



11th Edition

Global Intellectual Property Newsletter
IP Topics from around the Globe
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C L I F F O R D
C H A N C E

contents

Barcelona: Wake-up call from the Barcelona Court of Appeal for infringing “off-label” use of generic medicines5

Over the last few years, courts around Europe have issued landmark decisions on the enforceability of “second medical use” claims and, in particular, on the measures required of generic companies to guarantee fair protection of patent holder rights.

Barcelona: “I am sorry, you were too late” – Barcelona commercial court refuses to grant an ex parte injunction applied for shortly before the opening of the mobile world congress7

In a decision handed down on 22 February 2016, Barcelona Commercial Court no 1 refused to proceed ex parte with a preliminary injunction application aimed at preventing the exhibition of more than thirty electronic devices during the Mobile World Congress held in Barcelona last February.

Milan: The doctrine of secondary meaning and the burden of proof – Italy’s Supreme Court rules on admissibility of market research10

Some of the most contentious issues in Intellectual Property law in Italy surround where the burden of proof lies in trade mark nullity actions which involve the doctrine of secondary meaning, and the evidence that is admissible in such actions.

Hong Kong: Security, data and counterfeits – recent developments in China e-commerce13

The China e-commerce market has been booming in recent years. According to recent data, online sales reached RMB20.8 trillion last year. The success of e-commerce brings its own challenges, including regulation by multiple authorities, a new cyber security law and the ever-present danger of counterfeiting.

Hong Kong: Clifford Chance triumphs over Chinese trade mark squatter seeking to capitalise on Clifford Chance’s Chinese trade name16

On 22 July 2016, the Beijing Intellectual Property Court (“BIPC”) upheld a decision of the PRC Trademark Review and Adjudication Board (“TRAB”) disallowing a trade mark squatter in China from registering the trade mark “高伟绅Angel Kiss”, which copied Clifford Chance’s Chinese trade name (高伟绅).

Amsterdam: The EC’s Digital Single Market strategy – recent developments18

In May of last year, the European Commission (“EC”) unveiled a detailed plan to create a Digital Single Market (“DSM”) in Europe.

Warsaw: Key changes in trade mark registration proceedings.....20

Brief description: The Polish trade mark registration system has recently undergone quite substantial changes.

Prague: The Visegrad Patent Institute – a Simpler Access to Patent Protection ...22

The Visegrad Patent Institute (“VPI”) is an intergovernmental organization established for cooperation in the field of patents, which started operating on 1 July 2016.

London/Düsseldorf: The Impact of Brexit on IP Rights24

The United Kingdom’s vote to leave the European Union has led to a period of legal uncertainty with the future relationship between the UK and EU not yet being defined.

Acknowledgements 26

Contacts 27

11th Edition

Welcome back from the summer break to a new issue of Clifford Chance's Global Intellectual Property Newsletter. In our quarterly publication we provide an overview of the most recent IP developments in major jurisdictions around the world.

We are proud to present the **11th edition** of our **Global IP Newsletter** which will look at a variety of areas, including recent court decisions, updates on hot topics and – of course – the impact of Brexit on the IP landscape.

In our Newsletter we will address recent rulings of the Courts of Barcelona dealing with SEPs and generic products. In particular, we will provide some background on the Barcelona Court of Appeal's decision regarding the "off-label" use of generic medicines and will also shed light on the Barcelona Commercial Court's denial to grant an *ex-parte* injunction applied for shortly before the opening of the mobile world congress. This Newsletter also examines a recent decision of the Italian Court of Cassation dealing with the relevant (secondary) burden of proof and answering the question of what sort of evidence is essential and needs to be presented before court. We will also update you on China's E-Commerce Regulations and will present a favourable decision involving Clifford Chance's Chinese business denomination. This issue also provides an overview of new publications from the EU Digital Single Market program. Furthermore, we will cover the impact of French contract law – which has recently been reformed by way of an ordinance (*ordonnance*) – on IP agreements and outline changes in the application policy of the Polish trade mark registration authorities. This September issue will also summarise the benefits of the Visegrad Patent Institute, an intergovernmental organisation for cooperation in the field of patents. Lastly, we examine the impact of one of the hottest topics this summer – Brexit – on IP Rights.

We hope you enjoy this edition of the Global IP Newsletter and look forward to receiving your feedback.

Barcelona: Wake-up call from the Barcelona Court of Appeal for infringing “off-label” use of generic medicines

Over the last few years, courts around Europe have issued landmark decisions on the enforceability of “second medical use” claims and, in particular, on the measures required of generic companies to guarantee fair protection of patent holder rights. Most of these cases were triggered by the patent protecting the use of pregabalin (Lyrica®) for the treatment of pain. In Spain, the Barcelona Court of Appeal has now shed some light on this issue, finding that generic companies had “indirectly” infringed a patent in spite of “carving out” the patented indication, and ordering them to adopt active precautionary measures to avoid any “off label” use.

Background

In March 2015 Warner-Lambert (instructing one of Clifford Chance’s partners, Miquel Montañá) filed an application for a preliminary injunction against several companies which had obtained authorizations to market pregabalin generics in Spain. The defendants had taken the precaution to “carve-out” the therapeutic indication (treatment of pain), protected by Warner-Lambert’s patent, from the Summary of Product Characteristics (“SmPC”). Instead, their SmPCs only mentioned other indications (epilepsy and general anxiety disorder) which were no longer patented. Only ca. 22% of sales in Spain were attributable to the latter indications.

Warner-Lambert argued that, in spite of the SmPC “carve-out”, the dynamics of the Spanish regulatory framework would result in the widespread prescription and dispensation of the defendants’ pregabalin products also for the treatment of pain, unless the defendants were to adopt precautionary measures. In Spain, as a general rule, (i) practitioners must prescribe medicines by making reference to the active ingredient (i.e. pregabalin) and not to the brand name (i.e. Lyrica®) and (ii) under the rules applicable at that time, even when the brand product and the generic product have the same price, pharmacists must dispense the generic

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Managing Intellectual Property 2016: Spain – Litigation

product. In conjunction with the particularities of the IT system used by Spanish practitioners, this meant that, in practice, virtually all pregabalin dispensed for the patented indication (pain) could be a generic product.

Against this background, Warner-Lambert requested the Court order the defendants, *inter alia*, to inform their clients that, while the patent is in force, the pregabalin generics must not be prescribed or dispensed for the treatment of pain, and to refrain from supplying the generics, unless the purchasers guaranteed that they would not be used “off-label” for the treatment of pain.

The ruling of the Barcelona Court of Appeal of 5 July 2016

Initially, a first instance court dismissed Warner-Lambert’s request on the grounds that no direct or indirect acts of infringement had been established. However, the Barcelona Court of Appeal, which may be considered Spain’s leading

forum for patent litigation, found otherwise in a recent ruling dated 5 July 2016.

On the one hand, the Court ruled out the existence of “direct infringement”, since it had not been established that the defendants were manufacturing pregabalin purposely for the patented indication. Nevertheless, the Court found that a “carve out” of the patented indication on the SmPC was insufficient *per se* to exclude the risk of infringement, even if it had been proven that the defendants did not actively promote their generic products for the patented indication. The Court established that there was a “real probability” of a very significant share of generic pregabalin being prescribed and dispensed for the treatment of pain, and that the defendants were well aware of this fact.

The Court thus held that the defendants had engaged in “contributory infringement” (i.e. “indirect” infringement) under Spanish law, because they had knowingly supplied an essential element of the invention (pregabalin) that is *de facto* prescribed for the treatment of

pain, thus putting the invention into practice. The Court noted that *“if the defendants wish to market pregabalin they must contribute fairly to avoid the prohibited outcome”*.

Accordingly, the Court ordered the defendants *“to inform the persons and bodies to whom they have offered their generic medicinal products and, in particular, to those acquiring the said medicinal products, that, while the patent is in force, such medicinal products must not be prescribed or dispensed for treating pain, and to refrain from supplying the aforementioned medicinal products if there is reasonable indicia that their pregabalin medicinal products will be directly used for treating pain”*.

A welcome step forward

The ruling from the Barcelona Court of Appeal in the pregabalin case is a welcome wake-up call for generic companies. The cornerstone of this decision lies in the Court not being satisfied with the merely “passive” behaviour of the defendants, such as “carving out” the patented indication and refraining from promoting their products

for the infringing use. On the contrary, the defendants were ordered to adopt proactive measures, i.e. informing purchasers that they must not prescribe and dispense the medicine for the infringing “off label” use. Most importantly, the Court ordered the defendants to refrain from supplying the drugs when there are reasonable signs of infringing uses taking place. Thus, Spanish generic companies will now bear the responsibility of reasonably ensuring that their clients avoid any off-label uses. What remains to be seen, however, is how the exact reach and implications of these measures will play out in practice.

Whilst the ruling may not provide an airtight protection for patent holders

(which would call for amendments to the regulatory framework and increased involvement of the public authorities) it is still a key first step in the enforcement of “second use claims”, and will probably set the tone for future decisions.

Key Issues:

- Barcelona Court of Appeal finds that the mere “carve-out” of a patent-protected indication does not necessarily exclude infringement of a “second medical use” patent.
- When circumstances dictate that a generic product risks being prescribed and dispensed “off label” for a patented indication, generic companies must now proactively ensure that their clients do not use medicines for such infringing indications, and even altogether stop supplying the product to them if there are “reasonable indicia” of ongoing off-label use.

Brief Description:

The Barcelona Court of Appeal has handed down a decision finding that generic companies had infringed a “second medical use patent” in spite of “carving out” the patented indication. This provides a welcome development in the enforcement of these types of patents.

Barcelona: "I am sorry, you were too late" – Barcelona commercial court refuses to grant an *ex parte* injunction applied for shortly before the opening of the mobile world congress

In a decision handed down on 22 February 2016, Barcelona Commercial Court no.1 refused to proceed *ex parte* with a preliminary injunction application aimed at preventing the exhibition of more than thirty electronic devices during the Mobile World Congress held in Barcelona last February. The Court was of the view that the applicant, who had filed its application three days ahead of the opening of the congress, could and should have knocked on its door earlier so as to allow the defendant to be heard first.

Introduction

The Spanish procedural rules governing the grant of preliminary injunctions ("PI") are the result of a finely balanced compromise between two rights. On the one hand, the right of the applicant to request the adoption of urgent measures when the time required to pursue main proceedings (normally more than a year) could prevent or hinder the protection granted by a prospective favourable judgment. On the other hand, the defendant has the right to be heard before any PI is ordered.

This compromise crystallises into the following general rule, among others: the defendant has to be heard in an oral hearing before the Court decides on the PI application. Overlooking said general rule will be acceptable only in exceptional circumstances, where the adoption of the PI is so urgent that the time reasonably required to summon the defendant to an oral hearing could jeopardise the efficacy of the PI. However, the urgency of the PI should not have been created by the misconduct or negligence of the applicant (for instance, by having failed to resort to the Court earlier if this had been feasible).

Likewise, Spanish procedural rules provide that a PI will not be granted when the intention is to alter *de facto* situations consented to by the applicant for a lengthy period, unless it can properly justify why said injunctions were not applied for previously.

The Ruling handed down by Barcelona Commercial Court no 1 on 22 February 2016 (the *Sisvel vs Anchor* case)

All these considerations are at the heart of what led Barcelona Commercial Court no.1 to refuse to grant *ex parte* a PI requested by Sisvel International, S.A. ("Sisvel") seeking to prevent Archos, S.A. ("Archos") from exhibiting a series of allegedly patent-infringing electronic devices at the Mobile World Congress ("MWC") held in Barcelona between 22 and 25 February 2016.

The facts of the case may be summarised as follows: Sisvel is the owner of two patents essential for the implementation of the GPRS and UMTS telecommunication standards. Archos started selling electronic devices implementing the GPRS

and UMTS standards in 2013 and, since then, Sisvel and Archos have been unsuccessfully trying to negotiate the terms of a FRAND licence. On 18 July 2015, the Court of Justice of the European Union ("CJEU") handed down a Judgment clarifying the circumstances under which the owner of an essential patent may enforce its patent at Court against third parties with whom it is engaged in negotiations aimed at the granting of a FRAND licence. Sisvel and Anchor continued negotiating until 11 February 2016, when Sisvel sent a letter to Anchor unilaterally terminating the negotiations. On 19 February 2016 (only eight days later), and three days before the MWC was due to open its doors on 22 February, Sisvel filed a PI application seeking, among other measures, a Court order preventing Anchor from exhibiting, offering, promoting and advertising more than thirty electronic devices implementing the GPRS and UMTS standards.

Due to the imminent opening of the MWC, Sisvel applied for this PI *ex parte*. Sisvel argued that hearing Anchor first would mean in practice that the PI could not be ordered until the MWC had already

ended, so the only way to guarantee the efficacy of the PI was ordering it *ex parte*.

Moreover, Sisvel claimed that, although Anchor had been marketing “infringing” electronic devices for three years, Sisvel could not prevent this situation until the CJEU set, according to its Judgment of 18 July 2015, the conditions under which essential patents could be enforced at Court against non-licensees. Sisvel’s case was that the requested PI was not trying to alter a *de facto* situation voluntarily consented to by Sisvel over a lengthy period, but that said period had been determined by the timing of the CJEU Judgment.

The Court findings

Barcelona Commercial Court no 1 did not share Sisvel’s points of view and refused to proceed with the application *ex parte* in a decision handed down on 22 February 2016. The Court found that a PI could not be ordered, let alone *ex parte*, because Anchor had already been marketing its devices for three years. Even though Sisvel could be right to say that it could not have enforced its patents before the CJEU clarified the legal situation, seven months had elapsed between the issuance of the CJEU Judgment and the date of the PI application. Sisvel did not resort to the Courts during this period.

The Court also found that the recent discontinuance of the negotiations was not a legitimate reason to apply for a PI so late, preventing *de facto* any possibility of hearing Archos before the MWC opened. The Court stated that Sisvel had failed to persuade the Court why negotiations had to be abandoned on 11 February 2016, and not any earlier. In this regard, the



Ruling states that “*the justification of the reasons why the preliminary injunction was not applied for until now cannot be left to the discretion of the applicant, they cannot be subjective. They must be objective and external.*”

The Court also considered the “essential” condition of the enforced patents and found that, taking into account the remedies that Sisvel could seek in a main action (i.e. the payment of a FRAND royalty), ordering a PI prohibiting the exhibition of Anchor’s electronic devices would not have been proportionate either.

All in all, the Court hinted that, bearing in mind the aggressiveness of the requested PI, it could not be ruled out that Sisvel could be misusing this procedural mechanism as a way to exert pressure on Archos in the context of the FRAND licence negotiations.

What can we learn from this Ruling?

One of the main lessons taught by this case is that the owners of IP rights who fear that their rights may be infringed in trade fairs taking place in Spain cannot wait until the last minute to make the decision to apply for a PI. Unlike in other jurisdictions, Spanish Courts are keen to hear the defendant first. So, if at all feasible, applicants should resort to the Court well ahead of the opening of the trade fair (typically, three months in advance).

Key Issues:

- Situations where IP rights could be infringed during trade fairs are very common. Preliminary injunctions aimed at preventing infringement of said IP rights are typically available in Spain.
- Unlike in other jurisdictions, in Spain the general rule dictates that defendants must be heard before the Court orders a preliminary injunction.
- Ideally, a preliminary injunction should be applied for well ahead of the opening of the trade fair, so as to allow the holding of an oral hearing before the Court makes a decision.
- Applications *ex parte* brought unnecessarily late may end up being rejected immediately, as happened in the case heard by Barcelona Commercial Court no 1 a few days before the opening of the 2016 edition of the Mobile World Congress.
- Spanish Courts will hardly ever order preliminary injunctions aimed at altering an IP right infringement situation consented to by the applicant over a lengthy period.
- Prospects of success of an application for a preliminary injunction based on an essential patent are rather limited in Spain.

Clifford Chance – Rank #1 (10 years in a row)

“Miquel Montañá is a prolific patent litigator who is in high demand on the innovator side of major pharmaceuticals cases. Sources describe him as “thorough, analytical, rigorous and comprehensive, “adding: “He is persistent up to the end of a case and doesn’t drop things.”

“Montserrat López-Bellosta focuses on IP litigation as part of her broader disputes practice. She has significant experience advising life sciences companies on patent litigation.”

Strengths (Quotes mainly from clients):

“The lawyers are business-oriented, cost-conscious and used to dealing with new issues in law. They are creative and are able to look at the end goal and find a way to reach it.”

“I especially like the lawyers’ knowledge of our organisation and their availability to help with urgent matters.”

Chambers & Partners 2016: Europe Guide:
Spain – Intellectual Property

Milan: The doctrine of secondary meaning and the burden of proof – Italy’s Supreme Court rules on admissibility of market research

Some of the most contentious issues in Intellectual Property law in Italy surround where the burden of proof lies in trade mark nullity actions which involve the doctrine of secondary meaning, and the evidence that is admissible in such actions.

A trade mark holder seeking to rely upon the doctrine of secondary meaning will have already satisfied the Italian Patents and Trade marks Office (“IPTO”) and will generally seek to rely on the general presumption that registered trade marks should be treated as valid.

An applicant bringing an action to obtain annulment (who will often also be on the receiving end of an action for infringement) will argue that the burden of proof should remain with the trade mark holder.

Frequently, market research is presented as evidence of consumer perceptions, but its usefulness may be called into question. Such evidence is commonly admitted by the courts, although the courts are not bound to follow the conclusions the research draws – not least because the questions posed are often fraught with bias. As a result, the courts will on occasion simply ignore such evidence.

The doctrine of secondary meaning

Under Italian law, a trade mark is capable of registration where it has the essential function of acting as a **source indicator**, and it has **distinctiveness**.

Under Article 13(2) of the Italian Code of Industrial Property (“ICIP”), “*A trade mark that prior to the application for registration has following its use acquired distinctiveness may be the subject of registration*”. Moreover, under Article 13(3), “*A trade mark may not be declared or considered null and void if prior to the submission of the application for*

*annulment or the defence of annulment the trade mark in question has following its use **acquired distinctiveness***”.

This rule represents an exception to the general prohibition on registering trade marks that are merely descriptive or that lack distinctiveness. It also represents a defence to an application for annulment of a registered trade mark.

The rule was laid down in national law incorporating the European Directive 89/104/EEC, but was already a principle affirmed in Italian case law.

It is based upon the **doctrine of secondary meaning**: a trade mark that originally lacked distinctiveness as a result of non-specificity, mere descriptiveness or lack of originality may later acquire distinctiveness. In doing so, it acquires a secondary, additional meaning by acting as a source indicator, identifying a business.

The doctrine enables developments in a mark’s distinctiveness to be better exploited. It comes into play where a trade mark that was **merely descriptive**, and thus essentially void, subsequently becomes **distinctive** through use.

Typically, this will be the result of large, targeted investments in marketing, which may lead to a **radical transformation** in the distinctiveness with which a mark is perceived within its market.

The “Rotoloni Regina” case

“Rotoloni” is a trade mark registered alone and in combination with other words, in

particular with the word “Regina” in class 16 by a well-known Italian business. It has been used for toilet paper and kitchen towels for many years.

In Italian, the word *rotoloni* is the plural form of a word for a large roll of toilet paper, kitchen towel or the like. Thus, it is a purely descriptive mark and would ordinarily be unsuitable for registration as a trade mark. However, the proprietor of *Rotoloni* made great efforts to ensure that it acquired distinctiveness, including through a large advertising campaign with the slogan, *i Rotoloni Regina non finiscono mai!* (“Rotoloni Regina never end”). This was so that it might benefit from the doctrine of secondary meaning. Ultimately, the mark was registered by the IPTO for all products in class 16.

The validity of the *Rotoloni* trade mark was, however, contested by a competitor after its registration. Both the Court of Milan (in 2008) and the Court of Appeal of Milan (in 2011) found that the doctrine of secondary meaning did not hold, and declared the trade mark **invalid** for lack of distinctiveness in relation to some products.

The trade mark holder filed market research which indicated that 51% of interviewees treated the word “Rotoloni” as a source indicator, and not as a general term for toilet paper or kitchen towel. Alternatively, the Court of Appeal found that the research could be instead be interpreted to show that nearly half of the interviewees saw the word as a general term.

Moreover, the interviewees who perceived “Rotoloni” to be a source indicator did not do so when the word was isolated, but only when used in combination with Regina, which had been registered separately.

The trade mark holder appealed the decision of the Court of Appeal to the Supreme Court, which may only rule on questions of law and never on questions of fact.

The Supreme Court’s decision n. 7738/2016

The Supreme Court found that the fact that the mark had acquired distinctiveness in use with another, separately registered, mark, did not in and of itself exclude the application of the doctrine of secondary meaning. The decision is in line with case law of the Court of Justice of the European Union (“CJEU”).

Distinctiveness may be acquired through use that is **as part of another registered trade mark**, or in

conjunction with such a mark (CJEU C-215/2014).

However, the IPTO’s conclusion that the trade mark was suitable for registration (itself an application of the doctrine of secondary meaning) **did not bind** the courts in any ruling on an application from a third party seeking to annul the trade mark.

The Supreme Court ruled that the applicant bears the burden of proof where claiming that a trade mark should be annulled, pursuant to Article 121 of the ICIP. In those terms, proof simply takes the form of showing that the mark is descriptive in nature. It then falls to the trade mark holder to prove the secondary meaning.

Evidence presented should not address the degree of investment in advertising and marketing, but rather the fame acquired by the mark that has led to a change in the public’s perception of the mark.

The Supreme Court also found that the Court of Appeal had correctly placed the burden of proof on the trade mark proprietor. It is open to the litigants to produce all such evidence they consider appropriate. The Supreme Court partially overturned the Court of Appeal’s decision and ordered a retrial in the same court.

With respect to market research in particular, the Supreme Court ruled, *“Precisely in the sector in question, [such evidence] may turn out to be necessary, in order to offer adequate proof of the semantic shift in consumers’ perception of the term”*. Where expert evidence of this kind is produced by the trade mark proprietor, then *“either that report is considered reliable and the consequences of the same ensue; or the reverse, in which case it must be permissible for the court itself to order its own expert evidence.”*



The European position on market research evidence

The CJEU has already made clear that EU law does not preclude national courts **from making use of market research in reaching a conclusion as to whether distinctiveness has been acquired.**

Proof of acquired distinctiveness was the central issue in the *Chiemsee* cases that the CJEU decided in 1999 (Cases C-108 and 109/97). In that judgment the CJEU established the “all circumstances” rule (considering factors such as market share, amount of investments and intensity of the use) as regards the evidence to be taken into account in order to show that a sign was recognised as a trade mark by the relevant public, or at least a significant portion of that public.

More recently, in the *Oberbank* cases 2014 (Cases C-217 and 218/13) the CJEU found that a domestic court could order market research if – and only if – it encounters “**particular difficulties**” in assessing distinctiveness. If market research is ordered, it is for the court to determine what percentage it deems persuasive, although its decision on whether distinctiveness has been acquired should not be based only on the outcome of the research.

Conclusion and practical suggestions

The *Rotoloni Regina* case may lead the courts to order their own expert market research more frequently and may motivate the trade mark holders to instruct their own experts.

This could be very important in anchoring the courts’ assessment of public perceptions to objective, evidence-led tests.

In doing so, they will naturally have to rely upon suitably qualified and resourced firms, so that they may be confident that the research is properly conducted, in a manner that avoids leading questions and selects appropriate samples.

In our experience, research conducted through one-on-one interviews are generally more effective and accurate than telephone surveys.

Ensuring the sample reflects the relevant market (in terms of their backgrounds, education, habits and spending power) will also be a major consideration.

In other words, the court must be able to construct what “typical consumer” it wishes to test, and the sample must then be assembled in a manner that is sufficiently diverse.

Key Issues:

- In an application for trade mark annulment, a proprietor seeking to rely upon the doctrine of secondary meaning against a claim of a lack of distinctiveness must prove that distinctiveness has been acquired.
- The burden of proof falls on the proprietor to show that the trade mark has acquired such renown to change the public’s perception of the mark as a source indicator.
- No forms of evidence may be excluded *a priori*, including market re-search.
- Where the trade mark proprietor provides market research, the court may order research of its own.

“Fabio Guastadisegni heads the firm’s litigation practice in Italy. Insolvency disputes, arbitration and commercial litigation form part of his diverse workload. He is lauded for being “straight to the point” and “very knowledgeable and precise.”

Chambers & Partners 2016: Global Guide – Dispute Resolution

Strengths (Quotes mainly from clients):

“The lawyers are very committed. They understand what we want and make sure the documents are how we want them.”

“I have high respect for the people I worked with at Clifford Chance. The lawyers are very good.”

Chambers & Partners 2016: Europe Guide – Dispute Resolution

Hong Kong: Security, data and counterfeits – recent developments in China e-commerce

The China e-commerce market has been booming in recent years. According to recent data, online sales reached RMB20.8 trillion last year. The success of e-commerce brings its own challenges, including regulation by multiple authorities, a new cyber security law and the ever-present danger of counterfeiting. This article looks at recent developments and what lies ahead in this fast-growing economy.

Overview

According to data published by the PRC Ministry of Commerce (“MOFCOM”), online sales in China reached RMB20.8 trillion last year, of which sales on the pure “e-tailing” side reached RMB3.88 trillion.

The regulatory landscape

Currently, multiple government authorities jointly regulate e-commerce activities in China. These include:

- the Cyber Administration of China (“CAC”);
- MOFCOM;
- the PRC Ministry of Industry and Information Technology (“MIIT”);
- the State Administration for Industry and Commerce (“SIAC”);
- the General Administration of Quality Supervision Inspection and Quarantine (“AQSIQ”); and
- the General Administration of Customs (“Customs”).

Of these bodies, the CAC is first and foremost responsible for supervising information and content published online and coordinating with other governmental authorities in enforcing internet related policies.

SAIC and MOFCOM focus on regulating online trading and the e-commerce market while AQSIQ and Customs supervise cross-border e-commerce activities.

These PRC governmental authorities have between them issued dozens of notices and rules regulating different types of e-commerce activities, although the PRC central government has not yet issued a unified national law governing e-commerce.

The major notices and rules include:

- “Administration Measure for APP Information Service” issued by CAC in 2016;
- “Administrative Measure for Online Advertisements” issued by SAIC in 2016;
- “Administrative Measure for Online Trading” issued by SAIC in 2014;
- “Third Party E-commerce Platform Service Guidelines” issued by MOFCOM in 2011; and
- “Online Trading Service Guidelines” issued by MOFCOM in 2009.

It is anticipated that the PRC government will issue more rules to intensify the regulation of e-commerce activities, with online anti-counterfeiting, cyber security and the special regulation of healthcare industry thought to be top of the PRC government’s work programme.

Online anti-counterfeiting

The Chinese online market is known to be flooded with counterfeit and infringing products, something which causes brand owners significant worries.

Enforcement authorities find it is difficult to crack down on online infringing acts in China partly because of a lack of

Key Issues:

- E-commerce in China is characterised by a multiplicity of regulators and laws.
- There is no single national law governing e-commerce.
- Third party online platform providers have an obligation to close or suspend websites that infringe intellectual property rights upon receipt of a complaint.
- Companies which collect “important information” in China will be required by the draft PRC Cyber Security Law to store important data, including personal information, exclusively in China or go through a national security review if they would like to transfer data overseas.

resources and capacity but also because the absence of physical premises makes it difficult to track down offenders.

One way for brand owners to curb infringing acts online is to work with third party online platform providers or internet service providers, who are required by the PRC laws and regulations to:

- close or suspend any infringing webpage upon receipt of an infringing warning notice from a right owner; and
- review the qualifications and information of online traders when they trade on a platform.

If the website operator fails to close or suspend an infringing webpage upon request, the online platform provider or internet service provider becomes jointly liable for the infringing act.

A greater sanction

In practice, however, the passive suspension of an infringing webpage may not effectively prevent the repetition of online infringing acts. The PRC courts however, seem more willing to deal with the issue, as shown in *E-land International Fashion (Shanghai) Co v Zhejiang Taobao Network Co Ltd and Du Guofa* (E-land).

E-land, a clothing company, owned the exclusive rights to use certain registered trademarks in respect of its clothing products. *Du Guofa* was an individual who sold clothing through *Taobao*, an online commerce platform similar to *eBay*. The clothing sold by *Du Guofa* featured the registered marks over which *E-land* had exclusive rights.

Taobao deemed that it had satisfied its obligation by deleting the relevant infringing information and webpage upon *E-Land's* notice.

The court held that *E-land* had filed a huge number of complaints to *Taobao* for infringing/counterfeit products sold on “*www.taobao.com*” since 2006.

During the period September to November 2009, *E-land* had filed 131, 261 complaints and 117,861 infringing links were deleted. From 23 February 2010 to 12 April 2010, *E-Land* filed 153,277 complaints and 124,742 links were deleted.

The Court ruled that an internet service provider will be jointly liable for the infringement if it fails to take appropriate

steps to prevent the infringement. The number of complaints filed showed that *Taobao* was aware that merely deleting the infringing materials was not an effective way of dealing with the infringement and had failed to take adequate steps to do so.

The Court found that *Taobao* should have taken more effective and preventive measures rather than simply passively deleting infringing webpage upon *E-land's* notice. The decision will encourage intellectual property owners to take a more proactive approach to notify and work with online platform providers or internet service providers to deal with online counterfeit issues.

Following the decision, the PRC government seems to be taking greater notice of the seriousness of online counterfeiting issues and is planning to crack down on counterfeits in areas such as public health and safety, including food and drugs, medical devices and cosmetics.

It will also extend its regulation to emerging online platforms and social media, such as apps, the cloud, and messaging services such as *WeChat* and micro-blogging services such as *Weibo*.

Cyber security

The PRC government published a draft of the PRC Cyber Security Law in July 2015, aiming at protecting network and online data security in China. The draft law is presently undergoing a second round of review in the National People's Congress.

The draft law has caught wide public attention, as it provides that the operators of so-called “*key information facilities*”¹ must store important data, including personal information, exclusively in China.

If, for legitimate business needs, the data needs to be transferred overseas, the data must go through a national security review.

Although the draft law has defined “*key information facilities*”, it is still ambiguous about whether a network or particular set of data qualifies as “*key information facilities*” and is therefore subject to the restriction. This may open the way for the enforcement authorities to issue their own interpretations in individual cases.

The above requirement may raise concerns about cross-border data sharing and the free flow of data, and have an impact on current business models of companies which conduct business and collect online data within China.

These companies may need to consider where and how to store and process such data, where the servers of relevant networks should be located, and how to transfer and share data within group companies.

Healthcare sector

It is worth noting that in addition to the general regulations, the healthcare sector is subject to special regulation by the China Food and Drug Administration (“CFDA”).

A pharmaceutical company which wants to sell or distribute pharmaceutical products or medical devices online in China is required to obtain the following special approvals or permits.

- If a company proposes to provide online information that relates to pharmaceutical products and/or medical devices, it should first obtain the *Online Drug / Medical Device Information Service Certificate* from the provincial-level FDA.

¹ “Key information facilities” are defined by the draft law to include (1) basic information networks providing services such as public communications, radio and television broadcasting; (2) important industries, such as energy, transportation, water resources and finance; (3) public service areas such as power supply, water supply, gas supply, medical service and social security; (4) military networks; (5) government affairs networks for state organs at or above city level; and (6) networks and systems owned or managed by network service providers with numerous users.

- Further, if a company proposes to sell or distribute pharmaceutical products and/or medical devices online (or it proposes to operate an online platform at which pharmaceutical products and/or medical devices could be sold), the company should obtain the *Online Drug Trading Service Certificate* from the provincial FDA, in addition to the *Online Drug / Medical Device Information Service Certificate* mentioned above.

There is an exception for online direct-to-consumer sales. As a pilot programme, the CFDA had been allowing direct sales of pharmaceutical products and medical devices to consumers over third party platforms since 2013.

Recently, however, the CFDA suspended this practice because of concern about the risks associated with the safety or quality of pharmaceutical products and medical devices sold online.

The CFDA appears not to have reached a final view about how best to regulate e-tailing in the healthcare sector. Pharmaceutical companies are eagerly waiting for the government to lift the ban in this respect.

“Ho Ling attracts praise for her wealth of experience and commitment to her clients. She heads both the Asia-Pacific intellectual property group and the China litigation and dispute resolution practice. She has particular expertise in trade mark infringement and unfair competition, as well as global portfolio management. Work highlights include managing the brand portfolio of Aston Martin Lagonda.”

Chambers & Partners 2016:
Global Guide – Intellectual
Property (International Firms)



Hong Kong: Clifford Chance triumphs over Chinese trade mark squatter seeking to capitalise on Clifford Chance's Chinese trade name

On 22 July 2016, the Beijing Intellectual Property Court ("BIPC") upheld a decision of the PRC Trademark Review and Adjudication Board ("TRAB") disallowing a trade mark squatter in China from registering the trade mark “高伟绅Angel Kiss”, which copied Clifford Chance's Chinese trade name (高伟绅).

Trade mark squatting remains a serious issue in China. This poses a challenge to many international corporations which find that third parties have preemptively applied for or registered marks in China for internationally well-known brands. In recent years, it is noted that many of these pirated marks have been filed by “professional” trade mark squatters, such as trade mark agencies and other practitioners.

Having assisted many of our clients in dealing with trade mark squatting in the past, Clifford Chance found itself facing the very same issue in 2012 when it became aware of a pirated application for the mark “高伟绅Angel Kiss” (“Conflicting Mark”) in Class 45, copying Clifford Chance's Chinese trade name “高伟绅” in its entirety.

The services covered by the Conflicting Mark are, crucially, related to legal services such as litigation services, intellectual property consultation and domain name registration. The Chinese applicant is a trade mark agency by the name of Guangxi Nanning Wan Wang E-Commerce Service Limited (“WW”), which not only lodged the pirated application but, as later revealed to us, also operated a trade mark agency website at www.gaoweishen.com. This copies Clifford Chance's Chinese trade name, taking unfair advantage of Clifford Chance's reputation in China in the legal services industry.

In February 2012, Clifford Chance filed an opposition against the Conflicting Mark

and won in the first instance at the China Trade Mark Office (“CTMO”). Following this, WW lodged appeals to the Trade Mark Review and Adjudication Board (“TRAB”) and, later, to the Beijing Intellectual Property Court (“BIPC”), all of which were dismissed. We have set out below a summary of the findings from the decisions and the Court judgment.

The CTMO has, in the first instance, found bad faith on the part of WW on the basis that it has a record of copying international brands as demonstrated by its bad faith filing portfolio (including well-known marks such as “Siemons”/“Sina” in Chinese). It also held that Clifford Chance's Chinese trade name and mark “高伟绅” has already attained a certain level of reputation in the legal services industry in China through extensive use. Use and registration of the Conflicting Mark would therefore likely cause confusion to the relevant public

and lead to adverse effects to society. The Conflicting Mark has thus been dismissed based on Article 10(8) of the Trade Mark Law (2014) which prohibits registrations that “*harm social morality or practices or that have other adverse effects*”.

WW appealed to the TRAB in early 2015 but the TRAB was in favour of Clifford Chance's affirmation that the CTMO's finding that WW's history of applying for famous brands was sufficient to support the bad faith claim.

WW relentlessly appealed again to the BIPC in December 2015. The BIPC upheld the TRAB's finding that a bad faith filing portfolio strongly indicates the bad faith nature of the Conflicting Mark. In particular, the Court criticized WW's behavior saying that it, being a trade mark agent in the same legal services industry as Clifford Chance, should be well aware of Clifford Chance's reputation and that



trade mark squatting behavior (including WW's copying of Clifford Chance's trade mark in its website) can hardly be regarded as in good faith.

Conclusion

Clifford Chance has so far prevailed at all levels of the opposition. Unfortunately, WW has recently filed yet another appeal, this time to the Beijing Higher People's Court. Clifford Chance will continue to contest the appeal, which does not appear to have any real merits.

Historically, the PRC trade mark authorities have always adhered to the "first-to-file" principle and are hesitant to issue findings of bad faith to dismiss filings, unless concrete evidence (such as a prior relationship) are produced. The significance of the favourable decisions for Clifford Chance outlined above is that it appears authorities may now be prepared to infer bad faith where a proprietor has past bad faith filing portfolios. This demonstrates a more liberal approach taken by the trade mark authorities in combating trade mark

squatting, in-line with the legislative intent of the recently enacted Trade Mark Law which now contains provisions specifically laying down a broad principle of good faith, together with more stringent provisions regulating trade mark agencies' practice. It is hoped that the more liberal approach taken by the authorities will discourage further trade mark squatting in China, particularly by trade mark agencies and practitioners.

Key Issues:

- In 2012, Clifford Chance brought claims against a trade mark agency in China for trade mark squatting.
- Judgments indicate that PRC trade mark authorities may now more strongly consider a history of bad faith filings when making decisions on trade mark squatting.
- This more liberal approach taken by trade mark authorities will hopefully discourage further trade mark squatting in China.

Strenghts (Quotes mainly from clients):

"They are able to provide a much-needed global perspective on the strategic positions of management and the IP team."

Notable practitioners

"Ho Ling is head of the firm's Asia Pacific IP group, and spearheads the firm's IP work in the region. Sources commend "her aggressiveness and dedication to defending the position of her clients," and "her availability for her clients at all times." In a highlight, she advised Langham Hotels Group regarding the protection and enforcement of its trade mark portfolio."

Chambers & Partners 2016: Asia/Pacific Guide – Intellectual Property (International Firms)

Amsterdam: The EC's Digital Single Market strategy – recent developments

In May of last year, the European Commission (“EC”) unveiled a detailed plan to create a Digital Single Market (“DSM”) in Europe. The intended purpose of such DSM is to open up digital opportunities for people and businesses and includes a set of targeted actions originally intended to be delivered by this year.

In order to achieve the intended reform, the DSM is built upon three pillars: (i) granting better access for consumers and businesses to digital goods and services across Europe; (ii) creating the right conditions and a level playing field for digital networks and innovative services to flourish; and (iii) focussing on maximising the growth potential of the digital economy.

A year after its introduction, the EC published a package of regulatory proposals on audiovisual content, e-commerce and platform strategy. Now the DSM strategy finally seems to be taking shape. This article examines the following recent developments in the EC's DSM strategy: (1) the revised Audiovisual

Media Services Directive; (2) new e-commerce rules; and (3) the EC's approach to online platforms.

1. Audiovisual Media Services Directive

The first proposal seeks to revise the current version of the EU's Audiovisual Media Services Directive (“AVMSD”) in order for it to address the challenges that come with the dramatic increase in media consumption since the AVMSD's adoption in 2010. The regime includes changes aimed at strengthening the promotion of European cultural diversity, ensuring the independence of audiovisual regulators and offering more flexibility to

broadcasters over advertising. Once adopted by the EC, the legislative proposal will be sent to the European Parliament and to the Council. In short, the revised AVMSD contains the following key proposals:

- i. **Promotion of European works** – The revised AVMSD will require that on-demand providers ensure their catalogues contain at least a 20% share of European content.
- ii. **The Country of origin principle (“COO”)** – under this principle, content providers need only comply with the broadcasting rules of the Member State under whose jurisdiction they fall, as opposed to the rules of each country in which the content is transmitted, maintained and reinforced. The AVMSD will simplify the legal framework for determining which Member State has jurisdiction.
- iii. **Advertising, product placement and sponsorship** – Increased flexibility for advertising rules, such as product placement and the spread of commercials across viewing times whilst at the same time implementing rules intended to protect minors from commercials relating to high-fat food and alcoholic beverages.
- iv. **Protection of minors** – The revised AVMSD provides for an alignment of the standards of protection for TV broadcasting and on-demand services and will encourage Member States to develop codes of conduct for content that may be inappropriate for minors.



- v. **Independent regulators** – Greater independence for national audiovisual regulators by establishing that they should be legally and functionally independent from both the industry and the government, with the requirement that they operate transparently and can be held accountable.

2. New e-commerce rules

As part of the DSM strategy the EC presented a three-pronged plan to boost e-commerce by tackling geo-blocking, making cross-border parcel delivery more affordable and efficient and promoting customer trust through better protection and enforcement.

- i. **Preventing geo-blocking** – The EC is proposing legislation to ensure that consumers seeking to buy products and services in another EU country, be it online or in person, are not discriminated against in terms of access to prices, sales or payment conditions, unless this is objectively justified for reasons such as VAT or certain public interest legal provisions.
- ii. **Making cross-border parcel delivery more affordable and efficient** – The proposal aims to

increase price transparency and regulatory oversight of cross-border parcel delivery services so that consumers and retailers can benefit from affordable deliveries and convenient return options even to and from peripheral regions.

- iii. **Increasing consumer trust in e-commerce** – The proposal aims to give more power to national authorities to enforce consumer rights, including being able to check and take-down websites which geo-block consumers or offer after-sales conditions not respecting EU rules (e.g. withdrawal rights).

3. Platform strategy

Finally, the EC presented its proposed approach to “online platforms”, defined on the basis of five key characteristics. Starting from the observation that only 4% of the largest online platforms hail from the EU, the EC presented four key principles for the development of platforms in the EU:

- i. Simplifying, modernising and lightening existing regulations in order to provide a level playing field for (old and new) online platform businesses.

- ii. Maintaining, for the time being, the liability exemption for intermediaries but ensuring their acting responsibly with additional regulation.
- iii. Fostering trust, transparency, and innovation in online platforms, by addressing concerns over the sharing and use of user data, and the relations between online platforms and suppliers.
- iv. Promoting open platform models as opposed to “closed platform ecosystems”.

It would seem that consumers stand to benefit the most from the first wave of reforms, whilst the overall benefits for businesses are limited. However, reform packages on the horizon such as proposals on copyright, telecom regulation and VAT may present more concrete advantages for businesses in Europe.

Key Issues:

- Revisions to the EU’s Audiovisual Media Services Directive aim to address the new challenges faced by a dramatic rise in media consumption since 2010
- New e-commerce rules are also being introduced with the aim of dealing with geo-blocking, cross-border parcel delivery and customer trust in e-commerce
- The EC has presented four key principles for the development of online platforms in the EU which should benefit consumers
- Future reform packages should present concrete benefits to businesses.

Strenghts (Quotes mainly from clients):

“We like to work with Clifford Chance for its lawyers’ ability to listen, ask the right questions, get all of the relevant information and build up a very good defence in order to win the case.”

“The lawyers have handled the case very well. They are very responsive, knowledgeable and proactive, and communicate clearly.”

Chambers & Partners 2016: Europe Guide – Dispute Resolution

Warsaw: Key changes in trade mark registration proceedings

The Polish trade mark registration system has recently undergone quite substantial changes. These long-awaited changes aim to simplify and expedite trade mark applications before the Polish Patent Office.

Introduction

A recent reform of the Polish Industrial Property Law (“IPL”) brings substantial changes to trade mark registration proceedings in Poland. Until recently, when processing a trade mark application, the Polish Patent Office conducted an *ex officio* examination involving both absolute and relative grounds for a refusal. On 15 April 2016, the procedure was changed so that only absolute grounds were considered. This means that the Polish Patent Office no longer examines whether a trade mark is identical or similar to existing trade marks or whether such a trade mark infringes third party rights. Consequently, it is now the trade mark holder who must monitor pending applications and file an opposition in order to prevent a registration.

Previous procedure

Under the previous procedure, the Polish Patent Office published a trade mark application without delay three months after the application date. From the publication date, third parties could familiarise themselves with the trade mark described in the application and, if necessary, file observations at the Polish Patent Office providing circumstances that, according to the party, should prevent this registration. The Polish Patent Office was not bound by these observations and the entity that filed them did not become a party to the proceedings concerning the registration of the trade mark. Since the Polish Patent Office conducted an *ex officio* examination on whether or not there were any

potentially conflicting trade marks with higher priority, the observations were a rarely used remedy.

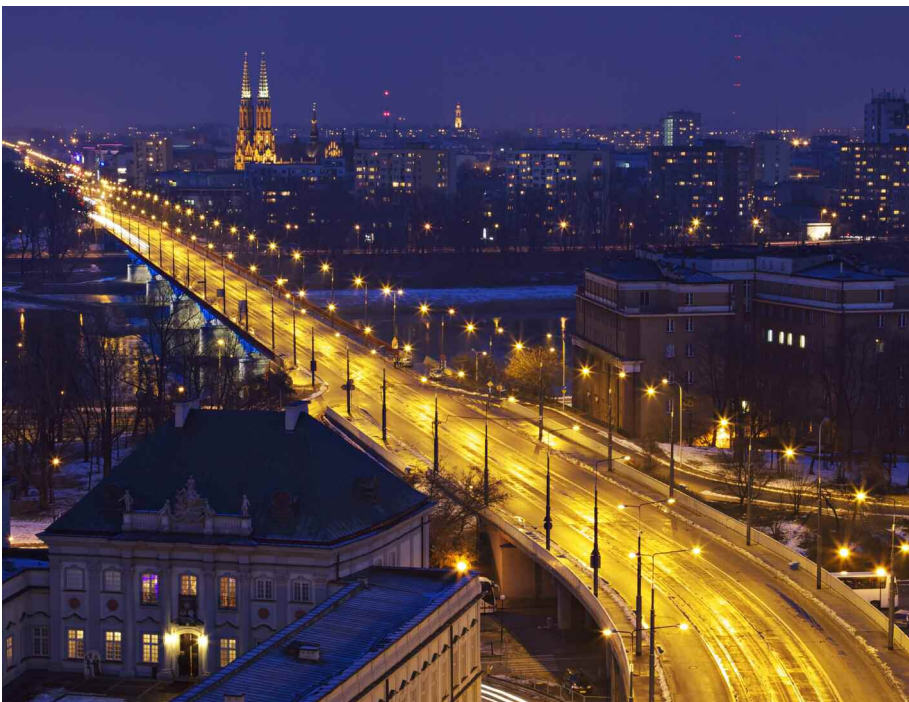
Holders of existing trade marks could oppose a trade mark application after it had been granted protection by submitting an opposition to the Polish Patent Office. Such an opposition would need to be submitted within six months of the trade mark being published in the Patent Office’s Official Gazette.

New procedure

As of 15 April 2016, the Polish Patent Office examines only the absolute grounds for a refusal. Relative grounds for a refusal will only be examined if an opposition is lodged within three months of the announcement of the filing of the application. As such, the opposition may now be filed prior to the registration of the trade mark.

Key Issues:

- On 15 April 2016, the Polish Patent Office stopped conducting *ex officio* examinations of relative grounds in trade mark applications.
- It is now the holder of a trade mark who needs to monitor pending applications and file an opposition in order to prevent registration.
- Letters of consent, a new regime under the Polish Industrial Property Law, allow the registration of similar trade marks, if the owner of the existing trade mark agrees to it in writing.



If the opposition is considered justified, the Polish Patent Office will refuse to grant a protection right for the trade mark. The parties to the opposition proceedings may apply for a re-examination, which will be conducted by the relevant dispute resolution board of the Polish Patent Office.

Implications

The new procedure is similar to the EU trade mark registration procedure before the European Union Intellectual Property Office. However, the impact of the changes remains to be seen. On the one hand, the amendments simplify the examination process for applicants and shorten the registration process (if no opposition is filed). On the other hand, the new procedure requires more effort from holders of registered trade marks, who now need to monitor new applications by other parties and if necessary oppose them. The absence of an opposition could result in a contentious trade mark being granted protection.

Letters of consent

The recent reform also introduces “letters of consent”, a new regime under the IPL that could be very useful, especially for companies with a complex structure dealing with the co-existence of similar trade marks. Until now, even

companies from the same capital group were unable to consent to an application for a trade mark that was similar to one already registered and the Polish Patent Office was obliged to refuse registration. Under the new provisions, it is now possible to register a similar or even identical trade mark if the owner of the existing registered trade mark agrees to that in writing.

The introduction of letters of consent may raise some questions, for example on the effects of a potential withdrawal of consent or whether such consent may be transferred to a third party together with the trade mark. We expect that these questions will be addressed by legal scholars and Polish Patent Office’s practice in the near future.

“Practice head Bartosz Krużewski is widely recognised as one of the top litigators in Poland. He handles domestic and international cases, and also acts as an arbitrator. Clients enthuse that “he is extremely reliable and a strong expert in contentious public tender cases.”

Chambers & Partners 2016: Global Guide –
Dispute Resolution, Band 1

Strenghts (Quotes mainly from clients):

“It’s extremely impressive how the lawyers can work 24/7. It’s a very productive team that can go through huge volume of documents and provide a relevant solution.”

“Very focused on customers’ needs.”

Chambers & Partners 2016: Europe Guide –
Dispute Resolution, Band 1

Prague: The Visegrad Patent Institute – a Simpler Access to Patent Protection

The Visegrad Patent Institute (“VPI”) is an intergovernmental organization established for cooperation in the field of patents, which started operating on 1 July 2016. It was established by the national patent offices of the Visegrad Group under WIPO’s Patent Cooperation Treaty (“PCT”) as an international searching and preliminary examining authority. The VPI is intended to support the development and efficiency of the PCT system.

Introduction

The national patent offices of the Visegrad Group (the Czech Republic, Slovakia, Hungary and Poland) (“V4”) established an intergovernmental organization for cooperation in the field of patents, which should simplify access to patent protection for citizens of the V4. The Visegrad Patent Institute (“VPI”) started operating on 1 July 2016.

The agreement on the VPI, which was concluded on 26 February 2015 in Bratislava (“Agreement”), became effective in December 2015. The VPI was established in particular to facilitate a cheaper and more accessible international patent application procedure under the World Intellectual Property Organization (“WIPO”) for the citizens of the V4. The VPI procedure will be conducted in the languages of the V4 countries (Czech, Slovak, Hungarian and Polish), and the Czech Industrial Property Office is of the opinion that the costs of patent protection will be significantly reduced.

Relationship between the VPI and the Patent Cooperation Treaty

The Patent Cooperation Treaty (“PCT”) under WIPO foresees the transfer of certain powers from the WIPO to regional or national authorities. Accordingly, the VPI has obtained the status of an

International Searching Authority.

The objective of an international search is to discover any technical literature, called prior art, that is relevant for the determination of whether the claimed invention is novel and involves an inventive step. The VPI has also obtained the status of an International Preliminary Examining Authority. The objective of an international preliminary examination is the formulation of a preliminary and non-binding opinion on the questions as to whether a claimed invention appears to be novel, involves an inventive step and may be industrially applicable. The outcome of these searches will now not only be available in English but, under the VPI, also in the national languages of the V4. The Agreement itself makes reference to the PCT as its basis and, in case of a conflict between the Agreement and the PCT, the provisions of the PCT apply.

Structure of the VPI

The VPI is governed by an Administrative Board, represented by a Director and administered by a Secretariat. The Director is responsible to the Administrative Board for organising the activities of the VPI and of the Secretariat. The Director is appointed by the Administrative Board for a fixed term, not exceeding four years, and is obliged to comply with the Administrative Board’s instructions. The Administrative Board comprises the representatives and alternate representatives of the parties to

Key Issues:

- The VPI started operating on 1 July 2016 and will serve PCT patent applicants from the Czech Republic, Slovakia, Hungary and Poland.
- The VPI obtained the status of an International Searching Authority and an International Preliminary Examining Authority.
- Applicants will be able to communicate with the VPI in Czech, Slovak, Hungarian or Polish.
- Subject to compliance with certain conditions, 40% of the patent research costs can be refunded.

the Agreement; every party is entitled to appoint one representative and one alternate representative.

Activities of the VPI

As an International Searching Authority, the VPI subjects each patent application to an international search. The goal of the search is to assess whether the invention is novel and whether it involves an inventive step. The search is made based on the application, with due regard to the description and drawings. The results of the search are reflected in an international search report, which is subsequently provided to the applicant (in his or her language) and to the International Bureau of the WIPO.

An International Preliminary Examination takes place only in cases where the applicant requests it. The role of the authority is to conduct a preliminary examination of the patentability of the invention, for example whether the invention appears to be novel, whether it involves an inventive step and whether it is industrially applicable. One of the requirements of the PCT is that the request is submitted in a prescribed language; following the establishment of the VPI, this is now possible in the languages of the V4 countries. An appraisal of the criteria is summarized in the report, which is transmitted to the applicant and to the International Bureau of the WIPO.

One of the noticeable benefits of the procedure under the VPI is that if the search has already been completed by a national authority for national patent purposes, an applicant can request a refund of the fees paid to the VPI for research, provided that the result of the research is useable. However, whether a refund claim may be accepted depends on the individual researcher. If the usage of the prior research is possible, 40 % of the costs (EUR 750) will be refunded.

Conclusion

Overall, the VPI will bring two main benefits to applicants, the possibility of communicating and conferring with the patent authority in the parties' national

languages, and the possible reduction of the patent application costs.

It is expected that the services provided by the VPI will be used by applicants in the V4 countries and that one of the main goals of the VPI – increasing the amount of patent applications within the Visegrad Group countries – will be accomplished.

It should be noted that the Agreement and the services of the VPI are not only limited to the V4 countries; any other European country can become a party to the Agreement and extend the scope of the VPI. Despite the name and the fact that the VPI has been established by the V4 countries, *de iure* it is not an institute under the Visegrad cooperation.



London/Düsseldorf: The Impact of Brexit on IP Rights

The United Kingdom's vote to leave the European Union has led to a period of legal uncertainty with the future relationship between the UK and EU not yet being defined. Intellectual property law is not safe from the immediate effects of Brexit and also faces an uncertain future. It is anticipated that for at least the next two years, the UK will remain a full member of the EU and during this time no changes to existing IP legislation are expected. It is also expected that the UK will continue to implement new directives as they come into force during this period. As no Member State has withdrawn from the EU before, the impact on IP rights cannot be precisely predicted and depends on the outcome of negotiations and agreements made between the UK and the EU.

Patent rights

As the UK is a member of the European Patent Convention, which is not linked to EU Member State status, the status quo of European patents should not be significantly impacted by Brexit. The European Patent, which is a bundle of national patents accessed through a central application process, will still be available through the European Patent Office.

However, the supplementary protection certificate ("SPC") regime may be affected by Brexit. SPCs allow certain, limited types of inventions, primarily those from the pharmaceutical sector, to extend the term of patent protection beyond the usual 20 years. The rationale for this is that a product protected by these patents often has a very long approval process, which runs during the term of patent protection and effectively reduces the period of time during which the product is protected by the patent. SPCs are governed by an EU regulation that may not automatically apply after Brexit. If this is the case, and to ensure the protection granted by SPCs post-Brexit, the UK could implement a national SPC-equivalent right or opt into the European SPC regime if it becomes a member of the European Economic Area ("EEA").

The largest and perhaps most critical impact that Brexit will have on patents is in the implementation of the Unified Patent Court ("UPC"). The UPC arguably constitutes the biggest reform in the history of European patent law. Under the current UPC Agreement, ratification from the UK is required before the UPC can come into effect. In addition, one of the three central division courts was supposed to be based in London. It is unclear whether it is even possible for the UK to ratify the agreement following Brexit and participate in the system after it ceases to be an EU Member State. The politically charged nature of UPC Agreement negotiations only further complicates the matter. Further delays with respect to the UPC appear inevitable as the plethora of issues is sorted out.

Registered trade marks and registered designs

Registered trade marks and registered designs are the most harmonised forms of IP rights across the EU, but could undergo significant changes post-Brexit.

It is possible that the UK will no longer be party to the EU regulations that govern and implement the European Trade Mark ("EUTM"). These unitary rights

automatically cover all EU Member States. Without any new, implemented agreements between the UK and the EU, existing EUTMs and Registered Community Designs would no longer be applicable in the UK. IP holders may still be able to obtain protection for trade marks and designs through the national UK Intellectual Property Office, but the impact on existing registrations will depend on the arrangements agreed upon by the EU and the UK.

There has been much discussion on the various options for extending the protection which EUTM holders currently have in the UK. Potential scenarios could involve some system whereby EUTMs are converted into national rights or simply involve the UK unilaterally recognising and protecting EUTMs despite not being an EU Member State. The likelihood is that the UK will still protect EUTM holders' rights post-Brexit although there may be difficulty in the how the legal mechanics of this position are determined.

EUTM holders who primarily use those marks in the UK may find their EUTMs at risk of becoming vulnerable to revocation for non-use in the EU following Brexit. It is unclear whether EUTMs that undergo any

form of conversion into UK rights, but are not currently in use in the UK, will be able to continue to rely on previous use elsewhere in the EU.

Another issue could arise if the UK does not maintain access to the single market. Trade mark owners may be able to restrict the trade of goods between the UK and EEA Member States as placing goods on the market would no longer “exhaust” the trade mark owners’ intellectual property rights. At this time, trade mark owners cannot typically prevent the selling of their products if they have been lawfully offered on the single market previously. If the UK did not become an EEA member or reach an agreement with the EU to access the single market on equivalent terms as an EEA member, then placing the products on the market in an EEA Member State would not exhaust the trade mark rights in the UK.

Finally, the practical management of IP portfolios is open to change. IP owners domiciled in the EU or under EEA jurisdiction do not need professional representation in proceedings before the European Intellectual Property Office. In contrast, parties based outside the EU or under EEA jurisdiction must be professionally represented for most proceedings. The UK’s approach to professional representation is yet another aspect to be considered.

Copyright and database rights

Copyright is a national right, but it has been heavily influenced by international treaties and European legislation. The UK’s membership in the EU significantly shaped and influenced the UK Copyright, Design and Patents Act of 1988. It is unlikely that the UK will make significant changes to its copyright law. Even the aspects influenced by EU legislation are likely to remain, at least in the short to mid-term following Brexit.

In terms of database rights, the UK will need specific legislation for UK national database rights if the EU right no longer applies. Database rights are a unique European intellectual property right that is only available to EEA nationals. The status is unlikely to be affected if membership in the EEA is negotiated.

Licence agreements

Brexit will have a more practical effect on licence agreements. Future licence agreements will have to take into account the political and geographical changes resulting from the UK leaving the EU. Current licence agreements, prior rights agreements and coexistence agreements often make the assumption that the European Union is a single territory and that the licence is granted for all countries in the EU. It is recommended to review any relevant licence agreement that has

been concluded and check whether it is sufficiently clear, accurately indicating IP usage rights in territories. In addition, clauses such as those regarding payments or the right to handle litigation might need to be adjusted accordingly.

Concluding remarks

The impact of Brexit on intellectual property rights depends on negotiations between the UK and the EU. The closer the relationship between the EU and the UK post-Brexit (for example if the Norwegian EEA model is adopted) the less scope there will be for impact on intellectual property rights. If the UK breaks away from the EU completely, there is a greater scope for the EU and UK approach to various intellectual property rights to diverge.

Rights holders should work hand in hand with their legal advisors to monitor developments over the coming weeks and months to assess the impact on intellectual property rights. In the meantime, rights holders can start to think about their reliance on unitary rights and their approach to licensing, so that they will be prepared to act once the nature of the post-Brexit relationship becomes clearer.

Key Issues:

- Brexit has created a lot of uncertainty in the UK and across the EU
- While the EPC remains unaffected by EU membership, the UPC still requires ratification from the UK and may be delayed even further
- The EU Trade Mark system could undergo significant changes post-Brexit

“Claudia Milbradt of Clifford Chance is best known for patent litigation, most notably regarding infringement, counterfeits and licensing.”

Chambers & Partners 2016: Global Guide, Germany – Intellectual Property: Patent Litigation

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