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Welcome to the latest edition of our *Mewsletter* in which we highlight some of the recent news and developments in European and UK intellectual property.

Harmonised Patent Litigation in Europe?

It is said that one of the keys to running a successful business (as well as being a secret of successful comedy) is timing. That said, the timing of our previous issue could not have been more inappropriate as far as the Community patent was concerned. What seemed to be turning into another EU project shipwrecked on the rocky waters of international political squabbling was, within a week of our publication, steaming at full speed towards implementation. Overleaf we revisit the subject, looking at the compromises and agreements that have been reached.

There has also been growing momentum behind the potentially competing European Patent Litigation Agreement and its proposals for a supra-national court to handle litigation under the current European patent system. However, the perpetually thorny issue of the language regime has yet to be settled and could still prove to be a stumbling block.

Together these initiatives illustrate a concerted effort to harmonise and simplify patent litigation in Europe, thereby reducing the potential for different decisions to be given on similar issues by different national courts. They may also serve to reduce the incidence of "forum-shopping", whether for legal or tactical reasons. It remains to be seen whether the proposals are mutually compatible, or which will prevail. However, it has been suggested that an element of competition between the camps may have been behind this flurry of recent developments.

In Other News

The European theme dominates this issue: with the number of EU member states set to increase by two-thirds next year with the accession of central and eastern European countries, we look at the effects on existing Community rights in trade marks and designs. However, implementation of EU law still seems to be causing some problems among existing member states, in particular the ongoing saga of the Biotech Directive which, three years after the deadline for implementation, is still not law in the majority of member states.

The "likelihood of confusion" is an important concept in European trade mark law, but it is not intended to be applied to the courts themselves. However, within a day of each other, the Court of Appeal and the House of Lords managed to arrive at different interpretations of the need for "trade mark use" in the well publicised *Arsenal* case and the less publicised, but equally important, criminal case of *R v Johnstone*, whilst referring to the same decision of the ECJ.

Finally, the next round of changes to the PCT procedure is due to come into force at the start of 2004, with the removal of designation fees and further changes to the search and examination process. The EPO has also started pilot testing of a new search procedure, which is intended to be compatible with the PCT changes.

Further details on many of these topics are the subject of our information sheets (see list on the back page) and feature on our website at www.mewburn.com. Alternatively, please ask your regular Mewburn Ellis contact or e-mail mewsletter@mewburn.com.

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Surprise Progress Towards a Community Patent

In our last *Mewsletter*, we reported that a proposal for a Community patent system - a draft Regulation from the EU Commission - was in difficulty due to disagreement on political issues between EU member states. Unexpectedly, there is now agreement on the most difficult problems, namely the language requirements and some jurisdictional issues.

In March 2003, the Council of the EU (on which each member state's head of government is represented) published a document setting out the nature of the agreement on these issues.

In June 2003, the Presidency of the EU published a revised draft Regulation for the Community patent, putting into effect the agreement reached in March.

To recap the background of the proposals, it is intended that the Community patent system will run alongside the present European patent system, with the EPO being responsible for granting Community patents. The important points of the new agreement are set out below.

Languages

The same language regime as is already used in the EPO will be used for Community patent applications. The language of the application procedure will therefore be English, French or German. There may be provision for EU applicants to file in other EU languages (e.g. Spanish, Italian, etc.), but in these cases it will probably be necessary to file a translation into English, French or German early in the application procedure.

Before grant, the claims must be translated into the other two of the three official EPO languages (English, French and German). This is the same as the present system for European patent applications. After grant, translations of the claims into *all* official EU languages must be filed at the EPO. At present there are eleven EU official languages. After enlargement of the EU (within the next few years) there will be more official EU languages. The present proposal sets the time limit for filing the claims translations at two years from grant.

At first, it was believed that the penalty for failure to file claims translations after grant would be that an infringer into whose language the claims had not been translated could assert that they were an innocent infringer. However, the revised draft Regulation proposes that **failure to file claims translations within the time limit will result in the patent being**

deemed to be void. A safety net is proposed, where conversion back into a normal European patent will be possible at this stage. Future negotiations should further clarify this issue.

Jurisdiction

The same EPO opposition procedure which is presently available for European patents will also be possible for Community patents.

First instance litigation of Community patents will take place before a judicial panel (consisting of three judges) called the Community Patent Court. The Community Patent Court will hold hearings in Luxembourg, but will also be able to hold them in Member States. Appeals from decisions of the Community Patent Court will be heard by a specialist chamber of the Court of First Instance of the EU, also located in Luxembourg.

It is planned that the Community Patent Court will be in place by 2010. Any gap between the Regulation coming into force and the setting up of the Community Patent Court will be filled by national courts.

Effects of the Agreement

The agreement reached on the jurisdictional issues is important in that it preserves the concept of a central court for deciding on issues of infringement and validity at the same time. This should lead to a uniform development of case law.

The agreement reached on languages is a political compromise. For patentees who routinely validate their European patents in all states, the Community patent system should significantly reduce translation costs. However, if only a few states are of interest to the patentee, the present system of national validation in those states (by filing full translations in the states in question) may be no more expensive than the proposed Community patent route. Importantly, the applicant will still be able to opt either for a bundle of EP national patents or for a Community patent.

It is likely that details of the proposals will be refined in the months to come. However, the broad outline of the draft Regulation is strong enough to finally bring the Community patent system into force.

We will keep you informed of future developments.

Proposals for a European Patent Litigation Agreement

Separately and in parallel to the development of the Community patent, some EPC member states are negotiating an optional agreement to govern litigation of European patents in their territories. The ongoing negotiations have set out a draft framework for the agreement. If brought into force, the agreement would allow a single decision of a central court to have effect in each member state party to the agreement.

The driving forces behind the proposals are the potential reduction in the overall cost of litigating a European patent and the need for uniform decisions in different EPC countries where the same patent and infringing act is at issue.

The states most interested in the agreement at present are the UK, Germany, the Netherlands, Sweden and some others. France, Spain and Italy are taking an interest, but are not expected to sign up to the whole agreement at first.

The agreement is an optional one. Therefore, if a state

does not sign up to the agreement, then the agreement can still come into force between the other states. This avoids the common European problem of one state vetoing a proposal agreed by all other states.

There are still many obstacles to be overcome. In particular, there are disputes over the language regime for litigation. Work is continuing to try to find common ground on these issues.

In some respects, the proposals clash with the proposals for a Community patent system. Perhaps only one or the other can survive. Indeed the proposals for this agreement might be the stimulus that the Community patent system needs to come into force. It is possible that the two proposed systems could co-exist, perhaps even using the same court structures and judges. However the EU Commission opposes the proposed agreement, in the belief that the entire EU should be covered by any such agreement.

Implementation of the Biotechnology Directive

Eight European states have now been referred to the European Court of Justice (ECJ) by the European Commission for failing to implement EU Directive 98/44/EC ("the Biotechnology Directive") into their national law.

This referral to the ECJ is the latest action in a long running saga following the adoption of the Biotechnology Directive in July 1998, after ten years of contentious debate in both the European Parliament and European Council.

This Directive was intended to harmonise the laws of EU member states on the patentability of inventions in the biotechnology field, after discrepancies in the national laws of the member states in this area had been identified by the Commission as a factor in placing the European biotechnology sector at a disadvantage relative to competitors in Japan and the USA. The Directive explicitly provides for the patentability of elements isolated from the human body, subject to certain conditions, and this point in particular has proved highly contentious in some member states.

In June 1999, the European Patent Organisation incorporated the main provisions of the Directive into the Implementing Regulations to the European Patent Convention in the form of new Rules 23b to 23e. The

Directive is specifically cited as a means of interpretation of these Rules.

Meanwhile, all member states of the EU were obliged to implement the Directive into their national laws by 30th July 2000. Despite this legal obligation, progress in many states has been extremely slow, due in part to sustained opposition from various pressure groups. The validity of the Directive was even challenged at the ECJ by the Netherlands, Norway and Italy on a number of legal grounds. This challenge was finally rejected by the ECJ in October 2001 (case C-377/98), raising hopes that full implementation of the Directive would follow in all EU member states.

However, by July 2002 the provisions of the Directive had been fully implemented only in Denmark, Spain, Finland, Greece, Ireland and the United Kingdom.

Recent Developments

In order to drive the implementation of the Directive in the nine remaining states, the Commission has staged a series of meetings with Germany, Austria, Belgium, France, Italy, Luxembourg, the Netherlands, Portugal and Sweden in order to review the implementation process and identify political and technical obstacles

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Implementation of the Biotechnology Directive (*continued*)

preventing implementation. The most recent of these meetings was in January 2003.

As reported in the last *Mewsletter*, the first stage in the Commission's infringement procedure took place in December 2002, when the Commission sent a letter to each of the remaining states formally requesting them to implement the Directive, with the possibility of being taken to the ECJ if they did not do so. The meeting with the member states in January also formed part of this procedure.

Only Portugal has subsequently enacted the Directive, the Bill being passed by the Portuguese Parliament in July 2003. Indeed, a new Bioethics law was passed by the French Senate in January 2003, but this appears to *exclude* elements isolated from the

human body from patentability and is therefore contrary to some of the central provisions of the Directive.

The referral to the ECJ is the latest stage in the ongoing struggle by the Commission to persuade reluctant member states to implement the Directive. The Commission will send legal files for each of the eight remaining member states to the ECJ in the next two months. Once it has received the files, a decision might be expected from the ECJ in about 12 months. The Commission has indicated that it may withdraw proceedings against any member states which implement the Directive prior to the ECJ decision, although how many states are able to do this remains to be seen.

“Used” or simply “Confused”?

Two apparently contrasting views have recently issued from the UK Courts as to whether a defence of “non trade mark use” of a registered mark (i.e. use otherwise than as an indication of the origin of the goods in question) is available to an infringing party.

Firstly, the Court of Appeal in the continuing saga of *Arsenal v Reed* overturned the decision of the first instance (reported in the last *Mewsletter*), ruling that the decision that Mr Reed had not infringed Arsenal's trade marks had been based on an incorrect premise. The earlier decision had held that Mr Reed did not infringe, because his use of the “Arsenal” marks was not “trade mark use”. The Court of Appeal held that the question which the ECJ had answered, and therefore the judge should have asked, was not whether the use complained of was “trade mark use” as such, but whether the use complained of was liable to interfere with the *essential function* of the trade mark - that of identifying a single source of origin for those goods. The Court of Appeal concluded that in Mr Reed's case it did.

However, only a day later, the House of Lords (the highest appeal court in the UK) came to somewhat contrasting conclusions in the case of *R v Johnstone*. The respondent was alleged to have possessed and sold unauthorised recordings of CDs of famous groups such as U2. The CDs featured the groups' names, which were registered trade marks. The respondent was charged with criminal offences under section 92 of the Trade Marks Act 1994 (“the Act”), which relates to acts commonly known as “counterfeiting”.

When the case first came to Court several years ago, the respondent submitted that to establish an offence under s.92 of the Act, the Crown had to prove civil infringement of the trade mark in question. He then sought to rely upon a defence under s.11(2)(b) of the Act by submitting that use of the groups' names on the CDs was merely “descriptive use” (i.e. merely an indication of the identity of those groups) and not “classic trade mark use”, i.e. an indication of the trade origin of the goods themselves. The judge at first instance ruled against the respondent's submissions but, on appeal, the Court of Appeal allowed them. The Crown then appealed to the House of Lords.

Having considered the decision of the ECJ in *Arsenal v Reed* (but *not* the decision of the Court of Appeal, which was not available to them), their Lordships found that use “in a trade mark sense” *is* required for there to be infringement of a mark, and therefore in order for there to be an offence under s.92. Use in an *exclusively* descriptive sense is therefore a potential defence. The appeal was therefore dismissed. However, this case was only concerned with whether or not the defence was available, and did not consider whether Mr Johnstone would have managed to come within the scope of it.

At the moment Mr Reed is petitioning the House of Lords for leave to appeal the decision in his case in view of the apparent inconsistency between the judgements. However, the factual situations are very different and it seems unlikely that the Lords will take the case, unless they wish to clarify their position.

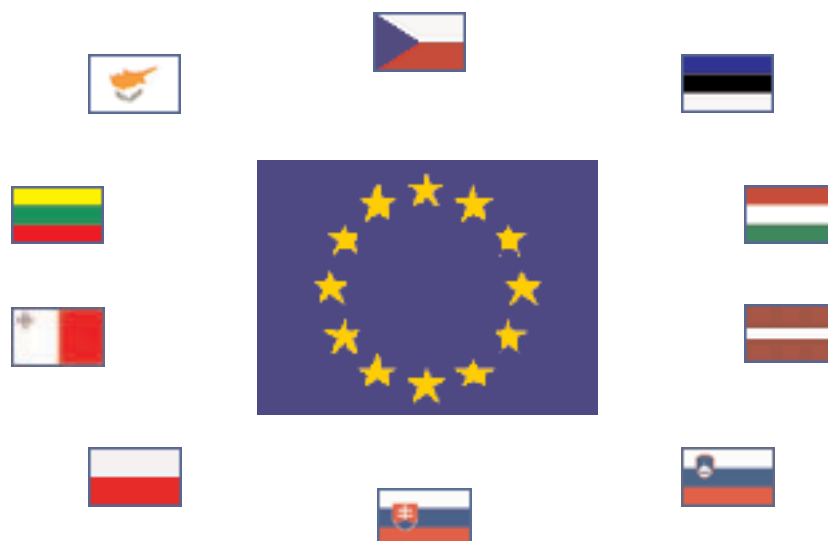
Enlargement of the European Union

On 1st May 2004 the present countries of the European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom) will be joined by Malta, Cyprus, Slovenia, Slovakia, the Czech Republic, Poland, Hungary, Estonia, Latvia and Lithuania (the "enlargement countries" or "new member states").

Enlargement will affect Community Trade Marks (CTMs) and registered and unregistered Community Designs (CDs). The equivalent Community patent is not yet in existence (see report on page 2) and there will be no direct effect on the European patent system as this is not an EU organisation. However, a number of the new member states either have already joined, or will soon join, the EPC.

earlier rights in the new member states. **If you are planning to apply for a CTM, we would recommend that if possible any application be submitted by 31st October 2003 so as to avoid possible oppositions arising from prior rights existing in the enlargement countries.**

Until enlargement takes place, particularly as regards trade marks, the automatic extension of rights to the enlargement countries should not be relied upon for the obtaining or maintaining of rights in the new member states. Almost certainly it will be less costly and more certain to have applied for, or renewed (as applicable), a mark or design in the enlargement countries of importance than to have to take action (with its associated costs and the risk of failure) against a third party who applied, in the period up to



All CTMs and CDs registered or applied for before 1st May 2004 will automatically be extended to the enlargement countries without any formalities. Unregistered Community Designs are automatically extended from the same date. However in some cases the extension to a given country may not be enforceable, for example against a third party with prior rights or if a mark is descriptive in the language of that country.

Examination of CTMs and CDs filed on or after 1st May 2004 will take into account absolute grounds arising from new member states. This will probably not have any effect as regards designs, but could be significant for trade marks, e.g. if a mark is considered descriptive in Polish.

CTMs filed on or after 1st November 2003 can be opposed on or after 1st May 2004 on the basis of

enlargement, for the same or a similar mark or design in those countries.

Please note that although in theory extended CTMs and CDs will apply to all of Cyprus, in practice, because of the political situation, they will only really be effective in Southern (Greek) Cyprus.

1st May 2004 EU enlargement takes place. Existing CDs, CTMs and applications automatically extended to new member states (subject to existing rights). Seniority of existing trade mark registrations can be claimed. Examination of CTM applications filed from this day onwards will take into account absolute grounds arising from new member states.

PCT Changes - A Reminder

PCT Contracting States

As of 1st August 2003, there are 120 contracting states to the Patent Cooperation Treaty (PCT). The most recent additions are: Syrian Arab Republic (SY) and Papua New Guinea (PG). Egypt (EG) will become the 121st contracting state with effect from 6th September 2003. Notably, Argentina, Chile, Pakistan, Taiwan, Thailand and Malaysia are still *not* contracting states.

National/Regional Phase Deadline under Chapter I

As previously reported, with effect from 1st April 2002 Article 22(1) PCT was amended to set the deadline for entering the National/Regional Phase under Chapter I to 30 months (previously 20 months) from the priority date. There are still a few contracting states which have issued "reservations" that their national laws are not compatible with this amendment. The deadline is *not* automatically extended in these "reservation" countries and it is therefore still necessary to file a Chapter II Demand for International Preliminary Examination within 19 months from the priority date in order to extend the deadline for entering the National Phase in these contracting states from 20 to 30 months from the priority date.

On 1st July 2003, the remaining "reservation" countries were: a) Brazil, Norway, Singapore, and Serbia and Montenegro; b) the European countries: Switzerland, Finland, Luxembourg and Sweden; and c) the African countries: The United Republic of Tanzania, Uganda and Zambia. However, the countries in b) and c) do not affect the deadlines set by the European Patent Office (EPO) and the African Regional Industrial Property Organisation (ARIPO) respectively, which are already in compliance.

The previous edition of *Mewsletter* highlighted two important changes which will apply to PCT applications filed on or after 1st January 2004. Here is a reminder of the main points.

Rationalised Designation System

Designation fees will be eliminated for applications filed on or after 1st January 2004. Instead, a new flat "international filing fee" will replace the current basic fee and designation fees. Under the new designation system, the applicant will obtain an automatic and all-inclusive coverage of all designations available under the PCT without, at the time of filing the International application, having to designate individual contracting states, choose certain kinds of protection or indicate whether national or regional protection is sought.

Search and Examination

In addition, the PCT search and examination procedure will be revised for applications filed on or after 1st January 2004. Under the "old" system, applications were subject to search (under Chapter I) and optionally subject to examination (under Chapter II, if a Demand was filed). Under the "new" system, all applications are subject to search and examination, but this may occur *without* interaction between the applicant and the Examiner (under Chapter I) or *with* interaction between the applicant and the Examiner (under Chapter II).

Briefly, for PCT applications filed on or after 1st January 2004, the establishment of an Examiner's opinion will be incorporated into the international search procedure under Chapter I. An International Preliminary Report on Patentability (IPRP) will be prepared for every application, addressing the questions of whether the claimed invention appears to be novel, involves an inventive step and is industrially applicable. The International Searching Authority (ISA) will prepare both the International Search Report (ISR) and a preliminary and non-binding International Search Opinion (ISO). Optionally, the applicant may informally reply to the ISO. If a Chapter II Demand for International Preliminary Examination is *not* filed, the ISO and optional reply form the IPRP, which is sent to the applicant and the designated offices.

If a Chapter II Demand *is* filed (within the later of three months from issuance of ISO, or 22 months from priority), the IPRP is prepared in the same way as the current International Preliminary Examination Report (IPER), based upon the ISO and any amendments and/or arguments filed by the applicant under Article 33 PCT addressing objections raised in the ISO. Again, the IPRP is sent to the applicant and the elected offices.

Disclaimers

Following the Board of Appeal decision in case T323/97 (reported in issue 4 of this *Mewsletter*), there has been considerable uncertainty about the allowability of disclaimers in the claims of European patent applications. This uncertainty will now hopefully be resolved by the Enlarged Board of Appeal as a result of references in two appeal cases. The EPO has announced that Examination and Opposition proceedings in cases *entirely* dependent on disclaimers will be suspended pending the outcome of these references. We will keep you updated on the progress of these cases.

News Update

Madrid Protocol

So far this year the Madrid Protocol has been joined by Albania and South Korea. On 2nd November 2003 the United States is due to join. This will no doubt encourage other countries to sign up, especially if Spanish becomes a language of the Protocol.

Community Designs

The Community Design is now fully operational. Whilst there appear to be no major problems so far, there is already a backlog of work at OHIM, and consequently it is taking several months for filing receipts to be issued and several more for Designs to be registered. For this reason, if you are claiming priority from a non-UK design application, it is preferable to file the certified copy of the priority document at the same time as the application. It is also preferable to use product descriptions which are already in use in the EuroLocarno classification to avoid further delays due to translation requirements. We will advise you further about these matters when they arise.

European Patent Convention (EPC) Contracting States

Austria	Liechtenstein
Belgium	Luxembourg
Bulgaria	Monaco
Cyprus	Netherlands
Czech Republic	Portugal
Denmark	Romania
Estonia	Slovak Republic
Finland	Slovenia
France	Spain
Germany	Sweden
Greece	Switzerland
Hungary	Turkey
Ireland	United Kingdom
Italy	

EPC Extension Countries

Albania	Lithuania
Latvia	Macedonia

EPO Holiday Dates 2003

3rd October
24th to 26th December (Christmas)
31st December (New Year's Eve)

Extended European Search Reports

As of 1st July 2003, the EPO has started a pilot project in which an Extended European Search Report (ESR) is issued in place of the normal European Search Report. As present, this pilot project concerns only first filings (not Convention applications).

The ESR will contain the same search information as a normal Search Report. Additionally, it will contain an opinion from the EPO Searcher on the patentability of the claimed invention. For applicants who do not wish to have an early opinion on patentability published, there is an opportunity to request that a normal Search Report is issued.

If successful, it is intended that the pilot project will be expanded to include all direct European applications. This pilot project is also a model for the way in which the EPO will produce ISOs when the PCT search and examination procedure changes as discussed on page 6.

EU Member States (Community Trade Mark and Community Designs)

Austria	Italy
Belgium	Luxembourg
Denmark	Netherlands
Finland	Portugal
France	Spain
Germany	Sweden
Greece	United Kingdom
Ireland	

EU Enlargement Countries

Cyprus	Lithuania
Czech Republic	Malta
Estonia	Poland
Hungary	Slovakia
Latvia	Slovenia

OHIM Holiday Dates 2003

24th to 31st December (Christmas & New Year)

In-House News

Since the last *Mewsletter*, Graham Forrest and Richard Clegg have both qualified as UK Patent Attorneys and Sofia Arenal has qualified as a UK Trade Mark Attorney. Stuart Nield, a qualified UK and EU Trade Mark Attorney, has joined our London office and we have also taken on a new trade mark associate and two new patent associates.

We say farewell to Rachel Cochlin, one of our recently qualified attorneys, who has decided to spend two years working in Australia. We wish her luck in her travels - although she promises to return to the UK, we fear the change in climate might prove too tempting.



Stuart Nield

Information Sheets Produced by Mewburn Ellis

General

- Intellectual Property Portfolio Management
- Introduction to Licensing Intellectual Property
- Joint Applicants or Co-owners of Intellectual Property
- Recording Changes of Proprietor
- Enlargement of the European Union: Effect on Community Trade Marks, Community Designs and European Patents

Patents

- What is a Patent?
- Patents: Inventorship and Ownership
- What is a European Patent?
- European Patent Applications - Grant Procedure
- European Patents: Amendments to the European Patent Convention
- What is a PCT Application?
- Patent Watching Searches
- Patents in European (EU) Countries - Supplementary Protection Certificates (SPCs)
- UK Patents - Licences of Right
- USA Patent Applications - The Importance of Keeping Notebooks to Prove a Date of Invention in the USA

Trade Marks

- Trade Marks
- European Community Trade Mark (CTM)
- European Community Trade Mark (CTM) Opposition Proceedings
- Trade Marks: Madrid Protocol
- Trade Marks: Madrid Protocol - International Registrations - Procedure after Registration by WIPO
- Trade Marks: The Internet and Domain Names
- Retail Services in the UK and Community Trade Mark Offices

Designs

- UK Registered Designs
- Registered Community Designs
- UK & EU Unregistered Design Right
- Changes to UK Registered Design Law

This is just a selection of our information sheets. These and others can be found on our website, or obtained from your usual Mewburn Ellis contact.

Website addresses

UK Patent Office	www.patent.gov.uk	OHIM:	www.oami.eu.int
EPO:	www.european-patent-office.org	Mewburn Ellis:	www.mewburn.com
World Intellectual Property Organisation (WIPO):	www.wipo.org		

The information in this newsletter is simplified and must not be taken as a definitive statement of the law or practice. If you would like any more information, please ask your usual Mewburn Ellis contact, or e-mail us at: mewsletter@mewburn.com.