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Intellectual Property and Entertainment Law

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International Bar Association's
Human Rights Institute

1995-2015 • 20TH ANNIVERSARY

THE IBA'S HUMAN RIGHTS INSTITUTE 20TH ANNIVERSARY GALA



Tuesday 1 December, 7pm
Lord's Cricket Ground, London

For 20 years the IBA's Human Rights Institute (IBAHRI) has been working with the global legal community to promote and protect human rights and the independence of the legal profession worldwide.

Join legal colleagues for an evening in support of the IBAHRI and its work advocating for legal colleagues around the world.

To find out more or book a table today, visit:
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This newsletter is intended to provide general information regarding recent developments in intellectual property and entertainment law. The views expressed are not necessarily those of the International Bar Association.



From the Co-Chairs

Dear Intellectual Property and Entertainment Law Committee members, we are once again very pleased to present to you our annual newsletter.

From compulsory licensing in Australia to domain names in Argentina, this newsletter is distinctive for its broad and diverse coverage of different issues arising in Intellectual Property matters. Thanks to our contributors, you will also be able to appreciate insights into the legal lives of several jurisdictions.

Our Committee members participated actively in several conferences throughout the year. We started the year supporting the Closely Held and Growing Business Enterprise Committee with its Global Entrepreneurship Conference. This conference presented the opportunities and challenges in the current European Entrepreneurial Environment featuring entrepreneurs and expert international speakers from private practice and in-house.

For the third consecutive year, we hosted our annual IBA World Life Sciences Conference in Philadelphia. With the devoted time and dedication of the Chairs, the Executive Committee, officers and moderators, as well as the support of other IBA Committees and independent organisations, we organised and held a very successful conference. Not only was the conference sold out three weeks prior to the registration deadline, but it met our attendee's expectations. This unique conference examines the critical thinking that is required at the business and legal interface. With over 120 attendees, in-house counsels and industry experts addressed the financial, business, IP and regulatory issues facing the life science industries. Please mark this conference in your calendars and join us next year in San Francisco where we expect to have another very successful event.

Our Annual Conference is just around the corner and it will not be long before we get to meet all of you in Vienna. Our moderators, Sub-Committee Chairs and Vice-Chairs have been working hard to prepare dynamic and interesting sessions with high quality speakers that represent both the in-house and the private practice perspectives.

Our week will start with our well-attended hot topics round tables discussion, held jointly with the other section's committees. This session is the perfect networking opportunity you are looking for! Following the round tables, do not miss the open business meeting where you will have the chance to learn more about the Section's respective committees. The IP and Entertainment Law Committee Officers will present their activities and conferences for the coming year and will provide guidance on how to get involved.

One of the highlights of the week will certainly be our Section session: *'On demand and streaming content vs. broadcasting - the next great disruption?'* This session will discuss the legal aspect of this quickly developing disruption in the traditional broadcasting industry. What are the legal challenges arising from the advent of Netflix and other over-the-top operators?

We will be organising and supporting other sessions that we highly recommend you attend:

- 'Friends' and faux - legal pitfalls in social media (supporting)
- Open source licences, legal challenges and opportunities
- Netflix v broadcasting - the next great disruption (section)
- Art and the digital (supporting)
- A mugger's charter or a level playing field? How will the Unified Patent Court develop?
- Dueling nannies and bad singing competitions - protecting television formats
- Survey the survey - how to prove consumer perception

Another unmissable networking opportunity will be our well-attended IP Committee dinner. On Wednesday 7 October, the Labstelle Restaurant will present to us a menu with 'Austrian flair'. Book your tickets early as we always sell out!

We encourage you to become involved and actively participate in our Committee and we are always searching for new members. You may also want to author an article for future publications; this is a great way to start becoming involved. Please feel free to email any of us: the Publication Officer (Caroline Berube at cberube@hymasialaw.com) or the Membership Officer (Agustin Mayer at

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amayer@ferrere.com) or look for us at any of our sessions, we will be delighted to meet you and introduce you to the rest of our officers and members.

In conclusion, we must recognise the dedication and time devoted by our Publication Officer, Caroline Berube.

Thanks Caroline for putting together a wonderful newsletter and thank you all that contributed the articles that made this publication possible.

Looking forward to meeting you all in Vienna.

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Vienna 4–9 October 2015 ANNUAL CONFERENCE OF THE INTERNATIONAL BAR ASSOCIATION



IP and Entertainment Law Committee sessions

Monday 1430 – 1545

Open source licences, legal challenges and opportunities

Presented by the Intellectual Property and Entertainment Law Committee

Open source and share-alike licences have been a common model for distribution of software as well as other material for many years now. It has challenged fundamental business models within the software industry and many widespread software products such as Linux and MySQL are licensed under open source licences. Further, other material, such as the content on Wikipedia, is provided under share-alike licences and thereby available to the public with only a few restrictions on further use. The use of open source licences has not been without controversy and a number of court cases have followed. The risks associated with open source could be an issue when software development companies are acquired or when IT systems are developed. Hence, it is licence models that to some extent has changed the landscape of intellectual property. The session will focus on the risks and benefit with open source licences and how to deal with these in legal practice.

Monday 1430 – 1730

'Friends' and faux – legal pitfalls in social media

Presented by the North American Regional Forum, the Employment and Industrial Relations Law Committee, the Intellectual Property and Entertainment Law Committee and the Media Law Committee

The session will be divided into different panels, covering some or all of the following topics:

1) Advertising / marketing

More and more, businesses are using social media for advertising and marketing. But too often, the marketing department is out ahead of the legal group, with potentially disastrous consequences. Our panel of experts will discuss the legal traps for the unwary, including content clearance; rules of the road for social media promotions; disclosure requirements (and challenges of including disclosures in some mediums); and government enforcement of advertising rules in the digital space.

2) Employer best practices

Can employers look at prospective employees' social media posts in making hiring decisions? What kinds of guidelines or rules should employers have for employees using social media? How can a company stop the inadvertent disclosure of information that could violate SEC rules? Every business is facing these issues – and our panel will talk about best practices for employers to follow.

3) Defamation and privacy issues

Even 140 characters can be enough to defame someone, and Facebook postings may raise unanticipated privacy issues. What do individual lawyers need to consider in their own use of social media, and what should they be advising their clients about how to avoid legal liability?

4) Accessibility

Recent litigation (including a case in the Ninth Circuit against CNN) has raised questions about whether websites are obliged to make their content 'accessible' to persons with disabilities – including closed or open captioning of video and other means of making social media 'accessible'.

Tuesday 1430 – 1730

Art and the digital

Presented by the Art, Cultural Institutions and Heritage Law Committee and the Intellectual Property and Entertainment Law Committee

Digital is here to stay, develop and also grow in the world of art. Art is not only for the mind, it is also a business. And digital art on the internet is a new form of expression and big business. Art is being multiplied on the internet and present accessibility cannot be compared to anything in history. An actual visit to the Gioconda is not required to see every detail, the view on the web may even be better than that in the overcrowded museum. Complete museum collections are available and being shown and promoted online. What are the legal implications, especially when it comes to living artists and otherwise copyright protected art? What about database right issues and what is the legal status of virtual galleries?

Artists also create art using digital means to only exist on screens or on the internet including the newest media art forms and interactive crowd forms. What about IP rights and authorship?

How do artists, auction houses, commercial and institutional galleries and artistic collection societies monetise their collections and rights?

Last but not least, the internet has become a leading tool for marketing and sales of art. Whatever it is: private sales, dealer offers, auctions, studio sale or valuations: nothing will run without the internet leading to numerous legal questions and challenges.

The Art, Cultural Institutions and Heritage Law Committee, together with the Intellectual Property and Entertainment Law Committee, have put together a panel of international experts including an art dealer, a digital artist, a museum director, a publisher and leading legal professionals from various jurisdictions to report on, and discuss, these complex issues.

Wednesday 0930 – 1230

Apple Pay, Bitcoin, a cashless society: discussions on legal issues in mobile payments and virtual currencies

Presented by the Leisure Industries Section, the Banking Law Committee, the Criminal Law Committee, the Intellectual Property and Entertainment Law Committee and the Technology Law Committee

The year 2015 will see many major continued shifts in mobile payments, virtual currencies and the continued move to a society that uses less and less cash. Come and discuss the year in review for digital money with our engaging panel. After debuting in 2014, will Apple Pay have changed the payments landscape? Will the continued expansion of EMV chip cards in the US show any impact? And what has happened with Bitcoin and other emerging virtual currency systems? These questions and many more will be addressed during the session, and considering this topic always comes with some controversy, please be prepared for a lively and audience-interactive session.

Wednesday 1430 – 1730

A mugger's charter – or a level playing field? How will the Unified Patent Court develop?

Presented by the Intellectual Property and Entertainment Law Committee

A discussion by experts from the patent litigation courts of Europe and the US with industry litigators adding their comments and questions. A chance for everybody to raise questions on the development of the Unified Patent Court.

Thursday 0930 – 1230

Duelling nannies and bad singing competitions – protecting television formats

Presented by the Intellectual Property and Entertainment Law Committee

This panel will focus on a global analysis of whether television formats can be protected and to what extent highly similar shows can exist on competing networks. If they can exist, how different do they need to be and what happens when they expand into other goods and services, such as games or consumer products. Finally, the panel will focus on product placement as a means of financing such television programmes and how that might impact any likelihood of confusion.

Thursday 1430 – 1730

Survey the survey – how to prove consumer perception

Presented by the Intellectual Property and Entertainment Law Committee

'Proofing likelihood of confusion and acquired distinctiveness'

Conducting a survey can assist in determining whether or not the public associates a brand with a particular company. In some jurisdictions courts require such surveys. In other jurisdictions courts are reluctant or even sceptical. In this session, experience with surveys in court rooms shall be discussed, along with the standards set in case law for performing surveys, the methodology used and questions asked.



To find out more about the conference venue, sessions and social programme, and to register, visit www.ibanet.org/conferences/vienna2015.aspx. Further information on accommodation, tours and excursions during the conference week can also be found at the above address.



REGIONAL REPORTS

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Domain names in Argentina: lost but always found

Introduction

At the present time, the internet is an essential resource used by companies around the world to advertise their products. There are three reasons for this:

- a company's website is a relatively inexpensive and versatile tool for marketing that can be personalised and updated easily;
- companies can reach customers on a massive scale, not only locally but internationally; and
- online platforms allow companies not only to advertise their products, but also sell them directly at the same time.

Recent statistics validate the importance of internet advertising for the success of any company: nearly half of respondents said that a website's design is their number one criterion for determining the credibility of a company.¹ In other words, a company's website is an invaluable asset to build and maintain a corporate image, and to engage with millions of consumers across all demographics.

The domain name that refers to the company's website is crucial because it's the key word used by consumers to find and access the company's website. However, despite their strategic significance, domain names can be 'stolen' easily.

The following is intended to be merely a guide to defend and recover a domain name that was unlawfully registered by a third party. As described in the following, there are a few legal alternatives to achieve that goal while preserving a corporate image and customers in the process.

Definition of 'domain name'

A domain name is a unique alias for an Internet Protocol (IP) address (a number),

which refers to an actual physical point on the internet where a website is available.² In other words, a domain name is 'the human-friendly form of internet address'.³

Each domain name is integrated by denominations separated by full stops and ending with a top-level domain (ie, '.com', '.org', '.net', '.ar', among others). Depending on its top-level domain, its registration process and applicable rules vary: generic top-level domains, such as '.com', '.org' and '.net', are regulated by the registration agreement of each registration entity, while country code top-level domains, such as '.ar' (Argentina), '.es' (Spain) and '.br' (Brazil), are administered independently by nationally designated registration authorities.

In most cases, companies choose domain names that relate to their company name or signature products, that is, they use their trademarks and company names to generate an easy reference to their websites. As a consequence, domain names have acquired a power of distinctiveness equal to trademarks.

Domain name ownership: Argentinean law – international rules and private rules

Domain names are regulated in Argentina by Resolution No 20/2014 issued by the Legal and Technical Secretariat. This legal framework applies to domain names ending '.ar' and their registrations are governed by the 'first come, first served' system: the registry of a domain name shall be granted to the entity that first requests it.⁴

The administrative authority that manages the procedure is the Network Information Center (NIC) Argentina, through an online application. The registration is valid for one year and may be renewed thereafter year by year.⁵ The regulation also provides for a specific conflict resolution mechanism.⁶

Unlike the legal framework applicable to

trademarks in Argentina,⁷ NIC Argentina does not conduct any legal analysis whatsoever. If the domain name was not requested by anyone before, NIC Argentina shall register it in favour of the applicant ‘no questions asked’, provided all formal requirements are met⁸ and without prejudice of any claim later submitted by a third party.

In other countries, the legal framework is rather similar. For example, in Spain,⁹ domain names ending ‘.es’ are managed by the national governmental authority Red.es.¹⁰ Its registration is also on a ‘first come, first served’ basis and through an online application. Analogous formal requirements apply.¹¹

Nonetheless, unlike Argentina’s legal framework, Red.es adopted the conflict resolution mechanism provided by the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center pursuant to the Uniform Domain Name Dispute Resolution Policy (UDRP) approved by the Internet Corporation for Assigned Names and Numbers (ICANN). For more details, please refer to the following section on legal alternatives to recover domain names.

Finally, on an international level, private registration entities that manage other domain names, such as ‘.com’, ‘.org’ and ‘.net’, have specific regulations in place by means of a Registration Agreement. As a general principle, the ‘first come, first served’ system is applied commonly by all, and most also incorporate, by reference, the conflict resolution mechanism provided by the aforementioned WIPO Arbitration and Mediation Center.

Usual conflicts regarding domain names

Disputes arising from illegal registration and use of domain names can be categorised as follows:

- Registration of a domain name identical to a registered trademark by someone different from its owner: in this scenario, the owner of the trademark is unable to register its own trademark as a domain name using the same top-level domain.
- Registration of a domain name identical to a well-known trademark¹² by someone different from its owner: in this scenario, the owner of the well-known trademark is unable to register its trademark as a domain name using the same top-level domain.

In both cases, the situation may also involve:

- The third party who registered the

domain name uses it to sell products or services under the trademark, and without authorisation. This case may constitute an infringement of the Trademark Law.¹³

- The third party who registered the domain name uses it to divert consumers who wish to access the company’s website to divert them to a similar website only for the purpose of increasing online traffic and, as a consequence, advertising income.
- The third party who registered the domain name intends to sell it to the company who both owns the trademark and wants to use for its business activities.

Not only is an exact match between the trademark – registered or well-known – necessary to file a claim and retrieve the domain name, the claim may be successful if the domain name is confusingly similar to a trademark or service mark in which the company has rights.

Legal alternatives to recover domain names

In Argentina, there are two alternatives to recover a domain name that was registered illegally by a third party. The choice depends on the top-level domain of the domain name to be retrieved and the specific conflict resolution mechanism applicable to it.

Identifying who to ask for help

If the top-level domain of the domain name is ‘.ar’, the conflict resolution mechanism applicable is established in Resolution No 20/2014 before NIC Argentina. Still, it is possible to file a claim before a court and if it orders to transfer the domain name or to rescind its current registration, NIC Argentina enforces such a judicial decision.¹⁴ However, it is often recommended to submit a claim before NIC Argentina instead of a court because: (1) delays to the judicial procedure and its cost; and (2) the expertise of NIC Argentina regarding disputes over domain names.

On the other hand, if the top-level domain of the domain name is, for example, ‘.com’, ‘.org’ or ‘.net’, most registration agreements state that the conflict resolution mechanism applicable is the one set by the WIPO Arbitration and Mediation Center pursuant to the Uniform Domain Name Dispute Resolution Policy (UDRP),¹⁵ the Rules for Uniform Domain Name Dispute Resolution Policy¹⁶ and the WIPO Supplemental



DOMAIN NAMES IN ARGENTINA: LOST BUT ALWAYS FOUND

Rules for Uniform Domain Name Dispute Resolution Policy.¹⁷

Regarding other top-level domains, conflict resolution mechanisms depend on verifying the registration agreement, for generic top-level domains, and the applicable law for country top-level domains.

Gathering evidence

Regardless of which procedure is applicable to a dispute, to retrieve a domain name the company must prove that it has a better right to it over its current owner.

In Argentina, Resolution No 20/2014 states that if a company claims to have rights over certain domain name, that is the domain name is identical or confusingly similar to the company's trademark, it may file a claim regarding the domain name that shall include all the elements that 'justify said right'.

Although the resolution does not include a specific list of documents to be submitted jointly with the claim, it is highly advisable to provide: (1) certificates of property of the company's trademarks issued by the National Institute of Industrial Property in Argentina (Instituto Nacional de Propiedad Industrial (INPI)); and (2) documentation regarding the company's effective use of said trademarks, such as flyers, magazines and advertisements.

On the contrary, if the claim shall be settled by the WIPO Arbitration and Mediation Center, the UDRP requires the company to explain and demonstrate certain facts to support the claim.¹⁸

First, the domain has to be identical or confusingly similar to a trademark or service mark in which the company has rights: the company shall provide the certificates of property issued by INPI of the trademarks on which the complaint is based and describe its past and future use by the company. In addition, it should be explained why the domain name under dispute is identical or confusingly similar to a company's trademark, that is, it reproduces the exact words of the company's trademark, it reproduces an important and distinctive part of the company's trademark or it reproduces the company's trademark by combining the denomination and the top-level domain.

The analysis can be conducted using a simple comparison between the company's trademark and the domain name. Usually,

the coincidence is complete, for example, if the trademark is 'IBA' and the domain name is 'IBA.com'. In some cases, the coincidence is not absolute, but clearly misleading for customers, for example, if the trademark is 'IBA' and the domain name is 'IBANET.com' or if the trademark is 'IBANET' and the domain name is 'IBA.net'.¹⁹

Secondly, the current owner of the domain name must not have rights or legitimate interests in respect of the domain name: the company shall provide a description and *prima facie*²⁰ evidence about: (1) the lack of use of the domain name in connection with a bona fide offering of goods and services; (2) the lack of association by the third people between the name corresponding to the domain name and the current owner or its activity; (3) the lack of legitimate non-commercial use or fair use of the domain name by its current owner; and (4) the current owner's intention for commercial gain by misleadingly diverting consumers or to tarnishing the trademark at issue.

Useful evidence to prove this element can be gathered by visual observation of the website under the domain name. If the website is 'empty', it's clear that it is not associated with a bona fide offering of goods and services. On the contrary, if the website includes company's trademarks without authorisation, it constitutes an infringement to the company's trademark rights. Additionally, if the website features banners and other types of online advertisements, it could be considered as an intention for commercial gain by leveraging on the power of attraction that the company's trademarks have.

Thirdly, if the domain name was registered and is being used in bad faith: the company shall describe and provide elements to support the fact that the current owner of the domain name registered it with knowledge of the infringement, for example, for the purpose of selling, renting or otherwise transferring the domain name registration to the owner of the trademark or to a competitor, for valuable consideration.

It can be rather beneficial for the success of the claim if the current owner of the domain name attempted to sell it to the company. In certain cases, an email with said offering is enough to evidence bad faith on the current owner's part. In addition, the fact that the domain name was registered after the trademark was registered is a suitable element to demonstrate bad faith.

Going through the procedure

If the company files a claim before NIC Argentina,²¹ the procedure shall develop as follows: the owner of the domain name will be informed about the claim and it has 15 business days to file a response. Once said term has expired, NIC Argentina solves the dispute and informs the parties. If the claim is settled in favour of the company, the domain name is transferred.²² The procedure is conducted online and its extension depends on the complexity of the case.²³

If the company files a claim before the WIPO Arbitration and Mediation Center,²⁴ it submits it by email according to the requirements in the UDRP. Once received, and after verification by the WIPO Arbitration and Mediation Center that all formal requirements are met, an administrative panel is appointed to settle the dispute. The owner of the domain name is offered the opportunity to file a response within 20 days of the beginning of the proceeding. Once said term has expired, the administrative panel issues its final decision.²⁵

Reaching a decision

In both procedures, the domain name will be either transferred to the company or, if the claim is denied, the current owner shall keep the domain name. It is also possible to seek a cancellation of the domain name.

There are no monetary damages applied in the disputes; the decision only refers to the transfer or cancellation of the domain name or the denial of the claim. It is not possible for NIC Argentina and the Administrative Panel to make any monetary judgments.

Protecting the company and consumers while waiting for the outcome

During the procedure, the domain name subject to a dispute, either before NIC Argentina or WIPO Arbitration and Mediation Center, is blocked. Therefore, it cannot be transferred to a third party until a decision is reached.

In addition, under Argentine Law, the company may request a temporary injunction from an Argentine court, to temporarily 'block' the access of Argentine citizens to the domain name until the dispute is settled. Once granted, the injunction shall be subject to the result of the procedure.

Conclusion

A domain name that includes a company's trademark is an invaluable asset to any company as well as a dangerous weapon in the hands of third parties who want to make a profit at the expense of the company's credibility and reputation.

To solve this problem, both the Argentine authorities and international organisations have developed conflict resolution mechanisms that share certain features: they are fast, inexpensive and provide a useful solution that does not include long and costly judicial procedures.

Being familiar with these procedures can save a great deal of money for companies but also, and more importantly, it can avoid further damages as a result of the control exercised by third parties over the main advertising resource that companies have at the present time: the internet.

Notes

- 1 Fascinating Social Media and Marketing Statistics for 2014 (and 2015), available at: www.business2community.com/social-media/104-fascinating-social-media-marketing-statistics-2014-2015-01084935#pYQjSbzL4oGbxjLK.99.
- 2 For example, 'ibanet.org' is a domain name and its IP address is 185.99.84.44. The IBA website is physically located in 185.99.84.44, but if you type the URL 'ibanet.org' into your browser, you will also find IBA website.
- 3 Definition of 'domain name' provided by the WIPO website, available at: www.wipo.int/amc/en/center/faq/domains.html#1.
- 4 Section 3 of Resolution Nr. 20/2014 ISSUED BY THE LEGAL AND TECHNICAL SECRETARIAT OF ARGENTINA.
- 5 Section 24 of Resolution Nr. 20/2014 ISSUED BY THE LEGAL AND TECHNICAL SECRETARIAT OF ARGENTINA.
- 6 Section 34 of Resolution Nr. 20/2014 issued by the Legal and Technical Secretariat of Argentina.
- 7 THE TRADEMARK REGISTRATION PROCESS INVOLVES A DEEP ANALYSIS OF THE LEGALITY AND RIGHTS OF THE APPLICANT BEFORE THE TRADEMARK IS GRANTED, PURSUANT TO Section 12 of the Act 22,362 of Trademarks and Designations (1980).
- 8 For example, certain domain names, such as '.org.ar', '.net.ar', '.tur.ar', '.int.ar', '.mil.ar' and '.gob.ar', can be registered only by certain entities. In addition, NIC Argentina rejects any request for registration of domain names if: (1) the domain name was already registered by other entity; (2) the domain name is considered as offensive, discriminatory or against the law, morals or good manners; or (3) the domain name may cause confusion, mislead or impersonate the identity of an institution or public governmental entities – national or international (Section 11 of Resolution Nr 20/2014 ISSUED BY THE LEGAL AND TECHNICAL SECRETARIAT OF ARGENTINA).
- 9 Ministerial Order ITC/1542/2005, WHICH APPROVES THE 'NATIONAL PLAN OF INTERNET DOMAIN NAMES UNDER THE COUNTRY CODE FOR SPAIN (.ES)'.
- 10 RED.ES ALLOWS ENTITIES TO REGISTRY THEIR DOMAIN NAMES BEFORE THEM OR BEFORE AN AUTHORISED PRIVATE REGISTRATION ENTITY. HOWEVER, THE SAME RULES APPLY TO ALL DOMAIN NAMES.



COMPULSORY LICENSING UNDER TRIPS

- 11 For example, certain domain names such as '.org.es' and '.gob.es' can be registered only by certain entities. In addition, Red.es requests that the domain name complies with the following requirements: (1) not registered by other entity; (2) not included in the list of forbidden terms; and (3) not included in the list of reserved terms.
- 12 All countries that ratified the Paris Convention for the Protection of Industrial Property and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement protect unregistered well-known marks. According to their provisions and subject to certain requirements, companies are legally allowed to claim rights over their trademarks without registration if they have established enough goodwill with customers so that their marks may be recognised.
- 13 Act 22,362 of Trademarks and Designations (1980).
- 14 Section 44 of Resolution No 20/2014 issued by the Legal and Technical Secretariat of Argentina.
- 15 As approved by ICANN on 24 October 1999.
- 16 As approved by ICANN on 30 October 2009.
- 17 In effect as of 14 December 2009.
- 18 Policy, para 4(a), (b) and (c); rules, para 3.
- 19 WIPO Case No D2009-0227, WIPO Case No D2009-0323 and WIPO Case No D2010-0776, among others.
- 20 WIPO Case No D2003-0455, WIPO Case No D2004-0110 and WIPO Case No D2007-0912, among others.
- 21 Filing a claim requires payment of a fee to NIC Argentina (approximately US\$28 at the current exchange rate).
- 22 Sections 38 to 43 of Resolution No 20/2014 issued by the Legal and Technical Secretariat of Argentina.
- 23 The procedure usually takes about two months.
- 24 Filing a claim requires payment of a fee to the WIPO Arbitration and Mediation Center: minimum US\$1,500, depending on the number of domain names included in the claim and the number of members of the administrative panel selected by the company.
- 25 The procedure usually takes about two months. The administrative panel's decision is implemented after a period of ten days, unless the decision is appealed in court in that time. This rarely occurs in practice.

Compulsory licensing under TRIPS: the pending amendment to Article 31(f) and the impact on public health¹

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The World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS') sought to implement a harmonised international standard for protecting intellectual property rights across member nations.² In doing so, TRIPS provided more stringent protection for intellectual property rights holders. However, stringent patent protection has had the effect of driving up the cost of essential medicines, and as a result, such medicines are less accessible to developing nations. Where developing countries are faced with public health concerns, such as diseases including HIV/AIDS, malaria and tuberculosis, access to patented medicines can be a matter of life or death.

One of the ways TRIPS attempts to address these public health concerns is through compulsory licensing provisions under Article 31. These provisions allow governments to issue licences to produce patented medicines without the consent of the patent holder. However, Article 31(f)

has proved to be particularly problematic because it effectively prevents countries with insufficient manufacturing capabilities from importing patented pharmaceuticals under a compulsory licence. In 2005, WTO members agreed to adopt an amendment to this provision and they have until 31 December 2015 to ensure that two-thirds of members accept it. This article will consider the impact of TRIPS on public health, the problems associated with compulsory licensing provisions and propose some possible solutions that seek to better address public health concerns.

TRIPS agreement

Strengthened patent rights vs access to medicine debate

TRIPS provides a uniform set of rules to ensure that intellectual property rights are protected consistently and enforceable in all member countries. All member countries are obliged to ratify these rules into their national

legislative frameworks.³ In the negotiations leading up to TRIPS, developed and developing countries' interests were divided on whether provisions for more stringent patent protection should be included.⁴ Developed countries argued that conferral of monopoly rights through patents is justified to promote knowledge sharing and future innovation. Monopoly rights granted through patent protection are especially important for the pharmaceutical industry, given the very high costs and risks associated with the production of medicines.

Conversely, developing countries argued that stringent patent provisions would limit their access to generic drugs produced at low cost. Of particular concern were the implications of the conferral of exclusive rights over life-saving medicines. The majority of people affected by life-threatening diseases, such as HIV/AIDS, reside in developing countries and least developed countries (LDCs), whereas the majority of treatments are produced by pharmaceutical companies in developed countries. Monopoly rights over these treatments enable pharmaceutical companies to charge a much higher price, making the purchase of these life-saving pharmaceuticals extremely difficult, if not infeasible, by developing countries and LDCs. The consequence is that developing countries either cannot allocate funds to pay for patented medicines or must choose between allocating limited resources and allowing their citizens to die.⁵ One of the ways TRIPS attempts to reconcile the concerns of developing countries is through compulsory licensing under Article 31.

Article 31: compulsory licensing

Article 31 of TRIPS enables a country that is experiencing an epidemic or 'national emergency' to supply its population with a patented treatment under a compulsory licence. Under compulsory licensing, governments can authorise the use or manufacture of a patented product or process, without the patent owner's permission. In such circumstances, the patent holder must tolerate violation of its monopoly rights by a third party or government, provided that certain conditions are satisfied.⁶ For example, if the patent holder issues a licence, then adequate remuneration must be paid to him or her.⁷

However, before 2001, there was uncertainty in the interpretation of Article 31. In particular, Article 31(f) specifies that compulsory licences should be granted 'predominantly for the supply of the domestic market of the Member authorising such use'. This provision effectively limits the ability of countries with insufficient manufacturing capabilities from importing medicines from countries where pharmaceuticals are patented. As the majority of countries who need to make use of compulsory licensing provisions are technologically poor, this exception to patent holders' rights failed to satisfy the needs of the very countries it was intended to benefit.⁸

Doha declaration and TRIPS protocol

In 2001, the General Council for TRIPS adopted the Declaration on the TRIPS Agreement and Public Health (the 'Doha Declaration'), which among other things, addressed the scope of Article 31.⁹ In particular, paragraph 6 of the Doha Declaration recognised the difficulty that WTO members with insufficient or no manufacturing capabilities had in making use of the compulsory licensing provisions, and that a solution to this problem was needed. In 2003, members agreed to conditions for the implementation of paragraph 6 (the 'WTO Decision').¹⁰ The WTO Decision waived the obligations under Article 31(f) to allow member countries to export generic copies of patented drugs under compulsory licences to eligible importing countries, provided certain conditions were satisfied. The WTO Decision took the effect of an interim waiver, which lasts until TRIPS is amended, but this waiver on its own is not enough.¹¹ In order to use the system, exporting countries will have to change their laws.

In December 2005, WTO members decided to transform the interim waiver into a permanent amendment to the TRIPS Agreement ('TRIPS Protocol').¹² This amendment is still pending; however, a number of countries have already adopted these changes in their national laws.¹³ When two-thirds of members have formally accepted the change, the amendment will take effect in those member countries. The deadline for acceptance by two-thirds of WTO members is 31 December 2015.¹⁴ Australia has recently amended its Patents Act 1990 (Cth) to implement the TRIPS Protocol.¹⁵



Challenges with current compulsory licensing provisions

At face value, the TRIPS Protocol appears to have achieved the objectives of developing countries by providing easier access to essential medicines at affordable costs. However, developing countries may encounter some obstacles in invoking the compulsory licensing provisions.

Practicality of invoking compulsory licensing provisions

First, owing to the burdensome conditions that must be met, the process of obtaining compulsory licences may be too difficult or impractical. Since the conditions under the waiver were negotiated, only one country has issued a compulsory licence. In 2007, Canada authorised Apotex to manufacture generic AIDS medicines for export to Rwanda. However, before it could do so, Apotex had to follow difficult and time-consuming procedures under Canadian patent law.¹⁶ For example, it had to first attempt to negotiate with the patent owners for a voluntary licence.

TRIPS-Plus provisions

Secondly, WTO members are allowed to negotiate free trade agreements – bilateral or multilateral – outside the WTO framework. These agreements can include TRIPS-Plus commitments on patent rights or provisions going beyond the ‘minimum standard’ of TRIPS, which means that the grounds upon which a compulsory licence may be granted are limited even further.¹⁷

Political disincentives

Thirdly, developing countries may not wish to invoke compulsory licensing provisions for fear that their relationships with developed countries might be adversely affected. Many developing countries may choose not to issue compulsory licences to avoid being seen as uncooperative or indifferent to intellectual property rights or to avoid the threat of trade sanctions.¹⁸ Indeed, when South Africa (in 1997) and Brazil (in 2000) attempted to make use of the compulsory licensing provisions, the United States in both cases initiated proceedings against them and threatened trade sanctions.

Eroding the returns of pharmaceutical patents

Fourthly, developed nations have little incentive to assist developing nations under a compulsory licence because of the risk that a developing country might declare a ‘national emergency’ and issue compulsory licences at a royalty rate, which may be minimal.¹⁹ If the cost of research and development of new treatments for diseases affecting developing countries is not recoverable, then discovery in these areas are likely to suffer.²⁰

Recommendations to better address public health concerns

Despite the obstacles posed by compulsory licensing provisions, there may be scope to improve the current regime to better address public health concerns. One approach to improving the current regime is for developing countries to construe the compulsory licensing provisions liberally. Owing to the degree of flexibility in the conditions set out in TRIPS, national legislation can be drafted in such a way that promotes access to drugs for developing countries.²¹ For example, TRIPS does not specify on what grounds a compulsory licence can be authorised, that is, the scope of diseases covered under the exception is not defined. Therefore, it is possible for developing countries to define the content of what is considered a threat to public health and the drugs that should be eligible for compulsory licences in a way that benefits them.²²

However, if developing countries are allowed to construe TRIPS provisions liberally, then this would upset the balance of protection to patent owners. Allowing developing countries to define the scope of diseases and the grounds upon which compulsory licences are granted could potentially lead to compulsory licences being granted for non-essential medicines for minimum royalties. This would have the effect of exacerbating existing problems with compulsory licensing, and ultimately, pharmaceutical companies would eventually refuse to invest in future research.

A better solution might be for the WTO to establish an independent panel directed at regulating and making decisions on granting compulsory licences. This panel would ensure effective use of compulsory licensing provisions to satisfy easy access to essential

medicines to those countries in need, and at the same time, take into account the interests of patent owners so as to not curb innovation and the development of new medication. An international fund could also be established and managed by the independent panel. Contributions to this fund could perhaps be made by developed countries in cooperation with pharmaceutical companies. This would ensure that patent owners receive adequate remuneration, and make life-saving medicines more accessible to developing countries.

Conclusion

Among other factors, TRIPS enables members to globally enforce monopoly rights granted by patents, to preserve the incentive to invest in research and development and encourage future innovation, particularly in the pharmaceutical industry. However, the conferral of monopoly rights over life-saving medicine makes access to them by developing countries next to impossible. One of the ways TRIPS attempts to address public health concerns is through compulsory licensing under Article 31. However, the interpretation of Article 31 has proved to be problematic, prompting clarification by the TRIPS General Council.

Despite clarification of the provisions, there have been serious doubts about the efficacy of compulsory licensing to solve public health crises. The present compulsory licensing laws suffer from many drawbacks, preventing developing countries' from using them as an effective tool to access essential medicines. The practicality of invoking this measure for developing countries may not be feasible, complicated further by bilateral trade agreements, political disincentives, and the lack of incentive that developed countries have to export patented pharmaceuticals.

However, there may be scope to better address public health concerns under TRIPS. A liberal construction of the compulsory licensing provisions may better achieve the goals of developing countries. Unfortunately,

these options do not address the needs of patent owners. Establishing an independent panel to regulate compulsory licences, together with an international fund, may be a better option to achieve the delicate balance between the interests of patent owners in protecting their rights, and the interests of developing countries in accessing life-saving medicines.

Notes

- 1 The author would like to acknowledge the assistance of Chris Jordan in reviewing this article prior to publication.
- 2 *Agreement on Trade-Related Aspects of Intellectual Property Rights* (Annexure 1C of the *Marrakesh Agreement Establishing the World Trade Organisation* (1994)).
- 3 TRIPS Agreement, Art 1.
- 4 See TRIPS Agreement, Arts 27, 28 and 33.
- 5 Anthony Valach, 'TRIPS: Protecting the Rights of Patent Holders and Addressing Public Health Issues in Developing Countries' (2005) 4(2) *Chicago-Kent Journal of Intellectual Property* 156, 157.
- 6 See TRIPS Agreement, Art 31(b)-(h).
- 7 TRIPS Agreement, Art 31(h).
- 8 Raadhika Gupta, 'Compulsory Licensing under TRIPS: How Far it Addresses Public Health Concerns in Developing Nations' (2010) 15 *Journal of Intellectual Property Rights* 357, 358.
- 9 *Declaration on the TRIPS Agreement and Public Health*, WT/MIN(01)/DEC/2, 20 November 2001.
- 10 *Decision on Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health*, WT/L/540, 30 August 2003.
- 11 TRIPS Agreement, Article 31 bis.
- 12 *Amendment of the TRIPS Agreement*, WT/L/641, 6 December 2005.
- 13 World Trade Organization, *Members' Laws Implementing the Paragraph 6 System* (31 January 2014) www.wto.org/english/tratop_e/trips_e/par6laws_e.htm.
- 14 General Council Decision, WT/L/899, 26 November 2013.
- 15 See the *Intellectual Property Laws Amendment Act 2015* (Cth).
- 16 Matthew Rimmer, 'Intellectual Property and Global Health' (2013) *A Submission to IP Australia, the Productivity Commission, and the Department of Health and Ageing* 1, 11.
- 17 Benjamin Coriat, Fabienne Orsi and Cristina d'Almeida, 'TRIPS and the International Public Health Controversies: Issues and Challenges' (2006) 15(6) *Industrial and Corporate Change* 1033, 1052.
- 18 Subhasis Saha, 'Patent Law and TRIPS: Compulsory Licensing of Patents and Pharmaceuticals' (2009) *Journal of the Patent and Trademark Office Society* 364, 372.
- 19 TRIPS Agreement, Art 31.
- 20 Alan Sykes, 'TRIPS, Pharmaceuticals, Developing Countries, and the Doha "Solution"' (2002) *University of Chicago Law and Economics, Olin Working Paper No. 140*, 22.
- 21 Gupta, n 8, 361.
- 22 Saha, n 18, 373.



EUROPE

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How does the addition of a word affect the assessment of the likelihood of confusion between otherwise identical figurative marks?

Facts of the case

The origin of the dispute is a Community Trade Mark applied to pharmaceutical products by Austria-based Cosmowell GmbH, whereby the company sought protection for the word ‘GelenkGold’ and the image of a jumping tiger.



Haw Par Corp Ltd, with its registered office in Singapore, objected to this on grounds relating to the following figurative mark:



The trademark also shows a jumping tiger and is protected for the identical category of products.

The Office for Harmonization in the Internal Market (OHIM) Opposition Division upheld the opposition in its entirety. The Board of Appeal confirmed that there was a likelihood of confusion between the two marks. Cosmowell GmbH filed an appeal against this decision.

Decision

Contrary to the Board of Appeal’s opinion, the European General Court (GC) denied that there was any likelihood of confusion between the two signs. Even though figurative elements are highly similar, the GC held that there was no likelihood of confusion because the word element ‘GelenkGold’ (in English: JointGold) was added in the later mark (GC, 7 May 2015, T-599/13).

The GC affirmed the principle that the marks in dispute would each need to be compared to each other as a whole. This would not exclude that one or more of its elements may, in certain circumstances, dominate the impression created in the mind of the relevant public by a complex trademark.

Visual similarity

The GC only recognised a low level of visual similarity, whereas the Board of Appeal had based its decision on an average level of visual similarity. The illustration of the tiger was in fact very similar. Where trademarks consist of both verbal and visual elements, however, generally it must be expected that the distinctive character of the verbal elements would be more distinctive. This is because an average consumer would be more likely to refer to the mark with words than by describing its image element. For this reason, the verbal portion, ‘GelenkGold’, should not be disregarded.

Aural similarity

Contrary to the Board of Appeal’s opinion, the GC found that a phonetic comparison could be made. Based on case law, it was evident that the relevant public was able to recognise easily a true image mark if it showed a definite form that the public could associate with an exact and specific word, and that the public would describe it using that word. However, where the public viewed an image mark that also consisted of a verbal element, the public would generally refer to this mark with words.

The GC explained, in great detail, if and how a phonetic comparison of a pure figurative mark could be implemented with a word/figurative mark. In the process, the GC referenced decisions that were based on similar cases, which are briefly explained in the following:

As an example, the GC held that there was no phonetic similarity between two marks that illustrated a pine tree because one mark that was made up of a visual element of a pine tree and the verbal element ‘Aire Limpio’ could verbally be referenced using the word element (GC, 7 September 2006/168/04).



The GC came to the same conclusion in a case of an older pure figurative mark that showed a star and an application mark, which contained the word element ‘IBIZA REPUBLIC’ in addition to a star (GC, 2 July 2009, T311/08).



However, contrary to this, the GC affirmed that there was phonetic similarity between the mark consisting of a deer head and the word element ‘venado’ on the one hand and an older pure image mark on the other hand that showed only a deer head. In this regard, the GC explained that the Spanish public could use the word ‘venado’ (deer

or big game) to reference the older mark, which did not contain a verbal element (GC, 14 December 2006, T81/03, T82/03 and T103/03).



By the same token, the GC also affirmed the phonetic similarity between a figurative mark with an illustration of a pelican and the word element ‘Pelikan’ and another mark consisting of an illustration of a pelican only (GC, 17 April 2008, T389/03).



As such, the GC concluded that the marks could be distinguished from each other aurally because one would say ‘GelenkGold’ when referring to the mark in the application, while one would only be able to designate the older mark using the word ‘tiger’.

Conceptual similarity

Finally, the GC established that the marks are conceptually similar only to an average extent. On the other hand, the Board of Appeal had based its decision on a high level of conceptual similarity, because both marks could be connected in the public’s mind with the concept of the jumping tiger. The GC did not agree, because the German-speaking public would definitely understand the word element ‘GelenkGold’, while any other parts of the public would at least understand the word ‘Gold’. Therefore, the later mark would inhere a conceptual meaning that did not find its equivalent in the older mark.

In summary, the GC concluded that there was no likelihood of confusion between the two marks.

Note

Decisions about the likelihood of confusion between combined marks and pure figurative marks are governed by the assessment of whether the verbal element merely designates the visual element in the combination mark. If this is the case, typically there is likelihood of confusion, if the visual elements are confusingly similar.



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The exhaustion of the distribution right clarified by the CJEU's *Art & Allposters* judgement of 22 January 2015¹

The exhaustion of the distribution right was clarified by the Court of Justice of the European Union (CJEU) judgement *Art & Allposters* of 22 January 2015 (Case C419/13, *Art & Allposters International BV*). According to this judgment, the exhaustion of the distribution right is limited to the distribution of tangible goods and the transfer of a work to a new medium constitutes a new reproduction. The CJEU's judgment thus limits the effects of the *UsedSoft* judgment of 3 July 2012, a broad interpretation of which could have suggested that exhaustion also referred to the making available online of digital goods other than software, such as music files, videos, video games and books.

To recap, in the *UsedSoft* judgement of 3 July 2012² the CJEU ruled that making available downloadable copies of software online exhausted the exclusive right of the publisher Oracle to distribute those copies under Article 4, paragraph 2, of Directive 2009/24 of 23 April 2009.³

The CJEU considered that, in order to ascertain whether the right to distribute a software copy was exhausted, it was necessary to determine whether the software rights holder had intended to make the copy usable by the customer permanently in return for payment of a fee designed to enable it to obtain a remuneration corresponding to the economic value of the copy of the work of which it is the proprietor.

As, according to the CJEU, meeting these conditions gives rise to a transfer of ownership, the publisher's distribution right to that copy was exhausted.

According to this line of argument, the transfer of ownership could therefore take place whether the software copy is made available in the form of a physical, material or tangible medium or, on the contrary, in the absence of a physical medium, by being downloaded from the internet. The CJEU thus considered that offering copies of

downloadable software online, as in Oracle's case, constituted a sale, which gave rise to the exhaustion of the right to distribute that copy, and not an online service as provided in Directive 2001/29 of 22 June 2001 for which exhaustion is excluded.⁴

The significance of this distinction becomes clear in the software industry when it comes to Cloud distribution services (IaaS, PaaS and SaaS) through which the customer accesses software remotely without downloading it through the payment of a subscription for a period usually corresponding to that subscription. Indeed, these offers do not seem to constitute a sale liable to give rise to the exhaustion of the distribution right under Article 4, paragraph 2, of Directive 2009/24 because, in this case, publishers do relinquish the software copy made available. At the end of the subscription, the customer does not have this copy and no longer has access to it; there is no transfer of ownership. The judgement of 3 July 2012 was undoubtedly an incentive that contributed to an increase in these type of service being developed by publishers in an attempt to avoid the principle of exhaustion.

The fallout from this judgement beyond the software industry was the subject of fierce debate with the CJEU's line of argument, based on the transfer of ownership, raising questions as to its relevance to platforms offering digital goods other than software for download (music files, videos, video games, books, etc). Given that in its judgement the CJEU held that 'the existence of a transfer of ownership changes an "act of communication to the public" provided for in Article 3 of that directive [Directive 2001/29] into an act of distribution referred to in Article 4 of the Directive' for which Directive 2001/29 provides for exhaustion (paragraph 52), did this line of argument apply also to the resale of these other digital goods? Thus, although the CJEU's line of argument did not seem to be applicable to streaming offers,

as with Cloud offers, the issue was raised for platforms offering cultural digital property for download whereby, in return for the payment of a one-off fee ('fee-for-service'), the internet user obtains a copy of the work that can be downloaded permanently to his or her devices. In other words, did the CJEU's 2012 position on software copies downloaded from the internet as applied to these other works mean that the distribution right of these platforms to the downloaded copies was exhausted (subject to a transfer of ownership)?

Such an analogy was debatable insofar as the line of argument developed by the CJEU in the case *UsedSoft*, although referring to Directive 2001/29 was based on the special right of software under Directive 2009/24, with the CJEU taking care to reiterate that Article 1 of Directive 2001/29 provided that it in no way affected existing community provisions on the protection of computer programmes.

At the same time, the debate was fuelled in the United States by the ruling on 30 March 2013 of the Southern District of New York Court in the case *ReDiGi*,⁵ which resulted in the refusal to apply the 'first sale doctrine' to the resale of digital music files on the grounds that this sale violated the holder's exclusive reproduction rights.

With the *Art & Allposters* judgement of 22 January 2015,⁶ the CJEU considerably undermined the position of those who considered that the *UsedSoft* judgement should apply to digital property other than software, by reiterating that exhaustion was limited to the distribution of tangible goods and that the transfer of a work to a new medium constituted a new reproduction.

This case pending before the Dutch court, concerned the transfer to canvas of a poster created by an artist whose collecting society considered that it had not granted authorisation for such a process to be used on this creation. For its part, the Dutch company Allposters International BV, user of this process, called for the application of the principle of the exhaustion of the distribution right under Article 4, paragraph 2 of Directive 2001/29 to the distribution of the copy of the poster.

The CJEU considered that the exhaustion of the distribution right only applied to tangible objects into which a protected work or its copy is incorporated if it has been placed onto the market with the copyright holder's consent, and that the alteration of the original medium through the transfer of the work to a new medium constituted a new reproduction. To support its arguments, the

CJEU referred specifically to the terms of the WIPO Copyright Treaty, considering that 'the expressions "copies" and "original and copies" being subject to the right of distribution and the right of rental under the said Articles, refer exclusively to fixed copies that can be put into circulation as tangible objects' (paragraph 39).

The CJEU considered that the transfer to canvas constituted a transfer of the work from one medium to another that did not just constitute a mere act of distribution but a new reproduction: 'a new reproduction of that work, within the meaning of Article 2(a) of Directive 2001/29, which is covered by the exclusive right of the author and requires his authorisation' (paragraph 46).

Thus, through this judgement, the CJEU appears to have put an end to the 'spectre of a digital exhaustion of rights hanging over Europe since the *UsedSoft* ruling'⁷ because, applied to the resale of digital goods other than software copies, the circulation of the protected work does not occur through tangible property and the transfer gives rise to a new copy of the work, thus bringing into play reproduction rights, even in the event of a deletion of the work from the original medium.

Notes

- 1 CJEU (Fourth Chamber), 22 January 2015, case C419/13, *Art & Allposters International BV*.
- 2 CJEU (Grand Chamber), 3 July 2012, case C-128/11, *UsedSoft GmbH c/ Oracle International Corp*.
- 3 Article 4, paragraph 2, of Directive 2009/24 /EC of the Parliament and the Council of 23 April 2009 on the legal protection of computer programs: '2. The first sale in the Community of a copy of a program by the right holder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof'.
- 4 Directive 2001/29/EC of the European Parliament and the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, recital 29: 'The question of exhaustion does not arise in the case of services and on-line services in particular. This also applies with regard to a material copy of a work or other subject-matter made by a user of such a service with the consent of the right holder. Therefore, the same applies to rental and lending of the original and copies of works or other subject-matter which are services by nature Unlike CD-ROM or CD-I, where the intellectual property is incorporated in a material medium, namely an item of goods, every on-line service is in fact an act which should be subject to authorisation where the copyright or related right so provides'.
- 5 US District Court Southern District of New York, 30 March 2013, case no 12 Civ 95 (RJS), <http://ia600800.us.archive.org/30/items/gov.uscourts.nysd.390216/gov.uscourts.nysd.390216.109.0.pdf>.
- 6 CJEU (Fourth Chamber), 22 January 2015, case C419/13, *Art & Allposters International BV*.
- 7 Le 'chat' et la souris by Professor Valérie-Laure Benabou (Université Paris-Saclay – Versailles-Saint-Quentin-en-Yvelines), <https://vlbenabou.wordpress.com/>.



Block Exemption Regulation on technology transfer agreements: no global revolution but greater freedom of innovation to the benefit of licensees

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The immaterial nature of intellectual property (IP) opens vast opportunities for setting up all types of mechanisms to exploit rights. However, because they are, in essence, based on exclusive rights and authorisation/prohibition agreements between interested parties, and even competitors, these agreements, especially technology transfer and licensing agreements, have been ‘revamped’ by antitrust rules.

For IP practitioners, the 28 March 2014 new European Commission Block Exemption Regulation No 316/2014 regarding technology transfer agreements (the ‘Regulation’) replacing Block Exemption Regulation No 772/2004 published on 27 April 2004, is therefore of importance and is to be kept in mind when drafting and negotiating such agreements within a European Union (EU) framework.

The aim of the Regulation is to provide some guidelines and visibility to the compliance of agreements with competition law by application of Article 101(3) of the Treaty on the Functioning of the EU. Indeed, the European Commission explicitly sets out in point 9 of the guidelines for the Regulation that ‘licensing as such is pro-competitive as it leads to dissemination of technology and promotes innovation by the licensor and licensee(s). In addition, even license agreements that do restrict competition may often give rise to pro-competitive efficiencies’. This is why the Regulation allows for some restrictions to competition, provided they follow the final objective of better regulation and economic efficiency.

The Regulation does not really revolutionise the previous block exemption regulation of 2004. However, among the

various adaptations it brought, two major modifications of the Regulation are worth emphasising because they have led to intense discussions between stakeholders, including public research institutes versus industrial actors, before being finally adopted, and because they impact traditional business models of licensors and licensees.

Of course, more could be said about the new Regulation and its impact on the innovation ecosystem; however, within the framework of this article, which intends to remain synthetic and to provide readers with legal practitioners’ on-the-field feedback, we therefore choose to highlight the following two issues, lodged in Article 5(1), trusting that this will be of use.

Issue no 1: no more termination of exclusive agreement although the licensee challenges the licensor’s IP

The standard no-challenge clause that prevents the licensee from challenging the licensor’s IP shall be provided for in a technology transfer agreement only after thorough examination of the facts at stake. Even though such clauses were already prohibited by the previous exemption regulation, and are still under the current Regulation, the licensor previously had the possibility, without risk vis-à-vis competition rules, to terminate the technology transfer agreement (regardless of it being exclusive or non-exclusive) if the licensee challenged its IP.

Article 5 (1)(b) of the Regulation now limits this right for the licensor to terminate the technology transfer agreement when the licensee challenges the licensor’s intellectual property, only for non-exclusive agreements.

The European Commission justifies this

modification by stating that ‘such a termination right can have the same effect as a non-challenge clause in particular where switching away from the licensor’s technology would result in a significant loss to the licensee (for example where the licensee has already invested in specific machines or tools which cannot be used for producing with another technology) or where the licensor’s technology is a necessary input for the licensee’s production’ (Guidelines point 136).

Note that the Regulation identifies this non-challenge clause as ‘Excluded Restrictions’, that is, this type of clause shall be considered as null and void when implemented in technology transfer agreements without jeopardising the whole agreement (Guidelines point 128).

Issue no 2: no more exclusive grant backs to the licensor’s benefit on the licensee’s improvements or new applications

Regarding grant back clauses (ie, the licensee granting back to the licensor its IP rights on improvements or new applications possibly made out of the licensed or transferred technology), the 27 April 2004 exemption regulation was distinguishing

from severable improvements and new applications and non-severable versions: non-severable improvements or new applications could be subject to exclusive grant backs, whereas severable improvements or applications could not.

Under the new Regulation, exclusive grant backs to licensor’s benefit – be they by way of a direct or indirect license or assignment – on licensee’s improvements or new applications made out of the licensed technology are now completely prohibited within the framework of the block exemption, regardless of whether improvements or new applications are severable or not.

More globally, Article 5 (1) (a) of the Regulation prohibits grant back clauses in technology transfer agreements, arguing that it is ‘likely to reduce the licensee’s incentive to innovate since it hinders the licensee in exploiting the improvements’ (Guidelines point 129). The above prohibition shall not depend on whether or not the licensor pays for the improvement it receives from the licensee by virtue of an exclusive grant back. However, *non-exclusive* grant backs can still be provided in technology transfer agreements, even when they are non-reciprocal (Guidelines point 131).

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A petal on appeal: the Interflora and Marks and Spencer appeal

This article looks at the series of cases in the ongoing litigation between Interflora and Marks and Spencer (M&S), focusing on the recent appeal. In particular, it will examine the interpretation of Articles 5 (1) and 5 (2) of the European Trade Mark Directive 89/104 in relation to keyword advertising. It looks at the potential for an adverse effect on the advertising function and investment function of a trademark, and the often fraught balancing of trademark protection and fair competition.

The litigation stems from the practice of keyword advertising and whether this practice infringes registered trademarks by the use of identical or similar keywords.

Background: the cases

In 2008, Interflora initiated proceedings against M&S for trademark infringement of its United Kingdom registered trademark and Community Trade Mark (CTM). Interflora enjoys a reputation as a flower delivery service in the 28 European Union Member States.



M&S, one of the largest retail brands in the UK, has sold flowers in store since the mid-1980s and online since 2000. M&S is not part of the Interflora network.

The matter was heard by Arnold J in the High Court. Arnold J referred a number of queries to the European Court of Justice (ECJ). He sought clarification of, inter alia, Article 5(1) of the Trade Mark Directive in relation to the use of identical trademarks as keywords for identical goods or services for which the mark was registered. On the 22 December 2011,¹ the ECJ issued guidance on factors to consider in assessing keyword advertising cases.

In May 2013, Arnold J delivered a series of judgments. M&S appealed a number of these decisions. The Court of Appeal's judgment was delivered on the 5 November 2014. The appeal was allowed and the case remitted back to the High Court.

What is keyword advertising, also known as meta tag advertising?

Google operates part of its advertising structure on a bidding system through its Adwords service. A pre-arranged fee is paid by advertisers to Google on the basis of a price-per-click scheme. Advertisers bid to determine their placement on the sponsored links section of the results page. In a typical situation, when a consumer enters a search term, for example, 'flowers', into the query box on the search engine page, advertisements of the keyword owners appear on the results page. Google also uses broad matching, whereby the search engine may determine that other keywords are relevant, for example, results for florists may also appear when the term flower is entered. Accordingly, keywords are a valuable commodity because they act as a bridge between a captive consumer and the relevant advertisement.

In 2008, Google changed its policy with respect to keywords. Before this change, the proprietor of a trademark could notify Google and Google would not permit the keyword to be bought by another trader. Currently, advertisers are permitted to bid on keywords without restriction. Once Google changed its policy, M&S bid for the use of the keyword Interflora.

Article 5 (1) and 5 (2) of the European Trade Mark Directive 89/104²³

Article 5 (1) provides that

'The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having consent from using in the course of trade:

- a) Any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered'.

Article 5 (2) concerns the use of identical or similar trademarks in relation to goods that are not similar, but where the trademark has a reputation in the Member State and where use of the sign would take unfair advantage of, or be detrimental to, the distinctive character or reputation of the trademark.

Interflora needed to demonstrate not only that M&S were 'using' the Interflora trademark but also that this use was affecting the essential function of its trademark, particularly the essential function of guaranteeing the origin of goods to customers.

Background: functions of a trademark – what the ECJ said

It is important to note that the ECJ does not deem keyword advertising an inherently objectionable practice, as its purpose is to offer consumers alternative goods or services, which falls within the principles of fair competition.

In December 2011, the ECJ delivered its decision in response to a preliminary reference from Arnold J.⁴ The court furnished guidance on the origin, advertising and investment functions in relation to internet referencing services.

The test of whether the function of origin of a trademark is adversely affected is whether the relevant public, who comprise the reasonably well-informed and reasonably observant internet users, are misled by the advertisement.

The investment function of a trademark is adversely affected if the use of the trademark interferes with the proprietor's ability to 'acquire or preserve a reputation capable of attracting consumers and retaining their loyalty'.⁵ The court held that the use of an identical sign by way of an internet referencing service does not deprive the proprietor of the trademark from using the mark to advertise to its consumers.

The following is a useful summary of the key factors national courts should consider in assessing keyword cases:

1. whether the relevant public (being the reasonably well-informed and reasonably observant internet user) was deemed to be aware that M&S's flower delivery service was not part of the Interflora network, but was in fact in competition with it;
2. whether M&S's advertisements enabled this relevant public to tell that the M&S flower delivery service was not part of the Interflora network; and
3. did the nature of the Interflora network make it particularly difficult for the relevant public to determine, in the absence of any indication in the advertisement, whether M&S's service was part of the network or not?⁶

High Court

Arnold J ruled in favour of Interflora. He found that the M&S advertisements did not permit the reasonably well-informed and observant internet user to ascertain, or only enabled them to ascertain with difficulty, whether the advertised service originated from the proprietor of the trademark or an undertaking linked to the proprietor, or from a third party. As a consequence, the use by M&S of the Interflora keyword had an adverse effect on the function of the trademark. The claim under Article 5(2) failed as Arnold J held that this practice had not damaged or taken unfair advantage of the distinctive character or reputation of the Interflora trademark.

The appeal

M&S grounded its appeal⁷ on evidential matters, claiming that, inter alia, Arnold J had erred in accepting witness statements in the form of survey evidence; that the trial judge had incorrectly relied on the report from Experian Hitwise, which he had ruled inadmissible prior to the main hearing, and that the judge had misinterpreted and misapplied the reasonably informed and reasonably observant internet user test.⁸

The Court of Appeal revisited Arnold J's earlier judgments under the following headings:

1. the average consumer;
2. the onus of proof;
3. initial interest confusion;

4. procedural irregularities and errors on the evidence; and
5. injunctive relief and negative matching.

Average consumer

M&S claimed that the trial judge had incorrectly applied the average consumer test. Counsel for M&S asserted that the average consumer test is well established and is reflected in the Unfair Commercial Practices Directive.⁹

The Court of Appeal referred to the *Oberkreisdirektor*¹⁰ decision wherein the Court of Justice was asked to define the nature of the consumer to be used as a standard for assessing whether a statement relating to eggs was likely to mislead a consumer. In *Oberkreisdirektor* the court found that the national court must consider the presumed expectations of the average consumer.

The Court of Appeal stated that the Court of Justice's judgement in *Interflora* had emphasised that these assessments are qualitative and 'The fact that some internet users might have difficulty grasping that Interflora and M&S were independent is not sufficient for a finding of infringement'.¹¹

Onus of proof

The court remarked that Arnold J's flawed assessment of the burden of proof had influenced his overall assessment and therefore all his findings.

The trial judge had held that the onus of proof rested on the third-party advertiser to show that use of the sign in context is sufficiently clear and that there is a no real risk of confusion on the part of the average consumer as to the origin of the advertised goods. The Court of Appeal confirmed the position under EU and UK law (*Google France*¹²), which provides that claims of proving trademark infringement lie with the party making the allegation.

Initial interest confusion

The court found that Arnold J should not have applied the initial interest doctrine. The doctrine which originates from United States trademark law, examines whether the consumer was confused prior to purchasing a good or service from use of the impugned sign in promotional materials.

The Court of Appeal explained that the Court of Justice had carefully formulated a



test set out in *Google France* and *Portakabin*,¹³ which promotes fair competition and incorporates checks and balances. The correct test to be applied is whether the advertisement enables the average consumer to determine the origin of the advertised goods or services.

Procedural irregularities and errors on the evidence

The Court of Appeal found that there were certain irregularities and errors with some of the evidence relied on by Arnold J. In particular, it pointed to evidence of an expert witness, Rose, the Hitwise Report and evidence of Pandya.

What next

The Court of Appeal explained that appellate courts should not interfere with decisions of the High Court unless compelled to do so. The court found that the trial judge had reached conclusions arising out of erroneous beliefs.

As a result the matter will be reheard. The Court of Appeal recognised this would be an added financial burden on the parties, but it was not in a position to rule on the matter

without access to all the evidence. It noted that it may be of some comfort that most of the major decisions regarding the interpretation of trademark law in relation to keyword advertising are clarified in the appeal.

Notes

- 1 Case C-323/09.
- 2 Corresponding Article 9 of Regulation 40/94.
- 3 It is noteworthy that both the Directive and Regulation have been repealed by Directive 2008/95/EC and Regulation 207/2009. However, Arnold J and the Court of Appeal confirmed that the alleged infringement occurred while the original legislation was still in force.
- 4 Case C-323/09.
- 5 Supra at para 99.
- 6 (2014) EWCA Civ 1403 at para 41 to 43.
- 7 There were a number of judgments delivered by Arnold J in May 2013, parts of which are under appeal. However, we are only concerned in this article with the trademark aspects under appeal.
- 8 Supra at para 61.
- 9 Recital 18 of the European Parliament and Council Directive 2005/29/EC.
- 10 C-210/96 Gut Springenheide GmbH v Oberkreisdirektor des Kreises Steinfurt- Amt für Lebensmittelüberwachung (1998) ECR I-4657.
- 11 *Ibid*, at para 36.
- 12 *Google France SARL and Google Inc. v Louis Vuitton Malletier SA (C-236/08)*, *Google France SARL v Viaticum SA and Luteciel SARL (C-237/08)* and *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others (C-238/08)*.
- 13 Case C-558/08 *Portakabin v Primakabin* (2010) ECR I-6963.

Reinforcement of the protection of geographical indications and of geographical names in France

In October 2014, the General Court issued an opinion on a widely publicised French dispute over the use of the term ‘Laguiole’ (T-453/11, *Szajner v OHIM/ Forge de Laguiole*, 21 October 2014). The case stemmed from an application for invalidity filed by a proprietor who claimed prior rights in its trade name, ‘Forge de Laguiole’, against the owner of a Community Trade Mark (CTM) registration for ‘Laguiole’. The General Court opinion upheld the CTM for a wide range of goods and services (a

similar decision was reached in a French court between the two parties, see Paris Court of Appeal decision of 4 April 2014). In France, where the Laguiole village is famous for its cutlery, the decision elicited public outcry among both business owners who use the Laguiole term as an indication of geographical origin and consumers who view Laguiole as a geographical indication.

Following these concerns, in June 2015, the French government introduced new legislation broadening the scope of

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protected French geographical indications beyond agricultural products and non-foodstuffs. The French government issued two Application Decrees concerning intellectual property rights enacted under Article 73 of the Consumer Protection Law No 2014-344 (the 'Loi Hamon') of 17 March 2014. Among other changes to consumer protection law, such as the introduction of class actions into French law, the Loi Hamon contains provisions aimed at reinforcing the protection of geographical indications and of geographical names to promote the development of French territories, in addition to local know-how and traditions.

The recent implementation of French industrial and artisanal geographical indications

The Loi Hamon creates industrial and artisanal geographical indications that are defined as 'the name of a geographical area or of a specific place used to designate a product – other than agricultural, forestry, food or seafood products – which originates from such area and which possesses a given quality, a reputation or other characteristics attributable mainly to this geographical origin' (Articles L 721-2 *et seq* of the French Intellectual Property Code).

Pursuant to the Application Decree No 2015-595 dated 2 June 2015, applications for industrial and artisanal geographical indications have to be filed with the French National Institute of Intellectual Property (Institut national de la propriété industrielle (INPI)). This is different from geographical indications for agricultural and foodstuffs, which are administered by the National Institute for Quality and Origin in charge of designations of origin (Institut national de l'origine et de la qualité (INAO)).

According to a recent survey, more than 200 applications for industrial and artisanal geographical indications are expected to be filed in the coming months. A special logo to identify industrial and artisanal geographical indications was created and may only be used by the operators fulfilling the relevant criteria. The use of such a logo on a product by an unauthorised operator constitutes a counterfeit.

The creation of a new trademark watch service for geographical names

In addition to the creation of the industrial and artisanal geographical indications,

the French government issued Decree No 2015-671 on 15 June 2015, creating a new trademark watch system provided by the French National Institute of Intellectual Property to regional entities. Pursuant to this decree, these entities may subscribe to a trademark watch system for all trademark filings containing the name of the regional entity at issue. This watch system is conducted among French trademark applications, CTM applications and international trademark registrations designating France.

The system is handled by the INPI and is free for regional entities. This new system seems likely to result in a greater number of oppositions filed with the INPI. Indeed, given that no prior right search is performed *per se* by the INPI on filing a trademark application, this watch service shall provide regional entities with the ability to police their names effectively and give them the opportunity to file timely oppositions against conflicting trademark applications.

French opposition procedure: expansion of relative grounds

Under the Loi Hamon, a French trademark application or an international registration designating France can now be challenged on new relative grounds, that is, that there exists a prior industrial and/or artisanal geographical indication or that there is a name of a regional entity whose ability to use its name will be adversely affected by the registration of the trademark.

Trademark practitioners should beware of this new type of intellectual property right when conducting prior right searches in France and when filing French trademarks (or international registrations designating France), as it could present obstacles to the use and registration of similar marks.

European community opposition procedure: an extended category of 'signs used in the course of trade'

Although it has yet to be tested, a CTM application could also be challenged based on an industrial and artisanal geographical indication. Article 8(4) of the CTM Regulation indeed provides that a CTM shall not be registered if it is identical or confusingly similar to a non-registered trademark or 'another sign used in the course of trade of more than mere local significance', when – based on the governing



laws of the Member State – that sign confers on its proprietor the right to prohibit the use of the subsequent trademark. Geographical indications protected under national law can thus be a basis for opposition, provided that there is no uniform European protection for geographical indications for the category of goods at issue.

Indeed, owners of French appellations of origin have been successful in using their rights to oppose CTM applications. For example, in 2013, the owner of the French appellation of origin for champagne successfully relied on its French national right as the basis for an opposition against a CTM application for Rita & Champagne (OHIM Opposition Decision No B 2 010 398, *Comité Interprofessionnel du Vin de Champagne v Walter Hugo Blanco Romero*, 12 March 2013; see also OHIM Opposition Decision No B 2320/2004, *Bureau National Interprofessionnel du Cognac v Arne Burmeister*, 15 July 2004).

A provisional political agreement was reached recently on proposed legislation to modernise the CTM system. The draft

regulation explicitly provides that a designation of origin or a geographical indication protected under the law of a Member State can constitute grounds for opposition, thereby integrating the aforementioned case law.

A possible extension of geographical indication protection to non-agricultural products in the European Union?

After inventing geographical indications in the first half of the 20th century, will France play a pioneering role and influence the evolution of European protection of geographical indications? The European Commission conducted a public consultation on the subject in 2014, which clearly showed some interest in industrial and artisanal geographical indications on a European level (see draft report dated 21 April 2015 on a possible extension of European Union geographical indication protection to non-agricultural products).

Italian courts open a crack in SIAE's legal monopoly on copyright collection

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Background

Copyright collecting societies are bodies created by copyright law or private agreements that engage in collective rights management and have the authority to license copyrighted works and collect royalties as part of compulsory licensing or individual licences negotiated on behalf of its members. In most European countries, collecting societies require their members to transfer to them exclusive administration rights on all of their works, and usually hold monopolies in their respective national markets. Some countries have created a statutory monopoly, while others recognise effective monopolies through regulations. The Italian Society of Authors, Composers and Publishers (Società Italiana Autori ed Editori, (SIAE)) is one

of the collecting societies acting through a statutory monopoly.

Historic and legal framework

SIAE was established in Milan in 1882 on a private agreement and its collecting activity was originally limited to theatre and music artworks. By 1941, when Italian Copyright Law was enacted, SIAE had become a mutualistic state-owned body, engaged in all types of copyright collection under a statutory monopoly.

Because of its monopolistic position, SIAE, like other collecting societies around the world, has been criticised for imbalances in royalty distribution and member rights, in addition to unequal redistribution of revenue.

SIAE's statutory monopoly is based on Article 180 of the Italian Copyright Law of

1941 (L 633/1941), which states that 'the right to act as an intermediary in any manner whether by direct or indirect intervention, mediation, agency or representation, or by assignment of the exercise of the rights of performance, recitation, broadcasting, including communication to the public by satellite, and mechanical and cinematographic reproduction of protected works, shall belong exclusively to the SIAE'.

SIAE is also a member of the International Confederation of Societies of Authors and Composers (CISAC), the world's leading network of authors' societies. CISAC is an umbrella organisation representing collecting societies in over 100 countries. Its members provide services in their countries of establishment relating to the management of musical works, mediating between authors and/or foreign collecting societies, and commercial users, such as broadcasters or organisers of live shows.

The majority of European Union collecting societies provide cross-border management and licensing of authors' public performance rights of musical works based on the non-binding CISAC Model Contract. Collecting societies adapt this into reciprocal representation agreements (RRAs), whose scope covers the exercise of offline use, as well as the internet, satellite and cable broadcasting. Through a network of RRAs, each collecting society is granted multi-repertoire licences covering the portfolio of other members, but is only permitted to license uses in its territory of establishment.

This restrictive licensing approach led to refusals by collecting societies to grant community-wide licences to commercial users seeking them, namely, television and music broadcasters.

The CISAC case

In this contest, the European Commission brought a case against a group of authors' societies in Europe. The case began with two separate complaints filed with the European Commission by commercial users. The first complaint was filed in 2000 by RTL Group, a German broadcaster that complained against German authors' society GEMA's refusal to grant a community-wide licence for the performing rights it administers on behalf of its members and foreign authors. The second complaint was filed in 2003 by Music Choice, a digital music provider, against CISAC Model Contract for reciprocal representation

because it prevented societies from granting multi-territory licences and therefore violated EU competition rules. According to the European Commission, this arrangement made it impossible for societies to compete with each other in the granting of multi-territorial, multi-repertoire licences for digital rights exploitation of performing rights.

In the decision held on 16 July 2008 (Case COMP/C2/38.698 – CISAC), the European Court said that the CISAC Model Contracts' membership and exclusivity clauses violated EU competition law, given that the EU was a single market and any artificial barriers preventing its integration, and consequently the borderless provision of music, should be abolished. Specifically, the membership clauses restricted authors' abilities to affiliate freely with the collecting society of their choice.

The decision allowed for the continuance of RRAs, subject to the following three limits:

1. the imposition, or de facto application, of membership restrictions that limit an author's freedom of choice of collecting society;
2. the grant of exclusive licences to collecting societies in their territory of establishment; and
3. the existence of concerted practices between collecting societies leading to national territorial limitations.

CISAC and the European societies strongly disagreed with the European Commission's allegations and appealed the decision before the EU General Court (EGC). The crucial point of these appeals was the allegation that societies had engaged in a concerted practice by coordinating the territorial scope of their reciprocal representation agreements.

On 12 April 2013, the EGC issued its ruling in the appeal and overruled the 2008 decision of the European Commission. The EGC stated that the European Commission could not prove the alleged illegal coordination. The EGC adopted CISAC's arguments, that it is perfectly logical for a society to set the borders of its mandates and appoint, for each country, a local society to approach users and monitor any unauthorised use in its market. The EGC believed there are legitimate reasons why a society would not want to organise competition over its own rights in a given territory. It recognised that competition between two societies in a single territory could remove incentives to monitor and enforce rights; this is because none of the competing societies would be guaranteed to be the one that licenses these



ITALIAN COURTS OPEN A CRACK IN SIAE'S LEGAL MONOPOLY ON COPYRIGHT COLLECTION

rights. In doing so, the EGC opened the door for the development of new multi-territory licensing models.

In line with these changes, in February 2014, the EU adopted Directive 2014/26/EU on collective rights management and multi-territorial licensing of rights in musical works for online uses (the 'Directive'). The Directive aims at ensuring that rights holders have a say in the management of their rights and envisages a better functioning of collective management organisations as a result of EU-wide standards. The new rules will also ease multi-territorial licensing by collective management organisations of authors' rights in musical works for online use.

The case brought before the Court of Milan

Following the recent approval of the Directive, the Court of Milan rendered two landmark decisions, which probably cracked SIAE's legal monopoly for copyright collection in the Italian Territory, which has stood since 1941.

These lawsuits were filed in June 2014, when an Italian music author affiliated to SIAE together with a leading 'radio in-store' music provider commenced an action in front of the Court of Milan for the issuance of an injunctive relief aimed at declaring the activities in Italy of a new collecting society based in London (Soundreef Ltd) unlawful. Soundreef Ltd was established in 2011 by a group of Italian entrepreneurs to collect royalties on a multi-territorial basis throughout the EU. This company grants licences to commercial businesses to play its online catalogue of over 170,000 songs licensed exclusively in the EU from artists, record labels and publishers throughout the world, and by providing an alternative to traditional music copyright collecting societies. Soundreef collects royalties on a 'pay per play basis' using web-based technology that allows rights holders to monitor when and where their music is played.

Soundreef also licenses music for live events from those rights holders who have decided to exclude their live music performance rights from the monopolistic collecting society.

In this case, the plaintiff argued the illegitimacy of Soundreef's collecting activities in Italy with respect to Italian copyright legislation (Article 180 of the Italian Copyright Law), which grants SIAE a legal monopoly over such activity in the Italian territory. Furthermore, the plaintiff also claimed potential damages for unfair

competition acts in relation to the progressive acquisition by the resistance of many retail customers who have ceased to use the SIAE repertoire, which had an effect on the plaintiff's loss of profit. Finally, the plaintiff requested that Soundreef refrained from continuing any collecting activity in the Italian territory.

Conversely, Soundreef argued that it was not carrying out any collecting activity in the Italian territory because the collection was rendered in the United Kingdom and all contacts were subject to UK Law, and that the legal monopoly established under Article 180 of the Copyright Act was, in any case, detrimental to Soundreef's business activities. The defendant's arguments were mainly the following: (1) the plaintiff does not carry out a commercial activity and therefore unfair competition rules do not apply to such a case; (2) SIAE's monopoly would not prevent Soundreef and other European collecting societies from collecting rights in Italy belonging to their members, referring to the decision of the European Commission's CISAC 2008 decision, which also involved SIAE; and (3) the principles laid down by the recent Directive are a major step towards the creation of the single digital market and aims to create a single copyright and related rights in musical works accessible online, by communicating between all of those platforms that offer music services on the web.

The judgment

In the decision rendered in July 2015, the Court of Milan rejected the request of injunctive relief for the following reasons: (1) an artist is not an entrepreneur and therefore, the plaintiff cannot claim unfair competition acts according to the Italian Civil Code; (2) the CISAC decision in which SIAE was involved, acknowledged the principles of free competition in rendering services in EU Member States by companies established in the Italian territory; (3) the recent Directive provides for the creation of a multi-territorial collecting licence that shall, in the future, allow other collecting societies to start collecting copyright and neighbouring rights across the EU, and provides that artists should be able to choose the collecting society of their choice. In this sense, an undeniable liberalisation trend throughout Europe has begun with respect to online copyright collection.

This decision was confirmed after the appeal of the plaintiff. The Court of Milan stated that there was no sufficient evidence that Soundreef's activities in the Italian territory are illegal as in contrast with Article 180 of the Italian Copyright Law. It cannot be argued that music rights, mostly of foreign authors and performers, or the songs of Soundreef in Italy must by law be entrusted to SIAE. Such an argument would indeed conflict with the principles of the free market within the EU and with the fundamental principles of free competition.

As an exceptional rule, Article 180 should therefore be interpreted strictly. A broad interpretation of that provision that seeks to extend its scope beyond the express provision has to be considered unlawful.

Moreover, the Court of Milan also clarified that in compliance with the Berne Convention, 'the enjoyment and the exercise of [the] rights shall not be subject to any formality' (Article 5.2), there is no obligation for Soundreef to operate in Italy only through reciprocal agreements with the local collecting society (SIAE).

The judgement of the Court of Milan does not rebuild the rules and it will not lead to the end of the monopoly of SIAE. Nevertheless, this decision is a significant contribution to deconstructing the exclusive prerogatives attributed to SIAE beyond the letter of the applicable law.

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Temporary relief from pain: promising injunctive relief provisions under the 2014 copyright law

Introduction

It would not be far-fetched to call 2014 the Copyright Year for Indonesia because of the two remarkable copyright events that took place in the country: (1) the issuance of the final ruling on a case concerning the movie *Soekarno: Indonesia Merdeka* ('*Soekarno*'); and (2) the enactment of Law No 28 of 2014 on Copyright. Both have had an impact on the development of copyright protection in Indonesia.

As the first case ever¹ with an injunction to protect copyright, the *Soekarno* movie case proved how ineffective the previous copyright law was. The 2014 Copyright Law addresses what was missing from the previous copyright law, which led to the injunction in the *Soekarno* case being amended.

Injunctions in Indonesia through the years

Before the ratification of agreements establishing the World Trade Organization, in 1987, Indonesia had in place a regulation

that provided something similar to injunctive relief for copyright infringement. Under Law No 7 of 1987 on Copyright, judges had authority to order a wrongdoer to cease making, copying, broadcasting, distributing or selling a creation or good that resulted from a copyright infringement.

However, at that time, the Indonesian Civil Procedural Law did not recognise injunctions as demonstrated by the Anton Piller Order. There was no specific regulation providing a time frame or procedure for issuing such an order. Under the Indonesian Civil Procedural Law, an order could only be issued if a request was submitted together with a lawsuit alleging copyright infringement. This caused some inefficiency and ineffectiveness in protecting copyright: (1) *inaudita altera parte* proceedings were impossible; and (2) it took some time for judges to issue such an order because the court had to hear arguments from both parties.

After their ratification, Indonesia incorporated similar clauses to Article 50 (1)



of the Agreement on Trade-Related Aspects of Intellectual Properties (TRIPs) through Law No 19 of 2002 on Copyright (the '2002 Copyright Law'), that is: (1) to prevent infringements, especially to prevent the entry of counterfeit goods into the channels of commerce; and (2) to preserve the relevant evidence. Through the 2002 Copyright Law, an Anton-Piller Order injunction was introduced and, inter alia, an *inaudita altera parte* proceeding was now possible.

For almost ten years after the enactment of Law No 19 of 2002 on Copyright, no implementing regulation on injunctions for copyright was promulgated. To address this, the Supreme Court issued Regulation No 5 of 2012 on Injunctions related to infringements of intellectual property rights, covering industrial designs, patents, trademarks and copyrights (the '2012 Supreme Court Regulation'). Indonesian law can only be fully implemented once the relevant implementing regulations have been issued. These may include a governmental regulation, ministerial regulation or Supreme Court regulation.

The 2012 Supreme Court Regulation defined injunctions as acts to stop infringements in order to avoid any further damage should the infringements continue, as well as to prevent infringements, in addition to the definition of injunction under the 2002 Copyright Law. The 2012 Supreme Court Regulation provides a more comprehensive procedure for awarding an injunction.

Soekarno: Indonesia Merdeka case: a lesson of enforcement of an injunction provided under Law No 19 of 2002 on Copyright

Rachmawati Soekarnoputri, the author of the play *Dharmagita Maha Guru* on the life of Indonesia's most famous founding father, Soekarno, planned to make a film of the play. Acting on a suggestion from her friend, Widyawati Sophiaan, Rachmawati contacted a movie director, Hanung Bramantyo, to realise the plan.

Making the movie did not go smoothly because a disagreement arose between Rachmawati and the production house regarding the actor playing Soekarno and several scenes that Rachmawati deemed inconsistent with her original script for the play.

However, the movie was screened to limited audiences and the production team

planned to hold a premiere for the movie.² In response, Rachmawati filed a request for an injunction, demanding that the film master be handed over and screenings of the movie cease, and barring it from being seen by the public.

Initially, the injunction was issued by the commercial court in December 2013. In accordance with the applicant's request, the defendant was ordered to surrender the master copy of the movie and the premiere was prevented. Under the 2002 Copyright Law, within 30 days of the issuance of the first injunction, the commercial court must decide whether it will overturn or uphold the injunction. If overturned, the money deposited by the applicant is transferred to the person who is subject to the injunction. Otherwise, the applicant may file a lawsuit against the person for, among other things, damages.

As the 30-day time limit had almost expired, in January 2014, Judge Suwidya of the commercial court amended the order, stating that, among other things, injunctions under the 2002 Copyright Law only served to prevent the entry of counterfeit goods into the market, not seize counterfeit goods that were already in the market.³ This decision was given notwithstanding the fact that the 2002 Copyright Law should be read in line with the TRIPs, that is, Article 44, under which judges should have authority to order a party to cease any infringement. The public were therefore able to see the movie even though the master copy of the movie remained in custody as evidence.

Judge Suwidya's interpretation of the request for an injunction may imply that injunctions may only be issued for the purposes listed in the 2002 Copyright Law. Therefore, even though the 2012 Supreme Court Regulation clearly states that one of the purposes of an injunction is to halt an ongoing infringement to prevent further damage, it is of no significance and Judge Suwidya did not refer to it in the ruling.

Is the 2014 Copyright Law a solution?

The new copyright law, Law No 28 of 2014 on Copyright (the '2014 Copyright Law') was enacted on 16 October 2014. The clauses on injunctions of the 2014 Copyright Law are more comprehensive than under the previous law. Under Article 106, at the request of the creator, copyright holder owner of neighbouring rights, who has been injured by the exercise of copyrights or its neighbouring

rights, the commercial court may issue an injunction to:

1. prevent the entry of counterfeit goods into the channel of commerce;
2. withdraw from distribution, seize place in custody as evidence, the counterfeit goods;
3. safeguard the evidence and prevent the removal of the evidence by the wrongdoer; and/or
4. stop the infringement to avoid greater damage.

Understandably, the 2014 Copyright Law incorporated some of the 2012 Supreme Court Regulation. An additional item, that is, (2) in the list of purposes for which an injunction may be issued under the 2014 Copyright Law, seemed superfluous because it is provided for in (3) and (4). Apparently, this purpose was added to ensure greater certainty that judges can issue injunctions ordering the withdrawal of goods from the market if the goods are alleged to involve a copyright infringement. Point (2) complements the interpretation of the article because the list can now be understood to cover not only the purposes for granting an injunction, but also specific action that may be ordered by the court.

To address the issue Judge Suwidya raised, the list can now be interpreted more broadly to cover not only preventing the entry of counterfeit goods into the channels of commerce, but also withdrawing them from the market if they have already been distributed. Therefore, the 2014 Copyright

Law addresses the main issue that caused Judge Suwidya to amend the injunction ruling. It is expected that in the future, this article should be sufficient to deal with developments in injunctive relief for copyright infringement.

Conclusion

The 2014 Copyright Law is more comprehensive on injunctions. For now, the articles on injunctions seem to be sufficient to protect copyright. Given the broader provisions on injunctions, judges are now expected to consider the best interests of creators, copyright and neighbouring rights holders, more comprehensively to protect their rights.

Notes

- 1 Inge Dwisvimiar Sariyah, *Kekuatan Hukum Penetapan Sementara Pengadilan (Injunction) sebagai Bentuk Perlindungan Terhadap Pemilik Merek dari Adanya Pelanggaran Merek*, Jurnal Dinamika Hukum Vol 14 No 1, January 2014, available at: <http://download.portalgaruda.org/article.php?article=260769&val=7042&title=KEKUATAN%20HUKUM%20PENETAPAN%20SEMENTARA%20PENGADILAN%20%28INJUNCTION%29%20SEBAGAI%20BENTUK%20PERLINDUNGAN%20TERHADAP%20PEMILIK%20MEREK%20DARI%20ADANYA%20PELANGGARAN%20MEREK>, (last accessed 3 July 2015).
- 2 *PT Tripar Multivision Plus et al v Hj Rachmawati Soekarnoputri SH*, Appeal to Supreme Court, case No 305 K/Pdt.Sus-HKI/2014, 19 August 2014.
- 3 See www.hukumonline.com/berita/baca/lt52cc2b86b3790/film-soekarno-tak-jadi-ditarik (last accessed 3 July 2015).

NEW ZEALAND

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New cyberbullying law passed in New Zealand

New Zealand has passed a new law to deal with cyberbullying. The law is controversial, with some predicting that it will have a chilling effect on free speech.

A new law, years in the making

Like many countries, New Zealand has seen a worrying increase in online victimisation in recent years. The New Zealand Law

Commission has found that one in ten New Zealanders between 13 and 30 years old have experienced harmful communications on the internet. A review of the law in 2012 found that existing civil and criminal remedies for harmful digital communications were inadequate.

Spurred on by several high profile cases of cyberbullying, the government drafted the Harmful Digital Communications Act (HDCA), which aims to provide victims of



NEW CYBERBULLYING LAW PASSED IN NEW ZEALAND

harmful digital communications with a quick and efficient means of redress.

Enforcement mechanisms

The HDCA is underpinned by ten ‘communication principles’, which guide the operation of the act. The principles frame what is considered appropriate online conduct, providing among other things that a digital communication ‘should not disclose sensitive personal facts about an individual’, ‘should not be indecent or obscene’, and ‘should not make a false allegation’. The principles focus on the harm caused to the individual, rather than on a balance between individual and public interests.

The HDCA creates a tribunal, called the Approved Agency, that will hear and investigate complaints about digital communication that cause harm, defined in the act as ‘serious emotional distress’. The Approved Agency can negotiate and ‘persuade’ to try to resolve complaints, but cannot compel any action.

Complaints that cannot be resolved by the Approved Agency can be referred to the District Court (the ‘Court’). The Court can make a range of orders, including that material is taken down, or that a correction or apology is published. The Court will only make an order where it is satisfied that there has been a serious breach or threatened serious breach of one or more communication principles, and the breach has caused or will cause harm.

New criminal provisions

The HDCA creates a new criminal offence of posting a harmful digital communication with the intent of causing harm.

The act also makes it an offence to incite a person to commit suicide, in situations when they do not attempt to take their own life. This extends the current law, under which it is an offence to aid, abet or incite suicide only if a person attempts or commits suicide.

The criminal provisions carry prison terms or hefty fines.

‘Safe harbour’ provisions

The HDCA contains safe harbour provisions to limit the liability of online content hosts for content posted by users. These are modelled loosely on the takedown provisions

in the United States Digital Millennium Copyright Act.

If an online content host receives a complaint, it has 48 hours to notify the content author of the complaint and of its right to submit a counter-notice. If the host cannot contact the author, it must take down the content.

No civil or criminal proceedings may be brought against an online content host who complies with the safe harbour provisions.

A threat to free speech?

Perhaps unsurprisingly, the development and passing of the HDCA has been controversial.

The act was hotly debated in Parliament, although it was ultimately passed with a significant majority indicating cross-party support for the legislation.

Concern has been expressed by the press and civil libertarians about the effect of the HDCA on free speech. Critics point to the government’s failure to adopt two recommendations of the Law Commission: that the act contain a defence of public interest and that the media not be subject to the act.

Advocates of the HDCA note that in passing this law, New Zealand is not out of step with what is happening overseas, and in particular with its closest neighbour, Australia. Australia has had a cyberbullying criminal offence for several years, and has recently passed a new cyberbullying law implementing a complaints system with features similar to those of the Approved Agency model in the HDCA.

It is yet to be seen how the HDCA will be applied in practice. However, there are meaningful checks on the Court’s ability to impose liability under the act. The Court must consider several factors when deciding whether to make an order, including whether the communication was intended to cause harm, the truth or falsity of the statement, the conduct of the defendant and whether the communication is in the public interest. The Court is also required to act consistently with the Bill of Rights.

The Human Rights Commission has announced that it will monitor the HDCA to ensure the objectives of the legislation are being met. This and other scrutiny will be important to ensure we are not holding online and offline communication to different standards.

NEW ZEALAND

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Patenting portable Kiwi ingenuity

Court decisions on patents are not common in New Zealand. We do not see much of the large-scale litigation on pharmaceuticals, for instance, which features in the courts of the United Kingdom, United States or Australia. Our market is too small and conditions overall, such as the relative cost of litigation and the operation of the New Zealand government's drug buying agency, the Pharmaceutical Management Agency (PHARMAC), militate against such litigation here. Most decisions on pharmaceuticals are issued elsewhere, where the stakes are many times higher.

It is therefore of particular note when a patent decision is issued, particularly by the Court of Appeal. Only one patent case has reached the Supreme Court in New Zealand¹ since the court began hearing cases in 2004.

Unsurprisingly, perhaps, like New Zealand's only Supreme Court decision, *Doug Andrews Heating and Ventilation & Anor v Dil and Ors*² relates to technology for a portable device.³ The case highlights the difficulties in dealing with small-scale technologies.

The device at issue is a *hangi* cooker. Traditional New Zealand Maori *hangi*-style cooking involves digging a pit, creating a fire to heat stones, wrapping food in wet cloth and baskets, placing the baskets over the stones, burying the food and leaving it to cook for some hours. Clearly, the checking progress during the cooking period is not very easy and likely to ruin the food.⁴

Doug Andrews, who is Maori, had used the traditional manner, and in 1998, he created a two-part portable cooker designed to operate in a similar way. The first part had a cylindrical housing in which the lower section had an opening for a gas burner and the upper section had a hot plate that was fired up by the burner. The second part also had a cylindrical housing that fitted above the second part and was closed by the lid. The food was cooked in a basket over the hotplate. Water, sawdust or even soil could be put on the hotplate to replicate traditional flavours. The key feature of the invention was held by the High Court judge to be the interengageability of the two parts.⁵

Andrews's company applied for and obtained a patent for the cooker, known as the MultiKai cooker, granted in 2000.⁶ The cooker was commercially successful.

In 2008, Andrews found other cookers, single, double and triple, on the market. These were the Universal Food Oven (UFO) cookers, developed by Wayne Dil in New Zealand and sold by G&W Imports Ltd. UFO cookers have also been commercially successful in New Zealand and elsewhere. UFO cookers differ from MultiKai cookers in that the food housing and the hot plate are in the first part, with the second part, like the MultiKai cooker, fitting on to the first part, as an extension.⁷

Andrews's companies issued court proceedings for infringement against G&W Imports and its directors. The defendants denied infringement, and defended affirmatively and counterclaimed for revocation of the patent on the basis that it was not novel and was obvious.

Initially, the proceedings included infringement of the single tier UFO cooker, but that was dropped in 2012, when the plaintiffs narrowed the case to two-tier cookers, conceding that one-tier cookers had existed prior to 1998.

The principal claim provided that the two parts engaged to form a cooking chamber above the plate. The plaintiffs argued that when the two parts of the UFO cooker engaged, a cooking chamber was defined, thus bringing the UFO cooker within the scope of the claim.

In the High Court, the judge found that the claim covered only a cooker where only the second part comprised a cooking chamber. Consequently the UFO cooker did not infringe because the cooking chamber was contained in the first part, with the second part only an extension. He also found that the patent was valid, the counterclaims for revocation on the grounds of novelty and obviousness not being made out. He made no order for costs because each party had failed.

In its decision issued in April this year, the Court of Appeal agreed, saying that the principal claim for the Andrews cooker



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required the two parts to be engaged, as the first part did not include a food housing, being confined to the heat source and cooking plate. It did not allow *hangi*-style cooking until the second part was engaged. The UFO cooker, however, had its cooking chamber in the first part.⁸

There being no infringement, the affirmative defences were not required. The counterclaims, however, remained. These were problematic.

First, on novelty, while four cookers were raised as preceding the priority date of the patent,⁹ the evidence on those was vague and somewhat unreliable. Requirements for prior use are strict: there needs to be evidence that the article existed, that it contains all the features of the claim and that it was used publicly before the priority date. Preferably it should be produced for inspection.¹⁰ This highlights one of the difficulties in establishing novelty where the prevailing technology is small scale and scarcely above the level of the backyard craftsman.¹¹ Such evidence can often be based on personal recollection, and can commonly be unsupported by the sort of documentary evidence available for more complex technology for products manufactured on a larger scale. Credibility of the witnesses therefore becomes critical.

On the second ground, obviousness, there was no specific evidence on the state of common general knowledge regarding what was generally known in the field at the date of the patent. Both courts were critical of the lack of evidence on the common general knowledge of the skilled addressee. The Court of Appeal endorsed the approach of the court below in finding that the Andrews invention was not obvious, given that none of the witnesses relating to the aforementioned four cookers referred to the need for second-tier cookers.¹²

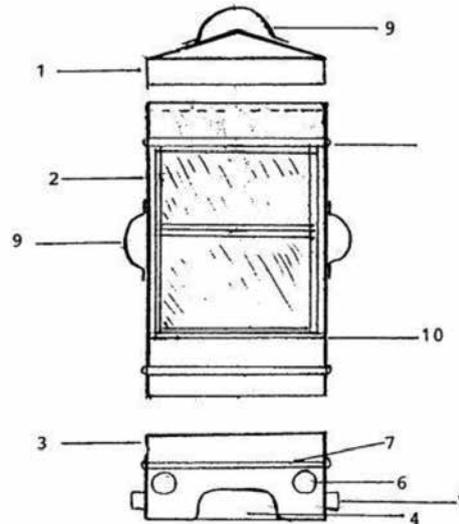
In essence, the current result, after six years of litigation, is that Doug Andrews Heating still has its patent, and G&W Imports can go on selling its products. High Court costs are likely to be relatively neutral. The Court of Appeal made no award of costs. In short: it was effectively a draw.

There is one tier of appeal left: to the Supreme Court, with leave. The threshold for obtaining leave is very high: there must

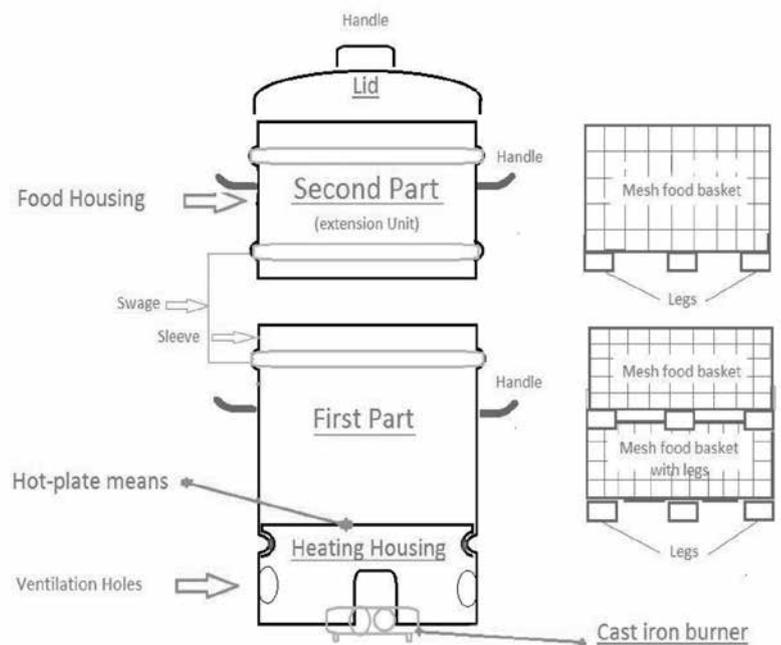
be a matter of general public importance, the likelihood of a substantial miscarriage of justice, or a matter of general commercial significance or a significant issue relating to the Treaty of Waitangi.¹³ On the face of it, that would seem to represent a challenge in this case.

The two cookers are pictured below:

MultiKai Cooker



UFO Cooker



Notes

- 1 *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721, [2006] NZSC 20.
- 2 [2015] NZCA 122.
- 3 *Peterson* related to a portable sawmill.
- 4 *Doug Andrews Heating and Ventilation Ltd & Anor v Dil & Others* [2013] NZHC 3333.
- 5 High Court decision at paras 8–9, 51.
- 6 NZ Patent 332466, due to expire in 2019 because patents have a 20-year term from the date of filing the complete specification containing the claims, subject to renewal. *Kai* is a Maori word for food.
- 7 Court of Appeal decision at 6, 11 and 12.
- 8 Court of Appeal decision at 19–20.
- 9 A further four were ruled out as single chamber cookers: High Court decision at 80.
- 10 High Court decision at 74.
- 11 Versions of cookers were, for instance, based on the use of beer kegs.
- 12 Court of Appeal decision at 33.
- 13 The Treaty of Waitangi was signed between chiefs of New Zealand's indigenous Maori people and the British government in 1840 and is a foundation constitutional document in New Zealand.

RUSSIA

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Practical approach to anti-counterfeit activities in Russia: recent trend for the legalisation of parallel imports

The spread of counterfeit goods has always been and remains one of the key issues for a number of countries, including Russia. This type of illegal activity has far-reaching consequences, and not only affects businesses dramatically, but also reduces the profit of the state significantly.

In 2013, Russia became a member of the Worldwide Trade Organization. This allowed many foreign companies from various spheres of industry to come to the Russian market with their branded goods. A free flow of high-quality goods provoked an increase in activities on the part of unfair competitors. Luxury, automotive (parts and accessories), alcohol, pharmaceutical, sports goods, phones and other gadgets were mostly attacked.

According to Russian legislation, counterfeits are considered to be fake goods and/or packaging bearing registered trademarks; so-called 'lookalikes' – packaging/goods imitating an original product or branded using a designation similar to the extent that consumers confuse it with the registered trademark; and 'grey imports' – original goods imported to the territory of Russia by unauthorised importers.

Within the last five to seven years, fair participants in the market have been investing in anti-counterfeiting activities more actively,

which has brought tangible results. A number of organisations are uniting manufacturers of different products, leading activities against the spread of counterfeit products within the territory of Russia. Among others, the International Federation of Spirits Producers (IFSP) assists businesses to arrange permanent monitoring of their marks and aims at the determination and suppression of illegal activities together with the police.

The Association of European Businesses (AEB), a non-commercial association that represents and promotes the interests of European companies conducting business in and with the Russian Federation, is fairly active with regards to anti-counterfeit initiatives. Among other tasks, AEB arranges dialogues with state authorities aimed at improving legislation by launching corresponding initiatives. It promotes the delivery to the state of the business point of view about various issues.

Anti-counterfeiting activities in Russia have some specific characteristics due to objective factors of the vast territory and long frontiers, thus complex methods for combating these activities are applicable.

Unfair competitors have become more and more sophisticated and well-versed in legislation, which is constantly changing because of changing realities. In 2014, the main document regulating intellectual



property (IP) issues, the Civil Code of the Russian Federation, was amended. Among other aspects, rights holders obtained additional tools for combating counterfeits. However, united actions on the part of rights holders, enforcement and government authorities, non-commercial organisations and professionals are still required.

One of the tools that proved to be effective in combating the penetration of counterfeit goods into the territory of Russia, in addition to promoting non-admission of their export abroad, is the registration of various IP assets in the Customs Register. The most recorded assets are trademarks. Since 2004, their number has increased significantly; as of April 2015, 3,654 IP assets were recorded. Compared to 2014, the Customs Register has increased from 468 IP assets, which points to a growing interest in rights holders for this form of protection of their IP. Russia exercises a national/regional principle of exhaustion of rights and the mechanism of customs registration proves to be working effectively. It may be stated that the number of administrative cases initiated by customs increased significantly compared to the previous period.

However, fakes are manufactured both within the country and abroad. The specific details depend strongly on the industry. Sports goods, glass bottles, bottle caps or labelling for alcohol products are most likely to be manufactured in the country. For luxury goods, accessories to cars and watches, the majority of the flow originates from abroad: China and Turkey.

With increasing numbers of sophisticated unfair competitors, seizures of big shipments at customs are rare. Thus, figures on initiated criminal cases are not so impressive. Modern reality suggests new trends, such as the transfer of traditional commerce to the internet. Legislation not always provides adequate measures for combating the counterfeit web space. However, some legislation, such as permanent monitoring of websites offering counterfeit sales, with further active measures aimed at the cessation of illegal commerce, have proved to be rather effective.

Counterfeit products vary from the centre to the countryside. Big cities and seaport towns remain at the centre of the spread of counterfeits. The concentration in the capital is mainly fake alcohol, watches and luxury goods for famous foreign brands. In the countryside, there are mostly

counterfeits of traditional Russian alcoholic beverages and cosmetics. Methods applied to combating counterfeits differ from industry to industry, thus each has its specific characteristics. For foodstuffs or cosmetics, one most often sees so-called 'lookalikes'. In practice, such cases are settled by negotiation; court disputes are rare.

Practitioners involved in anti-counterfeit activities consider the following as effective measures against unfair competitors:

1. monitoring of registration applications filed for trademarks to prevent trademark registrations by unfair competitors;
2. monitoring traditional markets and the internet;
3. registration of IP assets with customs;
4. close interaction with the Anti-Monopoly Service; and
5. training customs staff and police officers.

An accurate choice of a local consultant familiar with the market and its specifics, human resources capable of arranging permanent relationships with the police, and customs staff with relevant skills and abilities are also important.

Proper protection of the brand, including its form, label, colour range and specific goods is equally important. Falsification of the product, its label or shape is partially possible because of improper protection. Among other risks of falsification of the product are improper lists of goods, regular changing of packaging and use of a trademark by an improper entity. A loss of control and ignoring requests on the part of customs leads to the risk of deletion of the trademark from the Customs Register, which automatically provokes the flow of counterfeits.

Despite Russia exercising a national/regional principle of exhaustion of rights, businesses, communities and society are actively discussing the legalisation of parallel imports and a possible shift to an international principle. Those who vote 'for' consider this to be a progressive measure leading to a growth of healthy competition, expansion of the range of goods and services, and a reduction of costs. This point of view is supported by some rights holders, in addition to the Anti-Monopoly Service. Opponents take their position on the grounds of the possible unsafety of parallel goods (not certified/not intended for use in Russia – ie, car accessories), and that they are even capable of injuring people's health (ie, drugs). Among others, this position is

supported by the association of internet trade companies, the association of manufacturers and sellers of household appliances.

A consideration was issued resulting from the decision on the partial legalisation of parallel imports with regards to some goods, including cosmetics, perfume, non-alcoholic beverages and products of personal

hygiene. The parallel imports principle is a worldwide practice. However, in Russia, its implementation should be balanced. Some transition period for companies that have invested in manufacturing within the territory of Russia is definitely required.

We will keep an eye on developments.

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Attack on software patents in the United States

The sky is falling for software patents, which have increasingly come under attack in the United States legal system. Based on a recent US Supreme Court case, *Alice Corp Pty Ltd v CLS Bank Int'l* ('*Alice*'), US courts have drastically changed their approaches to determining whether inventions relating to software are even eligible for the patent process, interpreting 35 US Code (USC) Section 101 ('Section 101'). The courts are also taking a newly restrictive approach to construing the meaning of software patent claims, interpreting 35 USC Section 112, paragraph 6 ('Section 112, 6'). As a consequence, software companies are having difficulty determining what their patent portfolio is worth and whether it can provide protection against competitors. Moreover, companies are also having difficulty obtaining patents for their inventions at the US Patent and Trademark Office. On the other hand, defendants in patent litigation are using these decisions to have lawsuits dismissed. After the *Alice* decision, the probability of getting a patent for inventions directed to certain classes, including business processing and modelling, and e-commerce is less than five per cent. This article summarises and provides background for these recent developments.

Section 101

The assault on software patents started at least as early as the Supreme Court's decision in *Bilski v Kappos* ('*Bilski*'). That case involved a method patent directed at how buyers and sellers of commodities in the energy market could protect, or hedge, against

the risk of price changes.¹ The Supreme Court affirmed a previous decision by the US Court of Appeals for the Federal Circuit ('Federal Circuit') that this risk management method was not the type of innovation that may be patented because it was directed at an 'abstract idea'.² The impact of *Bilski* was limited because the claims in *Bilski* were very broad and did not even purport to recite any tangible computer elements. However, *Bilski* set the stage for invalidating claims using the theory of 'abstract ideas' under Section 101. Four years after *Bilski*, the Supreme Court addressed computer-implemented (software) claims in its *Alice* decision.

The patents in *Alice* disclosed a computer-implemented scheme for mitigating settlement risk.³ In deciding the validity of the patent under Section 101, the Supreme Court asked: (1) if the claims at issue were directed to a patent-ineligible concept; and (2) if so, did the claims' elements transform the nature of the claims into a patent-eligible application?⁴ Using this two-part approach, the Supreme Court found the software patent to be invalid under Section 101 because: (1) it was directed at the abstract idea of intermediated settlement; and (2) the computer implementation simply involved routine instructions on a generic computer, which was not enough to transform the abstract idea into a patent-eligible invention.⁵

The patents in *Alice* were broadly claimed and many hoped that the decision would be limited to patent claims directed at a use of a computer generally for performing a business method. Indeed, on the face of it, the *Alice* decision purports to preserve patent eligibility for software patents as a class. However, the



ATTACK ON SOFTWARE PATENTS IN THE UNITED STATES

Federal Circuit and the federal district courts in the US that serve as trial courts for patent matters have interpreted *Alice* to invalidate the vast majority of software patents under Section 101. Within the last year, the Federal Circuit has invalidated claims under Section 101 in 13 out of its 14 decisions where this issue was before the court, invalidating in 93 per cent of these cases. District courts have been slightly less draconian, invalidating in 73 per cent of the cases where this issue was before the court.

The most recent federal circuit jurisprudence on Section 101, *Internet Patents Corp v Active Network, Inc* ('*Internet Patents*'), demonstrates just how difficult it is for software claims to survive 'Section 101' analysis. Under the Supreme Court's two-part test, courts must first ask whether the claims are directed to a patent-ineligible concept, such as a law of nature, a natural phenomenon or an abstract idea. If so, the next step is to determine whether the claims contain an 'inventive concept' sufficient to 'transform' the concept into a patent-eligible invention.⁶ Until *Internet Patents*, it was unclear what the Supreme Court meant by 'a search for an 'inventive concept' because, for several decades, substantive questions of inventiveness (eg, novelty and non-obviousness) have required a more rigorous and objective search for and analysis of prior art, as set forth in 35 USC Section 102 and 103. In *Internet Patents*, the Federal Circuit made it explicit that a 'pragmatic analysis of 101 is facilitated by considerations analogous to those of Sections 102 and 103 as applied to the particular case'.⁷ Furthermore, the Supreme Court stated that 'determination of what is an inventive concept favors inquiries analogous to those undertaken for determination of patentable invention, for a known idea, or one that is routine and conventional, is not inventive in patent terms'.⁸ However, the case went on to demonstrate that a claim that is found to be inventive and patentable under Sections 102 and 103 may not be sufficiently inventive under Section 101, especially for claims directed at software inventions.

The claims in *Internet Patents* involved a method of storing and maintaining data in webpages when a user selected back or forward buttons from the web browser.⁹ Even though this patent was directed at a unique problem on the internet with a narrow solution – factors that might otherwise lead to a finding of patent eligibility under other related precedents – the Federal Circuit held

the patent to be ineligible because: (1) it was directed to the abstract idea of retaining information lost in the navigation of online forms; and (2) it used 'generic' data collection steps to implement the idea.¹⁰ When analysing 'inventiveness' under Section 101, the Federal Circuit chose to ignore computer-implemented steps as routine and conventional: 'the browser Back and Forward button functionality' is 'conventional'.¹¹ Furthermore, the court held that 'maintaining state' is the 'most important aspect' of the claim, but the mechanism for maintaining state was not described in the claims. Thus, after ignoring limitations and characterising a subset of the claim elements as the only relevant portion of the claim, the Federal Circuit affirmed that the claim was not directed to patent-eligible subject matter.

The Federal Circuit seems to be breaking well-established legal and equitable principles to find claims directed to software not patentable under Section 101. The Supreme Court stated previously in *Diehr* that 'it is inappropriate to dissect the claims in old and new elements and then to ignore the presence of the old elements in the analysis'.¹² The *Alice* opinion affirms that claims must be considered 'as a whole'.¹³ Moreover, as a matter of judicial economy and statutory interpretation, Section 101 does not need to encompass all the statutory requirements of patentability. For example, a claim is not required to include limitations describing a mechanism for *how* the limitations work. That is because 'enablement' is a separate requirement of patentability, covered by a separate part of the patent statute: 35 USC Section 112. By including Sections 102/103 analysis into Section 101, the Federal Circuit may have taken the *Alice* decision too far, and some may argue that it is violating a canon of statutory interpretation that prohibits construing statutes to render any of their provisions superfluous.¹⁴ Even the Supreme Court has acknowledged in *Bilski* that sections 102 and 103 are distinct and separate bars to patentability.

'The Section 101 patent-eligibility inquiry is only a threshold test. Even if an invention qualifies as a process, machine, manufacture, or composition of matter, in order to receive the Patent Act's protection the claimed invention must also satisfy the other conditions and requirements of this title': Section 101. 'Those requirements include that the invention be novel under Section 102, nonobvious under Section 103, and fully and particularly described under Section 112'.¹⁵

Amid the growing graveyard of software patents, one software case involved a patent that survived the harsh Section 101 jurisprudence at the Federal Circuit: that case is *DDR Holdings, LLC v Hotels.com, LP* ('DDR'). The claims in *DDR* involved a specific system and method of generating a web page that combined visual elements of a host website with third-party content.¹⁶ The Federal Circuit found the claims in *DDR* required specific manipulation of the computer, such that it did not rely on a computer network operating in its normal, expected manner.¹⁷ The court stated that even if the claim was directed to an abstract idea, the specific manipulation transformed it to patent-eligible subject matter.¹⁸ However, in the current environment, most district courts, and even the Federal Circuit, have limited the impact of *DDR*. It has been distinguished on the basis that the claims in *DDR* involved 'unexpected results', a Section 103 concept from *KSR Int'l Co v Teleflex Inc*. In *KSR*, the Supreme Court explained that when the prior art teaches away from combining certain known elements, such as using the types of electrodes together, the fact that the elements worked together in an unexpected and fruitful manner can indicate that the combination of elements was not obvious.¹⁹ However, software is generally not considered similar to mixing chemicals, which the courts have referred to as an 'unpredictable art'; accordingly, by relegating *DDR* to the category of 'unexpected results', the courts may have insured that *DDR* will rarely be cited or followed.

Regardless of what the Federal Circuit states in its opinions about the current test for patent subject matter eligibility, the current practical trend appears to show that this question is essentially subjective and under the current legal, business and popular environment, the bar is much higher for software claims. Bucking this trend, one perceptive district court judge has aptly summarised the two-step analysis for determining subject matter eligibility as 'more like a one-step test evocative of Justice Stewart's most famous phrase... "I know it when I see it"'.²⁰ Stewart J had used this phrase to describe the threshold test for determining whether a film involved pornography when faced with a freedom of speech challenge by a theatre possessing the film.²¹ Thus, billions of dollars' worth of software business investment could currently hang on a test that has been described as a subjective 'I know it when I see it' standard.

Section 112, 6

In addition to the aforementioned challenges, there is a new threat to software patents: unintentional functional claiming under Section 112, 6. In the past, functional claiming involved use of a special 'means-plus-function' or 'step-plus-function' format without stating the structure, material or specific acts that accomplish the function. Functional claims allow a drafter to recite a function without defining a particular structure. For example, instead of using 'a screw for attaching A to B', the drafter can use 'a *fixing means* for attaching A to B'. Such functional claims are interpreted to cover only the structure, material or acts *described in the specification* and equivalents thereof. Thus, the 'fixing means' would be limited to only those means that were disclosed in the specification. Claims interpreted under this standard are often deemed to have a relatively narrow scope based on this constraint. A longstanding rule of claim interpretation stated that the absence of the word 'means' created a strong presumption that Section 112, 6 did not apply – that is, claims were entitled to broader construction.

In *Williamson v Citrix Online*, the Federal Circuit in an *en banc* review expressly overruled this presumption.²² The court stated that the 'standard is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure'.²³ The claims in *Williamson* recited 'a distributed learning control module... for coordinating the operation of the streaming data module'.²⁴ Based on the new standard, the court found that the term 'module' in the claims was not sufficiently definite and that Section 112, 6 should apply, notwithstanding the absence of the historically significant words 'means' or 'step'. The court further held that the claim was invalid because there was no corresponding structure disclosed in the specification for the 'coordinating' function.²⁵

In another recent case, *Eon Corp*, the Federal Circuit stated that 'it is well-established that the corresponding structure for a function performed by a software algorithm is the algorithm itself'.²⁶ A general-purpose computer is not enough for the structure, except for the following claim limitations: 'processing', 'receiving' and 'storing' or any process coextensive with the processor.²⁷ According to the court in *Eon*, whether a person of ordinary skill in the art



would know how to implement the function is irrelevant to the inquiry of whether there is a sufficient disclosure of the structure. Achieving a similar result, the Federal Circuit in *Williamson* rejected the arguments that there was sufficient support for a ‘distributed learning control module’. The court stated that the specification merely disclosed functions of the ‘distributed learning control module’ and that the specification did not set forth an algorithm for performing the claimed functions.²⁸

Newman J penned a strong dissent in the *Williamson* decision. She stated that the result of the ruling was a ‘disincentive to patent based innovation’.²⁹ By contrast, during the same time span as *Williamson*, the Federal Circuit in *Lighting Ballast* upheld a district court decision that Section 112, 6 did not apply to ‘voltage source control means’ even though the limitation recites the term ‘means’.³⁰ Taking *Williamson* and *Lighting Ballast* together, it appears that the courts may be arrogating to themselves more authority than in the past to make subjective determinations using Section 112, 6 jurisprudence. The *Williamson* reasoning and result would tend to limit the scope of all software claims, making them all functional claims under Section 112, 6.

Unlike mechanical or electronics claim limitations, it is unclear what level of disclosure is required for software claims to satisfy these new requirements alleged to fall within Section 112, 6. A patent drafter can include the entire code library in the specification, but in that case the claims will be construed extremely narrowly and limited to a small variation of the disclosed code. In view of these inconsistencies and confusing aspects of recent case law, the Federal Circuit seems not to fully understand the intricacies of software. Thus, under recent Federal Circuit precedent, a flow chart disclosing steps A, B and C may provide sufficient disclosure for a claim limitation including a module configured to perform steps A, B, and C.³¹ However, if step C included steps 1, 2 and 3, the Federal Circuit may not require a showing of support for 1, 2 and 3 if it was not explicitly claimed.

Prior to *Williamson*, whether a claim invoked Section 112, 6 used to be a drafter’s choice. The Federal Circuit has now made thousands of patent claims that may include ‘module’ phrasing into arguably ‘functional’ claims, notwithstanding any intention of the patent drafter or the understanding of the

Patent Office during official government evaluation of those claims.

Conclusion

It is unlikely that the attack on software patents will subside anytime soon. The Supreme Court has denied a review of any patent case involving Section 101 in the upcoming term. A weak software patent approach in the US may make it easier for foreign corporations to import products into the US and enter into US markets, especially for software-related inventions. The effects will be widespread because software is not just limited to the internet and business methods; software is pervasive and can be found in cars, phones, medical systems and a wide array of industries. Moreover, companies such as Microsoft receive billions of dollars per year in licensing revenues from their patents. Thus, the effect of this attack on software patents has serious ramifications that be felt across many sectors of the US economy.

Notes

- 1 *Bilski v Kappos*, [2010] 561 US 593.
- 2 *Ibid*, at 595.
- 3 *Alice Corp Pty Ltd v CLS Bank Int’l*, [2014] 134 S Ct 2347.
- 4 *Ibid*, at 2350.
- 5 *Ibid*.
- 6 *Ibid*.
- 7 *Internet Patents Corp v Active Network, Inc*, Nos 2014-1048, 2014-1061, 2014-1062, 2014-1063, 1, 6 (Fed Cir 23 June 2015).
- 8 *Ibid*.
- 9 *Ibid*, at 3.
- 10 *Ibid*, at 10.
- 11 *Ibid*.
- 12 *Diamond v Diehr*, [1981] 450 US 175, 188.
- 13 *Alice*, 134 S Ct at n3.
- 14 See *Boise Cascade Corp v EPA*, 942 F2d 1427, 1432 (9th Cir 1991).
- 15 *Bilski*, 561 US at 602.
- 16 *DDR Holdings, LLC v Hotels.com, LP*, 773 F3d 1245, 1248 (Fed Cir 2014).
- 17 *Ibid*, at 1258-1259.
- 18 *Ibid*, at 1257-1258.
- 19 *KSR Int’l Co v Teleflex Inc*, [2007] 550 US 398, 416.
- 20 *Eclipse IP LLC v McKinley Equip Corp*, 2014 US Dist LEXIS 125395, 8 (CD Cal 4 September 2014) (citing *Jacobellis v Ohio*, [1964] 378 US 184, 197).
- 21 *Ibid*, at 18, 197.
- 22 *Williamson v Citrix Online, LLC*, No 2013-1130, 1, 15 (Fed Cir 16 June 2015).
- 23 *Ibid*, at 16.
- 24 *Ibid*, at 17–18.
- 25 *Ibid*, at 18.
- 26 *EON Corp IP Holdings LLC v AT & T Mobility LLC*, 785 F3d 616 (Fed Cir 2015).
- 27 *Ibid*, at 27.
- 28 *Ibid*, at 29-30.
- 29 *Ibid*, at 39.
- 30 *Lighting Ballast Control LLC v Philips Electronics N Am Corp*, No 2012-1014 (Fed Cir 23 June 2015).
- 31 *Williamson*, No 2013-1130, at 10-11.

NEW MEMBER CORNER



Andrew H Seiden

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What was your motivation to become a lawyer?

Two motivations – from an early age, I wanted to know the rules that governed our lives (rather than having to ask others) and realised that a legal career would provide that information. Then when I got to university, I started working closely with musicians and saw a legal career as a way to further the careers of talented people.

What are the most memorable experiences you have so far as a lawyer?

- Successfully defeating a large corporation's attempt to trademark the name of a small, bucolic village in New York for use on an extensive line of consumer products through a press/public interest campaign;
- helping an India-based B to C internet company launch its business in the United States; and
- negotiating the acquisition of an oceanfront hotel in Hawaii that separated the hotel from the fully integrated resort community owned by the seller. The diligence was particularly memorable!

What are your interests and/or hobbies?

Travel, environmental concerns, collecting wine and music. And I'm an avid dog lover – just ask my two Golden Doodles.

Share with us something that the IBA members would be surprised to know about you.

When I was General Counsel and VP of Business Development for a developer of animated internet games, part of my job involved watching Saturday morning cartoons to investigate new properties to license. This came in handy when I subsequently became VP of Business and Legal Affairs in a movie studio's animated feature film group.

As this survey will be published in the IBA Newsletter, do you have any specific message for IBA members?

One of the joys of an international practice is the cross-cultural exchange. I look forward to getting to know you!



Begoña Cancino Garín

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What was your motivation to become a lawyer?

My motivation to become a lawyer was to have the opportunity to help others to solve their legal issues, giving them peace of mind while I gained more experience.

What are the most memorable experiences you have so far as a lawyer?

One of my most memorable experiences so far as a lawyer occurred while I was performing pro-bono work – it was challenging and rewarding at the same time. On a day-to-day basis, I deeply enjoy the broad array of legal aspects that can be analysed from an intellectual property standpoint, from helping with the protection of IP rights, to preparing a legal strategy in a complex litigation or participating in a cross-

border transaction. This variety has allowed me to innovate and it has been a wonderful opportunity to learn from other colleagues overseas, giving me a new perspective on the legal needs of my clients.

What are your interests and/or hobbies?

Listening to music, painting and singing.

Share with us something that the IBA members would be surprised to know about you.

Back in the 90's when I was thinking about the different careers in front of me to explore, I considered the possibility to become a doctor. My dad is a surgeon and I had the opportunity to be with him in a couple of surgeries. I eventually found my own way to help others without having to use a scalpel.



Chris Connolly

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What was your motivation to become a lawyer?

From quite a young age, I was attracted to a career in law. Lawyers tend to be relentlessly rational and look for the facts embedded in any particular matter to help them reach a position. This always appealed to me.

What are the most memorable experiences you have so far as a lawyer?

Recently, I worked on an extremely interesting, high profile case involving a professional golfer in Ireland. While the work was very intense, the application of a variety of legal principles to the area of professional golf was fascinating.

What are your interests and/or hobbies?

When I'm not in the office, I feel the need to escape to the outdoors so running, cycling, adventure races and golf are all good ways to embrace that.

Share with us something that the IBA members would be surprised to know about you.

I participated in the running with the bulls in Pamplona a few years ago. It was the most terrifying and exhilarating experience. Pure mayhem and chaos.

As this survey will be published in the IBA Newsletter, do you have any specific message for IBA members?

I am very happy to be a member of the IBA and look forward to meeting a large number of my colleagues at the various events over the next few years to discuss various business and social topics.



Millicent Stronge

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What was your motivation to become a lawyer?

My passion for reading books, plus the awe in which I held my father (who was a legal practitioner for many years), drew me to the law. I like the structure and boundaries of the law. I like the fact that it's supposed to keep societies in order. That it can (or should) be accessed by all. With justice paramount to my practice as a lawyer, I believe in the rights of the individual to life and property and have always enjoyed being part of the protection and/or clarification of those rights.

What are the most memorable experiences you have so far as a lawyer?

- Seeing a girl of between 18-20 years old released from prison after being on remand for about three years without trial. I could not hold back the tears.
- Succeeding in a claim for passing off, despite the uphill task of locating the bulk goods, tracing point of entry, and most importantly the offending company who was sourcing manufacture of the goods.

What are your interests and/or hobbies?

Music is my passion. I have quite an eclectic taste in music, plus I love dancing. I play squash and do a variety of other exercises. I love my food though!

Share with us something that the IBA members would be surprised to know about you.

I was attacked by a monkey (my siblings' pet at the time), who evidently perceived my arrival as a threat to her position as the favourite. This was about at about eight months after I was born

As this survey will be published in the IBA Newsletter, do you have any specific message for IBA members?

I would urge all members to participate in the various activities of the association. I aim to do just that.