

If enacted, a result of the draft Trademark Act would be that the PRO would no longer carry out complete examinations relating to earlier exclusive rights that might constitute grounds for refusing registration. As a consequence, holders of earlier trademarks would need to apply more attention to the trademarks registered by the PRO so as to ensure that competing confusingly similar marks would not be registered. Correspondingly, an applicant would need to carry out its own searches in order to gain further clarity with respect to whether or not a trademark that is contemplated to be used risks being in conflict with any prior exclusive rights. As mentioned, under the present system, an applicant can rely on a registration to a higher degree in light of the examination for relative grounds provided *ex officio* by the PRO.

The legislative process of enacting the proposal has been delayed due to objections from some of the bodies that have been given the opportunity to consider and comment on the suggested amendments, *inter alia* the major organisations representing the interests of Swedish companies. The main objections raised relate to the limitation of the scope of statutory examinations. A common view presented is that a proposal that includes a reduced obligation of the PRO to examine relative grounds for refusal would result in placing an unreasonable burden on applicants. The rationale is that smaller-sized companies would not be able to carry out the necessary searches of previous exclusive rights, which would lead to an increase in the number of wrongfully registered trademarks and, as a consequence, an increase in opposition proceedings/legal costs.

It is likely that a modified draft Trademark Act, possibly excluding the proposal on limiting the statutory examination procedure, will be presented no later than during the fall of 2008.

Given that it is well received, the new act will presumably enter into force at mid-year 2009.

Claes Henriksson is a senior associate in the intellectual property and media practice group of Vinge's Stockholm office. He can be contacted at: Claes.Henriksson@vinge.se.

ANOTHER FEATURE WORTH NOTING IS THAT THE PRO EXAMINES THE TRADEMARK APPLIED FOR NOT MERELY IN RELATION TO EARLIER TRADEMARKS BUT ALSO IN RELATION TO TRADE NAMES REGISTERED IN SWEDEN.



Claes Henriksson

Claes specialises in transactions as well as litigation within the fields of patents, trademarks, copyrights, media and marketing practices law. He is a member of the Swedish Bar Association, the Swedish Association for the Protection of Industrial Property and the Swedish Association for Copyright. Claes holds a LL.M from Stockholm University and a LL.M from Columbia University.

TAKING THE FIGHT AGAINST THE COUNTERFEITERS SERIOUSLY



A recent court case in Finland has demonstrated that joining forces can prove beneficial to rights holders. Ari-Pekka Launne explains.

Anyone working against counterfeiters will surely have faced the dilemma of whether to react to a trademark infringement, when there is limited hope of accomplishing any real results. On the one hand, the cost-efficiency requirement usually does not support a rights holder taking action against small quantities of goods and single infringers. On the other hand, infringements involving large quantities occur only occasionally. The infringers seem to benefit from this situation, since the sanctions are mild and small, the risk of being caught is low, and the profits available are high. However, it could prove to be beneficial for the rights holders to join forces and look beyond the actual amount of goods infringing their own mark, as was shown in a recent court case in Finland.

The National Board of Customs (NBC) in Finland has over the years shown great interest in barring the import and transit of pirated and counterfeit goods. The NBC has even set up special units to pinpoint suspicious shipments and to undertake continuous risk analysis to assist its work. Lately, it has also developed its own internal procedures for investigating infringement cases and created strategies for bringing infringers more frequently to court.

However, this process still requires initiative from the rights holders. Fortunately, co-operation between the NBC and the rights holders works extremely well.

In November 2004, the NBC received a complaint from a rights holder who suspected that a 'one euro' shop infringed their rights to a trademark. The shop, which was located in a large shopping mall in Helsinki, sold a variety of household goods, toys, clothing items and such.

The NBC had been observing this shop for a while, and decided to investigate this case further. A team of specialist investigators was assigned to work with the rights holders' representatives.

Initially, investigations of documents revealed that two companies were involved in conducting business in the shop under the 'ISO €' shield, and a third company was involved in importing the goods from China. It appeared that all the three suspects involved were of Chinese origin, but with Finnish nationality.

A house search was conducted in May 2005, which closed down the shop for days. The NBC carefully compiled an inventory of all

the goods on the shelves and in the warehouse. The apartment of the main suspect was also searched. The NBC confiscated 87,000 pieces of infringing goods, each of which was carefully photographed, listed and packed away until required.

During the search, the investigators also found documents both in Chinese and Finnish. The Chinese documents were translated and proved to be the shipping documents for 15 shipments. They contained information that it was possible to compare with the Customs declarations of the importing company. This comparison later provided the basis for estimations of the actual scale of infringement—it was impossible to know the actual value of the infringing goods sold since the companies' documentation was incorrect.

Representatives of the rights holders were invited to identify the infringing goods. In all, 59 different, and mostly well-known, trademarks were found on the goods. Later, 32 of the rights holders filed complaints and joined the process. In addition, the taxation agency and Customs department filed complaints against the suspects, who had also avoided taxes and made false declarations in their import documentation.

The Public Prosecutor took on the case and decided to press charges on all possible fronts. Incomplete bookkeeping and missing data on the actual value of sold items brought the suspects a charge of bookkeeping crime and tax fraud. False declarations concerning imported goods resulted in a charge of tax fraud as well. There was a rationing offence—the clothing items were not declared at all but described as 'household items', in a clear attempt to avoid taxes and levies. Finally, there were the industrial property rights infringements. The total damages demanded were close to 1.4 million euros.

One major issue in the strategy of both the investigators and the Public Prosecutor was to establish that there was one major violation—industrial property right crime, as stipulated in the Penal Code of Finland—instead of 59 minor violations or infringements of the trademark rights. The respective article in the Penal Code stipulates that when the offence is likely to cause substantial damage for the rights holder, the infringer has committed an industrial property rights crime and faces fines or a jail sentence of up to two years. It is likely that the court would dismiss at least some of the minor offences due to the small value of the infringing goods, if the cases were to be treated separately.

The preparatory hearing took place on April 2007 in the Helsinki Court of First Instance.

HOWEVER, IT COULD PROVE TO BE BENEFICIAL FOR THE RIGHTS HOLDERS TO JOIN FORCES AND LOOK BEYOND THE ACTUAL AMOUNT OF GOODS INFRINGING THEIR OWN MARK, AS WAS SHOWN IN A RECENT COURT CASE IN FINLAND.

The defendants pleaded not guilty and contested the grounds and amounts of the claims. However, in the main hearing, they admitted to the counterfeit nature of the goods sold, but protested that they were not aware of committing a crime when running their business. All the regular defences were heard, i.e. they didn't know, nobody complained, all customers were satisfied, no harm was done, and so forth. The representatives of the rights holders on the other hand argued that the suspects had an obligation to be aware of the legislation, and that lack of complaint and customer satisfaction are not relevant to the issue of an infringement of rights. The Court agreed.

The claims for damages was the most debated aspect of the court case. In Finland, only actual damages can be claimed. How, therefore, is it possible to show the exact amount of loss when there is no accurate data available on the sales figures of the infringing goods? In this case, a formula based on the amount of infringing goods compared to goods imported and goods sold was drafted, and the Court accepted the estimation. In the future, infringers will not be able to avoid damages simply by not admitting the amounts of their sale value.

During the process, it became evident that the main suspect was to blame, while the two others had little if anything to do with his actions—he had even falsified his wife's name in several documents. Consequently, two of the suspects were found to be not guilty, and the charges were dismissed.

If the trademark infringements only had been under consideration, the end result would have been different; however, the Public Prosecutor's decision to combine all the offences and to seek a combined sentence paid off. The Court agreed

that the infringement as a whole had been going on for a long time, and that the main suspect had used many different companies to perform the crimes. The economic scale and the number of single illegalities were considerable. All this resulted in a jail sentence of two years and four months, which might be considered very harsh in a case like this. However, it demonstrates that the fight against counterfeiters is taken seriously here in the North.

An appeal was filed by the infringer, and a decision is currently awaited. Meanwhile, the NBC, which was encouraged by the result of its work, continues in its efforts to become even better skilled at investigating such complex crimes. No doubt, the Public Prosecutor also sees this case as proof that thorough and careful preparation is needed when infringers are prosecuted.

What can be concluded from this case? Perhaps the main issue is that rights holders can benefit from participating in such actions, even if only a small amount of goods illegally carry their trademarks. Those small amounts combined form a larger whole, and an investigation is more likely to find related violations alongside the trademark infringement. The Public Prosecutor is then more likely to take the case to the Court and, ultimately, the Court is more likely to issue sentences that really count. With an approach like this, it will soon become evident to infringers that this type of crime doesn't pay any more.

Ari-Pekka Launne (LL.M.), is European trademark attorney and vice director of the trademarks and designs operations at patent and trademark agency Kolster Oy Ab. He can be reached at: ari-pekka.launne@kolster.fi.



Ari-Pekka Launne

Ari-Pekka Launne has had a career in trademark-related issues since 1998 and has been with Kolster since 2002. He is most experienced in IP litigation, anti-counterfeiting and brand strategies.



ENFORCEMENT OF IP RIGHTS IN ARGENTINA

Andrés Moncayo von Hase highlights trends and recent developments in Argentine IP law that raise the country's standards of IPR enforcement.

As a result of the entry into force of the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS) within the framework of the *World Trade Organization* (WTO) in 1995, Argentina began to amend its legislation on enforcement of intellectual property rights (IPR) in order to adapt it to the standards therein contained.

With regard to the enforcement of rights, three recent developments deserve attention, namely: i) the custom surveillance system for trademarks and copyrights, which started operating in 2007; ii) the amendment of the Argentine Patent Act in 2004, which regulates preliminary injunctions in the field of patents; and iii) the proceedings initiated against downloaders of music on the Internet.

i) Custom surveillance system for trademarks and copyright

Article 51 of TRIPS requires WTO members to adopt procedures to enable a rights holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application with the competent authorities (administrative or judicial), for the suspension by the Customs authorities of the release into free circulation of such goods. Members may extend such procedure to: (i) goods that involve infringements of other IP rights such as patents, and (ii) infringing goods destined for exportation from their territories.

Articles 52 to 60 of TRIPS establish different procedural standards to be followed by the relevant authorities within the importation country and some procedural guarantees both with regards to the rights of the IP owner and the importer or consignee of the goods that are suspected to infringe IPR (e.g. the right to inspect the goods by the parties, security to be provided by the applicant to prevent any abuse, etc.)

As a consequence of the above-mentioned obligations, a special provision was incorporated into the Argentine Custom Code in 2004 prohibiting any import or export through any custom destination within Argentina if upon simple verification of the products, it follows that the goods bear a counterfeit trademark, are pirated copies, or violate any other intellectual or industrial property right acknowledged under Argentine law.¹ Since then, no further procedural rules implementing Article 51 to 60 of TRIPS were enacted. Due to Congress passivity, on February 26, 2007, Argentina's Customs authority took the lead and issued *Resolution Nr 2216* (the Regulation), which entered into force in April 2007. The Regulation created a warning registry in which trademark and copyright owners can voluntarily register their ownership interests in IP rights at no cost. The warning registry is confined to registered trademarks and copyrights for the time being.

The registration is valid for two years and can be renewed for similar periods upon the request of the rights holder. According to the Regulation, all importations reached or detected by the warning registry will be stopped at the border by Customs for three working days. Upon request of the rights holder or its representatives, and within the three-day term, the challenged importation will be physically verified by official Customs agents in the presence of the rights holder or its authorised representative in order to determine the goods' authenticity or, as the case may be, the existence of an infringement.

If an infringement may be presumably inferred, both Customs and the rights holder will be free to initiate the appropriate administrative or judicial proceedings. In the event that rights holders or their representatives do not participate in the procedure or do not take any action therein, Customs may equally decide on taking whatever preventive measures it considers applicable, depending on the particular circumstances of the case, no matter the amount of products involved. Even in cases where IP holders decide not to initiate proceedings, the Customs Office may do so or report the existence of an IP violation to the competent courts in circumstances in which it is *prima facie* clear that an IP right violation took place.

IT IS IMPORTANT TO NOTE THAT THERE ARE NO REGULATIONS ALLOCATING EXPENSES OR COSTS RELATED TO THE WARNING PROCEDURE OR PROVIDING FOR A SECURITY TO PREVENT ANY ABUSE OR COMPENSATION IN CASE OF MISUSE OF THE PROCEDURE.

It is important to note that there are no regulations allocating expenses or costs related to the warning procedure or providing for a security to prevent any abuse or compensation in case of misuse of the procedure. In fact, regardless of the actual existence of an infringement, all expenses related to the deposit or blockade of goods are currently charged to the importer/exporter. In any case, loopholes or omissions in the regulations may be filled by the application of some of the general principles arising out of the National Civil and Commercial Code of Procedure.

ii) Preliminary injunctions to defend patent holders' exclusive rights

At the United States' request, Argentina and the United States held various rounds of consultations between June 1999 and April 2002, within the framework of the WTO, on nine matters related to the Argentine Patent Law

(Law n° 24.481) (the APL) that were considered inconsistent with TRIPS by the United States. In such context, both countries reached a *Mutually Agreed Solution*² (MAS) whereby the Government of Argentina committed itself, among other actions, to submit a bill to the National Congress containing the following text to be incorporated into the current Article 83 of the APL in order to put such law in line with Article 50 of TRIPS:

"The judicial authorities shall have the authority to order provisional measures in relation to a patent granted [...], in order to:

(1) *prevent an infringement of the patent and, in particular, to prevent the entry into channels of commerce of goods, including imported goods, immediately after customs clearance;*

(2) *preserve relevant evidence in regard to the alleged infringement, whenever the following conditions are met:*

(a) *there is a reasonable likelihood that the patent, if challenged by the defendant as being invalid, shall be declared valid;*

(b) *it is summarily proven that any delay in granting such measures will cause an irreparable harm to the patent holder;*

(c) *the harm that may be caused to the title holder exceeds the harm that the alleged infringer will suffer in case the measure was wrongly granted;*

(d) *there is a reasonable likelihood that the patent is infringed.*

Provided that the above conditions are met, in exceptional cases such as when there is a demonstrable risk of evidence being destroyed, the judicial authorities can grant such measures in audita altera parte.

In all cases, before granting a provisional measure, the judicial authority shall request that an expert appointed ex officio examine items (a) and (d) above within a maximum period of 15 days.

In the case of granting of any of the measures provided for under this article, the judicial authorities shall order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuses."

The MAS also obliged the Government of Argentina to submit a bill to the National Congress amending Article 87 of the APL, providing that in cases where provisional measures were not granted pursuant to Article 83 (as described above), the plaintiff may demand security from the defendant not to interrupt the

IF AN INFRINGEMENT MAY BE PRESUMABLY INFERRED, BOTH CUSTOMS AND THE RIGHTS HOLDER WILL BE FREE TO INITIATE THE APPROPRIATE ADMINISTRATIVE OR JUDICIAL PROCEEDINGS.

defendant's exploitation of the invention where he wishes to continue with such exploitation. All the required amendments arising under the MAS were put into effect by law 25.859 as from January 2004. Prior to the 2004 amendment, the plaintiff could request the suspension of the exploitation of the alleged infringing product or process only if the defendant failed to constitute a specific security. By contrast, after the 2004 amendment, it is the plaintiff that has the option to either require the suspension of the exploitation of the alleged infringing product or process by the defendant or to let him pursue the exploitation of the invention upon granting a satisfactory security. The amendment was aimed at submitting the grant of preliminary injunctions to certain previous tests, including a sort of 'balance of hardship' analysis to assess the harm that a preliminary injunction of the type could have for both the patent holder and the defendant, and whether the damage to be suffered by one party could be outweighed by the harm likely to be caused to the other. Despite the fact that new Article 83 is the result of the MAS signed between the United States and Argentina, it has been challenged in several cases before domestic courts as being inconsistent with Article 50 of TRIPS, basically because Article 83 of the APL adds new requirements that make preliminary injunctions more difficult to obtain. No such claim has succeeded until now.

iii) Defending copyright in Internet

Although the Argentine Copyright Act (Law No. 11.723) dates back to 1933, its broad definition of "protected works" permits today the extension of such legal concept to a wide range of works regardless the procedure employed for its reproduction. Section 2 grants copyright owners a variety of exclusive rights, such as to dispose, publish, perform, communicate, transfer, translate, adapt and reproduce such works in any manner. Distribution rights are

inferred from the right to dispose of the work. As regards music, record labels have traditionally been in charge of their own retailing and distribution, along with the task of fixing the music works into different storage devices (such as CDs, etc.). Due to the Internet's widespread popularity, the development of new technologies and peer-to-peer (P2P) software proliferation (which enables virtually unlimited file-sharing among millions of users all around the world), many Internet users have replaced the old music work distributors, allowing worldwide access, storage, reproduction and distribution of such works without the rights holder's authorisation.

In such a context, societies for the collective management of copyright and related rights that represent both national and foreign authors, composers, performers and phonogram producers in Argentina (i.e. AADI-CAPIF) began to prosecute infringers.

One of the first known cases involved CAPIF and the Internet service provider Speedy in 2005. Speedy was sued for including in its advertisements phrases such as, "download all your music and take it with you", in the knowledge that such behaviour promoted illegal music file downloading.³

Thereafter, the music producers and collective management entities started to pursue Internet users, filing claims against those illegally downloading and sharing protected music works with other users through P2P software (such as Emulex and Kazaa).

In this way, and following the strategies applied in the United States, the main recording labels summoned a small number of Internet users, reaching non-judicial agreements in private mediations and forcing users to pay up to \$4,800 as damage compensation.

These campaigns are aimed at letting users become aware that downloading copyright-protected music files is a crime and trying to gain them as potential clients by means of educational programmes.

According to CAPIF polls, 90 percent of Argentina's Internet music file transfers are illegal and, during year 2005, more than 412 million protected song files were illegally exchanged, while that number increased to 608 million in 2006.

Although there is still much to be done in the field of enforcement of IPR, the three chosen examples show that Argentina is gradually moving to better standards of IPR enforcement and developing a more solid 'IP culture'.

Andrés Moncayo von Hase is intellectual property law professor at the University of Buenos Aires Law School and other institutions. He can be contacted at: andres.moncayo@bfmyl.com.



Andrés Moncayo von Hase

Andrés Moncayo von Hase is partner in charge of the Intellectual Property Media & Technology Department of Bruchou, Fernandez Madero & Lombardi. He graduated in law at the University of Buenos Aires, Argentina, in 1986.

In 1990, he obtained a Diploma of Higher Studies in international relations with majors in international law, from the Graduate Institute of Higher Studies of the Geneva University, Switzerland. Between 1991 and 1993, he served as consultant in technology transfer and IP matters for the UN Conference on Commerce and Development and the World Intellectual Property Organization. Thereafter, he was designated head and later on manager of corporate matters of the Legal department of YPF S.A., in charge of the management of the company's IP assets, until 1998. From that year, he was counsel and then associate member in charge of the IP department of Estudio Zang, Bergel & Viñes until he joined Bruchou, Fernández Madero & Lombardi in August 2007.

¹ Section 46 of Law 25.986. Furthermore, that Section establishes that in cases in which counterfeiting or infringement cannot be easily determined, the Customs Office may suspend the entrance of the product into Argentina for up to seven working days in order to consult with the IP owner or rights holder, and allow him or her to seek the adoption of any preventive measure to protect his or her rights before the competent judge. If IP owners remain passive and, therefore, products are finally dispatched, Customs authorities shall nevertheless communicate this circumstance to the competent state agencies involved in the defence of consumers' rights and interests.

² World Trade Organization (WTO), WT/DS171/3, WT/DS196/4, IP/D/18/Add.1, IP/D/22/Add.1, 20 de junio de 2002, (02-3427).

³ La Nación, November 7, 2005.



A PANORAMIC VIEW OF TRADEMARK REGISTRATION IN BRAZIL

Kris Williamson provides an update on the latest Brazilian trademark law and outlines how it fits with international treaties such as TRIPS.

The current Industrial Property Law, No. 9279/96, has been in force in Brazil for over a decade. Generally speaking, the law is modern and in line with the principles of international treaties such as TRIPS and the Paris Convention.

In seeking registration of a trademark in Brazil, it is important that potential registrants should be aware that there is no need to show 'intent to use' the trademark. Rights only accrue on registration and up until that time, the applicant only has an expectation of securing those rights. Furthermore, Brazil adopts the 'first to file' principle, although Article 129(1) provides an exception for a party who has been using the same or similar mark in good faith for at least six months before the filing of an application.

IN SEEKING REGISTRATION OF A TRADEMARK IN BRAZIL, IT IS IMPORTANT THAT POTENTIAL REGISTRANTS BE AWARE THAT THERE IS NO NEED TO SHOW 'INTENT TO USE' THE TRADEMARK.

Any private natural or legal person can file an application to register a trademark (Article 128), although a foreign entity must retain a properly qualified attorney domiciled in Brazil and with powers of representation (Article 217). The law also states that the applicant must affirm in the application form, under penalty of law, that it effectively and legally exercises the goods or services identified by the trademark.

Trademarks are defined as 'visually perceptible distinctive signs' (Article 122), encompassing words, logos, three-dimensional and composite marks. Product, service, certification and collective marks are registrable; however, there are no express provisions regarding smell or sound marks.

Goods and services in Brazil are classified according to the current Nice Classification of Goods and Services, which Brazil adopted on January 1, 2000. Multi-class applications are not permitted. Interestingly, trademarks on the register before 2000 are still classified according to the previous Brazilian classification system.

Article 124 is explicit regarding what cannot be registered as a trademark and this includes copyrighted works, commercial names, generic or descriptive marks, advertising slogans,

colours, reproductions or imitations of a mark registered by a third party covering a product or service that is identical or similar and likely to cause confusion or association.

Once an application is filed and a formal preliminary examination is completed, a trademark is published in the Official Bulletin (up to two months later when filed online or longer if filed on paper forms). This publication allows interested third parties a 60-day period in which to oppose the application. If an opposition is filed, this fact will be published in the Official Bulletin, permitting the applicant 60 days to submit an answer.

Upon rejection, whether or not an opposition has been filed, a publication follows allowing the applicant a 60-day term to lodge an appeal. If no appeal is filed, the PTO simply maintains its decision and the application is declared abandoned, ending further PTO action.

Alternatively, when an application is allowed, a publication occurs in the Official Bulletin so that the applicant is aware it has 60 days to pay the final issuance fees. If these are not paid on time, the application is declared abandoned. Upon payment of these fees, the decision granting registration is published. Within 180 days from this date, interested third parties can institute administrative nullity proceedings seeking the cancellation of the registration.

Article 126 of the Trademark Law expressly recognises well-known trademarks, which enjoy special protection whether or not they have been previously filed or registered in Brazil. However, if a foreign company is opposing a trademark, or instituting administrative nullity proceedings, based on Article 126, and does not possess an application or current registration of its mark in Brazil, it must file an application in the class of interest; otherwise, these proceedings will not be taken into consideration (Article 158(2)).

Resolution 121/2005 issued guidelines as to how owners of marks can claim the status of 'highly renowned' or protection in all classes

of the classification system for a term of five years. Strangely, claimants can only do so incidental to opposition proceedings or administrative nullity proceedings by submitting evidence before a special commission.

Finally, a trademark remains in force for a 10-year term and can be renewed for equal and successive periods. There is no need to present proof of use in order to maintain a registration. However, if use of the mark in Brazil has not been initiated, or has been interrupted for more than five consecutive years, a trademark can be cancelled. The petitioning party must show a legitimate interest and, once published in the Official Bulletin, the registrant has the onus of proving, within a term of 60 days, that the trademark is being used or submit grounds justifying non-use.

Kris Williamson is an associate with the firm of ADVOCACIA PIETRO ARIBONI —Ariboni, Fabbri, Schmidt & Advogados Associados, in Brazil. He can be contacted at: krw@aribonifabbri.com.br.



Kris Williamson

Kris Williamson is a dual qualified lawyer (English and Brazilian Bars), fluent in English and Portuguese, and has practised in Brazil for the last 12 years. He specialises in trademarks and copyright, managing trademark portfolios for large well-known companies in Brazil. He is a member of INTA, ITMA and ABPI.



ENHANCED PROTECTION

Pranit K. Nanavati outlines developments in the level of protection afforded to reputed registered trademarks in India under the new trademark law.

Before the Trademarks Act, 1999 came into force in India on September 15, 2003, only passing-off action under the common law was maintainable in order to prevent violation of reputed trademarks that were not registered for the goods passed off. The new trademark law provides for statutory protection to reputed registered trademarks that may yet not have acquired the status of a well-known trademark.

Section 29(4) of the Trademarks Act, 1999 provides for statutory protection to registered trademarks having reputation in India against unauthorised use without due cause, in respect of goods not covered by registration, where such unauthorised use takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trademark. Under the old trademark law, the proprietor of a popular trademark registered in respect of some goods had a legal remedy only under the common law to prevent unauthorised use in respect of goods not covered by registration.

Well-known trademark, in relation to any goods or services, means a mark that has become well-known to the substantial segment of the public that uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services.

The Registrar shall, while determining whether a trademark is a well-known trademark, take into account any fact that he considers relevant for determining a trademark as a well-known trademark, including:

- (i) the knowledge or recognition of that trademark in the relevant section of the public, including knowledge in India obtained as a result of promotion of the trademark
- (ii) the duration, extent and geographical area of any use of that trademark
- (iii) the duration, extent and geographical area

- of any promotion of the trademark, including advertising or publicity and presentation, at fairs or exhibition of the goods or services to which the trademark applies
- (iv) the duration and geographical area of any registration of or any application for registration of that trademark under the Trademarks Act, 1999 to the extent that they reflect the use or recognition of the trademark
- (v) the record of successful enforcement of the rights in that trademark, in particular, the extent to which the trademark has been recognised as a well-known trademark by any court or Registrar under that record

The Registrar shall not require as a condition for determining whether a trademark is a well-known trademark, any of the following, namely:

- (i) that the trademark has been used in India
- (ii) that the trademark has been registered
- (iii) that the application for registration of the trademark has been filed in India
- (iv) that the trademark (a) is well-known in, (b) has been registered in, or (c) in respect of which an application for registration has been filed in any jurisdiction other than India, or
- (v) that the trademark is well-known to the public at large in India.

Article 16(3) of TRIPS expands the scope of Article 6bis of the Paris Convention for the

WHILE INDIA IS INCREASINGLY GETTING INTEGRATED WITH THE DEVELOPED WORLD, THE NEW TRADEMARK LAW IN INDIA IS PUT IN PLACE AT THE APPROPRIATE TIME FOR STATUTORY PROTECTION OF REPUTED BRANDS IN INDIA THAT MAY FALL SHORT OF MEETING THE REQUIREMENTS OF A WELL-KNOWN TRADEMARK.

Protection of Industrial Property that applies to well-known marks. The new trademark law in India does not limit such enhanced protection to trademarks determined to be well-known; it has extended the enhanced protection to reputed registered trademarks that may not meet the requirements of a well-known trademark. Thus, under the new trademark law in India, in order to maintain infringement action in such a situation, wherein a reputed registered trademark is taken unfair advantage of under the pretence that the registration does not include goods that the defendant uses such or similar trademark for, the registered proprietor of such reputed trademark need only prove to maintain infringement action that the trademark is registered for some goods, that the goods in question are dissimilar, that the registered trademark has reputation in India, that the defendant uses such or similar trademark without permission, that the use by the defendant is without due cause and that the unauthorised use takes unfair advantage of or is detrimental to the distinctive character or repute of the trademark.

Indian Courts have started providing relief under Section 29(4) and at least a couple of High Court judgments are available as briefly described below:

1. Gujarat High Court, in August 2007, upheld temporary injunction allowing infringement action to be maintained against the unauthorised use in respect of spectacles where the trademark having reputation in India was registered in respect of milk and milk products.
2. Madras High Court, in June 2007, upheld temporary injunction allowing infringement action to be maintained against the unauthorised use in respect of providing hair care services where the trademark having reputation in India was registered in respect cosmetics, hair care and beauty care products.

While India is increasingly getting integrated with the developed world, the new trademark law in India is put in place at the appropriate time for statutory protection of reputed brands in India that may fall short of meeting the requirements of a well-known trademark. Such enhanced protection obviates the need for having registration in all the classes that otherwise would be required to obtain statutory relief when goods in question are not covered by registration.

People who think that popular brands registered for some goods are up for grabs for use in respect of other goods would have a tough time escaping the expanded scope of statutory protection available in India under the new trademark law.

Pranit K. Nanavati is a partner of Nanavati Associates, Ahmedabad, Gujarat, India, and heads the Intellectual Property Rights practice. He can be contacted at: pranit@nanavatiassociates.com.



Pranit K. Nanavati

Pranit K. Nanavati holds a B.E. and M.S. (USA) in Mechanical Engineering and LL.B. degrees.

His engineering experience while working with Transmission Engineering of General Motors Powertrain Engineering, Michigan, USA, includes project management of automatic transmission subsystems and powertrain-vehicle integration. Pranit has managed engineering communications with Bentley Motors, Fuji Heavy Industries, Isuzu Motors, AM General and Workhorse Custom Chassis. Pranit has provided trained engineers on automatic transmissions at GM Technical Center, India, and Tata Consultancy Services.

Pranit's legal experience includes filing and prosecuting patent, trademark, design, and copyright applications in India, and litigation involving infringement of patents, trademarks and copyrights. Pranit has drafted automotive powertrain-related US patents.

He has lectured on intellectual property rights at Ahmedabad Management Association, National Institute of Design and Rotary Club.

ORIGINALITY REDEFINED UNDER INDIAN COPYRIGHT LAW

Manisha Singh cites a number of practical legal examples to explain the redefinition of originality in India.

Copyright means an exclusive right to undertake or authorise the reproduction, issuing of copies, communication to the public, translation and/or adaptation in respect of a work or any substantial part thereof. The work may be literary, dramatic, musical, artistic, video, computer programs, databases, etc.

The object of copyright law is to protect the author of the work from unlawful and unscrupulous persons who may exploit the copyrighted work by reproducing it, which entails some requirements on the side of the work to be copyright eligible. The first and foremost requirement is 'originality', which means that the work should not be derived from another work. Originality does not infer 'novelty', as a work may be original even though it resembles any other work. This is because of the idea-expression dichotomy in copyright laws. There is no copyright on ideas, but on individual expressions based on an idea. The resemblance, if any, under the concept of originality means without substantial similarity. To qualify as a subject matter for copyright protection, skill, labour and judgement needs to have been applied to create the work. The other requirements are that the work should be in some tangible form and attached to any medium, including paper, CD or magnetic tape.

To understand the macrocosmic standards of originality and their consequential qualification for copyright protection in the Indian scenario, an account of the originality requirements is warranted through key cases dealing with originality. Originality as a prerequisite for protection under copyright in two major

jurisdictions: the US follows Feist (intellectual creation) construction and the UK follows skill, labour, and judgement, or as it is popularly called, 'sweat of the brow' construction.

India follows also the sweat of the brow doctrine, which necessarily follows that skill, labour and judgement must have been expended in the creation of the work. In respect of compilations, the Copyright Act, 1957 does not limit protection only to compilations, which "by reason of the selection or arrangement of their contents constitute intellectual creations". Nor does it mandate supplementary criteria to selection and arrangement. These distinctions are illustrated by the following cases:

RG Anand v Delux Films and Others (AIR 1978 SC 1614)

R G Anand penned, produced and staged a drama called *Hum Hindusthani*, and Delux Films made a film, *New Delhi*, on the same theme. The film was alleged to be an exact copy of the play. The suit filed on infringement of copyright found its way to the Supreme Court. The Supreme Court found that, while there were similarities between the two works, no violation of copyright could be established as there were also substantial dissimilarities between the two works. In its judgment, the Supreme Court elaborated on tests for infringement:

1. There can be no copyright in ideas, subject matter, themes, plots, or historical or legendary facts.
2. Where the same idea is developed by different people in different ways, it is obvious

that similarities are bound to occur since the source is common. In order to be actionable, the copy must be substantial and material.

3. According to the Court, one of the surest and safest tests to determine whether or not there has been a violation of copyright is to see if the reader, spectator or the viewer, after having read or seen both the works, is clearly of the same opinion and gets an unmistakable impression that the subsequent work appears to be a copy of the original.

4. Where the theme is the same but is presented and treated differently so that subsequent work becomes a completely new work, no question of violation of copyright arises.

5. In cases where it is a question of violation of the copyright of a stage play by a film producer or a director, the task of the plaintiff to prove piracy becomes more difficult.

This judgment indicates that a film or dramatic work must be almost identical to the earlier work to be deprived of originality.

Indian Express Newspaper (Bombay) Pvt Ltd v Jagmohan (AIR 1985 Bom 229)

In this case, the Bombay High Court emphatically stated that there is no copyright for happenings and events that could be news stories, and a reporter cannot claim any copyright over such events because they reported it first. The Court said that the ideas, information, natural phenomena and events on which an author expends their skill, labour, capital, judgement and literary talents are common property, and

are not the subject of copyright. Hence, there is no copyright in news or information per se. However, copyright may be obtained for the form in which these are expressed because of the skill and labour that goes into the writing of stories or features and in the selection and arrangement of the material.

Burlington Home Shopping v Rajnish Chibber, 1995 PTC (15) 278

It was held that a compilation of addresses developed by anyone by devoting time, money, labour and skill, though the source may be commonly situated, amounts to a 'literary work' wherein the author has a copyright.

In a recent trend-setting case, the Supreme Court of India deliberated on the originality aspect as required to be a copyrightable subject matter. In the case, *Eastern Book Company & Ors vs D.B. Modak & Anr (Civil Appeal No. 6472 of 2004)*, the facts were as follows:

Eastern Book Company (EBC) publishes law reports and journals. Its law report 'Supreme Court Cases' (SCC) is based on Supreme Court judgments. The decisions are copy-edited to make it reader-friendly, while headnotes are also prepared, which consist of lead words and relevant extracts from the judgment. It brought a copyright infringement suit, which eventually reached Supreme Court as civil appeal, alleging that *Grand Jurix* and *The Laws* published on CD-ROMs infringe Eastern Book Company's copyright in SCC. The argument of the Eastern Book Company was that

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THE AUTHOR OF
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UNLAWFUL AND
UNSCRUPULOUS
PERSONS WHO
MAY EXPLOIT THE
COPYRIGHTED WORK
BY REPRODUCING
IT, WHICH ENTAILS
SOME REQUIREMENTS
ON THE SIDE OF
THE WORK TO BE
COPYRIGHT ELIGIBLE.

preparation of the headnotes and putting the various inputs in the raw text of the judgments require considerable amount of skill, labour and judgement. Therefore, 'SCC' constitutes an 'original literary work' of the appellants in which copyright subsists under Section 13 of the Copyright Act, 1957, and Eastern Book Company alone has the exclusive right to make printed as well as electronic copies of the same under Section 14 of the Act.

As per Eastern Book Company, all the modules in the CD-ROMs of defendants are verbatim from the SCC. In particular, the sequencing, selection and arrangement of the cases; the entire text of copy-edited judgments as published in SCC, together with and including the style and formatting; and the copy-editing of paragraph numbers, footnote numbers, cross-references, etc. were copied.

The issue addressed by the Court was as to the quantification of work done on such 'raw' judgments to make them copyrightable. In that reference, the Court also looked at whether mere copy-editing done in the judgment is sufficient to bring it under copyright protection.

The Supreme Court held that:

"Creative works by definition are original and are protected by copyright, but creativity is not required in order to render a work original. The original work should be the product of an exercise of skill and judgment and it is a workable yet fair standard."

The Supreme Court also noted that "novelty or invention or innovative idea is not the requirement for protection of copyright but it does require minimal degree of creativity".

Under such a standard, the Court held that mere copy-editing wouldn't qualify as it does not involve 'creativity', but skill, labour and judgement expended in writing head-notes, footnotes and editorial notes would qualify. The Supreme Court therefore "restrained the respondents from copying head notes, footnotes and editorial notes appearing in their law journals".

Since, as evident in the present case, a law report is a compilation of judgments and the requirement for protection of copyright does require a minimal degree of creativity, what impact will this trend have on Section 2 (o) of the Copyright Act, which says that compilations are to be considered as literary works?

The decision seems to be sparking debate over the span of creativity or the minimal degree

of creativity needed to render compilations as copyrightable work, and perhaps the *sui generis* rights granted to databases in the EU can be considered for the Indian scenario as well.

Manisha is a member of the Indian Supreme Court Bar Association, the Delhi High Court Bar Association and several other professional bodies. She can be contacted at: manisha@lexorbis.com.



Manisha Singh

Manisha is a partner of Lex Orbis, India's premier intellectual property (IP) practice headquartered in New Delhi, India. As an IP attorney, she has the unique distinction of practising IP at the prosecution and enforcement levels. She has extensive experience in the post-lodgement prosecution of patents, trademarks and designs. She has also been acting as a litigating counsel at the Supreme Court of India and the Delhi High Court in relation to IPR cases.

Manisha has represented a number of clients in patent litigations at the trial and appellate levels, trademark oppositions, trademark infringement actions and design infringement actions. She has advised many corporations in structuring and managing their IP assets in India. Her clients include leading technology companies from India and outside.

She has extensive experience in handling global trademarks, designs and patent filing programs. She is currently responsible for managing six global IP portfolios, involving numerous trademarks, patents and designs files, each of which covers more than 150 jurisdictions in the world. She has a Masters in Economics and an LL. B, has been a prolific writer and has authored several articles on contemporary IP related issues.

NICE WORK



Ayça Pinar Eren and Güzde Çolak discuss the application of the Nice classification system in Turkey.

The Nice classification is based on the Nice Agreement (1957), which established a classification system of goods and services for the purposes of registering trademarks and service marks. Some 82 states and trademark offices of more than 147 countries are party to the Nice Agreement. The International Bureau of WIPO, the African Intellectual Property Organization (OAPI), the African Regional Intellectual Property Organization (ARIPO), the Benelux Office for Intellectual Property (BOIP), and the Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM) of the European Communities all use the Nice classification system. It enables trademark owners to file applications in various countries with reference to a single classification system.

Nice Agreement has been in force in Turkey since January 1, 1996, although it was first signed on December 18, 1958. However, progress in the area of intellectual property has been improving, resulting in a rise in public awareness. In addition, the Turkish Patent Institute has taken important steps in accordance with actions aimed at providing harmonisation with European Union legislation. In order to prevent misleading applications—especially regarding applications that are filed for all goods and services in a related class—the sub-classification system was repealed as of January 1, 2007, in order to limit the applications to goods and services that are directly related with the business interest of the applicant. However, some degree of limitation is still required for specification of goods and services. The Nice explanatory notes to each class provide the guidelines for this limitation.

There are some confusions and misleading applications, especially with respect to class 35, since class 35 covers all kinds of sales services. Unlike the WIPO application, class 35 is considered separately in Turkey and this leads to unfair consequences. The separate identity of this particular class not only creates unfair advantages but also misleads the consumer. There are further problems arising from the treatment of class 35 as a totally independent class with regard to the main interest of goods and services. In this respect, allowing the registration of a trademark solely in class 35 gives an exclusive right to the first applicant. It also causes the ignorance of the goods and services in the other classes that indicate the main business area. The previously registered mark in class 35 would not only bar the registration of a trademark facilitating use in another business area, but would also bar the ability to enjoy the protection and rights arising from registration. To give an example from the official records of the Turkish Patent Institute, the previously registered trademark 'anil' for underwear (classes 25 and 35) had been an obstacle for the trademark 'anil', which seeks registration for 'automotive spare parts' (classes 12 and 35), since they both mention class 35 in their list of goods. By contrast, in Japan, the application of class 35 is different since the sales services are detailed according to the different kinds of goods and services. Similarly, in the US, a specified and detailed form of list of goods is required for each class.

Another gap in this system arises from the trademarks that are directly related with class 35, since sales services are the main line of business of companies such as supermarkets.

Since their primary facilitating area is the sales service industry, it is certain that they need to be registered in class 35. However, according to this approach, the goods and services should be clearly specified. Moreover, it should be emphasised that this approach would not apply to well-known trademarks, since the protection provided for well-known trademarks should be evaluated in a broader sense.

In the light of the explanations given above, it is clearly not appropriate to translate the classification system word for word. Therefore, while evaluating the goods and services of a trademark, similar goods and services should be included within the evaluation as well as the identical goods and services. In accordance with this view, the Turkish Patent Institute has been issuing decisions in which the similarity of goods and services are strongly emphasised. Hence, it should be realised that the Turkish Patent Institute has been focusing just as closely on the criterion of 'similarity' as on the 'identical nature' of the goods and services regarding classification.

In addition to the evaluation of the identical nature and similarity criteria, it is important to rely on the specific goods and services while determining likelihood of confusion between the marks. Accordingly, evolutions based only on International Class numbers would be insufficient. At this point, it should be emphasised that limiting the goods and services and not applying for an entire class for registration is very important for raising public awareness of intellectual property rights. Additionally, the system makes it easier for trademark owners to obtain registrations and protect their rights.

THEREFORE, WHILE EVALUATING THE GOODS AND SERVICES OF A TRADEMARK, SIMILAR GOODS AND SERVICES SHOULD BE INCLUDED WITHIN THE EVALUATION AS WELL AS THE IDENTICAL GOODS AND SERVICES.

Therefore, it is recommended that Turkish Patent Institute should act in accordance with a certain limitation in the recitation of goods and services covered by the application rather than accepting the entire class for registration. Accordingly, the categories should be determined according to the minimum requirements and special circumstances of each case. For instance, in one case, the class heading may be sufficient; whereas in another, a specification, for example, 'leather goods' would be needed. In yet another case, the subclass might need to be determined as 'bags'. This restriction would also allow the acceptance of similar trademarks registered for the same class but for different goods and services. Obtaining broad registrations may also cause problems in terms of cancellation proceedings based on non-use. Within this aspect, it is also important to mention that there are no co-existence agreements, consent agreements or declarations of acceptance in Turkish law. In other words, even if the owner of the previously registered mark gives consent for another registration in the same class but for different goods, it would not be valid under Turkish law. Hence, the only way for an applicant to register their trademark under these circumstances would be in the event of a cancellation of the previously registered mark based on non-use or real ownership, assignment, or purchase of the previously registered trademark, depending on the case. As a result, even if two identical or similar trademarks are accepted as existing in the same/similar class for different goods and services, they are not allowed or recognisable according to Turkish law. The underlying idea within this approach is the protection of the consumer. Accordingly, even if the owners of the trademark agree on co-existing, it would not eliminate the risk of consumer confusion. However, this issue should be examined from

different point of views in order to reach the most efficient solution. On one hand, there is a lack of protection for consumers owing to a possible risk of confusion. On the other hand, the rights of the trademark holders are limited. Hence, hindering the ability to exercise the rights of the trademark owners may have unfair consequences and would hinder the awareness of intellectual property rights and their importance. Especially after the abolition of the sub-classification system, the need for recognition of co-existing agreements has grown. Although it is very difficult and complicated to keep the balance between the consumers and the trademark owners, both sides of the issue should be examined very carefully to encourage the healthy growth of competition in society. Accordingly, although the co-existence agreement should be recognised with an amendment to the Turkish law, such an agreement should occur without confusing the public.

The application of the classification system is very important regarding the registrability of marks and the scope of protection. Although, today, many countries apply the Nice classification system, there are differences in application of the system according to the legislation of the respective countries. Accordingly, despite differences in countries' legislations, it is very important to provide harmonisation regarding the applications of the classification system in order to protect the rights of the trademark owners and the consumers. In this regard, even though many important steps have been taken in terms of harmonisation, the Turkish system has some gaps, which may prove misleading to the public. Accordingly, at least some degree of limitation of goods and services is required instead of accepting an entire class for registration. Besides, the applications regarding class 35 should be clarified in order to prevent confusion in the public and to protect the rights of the trademark owners. It is also strongly recommended that the directly related goods and services with the main line of business of the applicant should be specified. Moreover, while determining the similarity of the marks, not only should the similarity of classes be considered but also that of specific goods and services, since International Class numbers are insufficient for an accurate evaluation. Furthermore, the co-existence agreements or consent agreements should exist within the Turkish legislation since the prior trademark owner may evaluate the conditions of the market and the risk, provided that there are no further grounds for refusal and that registration of the latter trademark would not confuse the public. With the recent developments, together with efforts to provide the compliance to European Union legislation, there has been significant

progress in the area of intellectual property in Turkey. More importantly, the public's awareness is rising rapidly and issues relating to intellectual property are rising up the agenda.

Ankara Patent Bureau can be found at www.ankarapatent.com.



Ayça Pinar Eren

Ayça Pinar Eren graduated from Ankara Law School in 1996 and was admitted to Ankara Bar Association in 1997. She is an expert in the area of intellectual property, having presented on this topic at several conferences in Turkey. Mrs. Eren, with 10 years of experience leads a group that provides advice on all IP topics especially infringement and counterfeiting. Besides her many memberships, she joined the local group of AIPPI Turkey.



Gözde Çolak

Gözde Çolak graduated from Bilkent University Law Faculty with an MBA degree. She finished her internship at White and Case LLP, Istanbul office. Ms. Çolak was admitted to Ankara Bar Association in 2008 and now she is one of a select group of attorneys in Turkey with experience of being an international arbitrator. She is also a member of several groups such as *INTA committee related to Internet Use*, *AIPPI Turkey* and *The Harvard Model United Nations Human Rights Committee*. She is also involved in several projects including "Franchise Contracts" and "Commercial Transactions".

ROMANIA: A ROUND-UP OF IP DEVELOPMENTS IN 2007



Raluca Vasilescu explains developments in the Romanian industrial property protection legal framework during 2007.



The Treaty of Accession of Romania to the European Union was signed on March 31, 2005 and entered into effect on January 1, 2007. Romania is one of the larger countries from the group that joined the EU after 2004, having a market of approximately 23 million people and a fast-growing economy.

This article provides a short presentation of Romania's long tradition of IP protection and an overview of the changes in the legislative framework that occurred throughout 2007.

1. Tradition of industrial property protection

Romania has a long tradition in patent and trademark protection. The first Patent Law dates from 1906, when the Patent Office was created; however, the first Trademark Law was enacted in 1884!

As far as the international conventions are concerned, Romania has been a member of the Paris Convention and a signatory to the Madrid Agreement since 1920, having joined at an earlier date than other major jurisdictions in Europe making it one of the earliest major jurisdictions in Europe to join.

Although, as a jurisdiction, Romania is less well known to the general public interested in industrial property protection than some of the middle and Eastern European countries, the progress of the reforms in this field is such that, today, owners can obtain and enforce rights in a comparable way to other jurisdictions that are part of the European Union.

During this 100 years of patent protection, there have been important inventions by Romanian inventors, some of these pioneers in their field (in particular, aviation and medicine) and well known to the scientific community worldwide, such as:

- Traian Vuia, in the field of the aviation, was the first inventor in the world to build a flying machine comprising a propelling engine and a landing gear with wheels. The first memorable flight of this machine took place on March 18, 1906 in France (Montesson). An improved version of the first flying machine was presented in 1907 at the first Salon Aeronautique held in Paris. From 1906 until the mid 1930s, Vuia worked continuously in the field of aviation, holding a multitude of patents in Romania and in France for aviation, but also for other related matters (such as the steam generator with internal combustion and catalytic burner, which is still used today in heating plants).
- The possibility conferred to any person to request revocation (equivalent to opposition procedure) or cancellation of a patent. Under the previous Patent Law, said proceedings could have been initiated only by the interested person, whereas the definition of the interest was made according to provisions and practice in civil proceedings
- A more clear definition of the grounds for invalidity
- A hierarchy in time regarding the time when the revocation proceedings (after grant) and the invalidity proceedings can be initiated
- Granting patents for second and further medical use
- Roche Bolar exemption.

- Nicolae Constantin Paulescu, in the field of medicine, undertook research into the metabolism of the pancreas between 1911 and 1931. He discovered the insulin hormone (initially named by him 'pancrein') in 1921, publishing this discovery in the Belgian publication *Archives Internationales de Physiologie* Vol. XVII. In 1922, he patented, in Romania, the first method for producing insulin (Patent No. 8322)

2. Changes in the IP protection framework in 2007

Patent matters

A new Patent Law

The Patent Law of 1991 was amended in January 2007 and entered into force in April 2007. The major amendments of the Patent Law are as follows:

- The possibility to file continuation applications
- The explicit mentioning of experimental use for non-commercial reasons as an exception to the rights conferred to a patent owner

THE OBJECT OF THE UTILITY MODEL LAW IS ANY NEW TECHNICAL INVENTION THAT REQUIRES MORE THAN SPECIALIST PROFESSIONAL SKILLS AND HAS INDUSTRIAL APPLICABILITY.

Supplementary Protection Certificate

As of January 1, 2007, the day of the accession to the European Union, the Supplementary Protection Certificate is available for both medicinal products and plant protection products.

The EC Regulations No. 1768/92, concerning medicinal products, and No. 1610/96, concerning plant protection products, are directly applicable.

The administrative procedure is very similar to those of other EU Countries. After one year, the first Certificates are granted to the patent owners, ensuring that the system works smoothly.

Utility Model Law

The law concerning the Utility Models, which was enacted early December 2007, entered into force in early March 2008. It is the very first law in Romania governing this type of protection. At the date of writing, the Implementing Regulations are not yet available.

The object of the Utility Model Law is any new technical invention that requires more than specialist professional skills and has industrial applicability.

The main features of this new law are as follows:

- Some of the subject matters for which a patent can be delivered are specifically excluded: chemical and pharmaceutical substances, and the inventions having as their objective a method or a process
- The grace period for the disclosure by the applicant is six months prior to the date of filing
- It allows the conversion of the European Patent Applications as described in Art. 135 of the EPC (1973 version) into utility models for the national procedures
- The conversion of a utility model application into a patent application is allowable before a decision has been taken by the examiner, subject to the conditions set out in the Implementing Regulations
- The conversion of a patent application into a utility model application is allowable either until the preparations for the publication of the mention of the grant of the patent are ready or within three months from the publication of a final decision of cancellation of a patent for lack of inventive step
- The valid term of an utility model is six years from the date of deposit. This can be renewed only twice within a two-year period, thus the maximum term of protection is 10 years from the date of deposit.

Trademark matters

Revision of the Trademarks Law

The current Trademarks Law dates back to 1998. The amendment of the Trademarks Law started in 2005. In essence, the aim is to modernise the law by bringing it in line with the provisions of the Community Trademark Directive, in such a way as to avoid discrimination against the applicants as far as the way protection is obtained via national procedures as compared with protection obtained via OHIM.

PREVIOUSLY, IN ROMANIA, THERE WAS A NATIONAL LAW FOR CUSTOMS ACTION AGAINST GOODS SUSPECTED OF INFRINGING CERTAIN INTELLECTUAL PROPERTY RIGHTS.

The draft of the new law (the version dated July 2007 is published on the Patent Office's website) has as its main features:

- The waiving the *ex-officio* examination for prior rights
- The separation between the 'observations' and the 'oppositions' filed after the publication of an application
- A more clear definition of the 'prior rights'
- A clearer indication about how the grace period for non-use should be calculated.

At the date of writing (March 2008), the amended Trademarks Law has not yet been enacted.

Industrial design

Revised Industrial Design Law

The Industrial Design Law of 1992 has been amended for the second time, with the new law having come into force in mid-November 2007.

There are no major changes in respect to the older Design Law, with the purpose of the amendments being to transpose the dispositions of EC Directive 98/71, regarding the protection of the Community designs, and to streamline the application of the EC Council Regulation No. 6/2002/, regarding the Community designs and models.

Enforcement

As of January 1, 2007, the EC Council Regulation No. 1383/2003, concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, is directly applicable.

Previously, in Romania, there was a national law for Customs action against goods suspected of infringing certain intellectual property rights. In addition, Romania was one of the first countries to transpose into national law

the EU Directive 2004/48/EC on enforcement of IP rights (as of August 2005).

From a practical point of view, all holders of Community rights (i.e. Community trademarks and designs) that make applications with Customs authorities for EU-wide customs intervention for the protection of IP rights can benefit now from the same measures at Romanian borders.

Conclusion

2007 saw a number of key developments in Romania's industrial property protection legal framework. Since the country joined the EU, the interest of investors in the Romanian market has grown accordingly. As a professional involved in IP business, I look forward to working in a challenging environment.

Raluca has been a FICPI member since 2000 and a member of ECTA Anti-Counterfeiting Committee since 2007. She can be contacted at: raluca@oproiu.ro.



Raluca Vasilescu

Raluca Vasilescu is Romanian and European patent and trademark attorney and partner at Cabinet M. Oproiu, a Romanian firm of patent and trademark attorneys based in Bucharest, Romania. She has been admitted to represent clients before the Romanian Patent Office since 1996 in trademark matters and, since 1999, in patent matters. Raluca is a graduate of the Institute of Architecture and Civil Engineering of Bucharest. Her main areas of expertise in trademark matters include proceedings before the Romanian Patent Office (especially opposition and appeal) and the industrial property-related aspects of court proceedings. Another area of expertise is the advice and co-ordination of foreign filings in trademark matters.

PATENT PROCEEDINGS FOR PRELIMINARY RELIEF IN HUNGARY



Dr. Esther Szakacs and Michael Lantos provide an overview of how a patent owner can obtain a preliminary relief when it appears that the patent is infringed or likely to be infringed.

This question is rather acute in connection with drugs that cannot be brought into sale without a market authorisation, which is a lengthy proceeding and during which the owner of a ruling patent cannot obtain information that a request for the market authorisation of a generic product with identical active ingredient is ongoing. It is in the interest of the patentee to prevent the infringer from entering the domestic market; however, it is not simple to establish when the conditions are sufficiently ripe for initiating a proceeding, especially a proceeding for temporary measures.

These conditions and the main steps to be taken are summarised below.

Who must and who should be a party for a preliminary injunction and main action (patent owner, exclusive licensee, local subsidiary, etc.)?

Patent owner/licensee (exclusive or non-exclusive). However, the right of the licensee to sue is subsidiary (see Section 36 (2) of the Patent Act), unless the licence agreement includes an explicit right for the licensee to sue in its own name. The quality of the licensee as such must be entered in

the register otherwise its right to sue is not recognised (source: Section 36 of the Patent Act).

Can the damage suffered by the local subsidiary of a foreign patentee be taken into account in the evaluation of benefits/detriments of a preliminary injunction?

Theoretically, yes, as according to the law, the benefit need not concern the plaintiff directly.

At what phase of the market authorisation process will the acts performed by a generic drug manufacturer/dealer qualify as sufficient for the patentee to seek a preliminary injunction?

Preliminary injunctions can be granted if the patent infringement is made probable (see Section 19 (2) of the Patent Act for acts of infringement concerning the territory of Hungary).

According to established practice, the market authorisation alone is insufficient; however, when the party wishing to enter into the domestic market has applied for social insurance reimbursement for the generic drug, this qualifies as an offer for sale, i.e. it is considered as an act of infringement.

A new possibility under the April 15, 2006 amendment of the Patent Act (implementation of Directive 48/2004 of the European Parliament and the Council on the Enforcement of Intellectual Property Rights) is that a request for preliminary injunction can also be based on a direct threat of infringement and not only on an actually ongoing infringement.

Problem: what activities qualify as a direct threat?

There is insufficient judicial practice so far:

- based on a granted MA (Marketing Authorisation) for Hungary (national/DC/MRP/centralised)
- theoretically possible but up to the present, the MA alone has proven insufficient to be recognised as a threat of infringement
- weak point: the remaining lifetime of the patent compared to the duration of the MA (five years) (argument: distribution shall start within three years or otherwise the MA may be withdrawn by the authority)
- based on a pending MA
- less chance as the threat is more indirect, and the name of the applicant is unknown.

It is therefore impossible to request preliminary injunction when the market authorisation is still pending.

What is the timeline for a preliminary injunction action?

The request can be launched prior to or together with the main claim for infringement. Theoretical deadline for the judge is 15 days from filing (see Section 104 of the Patent Act). In practice, the 15-day deadline cannot be kept, and the usual timeline is one to three months or more until the delivery of the injunction, depending on the complexity, argumentation and tactics of the defence, which also includes the volume of paper filed.

Can a nullity proceeding initiated against the ruling patent delay the proceeding of a preliminary injunction?

Generally not, unless it is apparent from the nullity claim that the scope of the ruling patent will be negatively affected by the ground of the nullity action.

Other conditions

The other conditions of requesting a preliminary injunction in connection with pharmaceutical patents are the same as in case of the general rules, i.e. the injury to law must be made likely, and one of three alternative conditions defined in Art. 156 of the Law on Civil Proceedings must be met, including:

- (1) the injunction is necessary to prevent the occurrence of imminent damages
- (2) the injunction is necessary to prevent the situation giving cause for a lawsuit, or
- (3) the injunction is necessary to a specially preferred legal protection of the plaintiff

Furthermore, a conjunctive condition must also be met. The disadvantages caused by the preliminary measure should not exceed the advantages achieved therewith.

In the event that the preliminary injunction is filed within six months from the commencement of the infringing activity, but not later than two months after the owner of rights has been informed on such an activity, Art. 104 of the Patent Law includes a legal presumption: the condition (3) should be presumed.

If the term defined here is missed, the preliminary injunction can still be requested according to the general rules, i.e. without making use of the legal presumption.

Competent authority

The claims for preliminary injunction in all industrial property matters are decided by the

Metropolitan Court of Budapest, which is normally a second instance court and which decides in a three-member senate.

Decisions

The issued preliminary injunction can be executed immediately. In the case of appeals: the decision of the Metropolitan Court is not final, appeals can be filed in 15 days to the Metropolitan Appeal Court; however, the appeal does not delay the effect of the injunction.

Security deposit

The court may require the petitioner to provide a security deposit, which serves as a coverage for the losses of the defendant if the main proceeding gets lost.

Danubia can be found at:
www.danubia.hu.



Michael Lantos

Michael Lantos, Hungarian and European patent attorney has been working at Danubia Patent & Law Office LLC and, since 1990, he has been the managing partner. His main practice areas concern patent and trademark litigation, including licence-related counselling and litigation and he has participated in several leading court cases. He has been appointed by the Minister of Justice to the Professional IP Expert Board of Hungary. He is the current president of LES Hungary, vice president of the Hungarian Trademark Association. His memberships include AIPPI, INTA, FICPI as well as the LIDC. In the trademark field, he has a substantial practice in proceedings before the Hungarian Patent Office and before the courts, including enforcing trademark and trade dress related rights and solving different conflicts. He can be contacted at lantos@danubia.hu.



Dr. Eszter Szakacs

Dr. Eszter Szakacs has graduated summa cum laude at the Faculty of Law of the Eötvös Lóránd University, Budapest. During her academic years, Dr. Szakács focused on constitutional and European Community law topics, while also becoming familiar with Hungarian telecommunication law and spent a semester at the University of Vienna. She joined the Law firm of Sár and Partners, which works in close cooperation with Danubia Patent and Law Office LLC and she has specialized in various fields of protecting intellectual property, especially with law enforcement in the field of internet related copyright piracy. Since 2006 she has developed extensive experience in trademark litigation and the litigation concerning pharmaceutical patents. She is a member of INTA and AIPPI as well of various Hungarian professional IP law organizations.

IT IS IN THE INTEREST OF THE PATENTEE TO PREVENT THE INFRINGER FROM ENTERING THE DOMESTIC MARKET; HOWEVER, IT IS NOT SIMPLE TO ESTABLISH WHEN THE CONDITIONS ARE SUFFICIENTLY RIPE FOR INITIATING A PROCEEDING, ESPECIALLY A PROCEEDING FOR TEMPORARY MEASURES.



ENFORCING IP RIGHTS IN NIGERIA

Hon. Justice Abdullahi Mustapha highlights recent Nigerian copyright court cases and comments on the significance of the respective rulings.

This article will concentrate on the enforcement of intellectual property rights in Nigeria, with special emphasis on copyright law from the perspective of the courts.

Though the paper is to be approached from the perspective of the courts, I should not fail to mention the important fact that, in Nigeria, several institutions are statutorily empowered to oversee the enforcement of intellectual property, such as the Nigeria Customs Service, the Immigration Service, the Nigeria Police, Nigeria Copyright Commission, National Agency for Food and Drug Administration and Control (NAFDAC), and the Trade Mark Registry. In fact, the Nigeria Copyright Commission is the regulatory agency responsible for administration, protection and enforcement of copyright in Nigeria.

Enforcement against infringement of copyright takes two forms: civil action and criminal action. S.1 of the Copyright Act (1988) provides that literary works, musical works, artistic works, cinematograph films, sound recordings and broadcast are eligible for copyright, whilst S. 15(1) of the same act goes on to provide that infringement of copyright shall be actionable at the suit of the owner, assignee or an exclusive licensee of the copyright, and that in any action for such infringement, reliefs by way of the damages, injunction, accounts or otherwise shall be available to the plaintiff. A person whose right has been infringed can bring an action for damages, accounts of proceeds, delivery of infringing copies, destruction of infringing copies, and/or injunction whether interim, interlocutory or perpetual.

The relief of injunction is of particular importance because the business of the copyright owner could be put in jeopardy before the hearing of the substantive suite if the infringer is allowed to continue producing the infringing goods.

Even though many copyright cases are filed in our courts, apparently very few of them travel to the appellate courts. As such, very few cases regarding copyright are available in the Nigerian law reports. However, in *Plateau Publishing Co v Chief Chuks Adophy* (1986 4NWLR 205), the Supreme Court held that copyright is an incorporate property that can be licensed, sold and passed on by a will, in the same way as real property.

The Federal High Court (FHC) has decided many such cases, for example:

In *Peter Obe v Grapevine Communications Ltd*, (unreported case FHC/L/CS/1247/97, judgment delivered 27/6/2007), the Federal High Court judge, Coram Mustapha J, as he then was, held that the defendant's act of publishing on the front page and on pages 5 and 39 of the *Grapevine Magazine* of July 1997 and August 31, 1997, a photograph taken by Peter Obe during the Nigerian civil war without the licence or authorisation of Peter Obe, who is the owner of the copyright in the photograph, infringed the plaintiff's copyright in the photograph and the book entitled *Nigeria decade of crises in pictures*.

The plaintiff was awarded the sum of N5.0 million (Nigerian naira) (\$42,700) as general damages against the defendant for the infringement of his copyright. He was also awarded the sum of N10.0 million as additional damages against the defendant for flagrancy of the infringement and benefit. In addition, a restraining order was made against the defendant from publishing and producing or causing to be published and produced any of the Nigerian civil war photographs taken by the plaintiff or otherwise interfering with the prior consent or authorisation of the plaintiff.

In *Oladipo Yemitan v The Daily Times Nigeria Ltd*, (1980 FHC C.L. R 186), Belgore J., as he then was, earlier in the case stated that in an action for infringement of copyright, it is not necessary to give proof of actual damage and that the damages are at large. In other words,

once it is established that the plaintiff's copyright has been infringed, he is by that fact alone entitled to damages, which Lord Devlin in *Rookers V Bernard* referred to as ordinary damages. The sum of N10,000 was awarded to the plaintiff as general damages and another N16,000 was awarded as exemplary damages.

In the case of *Musical Copyright Society Nigeria Limited v Peak Restaurant and Night Clubs Limited* (1992 FHCLR, 285), admitted affidavit evidence of incorporation of the company and that of the deed of assignment of copyright in applying the provision of S. 34 of the Copyright Act, which permits affidavit evidence in any proceeding under the Act, OLOMOJOBI J.

S. 21 of the Copyright Act provides that notwithstanding the provision of any law to the contrary, it shall be permissible for both criminal and civil actions to be taken simultaneously in respect of the same infringement.

S. 18, 19, & 20 of the Copyright Act make provisions for criminal liability on an infringer. S. 20 of the act, for example, provides that any person who fails to keep a register required under S. 13 of the act, or who makes or causes to be made a false entry on such a register, or produces or enters or causes to be produced or tendered as evidence any such entry or writing knowing the same to be false, shall be guilty of an offence and be liable on conviction to a fine not exceeding N10,000. S. 27 (1) of the act also imposes criminal liability in respect of infringement of the performers' rights by a fine not exceeding N10,000, in the case of an individual N50,000, in the case of a body corporate, and in all other cases, a fine of N100 for each copy dealt with in contravention, or imprisonment for 12 months, or to both such fine and imprisonment.

It is necessary to now increase the amount of the fine for the act to achieve the desired effect of discouraging infringers of copyright.

In addition to the above, S. 22 of the Copyright Act empowers a judge upon an *ex-parte* application where reasonable cause is shown for suspecting that there is in any house or premises any infringing copy or any film, or contrivance used or intended to be used for making infringing copies, to authorise the applicant to enter the house or premises at any reasonable

IT IS NECESSARY TO NOW INCREASE THE AMOUNT OF FINE FOR THE ACT TO ACHIEVE THE DESIRED EFFECT OF DISCOURAGING INFRINGERS OF COPYRIGHT.

time in the day or night accompanied by a police officer not below the rank of an Assistant Superintendent of Police to seize, detain and preserve any such infringing copy or contrivance, and to inspect all or any document in the custody or under the control of the defendant relating to the action.

This provision is simply an enactment of the common law principle of the Anton Pillar order from the case of *Anton Piller kg v Manufacturing Processes Limited*.

Defences

Many defences are open to an alleged infringer. These include:

- (1) Challenge the existence of the copyright or the plaintiff's ownership of the copyright.
- (2) Deny the infringement
- (3) Claim to have been entitled because of permission granted to do the act in question.

In the case of *Peter Obe v Grapevine Communications Limited* (*supra*), the defendant's defence that it had not infringed the copyright of the plaintiff in the photograph because it borrowed the photographs from *The Daily Times* was rejected because *The Daily Times* itself did not have any copyright in the photograph and so could not have permitted the defendant to publish same.

This article is based on a paper entitled 'Enforcement of intellectual property rights in Nigeria', delivered by Hon. Justice Abdullahi Mustapha, chief judge at the Nigerian Federal High Court, and edited by Lara Kayode, partner at Lagos-based firm O.Kayode & Co. She can be contacted at: lara@okayode.com.



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 Germany
 Phone: +49 89 2142 271-0
 Fax: +49 89 2142 271-31

MUNICH
 Prinzengartenstr. 88
 81875 München
 Germany
 Phone: +49 89 99 98 54-0
 Fax: +49 89 99 98 54-99

DÜSSELDORF
 Deylberger Allee 342
 40235 Düsseldorf
 Germany
 Phone: +49 211 75 77 36-0
 Fax: +49 211 75 77 36-13

HEIDELBERG
 Im Neuenhain Feld 182
 69120 Heidelberg
 Germany
 Phone: +49 6221 65 303-30
 Fax: +49 6221 65 303-31

Website: ip-patent.com E-mail: info@ip-patent.com

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 INDIA

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 Email: info@adityaandassociates.com/
adityaassociates@vsnl.net
 Internet: www.adityaandassociates.com

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asiatic IP LAW FIRM

1st Floor, No. G / F / 8, Ganesh-Manish,
 Outhouse, S.V.Road, Kandivili (West),
 Mumbai - 400 067, INDIA

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Meher Chambers, R K Marg
 Ballard Estate
 Mumbai 400001, India
 Tel: +91 22 5636 5000
 Fax: +91 22 5636 5050
 Email: mumbai@khaitanco.com

Contact: Mr. Jose Madan, Head IP Practice

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Telefax: +91-79-27483980

Partners:

Dharmishtha K. Nanavati	+91-9879109155
Pranit K. Nanavati	+91-9879106229
Kunal K. Nanavati	+91-9825005119
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Contacts Partners

Franklin Hoet
fhoet@hpcd.com

María M. Nebreda
mnebreda@hpcd.com

Patricia Hoet
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