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IP YEARBOOK 2017

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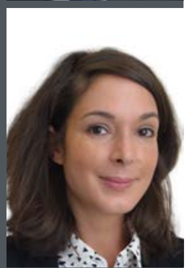

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GLOBAL INTELLECTUAL PROPERTY NEWSLETTER – YEARBOOK 2017

Following a strong year in our Intellectual Property Offices all over the world, we proudly present the Global Intellectual Property Newsletter Yearbook 2017.

NEWSLETTER EDITIONS

2017 has definitely been full of interesting IP developments. In our newsletters this year we have discussed general IP topics from around the globe. We have also issued Special Editions of the Newsletter, touching upon 'IP Arbitration as a mechanism to resolve IP-related disputes' and 'IP and Antitrust Law'. Through these we were able to provide our readers with in-depth insights on what is currently going on in the world of IP. Now, the Clifford Chance IP partners would like to share their experiences and thoughts with you and take a look back at our work this past 2017.

THE IP NEWSLETTER AND THE YEARBOOK 2017

- This is the first yearbook of the IP Newsletter created by Clifford Chance.
- The IP Newsletter provides insights to important and developing IP topics around the globe.
- Topics are selected by our partners to provide relevant information on the latest developments in the world of IP, and those which we consider will have the greatest material impact on your business.

FROM OUR PARTNERS TO OUR CLIENTS:

"As 2017 draws to a close, our Australian team looks back on the interesting developments that we have brought to you in the field of intellectual property and its intersection with arbitration, piracy and antitrust. Following the release of the Australian Government's Response to the Productivity Commission's Inquiry into Intellectual Property Arrangements in August this year, we also look forward to what promises to be an exciting year of developments in the IP sphere in 2018, which may include the introduction of a new IP-dedicated list in the Federal Circuit Court of Australia, amendments to the Copyright Act 1968 (Cth) including in relation to a fair use exception as well as carve outs for circumventing geo-blocking technology, amendments to the Patents Act 1990 (Cth) to bring Australia into line with international best practice, and much much more! We look forward to bringing you our insights in relation to these and other developments and continuing to work with you on your IP and technology-related transactions. Until then, we wish you the all the best for a prosperous New Year!"

THE CLIFFORD CHANCE AUSTRALIA TEAM.

"EU legislative initiatives emanating from EU institutions and European antitrust enforcement in relation to the use of IP rights will continue to give rise to new developments and interesting cases in 2018. Further to the extensive debates in 2017, it is hoped that consensus can be reached with respect to the copyright reform proposal and in particular (i) the new exclusive right for press publishers, and (ii) the requirement for online platforms to monitor user behaviour in order to identify and prevent copyright infringement. 2018 will also be an interesting year for Standard Essential Patents. Further to the European Commission's roadmap on Standard Essential Patents for a European digitalised economy, the EC is about to publish a Communication which aims to tackle three main problems: (i) opaque information about SEP exposure, (ii) unclear valuation of the patented technologies, and (iii) risks of uncertainty in the enforcement framework post-Huawei v ZTE. The Brussels Team wishes you a very Happy New Year 2018 and looks forward to continue working with you!"

THE CLIFFORD CHANCE BRUSSELS TEAM.

"As 2017 draws to a close, our IP team in Düsseldorf expresses our good wishes for a fortunate and successful year to come. It has been a great pleasure to contribute to the Global IP Newsletter. In the past year, we were able to strengthen our local IP team by welcoming two new qualified IP lawyers and together we hope to continue to provide you with interesting insights and guidance through the latest developments and upcoming challenges in the world of IP. We would like to take this opportunity to thank you for your confidence in our expertise and are looking forward to another year of fruitful cooperation with our clients."

THE CLIFFORD CHANCE DÜSSELDORF TEAM.

"This new year brings new opportunities and challenges across the globe and the Asia Pacific region in particular. China's specialist intellectual property courts are especially active having accepted nearly 50,000 cases since they were established three years ago. The new cybersecurity law puts the spotlight firmly on data protection and network security, bringing with it major issues for corporates doing business through electronic commerce and networks in the PRC. In Hong Kong, recent amendments to the law mean that IP disputes can now be settled by arbitration with the path opened up towards easier enforcement of IP awards in Hong Kong. Throughout this momentous change, our team of specialists is in prime position to advise through our extensive regional network. As we approach the Year of the Dog, we look forward to working with you to make the most of the possibilities ahead."

THE CLIFFORD CHANCE HONG KONG TEAM.

"The London IP team wishes everyone a prosperous, successful, and a more certain New Year! BREXIT continues to loom over the future of IP rights between the UK and EU27. Some positive suggestions of mutual recognition of IP rights have been suggested, and there remains a positive glimmer for the UPC's future. Much will depend on the UK and EU reaching a broader agreement on an exit deal but there are sensible discussions within the IP community. 2017 also saw siginficant developments in UK patent law, most notably the Supreme Court's decision in Actavis v. Eli Lilly broadening the doctrine of equivalents. This necessitates a re-review of previous infringement and freedom to operate assessments and may increase the number of patent cases before the UK courts. Thank you for entrusting your critical IP needs with us this year, and we look forward to working with you in 2018 and beyond."

THE CLIFFORD CHANCE LONDON TEAM.

"A great year has ended, a greater one has just begun. We wish you all the best for 2018. The 4th industrial revolution is happening, driven by digitalization, data and new technologies, with intellectual property at its heart. We look forward to addressing your needs and queries, in order to provide and design the best tools to stimulate, liberate and protect your creativity, innovation an investments."

THE CLIFFORD CHANCE MILAN TEAM.

"We happily take this opportunity to offer our warmest congratulations on the coming New Year! We wish you a peaceful, joyful holiday break with your friends and loved ones, and we look forward to resuming our work for you in 2018. It is our pleasure to keep you informed of the most notable legislative and regulatory developments and trends in the sphere of IP, both local and global. S Novym Godom!"

THE CLIFFORD CHANCE MOSCOW TEAM.

"As another year comes to an end, we wanted to take a moment to wish our readers all the best for 2018. We very much enjoyed providing you with our insights on the hot IP topics of 2017, from both a French, EU and global perspective. We look forward to sharing with you all the new developments that will arise in the year ahead, in this rich and constantly changing landscape. Digitalization, artificial intelligence, blockchain, Standard Essentials Patents and Unitary Patents are just a few examples of the exciting areas which we are sure to be updating you on in 2018."

THE CLIFFORD CHANCE PARIS TEAM.

"All the best for the New Year 2018 from Warsaw. We are looking forward to working with you on new IP and technology related transactions. We also hope that 2018 brings ongoing discussions on the establishment in Poland of dedicated IP courts to a successful conclusion. If so, the resolution of IP and unfair competition related disputes would only become faster, more efficient and predictable."

THE CLIFFORD CHANCE WARSAW TEAM.

"The Barcelona IP team wishes everyone a peaceful, happy and prosperous New Year. There are little doubts that 2018 will be an exciting year. How far will the new provisions brought by our recent Spanish Patent law reach? Will Brexit and the German Constitutional concerns prevent the UPC from making its first steps? Will stakeholders be endorsing the new possibilities offered by the most recent trademark legal developments? How will relevant areas like data protection, anti-trust or digitalization affect the development of IP practice for all of us? We look forward to joining you in this changing and challenging process to new successes."

THE CLIFFORD CHANCE BARCELONA TEAM.

"All the best for the New Year from the US IP team. We look forward to exciting developments in technology, data privacy and IP protection, and to working with our colleagues and clients on seamless IP strategies across the world. Thank you for your confidence in our IP team."

THE CLIFFORD CHANCE US TEAM.

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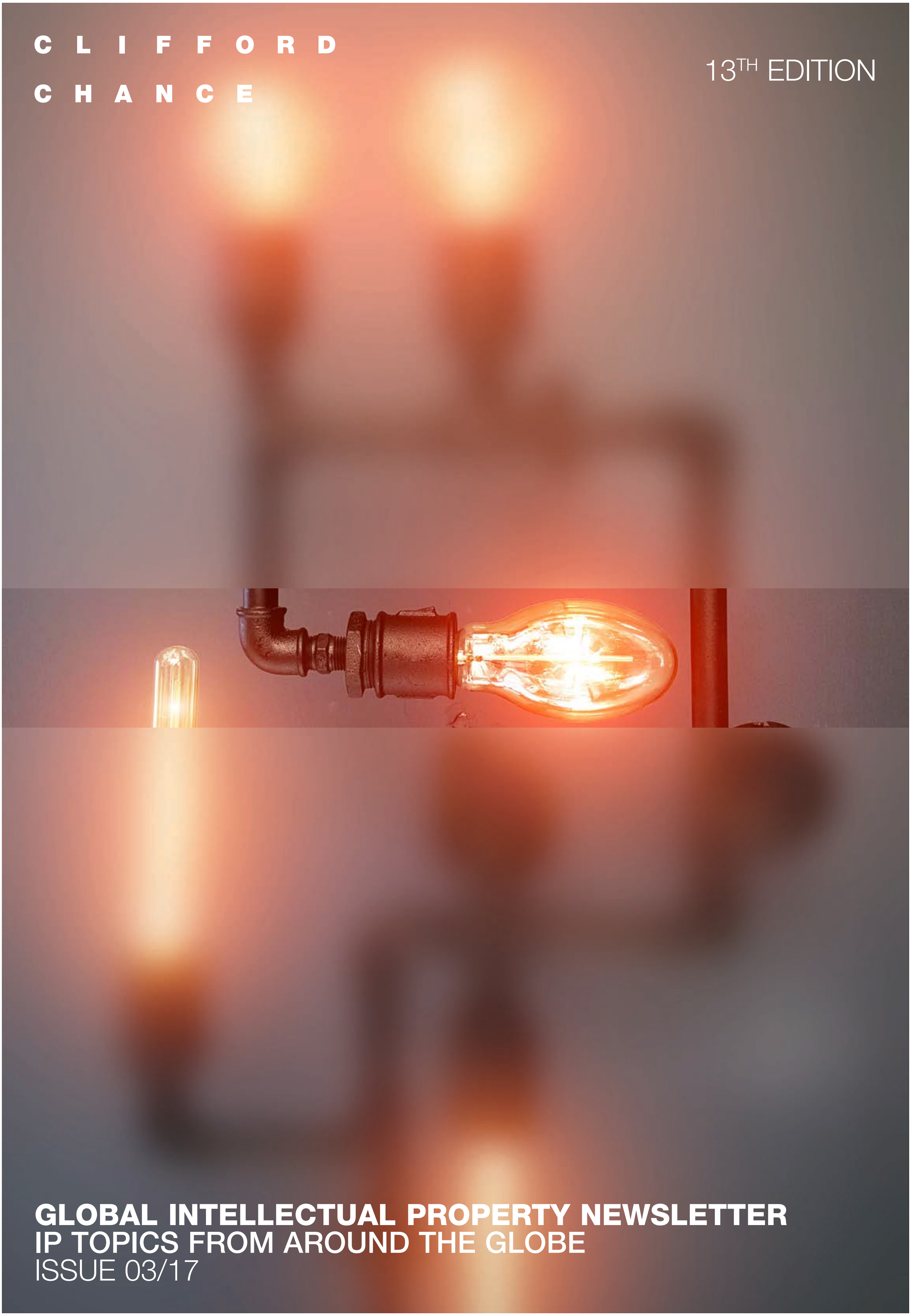
CLIFFORD CHANCE

13TH EDITION



GLOBAL INTELLECTUAL PROPERTY NEWSLETTER
IP TOPICS FROM AROUND THE GLOBE
ISSUE 03/17

13TH EDITION

Welcome to the 13th edition of the Clifford Chance Global IP Newsletter. In this first Newsletter of 2017, our global IP Team would like to provide you with some insight and guidance on the latest developments and recent trends in the world of IP. The Newsletter will cover a wide range of IP-related topics and industries.

Beginning with trade marks, this March issue will first discuss the recent registration of Donald Trump's trade mark "TRUMP" for goods and services in class 37 on the Chinese trade mark register. This comes after almost 10 years of application proceedings. We will then turn to the defence of our own IP rights and our successful opposition of a pirated Clifford Chance trade mark registration in China.

We will then review the CJEU's recent ruling on the conditions of Article 7(2) of Directive 2008/95/EC regarding the import and sale of drugs that have been repackaged, but placed on the market bearing their original trade marks. Another case considered is the Italian Court of Cassation decision on how the intrinsic weakness of a trade mark does not necessarily disappear if that trade mark acquires a secondary meaning.

Diving into the realm of patents and employee inventions, claims of ownership and adequate employee remuneration can be of utmost importance for employers in all sectors. Accordingly, the article on *Shanks v. Unilever PLC* shows the difficulties employee inventors face in the UK when obtaining additional remuneration for highly successful inventions. The article compares the UK approach to the German approach which is more favourable to employee inventors. Furthermore, an Italian court ruled that a scientific director of an Italian chemical-pharmaceutical company is entitled to ask for a special bonus (called "equopremio") when his research team achieves an inventive result.

The Newsletter will then analyze the case *Raltegravir* before the German Federal Patent Court and the issue of whether a market-leading HIV-drug can be subject to a compulsory licence, granted via preliminary injunction, if it is in the public interest in Germany. We will then take a look at so called *Arrow* declarations as permitted remedies pursuant to *Fujifilm Kyowa v AbbVie* and also discuss recent questions referred to the CJEU regarding Supplementary Protection Certificates.

Finally, we will highlight other important developments including the application of *GS Media* in Germany regarding copyright infringement via hyperlinks, the impact of the civil law reform on IP in France, Alibaba's successful lawsuit against counterfeiters in China, the EU Commission's recent study on ownership and access of data and a proposal for a EU Regulation addressing privacy and confidentiality issues involving electronic communications.

We hope that you enjoy this issue and look forward to receiving your feedback. See you in the next edition!

Your global CC IP Team

HONG KONG
DONALD TRUMP SUCCESSFULLY HAS HIS NAME REGISTERED IN CHINA FOR CONSTRUCTION-RELATED SERVICES

It has recently been reported that on 14 February 2017, US President Donald Trump successfully had his name registered in China in respect of commercial, residential and restaurant property services (including construction-related services essential to the real estate business). The registration secured is for the name/mark "TRUMP" (under application no. 14831415) in respect of Class 37 services (the "**Registered Mark**"). Notably, this is a re-file of an earlier, failed application made by Donald Trump almost 10 years.

Key Issues

- The process of opposing and/or invalidating a conflicting mark or a pirated filing generally takes years to conclude. This in turn obstructs and delays parallel trade mark applications.
- A name right is established if the following three conditions are met:
  - the name in question has attained a certain level of fame in China;
  - a valid connection has been established between the name in question and a natural person; and
  - the relevant public use the name in question to refer to that individual.

The Registered Mark was filed in 2014 and is one of a series of steps taken by Trump following the failure of a previous application to secure trade mark registration in construction-related services (filed under application no. 5771154 "TRUMP" in Class 37 on 7 December 2006) (the "**Previous Mark**"). The Previous Mark was partially rejected by the PRC Trade Mark Office ("**TMO**") in 2009 due to the existence of an earlier, identical third party mark (no. 5743720 "Trump") (the "**Conflicting Mark**"). The Conflicting Mark was allegedly a pirated mark filed by the individual Dong Wei in respect of goods and services in Class 37. The Conflicting Mark was filed in November 2006, just a couple of weeks before Donald Trump's filing of the Previous Mark. Despite Donald Trump appealing the TMO's rejection, this rejection was upheld by the PRC Trade Mark Review and Adjudication Board ("**TRAB**") in 2014. Donald Trump filed further appeals against the TRAB's decision but they were dismissed by the Beijing First Intermediate People's Court (i.e., the first instance court) and the Beijing High People's Court (i.e. the second instance court) in 2014 and 2015 respectively, based on a strict application of the "*first-to-file*" principle (i.e. Donald Trump's application cannot prevail because the Conflicting Mark has an earlier filing date). Due to the Conflicting Mark, Donald Trump had to remove core services of interest to this business from the Previous Mark (i.e. construction and construction information in commercial, residential and restaurant properties) as these services overlap with those covered by the Conflicting Mark. After deleting such core services, the Previous Mark then proceeded to registration on 6 October 2015 but only in respect of "indoor decoration and repair, heating equipment, air conditioners and elevators installation and repair in commercial, residential and restaurant properties" which are not core to Donald Trump's business.

In parallel, Donald Trump also contested the Conflicting Mark. In 2009, Trump filed an opposition and subsequently (following an unsuccessful opposition) an invalidation in 2015 against the Conflicting Mark. The invalidation decision was issued by the TRAB in September 2016 and led to most of the services of the Conflicting Mark being declared invalid, with only two services remaining: well drilling and mining. The invalidation of the Conflicting Mark in overlapping services subsequently allowed Donald Trump to secure the Registered Mark in relation to his core business.

As reported, it has taken more than ten years for Donald Trump to register his name for core construction-related services, and after going through numerous stages of legal proceedings and pursuing all kinds of offensive and defensive actions in China. However, this is not a special case; it merely highlights the rigidity of China's trade mark system. In particular, it shows how difficult it can be to remove a prior conflicting mark or a pirated filing. In the event that a trade mark application is blocked by a conflicting prior mark, the TMO, at its discretion, may suspend the trade mark application process if there are existing parallel opposition and/or invalidation proceedings in relation to the conflicting mark. However, the pending opposition and/or invalidation process may take several years to conclude and can consequently drag out the relevant trade mark application for years as well.

Pirated filings and name right protection in China

It was reported that lawyers for Donald Trump argued that Dong Wei had filed the Conflicting Mark in bad faith and had infringed upon his name right. Unfortunately, it is not uncommon for the names of many world-famous celebrities to be the subject of bad faith trade mark applications or registrations in China. Examples include NBA stars Allen Iverson and Michael Jordan, Yao Ming (a Chinese NBA star), Britney Spears and Andy Lau/刘德华 (a television and movie star).

A string of recent PRC Supreme Court interpretations, opinions and decisions have confirmed that PRC courts are more determined to give better protection to name rights in China. In the decision of the Supreme Court issued on 7 December 2016 concerning a pirated trade mark application for the "Michael Jordan" name/mark, the Supreme Court laid down the following conditions to determine whether or not a foreign celebrity can claim name rights over a Chinese translation of his or her foreign name:

i. has the name in question attained a certain level of fame in China;

ii. has a valid connection been established between the name in question and a natural person; and

iii. does the relevant public use the name in question to refer to that individual.

The above test was subsequently codified in the Supreme Court's Opinions issued on 10 January 2017.[1] It was set out in the Opinions that an act of registering the name of a public figure in the political, economic, cultural, religious, ethnic or other field as a trade mark may be deemed to be an "*unhealthy influence*". Causing an "*unhealthy influence*" to society is a ground for denying trade mark registration under the PRC Trade Mark Law. In any event, the clarity brought about by the Supreme Court's Opinions is very much welcomed and it is hoped that this will help brand owners better protect and enforce their rights against pirated names filed by trade mark squatters.

1 The Supreme Court issued "Opinions on Review of Administrative Cases Concerning Trade Mark Authorization and Determination" on 10 January 2017, which becomes effective on 1 March 2017.

HONG KONG
CLIFFORD CHANCE SUCCESSFULLY OPPOSES REGISTRATION OF A PIRATED CLIFFORD CHANCE TRADE MARK IN CHINA

Clifford Chance has recently received a favourable final judgment from the PRC Beijing High Court, upholding Clifford Chance's opposition against an application for a pirated trade mark copying Clifford Chance's Chinese trade name and mark "高伟绅" in its entirety, namely application no. 9114564 "高伟绅 ANGEL KISS" in Class 45 (the "**Pirated Mark**").

Clifford Chance has continuously used "高伟绅" as its Chinese trade name and mark for legal services in China from as early as 1993. Since then it has enjoyed a good reputation in the legal sector in China. The applicant for the Pirated Mark, a trade mark filing agent named Guangxi Nanning Wanwang E-Commerce Service Limited ("**WW**"), lodged an application for the Pirated Mark with the PRC Trademark Office ("**TMO**") in 2011, covering services directly overlapping with that of Clifford Chance's business such as litigation and intellectual property consultation.

This was not an isolated incident for WW. In addition to the Pirated Mark, WW has filed around 300 applications for trade marks which are identical or similar to third parties' famous brands (for example, "西门子/Siemens", "新浪/Sina" and "华硕/ASUS"). This pattern of behaviour seems to demonstrate clear bad faith on the part of WW in riding on the coat-tails of others and making illegal gains.

Even though Clifford Chance does not have an earlier mark filed/registered in the same class as the Pirated Mark, Clifford Chance has prevailed in its opposition against the Pirated Mark at all levels from the TMO to the PRC Beijing Intellectual Property Court (the first instance court) to the PRC Beijing High Court (the second instance court). Despite appeals filed by WW, all courts have decided in Clifford Chance's favour and held that the Pirated Mark should not be registered in view of WW's obvious bad faith, which violated the spirit of Article 44(1) of the PRC Trademark Law[1].

More importantly, the Beijing High Court strongly condemned WW's mass-pirating behaviour in its judgment and upheld Clifford Chance's rights. This comes despite Clifford Chance not having earlier registered rights in the same class. The Court held that, even though China follows the "first-to-file" principle, the inherent value and function of a trade mark should act as a sign for distinguishing the source of the trade. When applying for a trade mark, the applicant should have the intention to use the trade mark in order to carry out the inherent function of the mark. The fact that WW applied for a large number of reputable trade marks belonging to others merely

Key Issues

- The PRC Beijing High Court decided in Clifford Chance's favour that a pirated trade mark should not be registered with the TMO in view of obvious bad faith.
- Under the current PRC Trademark Law, the TMO will not accept a trade mark application filed in the name of a trade mark agent with designated goods or services that have nothing to do with trade mark agency service.
- Although trade mark filing agents are prohibited from filing marks that are irrelevant to their own agency business, they have come up with alternative ways of pirating by setting up shell companies or inviting their own clients to hold pirated marks.
- It is hoped that the Beijing High Court's liberal approach and reasoning, which appears to have reconciled the prohibition against pirated filings with the long established "first-to-file" principle in China, will be adopted by the trade mark authorities in similar trade mark pirating cases.

1 Article 44(1) of the PRC Trademark Law prohibits registration of a trademark by deceptive or by other improper means.

with a view to assigning them to third parties (but not to use them itself) violates the inherent value and function of the mark. Such behaviour not only causes adverse effects to the normal trade mark registration system in China but is an act that hinders other good-faith business operators from carrying on their normal business operations.

Such reasoning provided by a high level court such as the Beijing High Court is to be particularly welcomed given that historically, Chinese trade mark authorities and first instance courts have had a tendency to adhere to the “first-to-file” principle very restrictively. This allowed many pirated trade mark filings to proceed to registration whenever the legitimate trade mark owner did not have an earlier trade mark application/registration in the same class/sub-class. The Beijing High Court has, in this case, clarified the intricate balance that should be upheld between the “first-to-file” principle and pirated bad faith filings.

PRC TMO’s Efforts to crack down on pirated filings

Acts of pirate filings, such as those done by WW (which are systematic in nature, involving large numbers of brands), are not uncommon in China, particularly amongst PRC local filing agents who are familiar with the trade mark filing procedures (and sub-class systems) in China. These bad faith agents will very often lodge pirated filings “strategically” to avoid classes/sub-classes that are occupied by the legitimate owner’s filings so as to increase the chance of obtaining registration.

To tackle this rampant issue, the TMO has, after the latest Trade Mark Law became effective in 2014 (with provisions regulating trade mark agents’ activities and filing practices), tightened its examination by not accepting a trade mark application filed in the name of a trade mark agent if such an application is irrelevant to the trade mark

agency services[2] provided by the agent. Furthermore, the TMO says it will reject pending applications which have already been filed with the TMO by trade mark agents in their names that cover irrelevant goods or services.[3]

Analysis

As a result of the TMO's actions, it has become increasingly difficult for bad faith trade mark filing agents such as WW to arrange bad faith filings directly. Of course this does not mean that pirated filings orchestrated by filing agents will be completely eradicated in China. Trade mark squatters have found creative ways of doing pirated filings. For example by setting up multiple anonymous shell companies in China or Hong Kong or by inviting their own clients, mostly PRC companies, to file suggested pirated marks copying famous brands, in their own names as an "*investment*". These acts are all done to circumvent the legislative prohibitions specific for trade mark agents. We have seen an increasing number of large-scale pirated filings coordinated or orchestrated by trade mark agents under the new Trade Mark Law (for instance, with over 50 or so pirated marks filed by one Chinese company in one-go with the same filing agent).

It is hoped that the trade mark authorities in China will follow the Beijing High Court's reasoning and adopt a more liberal approach when applying the bad faith provisions under the Trade Mark Law. On the other hand, it remains important for companies (particularly international brands) to adopt a proactive and comprehensive strategy towards managing and protecting their trade mark portfolio in China, for example, by having as broad coverage as possible in their filing programmes so as to prevent pre-emptive filings.

Ling Ho 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: China – Intellectual Property (International Firms)

2 The trade mark agency service is currently classified as class 4506 under Nice Classification.

3 See Section IX of the new version of the Trademark Examination and Review Standard published by the TMO on 4 January 2017.

PARIS
RUBIK'S CUBE: THE LOSS OF A MONOPOLY CONFERRED BY A 3D TRADE MARK RIGHT

For companies, the trade mark is an essential element that allows them to stand out from competitors and helps consumers immediately identify a product.

Technically it is still possible, both under French and European law, to protect the shape of a product or its packaging design through the registration of a 3D (three-dimensional) trade mark.

These signs benefit from legal protection in French law under Article 711-1 of the Intellectual Property Code as well as under EU law under European Union Trade Mark Regulation (EC) No 207/2009 of 26 February 2009 (the "**EUTMR**").

However, the number of disputes relating to the validity of 3D marks continues to increase.

In a recent decision of 10 November 2016, the Court of Justice of the European Union (the "**CJEU"**) ruled on the case of *Rubik's Cube*, and the protection of its famous shape.

The *Rubik's Cube* case has affected the assessment of 3D marks. The CJEU has established the principle that a shape must be considered not just on its graphic representation, but rather as a whole. As in this case the Rubik's Cube's shape is exclusively necessary for a technical result, it cannot be protected by trade mark law.

The difficulty with 3D marks

As often reminded by the CJEU, the exclusive and permanent right conferred by a trade mark cannot be used to perpetuate rights the European legislator intended to be limited in time.

Thus, in its judgment of 10 November 2016 (C-30/15, *Simba Toys GmbH & Co. KG/ Seven Towns Ltd*) the CJEU annulled the protection of the Rubik's Cube as a 3D mark.

The European trade mark for the Rubik's Cube was first registered in 1999 for 3D puzzles at the European Union Intellectual Property Office.

In 2006, an application for annulment of that 3D mark was lodged by the German toy manufacturer Simba Toys on the grounds that the cube rotating capability should be protected by a patent, not a registered trade mark.

The General Court of the European Union rejected the appeal, holding that the shape of the cube had no technical function which would prevent its protection under trade mark law.

The Court based its decision on the graphic representation of the cube reproduced on the trade mark, which did not represent the system of rotation.

Key Issues

- The grounds for refusing to register a trade mark are laid down in Articles 7 and 8 of the European Union Trade Mark Regulation (EC) No 207/2009 of 26 February 2009.
- The registration of a 3D mark must not be a means of circumventing the law.
- If a product registered as a 3D mark has functional qualities, trade mark protection may be lost.

The General Court considered that the grounds for invalidity of a 3D mark had to rely exclusively on an analysis of the representation of the trade mark as it was filed and not of alleged or supposed characteristics.

An appeal was then lodged against this decision.

In a judgment, dated 10 November 2016, the CJEU annulled the protection of the Rubik's Cube under trade mark law.

The CJEU based its decision on Article 7 of the Community Trade Mark Regulation (EC) No 40-94 of 20 December 1993 (the "**CTMR**"). Due to the timeframe of the facts, the CTMR was applicable despite this being repealed and replaced by EUTMR in 2009. The CJEU therefore looked at the grounds for the refusal of the registration of a 3D mark in the CTMR.

Article 7(1)(e) CTMR sets out the "absolute grounds for refusal"*:*

1. *The following shall not be registered:*

   (e) *signs which consist exclusively of:*

      (i) *the shape which results from the nature of the goods themselves; or*

      (ii) *the shape of goods which is necessary to obtain a technical result; or*

      (iii) *the shape which gives substantial value to the goods*;"

This case was particularly concerned with Article 7(1)(e)(ii) given the crux of the matter was whether the sign in question consisted exclusively of a shape necessary to obtain a technical result or not.

In this case, according to Advocate General Szpunar, the essential characteristics of the contested sign were (i) the shape of a cube, and (ii) the grid structure dividing vertical and horizontal columns of symmetrical elements which constitute the moving parts of the puzzle. These characteristics were necessary for the technical function of the product.

The presence of a "technical result"

The presence of a technical result prevents protection by trade mark law. Consequently, the invention must instead be protected by a patent.

Trade marks give intellectual property owners an exclusive and perpetual right to their designs, logos and words as long as they use them and renew their rights. Alternatively, the exclusivity of patents is limited in time.

Conferring protection under trade mark law to technicality in effect confers an absolute monopoly on the right-holder, which affects free competition.

From now on, the CJEU wants to put an end to the numerous cases of abusive registration of 3D marks, in particular when a technical monopoly is at stake. (See CJEU C-299/99, 18 June 2002, *Koninklijke Philips Electronics NV/Remington*

Consumer Products Ltd, confirmed by CJEU C-48/09, 14 September 2010, *Lego Juris A/S /OHMI*). The Court believes that the existence of alternatives to a shape does not allow the latter to escape the exclusion of "*exclusively functional*" trade marks.

Thus, in the *Philips* judgment regarding a razor head, the Court held that the sign should be excluded "*even if the technical result at issue can be attained by other shapes*".

Moreover, the *Rubk's Cube* judgment confirms the view that the technical representation of a trade mark cannot on its own make it possible to understand the technical function of the product which it intends to cover.

For that reason it is necessary to take into account more than just the mere graphic representation of the sign, but also "additional elements relating to the function of the specific product in question".

While not lost completely, the protection of a shape as a 3D mark can be seen as greatly limited. This limitation is justified by the unlimited nature of trade mark protection.

Firms that have products which may no longer be protected through registered trade marks will have to consider other avenues when alleging infringement, including through passing off or unfair competition.

PRAGUE
THE CJEU ON THE INTERPRETATION OF THE PROPRIETOR'S RIGHT TO PROHIBIT THE USE OF ITS TRADE MARK UNDER DIRECTIVE NO. 2008/95/EC

Introduction

The Court of Justice of the European Union (the "**CJEU**") has for the first time ruled on how Article 7(2) of Directive 2008/95/EC (the "**Directive**") must be interpreted and has defined the conditions which allow the import and sale of drugs that have been repackaged, but placed on the market bearing their original trade marks.

Legal Background

The Directive is a key document aimed at approximating the trade mark laws of EU Member States. Article 5 of the Directive lists the rights that should be granted by a trade mark in each Member State. This particularly relates to the right of a proprietor to prevent third parties from using signs identical or confusingly similar to its registered trade mark without its consent. Under the laws of Member States, a proprietor should be able to prohibit (i) any "malicious sign" from being affixed to products or their packaging; (ii) products from being offered or put on a market (or even stocked) under such a sign; (iii) products from being imported or exported under such a sign; and (iv) such a sign from being used on any business products.

Nevertheless, the above rights are limited by the exceptions defined in Articles 6 and 7 of the Directive. Under Article 6 of the Directive, a trade mark proprietor may not prevent a product bearing its trade mark from including a specification of the product's characteristics, such as its kind, quality, quantity, intended purpose, value, geographical origin, or time of production. This is provided that such a specification is in accordance with honest practices in industrial or commercial matters. Article 7 of the Directive precludes the proprietor of a trade mark from prohibiting the use of products bearing its trade mark which have been put on the EU market by the proprietor or with the proprietor's consent. This consent should be granted for each type of product placed on the market (as held in CJEU judgement of 19 September 2013, *Martin Y Paz Diffusion v. David Depuydt, Fabriek van Maroquineire Gauquie*, C-661/11). *Ferring Lægemidler v. Orifarm* deals with an exception to the rule contained in Article 7 of the Directive by considering the conditions under which a proprietor may recall products from the EU market in spite of them having already been placed somewhere on the market by the proprietor or with the proprietor's duly expressed consent.

Ferring Lægemidler v. Orifarm

In *Ferring Lægemidler v. Orifarm*, the CJEU explained the principles of Article 7 of the Directive, which allows a proprietor to oppose the further commercialisation of a product bearing its trade mark in the event that the product's condition has been changed or has been impaired since placed on the market.

Key Issues

- Directive 2008/95/EC lists the rights of a proprietor to prevent third parties from using signs identical or confusingly similar to the proprietor's registered trade marks without its consent.
- The above rights are limited by the exceptions defined in Articles 6 and 7 of the Directive which have been clarified by the CJEU.
- Any repackaging of a medicinal product bearing a trade mark may be prohibited by the trade mark proprietor unless (i) the repackaging is necessary in order to enable the marketing of the products imported in parallel, and (ii) the legitimate interests of the proprietor are safeguarded.

The details of the case are as follows. Ferring markets a medicinal product under the "Klyx" trade mark in Denmark, Finland, Sweden and Norway. Ferring is the proprietor of this mark. Orifarm purchases Klyx in Norway and sells it, as a parallel importer, under the same trade mark on the Danish market after having repackaged it in new smaller packets (the packs of ten are repackaged into packs of one). According to Orifarm, this repackaging is necessary for it to gain access to the segment of Klyx's relevant product market in Denmark, which can only be accessed by packaging the product in smaller packs. Ferring opposed Orifarm's continued marketing of Klyx in smaller packaging on the grounds that the repackaging changed the condition of Klyx and its repackaging was not necessary as Orifarm was merely trying to secure a commercial advantage (rather than gain access to a market).

The specific purpose of a trade mark is to guarantee the origin of the product bearing that mark. Thus, the CJEU expounded that the repackaging of the product by a third party without the authorisation of the proprietor may imperil the "originality" of the product. On the other hand, it found that a product prohibition, as a result of a proprietor's opposition to the repackaging, may effectively lead to the partitioning of geographical markets where a product cannot be sold in some of the Member States in a particular kind of packaging.

The CJEU held that any repackaging of a medicinal product bearing a trade mark – creating by its very nature the risk of interference with the original condition of the product – may be prohibited by the trade mark proprietor unless (i) the repackaging is necessary to enable the marketing of the products imported in parallel; and (ii) the legitimate interests of the proprietor are safeguarded. Therefore, the trade-mark proprietor cannot oppose the repackaging of a product when the original packet size cannot be marketed in the importing State because of, in particular, (i) a rule authorising packaging only of a certain size or a national practice to the same effect; (ii) sickness insurance rules making the reimbursement of medical expenses dependent on the size of the packaging; or (iii) well-established medical prescription practices based, *inter alia*, on standard sizes recommended by professional groups and sickness insurance institutions.

In any case, it is for the parallel importer to prove the existence of conditions preventing the trade-mark proprietor from lawfully opposing further marketing of his medicinal products.

Conclusion

Although the conclusions held in *Ferring Lægemidler v. Orifarm* may appear rather restrictive, the import and sale of repackaged drugs under original trade marks is allowed provided that the importer successfully establishes there are competition law implications and that conditions exist which would prevent the trade mark proprietor from lawfully opposing this repackaging and further commercialisation. For example, where there are country specific barriers to a product being placed on a market in its original packaging. It is, nevertheless, for the parallel importer to make the argument and prove the existence of such obstacles on entering a particular market.

MILAN
ITALIAN COURT OF CASSATION: CLINIQUE TRADE MARK REMAINS WEAK EVEN IF ITS DISTINCTIVE CAPACITY IS STRENGTHENED BY A SECONDARY MEANING

With ruling no. 25168/2016, the Italian Court of Cassation held that the intrinsic weakness of a trade mark does not necessarily disappear if the trade mark acquires a secondary meaning. Thus, even if the trade mark has acquired renown on the market, it can remain weak. The Court found no counterfeiting of the well-known trade mark "CLINIQUE" and no anticompetitive conduct by a beauty centre called DERMACLINIQUE BEAUTY FARM, reasoning that, in case of weak trade marks, even minimal changes are sufficient to differentiate the new trade mark from the pre-existing trade mark.

The ruling of the Court of Cassation, found the second instance ruling of the Court of Appeal neither contradictory nor unlawful, and thus affirmed the view that a trade mark's renown, consolidated over time so as to give rise to a secondary meaning, does not alter the status of a weak trade mark which is devoid of any "intrinsic distinctive character."

The facts and the decision of the lower Court

Clinique Laboratories LLC is a United States company in the Estée Lauder group ("**Clinique**") which owns several "CLINIQUE" figurative and word trade marks, registered for goods and services in classes 3, 42 and 44. Clinique commenced proceedings against Beauty Full S.r.l., a company that manages a beauty centre, before the Court of Milan seeking a finding that the defendant's trade marks "DERMACLINIQUE" and "DERMACLINIQUE BEAUTY FARM" were null because they were counterfeiting the "CLINIQUE" trade mark and engaging in anti-competitive conduct.

Both the first instance and the second instance Court ruled unfavourably on Clinique's claims.

The Court of Appeal of Milan held that:

- The word "clinique" is descriptive because it corresponds to the Italian noun for clinic ("*clinica*") and to the Italian adjective for clinical ("*clinico*"), words used by many commercial operators to describe their activity in a wide range of sectors that are similar to the healthcare sector;

Key Issues

- The term "CLINIQUE" is a word that is now part of the common language frequently used in the medical sector and therefore void of any intrinsic distinctiveness.
- According to the Italian Court of Cassation, there is a difference between the strengthening of the distinctiveness achieved by prolonged use over time and the different classification of a trade mark as strong or weak. Even a renowned trade mark could remain a weak trade mark; prolonged used over time could allow an unoriginal trade mark to become a valid, albeit weak, trade mark.
- The Italian Court of Cassation does not seem to espouse the leading jurisprudence that now uses the "positive" view for distinctiveness (i.e., the *presence* in the trade mark of a distinctive element allowing it to be perceived as such) rather than the "negative" view (i.e., the *absence* of descriptiveness or the generality of the word itself).

- The trade mark "CLINIQUE" had nevertheless acquired a certain distinctive characteristics in terms of secondary meaning, because of the following:
  - use over a prolonged period of time;
  - renown acquired on the market; and
  - the intrinsic difference between the cosmetics sector and the pharmaceutical-medical sector.
- The trade mark "CLINIQUE" is classified as a weak trade mark. Although it is well-known within the European market, any difference to the mark, however slight, is sufficient to distinguish and render lawful a subsequent, third-party trade mark. Moreover, in the present case, the allegedly counterfeit trade mark had its own distinctive character.

The decision of the Italian Court of Cassation

Clinique filed an appeal with the Court of Cassation against the lower court's ruling setting out various grounds for appeal. The Court of Cassation denied all claims and grounds and held as follows on matters of law:

- Trade marks that lack the required distinctiveness, meaning they are descriptive or generic, cannot be considered null because they are void of any distinctive element if such an element was acquired as a result of the "secondary meaning" acquired by the trade mark by virtue of use;

- There is no inconsistency, nor any breach of the law, in the Court of Appeal's ruling that the trade mark's renown, consolidated over time and thus giving rise to the secondary meaning, leaves intact the trade mark's characteristic as a weak mark because it is devoid of any intrinsic distinctiveness;
- A finding that a distinctive mark is weak does not mean it is not suitable to be registered; rather, it affects only the intensity of the protection afforded by such registration. It is sufficient to make a slight modification or addition to a subsequent third-party mark to prevent confusion with a weak trade mark.

Critical considerations

In another recent ruling, the Court of Cassation held inconsistently with the present decision, stating that an initially weak trade mark could become strong by virtue of its use over time if it had strengthened its distinctive characteristic through the so-called "secondary meaning phenomenon", which made the mark generally renowned and recognisable by the public (see, in re *Divani&Divani*, Court of Cassation, Civil Division, ruling no. 1861 of 2 February 2015).

Although the two decisions may appear inconsistent in some respects (in the present case the trade mark was classified as weak, while in the Divani&Divani the trade mark was upgraded), both decisions consistently hold that the requirement of distinctiveness must be viewed as the *absence* of a characteristic (i.e., the "negative" view). This results in trade marks that contain exclusively descriptive and generic names being excluded from registration.

More recently, Italian jurisprudence has also identified a scenario whereby distinctiveness can be defined not only negatively, as the *absence* of descriptiveness or generality, but also positively, as the *presence* in the trade mark of a distinctive element that allows the public to perceive the trade mark as distinct. This "positive" view would also be applicable when evaluating the required distinctiveness in relation to trade marks that do not involve words, such as trade marks of colour and shape.

Trade mark analysis changes if one uses the positive view as it no longer involves the issue of whether there is a change in a weak trade mark or in a strong trade mark. These notions are not based in legislation, rather they are the result of case law, and relate only to the evaluation of the intrinsic distinctive capacity.

The issue then relates to how the public perceives the "CLINIQUE" trade mark. If the answer is that the trade mark identifies one of the leaders of the cosmetics market, then it is doubtful that the trade mark has only acquired renown and not also strong distinctiveness (meaning the trade mark is not perceived as a descriptive or generic). It would be peculiar if a mostly unknown trade mark, albeit one which is very original, would receive less protection than a renowned mark.

IP department head **Monica Riva** of Clifford Chance LLP is lauded for the "commercial orientation of her strategies, her ability to communicate clearly and her efficiency." She is also praised for her cross-border capabilities and described as a "promising lawyer."

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Global Guide:
Italy – Intellectual Property

LONDON/DÜSSELDORF EMPLOYEE INVENTORS' REMUNERATION IN THE UK – "SHANKS V. UNILEVER PLC" – CONTRASTED WITH GERMAN LAW AND PRACTICE

The Court of Appeal of England and Wales decision handed down on 18 January 2017 in Shanks v. Unilever PLC and others[1] demonstrates again how difficult it is for UK employee inventors to obtain additional remuneration under Patents Act 1977, even for highly successful inventions. In Germany, however, it is significantly easier for employee inventors to claim remuneration from the employer

Key Issues

- The Court of Appeal of England and Wales decision in *Shanks v. Unilever PLC* again highlights the difficulty employees face when seeking additional remuneration for inventions they have created
- When considering whether an employee invention in the UK is of an outstanding benefit to an employer, the Courts must balance considerations of financial return against effort and cost. In doing so, the Courts are entitled to take into account the size and nature of the employer's undertaking.
- In Germany, employee inventions benefit from a detailed scheme regarding ownership and remuneration of employee inventions. Employees must implement an appropriate mechanism to claim inventions under the German Employee Invention Act in order to ensure chain of title.
- Under German law, it may be difficult to assess the adequacy of remuneration, in particular if an invention's economic success was not expected by the inventor at the time he received remuneration.

Facts of the case

The decision centred on patents for a testing device incorporating biosensors for diagnostic applications (the "**Shanks Patents**"). The primary inventor, Professor Shanks, was employed by Unilever in the 1980s, as a process engineer, to develop biosensors for use in process control and engineering. However, in 1982, he saw an opportunity to develop his product sensors to measure glucose or insulin levels in diabetics, using LCD liquid crystal plates in combination with electrodes and electrochemical methods, using capillary action. He developed an electrochemical capillary fill device (the "**ECFD technology**") and a fluorescent capillary fill device (the "**FCFD technology**"). Unilever applied for patents for each of these technologies. Unilever did not have a commercial interest in the blood glucose testing field and little was done to develop the ECFD technology.

The FCFD technology had application in other areas and was developed further by Unilever, before being sold in 1987 to a third party. The market for glucose testing devices then expanded significantly in the 1990s and the ECFD technology was incorporated into most personal glucose testing kits. Most companies in the blood glucose testing field took exclusive licences of the Shanks Patents between 1992 and 2001. Unilever received licensing revenues of £20.3 million. In 2001, the ECFD patents were sold as part of the divestment of a Unilever business

UKIPO's decision

Professor Shanks sought a share of Unilever's profits relating to the Shanks Patents. This was on the basis that the inventions covered by the Shanks Patents constituted an 'outstanding benefit', justifying the payment of compensation (under s.40 of the Patents Act 1977). The Hearing Officer at the UKIPO assessed the total benefit that

1 Ian Alexander Shanks v (1) Unilever PLC (2) Unilever NV and (3)Unilever UK Central Resources Limited [2017] EWCA Civ 2.

Unilever received as being £24.5 million. However, he considered that this did not constitute an 'outstanding benefit' to Unilever. This decision was then the subject of two appeals. The test in s. 41 Patents Act 1977 states that: "*an award of compensation … shall be such as will secure for the employee a fair share (having regard to all the circumstances) of the benefit which the employer has derived, or may reasonably be expected to derive, from the patent.*" This is read in conjunction with section 40(1), which requires the court to have regard "*amongst other things to the size and nature of the employer's undertaking*" when assessing if the employer has received an 'outstanding' benefit.

Court of Appeal

The Court of Appeal emphasised that its appellate function was limited to reviewing whether the initial decision made by the Hearing Officer was reached on the correct legal basis. It therefore could only set the decision aside if there was misdirection as to the correct statutory test or a misapprehension as to material facts. The Court also recognised that the Hearing Officer operates in a specialist tribunal. In practice the Court "*will show a real reluctance but perhaps not the very highest degree of reluctance to disturb the conclusions of the Hearing Officer on matters that are particularly within his expertise absent a clear and material error of principle.*"

The Court of Appeal contrasted the facts in the Shanks case with those of the *Kelly*[2] case, where the scientists developed an imaging agent, sales of which exceeded £1.3 billion. This invention was held to be an outstanding benefit, given the profits, but also because without the development of this product, the employing company would have been facing a serious financial crisis. The Kelly patents provided protection against generic competition and enabled the employer to complete a number of major corporate deals. This transformed the fortunes of the employer company and justified the award of a 3% share of the £50 million attributed to the value of the patents.

In *Shanks*, Unilever's central argument was that whilst £24.5 million was not an insubstantial sum, in the context of its turnover and profit as a whole, this sum was simply dwarfed by its other revenue streams. These revenue streams (deriving from the sales of a range of products from Viennetta ice-cream to deodorants) generate billions of pounds. Professor Shanks argued that the rate of return on the Shanks Patents was (i) produced at virtually no cost to Unilever, and (ii) yielded a windfall for Unilever for an invention it did not even want to put into production. There was also a large disparity between the benefit received by Unilever and the rewards which Professor Shanks received. He argued that the 'too big to pay' consideration (the relative size of the return from the Shanks Patents compared to Unilever group profits) was used to trump all other factors.

The Court of Appeal found that the Hearing Officer had compared the revenue from the Shanks Patents with overall Unilever profits for the same period, but had also looked whether this was 'outstanding' in light of all the facts. These facts included the

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Managing Intellectual Property – IP Stars: United Kingdom

Vanessa Marsland of Clifford Chance LLP is best known for her handling of contentious matters, especially copyright, licensing and trade mark disputes. A source describes her as "one of the brainiest solicitors in London."

Chambers & Partners 2016: Global Guide: UK – Intellectual Property

Stephen Reese awarded for his IP/ Life Sciences practice: "extremely smart, very detail-oriented and makes sure everything is thought through and works."

Chambers & Partners 2016: UK Guide: UK – Life Sciences: Transactional — UK-wide, Band 2

Stephen Reese is also ranked in IAM's Top 250 Patent Licensing specialists, a top rated attorney in Super Lawyers and a Legal 500 Leading Individual.

2 Kelly v GE Healthcare Ltd [2009] EWHC 181 (Pat).

Unilever group's activities in general, which make profits "*at an order of magnitude greater*" than the Shanks Patents, albeit by manufacture and at a much lower rate of return. He had also held that, unlike the *Kelly* case, the Shanks Patents were not crucial to Unilever's business success and the benefit fell short of being outstanding when taking into account the size and nature of Unilever's business.

The Court of Appeal held that the Hearing Officer had set himself a multi-factorial test which involved looking at the profits from the Shanks Patents in the context of Unilever group profits as a whole, as well as other relevant factors. The Hearing Officer recognised that raw figures by themselves may not give an answer and that it was necessary to take a more nuanced approach, balancing considerations of financial return against the effort and cost involved. Given the express statutory reference to considering the size and nature of the employer's entity, this "*mandates a determination of outstanding benefit by reference to that comparison*". The Court of Appeal emphasised that s.40(1) was designed to deal with exceptional cases so that there must be "*an outstanding benefit to the employer company and not just generally. Cases like Kelly illustrate the sort of circumstances where those conditions will be satisfied.*" Whilst the receipts from the Shanks Patents were considerable and far in excess of any other Unilever income of the same type, this was simply a factor to be considered. It did not remove the need to make a broader comparison with the financial position of the Unilever Group as a whole. The Court of Appeal found that the Hearing Officer had conducted an appropriate balancing exercise and did not decide that the only relevant (and determinative) factor was the size of the profits generated by the Shanks Patents in comparison to the overall profits of the Unilever group. As such, the Court of Appeal declined to overturn the Hearing Officer's findings.

The judges did acknowledge that they had reluctance in dismissing Professor Shanks' appeal and one (Briggs LJ) noted that '*there is no escaping the fact that Professor*

Shanks might well have succeeded had his employer had a much smaller undertaking than did Unilever'. However, this was a legitimate consequence of the express statutory requirement in s.40(1) and in some circumstances, this factor will prove to be decisive, as it was here on the facts in the *Shanks* case.

Employee inventors' remuneration in Germany

Cases like *Shanks* show that employee inventors in the UK face substantial difficulties when claiming additional remuneration for inventions made in the course of their employment. Germany, however, has taken a completely different approach. The German Employee Inventions Act ("GEIA") provides a detailed scheme in regard to the ownership and remuneration of employee inventions before any patent application is made. Unlike in the UK, the GEIA is generally based on the idea that any service invention is, in principle, owned by the employee (not by the employer).

Accordingly, to fall within the scope of the GEIA, the subject matter created must be an "invention" pursuant to the German Patent Act. Once the service invention is made, the employer may claim ownership, either by (i) expressly claiming the invention, or (ii) failing to release the invention within four months after the inventor's notice (Section 6 GEIA). Unlike in the first case where ownership is explicitly claimed, in the second case, the claim of the invention (i.e. the transfer of ownership to employer) is *presumed* by law. If the employee is employed by a research institute or university, the employee might be entitled to claim the invention instead of the employer.

Irrespective of whether the employer decides to disclose the invention via a patent application or keep it as trade secret, the employee can still obtain remuneration. The amount of remuneration – often a lump sum – is determined on the basis of various factors, such as the expected sales of the invention, the employee's position or the employer's contribution to the invention's creation (Section 9(2) GEIA).

However, as was the case in *Shanks*, significant deviations between the expected and actual profits made from the claimed invention may also become relevant under the GEIA. This is particularly with regard to any subsequent adjustment of already agreed remuneration pursuant to Section 12(6) GEIA. It is decided on a case-by-case basis whether the parties would have both agreed on the amount of remuneration if they had foreseen the significant change of circumstances at the time the contract was concluded. Due to the narrow application of that provision, it may be quite difficult for both inventors and employers to argue for any such later adjustments.

In contrast to UK law, the German approach favours employee inventors and gives rise to remuneration claims in addition to the employee's salary. The German approach incentivises conducting negotiations on adequate remuneration at quite an early stage after the invention's creation. However, determining how much remuneration is adequate may still be difficult in some cases and often requires technical advisors. In practice, the general lack of awareness of GEIA provisions, in particular the implementation of a proper reporting and claim scheme for employee inventions, is often a source for complex litigation.

MILAN
ITALIAN EMPLOYEE INVENTIONS: NO NEED FOR CO-INVENTORS TO BE JOINED IN AN ACTION BROUGHT BY A SCIENTIFIC DIRECTOR

An interesting judgment of the Italian Court of Cassation has recently confirmed the decision of the Court of Appeal of Rome. A scientific director of an Italian chemical-pharmaceutical company is entitled to ask for a special bonus called "equopremio" when his research team achieves an inventive result (in the present case: four industrial inventions aimed at the development of angiogenesis), even if the scientific director has already received payment for having performed his duties.

In addition, according to the Court of Cassation, there is no need for the other co-inventors to be joined in proceedings, as the right to ascertain the scientific director's entitlement to the "equopremio" is judicially separable from the rights of the other co-inventors.

This ruling offers cause for reflection on a matter which is not always consistent and often represents a source of problems for enterprises in Italy.

Key Issues

- In Italian case law most inventions are deemed to be Company Inventions *(invenzioni di azienda)* which potentially result in the employee's right to the special bonus called *equopremio*.
- Even if the creation of an invention is provided for in the employment agreement as the sole or principal task of an employee, the right to the *equopremio* is always due when there is a failure to provide details on the specific compensation an employee would be entitled to for such a creation.
- A co-inventor employee does not require the participation of the other co-inventors when bringing an action to assess his entitlement to the *equopremio*. This simplifies the procedural dynamics in favour of the inventor employee.
- It is therefore necessary to pay careful attention to the preparation of employment agreements, seeking advice from experts well versed in drafting employment contracts with appropriate provisions.

The Italian legal framework: general overview

The Italian legal framework that applies to inventions created in the course of employment by employees of private companies and public entities[1] is set out in Article 64 of the Italian Industrial Property Code ("**IIPC**").

There are three different scenarios:

1. Service Inventions (*invenzioni di servizio*): inventive activity is the core object of the employment relationship. As a result: (i) the attainment of an inventive result is a specific duty of the employee and (ii) a reasonable part of the employee consideration is specifically and unequivocally intended to remunerate the attainment of such an inventive result. Consequently, the employer owns the rights arising from the invention, whereas the employee only has the moral right to be recognised as the author. There is no additional compensation for the employee.
2. Company Inventions: (*invenzioni di azienda*): an invention is achieved in the course of employment, but there is no specific contractual obligation for the employee to achieve such a result and the contract does not provide for specific consideration for

1 An exception is made for rights to inventions by researchers employed by a University or a Public Administration Research Centre.

such an achievement. Again, the employer owns the rights arising from the invention. However, in addition to the moral right to be recognised as the author, an employee also has the right to receive additional compensation known as a "fair reward" (*equopremio)*[2].

3. Chance Inventions (*invenzioni occasionali*): the invention is achieved in the course of employment, but falls entirely outside the scope of the employee's contractual duties. In this case, the employer retains an option to use or purchase the invention against payment of a fee or price.

In Italian case law most inventions are deemed to be Company Inventions which potentially result in the right to an *equopremio*.

Often employment contracts do not clearly state whether attaining an inventive result is a specific duty, even if the employment directly involves duties performed by workers in the research and development sectors. Even more frequently, contracts do not detail what specific consideration is provided for an invention.

The discursive legislative report that accompanied the IIPC makes it clear that the rules governing employee inventions do not protect against the expropriation of the employee's inventive contribution. Rather, they protect the investments an enterprise has made in applied research, in particular for converting the inventive idea into a patentable invention. Indeed, the IIPC gives the Court's Specialised Intellectual Property Sections[3] the jurisdiction to rule on disputes regarding Article 64. In the past this was the jurisdiction of the labour courts.

The case of the scientific director

A case that recently came before the Italian Court of Cassation (First Division 07/10/2016, no 20239/2016, *Geymonat S.p.A. v. Mr. Ettore Conti*) relates to a dispute concerning Company Inventions following an action brought for the recognition of the right to an *equopremio*.

The uniqueness of the case derives from the fact that the four industrial inventions aimed at the development of angiogenesis had been achieved by a team of researchers and only the scientific director of the team (the "**Scientific Director**") brought an action against his employer, an Italian chemical-pharmaceutical company (the "**Employer**").

The Employer raised the following defences before the lower courts:

- the Scientific Director had not engaged in inventive activities. He was included on the patent certificates solely because he had managed the issuance process in his capacity as a representative of the Employer;

2 The right to obtain the equopremio shall be calculated on the basis of: (i) the importance of the protection afforded by the patent to the invention, (ii) the tasks carried out, (iii) the compensation already perceived by the inventor, and (iv) the contribution that the latter has received from the employer's organization. If no agreement is reached by the parties, the decision shall be rendered by a Board of Arbitration without prejudice, according to the prevailing opinion, to the right to recourse to the judicial authorities.

3 Now named Section for the Enterprises (Sezioni per l'Impresa).

- the Scientific Director had been already remunerated by the Employer for his activities;
- the Scientific Director had allegedly been "disinterested" in co-ordinating the research, giving the individual researchers autonomy;
- so-called "group" or "team" inventions are subject to rules on co-ownership and the action for an assessment of the Scientific Director's entitlement to *equopremio* concerned a patent which had a substantial relationship involving multiple persons. All members of the team were required to be parties to the legal action, which should result in the compulsory joinder of the parties (*litisconsorzio necessario*). Given the entire trial was held in the absence of the joint litigants (the co-inventors), it must be considered invalid.

The Italian Court of Cassation dismissed the appeal by the Employer and confirmed the decision by the Court of Appeal of Rome.

The Court of Cassation held that there were no flaws in the proceedings before the Court of Appeal of Rome which, in its indisputable opinion, held that the inventions at stake were Company Inventions. The Employer was also unable to prove that the Scientific Director had been disinterested in co-ordination activities. The Court of Cassation also held that it was not possible to dispute the Court's finding that the continual monitoring of and discussions during periodic meetings with researchers constitute inventive activities suitable for enabling the Scientific Director to obtain the *equopremio*.

The Court established that an action seeking an assessment of entitlement to *equopremio* owed to a co-inventor employee does not require the mandatory participation of the other co-inventors/team members in the proceedings. The claim does not concern the performance of an obligation "*inseparably connected to those relating to other co-inventors*" and the right to the *equopremio is not a "unitary right"* involving various inventors. In these proceedings, it was only necessary for the Court to verify that the existence of the Scientific Director's entitlement to an *equopremio* (*an debeatur*) and not to quantify that reward (*quantum debeatur)*.

Conclusions

The case decided by the Supreme Court demonstrates that even if the employee is a researcher, or the head of a research team, and therefore in all probability is paid to carry out inventive activities (in this case to co-ordinate other researchers), he or she may still be entitled to the *equopremio*. Even if the realisation of inventive research is set out in the employment agreement as the sole or the principal task of the employee, the right to the *equopremio* is always due where the contract fails to provide specific compensation for the achievement of an inventive result.

It appears that the solution adopted by the Italian Court of Cassation is open to criticism since carrying-out research activities in a chemical-pharmaceutical company is certainly not an end *in itself*. Rather, those activities must be intended to result in the attainment patentable solutions.

Therefore, at the very least it should be necessary to verify whether the consideration paid to an employee is wholly intended to remunerate the inventive research and any possible invention, which would render any additional compensation superfluous.

The fact that the other co-inventors were not considered as mandatory joint litigants simplifies the dynamics of proceedings in favour of the inventor employee, frustrating the previous defence by the employer that had a deterrent effect on the commencement of proceedings (in view of the need to verify the existence of the right of co-inventors to join proceedings).

It is therefore necessary for employers to pay special attention to the preparation of employment agreements and obtaining expert advice when employing persons accountable for research activities, in order to avoid having to pay additional and sometimes burdensome consideration.

DÜSSELDORF
COMPULSORY LICENCE FOR HIV-DRUG IN GERMANY

Introduction

Under German law, patents confer an absolute right on their owners in two ways: (i) a positive right to make use of the technology subject to the patent, and (ii) a negative right to exclude others from that use. In some cases, that right does not apply if public interest surpasses the owner's interest in the exclusive commercial exploitation of the patent, forcing the patent owner by law to grant a licence to a third party or even a competitor. Section 24 of the German Patent Act ("**GPA**") stipulates that a "compulsory licence" can be granted if certain pre-requisites set out in the statute are met. However, due to their highly exceptional nature, very few compulsory licences have been granted. Thus, the recent decision by the German Federal Patent Court (file number 3 LiQ 1/16) which resulted in the grant of a compulsory licence to the antiretroviral compound Raltegravir to the US-company Merck for the German market is noteworthy and prompts further discussion of the pre-requisites of Section 24 GPA.

Pre-requisites of Section 24 GPA

Section 24 GPA is one of the few exceptions to the fundamental right to property conferred by Article 14 of the German constitution. As such, until recently there was only one decision granting a compulsory licence (later overturned by the Federal Supreme Court, see BGH GRUR 1996, 190 – *Interferon-gamma/Polyferon*) in the 55-year history of the German Federal Patent Court. The statute's high standards set out that four pre-requisites must be met: (i) the licence must concern a patent or a utility model; (ii) the licence seeker must want to commercially use the invention; and (iii) the licence seeker must have already earnestly tried to enter a licence agreement with the patent owner based on reasonable market terms; and (iv) the grant of the compulsory licence must also be in the public interest, the burden of proof resting on the licence seeker.

Whereas the first three conditions usually do not constitute an obstacle, the factor "public interest" is typically the decisive factor as to whether a compulsory licence will be granted (with some statutory exceptions, such as regarding plant variety rights in Section 24 par. 3 GPA or semiconductor technology in Section 24 par. 4 GPA). There is no strict legal definition of the term "public interest", but rather it is construed in accordance with the facts of the individual case. Over the years, German and European courts have developed three main areas of application where a compulsory licence might be justified: (a) general economical aspects; (b) socio-political objectives; and (c) medical reasons regarding the treatment of serious diseases.

Background of Merck v. Shionogi

Shionogi is the owner of the European patent (EP 1422218) for the compound Raltegravir, an antiretroviral drug. Merck manufactures and markets the drug "Isentress", an approved medication used for the treatment of HIV-patients encompassing Raltegravir. As the parties' negotiations regarding the grant of a global

Key Issues

- In exceptional cases, Section 24 GPA grants a compulsory licence to a patent to a third party.
- A market-leading HIV-drug may be subject to a compulsory licence if it is in the public interest. The public interest can outweigh the patent owner's interest to exclusively exploit the patent if, e.g., alternative drugs are not as effective or entail serious side effects.
- In particularly urgent cases, the compulsory licence can be granted via preliminary injunction.
- The principles of anti-trust law developed with regard to FRAND-terms do not apply to Section 24 GPA.

licence were unsuccessful (Shionogi considered the USD 10,000,000 offer too low), Shionogi filed a suit for patent infringement before the Regional Court of Düsseldorf (file number: 4c O 48/15)

In defence, Merck initiated compulsory licence proceedings before the Federal Patent Court, requesting such a licence in the main issue (file number: 3 Li 1/16) as well as filing a preliminary injunction as Merck considered the use of Raltegravir/Isenstress indispensable for the successful treatment of HIV-patients in Germany.

The facts of the present case are quite similar to the situation in *Polyferon*. In that case, the defendant held a patent to the drug Interferon, a highly effective compound for the treatment of rheumatoid arthritis. The claimant, a competing business, sought to licence the original drug from the defendant without success and thus filed a suit in order to acquire a compulsory licence pursuant to Section 24 GPA. Although the claim was finally dismissed by the Federal Supreme Court, the legal principles developed by the Federal Patent Court in *Polyferon* to determine the public interest in a compulsory licence on medicaments were also applied in the present case (see below).

FRAND-terms of anti-trust laws not applicable

Pursuant to Section 24 GPA, the licence seeker must seriously declare its general willingness to enter a licence agreement on reasonable commercial terms. As Merck had made a reasonable offer to Shionogi, the Court considered that requirement to be fulfilled. It was also highlighted that the principles established for granting a compulsory licence under anti-trust laws with respect to **f**air, **r**easonable and **n**on-**d**iscriminatory (FRAND) licences, were not applicable under Section 24 GPA.

Application of the Polyferon case law

In *Polyferon*, the Federal Supreme Court ruled that in order for a medicament to fulfil the requirement of “public interest”, it (i) must treat a serious disease that (ii) cannot be

treated by a comparable product or (iii) only so with considerable side effects. As the Federal Patent Court relied on the *Polyferon* case law, Merck, carrying the burden of proof, had to establish the abovementioned pre-requisites.

Merck argued that since HIV-infections were considered to be both infectious and lethal, thus a "serious disease", public interest demanded that treat HIV-patients should be treated as effectively as possible. Accordingly, while there might have indeed been alternative compounds like Dolutegravir on the market, the court appointed experts confirmed that the replacement of Isentress with another drug was not acceptable given potential life-long side effects and disadvantageous drug interaction due to the exchange.

Further, the expert also stated that Raltegravir showed particular advantages in the post-exposure prophylaxis and in the treatment of certain patient groups (e.g. babies, infants, pregnant women and long-term patients). In consequence, as the other pre-requisites of Section 24 GPA were fulfilled, public interest outweighed Shionogi's interest in the exclusive exploitation of the patent at issue.

Compulsory licence by preliminary injunction

The present case is highly unusual not only because of the grant of a compulsory licence to the patented drug, but also and in particular because it happened in preliminary proceedings (Section 85 GPA). Under German law, a preliminary injunction is granted under urgent situations which pose serious risks for rights and/or the property of a claimant or – in case of Section 85 GPA – of the public (e.g. public health). Accordingly, as a quick decision is required, the court will perform only a summary review of the facts and the respective legal interests at issue until a final decision is reached in the main proceedings.

Therefore, given that compulsory licences are fundamentally rare exceptions to the constitutionally guaranteed right of ownership, the Federal Patent Court – without examining the entire matter in every detail – must have considered the public interest regarding HIV-treatment by Raltegravir as extremely strong, concluding that an immediate decision was necessary. However, the Court might decide otherwise in the main proceedings once considering all the facts at hand.

Conclusion

The Court's final judgment in the main proceedings is still awaited and it is unclear whether the decision will be confirmed here as well as on appeal before the Federal Supreme Court. In light of *Polyferon*, the Federal Supreme Court might apply a much stricter regime with regard to Section 24 GPA once again and reject the compulsory licence granted to Merck.

Time will tell whether the present case remains an isolated case or becomes settled case law with regard to patents in the medical field. Manufacturers in the medical field as well as their competitors however should be aware of this landmark decision with regard to market-leading drugs used for the treatment of particularly serious diseases.

LONDON
ARROW DECLARATIONS AS PERMITTED REMEDIES – "FUJIFILM KYOWA V ABBVIE"

The English Court of Appeal has held in *Fujifilm Kyowa Kirin Biologics Co., Ltd v AbbVie Biotechnology Limited and AbbVie Limited* that *Arrow* declarations can be granted as permitted remedies. This decision will in some cases provide generic manufacturers with more certainty when looking to enter the market, provided they are able to prove there is a real justification for such an *Arrow* declaration.

Key Issues

- The Court of Appeal has ruled that *Arrow* declarations can be granted as permitted remedies.
- A sufficient case must be made for an *Arrow* declaration for these to be appropriate remedies.
- This decision should give more certainty to generic manufacturers looking to enter the market.

Background

The dispute before the Court concerned AbbVie's monoclonal antibody Humira (adalimumab) specific for human tumour necrosis factor α. Humira is claimed to be the largest selling prescription drug in the world and is used to treat several inflammatory diseases such as rheumatoid arthritis, psoriasis, Crohn's disease and ulcerative colitis. The expiration of AbbVie's basic patent for adalimumab is extended through a supplementary protection certification, which expires on 15 October 2018. However, AbbVie filed over 50 patent applications seeking to protect dosage regimens, formulations and uses for Humira in order to extend protection past the basic patent's expiry date (including the SPC).

Fujifilm Kyowa Kirin Biologics Co., Ltd ("**FKB**"), a joint venture between Fujifilm Corporation and Kyowa Hakko Kirin Co., intends to market a generic biosimilar adalimumab product following the expiry of the basic Humira patent and its associated SPC. Due to the number of additional patents AbbVie held, FKB brought claims against AbbVie (claims FKB1 and FKB2) seeking revocation of two of AbbVie's granted patents relating to dosage regimes for rheumatoid arthritis and psoriasis.

Shortly after FKB brought proceedings against AbbVie with respect to these patents, AbbVie informed the EPO that it disapproved of the text of the two patents which resulted in them both being revoked for all designated states, including the UK. At the same time, both patents had divisional applications pending. FKB argued that by having divisional applications pending whilst revoking the underlying patents, AbbVie was avoiding having the courts assess patentability whilst also attempting to ensure that the subject matter would be maintained by the divisional applications, causing uncertainty for FKB's entry into the market.

Arrow Declarations and Appeal

As FKB believed it would take several years for the EPO to decide on the patentability of the divisional applications, FKB amended its pleadings. Specifically, FKB sought *Arrow* declarations[1] that the sale and disposal of its biosimilar adalimumab product would have been obvious or anticipated the dosing regimens for psoriasis, Crohn's disease and ulcerative colitis claimed by AbbVie's divisional applications. FKB sought such an *Arrow* declaration as it would, in effect, provide FKB with a *Gillette* defence to any subsequent claims for patent infringement brought in respect of AbbVie's divisionals. The *Arrow* declarations would therefore provide FKB with commercial certainty against those applications when entering the market.

In the original High Court decisions for both FKB1 and FKB2, Henry Carr J and Arnold J each declined to strike out the claims by FKB for *Arrow* declarations. The appeal brought by AbbVie questioned whether the Court could grant a declaration stating whether a product was old or obvious in patent law at a particular date. AbbVie challenged the ability of the Court to grant this remedy, claiming that section 74 of the Patents Act 1977 (the "**Act**") indicates that validity can only be raised in relation to granted patents and that to allow *Arrow* declarations would open the floodgates so that, for example, a claimant in another jurisdiction could come to an English court for a declaration that a product is obvious simply because it would be useful for him in connection with his business there.

Judgment and Analysis

In assessing whether *Arrow* declarations could be granted, the Court found that in principle there is no issue in granting *Arrow* declarations in appropriate cases. Such a declaration would not necessarily offend against section 74 of the Act, although where a declaration is, in effect, a disguised attack on the validity of a granted patent it could offend. The Court found that the existence of pending divisional applications cannot, in and of themselves, be sufficient justification for granting an *Arrow* declaration. Furthermore, a claimant is not entitled to seek an *Arrow* declaration simply because they would like to know whether a patent application will result in a valid patent in the course of prosecution. Ultimately, the Court reasoned that whether an *Arrow* declaration is justified depends on whether a sufficient case can be made for the exercise of the Court's discretion in accordance with established principles. In this instance, the Court decided that the way AbbVie appeared to act "resulted in a case for the Court to intervene by way of declaration to provide FKB with a measure of useful commercial certainty."

The Court specifically noted how AbbVie was seen as deliberately trying to shield the claims of their patent applications from scrutiny in the EPO and in the national courts. As such, it held that a Court was entitled to intervene where it believed that the statutory remedy was being frustrated by shielding subject matter from examination in the national court. The decision to allow *Arrow* declarations highlights the overarching discretion a Court has in providing remedies. Going forward, it also indicates that generic manufacturers may be provided with greater certainty earlier on when attempting to enter the market.

1 These Arrow declarations originate from Arrow Generics Limited v Merck & Co. Inc.

BARCELONA
THE NEVER-ENDING STORY: THE CJEU FACES A NEW WAVE OF REFERRALS ON THE INTERPRETATION OF THE REGULATION CONCERNING SPCS FOR MEDICAL PRODUCTS

Council Regulation 1768/92/EC of 18 June 1992, concerning the supplementary protection certificates for medicinal products ("**SPC**"), codified as European Parliament and Council Regulation 469/2009/EC of 6 May 2009 (the "**SPC Regulation**"), was enacted almost 25 years ago with the intention of providing a clear and uniform framework for the homogeneous grant of SPCs across the European Economic Community. In spite of this good intention, the IP authorities and the Courts of the different Member States still apply the SPC Regulation in a heterogeneous fashion. It is therefore not surprising that the SPC Regulation continues to be today a regular source of referrals of questions from national Courts to the Court of Justice of the European Union ("**CJEU**").

Evidence of this endless stream of questions to the CJEU is exemplified by three recent cases that will be briefly reviewed below, where national Courts seek guidance on the interpretation of Articles 3(a), 3(d) and 13 of the SPC Regulation.

The Gilead case (Article 3(a) SPC Regulation)

Article 3 of the SPC Regulation sets the requirements for the grant of an SPC. In particular, Article 3(a) determines that the "Product" for which an SPC is being applied for must be *"protected by a basic patent in force"*. According to Article 1(b), "Product" is the active ingredient or combination of active ingredients of a medicinal product.

The meaning of "*protected by a basic patent in force*" within Article 3(a) has been the subject matter of several referrals to and decisions from the CJEU, particularly in cases where applicants had applied for SPCs for "Products" consisting of combinations of two or more active ingredients, relying on basic patents, the claims of which referred to one of said active ingredients only. In its controversial Judgment in the *Medeva* case (C-322/10), the CJEU took the view that Article 3(a) was not satisfied in cases where the combination of active ingredients was not "specified" in the wording of the claims of the basic patent. In *Actavis vs Sanofi* (C-443/12),

Key Issues

- The SPC Regulation has been a regular source of requests for preliminary rulings to the CJEU since it was enacted 25 years ago.
- The UK Courts are ready to once again ask the CJEU what the criteria are for deciding whether a combination of active ingredients is *"protected by a basic patent in force"* within the meaning of Article 3(a).
- The CJEU will have to decide if, for the purposes of Article 3(d), its findings in *Neurim* should be confined to new therapeutic uses of old active ingredients, or if they also apply to new formulations of old active ingredients.
- The Hungarian Courts want to know whether the national IP authorities are required to rectify, of their own motion, the expiry date of a granted SPC in order to ensure that said expiry date is determined in accordance with the interpretation of Article 13 set out in *Seattle Genetics* (C-471/14).

the CJEU drew a line between active ingredients which represent *"the core inventive advance that is the subject of the basic patent"* and *"other active ingredients, not protected as such by the basic patent but simply referred to in the wording of the claims of the patent in general terms"*. In *Actavis vs Boehringer* (C-577/13), the CJEU found that in order for a basic patent to protect "as such" an active ingredient within the meaning of Article 3(a), that active ingredient should constitute *"the subject-matter of the invention covered by the patent"*.

In the case under review, the basic patent, held by Gilead Sciences Inc. ("**Gilead**"), relates to compounds in accordance with two Markush formulae: (1) and (1a). The specification of the patent states that said compounds may be formulated alone or with *"other therapeutic ingredients"*. Claims 1-25 of the patent refer to compounds of formulae (1a) and (1) and Claim 27 reads *"A pharmaceutical composition comprising a compound according to any of claims 1-25 […] and optionally other therapeutic ingredients"*. Gilead obtained a marketing authorisation ("**MA**") for the medicinal product Truvada®, a combination of two active ingredients, tenofovir disoproxil ("TD") and emtricitabine. While TD is one of the compounds of formulae (1a) and (1), emtricitabine is not mentioned at all in the patent. Gilead applied for and obtained an SPC for the combination of TD and emtricitabine, relying on said basic patent and the MA for Truvada®. The grant of this SPC was challenged by several generic manufacturers, on the grounds that it did not comply with Article 3(a). In essence, they argued that this combination of active ingredients was not "specified in the wording of the claims", nor did it constitute the "core inventive advance" or the "subject-matter of the invention covered by the basic patent". Gilead, in turn, contended that Article 3(a) was satisfied because this combination fell within the scope of protection of Claim 27 of the basic patent.

In light of these facts, on 13 January 2017 Mr Justice Arnold, feeling that the answers provided by the CJEU to the above-mentioned referrals were not clear enough, decided to ask the CJEU, once again, *"[w]hat are the criteria for deciding whether the product is protected by a basic patent in force in Article 3(a) of the SPC regulation"*.

The Abraxis case (Article 3(d) SPC Regulation)

This second case concerns the anti-cancer product paclitaxel. This product was first marketed as a medicinal product under the tradenames Paxene® and Taxol®. Abraxis Bioscience LLC ("**Abraxis**") developed a new formulation for paclitaxel, described as "paclitaxel formulated as albumin bound nanoparticles" or "nab-paclitaxel". It is marketed as Abraxane®. This new formulation is the subject-matter of a European patent. Abraxis applied for an SPC for "nab-paclitaxel" but the UKIPO rejected it on the grounds that it did not comply with Article 3(d). Article 3(d) requires that the MA on which an SPC application is based must be the *"first authorisation to place the Product on the market as a medicinal product"*.

In essence, the UKIPO regarded "nab-paclitaxel" and paclitaxel to be the same "Product", so the Abraxane® MA was not regarded as the first one to place the "Product" on the market. Likewise, the UKIPO found that, while Article 3(d) permitted the grant of an SPC for a new and inventive *therapeutic use* of an old "Product", it did not allow the grant of an SPC for a new and inventive *formulation* of an old "Product".

With regard to the same or similar issues, the CJEU has handed down preliminary rulings finding that an SPC should not be granted for a product subject to an MA for human use where the same product had been the subject of an earlier MA for veterinary use (*Pharmacia* C-31/03); and that the grant of an MA for a different therapeutic use of a known active ingredient did not turn said active ingredient into a different "product" within the meaning of Article 1(b), hence not permitting the grant of an SPC for said product based on a new MA for said second indication (*Yissum* C-202/05). However, the CJEU found in *Neurim* (C-130/11) that the mere existence of an earlier MA obtained for a veterinary medicinal product did not preclude the grant of an SPC for a later, different application of the same product for which an MA had been granted, provided that said MA was the first one falling within the scope of the second use basic patent relied upon for the purposes of the application for the SPC.

Given this background, on 13 January 2017 Mr. Arnold, who expressed his doubts as to whether *Neurim* should be confined to cases of new therapeutic uses of old products or whether it could also be applied to cases of new formulations of old products, decided to refer a question to the CJEU the substance of which will be *"[i]s article 3(d) of the SPC Regulation to be interpreted as permitting the grant of an SPC where the marketing authorisation referred to in Article 3(b) is the first authorisation within the scope of the basic patent to place the product on the market as a medicinal product and where the product is a new formulation of an old active ingredient?"*.

The Incyte Corporation case (C-492/16) (Article 13 SPC Regulation)

Another pending case before the CJEU concerns a request for a preliminary ruling from the Hungarian Courts (Fővárosi Törvényszék) lodged on 14 September 2016.

The questions referred relate to the possibility of rectifying the expiry date of an SPC granted by means of a final administrative decision. Article 13 of the SPC Regulation states that the term of an SPC is equal to the period elapsed between the date on which the application for a basic patent was lodged and "*the date of the first authorisation to place the product on the market in the Community*" reduced by a period of five years. The CJEU clarified in *Seattle Genetics* (C-471/14) that, for the purposes of Article 13, the date of the first authorisation to place the product on the market in the Community is the date on which **notification** of the decision granting MA was given to the addressee of the decision. Before *Seattle Genetics*, the term of many SPCs had been determined with regard to the (generally earlier) date of the MA, rather than its notification date. The question that immediately followed was whether it was possible to rectify the term of an already-granted SPC which had not been determined according to *Seattle Genetics*.

Congratulations to our Spanish Team!

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This is a controversial issue not only in Hungary, but in many other countries including Spain, where the Spanish Patent Office has taken the view that neither the SPC Regulation nor the local administrative provisions allow for the rectification of final decisions, even if they conflict with the doctrine set out by the CJEU later on. This approach may need to be revisited if the CJEU gives a preliminary ruling indicating that the expiry date of an SPC should be amended in these cases.

It will be worth noting the answers given by the CJEU to this new wave of referrals. It remains to be seen if they will provide more certainty on the application of the SPC Regulation across the European Union.

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"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."

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

DÜSSELDORF
COPYRIGHT INFRINGEMENT BY HYPERLINKING TO ILLEGAL CONTENT – APPLICATION OF "GS MEDIA V SANOMA" IN GERMANY

In the previous edition of our Newsletter, we discussed *GS Media v Sanoma* ("**GS Media**"), a landmark decision by the Court of Justice of the European Union ("**CJEU**") regarding the question of whether the act of posting a hyperlink to illegal copyright content hosted on a third-party website constitutes a copyright infringement. On 18 November 2016, the Regional Court of Hamburg (the "**Court**") recently applied the CJEU's principles in a preliminary proceeding, considering the hyperlink at issue as an act of communication to the public within the meaning of Article 3(1) of the InfoSoc Directive (the "**Directive**").[1]

Key Issues

- Hyperlinking can be considered as "communication to the public" within the meaning of Article 3(1) of the InfoSoc Directive if two prerequisites are met: the objective condition of it being a *new* communication to the public and the subjective condition of the *fault* of the person providing the link.
- Whenever a hyperlink is "posted for profit" a stricter scale of fault applies, imposing broad legal obligations on the linking person to undertake all the relevant checks to secure in advance that the hyperlinked content on their website was not published without authorisation.
- A hyperlink is posted with the intention to realise profits if the website it is posted on has a commercial nature in and of itself.
- For now, owners of commercial websites should first check whether any linked pictures might infringe third-party copyright and, if in doubt, not post the link and/or preferably seek advice from an IP attorney.

Background and Facts of the Hamburg-case

In the course of *GS Media*[2], the CJEU concluded that hyperlinking to unlawful sources is an act of "communication to the public" under Article 3(1) of the Directive if (i) the person setting the link knows or ought to know that the content on that other website was published illegally, or (ii) the hyperlink was posted for profit (implying the (rebuttable) presumption of infringer's knowledge).

Closely following the CJEU's decision, the Court had to decide on a similar set of facts.[3] In the present case, the claimant was the author of a photograph of the historic courthouse of the German Federal Administrative Court in Leipzig, published on the website Wikimedia Commons and protected under a Creative Commons licence ("**licence**").[4]

The defendant's personal website contained a link to a website hosting a modified version of the claimant's photograph with several UFO-like objects added to the sky above the courthouse ("**UFO-version**"). The modification was published and linked by the defendant without complying with the licence. In consequence, the claimant filed suit at the Court for copyright infringement, asserting injunctive relief.

1 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society.

2 CJEU 8 September 2016, C-160/15 (GS Media BV v Sanoma Media Netherlands BV and others).

3 Regional Court of Hamburg 18 November 2016, 310 O 402/16.

4 See "commons.wikimedia.org/wiki/File:BVerwG_in_Leipzig.jpg".

The decision

By granting the injunction, the Court based its ruling on Section 19a of the German Copyright Act ("**GCA**") implementing Article 3(1) of the Directive into German law. Article 3(1) of the Directive defines the scope of an author's exclusive right to make a work protected by copyright publicly available by wire or wireless means. The Court held that the author's exclusive right to publish its work had been infringed, considering the UFO-version a "modification" of the original work pursuant to Section 23 GCA, that may be exploited only with the author's consent.

One possible act of exploitation may be the "communication to the public" of the modified work. However, whether hyperlinking constituted such a communication had to be determined on the basis of the principles set out in *GS Media*. Accordingly, the Court highlighted two prerequisites in the CJEU's decision:

- First, the hyperlink at issue must be a "new" communication to the public, requiring the existence of an audience having access the author had not thought of at the time of the first publication of the work.
- Second, the person presenting the hyperlink must have acted culpably in doing so, obliging infringers to make further inquiries with regard to the source of a work if the infringers posted the link "for profit".

Here, as the claimant had never consented to the publication of the UFO-version, the hyperlink was deemed a new communication. In addition, the terms of the Creative Commons licence were not met as the picture in dispute lacked any references.

However, the second prerequisite of "posted for profit" required the Court to take a deeper analysis.

Broad interpretation of "posted for profit"

Since the CJEU did not provide any guidance on the nature of "posted for profit", the Court had to decide which particular actions must be carried out based on such intent: (i) the setting of the hyperlink itself, (ii) the operation of the sub site containing the hyperlink, or (iii) the operation of the website as such?

The Court first clarified that "posted for profit" was not to be understood in a narrow sense, such as posting a link in the context of price-per-click models, where each click on that link generates a certain amount of income. Rather, the Court interpreted the requirement of "posted for profit" was a point of departure to determine whether the specific circumstances of the case required the alleged infringer to ensure in advance that the linked content was not infringing any third-party copyright.

In light of that broad interpretation, the Court found that the website in general had to be of a commercial nature, and not just the hyperlink itself. In case the linked content infringes copyright, the person posting the link is placed under the rebuttable presumption that the link was posted in full knowledge of the lack of the copyright holder's consent.

In this case, the defendant sold teaching materials over its website. Thus, due to the website's generally commercial nature, the defendant did not comply with its obligation to check for any potential copyright infringements when posting the link.

The German constitution and the EU Charta

In the proceedings, the defendant also raised the issue of whether the CJEU's decision in *GS Media* violated German constitutional law and the EU Charter of Fundamental Rights.

However, the Court followed the detailed analysis of *GS Media*. Accordingly, it made clear that the established principles of EU law aimed at creating an acceptable balance between an author's interest in the effective protection of their intellectual property and a person's interest in posting a link to communicate to the public, while also taking into account the circumstances of each individual case.

Reception of the decision and outlook

The broad definition of "posted for profit" stirred some criticism by the jurisprudence as well as the general public due to the tremendous ramifications for website owners given websites encompassing any commercial purpose whatsoever would be included. It should be noted that the judgment was issued in the first instance and was not appealed by the defendant, thus not giving an appellate court to reconsider the arguments. Further, the preliminary nature of the injunction did not allow a thorough analysis of all facts of the case by the Court. Thus, time will tell whether the present decision remains an isolated case or whether other German courts, in particular the German Federal Court of Justice, will follow the broad interpretation suggested by the Court.

For now, owners of commercial websites should first check whether any linked pictures might infringe third-party copyright and, if in doubt, not post the link and/or preferably seek advice from an IP attorney. Otherwise, the commercial website owner might be held liable for posting the link in full knowledge of the possible lack of the copyright holder's consent. Practically speaking, however, it will be difficult for the average person to properly assess whether a picture or any other file hosted on a third-party server infringes copyright, leading to a decrease in legal certainty in the online world. In any event, *GS Media* will continue to pre-occupy courts all over the EU in the coming months.

"**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

Claudia Milbradt is ranked as Trade mark star and Patent star in Managing Intellectual Property – IP Stars: Germany

Claudia Milbradt is highly recommended by JUVE Handbook 2016/2017 Germany in the category Patent Law

HONG KONG
ALIBABA SUES COUNTERFEITER IN IP FIRST FOR CHINA

Alibaba has lodged a case in the Shenzhen Longgang People's District Court against the defendants Liui Huajun and Wang Shenyi, seeking RMB1.4 million (US$203,000) for what it claims are contract and goodwill violations. The court has accepted the complaint made by Alibaba and the case is presently pending a court hearing.

Alibaba claims that the vendors (i) have violated the service contract between Taobao and the vendors, and (ii) have also infringed Taobao's goodwill and reputation. According to the terms of an unverified standard Taobao service agreement (uploaded by a third party online), any vendor using the site is obliged to ensure that any information it publishes on the site does not infringe any third party's IP rights, trade secrets or other proprietary rights.

The action comes amidst persistent complaints that fake goods are being sold widely on its websites. Just two weeks before the case was lodged, the US put Taobao back on its list of so-called *"notorious marketplaces"* known for the sale of counterfeit goods after four years of being in the clear. Alibaba executives reportedly claimed this was a political move in what was a US-election year.

Taobao reportedly conducted a data analysis which indicated that the store, which first registered on Taobao in November 2015, was likely selling counterfeit products. It used a combination of (i) *"mystery shopping"*, where purchasers working for the company make what appear to be normal purchases, and (ii) big data to identify the counterfeit products and locate the sellers. Alibaba then arranged for Swarovski to examine the quality, workmanship and packaging of the purchased samples to confirm the products were fake.

Swarovski said that it was committed to protecting its brand from counterfeits and praised Alibaba's efforts to protect the integrity of its brand and the platform as a whole. A statement released by Swarovski stated, *"Swarovski has cooperated with Alibaba on cases against sellers who are offering Swarovski counterfeits on Alibaba platforms and applauds any steps Alibaba takes to discourage counterfeiters from selling on Alibaba platforms."*

Last year, police in the Luohu district of Shenzhen (just across the border with Hong Kong), seized 125 fake Swarovski watches and two company official seals, with a total value of RMB 200 million (USD 29 million). Alibaba also collaborated with authorities in an anti-counterfeit crackdown in the Zhejiang Province called *"Cloud Sword"*. The operation which took place between April and July 2016, led to the closure of more than 400 production lines, the arrest of 332 suspects and the seizure of fake goods valued at RMB 1.43 billion (USD 208,000).

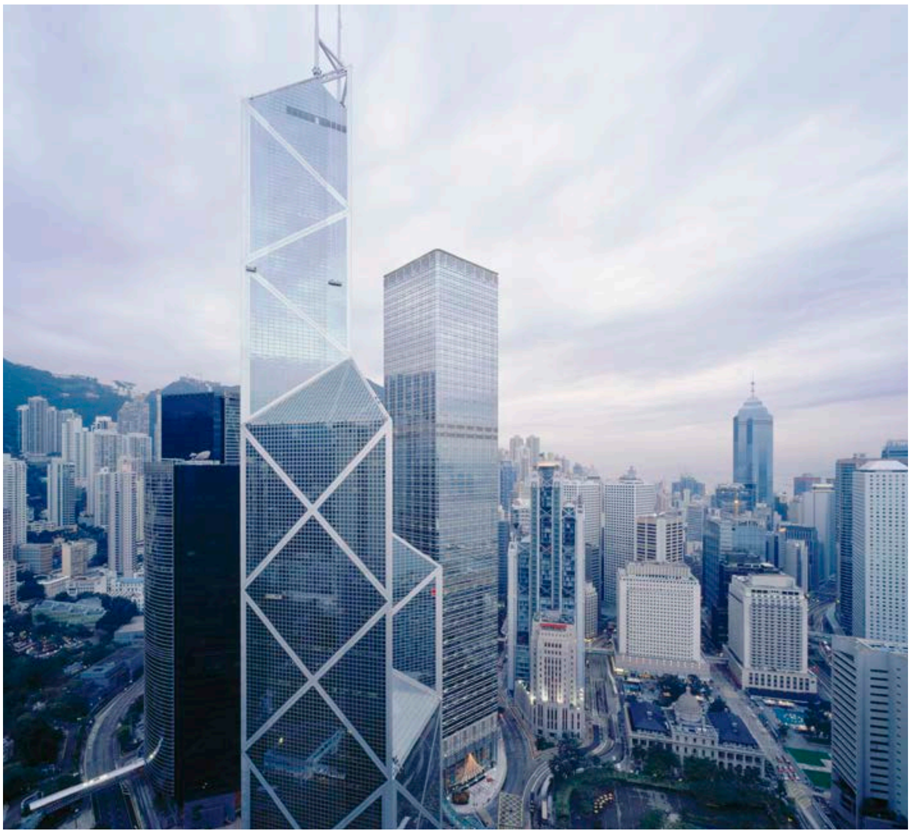
Key Issues

- Alibaba has taken legal proceedings against vendors who are alleged to have sold fake watches on its Taobao platform.
- This is thought to be the first instance of an e-commerce platform taking a counterfeiter to court in China.
- The proceedings have been accompanied by a concerted anti-counterfeiting drive involving 2,000 of the group's employees.

Alibaba says that its anti-counterfeiting drive is ongoing and that it has more than 2,000 full time employees and 5,000 "volunteers" who identify and root out fakes. Jessie Zheng, Alibaba Group's chief governance officer has said that more actions can be expected in the future. *"Selling counterfeits not only violates our service agreement, it also infringes on the intellectual property rights of the brand owner, puts inferior products in the hands of consumers and ruins the hard-earned trust and reputation Alibaba has with our customers."*

Alibaba has also issued proceedings against the intellectual property agency *Hangzhou Wangwei Technology Co* which is accused of having made malicious or false IPR complaints against Alibaba vendors. It has been reported that Hangzhou Wangwei has made thousands of complaints to Alibaba covering hundreds of brands related to clothing, shoes, cosmetics and household appliances. Alibaba is asking for RMB 1.1 million (USD 160,000) in compensation and an apology. The case has been accepted for hearing by the Beijing Dongcheng District People's Court.

Alibaba hopes that by defending its intellectual property and pursuing infringers more vigorously in court, the threat of prison sentences and large fines will remove the incentive for counterfeit sellers to continue to abuse the platform. Whether Alibaba's actions help convince the new Trump administration to remove Taobao from the *"notorious marketplaces"* list remains to be seen.



PARIS
LEGAL REFORM BRINGS CHANGES TO FRENCH CONTRACT LAW

Order n°2016-131 of 10 February 2016 (the "**Order**") reforming French contract law consecrates long established case law solutions. The Order, written with a "thousand and one hands", pursues the constitutional objectives of (i) comprehensibility of the law, and (ii) improving legal certainty. The reform contributes to the overall reputation and attractiveness of the French legal system.

Key Issues

- A recent order has brought changes to French contract law.
- The changes provide additional legal certainty and reflect many case law principles already established in France.
- Although the reform pertains to contract law more generally, there are numerous implications for IP related contracts.

Although this reform does not include specific provisions on IP contracts, it is still pertinent to the area. IP contracts traditionally cover matters such as licenses and [...] assignments of copyright, trademarks, patents and designs. Even if the French Intellectual Property Code is the main source of law for these types of contracts, the contracts will still be subject to ordinary contract law. The new Article 1105 provides that "*general rules apply subject to these specific rules*". The adage "*specialia generalibus derogant*" allows for the resolution of conflicts between the different areas of law by applying French civil code provisions to complete any gaps and correct inaccuracies between specific laws which concern intellectual property.

This major reform entered into force on 1 October 2016 and should be adhered to when drafting contracts. The new provisions establish more legal certainty when parties negotiate, finalise and enter into contracts.

The pre-contractual period

The obligation to provide pre-contractual information

The French Civil Code of 1804 treated consent to a contract, which had been provided, as invalid where certain information was withheld in the pre-contractual period. The reform takes a more preventative approach and imposes a new "duty to speak". The new Article 1112-1 of the French Civil Code enshrines an obligation on a party to a contract to provide certain information to the counterparty when such information, when known, would affect the counterparty's consent to the contract. The obligation only concerns the provision of certain information which the other party is not aware of, so it is not a requirement for complete transparency. The Article indicates that the burden of proof rests on the victim who must show what the effect hiding the information would have had.

Where contracts relating to IP rights are concerned, it is imperative that the parties to a contract identify crucial aspects of any commitments, such as exclusivity rights or the ability to commercialize a specific product. The obligation to provide certain pre-contractual information cannot be limited or excluded by the parties, who should meet these requirements regardless of the quality of the contracts. A mental element is not required in order for there to be a breach of these rules, so even if withholding information was not intended there may still be a breach. In the event of a breach, the rules of tortuous liability apply. Another sanction that may still apply is the potential cancellation of a contract if there is proof consent should be invalidated. However, as stated in article 1112-1 of the French Civil Code, the mere violation of this pre-contractual obligation to provide information is not sufficient to obtain contract cancellation.

The requirement of good faith negotiations

While the pre-contractual phase was not regulated by the French Civil Code of 1804, the new reform introduced by the Order does cover this. The principle of good faith has a role in the formation of a contract and is not solely an element in the execution stage. Among the various principles contained in this reform, the principle of good faith is the only one that is of public order, which denotes its importance.

The parties will not be able to act in bad faith nor limit the scope of the duty to act in good faith. Thus, the new Article 1112, subparagraph 1, of French Civil Code provides that "*the initiative, the conduct and the breakdown of pre-contractual negotiations are free. The principle of good faith should be respected during these phases*".

Subparagraph 2 of Article 1112 enshrines the principle of contractual freedom and, through it, the Manoukian judgement. According to this judgment, it is not immediately wrong to refuse to conclude a contract even after negotiations have started. If the negotiations breakdown, it is up to the victim to provide proof of any damage actually suffered, including ratification costs and incurred losses.

The preservation of confidential information

According to J.M. Mousseron, know-how is "*technical knowledge transmissible but not immediately publicly accessible and non-patented*". The former legal framework regarding know-how was scattered and incomplete. The new Article 1112-2 of French Civil Code adds some more clarity by stating that confidential information obtained during negotiations establishes the liability of the person who uses it or discloses it without permission. As confidential know-how is a traditional component of intellectual property contracts, these contracts will be particularly affected by this new framework.

During the tender process, it is common for an applicant to a sub-contractor position to provide confidential know-how to the main contractor. Prior to the reform, if the communicated know-how was used by the main contractor during failed negotiations, there could be an act of unfair competition if such disclosure was unintended by the original know-how owner. However, it was often difficult to prove any fault. The owner of the know-how has now the unilateral power to impose a duty of confidentiality on information identified as sensitive and disclosed during the negotiation phase. This is even if no preliminary contract has been formalized. A breach of this obligation will incur the contractual liability of the guilty party.

However, the safeguarding of confidential information is not absolute as the new provisions do not specify the consequences of information being disclosed during the period following any failed negotiations. As such, entering into confidentiality agreements in the early stages of negotiations remains desirable if commercially possible. The drafting of any confidentiality agreement should include the names of the parties bound by it as well as the confidential information it covers.

The establishment of new mechanisms for the execution of contracts

While copyright contracts have rigorous formal requirements that need to be adhered to, industrial property right contracts are more concerned with what the parties have consented to. Trade mark and patent contracts require language on nullity and their effectiveness is conditional upon entry in the corresponding national register.

The mandatory renegotiation of the IP contracts

The concept of "unforeseeability" has been permitted in the French copyright system since the law of 11 March 1959 (even if it was not explicitly accepted by French civil law). The new Article 1195 of the Civil Code recognizes the concept of judicial cancellation due to "unforeseeability".

According to this new provision, "unforeseeability" occurs when there is a change of circumstance which could not have been predicted when the contract was originally concluded. This change of circumstance should make the carrying out of the contract unduly onerous for one of the parties. Professor Stoffel-Munck writes that "onerous" can be defined as "*the difference between the value of what is supplied and the value of what is received*". The same author believes that carrying out the contract will be considered onerous when it costs more than it brings in. In the case of unforeseeability, if the economic risk was not foreseen and is not accepted by one of the parties to an IP contract, then there will be an obligation on the parties to renegotiate. If renegotiation is declined, or occurs but fails, the parties can dissolve the contract or may, by agreement, ask the judge to amend the contract.
This provision is certainly a small revolution in the field of contract law but it applies only under certain strict conditions.

For copyright contracts, the success of a work may be considered a change of circumstance which could not have been predicted when the contract was made. An author could, therefore, ask for judicial review of his remuneration, which is no longer proportional to the value of the rights he originally gave up. In this context, general contract law is actually more favourable to the author than specialised IP law, which has narrower remuneration provisions.

Assignment of an IP contract

The new Article 1340 of the French Civil Code establishes the mechanism relating to the release of obligations or assignment of a contract. Release is defined as "*the global cession by which one party transfers its quality of contractor*".
This reform only reinforces the current habits and practices of IP contracts, where [...] one of the contracting parties is effectively substituted by a third party (through assignment or licence).

Since the reform was adopted, it is no longer mandatory to comply with all the formalities of Article 1690 of French Civil Code. However, in the case of an assignment of a contract, agreement of the contracting parties is required. The French Supreme Court traditionally requires the agreement of the original parties both (i) when the contract is formed, and (ii) at the moment the contract is assigned. Therefore, there must be agreement on the theoretical ability to assign as well the actual assignment that is to occur. The nature of IP contracts and the exploitation of rights justify the need for an initial right holder to agree to any assignment or release of obligations in a contract.

As a proposal, the assignment clause inserted in an IP contract should provide that the owner of any IP rights gives the other party the right to assign the contract totally or in part to a third party. The assignment clause should also indicate that the release of the assignor will be subject to prior and discretionary approval of the IP right holder. If his consent is not given, the assignor should be held jointly liable with the assignee for any obligations arising under the contract. It should be clarified whether the assignee is taking on the total or partial implementation of the contract.

LONDON
EU COMMISSION PUBLISHES ITS LEGAL STUDY ON OWNERSHIP AND ACCESS TO DATA

One of the workstreams of the EU Digital Single Market initiative looks at the legal framework governing ownership of and access to data.

In December, 2016 the European Commission published a legal study on this topic, prepared for it by law firm Osborne Clarke LLP. The study[1] looks at the EU framework and national laws in England and Wales, France, Germany and Spain. It focuses on ownership of and access to data for commercial and business use. It excludes privacy of personal data, which is a separate workstream.

The study is intend to inform about current legal aspects, but also expresses the authors' views about whether the legal framework needs to be changed. It is lengthy and detailed. Key findings include:

- approaches to ownership of data vary materially between the Member States surveyed
- greater harmonisation will be achieved with the future implementation of the Trade Secrets Directive (Directive EU 2016/943, to be implemented by 9, June 2018), but protection of trade secrets may be of limited value for data once it is commercialised if that involves it losing its "secret" status
- outside trade secrets, most of the countries surveyed do not protect data, as such, as property, but there may be intellectual property rights in some data, including under the Database Directive (Directive 96/9) and sometimes in copyright
- contracting practice varies, ranging from assuming that data is owned property which can be assigned and licensed, to contracts which simply regulate ownership and rights of access via contractual rights and obligations. Relying on contractual protection rather than property right has limitations where data gets into the hands of third parties with whom there is no contractual relationship
- sector-specific models exist in regulated sectors, such as data to support marketing authorisations for pharmaceuticals, and MiFID and MiFIR requirements to make data for securities trades available on reasonable commercial terms.

The authors of the legal study note that the Court of Justice of the European Union ("**CJEU**") decision in *Ryanair v. PR Aviation* (Case C-30/14) rules that there are no restrictions on contractual terms which may be agreed, except (i) where the data is protected by copyright or under the Database Directive (and presumably in future the Trade Secrets Directive); or (ii) where the terms are anti-competitive (see e.g. *IMS Health* (Case C-418/01)). The report also discusses antitrust trends involving data in the mergers and acquisitions context.

Key Issues

- EU Member States currently have material differences in their approaches to ownership of data. However, the upcoming Trade Secrets Directive may provide for greater harmonisation.
- It is uncertain what EU legislative intervention on data ownership is appropriate. A more suitable approach may be the provision of guidance from an antitrust perspective or promoting model clauses for contracts.
- There are still a number of potential concerns surrounding the ownership of and access to data which has policy implications.

1 Study available at https://bookshop.europa.eu/en/legal-study-on-ownership-and-access-to-data-pbKK0416811.

The authors also correctly identify that data underpins a wide range of business models and that different models may tend to favour different outcomes in terms of ownership and access. The authors conclude that it may be too early to formulate what, if any, legislative intervention is appropriate. Their analyses of national laws demonstrate that there are differences of opinion about current and preferred future approach among legal and academic commentators. They say that it may be better to provide guidance from an antitrust perspective and to promote model clauses for contracts.

The EU Commission would do well to road test this recommendation to allow things to evolve with commercial and consumer market participants in various sectors. However finding a policy that fits most cases will be difficult. Potential concerns, from simply letting the market evolve through to litigation if necessary, include:

- **uncertainty** – it is currently often uncertain whether and to what extent intellectual property rights subsist in data under the Database Directive, or under copyright. Leaving that uncertainty in place and again "kicking the can down the road" (as was done when the Database Directive was reviewed in 2005 and left unchanged) will continue the uncertainty, at a time when there is ever-growing use of data from a plethora of sources around the world
- **leaving policy to accident** – policy considerations may differ between different types of use. Consequently, allowing the law applicable to all types of data to evolve through fact-specific litigation is a poor substitute for policy. Arguably, the sports events context of some of the leading cases involving the database right informed the way that right was (unexpectedly) interpreted by the CJEU, with significant implications for other sectors which generate data for entirely different purposes, such as through technical sensing and monitoring[2]
- **imbalance** – as the authors note, if ownership and rights of access are mainly left to contract, this will tend to favour those parties who create the contracts. The resultant imbalance may lead to the imposition of checks and balances through antitrust law, while leaving the underlying legal framework unclear
- **complexity** – lack of a clear underlying legal model may encourage complex webs of (potentially inconsistent) contractual rights and obligations in datasets that become very difficult to manage with certainty. This may hamper the evolution of a well-functioning Big Data society
- **data privacy considerations leading policy even where data is not about people** –data privacy principles need not drive the legal framework where the data is not about individuals, or where data about individuals is incidental or can easily be aggregated and/or made anonymous.

2 See e.g. Fixtures Marketing v. Oy Veikkus (reference C-46/02) and BHB v. William Hill (reference C-203/02).

BARCELONA
PROPOSAL FOR A REGULATION ON PRIVACY AND ELECTRONIC COMMUNICATIONS: ANOTHER BRICK IN THE CONSTRUCTION OF THE DIGITAL SINGLE MARKET

On 10 January 2017, the European Parliament and the Council approved a proposal for a Regulation addressing privacy and confidentiality issues involving electronic communications. This Proposal, which will supersede a Directive dated 2002, will impose stricter rules for electronic communications and will adapt the current legislative framework, which has become obsolete, to the new needs and challenges of the market.

Key Issues

- This Proposal has been approved in the context of the DSM strategy and has to be interpreted along with the GDPR.
- The Proposal will apply to natural and legal persons and to the providers of electronic communications services, such as WhatsApp, Facebook Messenger, Skype, Gmail and etcetera.
- The Proposal grants more protection to natural and legal persons that use electronic communications.

The context of this proposal for a Regulation

Almost one year ago, we referred to the Proposal for a Directive on contracts for online and other remote sales of goods. The European Union issued that proposal in order to develop the European Digital Single Market ("**DSM**") strategy, a top priority for the European Union.

Now, we return to the path of the DSM to explain one of the latest proposals made by the European Union within the DSM strategy: the Proposal for a Regulation on Privacy and Electronic Communications (the "**Proposal**" or "**Regulation**"), which was approved on 10 January 2017.

As we will see, the Proposal is aimed at reinforcing the protection of fundamental rights and freedoms, of both natural and legal persons, namely the respect for private life, confidentiality of communications and protection of personal data in the electronic communications sector.

Why this new proposal for a Regulation?

According to surveys and data handled by the institutions of the European Union, security and privacy risks inherent to digital services are one of the biggest concerns for users (natural and legal persons) when it comes to the use of electronic communications.

The regulation in place dates back to 2002, and is represented by the Directive 2002/58/EC, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "**ePrivacy Directive**"). Although the objectives and principles of the ePrivacy Directive are still valid, major technological developments have occurred since the last revision of the ePrivacy Directive in 2009, which has become obsolete.

Therefore, the time has come for a revision and update of the ePrivacy Directive, a revision that is necessary to adapt the current legislation to the market and to the new challenges of the future (e.g. Internet of things, Over-the-Top communications, and etcetera). The Proposal is born of an extensive process of revision and update and is destined to derogate the ePrivacy Directive.

It is important to take into account that the Proposal needs to be understood and interpreted within the broader context of the DSM strategy and, in particular, in conjunction with Regulation (EU) 2016/679 of the European Parliament and of the Council, on General Data Protection (the "**GDPR**"). As explained in the Explanatory Memorandum of the Proposal, the Regulation will be "*lex specialis to the GDPR and will particularise and complement it as regards electronic communications data that qualify as personal data*".

Summary of key issues

Some of the main issues covered by the Proposal are the following:

(i) Unlike the ePrivacy Directive, the Regulation will be applicable to the "non-traditional" providers of electronic communication services (i.e. WhatsApp, Facebook Messenger, Skype, Gmail, iMessage or Viber).

(ii) When the Regulation, which is directly applicable, supersedes the ePrivacy Directive, all citizens and legal persons within the European Union will benefit from the same level of protection in their electronic communications.

(iii) The Regulation contains strict provisions regarding the use of **metadata** (which will be private and shall be rendered anonymous or deleted unless users give their consent); **cookies** (the Proposal advocates for clarification and simplification of the consent rule for the use of cookies and other identifiers); and **spam** (the Regulation prohibits all types of unsolicited electronic communications unless users have agreed to it).

(iv) The supervisory authorities of the Member States will be empowered to impose penalties in the event of infringement of the Regulation. The fines may amount to 20 million Euro or 4% of the total worldwide annual turnover of the infringer, whichever is higher.

Next steps

The Proposal was issued on 10 January 2017 and now needs to be approved by the European Parliament and by the Council.

According to the current text of the Proposal, on 25 May 2018, the ePrivacy Directive will be derogated and the Regulation will become directly applicable to all Member States as of the same date.

This date coincides with the entry into force of the GDPR, which reinforces the fact that both the Proposal and the GDPR will complement each other and shall be considered two more pieces of the DSM puzzle.

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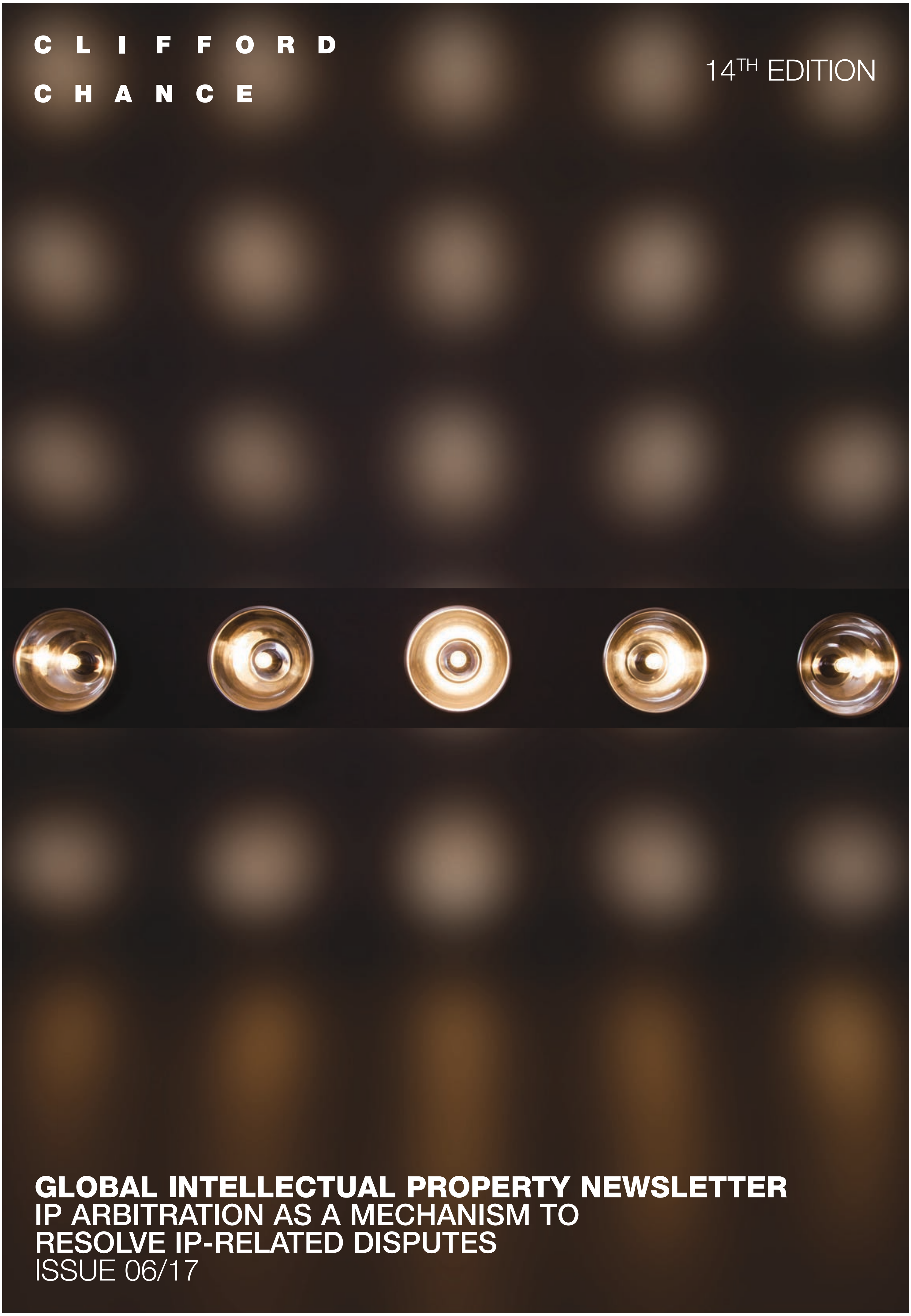
14TH EDITION



GLOBAL INTELLECTUAL PROPERTY NEWSLETTER
IP ARBITRATION AS A MECHANISM TO RESOLVE IP-RELATED DISPUTES

ISSUE 06/17

14TH EDITION

Welcome to the **14th Edition** of the Clifford Chance Global IP Newsletter. With summer coming up, we want to take a closer look on a hot topic in the World of IP: **IP arbitration**. Hence, this edition provides you with insights from Hong Kong to China, from Australia to Spain and Italy as well as Germany.

First, the newsletter gives an overall view from a German stand point, contrasting IP arbitration with adversary court proceedings as IP Arbitration does not only provide an alternative regime, but also comes with great flexibility to tailor IP dispute resolution out of court.

We then take a look at IP arbitration in Italy and the new Spanish Patents Act. Spain just recently introduced the possibility of out-of-court dispute resolution to resolve patent conflicts. The article will thus discuss the particular strengths and weaknesses that arose in the two months subsequent to the coming into force of the Spanish Patent Act.

But it is not only a question of whether arbitration is generally suitable for resolving IP-related disputes. Also the collection and evaluation of evidence might in some cases need specific attention especially since arbitration usually does not encompass a broad-ranging discovery that is common in court proceedings in common law jurisdictions. Accordingly, the article on IP arbitration in Australia will demonstrate the issues that might arise in connection with satisfying the burden of proof.

Further, with the decision in *Huawai* by the CJEU, FRAND (**F**air, **R**easonable and **N**on-**D**iscriminatory) licenses pose new challenges for arbitration tribunals. Therefore, we will discuss whether arbitration can be an effective instrument to prevent further "patent wars" since arbitration – promoted by key players (such as WIPO, FTC and CJEU) – may cater for the needs of those with large patent portfolios to create efficient multi-jurisdictional dispute resolution.

This edition will then expand on recent legislative developments regarding a new bill to implement IP arbitration in Hong Kong as well as on a current two-year pilot working programme by the Chinese State Intellectual Property Office to develop an IP arbitration and mediation mechanism across China. Finally, we will touch on the IP-related preliminary injunction applications and investigation measures requests filed in connection with the latest Mobile World Congress held in Barcelona, with more than 20 cases solved within just a few days.

We hope you enjoy our latest episode of our Clifford Chance Global IP Newsletter and look forward to receiving your feedback. Enjoy the summer.

Your global CC IP Team

DÜSSELDORF
GERMAN PERSPECTIVE ON IP ARBITRATION

The trend for intellectual property ("**IP**") disputes to be resolved through international arbitration rather than court litigation is steadily growing.[1] Complex contractual relations with respect to IP rights (e.g. research and development agreements, cross-licensing, etc.)—often involving several parties from different jurisdictions—as well as non-contractual relationships (e.g. infringement proceedings) require a reliable and cost-efficient mechanism to settle any disputes that might arise in connection with the IP rights at issue.

Key Issues

- IP arbitration provides an alternative regime to resolve IP related disputes.
- IP arbitration can have advantages over court litigation as it comes with the necessary flexibility to tailor the applicable procedural rules around the specifics of the IP (e.g. patents) at issue.
- However, in Germany the validity of a patent cannot be subject to IP arbitration proceedings.

With that in mind, arbitration provides certain advantages over court litigation, in particular with regard to the choice of applicable law, the place of jurisdiction and the arbitrator's expertise. Issues such as confidentiality and the non-disclosure of sensitive technology (protected through patents or trade secrets for example) might also play an important role in the parties' decision to submit themselves to a private tribunal of arbitrators. In Germany, the German Institution for Arbitration (*Deutsche Institution für Schiedsgerichtsbarkeit e.V.*, "**DIS**") is one of several national and international institutions to which the parties may turn.[2] Of course it has to be noted that certain decisions for example regarding the validity of the patent can only be made by the respective administrative bodies. The decisions by an arbitral board will also have only inter partes effect.

Key aspects of IP arbitration in comparison to court litigation

Several key factors should be taken into account when considering IP arbitration:

Single proceeding, applicable law, and venue

IP disputes often involve cross-border issues if, for example, an infringement occurs in different countries. Multiple court proceedings under different laws are not unusual, resulting in the risk of conflicting judgments on the same subject matter due to differences in the applicable procedural and material laws. By contrast, IP arbitration lets the parties determine the applicable law as well as the place of jurisdiction (and

1 The IP convention "15th Petersberger Schiedstage 2017" ("Arbitration days of Petersberg") just had IP arbitration as its general topic; DIS40, a branch of the German Institution to Arbitration for young lawyers, dedicated one of its conventions in May 2017 to issues related to patents in IP arbitration proceedings and FRAND; see *Diehl* in: Milbradt, Patent Litigation in Germany, p. 232 et seq.

2 Well known arbitration institutions each with its own sets of arbitration rules are, for example, the International Chamber of Commerce ("**ICC**"), the Swiss Arbitration Association ("**SAA**") or the London Chamber of International Arbitration ("**LCIA**"). The rules of the WIPO Arbitration and Mediation Center are suitable in particular with regard to IP disputes due to their detailed rules with respect to confidentiality and the law of evidence.

other procedural details such as the responsible arbitrator(s)) beforehand. In consequence, complex IP disputes may be dealt with **one** proceeding in a single forum, avoiding the danger of contradicting court decisions issued in different countries and leading to a higher degree of legal certainty and enforceability.

Flexibility

As the parties may decide on and even modify the applicable rules, IP arbitration can be a highly flexible mechanism. On the other hand, the lack of a detailed procedural framework and a system of precedent may, in some cases, be considered a disadvantage that can only be resolved by an equivalently experienced arbitrator (for example, to deal with possible obstruction of proceedings by one party).[3]

Limited remedies of arbitrational award

Another advantage of arbitration is that the proceedings are generally subject to only one instance, rendering the process more time and cost efficient. Especially with regard to the commercialisation of IP rights, settling an IP dispute quickly and easily should be in the interest of all parties, as further use of a patent, trademark, or similar, before the resolution of the conflict might increase damages.

Court proceedings in Germany usually allow the parties to lodge an appeal, resulting in proceedings litigated through different instances, sometimes spanning several years and further increasing the costs of proceedings.[4] However, arbitrations seated in Germany, as in all member states of the New Convention on the Recognition and Enforcement of Foreign Arbitral Awards, are only subject to a motion to set aside, which is limited to serious procedural irregularities, jurisdictional issues or serious departures from public policy. Thus, a fully-fledged appeal does not occur. Although in camera proceedings do generally not exist under German law, only for inspection claims, a certain trade secret non-disclosure proceeding exists in German courts.

Confidentiality

One of the most important advantages of arbitration is the confidential nature of the arbitration being process, which can be of particular importance for both parties when highly sensitive technology is at stake and non-disclosure, for example of a trade secret, needs to be ensured. The arbitration clause and any disclosure made during the arbitration, as well as the existence of the arbitration proceeding itself, may be subject to confidentiality obligations of the parties.[5] This can be enforced, for example, by (i) granting board access only to members of the board and the concerned parties, and/or (ii) requesting that third parties wishing to attend sign confidentiality agreements. Conversely, court litigation usually requires public proceedings, allowing competitors to acquire confidential information, as the prerequisites for the exclusion of the public are usually quite high.

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Chambers & Partners 2017: Europe Guide: Germany – Intellectual Property: Patent Litigation

3 *Diehl* in: Milbradt, Patent Litigation in Germany, p. 265.

4 For example, in Germany, patent court litigation spanning over three instances may easily take, in some cases, six to eight years or more.

5 German patent law however provides the possibility to entrust the court with supervising the procedure of disclosing the infringing technology at issue by the alleged infringer.

Technical expertise

IP disputes often relate to technical issues, including patents and know-how. Usually, the parties may jointly select an arbitrator with a technical background and the required knowledge regarding the specific technology in dispute. An arbitrator situated in the same industry as the parties might have a better understanding of the relevant technical issues (for example when assessing the quality of evidence)—something not all regular judges can provide.[6] However, arbitrators with technical backgrounds are often not legal experts. In consequence, the parties will likely seek to select more than one arbitrator, to combine technical and legal expertise.

Urgency

Court litigation is usually a drawn-out process, with strict deadlines leaving little room for flexibility. As arbitration offers the possibility of a flexible coordination of the arbitration schedule, the parties may agree on a quick procedure in case a swift decision (for example, to stop an IP infringement) is necessary.

However, a preliminary injunction by a court might still be the more efficient way of proceeding in urgent cases, as it does not require any oral hearing and can be issued within days or even hours without further delays.[7]

Business relations

Another important aspect is that business relations are less likely to suffer in sincere and constructive arbitration proceedings than they might in adversary proceedings before a court. As opposed to a court action, the parties determine the circumstances of the dispute resolution process amicably. In addition, the personality of the arbitrator often has a positive impact on the overall conduct of the proceedings, being entrusted with the arbitration by agreement of the parties. Thus, for example in cases where the parties' long standing joint research activities are at stake, arbitration might be the more sensitive option in order to maintain a unencumbered business relation.

Validity of patents not arbitrable in Germany

As regards patents granted by the German Patent and Trademark office, it should be noted that any alleged invalidity is usually not considered to be arbitrable subject matter due to the "bifurcation" in the patent litigation system, at least in Germany.

Bifurcation in this context means that infringement claims and nullity actions regarding the same patent have to be sued before different responsible courts and cannot be resolved in a single proceeding (for example, by way of claim and counterclaim). This often leads to the stay of the infringement action until the nullity action is decided. One of the reasons for this is that infringement actions are considered to be matters of private law to be decided by an ordinary court, whereas questions of validity concern the *public* nature of the grant of the patent and thus fall under the responsibility of the state (that is, the courts specified in Section 65 of the German Patent Act).

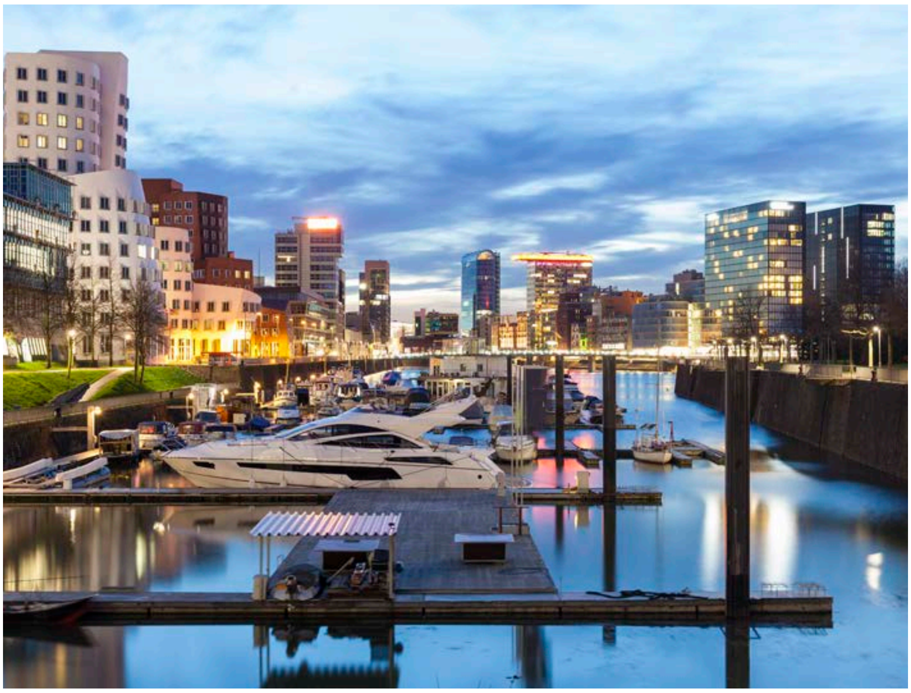
6 In order to include the required technical expertise into the decision making process, the soon to be implemented Unified Patent Court will also include judges with a technical background into its panels.

7 However, also the DIS for example provides a mechanism similar to preliminary injunctions issued by a court, see Section 20 DIS-Arbitration Rules 98.

In consequence, according to the current prevailing opinion, the public nature of validity and the state's monopoly on the issuance of patents renders it impossible for private arbitral tribunals to rule on such matters.[8] However, other commentators still argue for the arbitration of invalidity actions as, for example, any award could merely order the patent owner to apply for the cancellation of the patent at the patent office, but not substitute the necessary public act of cancellation itself (which has to be issued by the Office).[9] In any case, these restrictions should be kept in mind when agreeing on arbitration of patents in Germany.

Conclusion

Arbitration could provide a viable alternative to resolve IP disputes without turning to a public court where confidentiality, among other things, might be an issue. However, it should be noted that arbitration, due to its procedural particularities, requires a high degree of expertise by attorneys as well as arbitrators. Especially with regard to IP, which is highly dependent on case law even in a civil law country like Germany, the lack of a broad and reliable basis of precedents within the arbitration system might be an issue.[10] In any case, it is safe to say that a thoroughly prepared IP arbitration clause or agreement tailored to the individual case and the type of IP at issue is of utmost importance to avoid any surprises later on.



8 This is different with regard to Swiss patents to be arbitrated in Switzerland.

9 Haubner, Patentstreitigkeiten und Schiedsgerichtsbarkeit, InTer 4/14, p. 240 et seq.

10 For the same confidentiality reasons, many of the arbitration cases are never published.

BARCELONA
ARBITRATION AND MEDIATION IN THE NEW SPANISH PATENTS ACT: REVIEW OF ARTICLE 136 OF THE PATENTS ACT *(LEY 24/2015, DE 24 DE JULIO, DE PATENTES)*

The new Spanish Patents Act (*Act 24/2015, of 24 July, on Patents*), in force since 1 April 2017, includes, for the first time, the express possibility of resorting to the out-of-court measures of mediation or arbitration to resolve conflicts in relation to patent law. In this article we will provide a brief analysis of the new provisions in this area.

On 1 April 2017, the Patents Act 24/2015, of 24 July 2015, came into force in Spain (the "**New Patents Act**"), replacing the former Patent Act 11/1986, of 20 March 1986 ("**Act 11/1986**").

One of the changes introduced by the New Patents Act is found in Title XII, Chapter IV, "Out-of-court dispute resolution" (*Solución extrajudicial de controversias*). In addition to the possibility of having recourse to conciliation with regard to employee inventions established previously, the New Patents Act expressly envisages the possibility of submitting patent law disputes to out-of-court dispute resolution.

As a starting point, the first paragraph of Article 136 of the New Patents Act expressly recognises the possibility of parties submitting disputes arising from the exercise of their rights recognised in the New Patents Act not only to mediation, which it now establishes on a general basis, but also, for the first time, to arbitration. These are two means of out-of-court dispute resolution that in practice were already available for settling patent-law related matters. Although the possibility of mediation was already expressly provided in Act 11/1986, it was only envisaged as a means of resolving disputes arising from the grant of obligatory licences. Article 136 also adds some specific features, such as the designation of the Spanish Patent and Trademark Office ("**SPTO**") as a mediation and arbitration institution.

The New Patents Act also provides clarification with regard to those issues not left to the discretion of the parties and, therefore, excluded from meditation and arbitration. It notes that those disputes related to procedures regarding the grant, opposition or appeal of rights granted under the New Patents Act cannot be submitted to arbitration or mediation when the subject-matter of the dispute is related to administrative procedures. These include the fulfilment of the requirements for the grant, maintenance or validity of the patent. That said, conflicts arising in relation to the infringement of a patent could be the subject-matter of mediation or arbitration.

There are other situations aside from the scenarios envisaged above that could raise certain concerns. For instance, can an arbitrator deal with the nullity or expiry of a patent raised by the defendant, by way of a mere defence, in infringement arbitration proceedings? The New Patents Act seems to be clear that disputes involving the validity of a patent would be excluded (for example, in cases of direct nullity actions or counterclaims with an *erga omnes* effect). However, doubts arise when challenging the validity of the patent and if an effect as between the parties, limited to the specific

Key Issues

- The new Spanish Patents Act expressly envisages the possibility of submitting patent law disputes to arbitration and mediation.
- Administrative procedures regarding the grant, maintenance and validity of patents are subject-matter excluded from arbitration and mediation.
- The Spanish Patent and Trademark Office is designated as an arbitration and mediation institution.

procedure, would be what entails. This is an issue that we hope can be clarified with the New Patents Act's implementation.

As for the procedure to follow for mediation and arbitration, the New Patents Act seems to refer, in general, to the rules governing these two institutions. These are namely, the Arbitration Act 60/2003, of 23 December, and Act 5/2012, of 6 July, on Mediation in Civil and Commercial Matters, without prejudice of the specific provisions set forth in Article 136. These specific provisions include granting the SPTO the power to perform all actions necessary to enforce both (i) final arbitration awards, which will have a *res judicata* effect, and (ii) mediation agreements, provided that they are constituted as an enforceable right by means of a public deed or court approval (*homologación judicial*).

Even though the New Patents Act establishes that the SPTO will be responsible for enforcing arbitration awards and mediation agreements, we understand that this will be dependent on the extent to which such enforcement corresponds to the SPTO (for instance, recording on the relevant registry the cancelation of a licence agreement). However, there will be situations in which the participation of a different body, such as the commercial courts, will be required (for instance, to enforce decisions related to the payment of compensation for damages incurred due to an infringement).

Lastly, Article 136 of the New Patents Act is complemented by the provisions of Royal Decree 316/2017, of 31 March, which approves the Regulation for the enforcement of the New Patents Act. In its Sixth Additional Provision the Royal Decree:

(i) establishes the requirements to be met by those individuals wishing to hold the position of arbiters or mediators in disputes arising under the New Patents Act. It indicates that, in addition to fulfilling the conditions required by the respective regulations, they must demonstrate that they have at least five years' experience in the field of intellectual property; and

(ii) envisages the possibility of the SPTO being able to enter into agreements with national, European and international bodies with knowledge of arbitration and mediation, for the purposes of organising and participating in the out-of-court resolution of IP disputes.

Given that two months have scarcely passed since the New Patents Act came into force, it would be too adventurous to predict the effects that this new legislation will have on future patent law disputes. However, there are strong reasons to expect that the new Act will lead to greater use of these two means of out-of-court dispute resolution.

"Definitely an outstanding lawyer," **Miquel Montañá** leads the department from Barcelona and holds a truly enviable reputation in the field of life sciences IP. He is unanimously considered by both peers and clients to be one of the most relevant practitioners currently active, with one source commenting: "As a litigator, he is experienced and impressive; he prepares well for the cases and is very easy to work with." His recent work includes representing Pfizer in several proceedings."

Chambers & Partners 2017: Europe Guide: Spain – Intellectual Property: Patents & Trade Marks, Star Individuals

"**Miquel Montañá** is a leader in patent litigation. He also advises on copyright and trade mark disputes, as well as regulatory concerns. He receives superlative feedback for his practice, with clients noting: "He is very good in his field, knows everybody, and also knows the pharmaceutical industry. He is creative in his approach and knows case law in Spain."

Chambers & Partners 2017: Europe Guide: Spain – Life Sciences: Patent Litigation, Star Individuals

"Market sources are impressed by **Miquel Montañá**'s "impressive ability to learn complex technical matters quickly," adding that he is "always trying to find a friendly way to resolve conflicts." He specialises in IP disputes, for which he is unanimously considered to be one of the leading lawyers in Spain. His additional expertise includes unfair competition, criminal actions and damages claims."

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AUSTRALIA
EVIDENCE IN IP ARBITRATION: PROVING THE UNPROVABLE

The very nature of intellectual property ("**IP**") is that it generally takes the form of an intangible asset – such as the recipe for super-strength adhesive in the head of one engineer, or a particular approach to project management utilised by one organisation. Whilst mechanisms exist to transform the intangible into the tangible with relative ease, attempting to prove infringement or IP theft is a significant challenge for parties and practitioners alike.

By reference to lessons learned in practice, this article considers the difficulties that can arise in establishing proven facts in the context of IP arbitrations. Further, it aims to provide some guidance to users of arbitration in IP-oriented industries on how to select and craft a procedure that avoids the situation where one party is required to 'prove the unprovable'.

First, we consider some of the key problems faced by parties trying to prove that a counter-party has infringed, stolen or misused their IP. Next, we consider the position of the party facing such a claim. Finally, we make some practical suggestions regarding best practice, including how IP-oriented businesses can tailor the dispute resolution procedures in their contracts to better suit IP disputes.

Background

Where parties have agreed to have their disputes resolved by arbitration, it can be assumed that they will not have any 'discovery' process if they end up in a dispute—at least not the kind of broad-ranging discovery that is common in court proceedings in common law jurisdictions. Instead, document production is ordinarily based on the principles contained in the International Bar Association's Rules on the Taking of Evidence in International Arbitration (the "**IBA Rules**"). This can be a positive procedural feature and is often one of the reasons why parties prefer to arbitrate: the exclusion of discovery usually leads to savings of time and money.

However, where the arbitration includes an IP aspect, notably with regard to alleged misuse or theft of IP, the preference for limited 'document production' in arbitration may result in one of the parties being placed at a forensic disadvantage. For example, to mount an effective misappropriation or conversion claim, the claimant will need to prove that its IP is in the possession of the other side (or a third-party) and, without discovery, the claimant may struggle to get the evidence it needs to succeed in its claim. Even if the arbitral tribunal orders production of documents, the only substantive remedy for non-production is an adverse inference (which the tribunal may draw against the non-producing party, but is not bound to do so). If the defendant alleges it has not stolen the claimant's IP, the tribunal may be in a bind because innocence is

Key Issues

- Satisfying the burden of proof can be difficult in IP arbitration. In order to bolster a speculative claim, prospective claimants must consider mechanisms which will improve their chances of obtaining evidence of infringement, theft or misuse of IP, which will invariably be in the possession of their opponent and/or a third party.
- Ultimately, there are limits to what arbitrators can do. The claimant may need the assistance of a court to gather evidence, and most of the prominent international arbitration laws and rules permit this (subject to certain conditions). There are ways to tailor an arbitration clause to make it easier to get judicial assistance in the taking of evidence.
- Prospective respondents must consider mechanisms to defeat or narrow requests for documents, as well as strategies for refuting speculative claims.
- Contracting parties in IP or IP-related transactions must take care to draft dispute resolution clauses/arbitration agreements to ensure that the procedure they are buying into is fit for the disputes that may arise.

consistent with non-production (i.e. if you did not steal it, you do not have any documents showing that you do, so you have nothing to produce).

An arbitrator is not a judge and so he or she does not have a judge's coercive powers, including the power of contempt. Instead, the powers of an arbitral tribunal are derived from a contract (the arbitration agreement). It is for these reasons that arbitration is sometimes said to be ineffective against parties who are willing to conceal documents, or simply 'roll the dice' on adverse inferences, and refuse to produce when ordered to do so by the tribunal.

Proving Guilt

Proving infringement of an IP right is often difficult, particularly if the right in question concerns a form of IP that is not reduced to writing. In order to address this issue, IP regimes (and IP-focused contracts) will often require parties to identify the IP in respect of which they assert rights. This usually involves requiring ideas or know-how to be reduced to writing, before they can become the subject of protection. Such a requirement will generally assist a party trying to show that another party has unlawfully taken or made use of its protected ideas or know-how.

However, the burden of proof can still be difficult to discharge. For example, how does a high-tech IT company, with a suspicion that one of its manufacturers has unlawfully taken its confidential know-how, prove such an allegation in arbitration?[11] There may be circumstantial evidence, such as a spike in the manufacturer's revenues from a particular date or market rumours, but more is usually required to establish before an arbitral tribunal that protected IP has actually been taken or used unlawfully.

The procedural device available in these circumstances is document production: the IT company could request documents from the manufacturer that would show its possession and use of the protected IP. As noted at the outset, however, document production is much narrower in arbitration than in common law courts. Accordingly, getting the documents needed to make out the claim can be challenging. Although that is not to say it cannot be done.

In considering whether to accede to a party's request for document production, arbitral tribunals will need to balance the potential probative value of the documents requested against procedural efficiency. Therefore, narrow, targeted document production requests are likely to be more successful. A party's ability to make such requests depends to a significant extent on the wording of the IP regime.[12] If the protected IP subject to the relevant contractual regime is defined in terms that have been drafted inaccurately or too broadly, it may be harder to focus on the evidence, in the other side's possession, required to demonstrate infringement. Precision in drafting the IP regime may therefore pay dividends in a dispute situation.

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11 Another scenario we have found challenging in practice is establishing expropriation of IP in an investor-state context. For example, how does a mining exploration company evidence that the host state has unlawfully used IP in the form of geological studies that effectively provide a "treasure map" for the state in terms of specifying the location of valuable natural resources?

12 For a fuller a discussion of strategy regarding document production, see S Luttrell & P Harris, 'Reinventing the Redfern' (2016) 33(4) Journal of International Arbitration 353.

However, precision brings its own problems; the requirement for expert evidence and a tribunal that can make sense of such evidence. For this reason, parties to contracts containing the potential for IP disputes may wish to take advantage of one of the key features of arbitration: the ability to make provision in the arbitration agreement that the tribunal be composed of individuals possessing experience within the relevant industry or discipline. It is true that narrowly defining experience requirements limits the pool of available arbitrators (and can endanger the enforceability of the arbitration agreement).[13] But simply specifying in broad terms that the tribunal ought to have had experience in, for example, software disputes may assist parties by establishing a tribunal that is at least more likely to understand what IP may or may not have been stolen or misused.

It should also be noted that, in a number of jurisdictions, parties to an arbitration may seek court assistance in the taking of evidence, including through the issuance of subpoenas. Judicial assistance of this kind may be necessary where the claimant believes that the respondent has documents that will prove IP infringement, but doubts that they will comply with document production orders from the arbitral tribunal. The problem is that the parties might not store data or have any business presence in the country that they have chosen as the seat of their arbitration. To mitigate this risk, one option is for parties to include in their arbitration clause an agreement to submit to the jurisdiction of the courts of the state where they are domiciled and any other state in which they store data, for the purposes of making or responding to applications for judicial assistance in the taking of evidence in connection with any arbitration.

13 For more on this point, see S Greenberg, C Kee and JR Weeramantry, International Commercial Arbitration: An Asia-Pacific Perspective (Cambridge University Press, 2011) 260–6.

Proving Innocence

How do you defend an IP claim in arbitration? Take the example of a tech joint venture ("**JV**") in the consumer electronics field: one party brings the IP and the other party brings the industrial capacity (for example, the manufacturing company that brings the know-how and facilities needed to put the IP into device form). The manufacturing company faces a claim that it has misappropriated or misused IP owned by its JV partner. It will be difficult for the manufacturing company to prove the negative, for example that it did not misappropriate or misuse the IP. Further, to argue that the burden of proof lies solely with the party making the allegation will usually not be sustainable: if the claimant/alleging party can put on credible evidence, the burden of proof will generally shift to the defending party at some point during the proceedings.

However, the allocation of the burden of proof will depend upon the substantive law that governs the arbitration, and it is usually hard to know if and when the burden has shifted.[14] The burden of proof is, therefore, "invisible comfort". This problem may become compounded if, during document production, it becomes clear that employees from the manufacturing company have learned or copied techniques from the other party's engineers (as commonly occurs in tech JVs). Again, if the IP regime is not drafted tightly or is highly technical in nature, it may not be clear to the tribunal what exactly is subject to the IP protection provisions (and what is not)—the classic area of controversy being joint improvements.

In addition to precise drafting, it will be important for the innocent party to defend itself from the kind of document production requests that may provide fuel for the speculative claimant. This can be achieved by appealing to principles of procedural efficiency. In particular, there is a strong argument that it would be unfair and disproportionate for the tribunal to order production of documents based on highly speculative claims. Indeed, the tendency for tribunals not to allow fishing expeditions is already well established.[15] Narrowing down and proposing limitations around the other side's requests may also be effective.[16]

The nature of this type of claim may also impact on the strategy for use of witness evidence. For example, while it is generally advisable in arbitration (as in courts) to limit the number of witnesses to minimise cross-examination risk, facing a claim of the type contemplated may be a time to deploy multiple very limited witness statements. In other words, to combat a speculative claim, numerous witness statements from people prepared to confirm that they did not take or misuse a particular piece of IP may be effective. Other tools available are the instruction of independent third party

14 For a discussion of the complexities of the burden of proof issue and the limitations to the doctrine of the *onus probandi actori incumbit* (he who asserts a fact must prove it) in international arbitration, see N O'Malley, Rules of Evidence in International Arbitration: An Annotated Guide (Routledge, 2012) 202–6.

15 Article 3.3 of the IBA Rules "is designed to prevent a broad 'fishing expedition'": 1999 IBA Working Party & 2010 IBA Rules of Evidence Review Subcommittee, Commentary on the Revised Text of the 2010 IBA Rules on the Taking of Evidence in International Arbitration (2010) 8.

16 For more on this point, see R Marghitola, Document Production in International Arbitration (Wolters Kluwer, 2015) 122 [6.06].

witnesses and the use of experiments or observations.[17] The Arbitration Rules of the World Intellectual Property Organisation (the "**WIPO Rules**"), for example, expressly contemplate the performance of experiments.[18]

Proof in Practice

The seat of, and rules governing, any arbitration are capable of having a dramatic effect on the likelihood of one party obtaining evidence in another party's possession. Some rules are particularly suitable for IP arbitrations. For example, the WIPO Rules specifically contemplate disclosure of "*such documents or other evidence as* [the Tribunal] *considers necessary or appropriate*" and provide mechanisms for the resolution of disputes surrounding such disclosures. The WIPO Rules also provide for protections to ensure maintenance of confidentiality where appropriate.

In IP disputes, it is also worth considering amendments or carve-outs to standard rules or practices within the arbitration agreement to properly align the arbitral procedure with any potential dispute. This can include allowing for third-party joint experts, or arbitrators with industry experience as considered above. In the words of one commentator, "*like a Savile Row tailor, the parties and the arbitrator cut the suit to fit the contours of each contest*".[19] Tailored options for parties to IP disputes may include specific provisions for qualifications of tribunal members, expert involvement or application of international IP protocols.

Similar considerations apply when determining the seat of the arbitration. For example, whether the arbitration should take place in a common or civil law jurisdiction may have an impact on the arbitral tribunal's appetite for evidentiary disclosure as well as having an impact on substantive law regarding the burden of proof.[20]

Link Directory

IBA Rules on the Taking of Evidence in International Arbitration (as at 29 May 2010): http://www.ibanet.org/Document/Default.aspx?DocumentUid=68336C49-4106-46BF-A1C6-A8F0880444DC

Commentary on the Revised Text of the 2010 IBA Rules on the Taking of Evidence in International Arbitration:
http://www.ibanet.org/Document/Default.aspx?DocumentUid=DD240932-0E08-40D4-9866-309A635487C0

WIPO Arbitration Rules: http://www.wipo.int/amc/en/arbitration/rules/

17 T Cook and A Garcia, International Intellectual Property Arbitration (Kluwer Law International, 2010) 212.

18 WIPO Rules, Article 51.

19 W Park, Arbitration of International Business Disputes, Studies in Law and Practice (Oxford University Press, 2006) 604.

20 J Zammit, T Hambidge and J Hu, 'Disclosure and Admission of Evidence in the International Arbitration of Intellectual Property Disputes' in T Halket (ed), Arbitration of International Intellectual Property Disputes (Juris, 2012) 365–73.

MILAN
THE ITALIAN FRAMEWORK OF ARBITRATION AND IP RIGHTS

Currently, the predominant view that disputes concerning Italian intellectual and industrial property rights („IP Rights“) can be resolved by way of arbitration finds its bases in Italian law. This is namely the notion that IP Rights are disposable and, following a recent change in law, that IP disputes no longer require the involvement of the public prosecutor.

It is also possible to defer to arbitration matters involving liability in tort, subject to an agreement including a specific covenant that expressly provides that "*future disputes relating to one or more specific non-contractual relationships will be deferred to arbitration.*" Often, however, the above wording is not included in arbitration clauses that govern IP licence agreements, which provide for arbitration exclusively in case of disputes arising from the licence agreement.

In addition, providing that arbitration is suitable to resolve IP disputes in tort, the Italian IP Code also sets forth certain „hybrid“ procedures, which straddle the fence between formal arbitration and a contractually-governed decision by an expert/appraiser.

These procedures have limited, if any, practical application, and—notwithstanding the fact that the law erroneously labels them as mandatory—they are optional, meaning that the parties are free to choose whether or not to use them. The parties could instead opt for traditional arbitration or, of course, litigation in court.

Arbitration and IP Rights in Italy: overview

Article 806 of the Italian Code of Civil Procedure allows the parties to a dispute to defer issues involving **disposable rights** to arbitrators.

The **underlying public interest** in IP Rights and the **mandatory nature** of IP provisions are not, *per se*, indicia that IP Rights are not disposable. The fact that current Italian law no longer requires, and in certain cases does not provide for, the involvement of the public prosecutor has been viewed as supporting the opinion that disputes relating to IP Rights can be resolved by arbitration. Indeed, there is no question that IP Rights are disposable. Article 63 of the Italian IP Code defines the rights arising from patents as transferable and freely disposable. Trade marks are similarly deemed transferable pursuant to Article 23 of the Italian IP Code. In theory, these combined provisions allow for the settlement of disputes relating to IP Rights by arbitration.

Although opinions differ on the issue, the most recent consensus is that disputes that involve the validity of registered rights also can be resolved through arbitration.

Key Issues

- Within the Italian legal framework, disputes regarding IP Rights are generally deemed to be deferrable to arbitration. However, no prevalent position has yet taken hold as to whether proceedings that address the validity of an IP Right can be properly deferred to arbitration. This is especially if the resulting decision needs to be valid *erga omnes*, and thus acquire status as a court ruling.
- Arbitration is a faster process than ordinary judicial proceedings, and guarantees the confidentiality of the procedure and award. However, it is advisable to require that the award be anonymised in light of *exequatur*.
- The specific arbitration procedures governed by the Italian IP Code relate exclusively to quantification of the compensation to be paid to the owner of the IP Right. These are triggered only after a court of law or administrative body finds that compensation is due. These procedures are hybrid processes, somewhere between arbitration and contractual expert decision/ appraisal, and are very inflexible. The procedures are also complicated, possibly explaining why they are not frequently used. In any event they are optional (despite the law describing them as mandatory); that is to say, they can be used at the parties‘ sole discretion.

Another issue under debate is whether arbitration awards that declare null a certain IP Right are valid towards all. One position holds that the wording of Article 123 of the Italian IP Code—"*The total or partial invalidity of IP Rights is effective toward all when it is so declared by a final judgement no longer subject to appeal*"—does not allow resolution of a dispute relating to the validity of an IP Right to be deferred to arbitration, and therefore any such resolution will not have the value of *res judicata*.

In accordance with Article 808-bis of the Italian Code of Civil Procedure, it is possible to defer disputes relating to **matters in tort** to arbitration only if a specific covenant is present in the arbitration agreement, expressly providing that "*future disputes relating to one or more specific non-contractual relationships will be deferred to arbitration*". However, it is rare to find such wording included in arbitration clauses governing agreements for the license of IP Rights, which generally defer only the contractual disputes arising thereunder to arbitration.

In the absence of the above wording, the broadest scope attributed to an arbitration clause that makes reference exclusively to contractual disputes will most likely be one which gives the ordinary courts jurisdiction over "*claims that arise under the contract, as well as claims for which the contract, with other elements, is the basis*" (Italian Supreme Court, Ruling no. 24869, 9 December 2010; Italian Supreme Court *en banc*, 25 November 2011). Obviously, the scope will not be construed such as to defer only the disputes in tort to arbitration. Also included, for example, would be proceedings to ascertain the validity of the IP Rights object of the agreement under (Italian or EU) law.

In Italy, arbitrators cannot issue precautionary and interim measures. Therefore, even if arbitration proceedings are pending, precautionary measures can always be sought in the ordinary court that would have had jurisdiction over the case on its merits. Arbitration for disputes involving IP Rights may have advantages: (i) it is **faster** than ordinary court proceedings, which is particularly important given the length of Italian judicial proceedings; (ii) unlike court proceedings, the arbitration process is **confidential,** although following a procedure for *exequatur*, the award acquires validity as a court ruling, and as such it is no longer confidential. Thus, the arbitration covenant agreed by the parties should provide for publication of the award/ruling in anonymous form, as expressly provided for under the Italian Code of Civil Procedure; and (iii) by allowing the parties to choose the arbitrators, arbitration allows adjudication by **specialists in IP matters** (although, the Specialised Divisions for Enterprises within the Italian ordinary courts also have specialised knowledge of IP matters).

Specific arbitration procedures provided for under the Italian IP Code

The Italian IP Code, in addition to providing for dispute resolution by arbitration, also governs certain specific arbitration or quasi-arbitration procedures, which are considered to be hybrids—somewhere between traditional arbitration and contractual arbitration or appraisal.

The specific provisions set forth in the Italian IP Code are as follows: (i) Article 64, provides the procedure applicable to arbitration to **calculate the amount of the fair reward (*equo premio*)** due to employees for employee inventions; (ii) Article 80 provides the procedure **to calculate the compensation due for a patent license**, if no agreement is reached by the parties; (iii) Article 72 calculates the compensation **due for mandatory licenses**; (iv) Article 96 governs the procedure to calculate **the compensation due for licenses of topographies of products using semiconductors**; and (v) Article 86 governs the **calculation of the compensation due for licences for patents of utility models.**

In addition, Article 143 of the Italian IP Code provides the arbitration procedure to calculate, if no agreement is reached by the parties, the **compensation due for the expropriation of an IP Right** pursuant to Articles 141 and 142 of the Italian IP Code.

Article 194 requires arbitration **to calculate the indemnity due for other expropriation procedures of IP Rights**.

It is now a settled point of law, as affirmed for the first time by the Supreme Court in 1977 (Case no. 127/1977), that calculation of fair reward by arbitration is optional and this principle applies to the other specific hypotheses too.

In proceedings before the Court of Milan, Specialised Section for Business Matters (Ruling of 25 October 2012), the parties expressly waived appointing arbitrators and instead requested that the fair reward be determined by a court-appointed technical consultant. Such choice, in that and many other cases, was likely based on the parties' preference that all decisions, on the merits and on the amount of damages, be made by one single deciding body, be it in court or arbitration.

In practice, use of the above procedures is not frequent, although this analysis can only be based on awards that have been published.

Conclusions

Arbitration as an alternative resolution of disputes that involve IP Rights could offer advantages and may be preferable.

On the other hand, the specific procedures set out in the Italian IP Code are not practical and often not advisable; thus leading to the preferred solution of commencing proceedings in a court of law or traditional arbitration.

Monica Rica – IP Lawyer of the Year in the fashion industry

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"Clifford Chance Studio Legale Associato's **Monica Riva** has a broad practice which spans unfair competition, trade marks and advertising. "I am very impressed with her extraordinary commitment to providing excellent client service and her creative problem-solving," enthuses one client."

Chambers & Partners 2017: Europe Guide: Italy – Intellectual Property

FRANKFURT
FRAND ARBITRATION: THE NEW STANDARD?

Since 2009, courts all over the world—and especially courts in Germany, the United Kingdom and the United States—have dealt with patent infringement suits between smart phone companies as part of the so-called "smartphone patent wars". Eight years later, the focus of these disputes over standard-essential patents ("**SEPs**") has, to a certain degree, changed. It has shifted from infringement suits to disputes concerning the determination of fair, reasonable and non-discriminatory ("**FRAND**") license terms. More and more frequently, these disputes, involving frequently technocratic exercises of comparing similar licensing transactions, are decided by arbitral tribunals. This trend will likely continue and maybe become a standard on its own.

Key Issues

- FRAND disputes are becoming more and more frequent.
- In the *Huawei* decision, the CJEU suggested arbitration for FRAND cases.
- Arbitral tribunals may be better equipped to ensure uniform solutions for multi-jurisdictional problems and to retain confidentiality.

Background

SEPs are patents that are essential to implement a certain industry standard; it is not possible to manufacture products that comply with a certain standard without making use of the technologies covered by these patents. This may give companies owning SEPs significant market power. As a result, standards bodies, such as the Institute of Electronic and Electrical Engineers ("**IEEE**"), generally require their members to commit to license SEPs on FRAND terms.[21]

Very often, a patent holder requests licence rates that the potential licensee considers excessive. The patent owner may then sue this company as an alleged infringer, seeking an injunction and damages. In addition to asserting defences like non-infringement and invalidity of the patent, the accused infringer may counterclaim for violation by the patent holder of FRAND licensing obligations. This then presents the court with multiple challenging questions, such as: Is the patent valid and infringed? Is it properly standard essential and, if so, what is the proper FRAND licensing rate? Has the alleged infringer shown itself willing or unwilling to negotiate on what the court determines to be a FRAND basis and, if unwilling, should it be enjoined from selling its products?

21 For example, the IEEE required each participant in establishing the 802.11 wireless standard to either state that it was not aware of any patents relevant to the standard or to provide a "Letter of Assurance." In the Letter of Assurance, the participant would either disclaim the enforcement of patent claims essential to the standard or commit to provide "a license for a compliant implementation of the standard…on a worldwide basis without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination".

Challenges of FRAND Disputes: complexity and confidentiality

These issues become exponentially more complex when, as is usually the case, the dispute does not involve one single national patent, but a portfolio of many patents all over the world. Further difficulties arise when a number of potential licensees are negotiating and disputing licence terms with the same patent holder and when cross-licences are at stake as well.

Such multi-jurisdictional and multi-issue disputes have until recently been decided by a multitude of courts resulting in a multitude of approaches. Scholars and practitioners, especially those in the United States, have therefore argued for several years that FRAND disputes would be better decided by arbitral tribunals. The debate was further fuelled in 2013 by an article by the US antitrust professors Mark A Lemley and Carl Shapiro arguing that SEP owners should be obligated to enter into binding baseball-style[22] (or 'final offer') arbitrations with any willing licensee to determine the royalty rate.[23]

One particular issue that arises in FRAND disputes, which may furthermore be better addressed by arbitration, is the preservation of confidentiality over sensitive documents or commercial terms. As part of determining if licensing terms are FRAND, the parties to FRAND court proceedings may be asked to submit proposed licences to the court to show that the terms are fair and not discriminatory. The submissions to the court may, therefore, result in a waiver of confidentiality over those terms. The confidential nature of arbitrations means that such waivers may be less problematic in the context of arbitration.

WIPO FRAND arbitration

As a result of these discussions, the World Intellectual Property Organization ("**WIPO**") has made available tailored model submission agreements that parties may use to refer a FRAND dispute to WIPO Mediation, WIPO Arbitration or WIPO Expedited Arbitration.[24] So far, however, no FRAND arbitration seems to have taken place under the WIPO regime.[25] As of May 2017, most FRAND arbitrations that have taken place seem to have been ad hoc arbitrations, or arbitrations pursuant to the Arbitration Rules of the International Chamber of Commerce ("**ICC**"). For example, Nokia and Samsung agreed on an ICC arbitration to settle a FRAND dispute between them.[26]

22 In baseball-style arbitration each party presents one number and the arbitrator is tasked with choosing which number is a more accurate representation of the FRAND licensing rate.

23 See Lemley, Mark A. and Shapiro, Carl, A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents (November 5, 2013). Stanford Public Law Working Paper No. 2243026. Available at SSRN: https://ssrn.com/abstract=2243026 or http://dx.doi.org/10.2139/ssrn.2243026 (last accessed on 6 June 2017).

24 These agreements can be found at: http://www.wipo.int/amc/en/center/specific-sectors/ict/frand/ (last accessed on 6 June 2017).

25 The WIPO statistics do not mention any FRAND cases. Moreover, at a recent arbitration conference in Germany dealing with IP arbitration, namely the "Petersberger Schiedstage 2017", several speakers doing WIPO arbitration on a frequent basis confirmed that they are not aware of any such dispute.

26 See http://www.nokia.com/en_int/news/releases/2016/02/01/nokia-receives-decision-in-patent-license-arbitration-with-samsung-positive-financial-impact-for-nokia-technologies for Nokia's press release on this dispute (last accessed on 6 June 2017).

Huawei v ZTE: the trigger for arbitrations?

The call for arbitration has become even louder since the summer of 2015: on 16 July 2015, the Court of Justice of the European Union ("**CJEU**") handed down its long-awaited judgment in *Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH*.[27] The case concerned the potential for enforcement action by SEP holders to infringe EU competition rules against abuse of a dominant position.

The CJEU was asked to answer five questions submitted by the Regional Court of Düsseldorf, Germany. Contrary to recent German case law, but in line with the opinion of Advocate General Wathelet, the CJEU held that an SEP proprietor cannot, without abusing its dominant position, file an action for prohibitory injunction or for the recall of products before—on its own initiative—initiating and working towards the conclusion of a FRAND license agreement. In a much-noticed side note, the CJEU suggested that disputes over FRAND rates shall be decided by arbitral tribunal, and hence followed the example of the Federal Trade Commission in the United States.[28]

It remains to be seen whether this suggestion will be followed by many companies. This will often only work if companies are in a position to agree on a procedural regime for arbitration despite the fact that initial negotiations concerning FRAND royalties may have failed. Moreover, how arbitral tribunals will deal with the steps necessary in a pre-arbitration phase according to the Huawei ruling, and whether they will even consider to be bound by this ruling, are open questions. For example, according to the CJEU, it is not sufficient for the SEP holder to merely provide the alleged infringer with a list of patents that are alleged to be infringed, but rather it must provide claim charts for the most significant patents explaining the purported infringement. All references to standards need to be specific; it is not sufficient to state that a patent is essential to a standard and the infringing device adheres to the standard.

27 Case C-170/13; see http://curia.europa.eu/juris/liste.jsf?num=C-170/13 for this judgment (last accessed on 6 June 2017).

28 See Carter, James, FRAND Royalty Disputes: A New Challenge for International Arbitration, in: Contemporary Issues in International Arbitration and Mediation, The Fordham Papers 2013, edited by Arthur W. Rovine, for a detailed description of early initiatives of the Federal Trade Commission to advocate arbitration in the FRAND context.

HONG KONG
ARBITRATION IN INTELLECTUAL PROPERTY DISPUTES

A bill presently going through the legislative process in Hong Kong aims to increase the attractiveness of Hong Kong as an arbitration centre of choice for IP disputes. The Hong Kong Government has recently introduced a bill to amend the Arbitration Ordinance (Cap 609) (the Ordinance) to make clear that intellectual property disputes can be settled by arbitration. The amendments put Hong Kong in a leading position in this respect when compared with other countries, many of which do not have specific legislation clarifying the arbitrability of IP disputes.

Key Issues

- The amendments to the Arbitration Ordinance (Cap 609) make it clear that IP rights can be settled by arbitration in Hong Kong.
- The new provisions make it clear that enforcing an arbitral award dealing with IP rights would not be contrary to Hong Kong public policy.
- The changes – together with the establishment of a dedicated panel of IP expert arbitrators – are designed to improve Hong Kong's position as an arbitration centre of choice.

The move comes as part of the Government's drive to enhance Hong Kong's status as a leading centre for international dispute resolution services in the region. As such, the amendments will only apply to arbitration where Hong Kong has been chosen as the seat of arbitration or Hong Kong law has been chosen as the governing law of the arbitration.

Welcome clarity

Whilst it has always been clear that contractual and/or licensing disputes relating to the use, transfer and/or development of intellectual property rights (IPR) are arbitrable, the arbitrability of IP disputes beyond these issues, such as the validity and infringement of IPR, has remained uncertain.

Section 86(2) of the Ordinance, reflecting Article 34 of the UNCITRAL Model Law, states that enforcement of an award may be refused if: (a) the award is in respect of a matter which is not capable of resolution by arbitration under the law of Hong Kong, or (b) it would be contrary to public policy to enforce the award. There had been concern expressed that enforcement of an arbitral award that affects the validity or infringement of IPR may be refused in Hong Kong under either, or both, of these grounds. The amendments to the Ordinance intend to put the matter to rest, making it clear that disputes concerning the validity or infringement of IPR can be the subject of arbitration.

Broad definitions

The definition of IPR in the bill is broad and wide-ranging. Arbitrable IPR includes patents, trade marks, designs, copyrights, domain names, rights in confidential information, trade secrets or know-how and rights to protect goodwill by way of passing off or similar action against unfair competition, as well as the catch-all "any other IP rights of whatever nature". The bill also states that a reference to IPR in the Ordinance includes all registered and unregistered rights, whether or not subsisting in Hong Kong.

In addition, “dispute” is defined broadly as a dispute over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR; a dispute over a transaction in respect of an IPR; and a dispute over any compensation payable for IPR.

Arbitrability of validity and infringement

Whilst the term “arbitrable IPR disputes” includes disputes concerning the validity of an IPR, section 103I also clarifies that the validity of a patent may an issue in arbitral proceedings. In accordance with section 73 of the Ordinance (which states that an award made by an arbitral tribunal pursuant to an arbitration agreement is final and binding on the parties and any person claiming through or under them), an Arbitrability Working Group set up by the government has advised that the effect of an arbitral award in respect of the validity of an IPR would only bind the actual parties who participate in the arbitral proceedings and would not go beyond that. If the arbitrator decides that a trade mark is invalid, for example, the arbitral award would take effect between the parties to that arbitration only. The trade mark being challenged would remain validly registered insofar as third parties are concerned.

The draft bill also specifies that a licensee (exclusive or not) will not be entitled to the benefits, or subject to the liabilities, of an arbitral award obtained by the owner of the IPR unless the licensee is joined to the arbitration.

One way around this apparent restriction would be for a party to an arbitration who is seeking to challenge the validity of a registered trade mark or patent to frame the relief sought in appropriate terms when bringing an action against the owner of the mark or patent. The challenging party could, for example, seek an order requiring the trade mark owner to assign the mark to it, or to surrender the mark altogether.

Enforcement issues

A key enforcement issue will be whether the law of the place where enforcement is sought recognises the arbitrability of or the enforceability of awards concerning patent validity and infringement and if so, to what degree. There is no uniform answer to this question as the laws of different jurisdictions vary considerably.

The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the Convention) provides for the ready enforcement of arbitral awards in the territory of any contracting state that were made in the territory of another contracting state. Since virtually all major trading nations are parties to the Convention, the Convention should, in theory, make it easier for a rights holder to take action against an infringer who is making or selling the allegedly infringing products in different national jurisdictions. A special arrangement exists between Hong Kong and China that substantially mirrors the relief available under the Convention.

Enforcement may not always be straightforward in practice, however. The IPR in question needs to be arbitrable not only under the law of the seat of the arbitration but also under the law of those jurisdictions where enforcement would likely be necessary. It may be conceptually difficult to separate an IPR that is by nature territorial, from the set of legal rules established to protect and enforce that right. For example, if the seat of an arbitration concerning US patents is in Hong Kong, should the applicable law be that of the US or Hong Kong?

If parties have not made a choice of law, the arbitral tribunal must determine which substantive law is to apply. Even where the parties have agreed upon the applicable substantive law, this may not be given automatic effect since IPR are often mandatorily governed by local law which may not be what the parties have chosen.

In addition, enforcement of an award may become a problem in the jurisdiction where the IPR was created, if a law other than the law of that jurisdiction was used to determine its validity. Taking the above example, if Hong Kong law is adopted to determine the validity of a US patent in a Hong Kong-seated arbitration, could the award even be enforced in the US? In another example, again assuming the seat is in Hong Kong, even though an award finding that certain Chinese patents are invalid would be valid under Hong Kong law, the courts in China may not recognise or enforce the award either because: (i) patent validity is not arbitrable in China; or (ii) enforcement of the award would be contrary to the public interests of China.

It is hoped that in time, more internationally co-ordinated rules on enforcement will be developed so that more parties will be encouraged to adopt arbitration as an alternative to civil court litigation, which arguably entails far greater challenges in terms of enforcement.

Dedicated Panel

The Bill was gazetted on 2 December 2016, just months after HKIAC launched a new panel of arbitrators for IP disputes, replicating a similar panel already established by the Singapore International Arbitration Centre. The panel is made up of senior counsels, former judges, experienced solicitors from different jurisdictions and heads of IP professional organisations.

The move is in keeping with the practice of many other global arbitral institutions which can provide parties with specialised IP arbitrators. In the US, for example, the Silicon Valley Arbitration and Mediation Centre publishes an annual "Tech List" of arbitrators with substantial experience in the tech and IP sectors.

International comparison

The changes to the Hong Kong legislation come not before time.

The Singapore Government adopted its "IP Hub Master Plan" in April 2013 as a means of developing Singapore as a single forum to resolve multi-jurisdictional disputes. Since the plan was put into place, more than 450 arbitration and mediation cases have been administered by the World Intellectual Property Organisation's (WIPO) Arbitration and Mediation Centre in Singapore. The service provided in Singapore also includes a new expert determination option to assist in resolving patent disputes pending before the Intellectual Property Office of Singapore (IPOS) in a joint venture programme with WIPO. Unlike Hong Kong, there is no specific amendment made or being proposed to Singapore arbitration laws clarifying that IP disputes are arbitrable. There remains uncertainty over the arbitrability of IP disputes in Singapore, particularly disputes involving IP validity.

There seems to be no clear guidance as to the arbitrability of IP rights in China although the general view seems to be that while IP disputes that arise from contracts may be submitted for arbitration, the validity of registered IPs, such as patents and trademarks, cannot be the subject of arbitration as determining such disputes is the sole preserve of the PRC Patent Office, Trademark Office and the courts.

Next steps

The Bill is still going through the legislative process and is presently being considered by the Bills Committee of the Legislative Council.

At present, there is no further word as to when it will come into effect, although it is expected to be late-2017 at the earliest. Even when it is in force, the proposed amendments will only apply to arbitration which has commenced subsequent to the commencement of the amended Ordinance. Despite the long gestation period, it is hoped that when they finally come into effect, the amendments do provide some much-needed clarity on the range and scope of disputes that can be made subject to arbitration in Hong Kong.

Conclusion

Despite issues of enforcement and jurisdiction, arbitration remains preferable to litigation particularly where the dispute covers a range of IPRs in different jurisdictions. Determining infringement (and related validity issues) of counterpart patents, copyrights or trade marks in various countries entails litigation in multiple foreign courts with different judicial systems and judges with varying degrees of experience and qualifications. Such procedures would be costly and much more drawn-out. Arbitration offers a more streamlined and efficient mechanism for resolving IP disputes covering IPRs in different jurisdictions.

With the introduction of the Bill removing any doubts as to the arbitrability of IPRs in Hong Kong, it is hoped that companies will be encouraged to adopt Hong Kong as the seat and Hong Kong law as the substantive law over other jurisdictions where such clarity may be lacking in comparison.

> "**Ling Ho** is head of the firm's Asia-Pacific IP group and China litigation and dispute resolution practice. She maintains a good reputation for trade mark infringement and unfair competition, as well as portfolio management work. "Ling is very practical and her answers are very quick," notes one client."
>
> Chambers & Partners 2017: Asia-Pacific: China – Intellectual Property (International Firms)

BARCELONA
OVERVIEW OF THE IP-RELATED PRELIMINARY INJUNCTION APPLICATIONS AND INVESTIGATION MEASURES REQUESTS FILED IN CONNECTION WITH THE LATEST MOBILE WORLD CONGRESS HELD IN BARCELONA.

From 27 February to 2 March 2017, Barcelona hosted the latest annual Mobile World Congress, the most important international trade fair for the mobile phone industry. More than 108,000 people attended the MWC, surpassing last year's visitor attendance record. The Barcelona Commercial Courts took steps to aid in its success by adopting effective measures to protect the exhibitors' intellectual property rights. This article summarises the outcome of the proceedings handled by these Courts in relation to the most recent MWC.

Key Issues

- The Barcelona Commercial Court issued a special protocol for MWC 2017 in order to avoid, to the extent possible, granting interim injunctions based on intellectual property rights infringement without hearing the defendant and, at the same time, to guarantee the adoption of effective measures for protecting those allegedly infringed intellectual property rights.
- The outcome of the protocol at MWC 2017 has been positive, with more than 20 cases solved in just a few days.

Year after year, the Mobile World Congress ("**MWC**") continues to beat its own visitor attendance record. In order to prevent any legal issues from diverting visitors' attention away from the global debut presentations of new mobile phones and innovations, the Barcelona Commercial Courts (the "**Courts**") approved, for a third consecutive year, the implementation of a special protocol for MWC 2017 (the "**2017 Protocol**") to ensure the smooth running of the event.

In particular, the Courts undertook:

(i) to give preferential and priority treatment to urgent interim injunctions related to the MWC;

(ii) to hand down a decision on interim injunction applications on an *ex parte* basis within two days of their submission to the Courts and, when a "protective letter"[29] had been filed, to schedule a hearing and hand down a decision within ten days of its submission at Court; and

(iii) to admit the submission of protective letters in order to avoid, to the extent possible, granting interim injunctions without hearing the defendant.

In the 2017 Protocol, the Courts also stated that, when assessing the requirement of "urgency" set out in the Spanish Civil Procedure Act for considering the adoption of interim injunctions on an *ex parte* basis, they would take into account the applicant's prior conduct and, in particular, the speed with which it reacted upon becoming aware of the possible infringement and in submitting the application.

29 A protective letter is a Spanish legal instrument of anticipatory defence. Where a party is at risk of an *ex parte* injunction, that party can file a protective letter with the Courts, setting out its position prior to the Courts deciding on any measure.

Cases dealt with under the 2017 Protocol framework

MWC 2017 was a great success. More than 108,000 people visited the venues, representing a 7% increase as compared to 2016. This increase also resulted in a rising number of MWC proceedings being brought before the Courts. The Courts admitted and resolved more than twenty cases within the framework of application of the 2017 Protocol.

According to a report issued by the Courts in March 2017, the Courts issued twelve protective orders (last year they issued fourteen). All protective order requests were based on alleged non-infringement of patents and all of them were processed and decided prior to the start of the MWC. The parties making such requests or those potentially affected by the protective orders included well-known technology companies such as Samsung, Nokia, Ericsson, Wiko, ZTE, Sisvel, and ARCHOS, among others.

In addition, the Courts handled seven applications for the adoption of interim injunctions on an *ex parte* basis. This is a significant increase with respect to last year's MWC, when only two applications were submitted. The seven applications were made against eight different companies and all applications were processed and decided within 24 hours. Four out of these seven applications were upheld and three were rejected. Unfortunately, the Courts have not disclosed whether any protective order was issued in relation to cases where an interim injunction application was later filed.

Apparently, one opposition was filed against the adoption of interim injunctions *ex parte* and was also decided within 24 hours. The Courts upheld the opposition and decided to set an amount for a bond, to be posted in substitution of the injunctions.

This year, the Courts also ordered five *ex parte* inspections (to search for and seize evidence) against five different companies in relation to patents. The inspection requests were all processed, admitted and ordered within 24 hours.

In order to notify and enforce the *ex parte* interim injunctions and the *ex parte* inspection orders, the Judges of the Courts went to the venue in person and were assisted by the officers and advisors of GSMA (the event organiser) and Fira de Barcelona (on whose premises the MWC was held). Support was also provided by the Mossos d'Esquadra (regional police force).

Outcome of the 2017 Protocol

In retrospect, it seems that the Courts not only fulfilled, but exceeded their undertaking to rapidly admit and resolve cases arising in relation to the MWC. The Courts undertook to resolve interim injunction applications within two days but solved them in only 24 hours. They also decided an opposition to an *ex parte* interim injunction in just 24 hours. Although surprise inspections were not specifically included in the 2017 Protocol, the Courts also replied to those requests within 24 hours.

Ample consideration was given to the smooth running of the event, whereby technological innovations made the news and not the Judge's decisions. The Courts intended for quick and discreet enforcement action, with as little conflict as possible. As such, judges were present at the MWC to coordinate the notification and enforcement of their decisions, together with officers from GSMA and Fira de Barcelona, with assistance from the regional police.

All in all, the 2017 Protocol had a positive outcome, which leads the Courts to predict that the protocol will remain in place in 2018 and the number of cases will further increase, in terms of both requests for protective orders and applications for *ex parte* injunctions.

However, some improvements can still be made. In particular, some companies, lawyers and court agents have proposed that a registry be created in order to (i) facilitate the notification and execution of *ex parte* injunctions and surprise inspections, and (ii) ensure that companies affected by these measures have immediate access to a lawyer and court agent, thereby enabling them to intervene in proceedings. The Courts are aware of this need and are considering the possibility of making the necessary arrangements in order to guarantee that all the parties' rights will be defended and that the Courts can provide an equally rapid response.

HONG KONG
IP ARBITRATION IN CHINA – A WORK IN PROGRESS

China currently does not have an established regime for IP arbitration. Nonetheless, the PRC government is taking steps to promote arbitration, as highlighted recently by an initiative set up by the PRC State Intellectual Property Office (SIPO) on 9 March 2017. SIPO launched a two-year pilot working programme with the goal of developing an IP arbitration and mediation mechanism across China including plans to further develop and set up specialist IP arbitration centres (currently there are IP specialized arbitration centres/tribunals in a few major cities only such as Shanghai and Guangzhou), cultivating expertise, establishing working procedures and generally promoting public awareness of arbitration as a means of dispute resolution.

Key Issues

- The PRC is promoting arbitration as a dispute mechanism across China.
- The bulk of current arbitration work in China focuses on contractual IP.
- Whether IP infringement disputes are arbitrable in China is uncertain.
- It is unclear whether foreign arbitral awards concerning the validity of IPRs can be enforced in China.

Arbitrability of IP related disputes in China

1. Contractual IP disputes

Contractual IP disputes are generally arbitrable in China[30]. These include, for example, disputes arising from IP licences, technology development or service agreements, publication agreements and so on, provided that the relevant parties agree in writing to submit the dispute to arbitration.[31]

In practice, contractual IP disputes make up the bulk of the work done by existing IP arbitration tribunals and centres. Of the 117 cases reviewed by the Shanghai Arbitration Court of Intellectual Property in 2014, for example, 82 related to licence agreements, 11 to technology development agreements, two to technology consulting agreements, one to a copyright agreement and one to a publication agreement.

2. IP Infringement disputes

Arbitration of IP infringement disputes has been less common in China, despite an opinion of the PRC Supreme Court which suggests arbitration as a possibility, but only if both parties are able to reach a written agreement to arbitrate *after* the

30 Article 2 of the PRC Arbitration Law provides that contractual disputes and other disputes arising from property rights and interests between citizens, legal persons and other organisations of similar legal status may be submitted for arbitration. Article 55 of the PRC Copyright Law provides that copyright disputes may be submitted for arbitration in accordance with the relevant written provision or agreement made by the parties. Article 33 of the PRC Software Copyright Law provides that contractual disputes in respect of software copyright disputes may be submitted for arbitration in accordance with the relevant written provision or agreement made by the parties.

31 Article 4 of the PRC Arbitration Law provides that parties seeking to settle disputes through arbitration must reach an agreement to arbitrate on a mutually voluntary basis. An arbitration commission shall not accept an application for arbitration submitted by one of the parties in the absence of such an agreement.

alleged infringement has taken place.[32] This does not apply where the infringing act has given rise to a criminal offence such as in cases of serious copyright infringement or misappropriation of trade secrets, since it is felt that this would involve public interest considerations.

3. IP validity disputes

In broad principle, administrative disputes falling within the legal jurisdiction of the relevant administrative authorities may not be submitted for arbitration in China.[33] However, a question still arises as to whether the relevant administration authority enjoys sole jurisdiction to determine such disputes. There are differing interpretations of the PRC law on this.

A popular view is that whilst the validity of unregistered IPs, and trade secrets, may be submitted for arbitration (on the basis that such rights can be created and subsist without the approval by, or registration with, an administrative authority), the validity of registered IPs, such as patents and trademarks, cannot be the subject of arbitration as determining such disputes is the sole preserve of the PRC Patent Office, Trademark Office and the courts.

Another view holds that the validity of registered IPs can be the subject of arbitration as long as the arbitral award only binds the relevant parties and would not be enforced against a third person unless the award has been endorsed by a relevant administration authority.

Unlike in Hong Kong where the amendment bill has made clear that IP validity issues are arbitrable, currently there is no clear answer to this in China.

Cross-jurisdiction enforcement in China

A foreign arbitral award can be enforced in China under the New York Convention. Any refusal to enforce would have to be approved by the PRC Supreme Court. Currently China only adopts the New York Convention in respect of disputes arising from contracts, and perhaps infringement as outlined above (but not for IP validity issues). Awards concerning the validity of IPs, especially registered IPs, pose a more difficult challenge given the existing legal framework in the PRC.

Conclusion

Although it is clear that IP disputes arising from contractual relationships are arbitrable in China, there are still uncertainties as to whether, and how, IP infringement and validity issues may be arbitrable in China. It is hoped that such issues may be further clarified as part of the SIPO's two-year pilot working programme.

"At Clifford Chance, highly regarded practice head **Ling Ho** advises well-known international companies on trade mark and brand portfolio management, and works alongside colleagues in the M&A department to handle the IP aspects of major corporate transactions."

LEGAL 500 2017: Hong Kong – Intellectual property

New PRC Cyber-Security Law comes into Force

The Cyber-security Law of the People's Republic of China took effect on 1 June 2017. The Law applies to everyone who operates networks in the PRC and will have particular impact on multinational corporations. The Cyberspace Administration of China (CAC) has issued a series of regulations implementing the law, and has also asked the public for comments on other proposed implementing rules, including measures affecting the transfer of personal data outside the PRC.

For further details, see our client briefing here: https://goo.gl/igj5Ve

32 Shortly after China had acceded to the New York Convention, the Supreme People's Court issued in 1987 a circular (the "**Circular**") setting out the Courts' opinion as to how New York Convention would apply in China. See Article 2 of the Circular, which states that: *"In accordance with the statement made by China when acceding to the New York Convention, the New York Convention shall only apply to disputes arising from any contractual or non-contractual commercial legal relationship "* and it is stated in the Circular that such *"Contractual or non-contractual commercial legal relationship"* includes economic/civil rights and obligations arising from contractual relationships, infringement or any commercial relationships that arise in accordance with the law, such as sale of goods, lease of property, project contracting, processing, technology assignment, joint venture business, joint business operations, exploration and development of natural resources, insurance, credit, labour services, agency, consultation service, marine/civil aviation/ railway/road passenger and cargo transportation, product liability, environment pollution, marine accident, disputes over ownership etc. It does not, however, include disputes between foreign investors and the government of the country in which the investment takes place.

33 See Article 3 of the PRC Arbitration Law.

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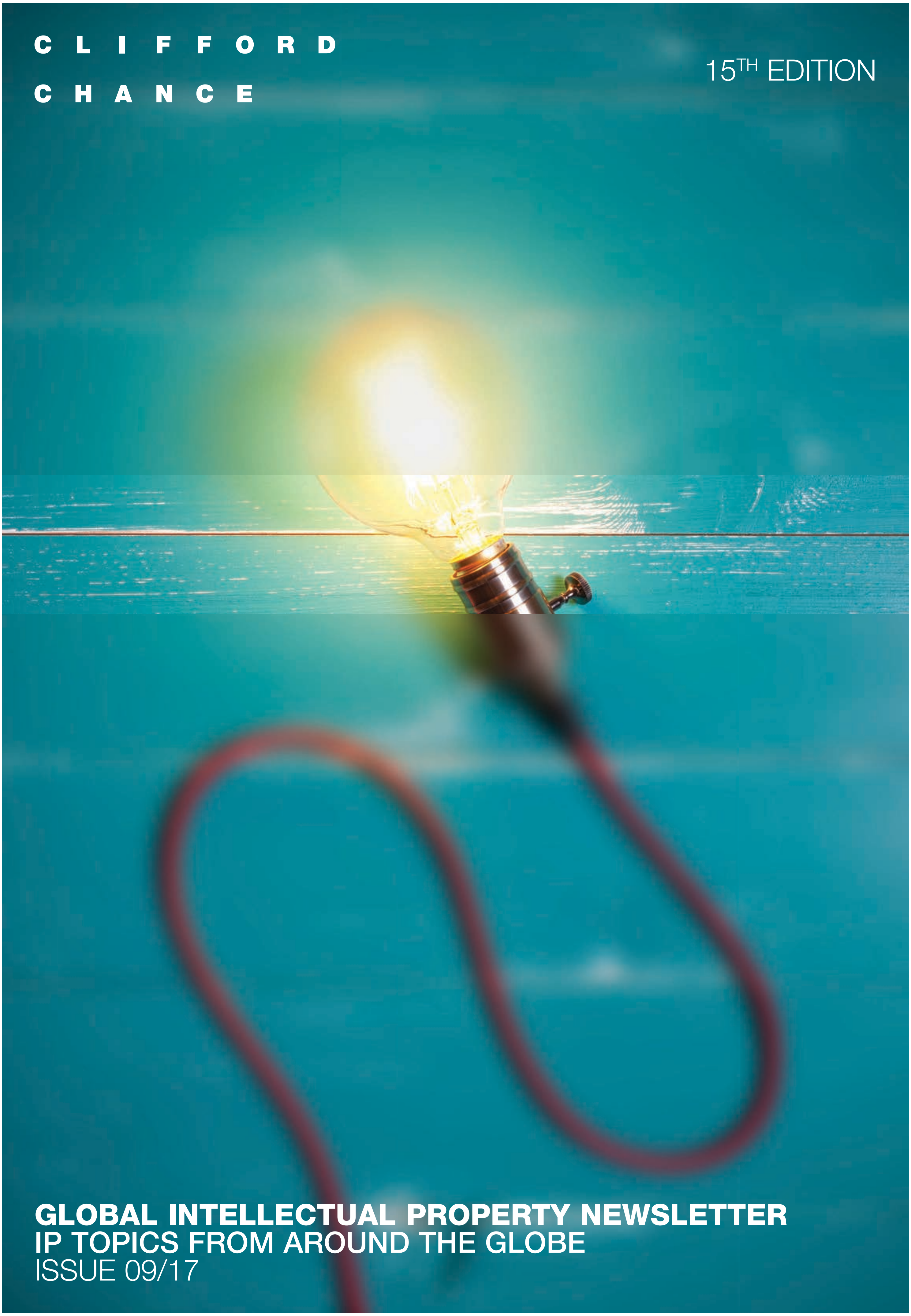
15TH EDITION



GLOBAL INTELLECTUAL PROPERTY NEWSLETTER
IP TOPICS FROM AROUND THE GLOBE
ISSUE 09/17

15TH EDITION

With summer break coming to an end, the Clifford Chance Global IP team would like to present the **15th Edition** of our **Clifford Chance Global IP Newsletter**. We hope to offer you some insight into what has been discussed in the field of IP over the past three months.

To start, our article on new website blocking laws in **Australia** analyses whether the new legislation will be an effective means for copyright owners to disable user access to websites hosting infringing content.

Looking to recent developments in **European case law**, the Newsletter will review the judgment of the **CJEU** which sets out the liability of unlicensed online platforms, such as "**The Pirate Bay**", for copyright infringement and delineates the interpretation of communication to the public under Directive 2001/29/EC.
With regard to the recent CJEU reference filed by the Court of The Hague, the Newsletter provides new insight into the **concept of digital exhaustion** and the digital consumer goods on a second hand market. In addition, we provide an update on the **European Trade Secrets Directive**.

Next, the Newsletter will turn to national legislative and case law updates in Member States across the EU. In Spain, we outline the most relevant aspects of Decree-Law 12/2017 establishing a system of **Fair Compensation for private copying**. In the UK, we look to the ***Eli Lilly v Actavis*** decision of the **Supreme Court of the United Kingdom** which reformulates the **doctrine of equivalents** applied by the Courts of four different European countries: the United Kingdom, France, Italy and Spain.

Next, we will analyse the new **Italian regulations on inventions by freelance workers** which put an end to the courts' former practice of simply applying the provisions for subordinate employees by way of analogy.

The Newsletter will then examine a recent judgment of **the German Federal Court of Justice** holding that under unfair competition law an order to cease and desist also entails the obligation **to actively recall infringing products** already sold to retailers.

Referring to the problems due to parallel import, we will inform you on the pros and cons of introducing the international principle of exhaustion of IP rights in relation to certain goods in the **Eurasian Economic Union**.

Finally, we again look abroad at the latest **IP trends in China**. Our Newsletter finishes with a brief introduction of the new **Cyberspace Court** established in Hangzhou.

We hope you enjoy reading this 15th Edition and look forward to your feedback.

Your CC Global IP Team

SYDNEY
INJUNCTIONS AHOY! PIRACY TARGETED BY NEW WEBSITE BLOCKING LAWS IN AUSTRALIA

In June 2015, the Australian Commonwealth Parliament passed the *Copyright Amendment (Online Infringement) Act 2015* (Cth) ("**Amendment Act**"), which incorporated amendments into the Copyright Act 1968 (Cth) ("**Copyright Act**") allowing copyright owners to apply to the Federal Court of Australia for injunctions against internet service providers ("**ISPs**")[1] to disable user access to websites hosting infringing content. After enduring a largely uneventful first year of operation, the delivery of the first judgment considering the new provision on 15 December 2016 (a decision in favour of the copyright owners) has led to a recent flurry of applications for injunctions by members of the film, television and music industries. However, the ultimate utility of the legislation has been called into question, as numerous workarounds have been developed by hackers and members of the online community to bypass the ISPs' blocking mechanisms, frustrating the object of the injunctive relief. This article considers what the courts have said copyright owners must demonstrate in order to be successful in obtaining injunctive relief, and then poses the question, is it really worth all the effort?

Key Issues

- New legislation and recent case law in Australia has demonstrated that courts are ready, willing and able to make orders requiring ISPs to block user access to websites whose purpose is to infringe, or to facilitate the infringement of, copyright.
- In order to obtain website blocking orders, copyrights owners must prove that a website located outside Australia is hosting content infringing its copyright and be willing to pay the compliance costs of the ISPs against whom the orders are sought.
- The utility of website blocking orders has been questioned due to the relative ease with which they can be circumvented, including through the establishment of mirror or proxy sites, or by use of a VPN.

Background

Websites such as The Pirate Bay, KickAss Torrents and IsoHunt have long been the bane of the copyright owner, freely hosting and distributing pirated audio-visual material in breach of copyright, largely without sanction. However, the tides appear to be turning as recent amendments to Australia's copyright laws have given copyright holders the right to seek injunctions from the Federal Court of Australia requiring ISPs to block access to websites hosting infringing content, in an effort to limit the proliferation of pirated material.

1 Whilst the Copyright Act is said to apply to "carriage service providers" (defined as a provider of "a service for carrying communications by means of guided and/or unguided electromagnetic energy"), this article uses the more widely understood term, ISPs.

Legislation

Section 115A of the Copyright Act provides:

(1) *The Federal Court of Australia may, on application by the owner of a copyright, grant an injunction referred to in subsection (2) if the Court is satisfied that:*

(a) *carriage service provider provides access to an online location outside Australia; and*

(b) *the online location infringes, or facilitates an infringement of, the copyright; and*

(c) *the primary purpose of the online location is to infringe, or to facilitate the infringement of, copyright (whether or not in Australia).*

(2) *The injunction is to require the carriage service provider to take reasonable steps to disable access to the online location.*

…

(5) *In determining whether to grant the injunction, the Court may take the following matters into account:*

(a) *the flagrancy of the infringement, or the flagrancy of the facilitation of the infringement, as referred to in paragraph (1)(c);*

(b) *whether the online location makes available or contains directories, indexes or categories of the means to infringe, or facilitate an infringement of, copyright;*

(c) *whether the owner or operator of the online location demonstrates a disregard for copyright generally;*

(d) *whether access to the online location has been disabled by orders from any court of another country or territory on the ground of or related to copyright infringement;*

(e) *whether disabling access to the online location is a proportionate response in the circumstances;*

(f) *the impact on any person, or class of persons, likely to be affected by the grant of the injunction;*

(g) *whether it is in the public interest to disable access to the online location;*

(h) *whether the owner of the copyright complied with subsection (4);*

(i) *any other remedies available under this Act;*

(j) *any other matter prescribed by the regulations;*

(k) *any other relevant matter.*

The Revised Explanatory Memorandum accompanying the Amendment Act provides that "*the Court granting an injunction would not create a presumption that the [ISP] has infringed copyright nor authorised the infringement of copyright*."

Case Law—*Roadshow No 1*

In *Roadshow Films Pty Ltd v Telstra Corporation Ltd* [2016] FCA 1503, Justice Nicholas granted injunctive relief to the owners of copyright for a number of motion pictures (including high-grossing blockbusters such as *Spider-Man 2* and *Jurassic World*) and television programs (including ratings giants such as *The Big Bang Theory* and cult-favourites such as *The Real Housewives of Melbourne*). The copyright owners had brought proceedings[2] against several major ISPs seeking orders that they take reasonable steps to disable access to a number of overseas-based websites that provided access to infringing material. In coming to the overall conclusion to substantively allow the relief sought, his Honour was required to consider a number of threshold issues when applying Section 115A, including:

(i) temporal issues (i.e. the timing of the alleged infringement/facilitation thereof);

(ii) scoping issues (i.e. whether the proposed blocking orders could be extended to mirror or proxy sites created to circumvent or frustrate the orders); and

(iii) costs issues (i.e. determining who should be required to pay the operational costs of complying with the orders).

(i) Temporal Issues

An issue arose where one of the websites in respect of which a blocking order was sought was taken offline at some point in time between the commencement and hearing of the two proceedings the subject of the *Roadshow No 1* judgment. His Honour held that Section 115A did not require the Court to be satisfied, at the time of granting the injunction, that the relevant website was hosting infringing content. In this regard, his Honour stated:

"Too narrow a reading of the language used in s 115A(1) would deprive the section of much of its usefulness e.g. if it were construed so as to allow an operator to avoid an injunction simply by taking a website off-line temporarily for a period of days, weeks or months during the course of the relevant proceeding."

(ii) Scoping Issues

With respect to the terms of relief sought, the copyright owners sought an order permitting them to unilaterally extend the scope of the proposed blocking order to domain names, IP addresses and URLs that were not specifically referred to in the originating application, by giving written notice to the ISPs and without any further order of the Court ("**Proposed Scope Extension Order**").

His Honour refused this relief, having concluded that the determination of whether the terms of any injunction should be varied to refer to additional domain names, IP addresses or URLs was a matter for the Court to determine in light of evidence. Whilst the copyright owners argued that the effect of such a finding would put them to excessive costs and inconvenience, his Honour was not convinced that this justified taking control of the scope of the orders away from the Court, considering that, in any event, in the case of a variation to an existing injunction, the Court may be willing to act on very little in the way of further evidence.

2 Federal Court of Australia Proceeding No NSD239/2016 and No NSD241/2016.

(iii) Compliance Costs Issues

The copyright owners submitted that the ISPs should bear their own costs of complying with the website blocking orders, which was resisted by the ISPs. In respect of set-up costs associated with compliance, his Honour refused to make an order that those costs be paid for by the copyright owners, noting that:

"…given the legislative environment in which the [ISPs] have operated since the introduction of Section 115A, it is not merely desirable but, practically speaking, essential that [an ISP] possesses the technical capacity to comply with an injunction in the form agreed in these proceedings."

However, his Honour was minded to allow the ISPs a nominal amount of AUD 50 (excluding goods and services tax) in respect of each Domain Name sought to be blocked, to be paid for by the copyright owners.

Case Law—*Universal*

In *Universal Music Australia Pty Limited v TPG Internet Pty Ltd* [2017] FCA 435, Justice Burley likewise made the website blocking orders sought by a different set of copyright owners who had commenced a proceeding[3] in relation to "*sound recordings of musical works*" by major recording artists such as Justin Bieber, AC/DC, Taylor Swift and an Australian favourite, Guy Sebastian. In his determination in *Universal*, Burley J largely adopted and agreed with the observations and conclusions expressed by Nicholas J in *Roadshow No 1*. The only real matter of distinction between the judgments was Burley J's consideration of the issue of who ought to pay the legal costs of the proceedings.

In this regard, in *Roadshow No 1*, Nicholas J made orders requiring the copyright owners to pay the ISPs costs "*of and incidental to the preparation of evidence and written submissions, and the making of oral submissions, in relation to the [Proposed Scope Extension Order] and the issue of compliance costs (excluding set-up costs)*". In essence, the effect of the order was to require the copyright owners to pay the other side's legal costs in respect of only the matters which they unsuccessfully contested.

At first blush, Burley J's costs orders in *Universal* appear similar (i.e. limited to the costs of the matters the copyright owners unsuccessfully contested—being costs "*of and incidental to the preparation of evidence and written submissions and the making of oral submissions, in relation to the issue of compliance costs (excluding set-up costs)*").

However, the point of differentiation can be seen where Burley J cautioned against copyright owners attempting to adopt proposed orders dissimilar to those granted in *Roadshow No 1* and (as a result of his Honour's judgment) in *Universal*. This portent arose in circumstances where the ISPs submitted they should be entitled to the **entirety** of their costs because the form of orders initially proposed by the copyright owners was substantially different to that which was presented to the Court at the hearing, and it was only after extensive negotiations that the copyright owners agreed to adopt the form eventually sought, which largely mimicked the orders granted in *Roadshow No 1*. His Honour reasoned that "*the scheme of the legislation is such that*

3 Federal Court of Australia Proceeding No NSD545/2016.

it is in the parties' mutual interest to discuss and, if possible, agree to suitable orders". His Honour noted that proposing untried or untested orders (which are likely to involve extensive costs being incurred by the parties in negotiations) may justify an outcome that the copyright owners pay **all** the ISPs legal costs (or part thereof)—that is, costs **in addition to** the costs of just the matters which the copyright owners unsuccessfully contested. Ultimately, however, his Honour was not minded to make this more punitive order for legal costs in *Universal*, on the basis that the matter had been brought on for hearing before Nicholas J's judgment in *Roadshow No 1* had been handed down (i.e. such that the protracted negotiations referred to by the ISPs were affected by the copyright owners not having access to the orders as finally made in *Roadshow No 1*).

Is it worth the effort?

The Australian Broadcasting Corporation (Australia's state-owned national broadcaster) ("**ABC**") has reported on the questionable efficacy of website blocking orders, commenting that "*it is relatively simple and cheap for users to get around the blocks using a Virtual Private Network (VPN)*", which is perfectly legal. Against this factual backdrop, industry commentators have been quoted as likening the *Roadshow No 1* case to a "*publicity stunt*" to scare people off using file sharing sites. Foxtel, Australia's major pay television provider, implicitly agreed in part, choosing to highlight the educative value of the *Roadshow No 1* judgment in describing it as "*a major step in both directly combating piracy and educating the public that accessing content through these sites is not OK – in fact it is theft*". Elsewhere, a Foxtel spokesperson was quoted as follows:

"Foxtel believes that the new site blocking regime is an effective measure in the fight to prevent international operators illegitimately profiting from the creative endeavours of others. We trust that Australians recognise that there are increasing numbers of ways to access content in a timely manner and at reasonable prices, which ensure that revenue goes back to the people who create and invest in original ideas."

The evidence (both lay and expert) required to be adduced in respect of both *Roadshow No 1* and *Universal* was fairly extensive. Nearly all parties were represented by both senior and junior counsel as well as experienced commercial litigators. In light of the ease at which website blocking orders can be circumvented, this begs the question as to whether the costs incurred in obtaining such orders is at all justified, particularly when additional costs are required to be incurred when approaching the Court to extend the scope of the orders to capture additional Domain Names (which occurred, for example, in June 2017 in respect of one of the proceedings the subject of the *Roadshow No 1* judgment).

In addition, it is important to note that the respective copyright owners' claims to ownership of the relevant copyright were not the subject of challenge by any of the ISPs in *Roadshow No 1* or *Universal*. If this had not been the case, the parties' legal costs could have been much higher, given that proof of ownership and subsistence of copyright is one of the threshold issues in relation to which the Court must be satisfied before making a website blocking order.

Notwithstanding these issues, it is clear that copyright owners have not been discouraged, with Roadshow and Foxtel instituting fresh proceedings seeking website blocking orders on 24 February 2017[4] and 4 May 2017 respectively.[5] With the roadmaps now laid out in the *Roadshow No 1* and *Universal* test cases, the manner in which the new proceedings have been conducted appears to be indicative of an emerging trend that copyright owners will seek to streamline applications for website blocking orders with a view to avoiding extensive court appearances and cutting legal costs. Indeed, Nicholas J heard the new Roadshow matter in half-a-day on 10 May 2017 (i.e. as opposed to the two hearing days which each of *Roadshow No 1* and *Universal* occupied). His Honour delivered judgment granting the relief sought on 18 August 2017 in *Roadshow Films Pty Ltd v Telstra Corporation Limited* [2017] FCA 965.

In *Roadshow No 2*, Nicholas J noted that the respondents either: filed submitting appearances; did not appear; or, filed notices of address for service without otherwise appearing. In *Foxtel*, Burley J heard the application on 10 August 2017 and was content to make the orders sought at a case management hearing held just ten days after the substantive matter was heard.[6] In each proceeding, and perhaps testament to the parties heeding Burley J's warning about the consequences of failure to negotiate cooperatively, no order was made as to the parties' legal costs.

Commenting on the recent decisions, Foxtel CEO Peter Tonagh issued a statement welcoming the judgments as "*another critical step in combating online piracy, which continues to undermine Australia's creative industry.*" He went on to add:

"The Government's passage of the site blocking legislation, and the Court's continued willingness to impose site blocking orders, illustrates the gravity of the threat and the concern we should all have about protecting the hard work of the actors, writers, directors and production teams involved in creating the programming we all love. We will continue to do our part in shedding light on the seriousness of intellectual property theft, while simultaneously helping to ensure our content is available quickly, easily and at a price that suits their budgets."

However, echoing the sentiments of the ABC in questioning the efficacy of these types of orders, a number of the domains listed in *Roadshow No 2* and the *Foxtel* orders have already disappeared, with the URLs now redirecting to web hosting pages from a well-known internet domain registrar and web hosting company. Notwithstanding this, Lori Flesker, Executive Director of Creative Content Australia, was quoted as supporting the premise of website blocking orders, stating that "*not only is there decreasing traffic to pirate sites but there is a subsequent increase in traffic to legal sites*". However, the impact in monetary terms to copyright owners is yet to be quantified.

4 Federal Court of Australia Proceeding No NSD269/2017.

5 Federal Court of Australia Proceeding No NSD663/2017.

6 At the time of publication, Burley J had not published reasons for judgment and it remains unclear if, given the circumstances (namely, the apparent non-participation of the respondent parties in the proceeding), his Honour will do so.

Conclusion

The legislating of Section 115A represents a significant step forward in relation to the Australian Government's efforts to combat piracy and protect copyright owners against infringement. The commercial benefit to copyright owners is obviously evident if the orders have the benefit of steering current or future potential pirates to legal sources. However, the impact of the legislation and related case law must (at least at this time) be viewed as primarily educative in nature, given the relative ease at which website blocking orders can be circumvented, as evidenced by the number of 'how to' YouTube videos on the topic. Indeed, the primary objective of education is highlighted by the fact that the delivery of *Roadshow No 2* and *Foxtel* coincided with the launch of Australia's biggest ever anti-piracy campaign, dubbed 'The Price of Privacy', led by Creative Content Australia. And what happens if the message is not received? According to *The Australian Financial Review*, Roadshow has already indicated its next targets: Australia's individual illegal downloaders.

Link Directory

1. Revised Explanatory Memorandum, *Copyright Amendment (Online Infringement Bill) 2015* (Cth): http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r5446_ems_87ada78b-8836-421e-bc2f-96cfc19d1f81/upload_pdf/503027%20Revised%20EM.pdf
2. *Copyright Amendment (Online Infringement) Act 2015* (Cth): https://www.legislation.gov.au/Details/C2015A00080
3. *Copyright Act 1968* (Cth): https://www.legislation.gov.au/Details/C2017C00180
4. *Roadshow Films Pty Ltd v Telstra Corporation Ltd* [2016] FCA 1503: http://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/single/2016/2016fca1503
5. *Universal Music Australia Pty Limited v TPG Internet Pty Ltd* [2017] FCA 435: http://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/single/2017/2017fca0435
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7. ABC News, '*Will blocking file sharing website The Pirate Bay actually work?*': http://www.abc.net.au/news/2016-12-16/will-blocking-the-pirate-bay-actually-work/8127262
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9. ABC News, '*Australia's biggest telcos ordered to block international pirate websites by Federal Court*': http://www.abc.net.au/news/2017-08-18/pirate-sites-to-be-blocked/8820076
10. The Sydney Morning Herald, '*Film studios and Foxtel win orders blocking 59 pirate websites*': http://www.smh.com.au/business/media-and-marketing/film-studios-and-foxtel-win-orders-blocking-59-pirate-websites-20170817-gxyora.html
11. The Australian Financial Review, '*Village Roadshow to sue hundreds of Australians for piracy*': http://www.afr.com/business/media-and-marketing/village-roadshow-to-sue-hundreds-of-australians-for-piracy-20170819-gy01co
12. *S115A: What's been blocked?:* https://www.s115a.com/
13. Creative Content Australia's Anti-Piracy Campaign '*The Price of Piracy*': http://www.thepriceofpiracy.org.au/

PRAGUE
THE CJEU'S NEW INTERPRETATION OF COMMUNICATION TO THE PUBLIC UNDER THE INFOSOC DIRECTIVE

In *Stichting Brein v Ziggo BV and XS4ALL Internet BV* (**"Pirate Bay"**), the Court of Justice of the European Union (**"CJEU"**) has further developed its interpretation of the right of communication to the public within the meaning of Article 3(1) of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (**"InfoSoc Directive"**). It follows from the *Pirate Bay* case that operators of online platforms could be held jointly and primarily liable together with users that upload copyright infringing content.
The consequences of copyright infringement will be applied under the national law of EU Member States and could potentially include injunctions to block the domain names or IP addresses of infringing platforms.

Key Issues

- The position of IPR holders could be strengthened by the recent decision of the CJEU.
- Hosting providers could be considered primarily responsible for IPR infringements.
- Communication to the public under Directive 2001/29/EC includes indexing, categorization, deletion and filtering of files by the hosting provider.

Legal Background

The exclusive right of authors to authorise or prohibit communication of their copyright-protected works to the public is regulated by Article 3(1) of the InfoSoc Directive. It is settled case–law that the concept of "communication to the public" consists of mutually indispensable criteria, most notably "an act of communication" which must be directed to "a public". First, a user makes an act of communication when he intervenes, in full knowledge of the consequences of his action, to give his customers access to a protected work. Second, the concept of "a public" refers to an indeterminate number of potential viewers and implies a fairly large number of people. Further, if the work is communicated by the same technical means as the initial communication, then there must be 'a new public'. The CJEU continuously and extensively interprets and develops further criteria of communication to the public to ensure that intellectual property is afforded a high level of protection.

GS Media and Filmspeler

In *GS Media v Sanoma and others* (September 2016) (**"GS Media"**), the CJEU established a test of presumable knowledge that is based on profit-making intention. If a link to a copyright-protected work is posted for the purpose of making a profit, it can sufficiently be presumed that the person who posts that link has full knowledge that the link leads to a copyright protected work. In other words, if the person posts a link with a view of profit, that person is expected to carry out the necessary checks to assess whether the work has been posted lawfully.

Furthermore, in *Stichting Brein v Jack Frederik Wullems* (April 2017) (**"Filmspeler"**) the CJEU expounded further on the notion of the indispensable intervention required to fulfil the conditions of a communication to the public. Accordingly, the CJEU held that an act of communication can be seen as a deliberate intervention by a provider, which has offered its users direct access to protected works and thus facilitated access to works which would otherwise be more difficult to locate.

The Pirate Bay

The 2017 *Pirate Bay* decision could be considered a landmark ruling which significantly enhances the possibilities for copyright owners to effectively fight copyright infringement on online platforms. In *Pirate Bay*, the Supreme Court of the Netherlands asked the CJEU a preliminary question to ascertain whether the concept of communication to the public also concerned operators of websites where no copyright protected works are held, but where a system is in place – on the online sharing platform called "The Pirate Bay" (peer-to-peer platform) – which indexes, filters, categorises and deletes the metadata of copyright-protected works.

In order to answer the preliminary question, the CJEU evaluated the previously mentioned case-law on communication to the public and extended its interpretation of the meaning with respect to the intervention of a user as arrived at in *Filmspeler*. The *Pirate Bay* case has consequently resulted in an act of communication by the operator of an online platform can be carried out merely by indexing, categorising, deleting or filtering copyright-infringing content.

Furthermore, it is not necessary to prove that the operator of the platform had actual knowledge of the copyright-infringing content. It can sufficiently be presumed that if a very large number of copyright infringing works can be found on the platform, then the hosting provider cannot be unaware of the infringing nature of the content.

Therefore, following the *Pirate Bay* test, operators of online platforms, including peer-to-peer platforms, can be held jointly and primarily liable for copyright infringement. For this to occur, (i) it is sufficient for the operator of the platform to provide an automatic function that enables the indexing, categorisation, deletion or filtering of copyright-infringing content, (ii) such conduct should be of a profit-making nature and (iii) the scale of the copyright-protected works on the platform should be sufficiently large.

Conclusion

Certain aspects of the 2017 decision in *Pirate Bay* are groundbreaking for copyright protection and are favourable to copyright holders in the battle against copyright infringement. The CJEU established that even where copyright-protected content is uploaded by users of hosting platforms, the operator of the platform can be held primarily and jointly liable with the user if (i) the operator/holder of the platform is making a profit, (ii) the scale of the infringing works on the platform is sufficient, and (iii) the operator is managing the platform in a way that indexes, filters, deletes or categorizes content.

DÜSSELDORF
DIGITAL EXHAUSTION – IS THERE A SECOND HAND MARKET FOR E-BOOKS, AUDIO AND VIDEO FILES OR GAMES?

Oracle v UsedSoft was the starting point for an ongoing discussion[7] that could come to an end with one of the latest CJEU references that has the potential to challenge established business concepts on digital sales markets. The reference of the Court of The Hague[8] asks the CJEU for a preliminary ruling on the interpretation of the InfoSoc Directive.[9] It raises the question whether the concept of exhaustion under the InfoSoc Directive is solely linked to the distribution of the physical medium containing the work or whether other digital works (e.g. e-books) being sold without any temporal limitation can also be subject to the regulations on exhaustion.

Key Issues

- CJEU reference by the Court of The Hague concerns digital exhaustion under Article 4 (2) of the InfoSoc Directive 2001/29/EC.
- Although the outcome of the decision cannot be predicted, assuming the affirmation of digital exhaustion by the CJEU, digital sales markets will require changes to current business concepts.
- Changes to the digital sales markets, such as new payment and business models in addition to the implementation of protective measures through blockchain or DRM should be on the radar of companies and ventures. The entities will want not only to be prepared for future developments, but also avoid gradual losses in market shares by the developments by competitors.

Introduction

When the InfoSoc Directive was drafted, the development of the internet and the digital age could not be anticipated. Market shares of digital goods increased rapidly and streaming services and apps became reliable income generators. Then, five years ago, *Oracle v UsedSoft* rendered the standard that software sold in the European Union leads to the exhaustion of any distribution rights. A second hand market for software and software licenses was thus born.[10] However, *Oracle v UsedSoft* left quite some room for discussion, not only regarding the scope of exhaustion, but also with respect to its application.

In fact, in Germany two main opinions arose. One group argued that the decision concerned forbids any analogy[11] to digital products like e-books, audio and video files, or games. Alternatively, the opposition argues that the decision can apply to such foregoing digital products. Now, even five years after *Oracle v UsedSoft*, a lack of legal clarity still remains within the EU and finally, a new CJEU reference begs the question as to whether digital exhaustion under the InfoSoc Directive exists at all.[12]

7 Digital Exhaustion was only one of the topics that remained unclear under Oracle v UsedSoft along with multiple questions regarding the limits in scope, technical protection measures and contractual embodiment.

8 English Translation of the court reference can be found on http://ipkitten.blogspot.de/2017/07/new-cjeu-reference-asking-whether.html.

9 Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society **("InfoSoc Directive")**.

10 Based on the Software Directive 2009/24/EC on the legal protection of computer programs **("Software Directive")**.

11 E-books and audio/video files fall under the InfoSoc Directive.

12 NUV v Tom Kabinet, Court of The Hague, 12 July 2017, ECLI:NL:RBDHA:2017:7543.

Legal Background

The InfoSoc Directive states in article 4 (2):

"The distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the right holder or with his consent."

The crux of the matter is whether there is such thing as digital exhaustion under the InfoSoc Directive. Recitals 28 and 29 state that the right of communication to the public is, in contrast to the right of distribution, not subject to exhaustion as per Article 3 (3). It is, however, the key to online content and exploitation.

It is argued that the CJEU intended for the Software Directive to be *lex specialis* to the InfoSoc Directive, envisaging digital exhaustion only in relation to software[13] and otherwise only applying to the tangible support of a work.[14] Consequently, one might tend to deny the concept of exhaustion for digitally distributed goods. Indeed, for Germany, the Higher Regional Court of Hamm decided not to apply exhaustion with respect to the distribution rights on e-books:

"[T]he exhaustion principle is not applicable for the online transmission of copyrighted works. This is because exhaustion can only refer to a copy of the work, which is already embodied. In this context there is no room for an analogy."[15]

The reference of the Court of The Hague

The long-winded discussion of whether or not the InfoSoc Directive concerns principles of digital exhaustion can come to a quick end if the CJEU decides to expand *UsedSoft* to digital goods. Should this be the case, the decision could have even further-reaching consequences than *UsedSoft* originally had in 2012.

The proceedings before the Court of The Hague originally started with a preliminary injunction proceeding in Amsterdam[16] against the e-book trading company Tom Kabinet.[17] Tom Kabinet is a second-hand e-book platform that buys e-books for virtual credits which the users can then reinvest into "used" e-books with an additional payment of EUR 2,00 for each book. Quite obviously, Tom Kabinet's business model is based on the concept of exhaustion of the distribution right underlying copyright protection. The Court of Appeals of Amsterdam upheld this concept[18], but imposed regulations in order to prevent customers from illegally replicating e-books before selling them on the second hand market[19] – hence giving Tom Kabinet the opportunity to continue its business.

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Chambers & Partners 2017: Europe Guide: Germany – Intellectual Property: Patent Litigation

13 *UsedSoft* reitarated in CJEU, 23 January 2014, C-355/12 – Nintendo.

14 Advocate General Szpunar, par. 54 et seq. VOB, CJEU 10 November 2016, C-174/15 – Vereniging Openbare Bibliotheken; referring to CJEU 22 January 2015 C-419/13 – Allposters.

15 Higher Regional Court of Hamm, GRUR 2014, 853 – Keine Erschöpfung bei Audiodateien [No exhaustion on audio files]; English translation of the decision can be found on https://www.dropbox.com/s/4aq51yqmkfoxex6/OLG%20Hamm%2C%2022%20U%2060%2013.pdf.; see also Higher Regional Court of Hamburg, GRUR-RR 2015, 361 – Keine Erschöpfung bei Online-Diensten [No exhaustion on online-services], strictly following the Higher Regional Court of Hamm, refusing the appeal by stating that an appeal manifestly has no chance of success, § 522 (2) Code of Civil Procedure.

16 NUV v Tom Kabinet, Amsterdam District Court, 21 July 2014, NL:RBAMS:2014:4360.

17 https://www.tomkabinet.nl.

18 NUV v Tom Kabinet, Court of Appeals of Amsterdam, 20 January 2015, ECLI:NL:GHAMS:2015:66.

19 The blockchain tracking technology is being proposed as an aid to make e-books increasingly akin to analogue/physical copies: see http://ipkitten.blogspot.de/2017/05/digital-copies-exhaustion-and.html.

Presumably because both Amsterdam proceedings were based on preliminary injunctions, the courts did not refer the case and the underlying legal questions to the CJEU. Instead, the current question now at stake and being referred to the CJEU by the Court of The Hague goes straight to the point and in particular asks whether:

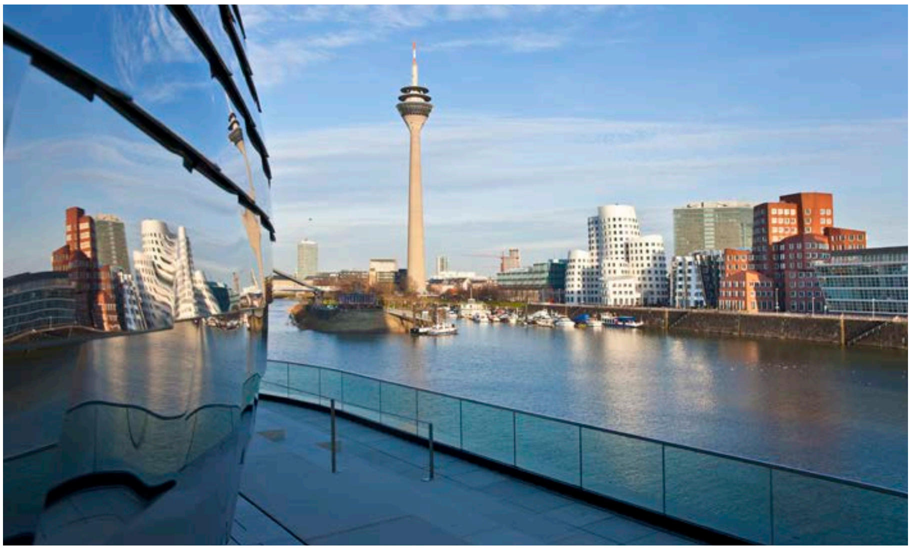
"the distribution right with respect to the original or copies of a work as referred to in Article 4 (2) of the InfoSoc Directive is exhausted in the Union when the first sale [...] in the Union is made by the right holder or with his consent?"

Outlook

Needless to say a CJEU decision is not expected before next year, and although the potential outcome cannot be foreseen, in the event digital exhaustion applies to digitally distributed works, a fundamental change in multiple industries is likely to become necessary. Despite speculation on the outcome, changes to the digital sales markets, such as new payment and business models should be on the agenda of companies and ventures to avoid gradual losses in market shares. Platforms for various digital goods will rise and strengthen competition throughout numerous areas as the outcome of the CJEU decision is likely to affect many sectors and industries.

Indeed, applying the concept of exhaustion could mean, for example, that producers of digital goods are limited in using technical protection measures to prevent illegal copies. Potential solutions can be hidden in the blockchain technology or modified DRM systems.

Ultimately, the issue of digital exhaustion could even become redundant since more and more streaming services and subscription models that undermine exhaustion are taking over market shares. By foregoing the process of buying and selling digital goods (e.g. in the music, video and gaming industry) digital exhaustion might be of lesser importance within the next few years. Whether subscription models would work for e-books might be a different story, but is within the realms of economic possibility.



BARCELONA
APPROVAL OF ROYAL DECREE-LAW 12/2017, OF 3 JULY 2017, AMENDING THE COPYRIGHT ACT AND REGULATING THE NEW SYSTEM OF FAIR COMPENSATION FOR PRIVATE COPYING

Background to Royal Decree-Law 12/2017

For those unfamiliar with Spanish regulations on copyright, the Spanish Copyright Act provides an exception in favour of users for making private copies (Article 31.2). To benefit from this exception users must pay the holders of the reproduction right fair compensation for the private copies that they may make (Article 25). This model of fair compensation for private copying ("**Fair Compensation**") has been something of a legal "rollercoaster" over the years.

The obligation to pay Fair Compensation arose on the sale of equipment, devices or other material media regardless of the method of use. This led the Court of Justice of the European Union ("**CJEU**") to conclude in its judgment of 21 October 2010 (case C-467/08)[20] that the Spanish Fair Compensation model was inconsistent with European Law.[21] This was namely because the model did not consider (i) the actual use made of concerned equipment, devices and/or other material media; or (ii) whether or not the user was a natural person (the only subjects entitled to make private copies).

Against this backdrop, the Spanish legislator approved Decree-Law 20/2011[22] and Decree 1647/2012[23]. This established that Fair Compensation would be financed by the General State Budget. However, in its judgment of 9 June 2016 (case C-470/14)[24] the CJEU concluded that this model contravened Directive 2001/29/EC[25].

As a result of the CJEU's decision, the legislator urgently approved Royal Decree-Law 12/2017 ("**Decree-Law 12/2017**"). Following the guidelines set down by CJEU case law, Decree-Law 12/2017 establishes a model of Fair Compensation in Spain which reverts to the original model in that it will no longer be financed by the General State Budget.

Key Issues

Decree-Law 12/2017:

- Establishes a new model for Fair Compensation for private copying that is no longer financed by the General State Budget.
- Envisages a transitional regime that establishes a list of equipment, devices and media subject to payment of the Fair Compensation, as well as the amount to be paid for each.
- Sets out the scope of private copying, specifying that copies made using reproduction equipment, devices and material means for professional use only will, generally speaking, not be considered "private copies".
- Envisages scenarios where parties may be (i) exempt from payment; and (ii) eligible for a refund of Fair Compensation.

20 In reply to the request for a preliminary ruling issued by the Barcelona Court of Appeal (Section 15) in its Ruling of 15 September 2008 (Appeal no. 822/2007; Judge Rapporteur Mr Ignacio Sancho Gargallo).

21 Article 5.2 b) of Directive 2001/29/EC of the European Parliament and of the Council, of 22 May 2001, on the harmonisation of certain aspects of copyright and related rights in the information society (Official Journal of the European Communities of 22 June 2001, B 167/10). The CJEU found as follows: "*the indiscriminate application of the private copying levy, in particular with respect to digital reproduction equipment, devices and media not made available to private users and clearly reserved for uses other than private copying, is incompatible with Directive 2001/29*".

22 Decree-Law 20/2011, of 30 December, on urgent budgetary, tax and financial measures to remedy the public deficit (Official State Gazette of 31 December 2011).

23 Royal Decree 1657/2012, of 7 December, governing the procedure for the payment of fair compensation for private copying financed by the State Budget (Official State Gazette of 8 December 2012).

24 Said judgment replied to the preliminary questions submitted by the Third Chamber of the Spanish Supreme Court in a Ruling dated 10 September 2014.

25 In particular, the CJEU found that "*a scheme for fair compensation for private copying which…is financed from the General State Budget in such a way that it is not possible to ensure that the cost of that compensation is borne by the users of private copies*" contravenes Directive 2001/29/EC.

Relevant aspects of Decree-Law 12/2017

Decree-Law 12/2017 entered into force on **1 August 2017** and replaces the previous Fair Compensation model financed using the General State Budget. The new model is based on the payment of Fair Compensation by those companies that manufacture reproduction equipment, devices and media in Spain[26], as well as by the acquirers of the same outside of Spain, for commercial distribution or use within the Spanish territory[27].

The beneficiaries of Fair Compensation are the authors of works, together with publishers, producers of sound or video recordings and the artists who perform them, in the terms envisaged in Decree-Law 12/2017. However, Decree-Law 12/2017 establishes that the collecting entities must incorporate a legal entity, no later than **1 November 2017** which, in accordance with the "one-stop shop" model, will manage collection of Fair Compensation.

Meanwhile, a Decree-Law which is to be approved no later than **2 August 2018** will regulate (i) the determination of the equipment, devices and material media subject to payment of Fair Compensation; (ii) the amounts to be paid;[28] and (iii) the distribution of Fair Compensation. However, until such Decree-Law is approved, Decree-Law 12/2017 has set out a transitional regime with a list of equipment, devices and media subject to the Fair Compensation scheme, as well as the amount to be paid. For example, CDRs are subject to a levy of 0.08 euros/unit, a USB memory stick to 0.24 euros/unit and a mobile phone to 1.10 euros/unit.

Moreover, it is worth highlighting that Decree-Law 12/2017 introduces some important new developments to the Fair Compensation model:

a) It envisages that there will be no obligation to pay compensation in those situations – to be determined in a Decree – in which the harm caused to the copyright holder (right of reproduction) is minimal.

b) The following are not considered "private copies" and, as such, are not subject to payment of Fair Compensation:

   i. Those copies made in establishments devoted to making reproductions for the public, or that make equipment, devices and material media for reproduction available to the public.

   ii. Those copies made using equipment, devices and material media for digital reproduction that have not been made available to private users and that are manifestly reserved for uses other than making private copies.

26 Acting as distributors.

27 Decree-Law 12/2017 considers distributors, wholesale and retail, to be jointly and severally liable for payment of Fair Compensation where they are successive acquirers of the equipment, devices or material media, with respect to the debtors that supplied the same to them, unless they demonstrate that they paid the Fair Compensation to the latter.

28 Decree-Law 12/2017 provides a list of objective criteria for determining the amount of the Fair Compensation.

c) Equipment, devices and material media for reproduction devoted manifestly to professional use and that have not been made available, either de iure or de facto, to private users for making private copies, are not obliged to pay Fair Compensation.

d) Among other cases, the acquisition of reproduction equipment, devices and material media by certain public administrations is exempt from paying Fair Compensation, as well as the acquisition thereof by natural or legal persons acting as final consumers, provided that it can be proven the use of equipment, devices and material media is exclusively professional and the requirements established in Decree-Law 12/2017 are met.

e) It is envisaged that those natural or legal persons not exempt from payment of Fair Compensation can apply for a refund in the specific circumstances outlined in Decree-Law 12/2017.

Finally, Decree-Law 12/2017 introduces another major change that should not be overlooked: a new requirement for a copy to be considered a "private copy". In addition to the traditional requirements (copy made by a natural person, for non-collective and non-lucrative private use, etc.), it now also specifies that "*the reproduction be made using a lawful source and that does not infringe the conditions for access to the work or service*". With this new requirement, which narrows the scope of private copying even further, many copies will now simply become unlawful copies that do not generate the obligation to pay Fair Compensation (notwithstanding the option for the copyright holder to claim indemnification).

"Definitely an outstanding lawyer," **Miquel Montañá** leads the department from Barcelona and holds a truly enviable reputation in the field of life sciences IP. He is unanimously considered by both peers and clients to be one of the most relevant practitioners currently active, with one source commenting: "As a litigator, he is experienced and impressive; he prepares well for the cases and is very easy to work with." His recent work includes representing Pfizer in several proceedings."

Chambers & Partners 2017: Europe Guide: Spain – Intellectual Property: Patents & Trade Marks, Star Individuals

"**Miquel Montañá** is a leader in patent litigation. He also advises on copyright and trade mark disputes, as well as regulatory concerns. He receives superlative feedback for his practice, with clients noting: "He is very good in his field, knows everybody, and also knows the pharmaceutical industry. He is creative in his approach and knows case law in Spain."

Chambers & Partners 2017: Europe Guide: Spain – Life Sciences: Patent Litigation, Star Individuals

"Market sources are impressed by **Miquel Montañá**'s "impressive ability to learn complex technical matters quickly," adding that he is "always trying to find a friendly way to resolve conflicts." He specialises in IP disputes, for which he is unanimously considered to be one of the leading lawyers in Spain. His additional expertise includes unfair competition, criminal actions and damages claims."

Chambers & Partners 2017: Europe Guide: Spain, Barcelona – Dispute Resolution, Band 1

BARCELONA THE JUDGMENT FROM THE SUPREME COURT OF THE UNITED KINGDOM ON THE ALIMTA CASE DATED 12 JULY 2017

The Judgment handed down by the Supreme Court of the United Kingdom ("SCUK") on 12 July 2017 in the *Alimta* case is the final instance of judicial proceedings before the English Courts dealing with patent infringements in four different European countries: the UK, France, Italy and Spain. This article will focus on the Spanish perspective of the case and on the interpretation and implementation of Spanish patent law by the English Courts.

Key Issues

- The English Courts applied the four different patent laws of United Kingdom, France, Italy and Spain in one single court case.
- When considering the extent of protection afforded by a claim, equivalents must be taken into account.
- The Supreme Court of the United Kingdom reformulates the doctrine of equivalents applied by the Spanish Courts to deal with patent infringement in pharmaceutical patents.

Background

The issue raised in the appeal and cross-appeal before the SCUK was whether three pharmaceutical products manufactured by the Actavis group of companies ("**Actavis**") would infringe a European patent whose proprietor is Eli Lilly & Company ("**Lilly**") and its corresponding designations in the United Kingdom, France, Italy and Spain.

Lilly's patent claims, *inter alia*, the use of pemetrexed disodium in the manufacture of a medicament for use in combination with vitamin B12 for the treatment of cancer. Actavis filed declarations of non-infringement for its proposed products which, instead of using pemetrexed disodium in the medicament, used: (i) pemetrexed diacid; (ii) pemetrexed ditromethamine; or (iii) pemetrexed dipotassium.

At First Instance in the High Court, Arnold J decided that Actavis' products would not directly or indirectly infringe the patent in the UK, France, Italy and Spain. The Court of Appeal allowed Lilly's appeal to the limited extent of holding that there would be <u>indirect</u> infringement in the four jurisdictions. However, the Court of Appeal agreed with Arnold J that there would be no <u>direct</u> infringement. Lilly appealed, as it considered that Actavis' products would also directly infringe the patent, whilst Actavis counter-appealed, as it considered that Actavis' products would not indirectly infringe Lilly's patent.

The appeal raises the issue of the correct approach under UK law (and the law of the three other Member States) to the interpretation of patent claims, and in particular the requirement of EPC 2000 to take account of *"equivalents"*.

Patent infringement under the doctrine of equivalents

According to the SCUK the scope of protection afforded to a patentee is not to be limited by the literal meaning of the claims (in this case referring to pemetrexed *"disodium"*). Furthermore, when considering the extent of protection afforded by a claim, equivalents must be taken into account, but no guidance is given by the EPC 2000 as to precisely what constitutes an equivalent or how equivalents are to be taken into account. The question is how far one can go outside the wording of a claim to enable the patentee to enjoy protection against products or processes which are not within the ambit of the actual language. The *Alimta* case concerned whether the pemetrexed diacid, ditromethamine and/or dipotassium should be considered as an equivalent of pemetrexed disodium in the patent claim.

As far as Spanish law is concerned, the SCUK acknowledged that:

"Spanish courts appear to have effectively adopted the approach embodied in the three questions suggested by Hoffmann J in Improver [1990] FSR 181 – see for instance Laboratorios Cinfa SA v Eli Lilly & Co Ltd ("Olanzapine") Court of Appeal of Barcelona judgment no 8/2008, 17 January 2008."

Indeed, the Barcelona Court of Appeal and the Spanish Supreme Court have followed English case law in cases relating to pharmaceutical products (*Catnic* and *Improver* cases) in order to determine possible infringement by equivalence, three questions (the *"Improver questions"*) should be answered, namely:

1) Does the variant have a material effect upon the way the invention works? If the answer is affirmative, equivalence does not exist; if it is negative, (i.e. the functioning is not altered) it is necessary to answer the next question.
2) Would the variant have been obvious to a person skilled in the art reading the patent on its publication date? If the variant was not obvious (i.e. it is inventive) then there is no equivalence; however, if the answer is yes, the following question must be asked.
3) Would a person skilled in the art reading the patent, given the terms used in the claim, have understood that the holder intended that strict compliance with the primary meaning was an essential requirement of the invention? If so, there can be no equivalence; but if strict compliance with the literal wording is not essential to the invention, the variant may be equivalent.

The SCUK reformulates the doctrine of equivalents in pharmaceutical cases

The SCUK's *Alimta* judgment of 12 July 2017 reformulates the three *"Improver questions"* to deal with patent infringement under the doctrine of equivalents in pharmaceutical patents. The SCUK first states that a problem of infringement is best approached by addressing two issues: (i) does the variant infringe any of the claims as a matter of normal interpretation; and, if not, (ii) does the variant nonetheless infringe because it varies from the invention in a way or ways which is or are immaterial? If the answer to either issue is "yes", there is infringement; otherwise, there is not.

According to the SCUK, the second issue poses more difficulties of principle: what is it that makes a variation *"immaterial"*? The SCUK considers that the three *"Improver questions"* provide helpful assistance, but the second question requires some reformulation. Instead of asking whether it would have been obvious to the notional addressee that the variant would have no material effect on the way in which the invention works, the SCUK considers that the second question is better expressed as asking whether, on being told what the variant does, the notional addressee would consider it obvious that it achieved substantially the same result in substantially the same way as the invention.

In the *Alimta* judgment, the SCUK settled two additional important points. Firstly, the reformulated second question should also apply to variants which rely on, or are based on, developments which have occurred since the priority date, even though the notional addressee is treated as considering the second question as at the priority date (when one is considering a variant which would have been obvious at the date of infringement rather that at the priority date, it is necessary to imbue the notional addressee with more information than he might have had at the priority date).

Secondly, this reformulated second question does not require the variation not to be inventive (if the variation represents an inventive step, it may entitle the infringer to a new patent, but the variant could still infringe the original patent).

Taking into account all these factors, the SCUK reformulates the three *"Improver questions"* as follows:

"i) Notwithstanding that it is not within the literal meaning of the relevant claim(s) of the patent, does the variant achieve substantially the same result in substantially the same way as the invention, i.e. the inventive concept revealed by the patent?

ii) Would it be obvious to the person skilled in the art, reading the patent at the priority date, but knowing that the variant achieves substantially the same result as the invention, that it does so in substantially the same way as the invention?

iii) Would such a reader of the patent have concluded that the patentee nonetheless intended that strict compliance with the literal meaning of the relevant claim(s) of the patent was an essential requirement of the invention?

In order to establish infringement in a case where there is no literal infringement, a patentee would have to establish that the answer to the first two questions was "yes" and that the answer to the third question was "no"."

The SCUK held that the reformulated questions are also be applicable in Spain:

"So far as Spanish law is concerned, it is common ground that the Spanish courts have followed the United Kingdom approach, which leads to the difficult question whether one should assume that they would follow this decision in modifying the Improver questions and in particular the second question. I incline to the view that judicial comity would tend to suggest that the Spanish courts would follow this court in modifying the Improver questions, not least because this appears to render the UK courts and therefore the Spanish courts more consistent with the German and Dutch courts, and no more inconsistent with the French and Italian courts."

There is no doubt that this Judgment of the SCUK is applying, interpreting, modifying and implementing the previous Spanish case law on this issue. But will our Spanish Courts follow the SCUK's interpretation in the future? It is our expectation that they will do so. Undoubtedly the Judgment of the SCUK has attempted to harmonise the case law on the doctrine of equivalents of four different European countries within one single case. This is a tremendous breakthrough for the interpretation of the doctrine of equivalents in Europe.

MILAN
INVENTIONS AND INDEPENDENT CONTRACTORS: EVOLUTION OF LAW

In Italy, the recently enacted Law 81 of 22 May 2017, ("**Law 81/17**") specifically provides rules to govern **inventions by free-lance workers**. It thus creates a difference in the treatment of independent contractors as compared to subordinate employees. Before Law 81/17, Italian courts tended to apply the rules governing innovations by employees to inventions by free-lance works by analogy.

As a result of Law 81/17, in the absence of a specific contractual provision in the contract with the free-lance worker, the principal will not have any economic right to any inventions by the worker, not even those created in performance of the contract for services.

Therefore, except where the contract specifically provides for the inventive activity to be remunerated, it will be crucial for the parties to address and regulate this matter when drafting or renewing the contract for services.

Key Issues

- Before Law 81/17, the Italian legal framework did not expressly govern inventions created by independent contractors in performance of the contract for services with the principal. Courts generally applied the principles governing inventions by subordinate employees to free-lance works by analogy.
- Article 4 of Law 81/17 now expressly states that where the contract for services does not specifically contemplate and remunerate inventive activity by the worker, the economic rights relating to original works and inventions created by the free-lance worker belong to the worker.
- Parties to a contract for services should consider stipulating a covenant for the transfer the economic rights arising from any invention created by the free-lance worker to the principal, in exchange for consideration from the principal.

Previous regime

Previously, Italian legislation expressly governed inventions by subordinate employees, mainly through **Article 64** of the Industrial Property Code ("**IP Code**"). The courts applied those provisions to **inventions by free-lance workers by analogy**. For example, the Court of Milan's Special Section for Enterprises recently held that in the absence of an express regulation and unless otherwise agreed, the economic rights arising from an invention created by free-lance workers belong to the principal, applying by analogy Article 64 of the IP Code.[29]

Article 64 IP Code expressly states that:

- An invention created in performance of a contract that envisages the performance by, and specifically compensates, the employee for inventive activity originally belongs to the employer and no other compensation is due to the employee/inventor, except the right to be recognised as the author of the invention;

29 Court of Milan, Special Section for Enterprises, Ruling 6964 of 27 May 2014. See also Court of Bologna, Ruling no. 3683/2010 of 29 December 2010; Italian Supreme Court, Ruling no. 5527 of 23 October 1979; Court of Bologna, Special Section for Enterprises, Ruling of 09 June 2014 (GADI 6158/2014); Court of Vicenza, Ruling of 21 May 2002 (GADI 4436/2002).

- An invention created in performance of a contract that neither envisages performance nor compensates the employee specifically for inventive activity, belongs originally to the employer, which must however compensate the employee/inventor with a fair reward (*equo compenso*) when a patent is granted; and
- An invention created by an employee that is beyond and without the scope of the employment contract originally belongs to the inventor/employee; however, the principal has the option right to acquire the invention for consideration.

New Law 81/17

Law 81/17 sets out provisions that specifically govern inventions and copyright involving free-lance works under an independent services contract rather than a subordinated employment contract. With the exception of those cases where inventive activity is provided for and specifically remunerated in the contract for services, **the economic rights** arising from original works and inventions created by an independent contractor in performance of the contract **belong to the worker,** rather than to the principal.

Materially changing the *status quo* in relation to ownership of the economic rights of an invention, Article 4 of Law 81/2017 provides that:

- the **principal will no longer be able to acquire by default, subject to paying the fair reward (*equo compenso*), the economic rights** to an invention created by a free-lance worker in performance of the contract for services; and
- the **free-lance worker will own all economic rights** relating to an invention.

Often, the contemplated outcome in accordance with the above provisions may not be aligned to the best interests of one or even both parties. On the one hand, the principal may have an interest in the economic rights arising from the invention, which was perhaps created thanks to the means and support the principal made available to the free-lance worker. On the other hand, the independent worker may not always be willing or able to comply with the burdens of ownership of rights. For example, the registration of a patent is typically more easily borne by companies.

It therefore becomes crucial for the parties to deal with this matter from the start, through **specific contractual provisions concerning the transfer of economic rights**.

Italian law, principally Article 1472 of the Civil Code, allows for the stipulation of a contract that validly governs the disposal and ownership of assets and rights that do not yet exist but may exist in the future. In addition, with the exception of the moral right to be recognised as the author of the invention, which rests with the inventor and cannot be transferred, all the economic rights deriving from an invention can be freely transferred by the inventor to third parties pursuant to Article 2589 of the Civil Code.

Monica Riva – IP Lawyer of the Year in the fashion industry

IP & TMT Awards 2017 by legalcommunity

"Clifford Chance Studio Legale Associato's **Monica Riva** has a broad practice which spans unfair competition, trade marks and advertising. "I am very impressed with her extraordinary commitment to providing excellent client service and her creative problem-solving," enthuses one client."

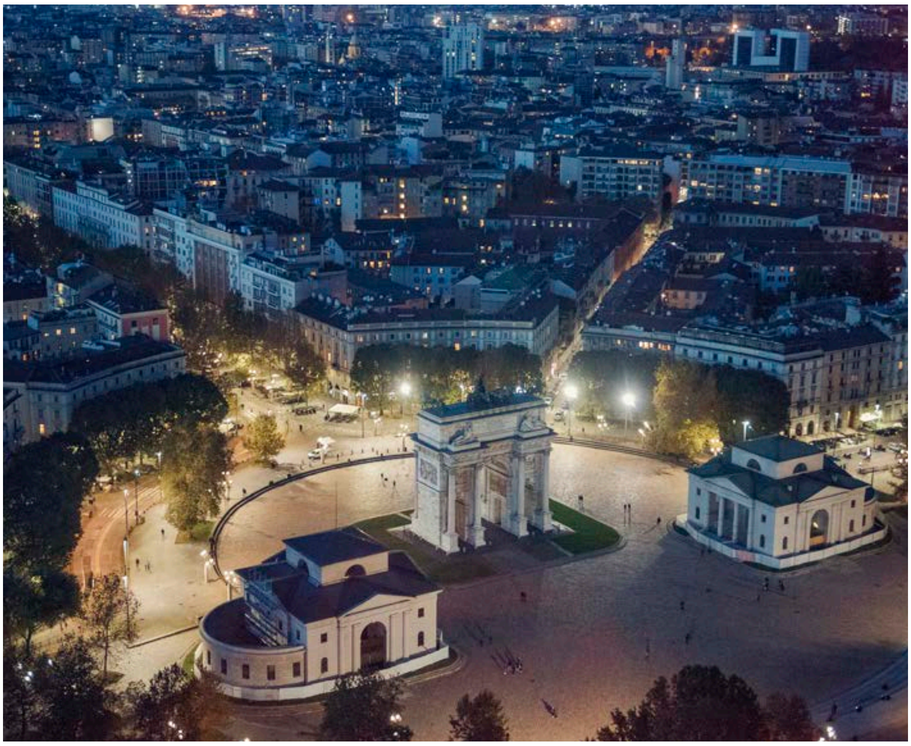
Chambers & Partners 2017: Europe Guide: Italy – Intellectual Property

Therefore, the parties to a contract for free-lance services may provide specifically as to the ownership of the economic rights arising from an invention, if any, that may be developed or created by the free-lance worker in performance of the contract for services. In practice, the contract could, for example, provide that **the independent worker will agree to transfer the economic rights to the principal in exchange for the payment of consideration** to be agreed between the parties. In these circumstances, the principal would acquire rights on the invention in a derivative way, rather than automatically. If one of the parties later does not comply with the agreement, or if compliance becomes overly burdensome, the general remedies under Italian law will apply.

Contracts for free-lance workers that instead imply and govern inventive activity by the free-lance worker would continue, as before, to govern the acquisition by the principal of the rights attaching to the invention.

Conclusions:

Law 81/2017 provides that, except where inventive activity is contemplated and specifically remunerated under the contract for services, **the economic rights relating to inventions created by the free-lance worker in performance of the contract belong to the inventor/worker**. Given that this may not be the preferred solution, the **parties can agree** in the original contract or in any renewal thereof, and even before any invention is created, **the terms and conditions for the transfer of those rights to the principal**.



DÜSSELDORF
THE SCOPE OF DUTIES WHERE THERE EXISTS AN OBLIGATION TO CEASE AND DESIST: RECALL OF "RESCUE" PRODUCTS IN GERMANY

In a recent judgment, published 13 January 2017, the German Federal Court of Justice (*Bundesgerichtshof*, "**BGH**") held that the prohibition to distribute a product may also result in the obligation to actively recall products already distributed to retailers.[30] While the wording of Section 8 (1) of the German Unfair Competition Act ("**GUCA**") only states there is a duty for the defendant to "cease and desist", the BGH judgment indicates that the defendant could also be obliged to recall any products still in circulation by contacting third parties such as retailers. This article aims to outline the scope of the legal and practical obligations concerning not only unfair competition law, but also IP related rights more generally.

Key Issues

- In general, a claim for injunctive relief obliges the liable party to refrain from further infringing acts.
- In Germany, any order to cease and desist from the distribution of a product according to Section 8 (1) GUCA also entails the obligation to recall – or at least seriously attempt to recall – the products at dispute.
- Depending on the individual case, the failure to comply with the respective order can lead to severe fines of up to EUR 250,000 or criminal detention according to Section 890 (1) Code of Civil Procedure.

Legal Background

The defendant, a distributor of pharmaceutical products, marketed and distributed alcoholic beverages primarily through pharmacies under the signs "RESCUE DROPS" and "RESCUE NIGHT SPRAY". The plaintiff, a competitor in the healthcare market, successfully lodged an injunction based on Section 8 (1) GUCA arguing that "RESCUE" is a term specific to and exclusively used for health care products.
The Higher Regional Court of Munich (*Oberlandesgericht München*, "**OLG**") confirmed the injunction and ordered the defendant to cease and desist from marketing and distributing any alcoholic products under the sign "RESCUE" with a corresponding warning of severe fines or criminal sanctions.

Following the court's decision, there still remained a supply of disputed products distributed to pharmacies before the date of the judgment which were still being marketed and sold by the pharmacies. The plaintiff enforced his rights by way of filing a cease-and-desist order in respect of the products that remained in circulation. However, the defendant argued that he had fully complied with the court order simply by refraining from selling any goods and that he was not required to take any further steps, such as notifying the pharmacies and recalling the products at issue.

In consequence, during the execution proceedings, the OLG held that the defendant's failure to recall any of the products already in circulation violated the court's order for an injunction. It thus stipulated a fine of EUR 45,000. The defendant appealed the decision.

30 See BGH, GRUR 2017, 208

On appeal the BGH ruled that in this case the prohibition to distribute a product entailed the obligation to actively recall any products that had been sold and distributed before the ruling was made. Whilst the BGH acknowledged that retailers cannot be legally forced by the defendant to comply with the request to return products, the court stated that the defendant must at least make a "serious attempt" to retrieve any products previously sold in order to fulfil his obligations. However, the BGH did lower the fine against the defendant to EUR 15,000.

Legal Analysis and Practical Implications

Section 8 (1) GUCA consists of two independent methods of legal recourse: (i) a claim for elimination of the infringement; and (ii) a claim for injunctive relief in the event of the risk of recurrence. These two claims have different objectives and therefore require different legal proceedings. The first method aims at ending persisting legal infringements. The second seeks to prevent such infringements in the future. However, under certain conditions these claims may overlap, especially if the defendant's action causes continuous infringement.

The court's decision that the order to cease and desist includes not only the duty to refrain from further infringing acts, but also to actively recall the products in dispute is in line with the general principle that injunctions may result in an obligation to take further actions to end a continuing infringement.

However, the court's conclusion that Section 8 (1) GUCA encompasses the obligation to actively recall products is highly relevant for all parties involved as it affects procedural as well as practical aspects of the case.

The interpretation of the order to cease and desist may be problematic in the event that a plaintiff seeks interim legal protection. The obligation to recall products by way of interlocutory procedures could lead to the pre-emptive enforcement of a claim before the court has reviewed the case on its merits.

Reasonable and proportionate measures

The recent BGH judgment aims to limit the scope of an injunction under Section 8 (1) GUCA by applying a test which requires the injunction to be a reasonable and proportionate measure. Accordingly, the duty to recall infringing products must be the least stringent means of action in relation to the specific case. It is therefore necessary to take into account the opposing interests of both parties as well as public interests such as public health.

With regard to the defendant, detrimental effects might include reputational damage, excessive costs and lasting negative effects on customer relations which could result in a recall not being a reasonable and/or proportionate measure. There may be instances where the reputational damage and financial loss incurred by way of an injunction could threaten the existence of the business as a whole.

On the other hand, an obligation on the defendant to recall products saves the plaintiff from having to take action against every individual retailer. The plaintiff thus benefits from the avoidance of having to file numerous infringement claims with respect to violations of IP rights due to the previous distribution of infringing goods. However, the plaintiff might be held liable to pay damages where the order to recall products was illegitimate, unreasonable or disproportionate. Nevertheless, an obligation on the defendant to recall products in circulation provides an easier and more effective means for plaintiffs to pursue infringements of their IP.

"Seriousness" of notification to distributors

Finally, the BGH also held that where a defendant has a limited legal and actual prospect of successfully recalling all products already on the shelves, a "serious attempt" by the defendant to recall the products is deemed sufficient. Examples of other less stringent obligations as compared to the defendant ensuring the recall of disputed products include measures such as an obligation on the defendant to inform or request that retailers do not distribute or sell any of the products in dispute.

Conclusion

Looking ahead, further developments of this legal principle will likely encompass a wider scope of obligations as part of an order of injunctive relief. An indicator for this hypothesis is the pending transposition of the European Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure. According to Article 12 Nr. 2 (a) of the Directive the plaintiff will be granted recourse to recall products in the event of the unlawful disclosure of trade secrets. It is conceivable that national legislators might develop this principle even further and implement reforms based on the Directive. Therefore, although the principles discussed in this article are based on the violation of unfair competition law, it is not unreasonable to assume that this judgment may even be applied to other areas of IP law, such as trade mark or patent law. Moreover, the implications of the decision could also be applied to other legal situations such as court settlements or contractual agreements.

MOSCOW
PARALLEL IMPORTS IN THE EAEU

EAEU

The Eurasian Economic Union ("**EAEU**") was established by Belarus, Kazakhstan and Russia with the signing of the EAEU Treaty on 29 May 2014 (the "**Treaty**"). The Treaty came into force on 1 January 2015. Armenia and Kyrgyzstan joined the EAEU on 2 January 2015 and on 12 August 2015, respectively. The EAEU is the successor to the Eurasian Economic Community, which existed from 2000 to 2014 and was dissolved due to the creation of the EAEU (among other reasons).

Protocol No. 26 to the EAEU Treaty, entitled "On Protection of Intellectual Property Rights", establishes the concept of regional exhaustion of IP rights to trade marks in the EAEU.

Parallel imports in the EAEU

There is no official definition of parallel imports in EAEU documentation. According to the Trade Facilitation Terms: an English-Russian Glossary[31], available on the EAEU website, "*a parallel import, also known as a grey product, refers to a genuine (i.e. noncounterfeit) product placed on the market in one country, which is subsequently imported into a second country without the permission of the owner of the intellectual property rights which attach to the product in the second country.*"

Historically, EAEU member states have applied national, regional and international concepts of exhaustion of IP rights at various points in time, depending on the relevant regulation of parallel imports, i.e.: (i) a total prohibition of parallel imports; (ii) the admission of parallel imports within a certain region; and (iii) the allowance of parallel imports from any third country. Currently, all EAEU member states except Armenia apply the regional regime within the EAEU, which means that IP rights are deemed exhausted when the relevant product is put into civil circulation in any EAEU member state. Armenia presently applies the international concept of parallel imports and will continue to do so until 1 January 2018; it uses special temporary measures to prevent the free circulation of products from its territory to other EAEU member states.

International concept of exhaustion of IP rights in the EAEU – "demo version"

The EAEU member states are currently discussing the possibility of temporarily introducing the international principle of parallel imports in the EAEU in respect of certain goods. The relevant draft amendments to the Treaty are now under consideration by the member states (the "**Amendments**"[32]). If applied, this would mean that the IP rights relating to particular groups of products will be deemed

Key Issues

- A "regional principle" of exhaustion of IP rights is currently applied within the EAEU.
- The "international principle" of exhaustion of IP rights could be applied to drugs, medical devices, baby goods and vehicle parts in the next few years.
- Extension of the regional regime, lobbied by Russia, is opposed by the business community both inside and outside the country.

31 A document containing standard translations of terms used for facilitation of international trade, prepared by the United Nations Economic Commission for Europe in cooperation with the Commission of the Customs Union of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation and the Chamber of Commerce and Industry of the Russian Federation (second edition, 2012).

32 The relevant draft protocol was approved by Order of the Board of the Eurasian Economic Commission No. 30 dated 24 April 2017 (the "**Order**").

exhausted once those goods are put into civil circulation in any country worldwide. The applicable products are to be determined by the Eurasian Intergovernmental Council, to apply either for a limited period of time or on a case-by-case basis.

The main features of the Amendments are:

- international exhaustion is to apply to particular types of goods (drugs, medical devices, vehicle parts, parts for industrial equipment and baby goods are currently being discussed);
- international exhaustion might apply only on a temporary basis; and
- international exhaustion will apply provided that the goods in question are: (i) not available on the internal EAEU market; (ii) are available only in insufficient quantities and/or are overpriced; and (iii) in other cases, determined based on the social and economic interests of the member states.

Pros and cons

The Amendments have been hotly debated in the business communities of the EAEU member states. The main concerns are that (i) product quality could generally worsen due to a greater number of counterfeit goods on the market; and (ii) foreign investment could be adversely affected. The Russian antimonopoly authorities, one of the strongest proponents of the Amendments, argue that the Amendments will put downward pressure on prices and help liberalise imports.

The following measures have been suggested to mitigate the negative impact that parallel imports might have on the EAEU market:

- trade mark owners will be entitled to initiate the cancellation of international exhaustion;
- a new type of customs post will be established to handle parallel imports;
- trade mark owners will be entitled to inspect the imported goods; and
- trade mark owners will be encouraged to localise manufacturing.
- That said, no mechanisms or any further details on implementation of the above measures are currently available.

Further steps

Although the EAEU member states were required to notify the Eurasian Economic Commission of the outcome of their internal procedures on approval of the Amendments by 1 July 2017, there is no publicly available information on any such notifications. The Russian Government plans to consider the Amendments in the next few weeks.

The body responsible for implementation of the principle of international exhaustion of IP rights is a Working Group of the Eurasian Economic Commission which was created in 2014.

In a nutshell, the principles of parallel imports in the EAEU are still under development. There are many practical issues to be overcome and further guidance and explicit regulation will be required.

AMSTERDAM
EU TRADE SECRETS DIRECTIVE

Knowledge has become the primary resource of today's economy. As a result, the manner in which knowledge is acquired, used and disclosed has taken on a new significance. In particular, the extent to which one can safeguard the proprietary nature of information is central to the value of knowledge. The latter representing an increasing challenge in today's environment of digitisation, long supply chains and diverging national rules and standards. Despite the fact that know-how and confidential business information may be considered key business assets in today's economy, only a few jurisdictions provide for legal protection in this respect. The United States is one of the most prominent examples of a country which has extensive legislation on the protection of trade secrets. With the introduction of the EU Trade Secret Directive so too will the Member States of the European Union.

The Council of the European Union and the European Parliament adopted a new directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use, and disclosure (the "**Directive**") on 8 June 2016. EU Member States must bring into force the laws and administrative provisions necessary to comply with the Directive by 9 June 2018. The Directive aims to put companies, inventors, researchers and creators on equal footing throughout the internal market, and as a result the EU will have a common and clear legal framework. Individual Member States may implement more extensive protection against unlawful acquisition of trade secrets (as defined below) provided that the main principles of the Directive are complied with.

This article aims to provide an overview of the protection regime for trade secrets as stipulated in the Directive and to comment on the effects it may have from a practical point of view.

What is a "trade secret"?

The Directive requires the following three elements to establish trade secret protection: (i) secrecy in the sense that the relevant information is not generally known or readily accessible; (ii) commercial value due to the secret nature of the information; and (iii) reasonable efforts of the holder of the secret to maintain secrecy. The definition thus applies to a broad spectrum of information, including know-how, customer- and supplier lists and market strategies.

Key Issues

- The Trade Secrets Directive harmonises the definition of trade secrets and relevant forms of misappropriation.
- The Directive harmonises the civil means through which victims can seek protection.
- Member States have until 9 June 2018 to implement the Directive.

Link Directory

Alvin Khodabaks, Partner and **Nadia Jagusiak**, Associate at Clifford Chance Amsterdam has published the following Article in the General Counsel Netherlands (GCN) magazine:

"Regulatory guidance on the personal data breach notification under the GDPR"

https://www.generalcounsel.nl/diamondbox/regulatory-guidance-on-the-personal-data-breach-notification-under-the-gdpr/

What are the infringing acts considered by the Directive?

The Directive lists the following as infringing acts: (i) the unlawful acquisition of trade secrets; (ii) the unlawful use or disclosure of a trade secret; and (iii) the commercialisation of infringing goods.

Unlawful acquisition

Means of unlawful acquisition are, *inter alia*, unauthorised access to or copy of any documents, objects or electronic files lawfully under the control of the holder, or by theft, bribery, deception, or breach of a confidentiality agreement. However, the list is not exhaustive. A catch-all clause renders other actions infringing if conduct *under the circumstances is considered contrary to honest commercial practices.* Due to the generic nature of this clause, it may be the subject of considerable case law in attempts to further clarify how this clause is intended to be read.

Unlawful use or disclosure

The use or disclosure of a trade secret is deemed unlawful in the event that someone (i) has acquired the trade secret unlawfully; (ii) is in breach of a confidentiality obligation or agreement; <u>or</u> (iii) is in breach of a duty (contractual or otherwise) to limit the use of such trade secret. In addition, use and disclosure need to be unlawful according to the abovementioned prerequisites. Indirect use or disclosure is also considered an unlawful use of trade secrets where the person, at the time of use or disclosure knew or should have, under the circumstances, known that the trade secret was obtained from a direct infringer.

Unlawful commercialising

In addition to the acquisition, use and disclosure of a trade secret, the Directive also extends to the commercialisation of infringing goods. Their *production, offering or placing on the market (...) or import, export or storage (...) for these purposes* shall be prohibited. Infringing goods means goods whose design, quality, manufacturing process or marketing significantly benefits from trade secrets unlawfully acquired, used or disclosed.

Are there exceptions?

The Directive includes a list of exceptions in which case the acquisition, use or disclosure of a trade secret is considered lawful. This includes, inter alia, acquisition through independent discovery, creation, observation, study, disassembly or test of a product or object that has been made available to the public.

In addition, no claims shall be possible if the acquisition, use or disclosure was carried out for certain purposes, e.g., for making legitimate use of the right to freedom of expression and information or where an acquisition, use or disclosure was necessary to reveal the misconduct, wrongdoing or illegal activity (for example whistle-blowing). Also, the purpose of protecting a legitimate interest is considered a justification.

Link Directory

Jaap Tempelman, Counsel at Clifford Chance Amsterdam has published the following article in Cecile Park Media Publication:

"T-Mobile Netherlands v. Netherlands Authority for Consumers and Markets"

http://intranet/news/amsterdam/amsterdam_news/jaap_tempelman_published.edition_handle.-content-news-amsterdam.article_frompage.archive.today.html

What are the remedies in the event of infringements?

Remedies stipulated in the Directive to enforce trade secret rights include preliminary as well as permanent measures, including injunctions, recalls and damages. These remedies need to be implemented by the Member States.

Preliminary measures

Interim as well as precautionary measures include the seizure of infringing goods to prevent their entry into the market as well as the prohibition of the infringing action by way of interim injunctions. However, infringement needs to be ongoing or imminent.

Permanent injunctions and recalls

In proceedings on the merits, permanent injunctions as well as corrective measures can be requested. The latter include, *inter alia*, the recall from the market, and the cessation, destruction, or return of infringing goods to the trade secret holder.

"Pecuniary Compensation"

Moreover, the Directive provides for pecuniary compensation as an alternative to injunctions or corrective measures. It shall be available at the discretion of the court, but at the request of the infringer, in cases where (i) the infringer originally acquired the knowledge of the trade secret in good faith; (ii) the execution of the measures in question would cause that person disproportionate harm; and (iii) pecuniary compensation to the injured party appears reasonably satisfactory.

Damages

In case of culpable actions (i.e., where an infringer knew or ought to have known that he or she was engaging in an infringing action) damages can be requested by the holder to compensate the injured party (for example an amount equal to an usual license fee at a minimum).

Additionally, decisions can be made public at the request of the infringed party where appropriate.

Who can sue?

The direct owner as well as any natural or legal person "lawfully controlling a trade secret" is entitled to request measures. Effectively this definition also encompasses licensees. The Member States shall make rules for the limitation periods to claims and actions on the basis of the Directive which length shall not exceed 6 years.

Are there any measures taken during litigation to avoid disclosure?

The Directive aims to ensure that trade secrets are not disclosed during court proceedings. To that end, access to documents containing trade secrets shall be restricted. Also, hearings in which trade secrets are disclosed may only be attended by lawyers of the parties as well as authorized experts that are subject to a confidentiality obligation. In certain cases a confidentiality obligation may be imposed on the lawyers towards their clients. Lastly, the issuance of court decisions in redacted form only shall be possible.

What should I do?

A key element of the definition of trade secrets is that 'reasonable steps have been taken to keep the information secret. You should therefore identify your trade secrets and assess for your trade secrets which actions have been taken to keep this information confidential. This includes the review of employment contract protections (including confidentiality clauses) and identifying the current protective measures in place (such as usage of non disclosure agreements, policies, IT systems and document management systems). Finally, you should ensure that your employees adhere to honest commercial practices and comply with the confidentiality procedures in place at your company.

A copy of the Directive can be found by clicking here.

HONG KONG
CHINA ESTABLISHES ITS FIRST CYBERSPACE COURT IN HANGZHOU

On 26 June 2017, China approved a plan to set up the Hangzhou Cyberspace Court at Hangzhou, Zhejiang Province, China. Hangzhou is the home of the e-commerce giant Alibaba and the home of China's thriving e-commerce industry.

Key Issues

- The Hangzhou Cyberspace Court's new online platform will allow parties to file complaints, submit evidence, request service of process and attend hearings remotely.
- This has the potential to make the option of judicial resolution more appealing and cost-effective when enforcing rights against an online infringer.

Jurisdiction

According to the Zhejiang e-commerce court website, the Hangzhou Cyberspace Court will take over jurisdiction for the following types of cases from the Hangzhou district courts from 18 August 2017:

- contractual disputes in relation to online trading, service and small loan activities;
- disputes in relation to online copyright ownership or infringement;
- disputes in relation to online infringement of the personal rights of an individual;
- product liability claims over goods purchased online;
- domain name disputes;
- disputes in relation to online regulation by a government department; and
- other internet related civil and administrative cases as designated by the superior court of the Hangzhou Cyberspace Court.

Operations

The establishment of the Hangzhou Cyberspace Court follows a pilot programme implemented from April 2015 in four Hangzhou courts: the Hangzhou Intermediate Court, Hangzhou Xihu District Court, Hangzhou Binjiang District Court and the Hangzhou Yuhang District Court. These courts specifically hear disputes concerning online payments, copyright and transactions.

As reported, the parties will be able to file complaints through this online platform and may be able to appear at court hearings by video link. Judgment in the case would be delivered online.

The Hangzhou Cyberspace Court is likely to follow the above practices. After registering an account with the cyber-court, a party may be allowed to file a complaint, submit evidence, request service of process and attend a hearing remotely through the Hangzhou Cyberspace Court's online platform at www.netcourt.gov.cn.

Implications

It seems that the creation of the Hangzhou Cyberspace Court represents an important step towards the provision of an online court system allowing parties to resolve their disputes remotely and efficiently. This has the potential to make the option of judicial resolution more appealing and cost-effective when enforcing rights against an online infringer.

It will be interesting to see how cases will be handled by the Hangzhou Cyberspace Court in practice and to what extent this new online court system can help facilitate the enforcement of IP rights in China.

"At Clifford Chance, highly regarded practice head **Ling Ho** advises well-known international companies on trade mark and brand portfolio management, and works alongside colleagues in the M&A department to handle the IP aspects of major corporate transactions."

LEGAL 500 2017: Hong Kong – Intellectual property

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CLIFFORD CHANCE

16TH EDITION

GLOBAL INTELLECTUAL PROPERTY NEWSLETTER
IP AT THE INTERFACE OF ANTITRUST AND QUESTIONS RELATED TO OWNERSHIP IN DATA

ISSUE 12/17

16TH EDITION

Welcome to the 16th edition of Clifford Chance's Global IP Newsletter. With 2017 drawing to a close, our global IP Team would like to provide you with some insight to recent developments in the world of Intellectual Property.

In this issue we focus on changes to national and international legislation, as well as new case law, in particular with respect to **IP at the interface of antitrust law** and questions related to ownership in data.

To start, we will take a look at a new regulation under the Spanish Patent Act. This Spanish regulation provides for the request of a compulsory licence as a remedy for a patent owner's anti-competitive practices. In a related area, the Newsletter will then provide information on confidential licence negotiating and address antitrust issues connected to standard essential patents on **F**air, **R**easonable and **N**on-**D**iscriminatory (**FRAND**) terms.

Sticking with the patent theme, European Regulation (EU) No. 316/2014 on technology licensing and transfer will be touched upon. We will also inform you about the way nullity actions are handled under French law.

In addressing the perennial issue of data protection, we will broaden our horizons and outline the international approaches to the relationship between, on the one hand, data, databases and data processing, and on the other hand antitrust perspectives.

The Newsletter will analyse European Community Design litigation by means of the CJEU's *Nintendo* decision. Turning to trade marks, we also examine a recent judgement of a Polish administrative court dealing with questions on a registered trade mark's level of reputation in opposition proceedings. Finally, the Newsletter will shed some light on the Australian Competition and Consumer Act 2010, in particular its section 51(3) which lists exceptions from anti-competitive behaviour.

We hope you enjoy this 16th edition of our Newsletter and look forward to receiving your feedback.

Season's greetings and a Happy New Year!

Your CC Global IP Team

BARCELONA: THE NEW SPANISH PATENT ACT REGULATES COMPULSORY LICENSING AS A REMEDY FOR ANTICOMPETITIVE PRACTICES

The new Spanish Patent Act ("**SPA**"), which entered into force on 1 April 2017, extended the types of cases in which a compulsory licence may be requested before the Spanish Patent and Trademark Office ("**SPTO**") to include the possibility of granting compulsory licences to remedy anticompetitive practices.

Key Issues

- Under Spanish Patent Act the Spanish Patent and Trademark Office may grant a compulsory licence to remedy anticompetitive practices declared as such by a final decision of the competent antitrust authority or Court.
- The terms of the compulsory licence will be negotiated by the parties with the assistance of a mediator or an expert but, if no agreement is reached, the Spanish Patent and Trademark Office will set them.
- When there are public interest reasons to put an end to anti-competition practices, the Government could set the terms of the compulsory licensing through a Royal Decree.

The new compulsory licences are set out in Article 94 SPA, in line with Articles 8.2, 31(k) and 40 of the TRIPS Agreement and with the Court of Justice of the European Union ("**CJEU**") case-law stated in the *Magill*[1], *IMS*[2] and *Microsoft*[3] cases, According to these cases, in exceptional circumstances, the owner of an intellectual property right can be obliged to grant a licence to a third competitor if the refusal to grant it constitutes an abuse of dominance. In fact, in the *Microsoft* case the CJEU stated that "*in order for the refusal by an undertaking which owns a copyright to give access to a product or service indispensable for carrying on a particular business to be regarded as abuse, it is sufficient that three cumulative conditions be satisfied, namely that that refusal is preventing the emergence of a new product for which there is a potential consumer demand, that it is unjustified and that it is such as to exclude any competition on a secondary market (Case C418/01 IMS Health [2004] ECR I5039, paragraph 38)*" (para. 139).

Article 94.1 establishes that a final decision (i.e. a decision that is not subject to appeal) declaring the infringement of antitrust law by a patent holder will be communicated to the SPTO by the Spanish Antitrust Commission (*Comisión Nacional de los Mercados y la Competencia* - "**CNMC**") or by the Court that has handed down the decision. In this regard, the following should be highlighted:

- The types of acts that will most likely be affected by Article 94.1 are those envisaged by Article 2 of the Spanish Antitrust Law and/or Article 102 of the Treaty on the Functioning of the European Union ("**TFEU**"), i.e. abuse of dominance. As regards collusive practices, apart from the fact that these may be addressed by other mechanisms such as the prohibition of agreements restricting competition stated in Article 101 TFEU, it does not seem likely that a compulsory licence would remedy the restriction of competition caused by them.

- Article 94.1 establishes that the infringement of competition law must be carried out by the "*patent holder*". The provision does not appear to focus focus on acts carried out by other right holders like exclusive licensees.

1 CJEU Judgment dated 6 April 1995, C-241/91P and C-242/91P, *Magill*.

2 CJEU Judgment dated 29 April 2004, C-418/01, *IMS*.

3 CJEU Judgment dated 27 June 2012, T-167/08, *Microsoft*.

- The provision only refers to decisions handed down by the CNMC or by a Court, but not by any other authority that may also hand down this kind of decisions, such as the European Commission ("**Commission**") or regional antitrust authorities within Spain. However, considering the Explanatory Memorandum of the SPA, which refers to the need to remedy anticompetitive practices of a national or Community scope, we understand that Article 94.1 may also envisage decisions handed down by the Commission. In our opinion, the decisions handed down by the Regional Antitrust Authorities may also be included within Article 94.1, although in this case the territorial scope of the compulsory licence may be limited to the affected region.

- As regards the reference to "*the Judge or Court*", we understand that both administrative Courts (reviewing decisions handed down by the CNMC) and civil Courts (addressing private enforcement of antitrust law) are included in this category.

Article 94.2 SPA sets out that when the decision directly decrees the submission of the patent to the compulsory licence regime, the SPTO will publish it in the Industrial Property Official Gazette. It will then proceed in accordance with Articles 98 and 99 SPA which establish the procedural steps to obtain a compulsory licence before the SPTO. Regarding this procedure, the following should be noted:

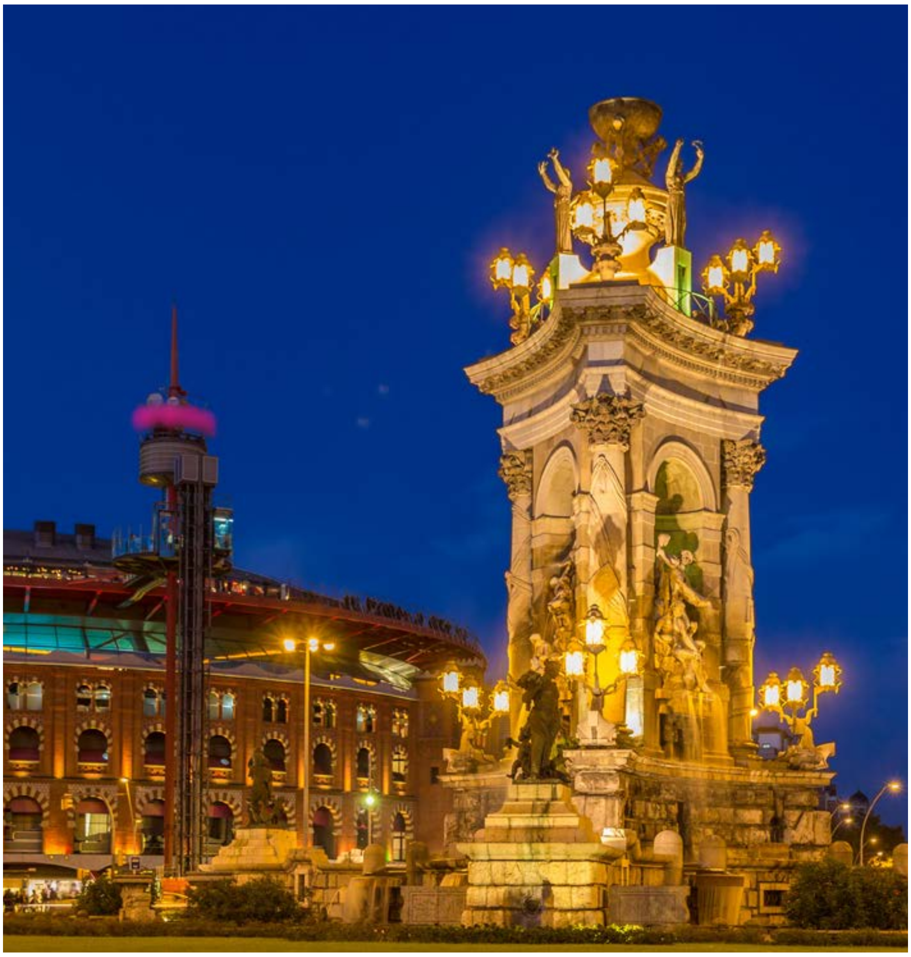
- The applicant does not necessarily need to have been a party to the proceedings where the final decision decreeing the submission of a patent to a compulsory licence has been handed down. The applicant must set out the circumstances justifying its request for a compulsory licence, and prove that it has sufficient means and guarantees to carry out a "*real and effective exploitation*" of the patented invention in accordance with the licence's objective. No prior attempt to obtain a contractual licence is required.

- The SPTO will forward the application to the patent holder, who is entitled to make submissions within one month. If the holder does not reply, the SPTO will grant the licence. When the SPTO considers that the requirements for granting a compulsory licence are met, it will invite the parties to appoint a mediator within two months (or, failing that, to each appoint an expert to determine the terms and conditions of the licence along with a third expert appointed by the SPTO). If no agreement is reached within two further months about the appointment of a mediator or expert, or about the conditions of the licence, the SPTO will decide. The SPTO's decision should determine the licence terms (including scope, royalty and duration). This decision is subject to appeal, although this will not suspend the decision's enforcement. Nevertheless, the licensee may request the SPTO delay exploitation until the grant of the licence is final.

- We cannot rule out that the decision ordering the submission of the patent to a compulsory licence could establish certain licence terms and conditions. We understand that the SPTO should follow the content of such decision, so the applicability of Articles 98 and 99 SPA would be at least partially unnecessary.

- According to Articles 100 and 101 SPA, compulsory licences are non-exclusive and require an "*adequate remuneration*", considering the "*economic importance*" of the invention and the circumstances of each case. In this respect, Article 94.3 SPA states, in line with Article 31(k) of the TRIPS Agreement, that the need to correct anticompetitive practices "*may be taken into account*" when determining the royalty. The licensee and the patent holder will be entitled to request a modification of the royalty or of other licence terms when "*new facts*" arise, justifying such modification.

Lastly, according to Article 94.4, notwithstanding the previous provisions, the Government may decide to submit the patent to the compulsory licence regime further to a Royal Decree when it considers that there are public interest reasons to put an end to anticompetitive practices. Although the wording of this provision is unclear, we understand that it aims to establish a fast route to grant compulsory licences when public interest requires the termination of a practice that has already been declared anticompetitive by a final decision handed down by the competent Court or administrative authority. In this regard, Article 95.4 SPA envisages that the Royal Decree ordering the patent's submission to a compulsory licence may directly establish (totally or partially) the scope, conditions and royalty of the licence or, alternatively, leave such determination to the SPTO following the administrative procedure explained above.



DÜSSELDORF: CONFIDENTIALITY IN FRAND NEGOTIATIONS

In the *Huawei/ZTE* decision of 2015, the Court of Justice of the European Union ("**CJEU**") held that FRAND (fair, reasonable and non-discriminatory) terms should be the European standard when negotiating licences for Standard Essential Patents ("**SEP**"). The decision started an ongoing discussion about how and when to apply FRAND terms. The patentee must now show the court (or arbitrators in arbitration proceedings), why he thinks a licence is FRAND. Thus, he has to provide valid evidence and reference points, such as licences already granted which potentially contain highly confidential material. This article focuses on confidentiality in FRAND negotiations and the parameters set by German landmark decisions on FRAND terms post *Huawei/ZTE*.

Background

Although a concrete decision on the interpretation of FRAND has not been issued by Germany's Federal Court of Justice since its *Orange Book Standard* decision in 2009, recent trial and appellate court decisions give some guidance on how to handle FRAND negotiations in Germany. Both appellate court instances, the Higher Regional Court of Düsseldorf and the Higher Regional Court of Karlsruhe, have applied *Huawei/ZTE* in consecutive steps to test for FRAND conformity where a licence is negotiated.

Most cases involve an SEP owner discovering a potential infringement and then seeking the infringer to cease-and-desist or take a licence of the standard bearing patent. This article outlines the necessary steps in order to comply with FRAND terms under German Law. Each step will be framed with the question:
"What information do I want or have to provide the opposing party with?"

Infringement notification

After an SEP owner discovers an infringing action, he needs to notify the infringer of the patent standard in question and the infringing action. Merely indicating that the infringing party manufactures products by using the standard is insufficient. Instead the patent owner needs to describe the technical function of the infringing product which uses the standard protected by such patents with respective claim charts. This should include a so called "proud-list", listing the 10-15 strongest SEPs as being part of a portfolio.

FRAND offer

If the alleged infringer shows a willingness to enter into a licence, it is up to the patentee to make a FRAND offer. This must include sufficient information to allow the alleged infringer to judge whether the licence is FRAND. The Higher Regional Court of

Key Issues

- The obligation to make a FRAND offer can often times conflict with the potential disclosure of confidential information.
- Disclosing existing FRAND licence agreements can be problematic. Patentees should know that they cannot rely on a third party NDA to avoid disclosure of certain information when there are antitrust implications.
- To protect their own interests and those of existing third party licensees, patentees can ask for special protection of confidential information in proceedings.
- Where an alleged infringer refuses to provide a cease-and-desist declaration, a court or arbitrator can render a decision determining what disclosure mechanisms are appropriate and bind the parties.

"**Claudia Milbradt** of Clifford Chance specialises in patent litigation, where she mainly handles injunction proceedings, invalidity proceedings and nullity actions. Herpractice also covers patent licence agreements and the IP aspects of M&A transactions. She represented Hyundai in two patent infringement proceedings and a nullity action against Scania. One client sums up: "She is very experienced, realistic, prepares excellently for court appointments and fights for her client while remaining objective and proper."

Chambers & Partners 2017: Europe Guide: Germany – Intellectual Property: Patent Litigation

Karlsruhe rejected the need for the patentee to ensure that the alleged infringer can understand (based on objective criteria) why the offer conforms with FRAND requirements. However, it is advisable that the patentee does proceed in a way that explains this. As the patentee decides on the appropriate licence fee, he will need to be able to sufficiently explain himself if the infringer denies the offer on the basis it is not FRAND compliant. The benchmarks used by the courts to decide compliance are hypothetical references to (i) how a licence would look like if the SEP owner did not have a market-dominating position, and/or (ii) comparable licences already granted in the relevant sector.

In deciding whether or not the negotiations and their results have been FRAND, the courts tend to refer to licences that have already been granted to other parties. However, the disclosure of pre-existing licences can be problematic. Oftentimes existing licences will be subject to non-disclosure agreements or contain confidentiality provisions to protect critical information, such as trade secrets pertaining to the subscribing parties. Understandably, it is in the interest of the patentee to limit the amount of disclosure of such information to an alleged infringer.

The methods advanced by the Higher Regional Court of Düsseldorf give an idea as to how a patentee can comply with its FRAND obligation. A patentee must be aware that he cannot limit his disclosure due to the existence of any third party non-disclosure agreement. A patentee cannot contractually bind himself in such a way to avoid disclosure when there is an antitrust object involving compulsory licences. Therefore, to protect his interests and those of existing third party licensees, a patentee should make a specific request for the special protection of any confidential information in the proceedings.

Protection of Confidential Information

Where special protection is conferred, the alleged infringer should agree that any "highly confidential" materials are to be provided to legal counsel only, who is not permitted to disclose this information to its clients. Further, the alleged infringer should agree to sign a cease-and-desist letter with certain content. The guidance given by the Higher Regional Court of Düsseldorf on 17 January 2017 (docket number I-2 U 31/16) is that the letter should include the following:

(i) Non-disclosure of the information, unless the material is used in proceedings before the courts or arbitration institutions.

(ii) Provision of a "clean team", which can include up to 4 persons (in addition to legal counsel) who are allowed to review the confidential material on behalf of the alleged infringer. The clean team is to come to a conclusion as to whether the licence offered is FRAND.

(iii) Cease-and-desist declarations that are subject to a penalty in case of violation (here EUR 1,000,000 per violation).

(iv) A clause stating when information is no longer a valid trade secret or falls within the public domain.

As Germany does not have private proceedings held before a judge, the solution of the Higher Regional Court of Düsseldorf seems efficient and a feasible way to prevent the claimant from "all or nothing situations" while staying within the CJEU's framework of

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Theme:
Meet our intellectual property law specialists **Claudia Milbradt, Josep Montefusco and Stephen Reese** at **C5's Pharma & Biotech Patent Litigation Conference** in Amsterdam. Pharma and biotech industry leading minds across Europe will come together to brainstorm and network with a diversified audience of industry leaders. Claudia, Josep and Stephen will be giving presentations on "Cross-Border Litigation Strategies: Planning, Managing and Reacting to Patent Enforcement Proceedings in Concurrent Jurisdictions".

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(Claudia Milbradt)

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- When to license, when to sell
- Top transaction tips
- Key issues in FRAND and licensing standard-essential patents

Interested? Find out more and register: http://events.ipbc.com/events/ipbc-europe-2017/event-summary-988323652a0e4165b6412392e754d950.aspx the FRAND procedure. In the event the alleged infringer refuses to give any cease-and-desist order, a court or arbitrator can, as a neutral third party, render a decision determining what disclosure mechanisms are appropriate and bind the parties.

Closing Remarks

Although an alleged patent infringement may raise numerous, difficult legal questions, especially those concerning the sufficient provision of information, the decision of the Higher Regional Court of Düsseldorf gives a well-positioned compromise. It is important to note that these provisions on confidentiality only pertain to FRAND conditions, not to the requirement for the patentee to sufficiently inform a potential infringer about the alleged infringement of a standard. It is up to the parties to negotiate and compromise in order to agree upon a cease-and-desist letter, or alternatively allow a neutral third party to determine appropriate measures when negotiating FRAND licence terms.

BRUSSELS:
EU COMMISION ON "FRAND": NEW GUIDANCE ON THE "F" IN "FRAND" IS FORTHCOMING

The European Commission is seeking to publish a communication giving guidance on what constitute Fair, Reasonable, and Non-Discriminatory ("**FRAND**") licensing terms and practices. FRAND terms are the set of principles with which owners of patents essential to standards (standard-essential patents or "**SEPs**") must generally agree to in return for inclusion of their technology into the relevant standard. Any communication from the Commission on this controversial topic is likely to become extremely influential in any subsequent dispute or negotiation on FRAND licences. This note summarizes key issues on which the draft communication reportedly seeks to offer guidance.

Key Issues

- The European Commission is expected to give guidance on the controversial topic of what constitutes FRAND licensing terms for Standard-Essential Patents.
- The guidance may endorse the principle of use-based licensing, pursuant to which licensors could charge different royalties depending on the end use of their patented standard-essential technology.
- Even if not legally binding on licensors or licensees, guidance from the European Commission is likely to become very influential in any subsequent dispute on FRAND terms.

Background

Owners of SEPs must generally agree to give a commitment to license these patents on FRAND terms as a condition for inclusion of their technology into the standard. The FRAND commitment aims to ensure that no SEP holder can unilaterally block access to the standard. Notwithstanding limited guidance from recent United States and United Kingdom court judgments determining FRAND terms in individual cases, there is no precise definition of what constitute FRAND terms. Licensors and licensees of SEPs continue to be divided on how FRAND terms ought to be determined. Some believe that additional guidance from the European Commission is necessary to improve legal certainty.

While a formal communication from the Commission on how to determine FRAND terms could help reduce legal uncertainty, it is also likely to prove controversial. The more favourable the FRAND determination method is to licensees, the lower their likely cost of implementation of standards and the wider the dissemination of the standard. Conversely, under these terms SEP holders may be less able to recover for third party use of their technology and have fewer incentives to contribute technology to new standards.

However, it would be wrong to view the question of what constitute FRAND terms as one dividing "innovators" from "implementers", which would suggest that only the former innovate and that the latter only implement.

First, many companies are both contributors to standards (SEP holders) *and* implementers of standards. They have balanced interests. Second, and more importantly, innovation is not exclusively the domain of SEP holders. Although SEP owners' contributions to new standards are clearly important to the development of new standards, most innovation is undertaken by firms who build on top of the standard.

Indeed, the significance of standards is arguably that they facilitate innovation on top of a common infrastructure. By way of example, the internet is arguably one of the most valuable standards of recent history. Still, the value of the internet as such pales compared to the innovation that has been built on top of the internet.

Thus, any answer to the question of how to define FRAND terms not only determines what SEP holders may demand in return for the use of their technology and how much consumers will pay for their devices, but also to what extent innovators are incentivized to innovate on top of standards. For example, how costly it will be for start-ups to build innovation on top of a standardized infrastructure and how difficult it will be for start-ups to obtain funding for such innovation.

Two main issues

The Commission's draft communication reportedly addresses two key aspects of FRAND terms and conduct, namely (i) refusals to license, and (ii) use-based licensing. The first is concerned with whether the SEP holder is free not to license to particular licensees in the supply chain. For example, to license only to finished product makers rather than component makers. The second is an approach to licensing pursuant to which the licensor charges different rates depending on the end-use of the product incorporating the patented technology, even if that technology is exactly the same. The two concepts appear to be related: the more freedom an SEP holder has to refuse to license at particular levels of the supply chain, the easier it is to choose to license at a level close to the end use, and thus extract value from that end-use.

(i) Refusals to license

SEP owners argue that they should be free to choose at which level of the supply chain they grant licences, and in particular whether to license finished product makers, or manufacturers of components. According to some SEP holders, licensing at the finished product level is more efficient than licensing higher up in the supply chain, as there are fewer finished product manufacturers than there are component makers.

Many (prospective) licensees take a different view. Manufacturers of components incorporating standard-essential technology often prefer to sell licensed products to finished product manufacturers, rather than selling unlicensed products that require customers to negotiate a licence with the SEP holders themselves. Many manufacturers of finished products would also prefer to purchase licensed components, and are concerned that a licence applicable to the finished product in effect forces the device manufacturer to pay royalties that extract value created by the device manufacturer rather than the SEP holder.

Some guidance already exists on the question of whether SEP holders may refuse to license, and departing from this guidance would be a bold move. The Commission's own Horizontal Guidelines provide that SEP holders must license to "*all third parties.*"[1] Recent regulatory investigations by the competition authorities of Korea and Taiwan have also confirmed this principle.

1 European Commission, Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements, paragraph 285.

(ii) Use-based licensing

The idea behind used-based licensing is that an SEP holder should be able to charge different rates depending on the end-use made of its SEP, even if the technology covered by the SEP is the same. This would mean that the SEP holder could charge a different rate for his SEP used in a smartphone as compared to the same SEP used in a smartwatch, for example.

Proponents of use-based licensing argue that the value of SEPs cannot be determined in a vacuum but is demonstrated principally by reference to particular use cases. Therefore SEP holders should be able to collect royalties that depend on the nature of that use. In addition, it has been argued that such price differentiation would allow for lower prices for applications that do not use the patented technology as intensively as others, thereby potentially lowering barriers to entry. SEP holders have also expressed concerns that inability to pursue a use-based licensing approach would endanger their ability to be fairly remunerated for the use of their technology in standards, which in turn would reduce incentives to innovate and contribute to new standards.

Opponents of use-based licensing disagree that the value of an SEP depends on how it is used. Their view is that the technology covered by the SEP fulfils exactly the same role in any standard-compliant product regardless of its end-use, as indeed the function of the technology covered by the SEP is defined by the standard. For example, the SEP used in the smartphone and the smartwatch is exactly the same, and so is the function fulfilled by the technology covered by the SEP. Opponents of use-based licensing thus argue that the differences between products incorporating the same standard (and thus the same SEPs) lies in the innovation *others* have added to the product. For example, even if the same standards (and thus SEPs) may be used in a smartphone and a smartwatch, the smartphone generally contains various valuable components and inventions that may not be found in the smartwatch. It has thus been argued that, if the SEP holder could charge a higher royalty for the smartphone than for the smartwatch under a use-based licensing model, the SEP holder would effectively be permitted to charge royalties on technology invented by others. This could be regarded as a tax on innovation, and which would not be consistent with the aims of standardization. Opponents of use-based licensing also argue that, conversely, in order to ensure adequate incentives to innovate on the part of SEP holders, it should be sufficient to reward SEP holders for their own innovation. According to them, enabling SEP holders to extract the value of the follow-on innovation added by third parties may disincentivize third parties from creating follow-on innovation. In addition to this, they argue that SEP holders cannot credibly claim value extracted from follow-on innovation as nobody knows what things others will do with the standard (consider the internet example).

Concerns have also been expressed about whether charging different rates for similar (or identical) situations might violate the “ND” in FRAND.

Questions also arise as to the compatibility of use-based licensing with existing guidance on standardization agreements, and in particular the European Commission’s Horizontal Guidelines. The Horizontal Guidelines do not appear to recognize use-based licensing as a legitimate form of FRAND licensing. They suggest that FRAND valuation should not be based on any strategic or hold-up value, and suggest methods of evaluating the ex-ante value of the SEP (incremental value in relation to alternatives). If the SEP holder is permitted to extract part of the value of follow-on innovators by charging a royalty based on the technology's end use, this could in effect mean that he would be allowed to extract part of the hold-up value - the value the SEP holder can only extract by virtue of his technology having been adopted as part of the standard. It could be said that use-based licensing thus confuses (i) the value of the SEP holder's contribution to the standard, and (ii) the contribution of the standard to the end-product.

How would principles co-exist? Does one undermine the other?

According to some reports, the Commission may be minded to endorse *both* a prohibition on refusals to license *and* the principle of use-based licensing. If correct, this raises the additional question of whether these two principles could in fact co-exist, or whether one would undermine the other. In particular, some have pointed out that endorsement of use-based licensing could effectively undermine a prohibition on refusals to license. For example, even if a prospective licensee operating upstream, such as a chip manufacturer, may be entitled to request a licence from the SEP holder under a prohibition on refusals to license, the SEP holder on its part may be entitled to insist on a use-based licensing model, requiring the chip manufacturer to inform the SEP holder what the end-use of the licensed product (the chip) is. The prohibition on refusals to license could be said to be at odds with the use-based licensing approach where the chip manufacturer is unable to answer this question. Will use-based licensing trump the prohibition on refusals to licence, meaning that the chip manufacturer may be unable to negotiate a licence without knowing what his chips are used for? Or does the prohibition on refusals to license prevail, meaning that the SEP holder must offer a licence even if it cannot be one following the use-based licensing principle?

BARCELONA: BEWARE ANTITRUST LAW WHEN ASSIGNING OR LICENSING A TECHNOLOGY. AN OVERVIEW OF COMMISSION REGULATION (EU) NO. 316/2014 ON TECHNOLOGY LICENSING AND TRANSFER AGREEMENTS

Under Article 101 of the Treaty on the Functioning of the European Union ("**TFEU**"), all agreements between undertakings which may affect trade between Member States and whose object or effect is the restriction of competition within the internal market are prohibited and shall be automatically void. This is the case unless they qualify for the exemption established in Section 3 of Article 101 TFEU for agreements that contribute towards improving the production or distribution of goods, or towards promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which do not (i) impose restrictions on the undertakings concerned which are not essential to achieving such objectives; nor (ii) make it possible for such undertakings to eliminate competition in respect of a substantial part of the products in question. This exemption has been further developed by the European Commission ("**Commission**") through the corresponding block exemption regulations for different agreement categories. We can also find similar provisions in the respective national antitrust regulations of the Member States.

Key Issues

- Technology transfer and licensing agreements must comply with antitrust laws.
- The TTBER provides a "safe harbour" for technology transfer and licensing agreements where the parties' combined market share does not exceed 20% (if they are competing undertakings) or 30% (if they are not).
- One should avoid including "hardcore restrictions" and "excluding restrictions" in technology transfer and licensing agreements in order to benefit from the TTBER.

By means of technology licensing and transfer agreements, the owner of an intellectual property right ("**IPR**") protecting a particular technology assigns its right to a third party, or authorises it to produce products using or incorporating the licensed technology. As such agreements are entered into by undertakings, they fall within the category of "*agreement between undertakings*" governed by Article 101 TFEU. Thus, if their object or effect is to restrict competition they will be prohibited under the antitrust provisions and deemed void, unless they qualify for the above-mentioned exemption. The Commission approved a specific block exemption regulation for these kinds of agreements: Commission Regulation (EU) No. 316/2014 of 21 March 2014 on the application of Article 101.3 TFEU to categories of technology transfer agreements (the "**TTBER**"). It also developed Guidelines 2014/C 89/03 on the application of the TTBER and the criteria for assessing such agreements under Article 101 TFEU.

Generally speaking, the Commission recognises that such agreements will usually improve economic efficiency and be pro-competitive, as they can reduce the duplication of research and development, strengthen the incentive for initial research and development, spur incremental innovation, facilitate diffusion and generate product market competition (Recital 4 TTBER). However, this does not imply that these agreements have full impunity under the antitrust regulations. Note that this position is in line with Article 40 of the TRIPS Agreement.

The TTBER aims to provide a sort of "safe harbour" for (i) technology rights licensing agreements entered into by two undertakings for the production of contract products by the licensee, and (ii) the assignment of technology rights between two undertakings for the purpose of producing contract products where part of the risk associated with the exploitation of the technology remains with the assignor. If the combined market share of the parties to the agreement does not exceed 20% (if they are competing undertakings) or 30% (if they are not), and the agreement in question does not contain any clauses classified in the TTBER as "*hardcore restrictions*" (Article 4) or "*excluded restrictions*" (Article 5), the agreement will qualify for the block exemption. Consequently, pursuant to Article 101.3 TFEU, the prohibition established in Article 101.1 TFEU shall not apply thereto.

The "*hardcore restrictions*" set out in the TTBER differ according to whether or not the parties are competing undertakings, with regulation in the latter case being more lenient. As this article is only providing a general overview of the TTBER, we will not discuss in length the complexity of "*hardcore restrictions*". However, they essentially refer to the restriction of the counter party's ability to determine its prices when selling products to third parties, the limitation of output and the allocation of markets or customers. If an agreement includes any such restrictions, it will not benefit from the TTBER and, unless the parties can justify through a case-by-case analysis that they qualify for general exemption foreseen in Article 101.3 TFEU, the agreement will be deemed void. The parties might even be sanctioned for implementing an agreement that breaches antitrust provisions.

As for the "*excluded restrictions*" governed in Article 5 TTBER, while the TTBER exemption will not apply to these particular restrictions, the rest of the agreement may still be able to benefit. The TTBER foresees three "*excluded restrictions*": (i) any direct or indirect obligation vis-à-vis the licensee to grant an exclusive licence or to partially or fully assign rights to the licensor or to a third party designated by the licensor, in respect of its own improvements to, or its own new applications of, the licensed technology; (ii) any direct or indirect obligation vis-à-vis a party not to challenge the validity of IPRs held by the other party in the EU, save the possibility, in the case of an exclusive licence, of providing for the termination of the technology transfer agreement should the licensee challenge the validity of any of the licensed technology rights; and (iii) when the undertakings party to the agreement are non-competing, any direct or indirect obligation limiting the licensee's ability to exploit its own technology rights or limiting the ability of any of the parties to the agreement to carry out research and development, unless the latter restriction is essential to preventing the disclosure of the licensed know-how to third parties.

Although the TTBER does not deal with them, the Guidelines set out the Commission's stance regarding settlement agreements entered into by parties within the context of litigation concerning the validity and/or infringement of an IPR and technology pools,

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the latter being arrangements whereby two or more parties assemble a package of technology which is licensed not only to the pool's contributors, but also to third parties.

We note that the Commission recognises settlement agreements as a legitimate means of resolving a dispute, while also highlighting that they can risk restricting competition, with the following regarded as "suspect": cross licensing or non-challenge clauses in a settlement agreement, and "pay-for-restriction" or "pay-for-delay" type settlements.

As for technology pools, the Commission points out that when assessing them under antitrust law, it will take into account, *inter alia*, the transparency of the pool creation process; the selection and nature of the pooled technologies, including the extent to which independent experts are involved in the creation and operation of the pool, and; whether safeguards against the exchange of sensitive information and independent dispute resolution mechanisms have been put in place.

PARIS:
FRENCH STATUTE OF LIMITATIONS IN PATENT NULLITY ACTIONS

On 5 October 2017, the Tribunal de Grande Instance (First Instance Court) of Paris ("**TGI**"), issued a decision on a hot topic: the statute of limitations in patent nullity actions and, in particular, the starting point of the limitation period (*TGI, 3ème chambre. 1ère section, LuK GmbH & Co KG v. SAS Valeo Embrayages, No. 17/01156*).

Key Issues

- The statute of limitations in patent nullity actions, and in particular calculating limitation periods, has become a recurring topic of interest following a 2008 reform which set up the general limitation period in ordinary civil law procedures to five years.
- The very applicability of this general limitation period to patent nullity actions is still debated but the Paris First Instance Court consistently applies it.
- Most of recent legal disputes have formed around the starting point of the limitation period which, pursuant to the French civil code, should correspond to the moment "*when the owner of a right knew or should have known the facts making the action possible*".
- Despite a recent decision of the Paris Court of Appeal which had generated doubts, the Paris First Instance Court follows previous case law pursuant to which the starting point must be assessed depending on the facts and circumstances of the case.

Questions on the statute of limitations in patent nullity actions were not previously a hot topic in France since the applicable limitation period was set at, and understood to be, a fixed 30 years. However, an important change occurred following a 2008 reform which established the general limitation period in ordinary civil law procedures to five years (article 2224 of the French civil code). Since then, the statute of limitations is commonly raised as a legal defence in the course of patent nullity actions, sometimes successfully.

Nevertheless, the applicability of article 2224 of the French civil code ("CC") which provides that "*personal or real actions are time-barred five years from the day when the owner of a right knew or should have known the facts making the action possible*" to patent nullity actions is still debated. Indeed, some legal practitioners hold the opinion that a patent nullity action is neither *in personam* (based on a debt obligation) nor an action *in rem* (action based on a thing), the only two actions covered by article 2224. These practitioners also emphasise the fact that a nullity action is in the public interest.

Despite those arguments repeatedly brought before the TGI, the TGI has consistently ruled that the nullity action is a "personal" action under article 2224 CC and thus subject to the five-year limitation period[1].

Apart from the question on the very applicability of article 2224 CC, most of the recent legal disputes have formed around the starting point of the limitation period and interpreting the provision "*when the owner of a right knew or should have known the facts making the action possible.*"

In its *LuK* decision of last October, the TGI ruled that the starting point must be the date, determined *in concreto* (i.e. based on the facts and circumstances), on which the claimant knew, or should have known due to the progress in the development and industrial implementation of its technology, that the patent could impede it. The Court also declared that "*the publication of grant of the patent is not a suitable starting point, as it would in fact demand an unrealistic watch from interested parties and is not linked to the performance of the project which provides standing to sue. Neither is the knowledge of the grounds of nullity of the patent, which may arise well before the*

1 The nullity of a patent can always be raised as a defence to an infringement action, without being time-barred. However, in such a case, the patent is not revoked even if found invalid.

knowledge of facts and economic considerations giving rise to standing to sue and actually is equivalent to the publication of grant".

Though this decision is in line with TGI prior case law[2], it was not entirely expected or certain. A very recent ruling of the Paris Appeal Court had generated doubts. This ruling could have been interpreted as setting the start date of the limitation period to the date of patent grant, at least with respect to professionals who operate in the same area as the patent holder[3]. The Court had ruled that "*article 2224 CC provides for an in concreto assessment of the limitation period, by setting the starting point of the limitation period to the day on which the right holder knew or should have known the facts making it possible for them to assert this right. Although the publication of a patent application does not create rights for its owner, the publication of the patent is an acknowledgment of its rights. It cannot be denied that the publication of a patent is a way for third parties to know their rights, and that a professional who operates in the same area as the patent holder and who puts on the market a new product must comply with rights which have been made public, without possibly relying on its lack of knowledge*".

The TGI thus confirms the application of the *in concreto* approach. Yet, its practical implementation is not easy. In fact, the starting date coincides with the date when the claimant acquires standing to sue. Such a standing is recognised when the claimant, whose economic activity is within the same technical field as the invention, establishes there is an actual and serious threat by the patent.

2 TGI Paris, 3ème chambre, 1ère section., March 16, 2017, Actelion Pharmaceuticals Ltd. & Actelion Pharmaceuticals France v. Icos Corporation, No. 15/07920 or TGI Paris, 3ème chambre. 3ème section, April 28, 2017, B/E Aerospace Inc. & B/E Aerospace Systems GmbH v. Zodiac Aerotechnics, No. 15/09770.

3 CA Paris, Pôle 5 chambre. 2, September 22, 2017, No. 14/25130, Mr. and Mrs. Halgand & SAS Matériaux Equipements Plastiques v. SAS Raccords et Plastiques Nicoll

HONG KONG: DATA DYNAMICS – CONCEPTS OF OWNERSHIP AND CONTROL IN ASIA-PACIFIC

There is nothing akin to the Europe-wide data protection regime across the various jurisdictions in South East Asia. Nonetheless, the huge growth of online commerce as seen in the recent "Singles Day" promotion (reportedly worth in excess of US$100 billion in online retail sales), has brought to the fore questions of ownership and control of data across these burgeoning markets.

Similar to those in the EU, legal rights concerning data in Hong Kong can include (i) intellectual property rights such as copyright, database rights (as well as concepts such as confidentiality); (ii) rights set out in contracts; and (iii) data regulations.

IP rights are territorial in nature and vary by country depending on the particular right involved. Data businesses are global, however, with data flowing instantaneously around the world. Hence, most businesses currently harnessing big data rely on contractual rights to offer protection. When properly structured these can provide a high degree of reassurance that rights are protected. From a regulation perspective, whilst competition and antitrust concerns regarding data are in their infancy in the region, it is notable that the first major legal action taken by Hong Kong's relatively new Competition Commission is in the field of information technology.

Whilst the legal framework for big data is far less developed in Hong Kong than it is for the UK and EU, some aspects of Hong Kong law do regulate the control, use and flow of data. However, the focus to date, in terms of regulations, has only been on personal data (rather than business data in general). The Privacy Commissioner has hinted that the provisions of the Personal Data (Privacy) Ordinance ("**PDPO**") should not necessarily hold back moves towards open data given the exemptions for statistics and research activities. Personal data is exempt from restrictions on use, provided that the data is used for preparing statistics or carrying out research, the data is used for no other purpose and the resulting statistics are not made available in a form which identifies the data subjects.

Free-flow of data

In Hong Kong, questions about the free-flow of data are seen through the prism of data privacy. There is nothing similar to the proposed draft EC Regulation on the free flow of non-personal data, which aims to prohibit Member States from implementing or maintaining data localisation requirements.

The transfer of personal data to places outside Hong Kong is, in theory, at least, restricted by section 33 of the PDPO. The section, however, is not in force, giving rise to uncertainty, since the Commissioner has indicated in a guidance note that data users should behave as if the section is in force.

Key Issues

- Traditional territorial IP data rights may not provide sufficient protection for global businesses
- Contractual rights can provide a high degree of reassurance that data rights are protected
- There are signs that China is beginning to recognise, and regulate, global data movements

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LEGAL 500 2017: Hong Kong – Intellectual property

Section 33 prohibits the free flow of data under a number of conditions. The destination must have been approved by the Commissioner in writing (the so called "white list") and the data user must have reasonable grounds for believing that the location has privacy laws which are substantially similar to the PDPO. Data subjects must be notified that such data may be transferred outside of Hong Kong and must consent if the data is later used for a new purpose or given to new classes of people.

Section 33 mirrors to some extent the data transfer provisions of the General Data Protection Regulation (GDPR), according to which transfers of personal data to countries outside the European Economic Area are permitted if the countries provide an adequate level of data protection. Although the section has been on the statute books for more than twenty years, there is no sign of it coming into force anytime soon, meaning that there are no restrictions on the transfer of personal data to jurisdictions outside Hong Kong. Parties wishing to transfer data to other countries have to rely on contractual terms to restrict the use, security and destruction of data once the purpose for which the data has been collected, has been accomplished.

In its guidance note on cloud computing, the Privacy Commissioner recognises the challenges brought about by the rapid flow of data across borders. The note advises cloud providers to disclose to data users the locations and jurisdictions where the data will be stored. It also suggests that data users should consider their personal data privacy responsibility arrangements with regard to such storage. The note warns that access by law enforcement agencies to the data held in that jurisdiction may not have the same safeguards as in Hong Kong, and that contractual restrictions on data access between data users and cloud providers cannot override the law of that jurisdiction. The note also advises data users to choose cloud providers that allow them to choose locations and jurisdictions where there is adequate legal protection given to personal data.

In China, the new Cyber Security law imposes strict requirements on the free flow of data outside the PRC, with stringent registration and network security requirements. Pending the publication of more detailed rules (especially those on data export), the full impact of the Cyber Security law on multinational corporations and financial institutions is presently uncertain.

Data ownership

As in many other jurisdictions, there is no overarching framework for data ownership in Hong Kong. Databases are protected through copyright under the provisions of the Copyright Ordinance as literary works, defined as "*a compilation of data or other material, in any form, which by the reason of the selection or arrangement of its contents constitutes an intellectual creation.*"

In order to afford copyright protection, the database must be original and the author must have used sufficient skill, judgement and labour in its making. It must have been reduced to a material form, either in writing or otherwise recorded.

Copyright protection is unlikely to cover databases in which there has been little human creative input and where the process of creation has been automated. Once afforded copyright protection, the owner has the exclusive right to copy the database, display the database in public and make adaptations of it.

In neighbouring China, similarly, there is no specific legal framework on data ownership. However, databases can also be protected in China through copyright (for both disclosed and undisclosed data). In order to be protected by copyright, there needs to be a minimum level of innovation or originality in the arrangement and combination of data in the database, and the data must be capable of being reproduced in a tangible form.

In terms of data regulations, whilst there is nothing like the extensive regulatory investigations under way in Europe into competition concerns, the first major case to be brought by the Competition Commission in Hong Kong concerns alleged bid rigging undertaken by five information technology companies in the supply of server equipment to the Young Women's Christian Association. With the Competition Ordinance relatively new in Hong Kong, it will be interesting to see whether the Commission eventually turns its attention to the less tangible data aspects currently under the spotlight in Europe.

Conclusion

Moves towards encouraging investment in big data have taken place in Hong Kong, with the accompanying legal framework lagging behind that in Europe. Through the passage of new legislation, such as the Cyber Security law, China arguably seems more prepared to join the race towards first recognising, then regulating, global movements of data, with all that implies for competition and privacy concerns.

MILAN:
ITALIAN ANTITRUST PERSPECTIVES ON DATA, DATABASES AND INFORMATION

Thirty years later, **Gordon Gekko**'s prophetic quotation ("*The most valuable commodity I know of is information*"[1]) seems to be authoritatively confirmed by **The Economist**[2]: data and information are the new oil. If this is true, a crucial issue arises. Given the key role played by data (whether simple "raw data" or "aggregated data") and the potential for competitive gain for those holding this data, **how should the ownership of, access to and sharing of data be regulated**? What are the lawful and unlawful barriers that a private "owner" can or cannot impose? Conversely, what is the limit on competitors capturing data from data reserves owned by third parties, whether open to public browsing or protected by legal and/or technical measures? These are only a few of the many questions that, at both the Italian and European level, scholars, governments and judges are addressing in their most recent papers, decisions and legislative and regulatory initiatives.

Ryanair Case (Milan): data as essential facilities?

Two recent proceedings before the Court of Milan, in the first instance, and then the Court of Appeal of Milan have involved Ryanair's Terms & Conditions ("**T&Cs**"). The T&Cs revolve around access to the Ryanair website and the database containing data on Ryanair flights. A similar case was also decided by the Court of Justice of the European Union ("**CJEU**") in 2015 (*Ryanair v. PR Aviation, 15 January 2015, C-30/2014*). The disputes arose from Ryanair's decision to prohibit travel agencies that did not accept the T&Cs from accessing Ryanair's website and database. Subject to payment of a nominal fee, the T&Cs allowed access for consultation only, expressly denying the right to reutilise the data to sell Ryanair tickets to the agencies' clients. The outcomes of these three proceedings are deeply divergent, which is a clear sign of the emerging difficulties in the context of regulation of this matter.

The CJEU had deemed that the Ryanair website and databases fell outside the scope of both **the copyright protection and the *sui generis* protection provided by Directive 09/1996/CE**, and thus held that the T&Cs were acceptable, as contractually and privately agreed regulation. Instead, the **Court of Milan**, in the first instance decision (*Court of Milan, 13 June 2013, no. 7825/2013*), declared the restrictions unlawful, implicitly justifying the "**screen scraping**" carried out by the defendant online

1 http://www.imdb.com/character/ch0012282/quotes.

2 https://www.economist.com/news/leaders/21721656-data-economy-demands-new-approach-antitrust-rules-worlds-most-valuable-resource.

Key Issues

- The **Court of Appeal of Milan** reversed the decision of first instance in the Ryanair case, excluding the abuse of dominant position in the dispute on Ryanair's T&Cs.
- As part of its Digital Single Market strategy, the EU Commission is conducting the **Building European Data Economy** initiative, proposing the revision of the Public Sector Information Directive and the introduction of text and data mining mandatory exception in the Infosoc Directive and Database Directive.
- Three important Italian Authorities (AGCM, AGCOM and Data Protection Authority) started a **joint investigation** on big data from the Internet-of-People.

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travel agency, Viaggiare S.r.l., to circumvent the restrictions in the Ryanair's T&Cs. Indeed, the Court of Milan, recalling **the essential facilities doctrine** derived from the *Magyll* case (*CJEU, 6 April 1995, C-241/1991 and C-242/1991*), held that Ryanair was in dominant position and that its refusal to give access to its database to travel agencies wishing to sell directly to their clients tickets on Ryanair constituted a form of abuse of dominant position contrary to Article 102 of the TFEU. The decision was appealed, and reversed on this point by the **Court of Appeal of Milan** (*Court of Appeal of Milan, 12 October 2015, no. 3706/2015*). The Court of Appeal did not agree that Ryanair was in a dominant position and consequently rejected the application of the essential facilities doctrine. Nevertheless, the Court of Appeal of Milan **did not expressly address the issue of the lawfulness of screen scraping**. The issue has been left unresolved, with different rulings across various jurisdictions. See, for instance, the recent US decisions regarding screen scraping against Facebook (*US Court of Appeals, 9th Circ., 12 July 2016, no. 13-17102 and no. 13-17154) and Linked-in (US District Court for the Nort. Dist. of Cal., 14 August 2017*).

Open and not-so-open Data: the EU reforms of data-related legislations

In terms of legislation, the EU Commission is providing an important contribution to the access of information and the legal status of data with several initiatives related to the data-driven economy, as part of its Digital Single Market strategy. The EU has already adopted the General Data Protection Regulation (GDPR, Reg. 279/2016/EU) and is currently conducting the Building European Data Economy (BEDE) initiative.

The BEDE initiative concerns the revision of the Public Sector Information (PSI) Directive (Directive 37/2013/EU) on the re-use of "Open Data", i.e. the data collected, generated and made publicly available by the public administration. The revision aims to render the obligation to license the Open Data to private parties more effective and also apply to commercial exploitation and re-use.

Similar reforms have been proposed by the EU Commission in the Copyright Package. The aim is to introduce a mandatory exception in the Infosoc Directive (29/2001/EC) and in the Database Directive (09/1994/EC) **for text and data mining** of works and other copyrightable subject-matter. In this case the text and data mining exception would be **limited to research organisations and only for the purpose of scientific research**.

(Super)closed data: three Italian Authorities open a joint investigation on big data from the Internet-of-People

The above mentioned judicial decisions and legislative initiatives involved situations where some form of exclusive rights exists (principally, databases and other copyrightable subject-matter). The issue here is how to strike the proper balance between the data holders' and third parties' interests to access and reuse the data covered by the exclusive rights. A similar balance should also be found in different cases, where the information (i) is not covered by exclusive rights, and (ii) is, and remains, protected internally by contractual and/or technical means by the person who collects and generates such information. Mainly, this refers to data from the "Internet-of-People" (websites, social networks and apps) collected and used for different purposes by the big players on the web. On this point a **joint investigation** was opened in June 2017 by the three main Italian authorities in the sector: **AGCOM** (the Communication Authority); **AGCM** (the Competition Authority); and **Garante della Privacy** (the Data Protection Authority). The intent of the investigation is "*to assess whether, and under which circumstances, access to "Big Data" might constitute an entry barrier, or in any case facilitate anticompetitive practices that could possibly hinder development and technological progress. The analysis will focus on* ***the impact of online platforms and the associated algorithms on the competitive dynamics of digital markets, on data protection, on the ability of consumers to choose****, and on the promotion of information pluralism. This will be done also in order to verify the impact on the digital ecosystem of information aggregation and of accessing to "big data" obtained through* ***non negotiated forms of user profiling***"[3].

Conclusions

The relationship between information and competition has been always critical and is still unresolved, as has been shown by the different outcomes in the Ryanair cases. It will not be an easy issue to resolve due to its broad scope and the difficulties in classifying the applicable situations into simplified and standardised schemes. Those **regulations that grant exclusive rights** (such as text and data mining exceptions), may offer a method to balance the different interests at play. However, the reality of data and big data is far broader, and likely cannot be "solved" by reference to a single source of law. **A case-by-case approach** remains the most suitable method, adopting and adapting the principles that judicial and administrative authorities have started to express more and more frequently.

LINK DIRECTORY

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https://www.economist.com/news/leaders/21721656-data-economy-demands-new-approach-antitrust-rules-worlds-most-valuable-resource.

http://www.agcm.it/en/newsroom/press-releases/2384-%E2%80%9Cdig-data%E2%80%9D-italian-regulators-open-a-sector-inquiry.html.

3 http://www.agcm.it/en/newsroom/press-releases/2384-%E2%80%9Cdig-data%E2%80%9D-italian-regulators-open-a-sector-inquiry.html.

PRAGUE: THE IMPACT OF THE GDPR ON DATA PROCESSING IN CLOUD COMPUTING

On 25 May 2018, the General Data Protection Regulation (the "**GDPR**") will come into force. The GDPR primarily aims at (i) strengthening data protection, (ii) unifying legislation across the European Union, and (iii) creating a simplified regulatory environment for data protection for international business, by introducing significant changes to current data protection legislation. The territorial scope of the GDPR extends to the processing of personal data ("**Data**") relating to persons ("**Data subjects**") in the EU regardless of the location of the Data processor or collector. The GDPR also applies to the Data of Data subjects in the EU processed by a controller or processor not established in the EU, where activities relate to offering goods or services to EU citizens and the monitoring of behaviour that takes place in the EU. Therefore, it is important to underline certain changes and issues that will arise with the dawn of the GDPR, particularly with regard to Cloud computing ("**Cloud**"), the location of Data, consent and fines.

Key Issues

- The GDPR brings numerous changes to processing data in the EU, which include:
  - The need for verifying the validity of the consent under which previous data was obtained;
  - The expansion of available options for legitimate personal data transfers outside the EEA; and
  - The introduction of administrative fines which are newly applicable to data processors.

Cloud computing

Cloud is an Information Technology model that enables network access to a scalable and elastic resource pooling of sharable physical or virtual resources. Cloud offers businesses indisputable advantages such as reduced on-site data centre running costs, round-the-clock power, and Cloud scalability and speed of service. In addition, Cloud facilitates Data backups, disaster recovery and Data eligibility on globally available, secure platforms. Based on the deployment models of the service that the Cloud is offering we can divide Cloud based on the deployment models into (i) Infrastructure-as-a-Service, (ii) Platform-as-a-Service and (iii) Software-as-a-Service provided in public, private and hybrid Clouds. While using Cloud services, Cloud customers (Data collectors, who determine the purposes for and the manner in which personal data is processed) and Cloud vendors (Data processors, who process Data on behalf of the Data collector) process Data of Data subjects and must therefore be prepared for significant administrative changes connected with the GDPR in order to lawfully process Data in Cloud.

Location of Data

Data in the Cloud is not stored "in-house", but in servers located in offsite data centres, which keep Data virtually and physically accessible ("**Data Centres**"). The approach to not keep Data on the specific premises typically leads to a better security protection. The level of protection provided by Cloud is typically very high because of the number of IT security experts or invested recourses. It is thus very difficult to ensure a similar level of security locally.

When using Cloud, Cloud customers must bear in mind issues that must be evaluated in accordance with regulations on Cloud Data processing. Nowadays, Cloud providers offer a choice of location of the Data Centres where Data is stored. Even if the chosen region is located in the EU, it is important to evaluate whether there is a potential for Data to be accessed from outside the EU. For instance, it is possible that the repair and service centre or potential subcontractors may be located outside the EU and therefore, the Data is being accessed outside the EU. Under the GDPR, any access to data is considered Data processing and for this reason, special measures securing legitimate Data exports to third countries has to be in place. Data may only be transferred to those third countries that are considered to have an adequate level of Data protection (as ensured by the GDPR). The GDPR expands the current options available for legitimate transfers to third countries to: (i) standard model clauses suggested by the Commission, (ii) binding corporate rules for transfers within the company transfers, (iii) agreements between public authorities, (iv) approved codes of conduct, and (v) approved certification mechanisms. It is therefore important while implementing any Cloud solution, to evaluate where Data is being stored to ensure that either (i) Data is stored in the EU and any access to Data is made from the EU, or (ii) special precautions are in place pursuant to the GDPR that enable Data to be legitimately transferred outside the EU.

Consent

The Data in the Cloud may be lawfully processed on the basis of statutory provisions or with the consent of Data subjects. The GDPR provides that the consent must be explicit, freely given, specific and informed. In addition, the consent must present an unambiguous indication of a Data subject's wishes and must be related to explicitly specified purpose of the Data processing. The GDPR expressly enables consent to be given by electronic means, by box-ticking, by technical configuration or by any other means by which the Data subject clearly expresses a wish for his or her Data to be processed in a certain way (e.g. for marketing purposes). Therefore, if the consent is obtained from the Data subject implicitly through pre-ticked boxes, then such Data is not being lawfully obtained under the GDPR. Informed consent also means that the Data subject is aware of the identity of the Data controller. Therefore, Cloud vendors and Cloud customers might wish to (i) evaluate the quality of consent for Data obtained after 25 May 2018, and (ii) review the conditions under which Data has been obtained prior to this date. Data already obtained must be brought into conformity with the GDPR within two years. Accordingly, Data may have to be obtained pursuant to the rules on consent specified above or the Data subject may have to be informed of the specific type of Data processing. However, several ongoing cases suggest that it is not recommended for Data collectors to seek conformity with the GDPR by sending e-mails requesting further consent from Data subjects who have already opted out of receiving marketing e-mails. If Data has been obtained without a legitimate reason, then Data collectors might be required to delete such Data in order to comply with the GDPR.

Fines and duties imposed on Data processors

It is also worth noting that the GDPR imposes new obligations on Cloud vendors (Data processors) to implement appropriate and reasonable state-of-the-art technical and organizational measures. For this reason, Data processors must, among other things, enable their systems to pseudonymize and encrypt Data where eligible, ensure systems are able to recover and restore access to lost Data and regularly audit the security of technical measures. Moreover, Data processors must notify the Data controller on behalf of whom they are processing the Data without undue delay after they become aware of any Data breach. In accordance with the GDPR, Cloud vendors (Data processors) will no longer be exempt from administrative fines for infringing Data processing. Data processors can be fined up to 4% of their annual global turnover or 20 million EUR (whichever is higher) for serious Data processing infringements and up to 2% of annual global turnover or 10 million EUR for certain minor infringements.

Conclusion

It is high time for Cloud vendors and Cloud customers to begin implementing administrative changes (if they have not yet started) in order to be compliant with the GDPR. The most significant changes affecting Cloud services will require Cloud vendors and customers to ensure compliance with the new rules on consent, data exports and the new obligations imposed on Data processors.

LONDON/BRUSSELS:
ACCESS TO AND OWNERSHIP OF NON-PERSONAL DATA

In light of the fast moving technological landscape, today's business models are increasingly relying on data. By collecting, processing and analysing data, businesses can improve, personalise, and adapt products and services to a whole new level. Data has been identified as the new "oil" and as a vital resource for growth, innovation and societal progress. As part of its Digital Single Market initiative the European Commission ("**EC**") has been actively "building its Data Economy". In January 2017, the EC published a Communication (the "**Data Economy Communication**") and in parallel launched a consultation (the "**Data Economy Consultation**") in order to obtain stakeholders' views on some of the main issues inhibiting a data-driven economy. In particular: (i) the data localisation restrictions' impact on the free flow of non-personal data; and (ii) access to and re-use of non-personal machine-generated data. Although a synopsis report of the Data Economy Consultation has not yet been made available, the EC has published an initial summary report setting out the preliminary findings.[1]

The free flow of non-personal data

One of the main barriers to the free flow of data identified by the EC in its Data Economy Communication are data localisation requirements, which either directly or indirectly restrict data mobility (*e.g.*, supervisory authorities advising financial service providers to store their data locally). Data localisation requirements are increasingly being adopted at national level for a variety of reasons, including ease of access for public authorities and law enforcement, and public security. While the General Data Protection Regulation ("**GDPR**") regulates the processing of personal data and bans restrictions on the free movement of personal data, the GDPR does not cover non-personal machine-generated data or "*data created without the direct intervention of a human*" such as computer logs, location data, and sensor readings.[2]

Key Issues

- Data localisation requirements are one of the main barriers to the free flow of data in the EU
- Despite the fact that data is being generated at an increasing rate, it appears that those parties generating such data are only sharing it in limited circumstances
- Entities which hold large amounts of data will need to be particularly conscious of potential antitrust concerns when sharing or withholding data from competitors

CC London:

Clifford Chance LLP has increased its 'presence' in this space, following the recent arrival of the 'charming but tough' Stephen Reese from Olswang LLP; he has considerable expertise in the life sciences sector and the 'confidence to listen to views from the whole team'. Reese recently acted for Astex in a dispute with AstraZeneca regarding an Alzheimer's drug's clinical development. Brands specialist Vanessa Marsland, who focuses on the technology, media and consumer goods sectors, recently advised Mondeléz on the sale of various Australian brands, including Vegemite. Leigh Smith is experienced in handling soft IP, and fellow senior associate Anna Blest advises on transactional and contentious IP.

Legal 500, UK, 2017

1 European Commission summary report of the consultation on Building a European Data Economy, available at https://ec.europa.eu/digital-single-market/en/news/summary-report-public-consultation-building-european-data-economy.

2 European Commission Communication on Building a European Data Economy, available at, https://ec.europa.eu/digital-single-market/en/news/communication-building-european-data-economy, page 9.

The preliminary results of the consultation indicate that more than half of respondents are in favour of removing data localisation restrictions within the EU by legislative action. As a direct result of this consultation, the EC proposed, on 13 September 2017, a draft Regulation on the free flow of non-personal data and in particular prohibits Member States from implementing or maintaining data localisation requirements, unless justified on grounds of public security.[3]

The draft Regulation also looks at ways to increase the portability of non-personal data, so that businesses and consumers can easily move data from one system to another and thereby avoid lock-in situations. For example, a cloud service customer should be able to port its data from one cloud provider to another, at low cost and minimal disruption. The EC's draft Regulation tries to address this issue by encouraging the development of self-regulatory codes of conduct, which would inform users about the technical requirements, timeframes and charges that may apply in case a user wants to port its data from one provider to another provider or to its own IT system.

Data ownership

Data is increasingly being generated or processed by machines and Internet-of-Things (IoT) devices, and subsequently used in order to improve and create innovative products and services. Access to and the transfer of such machine generated data could thus be very valuable but, according to three quarters of respondents to the Data Economy Consultation, sharing of data occurs only in limited circumstances and in particular, only within the same group of entities.

The current EU Law regime applicable to the processing of data allows undertakings to invoke *sui generis* database protection as well trade secret laws to protect datasets that they have created for the data they hold.

The Database Directive (96/9/EC) gives makers of databases the right to prevent extraction and/or re-utilisation of the whole or a substantial part of the contents of a database on the condition that "*there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents"* the so-called *sui generis* right[4]. That being said, the Database Directive is currently being reviewed in order to indentify whether it is "*still adapted in view of the development of new technologies, new business models based on data exploitation, and other emerging data-related issues, policies and legal frameworks on data access and ownership".*[5] Under the Trade Secrets Protection Directive (2016/943/EU), data can qualify as a trade secret but only if it is "secret", has commercial value because it is secret and has been subject to reasonable steps by the owner to keep it secret.

While the majority of respondents to the Data Economy Consultation are of the opinion that wider data sharing should be facilitated, they also believe that investments made into data generation and analysis should be safeguarded.

3 European Commission Proposal for a Regulation of the European Parliament and of the Council on a framework for the free flow of non-personal data in the European Union, available at https://ec.europa.eu/digital-single-market/en/news/proposal-regulation-european-parliament-and-council-framework-free-flow-non-personal-data

4 Database Directive (96/9/EC), Article 7

5 European Commission Roadmap regarding the evaluation of the Directive on the legal protection of databases, available at https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-2543859_en.

Owning too much data?

The collection and use of large amounts of data may raise antitrust concerns. Mergers can result in privileged access to and/or combination of data sets that facilitate the ability of the merged entity to foreclose competitors. The EC has already been looking into these concerns in *Facebook/Whatsapp*, *Microsoft/LinkedIn* and *Thomson/Reuters* deals. The commitments in the *Thomson/Reuters* case included a requirement on the merged entity to sell copies of certain databases as there was a concern that these could not be replicated by competitors.

Data accumulation may also prevent competitors from accessing the data they need in order to compete viably. While in theory competitors and new entrants may be able to purchase data in order to match the dominant company's dataset; in practice it is unlikely that competitors will be able to match the quality, variety and scale in data to that of a dominant data holder. In addition, some data is not up for sale for the simple reason that it is not readily available on the market. This raises the question of whether the denial of access to data held by a dominant company can amount to abuse of dominance under Article 102 of the Treaty on the Function of the European Union. In order for a denial of access to data to be anticompetitive, access needs to be considered an "essential facility". According to the Court of Justice of the European Union ("**CJEU**") in *Bronner*[6], *Microsoft*[7], and *IMS Health*[8] an essential facility must be indispensable to the undertaking requesting access and there must be no actual or potential substitute for the facility. For there to be a refusal to an essential facility, the refusal must be incapable of objective justification and is likely to exclude all competition in the market of the undertaking requesting access. The requirements are thus very strict and the CJEU has only ordered access to an essential facility in a limited number of cases.

The EC has been looking into a possible EU framework in order to facilitate and incentivise the access to and sharing of machine-generated data. It is however unclear whether the EC will propose an "*access to data obligation*" on dominant companies. As an alternative, the EC Data Economy Communication suggested an obligation to license data on fair, reasonable and non-discriminatory ("**FRAND**") terms, similar to the current licensing regime for Standard Essential Patents. However, the majority of respondents to the Data Economy Consultation do not favour this approach and believe that businesses should retain the right to decide to whom and under what conditions they will grant access to their data.

Conclusion

While technologies and data-driven business models are evolving exponentially, the EC is slowly but surely building its Data Economy. The EC's proposal on the free flow of non-personal data has been welcomed by many stakeholders. However, there is a consensus that while data sharing should be facilitated, investments made into data generation and analysis should be safeguarded. The evaluation of the Database Directive should shed more light on the future of the *sui generis* right.

It remains to be seen whether a future EU framework will include an "*access to data obligation*" or an obligation to license data on FRAND terms, in those instances where an incumbent owns large amounts of data which cannot be matched by a competitor in terms of quality, variety and scale.

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6 C-7/97, *Oscar Bronner GmbH & Co. KG v Mediaprint Zeitungs*, Judgment of 26 November 1998.

7 T-201/04, *Microsoft v Commissio*, judgment of 17 September 2007.

8 C-418/01, *IMS Health Inc. V Commission*, judgment of 29 April 2004.

PARIS: INFRINGEMENT OF COMMUNITY DESIGN RIGHTS – EU MEMBER STATE COURTS HELD TO BE COMPETENT IN ISSUING MEASURES AGAINST CO-DEFENDANTS ESTABLISHED IN OTHER EU MEMBER STATES

Infringements of intellectual property ("**IP**") rights are often committed by entities established in different European Union Member States. Faced with the prospect of enduring a "court marathon" (i.e. bringing actions in all the EU Member States where infringers are established), right holders are sometimes dissuaded from enforcing their rights. For many years, holders of Community Design ("**CD**") rights were further dissuaded by the absence of a common position of the courts in the EU regarding the territorial scope of judicial measures against a co-defendant established outside the *forum* where the court sits.

In its *Nintendo Co. Ltd versus BigBen Interactive GmbH and BigBen Interactive SA* decision dated 27 September 2017, the Court of Justice of the European Union ("**CJEU**") finally fixed an approach for all the courts in the EU to follow. CD right holders are now assured of finding a court that is competent to issue measures against a co-defendant established outside the EU Member State where the court sits. The measures will have effect across the entire EU territory.

This article focuses on the CJEU ruling regarding the territorial scope of the measures issued by a court of an EU Member State against a co-defendant established in another EU Member State, when CD rights have been infringed.

Key Issues

- While it was clear that the territorial jurisdiction of an EU Member State court towards a defendant domiciled in the same Member State extended to the entire EU territory, the question of the territorial jurisdiction of such EU Member State court towards a **co-defendant** domiciled in another Member State was more uncertain.
- There were two possible approaches the CJEU could take: (i) rule that the court's jurisdiction to issue EU-wide measures against a defendant also extends to the co-defendant, or (ii) rule that the court's jurisdiction vis-à-vis such a co-defendant was limited to the court's national territory in application of article 83, paragraph 2 of EU Regulation n° 6/2002.
- In its *Nintendo* decision, the CJEU took a global approach to the issue, rather than a "mosaic approach" which would force CD right holders to approach multiple courts to enforce their rights against transnational infringers

1. The context: cacophony of the courts and forum shopping

When a defendant is domiciled in an EU Member State, the court which sits in this Member State has jurisdiction in respect of acts of infringement committed or threatened within the territory of any of the Member States (article 83, paragraph 1, EU Regulation n° 6/2002 on Community designs). On the contrary, when a defendant is brought before a court of a Member State where it is not domiciled, such court has jurisdiction only in respect of acts of infringement committed or threatened within the territory of the Member State in which the court is situated (article 83, paragraph 2, EU Regulation n° 6/2002).

EU Regulation n° 6/2002 does not address the situation where a defendant domiciled in Member State A and a co-defendant domiciled in a Member State B are brought before a court in Member State A on the basis of article 6, paragraph 1 of EU

Regulation n° 44/2001 (today article 8, paragraph 1 of EU Regulation n° 1215/2012)[1]. A typical example of this (frequent) situation is the following: entity X established in Member State A sells infringing goods in Member State A. However, X has been supplied by another entity Y (generally of the same group) established in Member State B, which distributes them in Member State A but also in other EU countries. In such circumstances, the claimant who brings an action in Member State A against X and Y wants to save time and money and obtain judicial measures with effect across the whole EU territory with respect to X but also Y (regardless of the fact that Y is not domiciled in Member State A).

With EU Regulation n° 6/2002 silent on this issue, national court case law has resulted in being inconsistent. For instance, French courts tended to rule that judicial measures against a co-defendant established outside France were to be limited to the French territory. Alternatively, Belgian courts tended to rule that judicial measures against a co-defendant established outside Belgium had effect in the entire EU territory.

This lack of consistency across jurisdictions led holders of CD rights facing infringers established in different EU Member States to practice forum shopping and to choose courts that were willing to issue measures with the broadest geographical scope. Such a situation was detrimental to the unity of the protection of CD rights in the EU, and called for a unifying jurisprudence from the CJEU.

2. The CJEU's ruling: a court located in a Member State is competent to issue measures with effect in the whole EU territory against a co-defendant established in another Member State.

To reach such a ruling, the CJEU reasoned in two stages, with a view to facilitate the enforcement of IP rights:

- First, it stated that two defendants, while not being domiciled in the same EU Member State, can be brought before the same court provided that the related claims are connected in such a way that they should be determined together to avoid irreconcilable judgments. This was the case here: the two defendants, established in France and Germany, made a joint effort to infringe the same IP rights (one was the parent company that manufactured and sold the infringing products, the other was the subsidiary that bought the products from the parent company to market them). The parties could thus be tried together.

- Second, the CJEU ruled that the scope of the measures issued by a German court against a co-defendant established in France extends to the entire territory of the EU. The CJEU justified its decision with the following reasons: (i) CD rights - due to their "unitary character" - are protected against infringements in the whole EU, and (ii) the court before which an infringement action is brought is competent to rule on

1 Article 8, paragraph 1 of EU Regulation n° 1215/2012 provides that "A person domiciled in a Member State may also be sued: (1) where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings".

all acts of infringement "committed or threatened" in the EU. The German court could therefore order measures sanctioning the acts of infringement committed by a co-defendant established in France, for the acts of infringement it had committed in both Germany and France.

The CJEU's reasoning is very good news for IP right holders. It concretely means that they can enforce their rights against several entities which have committed infringing acts in different EU Member States, but which are not domiciled in the same EU Member State. Right holders can bring an action before a single EU Member state's court - thus avoiding a dreaded "court marathon". This signifies another step toward the unified protection of IP rights in the EU.

WARSAW: SIGNIFICANCE OF A TRADE MARK'S REPUTATION IN THE PROCESS OF REVIEWING AN OBJECTION TO REGISTRATION

In the recent judgment of 21 June 2017 (case file no. II GSK 2782/15, "**Case**"), the Polish Supreme Administrative Court provided an interpretation of the law with regards to objecting to a trade mark application on the basis of similarity to an existing, reputable trade mark. The main issue was whether the Polish Patent Office ("**Patent Office**") is bound to determine the trade mark's reputation first and then proceed to examine possible similarity with the trade mark being applied for, or whether it should determine the trade mark's reputation only after having established the similarity between the relevant trade marks.

Key Issues

- The reputation of a well-known trade mark justifies a higher level of protection and therefore should be determined first before examining possible similarity with the trade mark being applied for.
- As there is no legal definition for the term 'well-known trade mark', when assessing the degree of protection conferred to a trade mark with reputation, the Polish Patent Office should take into consideration a wide range of criteria, including its recognisability and possible damage to its distinctive nature.

"J'adore" and "A Adoration"

Parfums Christian Dior ("**Dior**") filed an objection to Interton sp. z o.o.'s application to register a combination trade mark for "A Adoration". Dior claimed that "A Adoration" was similar to Dior's well-known "J'adore" trade mark, registered years earlier both internationally and in EU. Dior raised the possibility of the "A Adoration" trade mark being associated with Dior's well-known "J'adore" trade mark, devaluing the mark's reputation and strong market position. Dior argued that as "J'adore" evokes a positive reaction in potential customers, they are more inclined to buy a product whose name they associate with Dior's reputable "J'adore" brand. Therefore, "A Adoration" may unjustifiably benefit from its similarity to a well-known trade mark, at the same time causing the value of the "J'adore" trade mark to depreciate.

The Patent Office did not share those views and concluded that regardless of the level of the trade mark's reputation a lack of similarity between the registered trade mark and the trade mark being applied for should result in dismissal of the objection.

Order of examining trade marks if an objection is filed

Dior filed a complaint with the administrative court and successfully challenged the decision of the Patent Office. As a result of an appeal filed by the Patent Office, the case was referred to the Court.

The Court provided an interpretation of Article 132 s.(2)(3) of the Polish Act on Industrial Property (now Article 132^1 s.(1)(4)) and held that if an objection is filed on the basis of reputation, the Patent Office should first analyse the reputation of the registered trade mark and then proceed to examine possible similarity with the trade mark being applied for.

The Court reasoned that such an approach stems from the broader scope of protection granted to a reputable trade mark. If there is a possibility of damage to the distinctive nature or reputation of a well-known trade mark, its protection may be justified, even if there is only a slight risk of the two trade marks being associated with or linked to each other. Therefore, to have an application rejected, it is not necessary to prove that two trade marks are so similar that the similarity could confuse customers.

Conclusion

In Poland, the process of reviewing an objection to a trade mark application should begin with considering whether the similar, existing trade mark registration has a reputation. Whether a reputation exists determines the next steps that the Polish Patent Office should take, including then examining the similarity of trade marks and the acceptable level of risk of two marks being associated with each other.

SYDNEY:
SECTION 51(3) FACES REPEAL – DO NOT PASS GO, DO NOT COLLECT $200...

Précis

The Australian *Competition and Consumer Act 2010* (Cth) ("**CCA**") stands in stark contrast to its Western counterparts by providing an exception for intellectual property licensing and assignment arrangements to many of its restrictive trade practices provisions. In the United States of America, for example, intellectual property rights are subject to the same antitrust laws as all other property rights, without apparent impact on the rights of creators or incentives for production of, for example, copyright material. According to Australia's national competition regulator, the Australian Competition and Consumer Commission ("**ACCC**"), in order to fully exploit the substantial potential benefits arising in the digital economy, it is important that competition laws are able to complement intellectual property laws by preventing anti-competitive conduct associated with usage that is not in the public interest. Therefore the ACCC has been a key proponent in the repeal of section 51(3).

Recent national inquiries and commissioned industry reviews have also resulted in recommendations that this section be repealed. Whilst repeal of the section has the potential to negatively impact current contractual terms with respect to intellectual property licensing and assignment arrangements, the Australian Government has indicated its support of these recommendations and is understood to be in the process of drafting legislation to that effect. In this regard, this article briefly considers the history of section 51(3), the criticisms made by the opposition to its repeal, and provides some insights into how, in the event the provision is repealed, the ACCC will seek to balance the community benefits of promoting investment in creativity and innovation in the digital age against the benefits of open and competitive markets, including by way of its authorisation and notification processes.

Background

Part IV of the CCA contains provisions which prohibit certain forms of anti-competitive conduct, such as the formation of cartels. Section 51 of the CCA provides for certain exceptions in respect of anti-competitive conduct that would otherwise be prohibited by Part IV. Subsection 51(3) specifically exempts conditions of licences and assignments of intellectual property rights from falling foul of Part IV to the extent they "relate to" those intellectual property rights. The rationale behind the provision is said to be the usual argument that creation and invention require protection in order to be incentivised. It has been said that unrestrained application of competition law to intellectual property risks undermining rights.

However, the exceptions in section 51(3) are not absolute. They do not provide an exception to the misuse of market power provisions, and thus would not exempt, for example, anti-competitive licence conditions or assignments if (depending on the timing of the relevant conduct) either: (1) their purpose was to damage, prevent or deter a competitor's participation in a market; or (2) their purpose or effect was to substantially lessen competition. Further, the section does not exempt conduct that would constitute 'resale price maintenance' as defined under section 48 of the CCA.

Key Issues

- A provision of Australian antitrust law exempting intellectual property rights holders from certain anti-competitive conduct is facing repeal. It seems increasingly likely that the uncertainty surrounding the scope and application of the provision means that the regulation of such conduct by the national competition regulator is inevitable.
- Use of regimes employed by the national competition regulator to regulate anti-competitive conduct (i.e. authorisation or notification) is likely to result in increased compliance burden and costs for intellectual property rights holders. It remains to be seen whether these mechanisms are sufficiently equipped to balance competing public and private interests in this field. This is a priority for Australia given its focus on innovation in the age of the digital economy.

Limited application of the exception in section 51(3) has led some commentators to believe it is unnecessary. From this perspective, repealing the provision might be of little consequence. Consider subsection (c), which is expressed to regulate statutory rights which no longer exist in providing exemptions for provisions of conditions, arrangements or understandings between registered owners and registered users of trade marks under the old *Trade Marks Act 1955* (Cth) (superseded by the *Trade Marks Act* 1995 (Cth)). The exemption in section 51(3)(c) is now redundant in that it is expressed to apply to legislation which no longer regulates registered users of trade marks. Further, section 51(3)(a)(v) provides exemptions for imposing or giving effect to conditions that relate to work and materials in which copyright 'subsists'. Given that copyright does not 'subsist' in reproductions, and conditions will only be exempt if they relate to original works, the section is relatively meaningless with respect to copyright. In a more general sense, section 51(3) only exempts 'conditions' in licences and assignments, as opposed to the assignment itself or the underlying agreement for licence of intellectual property. Also in this regard, in *Transfield Pty Ltd v Arlo International Pty Ltd* (1980) 144 CLR 83, the High Court of Australia held that section 51(3) did not operate to protect parties from gaining "collateral advantages" because the exemption only protects conditions of licences and assignments to the extent they "relate to" intellectual property rights.

Notwithstanding the above, in *Australian Competition and Consumer Commission v Pfizer Australia Pty Ltd* [2015] FCA 113, Justice Flick of the Federal Court of Australia held that, having regard to *Transfield*, section 51(3) "should not be given any narrow construction". In the absence of any further judicial consideration, the scope of the protections afforded by the provision remains unclear. It is against this backdrop of uncertainty that the proponents for repeal generally find further favour amongst relevant stakeholders.

Legislative Reform?

No less than eight legislative reviews have recommended that the exception in section 51(3) be narrowed or repealed and, despite this, the section has never been formally amended. Most recently, the Australian Productivity Commission asserted that the original rationale for section 51(3) is no longer relevant as intellectual property and competition law are no longer considered to be in fundamental conflict. Indeed, the Australian Law Reform Commission has referred to its repeal as being an integral aspect of equipping Australia's copyright law for the digital age.

These recommendations have been made despite strong and valid arguments against the repeal from various bodies. For example, in its submission in relation to the Harper Review of Australian Competition Policy, the Australian Recording Industry Association addressed a number of significant concerns about the recommendation to repeal, chief among these being:

The idea that there is no need for the s 51(3) exemption because IP should be treated like any other form of property is simplistic and misleading. The exemptions under s 51(3) serve partly as a safety net where broadly defined prohibitions under the [CCA] would otherwise be too far-reaching ... The exemptions under s 51(3) are important because they avoid liability where IP licensing conditions are efficiency enhancing. The *alternative to reliance on s 51(3) [i.e. notifications and authorisations]... is bureaucratic, costly and commercially unrealistic.*

Additionally, further submissions to the Harper Review referred to the innovation-stunting potential of the repeal, with both the Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) and the Australian Copyright Council noting their respective concerns that repealing section 51(3) could be counterproductive to the commercialisation of technology in Australia and would likely generate uncertainty for intellectual property owners seeking to invest in new business models.

These concerns do not appear to have countered the Government's views of the benefits of repeal. The Government recently announced its support of the Productivity Commission's recommendation to repeal in its response paper of August 2017—*Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements*. However, whether or not support of the recommendation translates into legislative reform is yet to be seen, given that reform proposals are yet to be tabled before the Parliament.

The Future?

In the event that section 51(3) is repealed, intellectual property rights holders will continue to have the option of protecting their rights under the notification or authorisation procedures under Part IV of the CCA. Pursuant to these regimes, parties which seek to assign or grant a licence of their intellectual property, but are concerned about the competitive implications of any restrictions imposed on the use of such rights in their contracts or understandings with licensees, may notify the conduct to the ACCC or apply to the ACCC for authorisation of the proposed conduct. If the ACCC provides authorisation for the relevant assignment or licence of intellectual property, or does not issue a notice objecting to notified conduct, it effectively waives its capacity to bring enforcement action under Part IV for that authorised or notified conduct. However, as noted by various stakeholders, making use of these processes may not always be commercially feasible due to the time and cost involved in engaging with these regimes.

In considering whether to grant authorisation, the ACCC will analyse whether potential public benefits are outweighed by the potential detriments arising from the impugned conduct or contractual terms. In other cases, it may also have to consider whether the proposed conduct would substantially lessen competition in the relevant market. It ought to be noted that documentation passed between applicant and regulator in connection with any application for authorisation are made publicly available. This provides some transparency in relation to the ACCC's approach to the various authorisations and thereby arguably fosters some level of certainty for stakeholders going forward. In addition, intellectual property rights holders can take some solace in the fact that the ACCC has, in the past, granted authorisation to IP-related anti-competitive conduct, the determinations in relation to which are maintained on the aforementioned online public register. For example, in 2011, the Australian Writers' Guild applied to the ACCC for authorisation of their terms of engagement with the Screen Producers Association of Australia. These included common terms relating to the price of goods and related intellectual property. The applicants submitted a request for authorisation in September 2011 and received formal approval in less than four months, although it is noted that the authorisation process more generally can often be much more time consuming than this.

The alternative and less burdensome process is the ACCC's notification regime. The notification process generally produces faster determinations than applications made under the formal authorisation procedure. This is because it is targeted at small businesses and thus directed to conduct less likely to substantially lessen competition in the marketplace. In this regard, the notification process would be useful for a company wishing to grant a licence of its intellectual property on the condition that the licensee deals exclusively with the licensor.

Conclusion

The age of the digital economy presents a number of unique challenges. Chief among them is the need to balance the rights of intellectual property rights holders and promote innovation against the need to foster competition in the marketplace. The impact of the removal of section 51(3), if any, remains to be seen but the deterrence effect of having to comply with an authorisation or notification procedure for conduct which was previously automatically exempted, should not be understated. However, it is hoped that as further notifications and/or applications for authorisation are made and the ACCC's decisions in relation to each authorisation are made publicly available, greater certainty will arise as to what forms of conduct will not be considered by the ACCC to substantially lessen competition and therefore may be engaged in without the need for notification or authorisation. Or at the very least for the non-'*per se*' provisions of Part IV of the CCA, such as section 47 (exclusive dealing) and section 45 (agreements which have the purpose or effect of substantially lessening competition).

LINK DIRECTORY:

- Competition and Consumer Act 2010 (Cth): https://www.legislation.gov.au/Details/C2017C00369
- Competition Policy Review ('The Harper Review') (2015): http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report_online.pdf
- Productivity Commission Inquiry Report – Intellectual Property Arrangements (2016): https://www.pc.gov.au/inquiries/completed/intellectual-property/report/intellectual-property.pdf
- Australian Government Response to the Productivity Commission Inquiry into Intellectual Property Arrangements (2017): https://www.industry.gov.au/innovation/Intellectual-Property/Documents/Government-Response-to-PC-Inquiry-into-IP.pdf
- Transfield Pty Ltd v Arlo International Pty Ltd (1980) 144 CLR 83: https://www.austlii.edu.au/cgi-bin/viewdoc/au/cases/cth/HCA/1980/15.html
- Australian Competition and Consumer Commission v Pfizer Australia Pty Ltd [2015] FCA 113: http://www.judgments.fedcourt.gov.au/judgments/Judgments/fca/single/2015/2015fca0113

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