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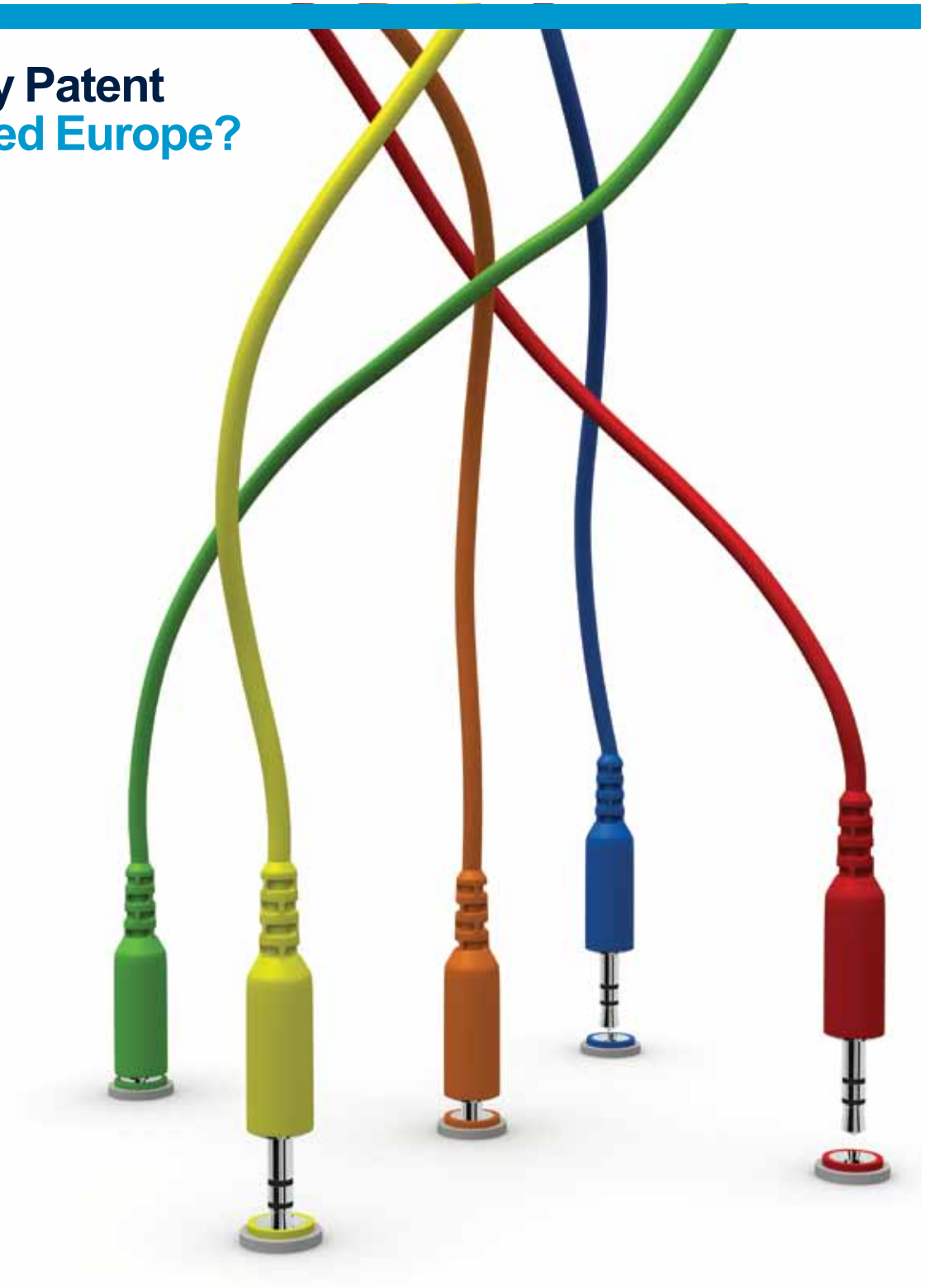

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Editorial

We hope that 2013 has started well for our clients and associates across the globe. Unlike the speed with which the year seems to be progressing, the pace of Europe's Unitary Patent is still very slow. In this edition, Ian Starr explores where we are with the Unitary Patent and how we think things will develop. This issue also focusses on a number of aspects of computer software related inventions which continue to be hot topics in Europe. We hope you find the content interesting and topical. If you can, please give us your feedback on the newsletter and take the chance of winning a bottle of bubbly.

Editor:
Anthony Albutt

Events

13 March 2013 - 9am, 12pm & 5pm - Webinar
Software Rights - To Share Or To Keep Control?
Join Bénédicte Moulin and Alan Boyd for a heads up on the IP issues surrounding free and open source software (FOSS). See page 5 of this newsletter for more information and to put forward questions. There is no cost to attend.

17 April 2013 - 9am, 12pm & 5pm - Webinar
European Biotech Patent Case Law
Robert Dempster and Simon O'Brien share their latest update on significant recent European Patent Office (EPO) case law. As usual, there is no cost to attend this webinar.

22 April 2013 - Seminar
BIO International Convention, Chicago, US
Simon O'Brien will be discussing 'IP Issues Impacting Biomarker Diagnostics and Personalised Medicine Innovators and Businesses' during the 'Personalised Medicine and Diagnostics Forum' at BIO.
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Article 01

The Unitary Patent
A Connected Europe?

For over 40 years, there have been discussions and proposals aimed at creating a 'Community Patent' (ie, a patent that has effect throughout the European Union without the need for separate country-specific validation). In 1975 a Community Patent Convention was agreed providing for a single patent with unitary effect (but with enforcement through national courts). It was never ratified.

There are a number of drivers for the single patent - both political (the desire to remove barriers to trade within the Community by not having separate patents) and commercial (reducing costs of prosecution and litigation). Over the last few years, there has been an added impetus within the EU Commission, facilitated by the Lisbon Treaty on the Functioning of the European Union. The result is the 'Unitary Patent' (UP), which is intended to cover 25 of the 27 countries of the EU (not Spain or Italy, who are questioning its juridical basis).

There are three related parts to the Unitary Patent proposal:

1. Regulation creating the unitary patent protection;
2. Regulation relating to translation arrangements; and
3. an International Treaty setting up the new Court and enforcement system.

I will mention each of them in turn but, before that is done, how likely is it that the Unitary Patent will come into effect?

The EU Commission is pushing for adoption as soon as early 2014 but this seems very optimistic, given that the fee structure for applications, renewals and enforcement have yet to be agreed (and the new Court will not be cheap to establish). Judges will need to be identified and trained and the concerns of some governments and many EU companies will need to be allayed.

Much of the momentum on the proposal has come from the EU Commission and now that ratification is in the hands of individual countries' parliaments, it is very likely that the process will get slowed down as consultation takes place with interested parties, especially as national taxpayers will be asked to pay some of the set-up costs. Ratification needs to be effected by, at least, 13 countries (and these must include UK, France and Germany). Our best guess is that it will be a few years, at the earliest, before the whole system is up and running.

One of the reasons why it is unlikely to be in place by 2014 is that there is a significant groundswell of opposition to it – from both large and small companies in the EU. The large companies fear that the untried Court system (particularly given the ability to separate out infringement from validity, with the latter decided later) will lead to the grant of too many pan-European injunctions, especially to 'patent trolls' who could effectively choose their favoured Court in the new system. Large companies are also fearful of the risk of having a key patent revoked for 25 countries as a result of a bad decision in an untried system, although there is a 7 year transitional period during which patentees can 'opt out' of the Court system.

Small companies are worried about the costs of the system (particularly application fees and Court costs) and the risks of being sued in a 'foreign' country in a language they do not understand.

Whilst the problems are not insuperable, there is still some way to go in finalising all the relevant agreements and Court procedures and there will no doubt be much lobbying and negotiation in the meantime. However, as the system has many inherent positives (such as similar (hopefully) prosecution fees for more countries and cheaper pan-European litigation) as well as a strong political will behind it, it may well eventually come into force. Whether it will be used much or whether patentees will revert to national filings, at least until the whole system has proved itself (which could take many years), we shall have to wait and see.

Returning to the unitary patent itself, the intention is that a patentee can opt for a UP designation of a European Patent (EP) and

Related articles

European Commission Formally Proposes European Unitary Patent', April 2011: http://dycip.com/unitarypatentapr2011

'Update on the Unitary Patent Court' by Ian Starr, December 2012: http://dycip.com/unitarypatentdec12

the procedure for grant and opposition will be unchanaged (ie, the European Patent Office will examine and grant them). The new procedure is intended to apply to pending EPs as well as ones filed after it comes into force and so some currently pending EPs could 'benefit' from it in due course. Patentees do not have to opt for a UP and can keep their 'bundle of EPs' or they can have a UP and national EPs for non-participating EPC countries (eg, Spain, Italy, Switzerland and Turkey). For the UP there will be a single renewal fee, but the amount is not yet known, although a number of options have been proposed, nor is how attractive that will be to patentees who usually only validate in 3 or 4 key EU countries.

The translation arrangements build on the current EPO procedure and retain the system that the claims need to be translated only into French, English and German. There will then also be a need to translate the whole specification into English (if the original application was in French or German initially) or into another official language if it was in English initially. These translations are intended to be 'for information purposes' only and this translation proposal will have up to a 12 year life-span (before which it will no doubt be reviewed). In cases of infringement proceedings, a translation has to be made into the language of the alleged infringer and into the language of the proceedings of the Court. There will no doubt be fierce arguments in litigation as to the correctness of the various translations.

The Court system is probably the most important and, as a result, the most controversial proposal. The EU has always had separate national Courts with their own rules and procedures (even in respect of other unitary rights such as the Community Trade Mark). The new system is still not completely finalised (February 2013 is the proposed date for finalisation) nor are the rules of Court procedure agreed yet, although they are likely to be a compromise between the English and some Continental systems (with limited discovery and some cross-examination of witnesses, but with a substantial amount done in writing in advance rather than orally at trial).

A Central Division mainly based in Paris, with centres of specialisation in London & Munich

There will be various 'divisions' of the Court. The Central Division will be mainly based in Paris but with centres of specialisation in London (chemical, pharmaceutical and medical devices) and Munich (mechanical engineering). There will also be Local and Regional Divisions in various countries around the EU and these are likely to be the main forum dealing with infringement by EU-based defendants. The Central Division is likely to be more concerned with issues of validity (revocation actions but also declarations of non-infringement must be begun there) although it will also hear infringement actions against non-EU defendants. Local/Regional Divisions will primarily (but not exclusively) hear infringement cases against defendants domiciled in their jurisdiction. One of the more controversial proposals is that it will be possible for Courts to 'bifurcate' infringement (retained by the Local Division) and validity (going to the Central Division). The fear is that this will result in some Local Divisions mainly dealing only with the (simpler) issues on infringement and consequently becoming too pro-patentee, with injunctions being granted in ignorance of the patent's validity or the correct construction of a patent's claims without having taken into account the prior art.

The intention is that the Court will also have non-exclusive jurisdiction over 'normal' EPs as well (unless the patentee opts out) and that eventually this will become exclusive jurisdiction (but not for at least 7 years, and possibly up to 14 years). It must be likely that many patentees will initially 'opt out' of the system until they see how it develops as the risks are too high for those whose businesses depend on proper patent protection. No doubt different patentees will take different approaches, with some opting for national patents instead. Once all the proposals have been fully detailed (including costs of all aspects of the new system), we will be in a position to give better advice but for the time being the motto must be 'proceed with caution'.

Author:
Ian Starr

Divisional Applications
Has the EPO Reopened the Divisional Window?

The European Patent Office (EPO) recently issued a practice notice which could cause the window for filing divisional applications to be extended or reopened for some pending European patent (EP) applications. You may now be able to obtain European patent rights through a divisional application that were not possible before this change.

When can I file a divisional application?

A divisional application can be filed if (a) its parent application is still pending, and (b) the divisional period has not yet expired.

In most cases, the divisional period expires 2 years after the date of notification of the examining division's first communication for the parent application. To illustrate this, here is an example showing the typical progress of a European patent application:

1. The EPO prepare a search report listing documents found in the search, together with a 'search opinion' giving an initial opinion on patentability.
2. If the search opinion contains objections, then the applicant has to respond to the search report with arguments and/or amendments for responding to the objections.
3. If the search opinion contains no objections, or the response to the search report has addressed all the objections, then a 'Rule 71(3) communication' can be issued stating that the application is ready for grant.
4. If the Examiner still has objections, then the Examiner issues an 'Article 94(3) communication' explaining why the application cannot be granted yet.
5. The divisional period is triggered by notification of the first Rule 71(3) or Article 94(3) communication, but not the search opinion.

Extended hours for divisional applications?

What has changed?

Responding to the search opinion only became compulsory in 2010. Under previous rules, if the applicant did not respond to the search opinion, then the EPO would issue a very brief Article 94(3) communication (called a 'form 2001A'), which referred to the search opinion and invited the applicant to respond within a specified time period.

The EPO previously considered the form 2001A to trigger the divisional period. However, the EPO's Legal Board of Appeal recently decided that, as the form 2001A was typically generated by a formalities officer without any examiner being involved, it was not an act of the examining division and so substantive communication had not yet begun. In the case at issue (J9/10), this was relevant to whether a refund of part of the examination fee was allowed when an application was withdrawn after receiving the form 2001A.

The Board did not say anything about divisional applications. However, the Board stated that the form 2001A was not a valid Article 94(3) communication, because it was not issued from the examining division.

To avoid uncertainty, the EPO has now announced that a form 2001A will not be considered to trigger the 2-year divisional period. The EPO will now treat the divisional period as expiring 2 years from the notification of the first Rule 71(3) or Article 94(3) Communication, excluding any form 2001A.

How does this affect my EP application?

We would not recommend relying on the new practice as a matter of course. The EPO's opinion on the law is persuasive, but not ultimately decisive, so a Board of Appeal could later overrule the EPO's practice notice. The safest strategy would be to file any divisional application according to the old practice, within two years of notification of any Rule 71(3) or Article 94(3) Communication, including a form 2001A.

However, this may not always be possible. Sometimes, the need for a divisional application may only arise later on. In this case, the new practice may be useful as it can extend or reopen the window for filing divisional applications.

You should check whether you have any European patent applications for which:

a. a form 2001A was notified more than two years ago; and

a. the first Rule 71(3) or Article 94(3) Communication (excluding the form 2001A) was notified less than 2 years ago, or has not yet been received.

For such cases, the EPO will still accept divisional applications and so you may be able to obtain patent rights which were not possible previously.

The European Patent Register entry for each patent application includes the date of the communication that triggers the divisional period. As this information was based on the old practice, it may now be incorrect. It is unclear whether the EPO will correct this information.

If in doubt, it is best to ask your patent attorney to check whether you can still file a divisional application.

Author:
Robbie Berryman

Useful link:

http://dycip.com/epo20121220

Article 03

Software Rights To Share or to Keep Control?

Related articles

Software Innovation: To Open Source, or Not to Open Source?' by Nicholas Malden & Alan Boyd, June 2012: http://dycip.com/ossjune12

'Computer-Implemented Innovation - The Test for Patentable Subject Matter in Europe and the UK' by Susan Keston and Alan Boyd, October 2012: http://dycip.com/computerinnovationoct12

In the United Kingdom, and in most countries, both the source code and object code of a computer program are automatically protected by copyright. Acts such as storing a computer program or running a computer program will usually be considered as involving 'copying' the copyrighted work that is the program and, as such, require permission of the rights holder. The rights holder can therefore control who can use the program and how, for example with a licence. Such a licence can include a variety of terms and conditions, such as the payment of a fee when the computer program is obtained and/or used, a restriction to use the program on specific computer(s) or for specific user(s) only, and an expiry date for the licence. Additionally, if a third party has access to the source code for a computer program, the third party cannot modify the source code without the right holder's permission, as this is generally considered an 'adaptation' under copyright law.

Additionally, some of the functionalities of a computer program may be protected by patents. Whereas copyright will protect the actual program's source and object code, patents can protect certain technical functionalities or workings of the computer program (eg, a novel and inventive functionality). If the operation of a computer program would infringe a patent, a user of that computer program should obtain permission from the patent rights holder to use the computer program, eg, via a licence. For example, in cases where an end user obtains the computer program from a distributor, the end user may expect the distributor to arrange for such permission to be already in place (ie, that the distributor has obtained a licence not only for the distributor to distribute the program, but also for end users to use the program). As for a copyright licence, the patent licence terms will dictate what a particular user can and cannot do.

Two camps have emerged over time, each having their own 'philosophy' as to how computer programs should be licenced. The first camp believes that the investments made in innovation should be rewarded by controlling the computer program using protection provided by copyright or patents. In other words, this camp generally argues that the right holders should keep control of their computer programs so as to protect their revenues. The rationale behind this position is that a lack of or low return-on-investment for research and development (R&D) spending would simply result in sharp reductions in R&D investment and thus a decline of innovation and software development.

The second camp believes that giving users the freedom to use and modify a computer program will stimulate innovation and will ultimately result in better computer programs. This camp includes, for example, supporters of 'open source software' and 'free software', sometimes referred to as 'Free and Open Source Software' (FOSS).

FOSS licences are generally more permissive than conventional licences and give a user more rights with respect to using and redistributing a computer program. Such licences also permit the user to modify the computer program and to redistribute the modified version. FOSS licences generally also include restrictions. For example, some FOSS licences include an obligation to distribute the computer program or any modified version of it under the same licence terms. FOSS licence supporters therefore do not reject copyright as such, but use the copyright law to control the distribution of a computer program under terms which they believe are fair and in line with their views on computer programs. More generally, the rationale behind FOSS licences is that restrictive rights or licences arguably do not facilitate innovation but instead slow innovation down by prohibiting distribution and modification of computer programs and the use of certain functionalities.

From a commercial point of view, it is important to understand the advantages and drawbacks of each approach to understand whether one, the other, or a combination of both approaches would provide the best protection and opportunities for a specific project. For example, some FOSS licences include implicit or explicit licences for patents and, in some cases, patent rights holders may want to be careful that they are not unintentionally and unwillingly granting a patent licence when using such FOSS licences. In other cases, FOSS licences may be more suitable for a specific business model.

We will look at these issues in more detail during our March webinar (see registration information below) with a view to explaining the effects of some FOSS and non-FOSS licence terms and the types of issues to take into consideration when starting a project involving computer programs.

In the meantime, if you have any questions or concerns regarding the interaction of copyright, patent rights and FOSS, do not hesitate to contact us with your questions and we will endeavour to address these during our webinar.

Authors:
Bénédicte Moulin & Alan Boyd

Webinar
13 March 2013 (9am, noon & 5pm)
Software Rights - To Share Or To Keep Control?

Bénédicte Moulin and Alan Boyd of the D Young & Co Electronics, Engineering & IT Group will address the IP issues surrounding Free and Open Source Software (FOSS).

There is no charge to attend this webinar. Register to secure your place at www.dyoung.com/events-webmar13

Patenting for the Cloud
Challenges and Solutions

In this article we look at the challenges in securing IP that arises from the distributed nature of cloud computing technology. Specifically, we look at the situation where there is clear potential to fragment a cloud-based invention into stages which can be shared between servers that are in different countries and/or run by different subsidiaries and affiliates. All of these factors can frustrate the process of obtaining enforceable patent protection for the invention as a whole. In particular, such fragmentation means that any particular third party might only implement a subset of the steps in a patented algorithm in any one jurisdiction.

Legal solutions

If a third party does not infringe all the claimed steps of an algorithm (or the features of any cloud-based process or system) then it may still be possible to bring an action against them on the basis of so-called contributory or 'indirect' infringement provisions.

On this basis it may also be possible in the UK to bring together several partially infringing parties under the principle of 'joint tortfeasorship' (ie, collusion in a civil wrongdoing). This is of particular interest given the disproportionately large number of Europe's cloud computing facilities found in the UK[1]. This principle also appears to have been effectively endorsed by the US Federal Circuit in Akamai v Limelight, where it has recently ruled that "*it is no longer necessary to prove that all the steps were committed by a single entity*".

However, contributory infringement provisions are not a panacea. They are typically weaker rights than those for primary or 'direct' infringements and, depending on the jurisdiction, may come with strings attached:

1. they can impose requirements to demonstrate wilful infringement;
2. they can require agreement on the extent to which the local infringement is essential to the invention as a whole; and
3. they may not apply to the production of exports from the jurisdiction (eg, the processed data) – which is likely to be relevant in a cloud-based implementation of an algorithm.

These factors add a layer of uncertainty to a patent's value that it is clearly preferable to avoid.

Meanwhile, a new and potentially significant legal solution in Europe arises from the agreement on 11 December 2012 to a unitary European patent[2] covering 25 European states[3], which if ratified will become another option alongside existing national and conventional European patents.

The Unitary Patent might help to address the distributed nature of cloud based inventions by treating the majority of Europe as a single jurisdiction for the purposes of infringement. When coupled with Europe's strict data protection laws, which make the export of user data outside of Europe relatively difficult, this makes the direct enforcement of many cloud-based patents within Europe highly feasible.

However, the Unitary Patent does not address every issue:

1. It clearly only applies within Europe, and so any cloud network extending beyond the participating states may again only partially infringe a unified patent.
2. It of course does not help in other parts of the world where there are well established multi-jurisdictional networks, such as the US/Canada.
3. It also does not clearly address the fact that, even within a single jurisdiction, different steps of an algorithm may be implemented by different legal entities, so that the weaker contributory infringement provisions need to be relied upon.

The ideal solution would therefore seem to be to file multiple applications, each directed to separate subsections of the algorithm that are likely to be implemented together, so that a realistic implementation of the algorithm is likely to wholly infringe at least one, and preferably several, such patents.

The problem with this mosaic approach is that (in addition to being expensive) the more one breaks an inventive concept down, the less inventive the constituent parts tend to be. This risks creating a collection of patent applications that are all unenforceable in practice. In other words, it creates a trade-off between inventiveness and the ability to pursue direct rather than indirect infringement.

Drafting solutions

The good news is that this is not a new problem. The mobile phone industry for example relies upon a co-operative relationship between phones, base stations, and networks, in which each may be owned by a different party or located in different countries, and in which a new invention is likely to affect devices of multiple parties to a greater or lesser extent in order to work. Coupled with the fact that all too often the most economically valuable element in the system may not, in isolation, contain the most inventive subset of features, this can again result in the need to trade-off between inventiveness and infringement in a similar manner.

In response, an independent claim to an isolated element of a system (or a subsection of a cloud algorithm) can be drafted to pull in as much context from the rest of the invention as possible in a non-limiting manner, to tip the trade-off in the patentee's favour.

For example, if the focus of an invention is an improvement to a base-station transmitter, with only a small modification needed to the mobile receiver, then a claim to that receiver may relate to how it is adapted to take advantage of (or enable) the specific improvements in the transmitter.

In the cloud, the use of the past tense and passive voice can similarly help; a claim to a processing step that operates with data that has had a special process already applied to it incorporates the special character of the data into the claim, but avoids incorporating the step that applied the special process. This is useful if that step was performed on a cloud server in another country. Other drafting methods include including the broader system as something that the claimed step is suitable

Notes

1. See http://dycip.com/datacentremap
2. See http://dycip.com/epo-unitarypatent
3. Currently excluding Spain and Italy

for operating with, or the preferential use of method claims that can be more easily written to be independent of any particular device.

In these ways it is possible to boost the inventiveness of claims in a fragmented cloud algorithm, without unduly limiting them. The result is hopefully a set of patents that are directly enforceable locally whilst being robust.

Permutations

A final issue with cloud applications is that, unlike in telecoms, different stages of an invention are typically less restricted to specific hardware. As a result the number of different possible implementations of an algorithm over multiple cloud servers can become very large.

Referring to figure 1a, for an example algorithm that could be separated into three sections (A, B C), potentially twenty seven implementations of the algorithm may need to be protected. In figure 1a, 'R' means a device (ie, a server) is not implementing a step of the claimed algorithm, but might be in communication with a device that is.

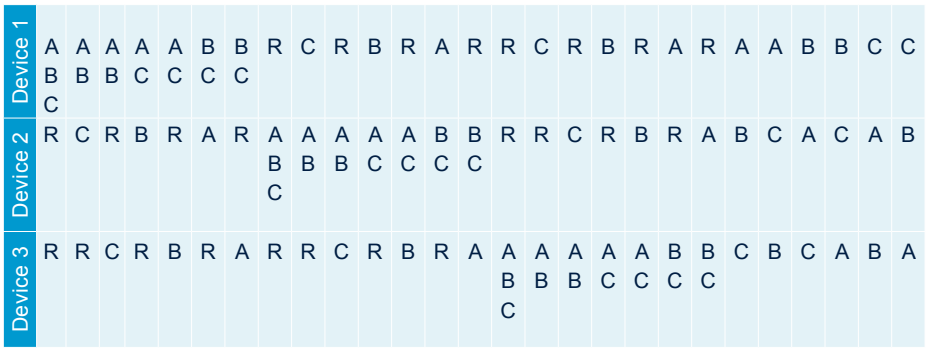

Figure 1a

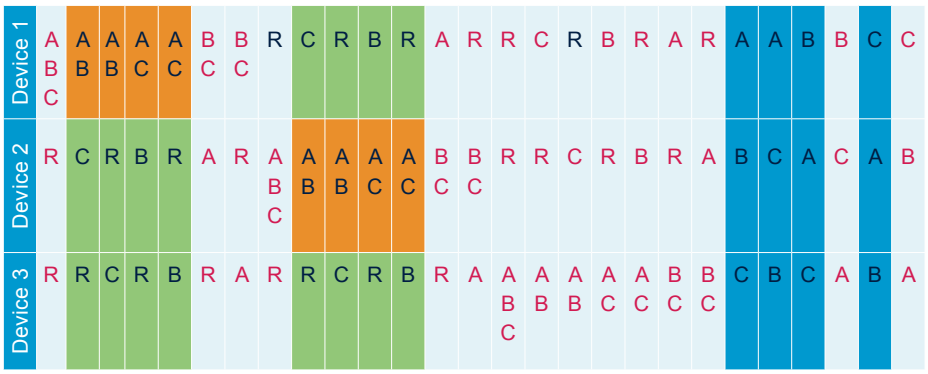

Figure 1b

In fact, in this idealised case one could write an independent claim to a server performing at least one of sections A, B and C and handling, as appropriate, data for those sections of A, B and C it does not perform but which it receives from or transmits to a further server. Arguably this could cover any of the three servers for all combinations of A, B, and C.

However, the situation gets more complex when only some permutations are possible. Referring to figure 1b, in a notional example section A relates to a 'front end' stage of the algorithm that can only be implemented by servers 1 and/or 2, whilst sections B and C are always implemented separately. An example of such a set-up may be a voice compression, recognition and archive/ audit system for a phone banking service. Fortunately, the more complex configuration of possible permutations of the algorithm can be treated under Rule 43(2)(c) of the European Patent Convention as a set of alternate solutions to the same problem, allowing in this case three independent claims to cover the cloud algorithm within a single patent application, along the lines of:

1. device 1 or 2 performing step A and a respective one of steps B and C;
2. any device performing one of steps B and C, depending on whether data for complementary steps AC or AB are available/required as applicable; and
3. any one of the devices for a system where each device performs a respective one of steps A, B and C, excluding that device 3 performs step A.

Hence by using multiple independent claims to logically segregate configurations of the invention, it is still possible to cover a complex pattern of implementations methodically and accurately.

In summary, whilst cloud-based inventions do present challenges in a patent system that never envisaged the protection of internationally distributed processes, the combination of existing direct and indirect infringement provisions and new unitary patent protection, together with carefully balancing inventiveness with local enforcement, means that innovations in the cloud should be able to enjoy patent protection like any other facet of technology.

Author:
Doug Ealey

Useful link:

Part one of this article was published in our December 2012 newsletter entitled 'Poor Visibility With a Chance of Pain - The Need to Protect IP in the Cloud':

http://dycip.com/pnldec12

And finally…

Reader Survey
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We are proud to note that the next edition of our trade mark newsletter will be our 100th D Young & Co IP newsletter. Our trade mark newsletter was launched during 2001 and our first patent newsletter was published in 2007. We are sure that our original editiors Penny Nicholls (trade mark partner), Ian Harris (patent partner) and our many contributors over the years, are pleased to see us reach this editorial milestone.

We hope that our regular readers, and those who have picked up this publication more recently, have found our articles of interest. At D Young & Co we consider the sharing of IP knowledge to be a vital aspect of our client care. For this reason, we are keen to hear your thoughts about the content, style and format of our newsletters, as well as more practical issues such as how you receive them and prefer to read them (online or paper copy for example). Based upon your feedback, we will act upon your suggestions and implement improvements over the coming year.

If you are able to spare us a few minutes of your time to complete a short online newsletter survey we would be very grateful. By way of thanks will enter you into our draw to receive a bottle of champagne. Good or bad, we welcome your comments!

To complete the survey please visit www.dyoung.com/newslettersurvey

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