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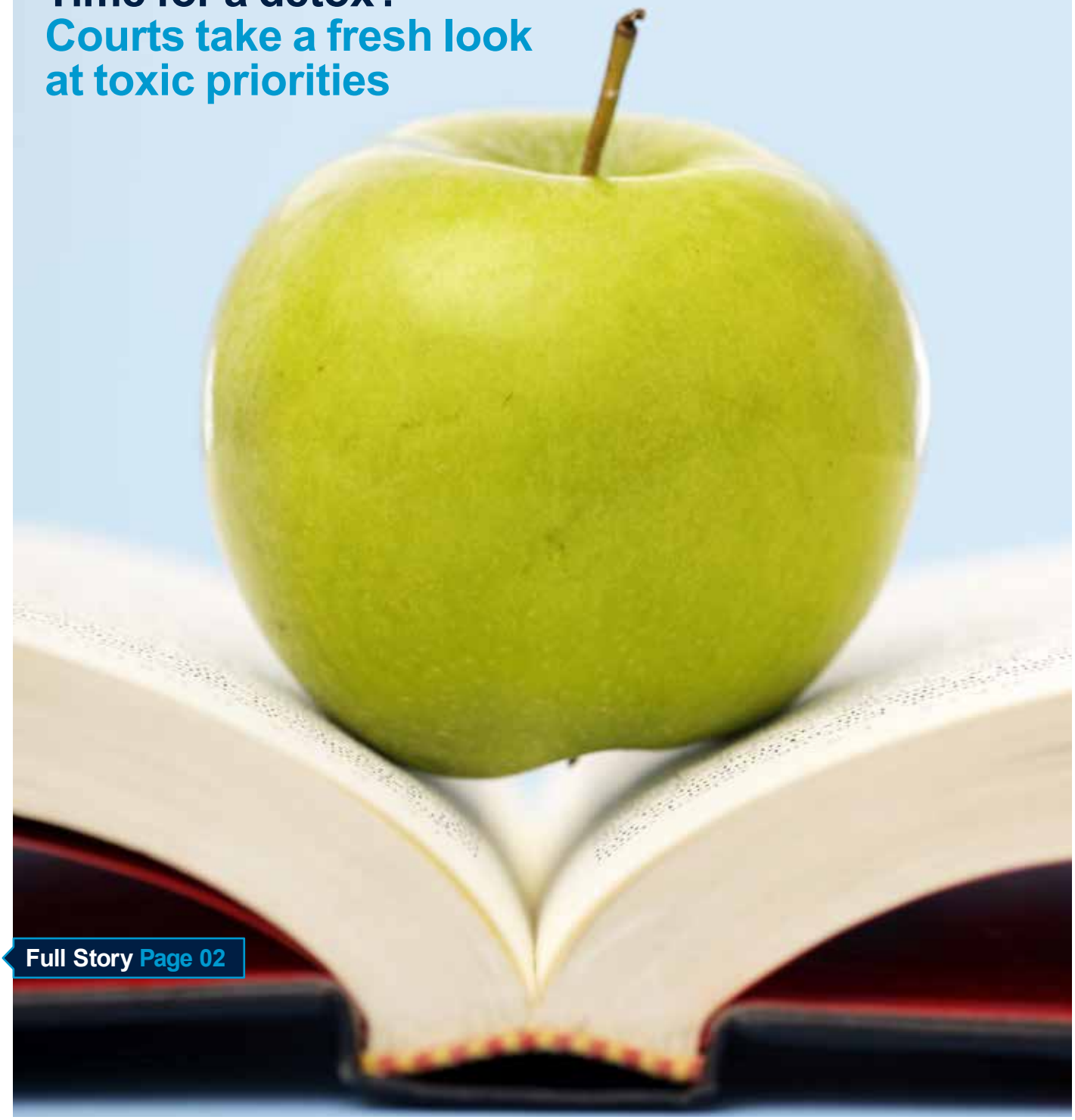

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Editorial

Can you remember life before mobile/cell phones? Life without technology seems inconceivable - yet once snail mail ruled. In March we witnessed the next generation of wearable technology on display at London's Wearable Technology Show. Are we in the next phase of development? Will we look back in another ten years and say "Can you remember life before wearable - or even embedded - technology?". It is a fascinating time to be involved in patent, design and trade mark law as it attempts to keep pace with this fast moving field of technical innovation.

Editor:
Aylsa Williams

Events

13-14 May 2015
Business Show, London, UK
Matthew Dick and Nicholas Malden present practical steps that start-ups and SMEs can take to protect their brand, innovation, design or product. See us at stand 257.

20 May 2015
Biotech European patent case law, webinar
Join Simon O'Brien at 9am, noon or 5pm BST for our regular biotech patent case law update.

25 June 2015
BVCA High Growth Conference, London, UK
Neil Nachshen, David Meldrum, Zöe Clyde-Watson and Matthew Dick will be attending the British Private & Venture Capital Association conference and hosting a roundtable session on IP due diligence.

29-30 July 2015
IIPLA Global IP Summit, London, UK
Join Anthony Albutt at the International IP Law Association mid-year meeting where he will be speaking about European design rights.

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Multiple / partial priorities

Time for a detox?
Courts take a fresh look at toxic priorities

The concept of multiple priorities, sometimes referred to as partial priority or split priority, has long been a matter for debate in European patent law (and thus UK patent law[1]). However, interest in how the law governing multiple priorities is to be interpreted has been stimulated in recent years due to the emergence of the toxic divisionals hypothesis and the toxic priority issue.

Over the last few years there have been a number of high profile decisions from both the Technical Boards of Appeal at the European Patent Office (EPO) and the UK courts, from which a divergent approach to the treatment of multiple priorities has emerged.

Accordingly, seventeen years on from G 2/98 – a seminal decision of the EPO's Enlarged Board of Appeal (EBoA) on the issue of priority – priority looks set to go before the EBoA again. In particular, Technical Board of Appeal 3.3.06 in case T 557/13 appears to have decided to refer one or more questions to the EBoA on the issue of multiple priorities. The interlocutory decision containing the referred questions is yet to be issued. However, as a prelude, this article provides a brief explanation of the legal principles behind the apportioning of multiple priorities and how the interpretation of these principles can affect the concepts of toxic priority and toxic divisionals.

Legal principles

Article 88(2) EPC provides that, *"where appropriate, multiple priorities may be claimed for any one claim"*. However, no further guidance is provided in the implementing regulations as to when it is appropriate for a claim to be considered as having multiple priorities.

Decision G 2/98 (reason 6) provided guidance on when there may be justification for claiming multiple priorities for one and the same claim of an application. In particular, the EBoA drew a distinction between so called "AND"-claims and "OR"-claims.

With respect to "AND"-claims little difficultly has been encountered. Instead, much controversy concerning the apportioning of multiple priorities has focused on "OR-claims", ie, wherein claimed features are expressed in the alternative, in particular where alternative features are expressed by way of a generic feature.

Example 1

For example, apportioning of multiple priorities is straightforward in the situation as presented in example 1 (see page 03). In example 1, claim X covering alternative embodiments A or B would be entitled to claim priority of application PD1 in respect of embodiment A and application PD2 in respect of embodiment B.

Example 2

However, the situation is less straightforward in the situation as depicted in example 2 (see page 03). In example 2, claim Y generically covers alternative embodiments A or B. The question then arises to what extent claim Y is entitled to claim priority from application PD1 and/or application PD2, or whether it is entitled to the filing date only.

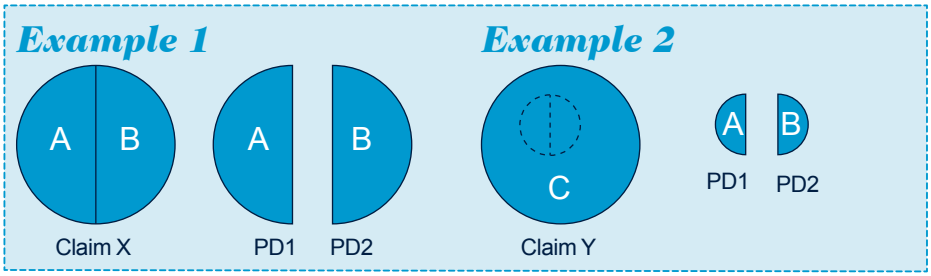
In this regard, the emphasis has been on Reason 6.7 of decision G 2/98, where it is stated that:

> *"The use of a generic term or formula in a claim for which multiple priorities are claimed in accordance with Article 88(2) EPC, second sentence, is perfectly acceptable under Articles 87(1) and 88(3) EPC,* ***provided that it gives rise to the claiming of a limited number of clearly defined alternative subject-matters.***"

It is strict interpretation of the highlighted test which has led to the emergence of the toxic priority issue and the toxic divisional hypothesis.

Notes

1. *Section 5 of the UK Patents Act 1977 (priority) is to be construed in conformity with the priority provisions of the EPC (Articles 87 to 89).*
2. *In Europe and the UK, unpublished applications, including those by the applicant, in the same jurisdiction may be regarded as novelty only prior art if they have an earlier effective date and go on to publish. Certain jurisdictions (eg, US and Japan) avoid self collision by excluding the applicant's own unpublished application(s) from the contents of the state of the art.*



Toxic priority/toxic divisionals

The toxic priority issue and toxic divisional hypothesis involve anticipation of at least one claim in an application/patent by the disclosure of its priority document or divisional/parent application respectively.

For anticipation to occur, the priority document or parent/divisional application must have an earlier effective date, must publish and must disclose subject matter falling within the scope of at least one claim in the reference application[2].

> A scenario which could possibly give rise to a toxic priority issue is where the reference application claims an invention in broader terms than its published priority document (thus is not the 'same invention').

This may be the case when the applicant has been developing the invention during the priority year.

For example, the priority application (PD1) defines an invention by virtue of parameter Z having a value in the range 20 to 50. The invention is exemplified by a specific embodiment A wherein parameter Z is equal to 40.

The reference application is subsequently filed claiming priority of application PD1 where claim 1 is directed to the invention wherein the broader range for parameter Z of 10 to 50 is claimed.

If PD1 should publish, then claim 1 will be vulnerable to anticipation by embodiment A of PD1 if claim 1 of the reference application cannot claim multiple priorities, ie, be given the benefit of PD1 for the part range 20 to 50 and the filing date for 10 to 19, ie, the extension added at filing. In this case, embodiment A would not be prior art to claim 1. However, if it is not deemed appropriate to split the range 10 to 50 into sub-ranges for priority purposes, then claim 1 has a later effective date than embodiment A and thus embodiment A anticipates claim 1.

Regardless of whether PD1 publishes, the reference application may also be vulnerable with regard to its own divisional application. For instance, if a divisional application is filed with the same description as the parent reference application and thus contains embodiment A, when the divisional application publishes embodiment A disclosed therein becomes a disclosure which is potentially anticipatory to claim 1 of the parent for the same reasons as stated above.

Accordingly, the end result is dependent on whether the relevant authority consider it appropriate to split a claim into subject matter domains of varying priority date and how these priorities are apportioned.

Which brings us back to Reason 6.7 of G 2/98 and the interpretation of *"provided that it gives rise to the claiming of a limited number of clearly defined alternative subject-matters."*

Divergent approach

The majority of decided cases to date have concerned allegedly toxic priority documents. In only one decision to date (T 1496/11) has an application been held to be anticipated by the disclosure of its divisional application.

Furthermore, the majority of earlier decisions can be considered to follow a narrower interpretation of the test provided in Reason 6.7 of G 2/98.

The narrower interpretation of the test requires that the disclosure of the patent/application is analysed to determine if and how many priority domains the generic disclosure of the claim can be broken up into. This analysis is often guided by explicit disclosures of embodiments falling within the generic claims.

However, more recent decisions such as T 1222/11 and T 571/10, have seen the endorsement of a broader interpretation of the G 2/98 test. Based on the broader interpretation, determining whether an "OR"-claim can be awarded multiple priorities is independent of whether the subject matter or embodiment disclosed in the priority document is identified in the application as a separate embodiment. Rather, the broader interpretation proposes that it suffices for the purpose of claiming multiple priorities for it to be conceptually possible to identify the aforementioned limited number of clearly defined alternative subject matters.

Accordingly, we are left with the situation where under the narrower interpretation there is a danger of self collision due to toxic priority or toxic divisionals.

Alternatively, by adopting the broader interpretation, the incidence of toxic priority or toxic divisionals would appear less likely.

Consequently, due to the fundamental importance of multiple priorities and the potentially harsh consequences of applying them wrongly, the stage is set for the EBoA to resolve this important point of law.

Further guidance

Once the decision in T 557/13 is made available and the questions referred to the EBoA are known, we will provide a further update on this intriguing issue. In the meantime, should you have any questions please contact your usual D Young & Co advisor or the author or this article.

Author:
Matthew Johnson

Hedging risk in patent litigation Litigation funding and insurance

For parties involved in patent litigation, the potential costs and financial risks involved can often be a significant factor in dictating strategy. In some cases, concerns about costs risks or a lack of funding may even be a complete barrier to commencing litigation against known infringers.

Guest contributor James Blick, Director of The Judge Limited (litigation funding and insurance brokers), discusses the emergence and development of a range of alternative litigation funding options, which can be used to manage the cost of litigation, reduce financial exposure to costs and potentially even take the cost of litigation off balance sheets altogether.

IP litigation insurance

It has long been possible to buy insurance to cover the risk of possible future litigation in relation to IP. However, less well-known is the availability of insurance which can be taken out after infringement has been identified, or even after legal proceedings have commenced.

This type of insurance, sometimes known as 'after-the-event' or 'ATE' insurance, covers the insured's legal costs in the event that the litigation is unsuccessful. In 'loser pays costs' jurisdictions, litigation insurance is frequently used to cover the risk of being ordered to pay the opponent's legal costs, however the cover can also potentially include own side's costs.

The policies are highly bespoke and the insurers offer a range of potential ways in which the premium can potentially be paid, depending upon the circumstances.

Where the insured party is not seeking a monetary recovery, for example in a revocation action or where the insured party is defending an infringement claim, the insurance premium will typically be paid upfront when the insurance is taken out. If the litigation is decided against the insured party, the insurance policy is called upon to cover the insured party's legal costs.

In cases where the insured party is asserting a patent with the aim of obtaining damages for past infringement or a license fee, the insurer may be willing to offer a 'contingent upon success' premium. This means that instead of charging an upfront premium, the insurer only charges a premium at the end of the case and only in the event of success, in which case the premium is paid out of the recovered damages or license fee obtained. If the insured party does not make a recovery, for example because the patent is declared invalid or the opponent is found not to infringe, the insurer pays a claim for the legal costs insured and does not receive a premium.

In all cases, the insurer is taking on the risk of the litigation being unsuccessful. As such, before providing a quote, the insurer will conduct due diligence to assure itself that there is a good likelihood of success.

Third party funding

Whilst IP litigation insurance can cover legal costs if the litigation is unsuccessful, it does not pay the costs as the case goes along.

Insurance and funding may empower SMEs to challenge major corporate infringers

There is now an established and growing market for third party litigation funding, both in the UK and internationally.

Third party funding is an arrangement with a financier (typically a professional litigation funding company) for the provision of funding for the legal costs involved in asserting one or more patents. In exchange for providing funding, the financier takes a share of any damages, license fee or future royalties obtained.

Once again, these agreements are highly bespoke. They may for example be restricted to a single litigation against a single infringer, or may be structured to support multi-jurisdictional litigation and licensing program against multiple targets. In either case, the funding agreement typically

does not involve the sale or transfer of the IP rights to the funder, nor does the funder look to take over control of the enforcement strategy. Instead, the funder will look to invest in the patentee and back the patentee's existing legal team to win the case.

Funding for revocation actions is more problematic, because there is no immediate monetary upside attached to success. However, a funder may be willing consider opportunities where the returns will be provided by a share of profits having cleared the way for sale of the infringing products.

Like insurers, funders are looking for cases with a good chance of success. Funders will also carefully scrutinise the ratio of the likely investment needed to the likely level of return.

> Although many funders focus on very high value opportunities where the returns are likely to be in the millions or tens of millions, there are also a number of funders targeting more modest-sized cases, including cases being litigated in the Intellectual Property Enterprise Court (IPEC).

Conclusion

The market for alternative litigation financing has developed significantly in recent years and now caters for a wide range of situations.

Third party funding and insurance may enable a small business or individual to take on a major corporate infringer by levelling the playing fields.

These options are also highly relevant to corporates as a risk management tool to maximise litigation budgets, hedge risk or enable the cost of pursuing infringers to be taken off balance sheets.

Author:
James Blick

Repeal of section 52 of the Copyright Designs and Patents Act 1988

UK Government announces transitional provisions

Copyright for an industrially manufactured artistic work to extend to life plus 70 years

As a part of the Enterprise and Regulatory Reform Act 2013, the UK Government announced the repeal of section 52 of the Copyright, Designs and Patents Act (CDPA). It has now announced the transitional provisions through which the change in law will come into effect.

Repeal of section 52

By way of recap, the repeal of section 52 means the period of copyright protection for an artistic work, which has been industrially manufactured, will be extended from 25 years to the life of the artist plus 70 years.

> This will mean that duration of copyright protection for such industrially manufactured artistic works will be significantly extended so that it is the same as that afforded to other artistic works.

Naturally, this is good news for designers. It will also harmonise protection in the UK for such industrially exploited works with protection given elsewhere in Europe.

Restoration of copyright protection

Another positive for designers is that the change has retrospective effect and industrially exploited designs whose copyright protection had expired under the 25 year rule will have copyright protection 'restored'. Naturally this has an impact on third parties who may have been acting in reliance on the expiry of such copyright. Therefore, to be fair to all stakeholders, transitional provisions are necessary, to allow such third parties to alter their business practices, including to allow sufficient time to sell off their existing stock.

Transitional provisions

Following a public consultation, the UK Government has announced that it will implement the following transitional provisions:

- Repeal of section 52 of the CDPA will take effect on 06 April 2020.
- Express provision has been made to ensure that following the repeal, parties that are currently trading in copies will have an indefinite period to sell off their stock, and may freely deal with copies made prior to the change of the law without this being an infringement.
- Manufacture or importation of **new** unlicensed copies will however be unlawful as of 06 April 2020.

The UK Government also intends to issue a guidance note on the change to the law.

For more information regarding design and copyright protection in the UK and European Union, and how the D Young & Co team can assist you and your business with protecting, exploiting and enforcing your intellectual property rights, please do get in touch (see page 08 of this newsletter for contact details).

Authors:
Richard Willoughby & Claudia Rabbitts

Groundless threat provisions
What are they for?

Groundless threat provisions under UK law are unique in the sense that they aim to safeguard the interests of both IP right holders and third parties at the same time. On one hand IP right holders may be wondering *"what steps can I take to protect my IP rights? If I believe someone is infringing, can I ask them to stop?"*. On the other hand, if you have recently received a letter threatening to take you to court unless you stop what you are doing immediately, you may be wondering *"Can they do that? And what if I think I am not infringing their rights?"*.

Having legal provisions dealing with these situations as fairly as possible is extremely challenging as either side could otherwise potentially abuse the system or suffer undue disruption to their business. With a view to addressing this, under UK law, if threats to start infringement proceedings are considered to be 'groundless', a party aggrieved by them may be able to take action against the person making the threats.

Primary acts and actors

Imagine a situation where one person has a patent for a product and thinks that another person infringes the patent.

> In the UK, the patentee is protected when making threats to start infringement proceedings against the alleged infringer if the threats are in respect of 'primary acts' or if the alleged infringer is a 'primary actor'.

For a product, a primary act is either making or importing the product for disposal (and for example, excludes selling, using or storing the product). A primary actor is a person who has made or imported the product for disposal. The rationale is that it is considered legitimate for a patentee to try to stop the manufacture or import of a potentially infringing product, regardless of the infringement claim's merit, with a view to identifying and stopping the source of the alleged infringement. Such discussions are effectively considered as acceptable business-to-business, and in many cases competitor-to-competitor, discussions (albeit in a very aggressive form).

In UK law a party aggrieved by groundless threats can challenge the threatening party

Non-primary acts and groundless threats

On the other hand, it is not considered legitimate for a patentee to unduly threaten someone who is neither an importer nor a manufacturer in relation to non-primary acts, such as selling a product. The aim is to try to prevent a patentee from unduly threatening distributors, resellers or end users and more specifically a competitor's customers (for example in a deliberate attempt to sabotage the competitor's business).

In this case, the threats have to have actual merit and be justifiable or else the patentee is opening themselves to a groundless threats action. Without entering into too much detail, the merit will be assessed, taking into account different aspects, including whether the patent is actually infringed and whether it is valid in this respect. At this stage, it is important to keep in mind that this assessment will ultimately be made by the court such that it can be difficult to predict the outcome. As a result, patentees may simply want to avoid finding themselves in this position in the first place and thus get advice, early on, on how to contact potential infringers in a manner that minimises the risk of being found liable for groundless threats.

Trade mark and design rights

Turning to other types of IP rights, similar provisions are provided for trade marks and designs. However, trade mark or design right holders can currently only rely on the protection for threats made in relation to **primary acts** and cannot rely on a protection against threats made to **primary actors**.

IP right holders will however be pleased to know that the law commission has recently reviewed the groundless threat provisions and has recommended that the 'primary actors' protection should be extended to trade mark and design rights.

Comment

While groundless threat provisions provide essential protection, both as an IP right holder or as a third party, they can be challenging to use in a way that is both effective and low-risk.

This is a complex area of law and if you believe that any of these issues are affecting your business, it is important to talk to your IP adviser as early as possible to discuss options available to you, with a view to protecting and minimizing disruption to your business.

Author:
Bénédicte Moulin

EPO discloses unitary patent renewal fees

Proposed fees submitted to Select Committee

The potential cost of the European patent with unitary effect (the unitary patent), compared to the cost of a standard bundle of European patents, has been the subject of much debate - since over the lifetime of a patent, the renewal fees can account for a considerable proportion of the cost.

> Patentees clearly would like the fee to be low, particularly given that popular validation countries such as Spain, Italy and Turkey are not included in the unitary patent.

By contrast, the European Patent Office (EPO) relies on a proportion of national validation fees for its budget, and so wishes to maintain at least an equivalent level of income when many of these validation fees are replaced by just one.

The President of the EPO has apparently now submitted a document entitled *"Proposals for the level of renewal fees for European patents with unitary effect"* to the Select Committee of the Administrative Council for their opinion. This document reportedly reveals the EPO's proposed fee levels as follows:

- For years 3 to 5, the fees would be set at the level of the EPO's internal renewal fees (IRF – the fees currently payable to the EPO for pending patent applications).
- For years 6 to 9 the fees would be set at a transitional level between the IRF level and the next (year 10) level.
- For year 10 onwards, a level equivalent to the total sum of the national renewal fees payable in the states in which European patents are most frequently validated. Two versions of this proposal have been provided – based on four or five states.

These proposals are indeed greater than had been hoped. Whether they are less than had been feared remains to be seen.

Readers may recall that there had been much discussion about renewal fees being set based on the average of the fees of the top three states. The current proposal results in fees significantly greater than this.

In the early years, national fees can be low or non-existent. The EPO's proposal to set these early year fees based on IRF will make those early year fees higher than basing the fees on national renewal fees, and of course the fees for later years will also be much higher if based on four or five states. (The latter proposal builds in a discount for SMEs for the early years only but it remains to be seen how attractive that proposal is to SMEs, and indeed other users who will face higher fees as a result.)

> Clearly therefore patentees are likely to be disappointed that the EPO did not propose a top three state model, making the unitary patent more consistent with the common practice of filing in the UK, France and Germany.

Renewal fees

Interestingly, the document provides a comparison between renewal fees under the proposals and validation in all 25 participating states. Of course, these renewal fees will be substantially lower than individual protection in 25 states, and if that is desired then it is obviously attractive, financially speaking. What seems to be missing however, is a comparison between the proposals and the costs of validation in the top three states, which would have been quite interesting.

We will be revisiting these numbers in a follow-up article once they have been confirmed. In the meantime, for more details and background on the unitary patent and the renewal fee costs debate, please see the dedicated unitary patent section of our website: *www.dyoung.com/unitarypatent*.

Authors:
Richard Willoughby & Doug Ealey

New patent associates

Life sciences patent team expansion

We are delighted to welcome new patent associates Elizabeth Elmhirst and William Johnson. Elizabeth and William both join our Biotechnology, Chemistry & Pharmaceuticals Group, building the skills and capabilities of our patent team, to anticipate the needs of our existing client portfolio and new client acquisitions.

Elizabeth Elmhirst joins us after working in-house at GSK supporting the vaccines business. Elizabeth handles a wide spectrum of biotechnology subject matter including pharmaceuticals, molecular biology and genomics. Particular areas of expertise include conducting IP due diligence for collaboration and licensing agreements. Elizabeth also has significant experience of European Patent Office oppositions and appeals, worldwide patent prosecution and filing applications for supplementary protection certificates (SPCs).

William Johnson has experience in drafting and prosecuting patent applications across a broad range of biotechnology, with an emphasis on biomedical technologies. He has particular experience in the fields of peptide and protein therapeutics, siRNA and other recombinant nucleic acid technologies, viral-vectored vaccines, diagnostic and therapeutic antibodies, diagnostic assays, and gene therapy.

And finally…

Event / London Business Show

IP Protection for start-ups and SMEs Talk to us at the London Business Show

33RD THE BUSINESS SHOW 2015

The Business Show is expected to draw more than 25,000 aspiring entrepreneurs and small-medium business owners looking for inspiration, advice and networking. The event's overriding goal is to help drive business onwards and upwards, across all industries.

Your product, your business: IP essentials for start-ups and SMEs
During the show D Young & Co partners Nicholas Malden (European patent attorney) and Matthew Dick (trade mark solicitor) will present a snapshot of how IP rights can protect your ideas. The presentation will cover practical steps your business should take to protect your brand, innovation, design or product.

This presentation will run at 14.00-14.30 on Wednesday 13 May and will repeat at 14.45-15.15 on Thursday 14 May.

Talk to D Young & Co at stand 257
As well as presenting during the show, our IP specialists will be on hand to answer questions and share information. If you are attending and would like to join us, you'll find us at stand 257.

The UK Intellectual Property Office (UKIPO) will also be exhibiting at the show to run their popular 'branding workshop'.

For further information about the show, and to book tickets to attend, visit the Business Show website: *www.greatbritishbusinessshow.co.uk*.

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