D YOUNG & CO PATENT NEWSLETTER no.47

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Editorial

As we go to print we are delighted to report that our patent team has again been highly recommended by the independent guide IAM Patent 1000 – The World's Leading Patent Practitioners, compiled by Intellectual Asset Management. We are grateful to our clients and IP colleagues whose positive feedback about the quality of our work has supported IAM's detailed research.

We also welcome new associate Dr Tamara Milton to our life sciences patent team. Tamara specialises in biochemical and biological subject matter, including molecular biology, genetics and genetic engineering, immunology and biochemistry. Tamara's experience adds to an already well respected biotechnology practice and we wish Tamara well in her new role with the firm.

Editor:
Anthony Albutt

Events

25 June 2015
High Growth Conference, London UK
Neil Nachshen, Darren Lewis, Zöe Clyde-Watson and Kirk Gallagher will be attending the British Private Equity & Venture Capital Association conference. D Young & Co will be hosting an IP due diligence roundtable session.

29-30 July 2015
IIPLA Global IP Summit 2015, London UK
Matthew Dick will be speaking about European design law at the International IP Law Association Global IP Mid Year Meeting.

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Article 53(b) EPC / plant variety protection

Broccoli and Tomato Take Two

The European Patent Office's Enlarged Board of Appeal (EBoA) has now had a second look and issued its decisions on the so-called 'Broccoli' and 'Tomato' cases. In its decisions, the EBoA considered whether the claimed subject-matter relating to plants or plant parts produced by essentially biological processes was contrary to Article 53(b) EPC. Article 53(b) EPC states that: *"European patents shall not be granted in respect of…plant or animal varieties or essentially biological processes for the production of plants or animals"*.

A process for the production of plants or animals is further defined in Rule 26(5) EPC as being *"essentially biological"* if it consists entirely of natural phenomena such as crossing or selection. As both cases were closely related, the EBoA considered them in consolidated proceedings, and issued its decisions as G 2/12 and G 2/13 on 25 March 2015.

Background to G 2/12 and G 2/13

G 2/12 is the result of a second referral to the EBoA from T 1242/06 and G 2/13 is the result of a second referral to the EBoA from T 83/05.

As explained in detail in edition 21 of this newsletter, February 2011[1], the first referrals from T 1242/06 and T 83/05 resulted in the EBoA decisions of G 1/08 and G 2/07 which held that:

- A process which contains or consists of sexually crossing whole genomes of plants and of subsequently selecting plants is *"essentially biological"* and excluded from patentability.
- A process does not escape the exclusion just because it includes a further technical step.
- Unless the further technical step by itself introduces a trait into the genome or modifies a trait in the genome of the plant produced so that the introduction or modification of that trait is not the result of mixing the genes of the plant chosen for sexual crossing.

T 1242/06 concerned European patent number 1211926 which related to a method for breeding tomato plants that produce tomatoes with a reduced fruit water content. T 83/05 concerned European patent number 1069819 which related to a method for the production of Brassica oleracea with elevated levels of 4-methylsulfinylbutyl glucosinolates and/or 3-methylsulfinylpropyl glucosinolates. After G 2/07 and G 1/08, the cases were remitted back to the respective Technical Boards of Appeal, and the method claims were deleted. The patentees instead sought protection for the plants *per se* or the plants claimed in "*product-by-process*" claims.

The further question that arose in both T 1242/06 and T 83/08 was then whether the claimed subject-matter was excluded from patentability pursuant to Article 53(b) EPC. This issue in the context of product and/or product-by-process claims had not been covered by the first referrals to the EBoA. It therefore resulted in the further questions being referred to the EBoA as G 2/12 and G 2/13. The specific questions which were referred to the EBoA and their respective answers are set out on our website article of April 2015[2].

Decision of the EBoA in G 2/12 and G 2/13

Both of the patent proprietors and the opponent in T 83/05 made submissions in writing and at the oral proceedings before the EBoA. The opponent in T 1242/06 had withdrawn its appeal and did not file any submissions during the proceedings before the EBoA. The President of the EPO commented in writing and at the oral proceedings on both referrals. Various third parties also filed *amici curiae* briefs including plant breeders and plant breeders' associations. The interaction between patents and plant breeders' rights is discussed below.

One of the arguments presented by the opponent was that the product-by-process claims should not be allowed because the patent proprietor could describe the alleged invention by structural features. The referring Technical Boards of Appeal also questioned whether such an allowance could be seen as circumvention of the process exclusion in Article 53(b) EPC.

The EBoA has, however, decided that the exclusion of essentially biological processes

Notes and further information

1. *Related article: "Essentially biological processes - Enlarged Board of Appeal comes to decision in Broccoli and Tomato cases G2/07 and G1/08", Aylsa Williams, February 2011: www.dyoung.com/patentnewsletter-feb2011#anchorlink4*
2. *Related article: "EPO decides on Tomato and Broccoli cases for the second time", Rachel Bateman, April 2015: www.dyoung.com/articles-g212g213*
3. *UPOV is the French acronym for the International Union for the Protection of New Varieties of Plants.*

G 2/12 and G 2/13 are both the result of second referrals to the Enlarged Board of Appeal

for the production of plants in Article 53(b) EPC does not have a negative effect on the allowability of a product claim directed to plants or plant material such as fruit or plant parts.

The EBoA held further that the allowability of such a product claim applies even if the only method available at the filing date of the patent application for generating the claimed plants or plant material is an essentially biological process. It was also deemed irrelevant whether the claimed product is defined as a product *per se* or in terms of a product-by-process claim referring to the excluded essentially biological process. An example of a product-by-process claim is in the form *"Plant X obtainable from process Y"*.

The EBoA also decided that it is irrelevant that the protection conferred by the product claim encompasses the generation of the claimed product by means of an essentially biological process.

The EBoA reasoned that a reading of Article 53(b) EPC to the effect that a product obtained by an essentially biological process is excluded from patentability would require that the method applied would be traceable in the product. The EBoA concluded, however, that Article 53(b) EPC does not imply or even permit a broad reading of the process exclusion based on specific process elements that may or may not be traceable in the claimed product. Broadening the scope of the process exclusion would also introduce an inconsistency in the system of the EPC, as plants and plant material other than plant varieties are generally eligible for patent protection.

Further, the EBoA held that the fact that an applicant or patent proprietor chooses a product claim or product-by-process claim instead of a method claim directed to an essentially biological process for the production of a plant is not a circumvention of legal hurdles, but a legitimate choice to obtain patent protection for the claimed subject-matter.

Interaction with the protection of plant varieties

It can be seen from Article 53(b) EPC cited above that plant varieties are excluded from patentability in Europe. Even after G 2/12 and G 2/13, product claims or product-by-process claims directed to plants or plant material must not therefore claim a plant variety *per se*. New plant varieties are instead protectable under a *sui generis* system laid down in national and EU legislation based on the UPOV[3] convention.

This *sui generis* system provides plant breeders' rights (PBR), also known as plant variety rights (PVR), to the breeder of a new variety of plant. The rights give the breeder exclusive control over the commercial exploitation of propagating material, such as seeds, cuttings, divisions and tissue cultures, and, under certain limitations, the harvested material of a protected variety.

There exists, however, a degree of tension as to how the PBR/PVR overlap and interact with patent rights. In particular, some exemptions from infringement of a PBR/PVR do not correspond to exemptions from infringement of the patents covering the same plants. The most important exemption of a PBR is the so-called breeders' exemption allowing breeders to use material of a protected variety to create a new variety. A similar exemption does not exist in patent law. A limited number of European countries, namely France, Germany, Switzerland and the Netherlands have introduced a form of breeders' exemption in their patent law. But their example has until now not been followed by other European countries

The overlap between PBR/PVR and patent rights has been the subject of litigation worldwide. In the decision of the US Supreme Court in JEM AG Supply, Inc v Pioneer Hi-Bred International, Inc (2001) 534 US 124, it was held that newly developed plant breeds are patentable subject-matter (under the remit of 35 USC §101), and the creation of a *sui generis* right (eg, the US Plant Variety Protection Act, 1970) does not limit the scope of patent protection. This decision has as a consequence that plant varieties as such in the US be protected by different types of intellectual property rights, utility patents, plant patents and plant breeders' rights UPOV type.

Although this is not the case in Europe where plant varieties *per se* are still only protectable with a PBR/PVR, G 2/12 and G 2/13 make clear that it is possible to patent new traits or characteristics of non-GM plants in a broad conceptual manner, whilst also maintaining the potential for a PBR/PVR to encompass a specific variety containing patented traits or characteristics. Article 12 of the so-called Biotech Directive holds a provision to solve conflicts between the holder of a patent and the holder of a PVR in a situation where the same subject matter is partly protected by a PVR as well as a patent.

What does this mean for applicants?

These decisions from the EBoA are good news for applicants seeking protection for non-GM plants in Europe. They mean that claims – whether in the form of product or product-by-process claims – will not be excluded from patentability just because they relate to a plant or plant materials. Applicants should, however, also consider how such patent protection can interact and overlap with PBR/PVR available for new plant varieties.

Authors:
Rachel Bateman, Bart Kiewiet and Antony Latham

Unitary patent and Unified Patent Court Progress update

Following a comparatively quiet period in the first quarter of 2015, there has been a flurry of public activity in relation to both the Unitary patent (or European patent with unitary effect, to use its correct title – the UP), and the Unified Patent Court (UPC). In truth, this is really just the result of the fact that while things might appear to be quiet, an awful lot is going on behind the scenes.

Spanish challenge falls away

Readers will recall that the whole UP and UPC package was threatened by legal challenges first by both Spain and Italy (which challenge foundered in April 2013), and then there was a further challenge by Spain alone. We have previously reported that Advocate General Yves Bot recommended in October 2014 that the current challenge should also be rejected, and that opinion was followed in all material respects by the Court of Justice of the European Union (CJ) on 05 May 2015.

> It would seem therefore that the potential legal roadblocks to the UP and UPC package coming into force have fallen away, and indeed there is serious talk in Italy of joining the system.

Quite what will happen in Spain (or indeed Poland, which has so far not signed the UPC Agreement on the basis that its economic analysis of the package is such that it will not benefit Poland to be part of it) is unclear. Given its strong opposition to the package based on language, it would be a surprise if Spain joined in, at least in the near future.

Unitary patent – it's all about renewal fees

Like many, we have been saying for some time that for the UP to be a success, it must be financially attractive to users. Our concern has always been that the much lauded (by the European Commission and European Patent Office (EPO) anyway) cost saving, as compared to pan-EU coverage via the traditional European patent (EP) route, was in reality a red herring. Users currently do not validate their EPs across the EU (with one sector-based exception, which sector is unlikely to want to use the UP for different reasons), instead choosing a much more limited coverage based on economic impact. Outside the pharmaceuticals sector typically three or four EU states are chosen, and if the choice extends beyond three the additional EPC validations (above Germany, France and the UK) often include Spain and Italy, as well as Turkey. While Italy may join, Spain seems less likely and Turkey is of course not in the EU.

The European patent with unitary effect must be financially attractive to patentees

This being so, the mood music coming from the EPO that renewal fees would likely be set based on those payable in more than three EU member states, was distinctly worrying. Those fears were realized in March 2015 when a proposal for UP fees was leaked from the EPO. This proposed renewal fees based on validation in either "*TOP 4*" or "*TOP 5*" EU states, with a possible discount from the latter for small entities. Interestingly, the European Commission itself came out against this proposal, which is widely viewed as distinctly unattractive for users. While these fees would indeed compare favourably with the costs of validating and maintaining a classic EP in all participating EU member states, when compared to a US patent for example the UP still looks hugely expensive. Coupled with the inability to reduce coverage over time (as many patentees do), one began to wonder who would be interested in a UP when the traditional EP, with more limited validations, looks to be the better deal.

A revised fee proposal was published in May 2015 and can be downloaded from our website: *http://dycip.com/upfees170515*.

Despite multiple representations by user organisations, and the doubts expressed by the European Commission, the TOP 4 or TOP 5 alternatives are retained. A comparatively minor reduction in early years' fees is a step in the right direction but in our view, much more needs to be done.

> There has to be real encouragement to use the unitary patent, and that will only come from genuinely attractive costs.

The broader coverage, and single forum

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enforceability, provided by the UP is a benefit, but we suspect that for most, it is not enough at these prices. At least, that is what we are hearing anyway. We expect fees to be agreed by the EPO late in June 2015.

Unified Patent Court – it's also about fees

After the consultation process on the Rules of Procedure essentially closed following a public hearing in November 2014, the promised consultation on UPC fees was awaited with some anticipation. It was finally published on 08 May 2015, and the consultation document is available online (PDF download) at *http://dycip.com/upcfeesconsultation*.

> It is a fundamental principle of the operation of the UPC that it should eventually be self-financing, with no EU money available and the contributions of individual member states have to be reduced over time.

For these reasons, the UPC was never going to be 'cheap' although it is hoped that the quality will match the price.

In any event, in order to achieve self-financing status, two kinds of fees have always been on the cards:

1. a basic fee applicable to more or less any step in an action; and
2. value-based fees, payable in respect of certain substantial steps.

The latter fees are, as the name suggests, to be based on the value of the action (itself open to argument), and it has never been a secret that these fees would be payable in general by the larger users of the court, not smaller entities.

In the time leading up to the publication of the UPC fees consultation there has been some considerable lobbying in relation to certain aspects of the fees that were apparent from the various drafts of the Rules of Procedure. In particular, the notion of a value based fee payable by a defendant which raised invalidity in its defence (a common occurrence and something which, in the UPC, can only be raised by way of counterclaim for revocation), caused consternation among users. The injustice of having to pay what could be a very substantial fee in order to defend oneself from an infringement claim was all too apparent to many. It is good to see that the consultation paper does not suggest such value based fees any longer, preferring instead a slightly raised fixed fee.

As readers will see from the consultation paper, the proposed UPC fees are, for larger cases anyway, quite substantial. When the parties' costs are added to these, one can see that overall the costs in the UPC will almost certainly be larger than single forum litigation in an individual participating member state (perhaps even including the UK, certainly by comparison with costs in the Intellectual Property Enterprise Court or IPEC). On the other hand, they are likely to be considerably lower than costs that result from multi-forum litigation in the EU under the current system. On its face, therefore, the UPC should meet its objective of reducing the costs of multiple country enforcement in the EU.

That analysis is perhaps further support for the idea that, for seven years at least, the traditional EP route looks more attractive than a UP. This is because the UPC transitional arrangements allow some choice in enforcement of an EP, with both national courts and the UPC having jurisdiction.

> Any users who have comments on the UPC fees consultation are actively encouraged to submit a response to the consultation.
>
> The consultation will be due by 31 July 2015.

This includes comments on the proposed opt-out fee, which is suggested to be 80 Euros per classic EP bundle.

Timing update

Preparations are continuing apace for implementation.

Further ratifications are either imminent or have happened in a number of member states. The remaining big two, Germany and the UK, have yet to ratify. Neither will do so, of course, until it is clear that the UPC will be ready for business in short order thereafter, although efforts are being made to find a legal basis for enabling ratifications to happen without triggering the automatic start timetable set out in the UPC Agreement.

> Best guesses for start date therefore remain that it should be ready towards the end of 2016 / first half of 2017.

Of course, with the recent general election resulting in a majority Conservative government, the UK will have a referendum on its membership of the EU. Whatever the outcome of that (and we think it's unlikely there will be public support for a UK exit), we suspect the timing of the UPC will be unaffected, or only impacted to a minor extent. The referendum is promised *"by 2017"* but for various political reasons, it is very likely to take place in the second quarter of 2016. As the UPC is unlikely to be ready before the end of 2016, the impact of the UK referendum on timing is likely to be minor.

Author:
Richard Willoughby

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To keep up to date with all our unitary patent (European patent with unitary effect) and Unified Patent Court articles and commentary, please visit and bookmark our website unitary patent page: *www.dyoung.com/unitarypatent*.

Innovate to differentiate
Evolution within the mobile communications market

The Mobile World Congress usually represents a forum for all of the major technology companies to display their latest offerings to the world of mobile communications. However, having visited the various stands at this year's congress (Barcelona, March 2015) one is struck that the smart phones produced by each of the manufacturers seem increasingly to be converging into the same design, form factor and features.

The impact of converging technology

Whilst Samsung, LG, Sony and Nokia have in past years dominated the mobile communications market with slightly more divergent offerings, the Chinese manufacturers ZTE , Huawei as well as HTC have rapidly caught up and are offering smart phones which are very similar in appearance, form factor, performance, features and quality to those of the traditional market leaders. Indeed the convergence in the form of the smartphone makes it difficult to distinguish any manufacturer based solely on the technical offering.

That leaves of course price and that is where the newcomers to the market will erode the market share of the traditional incumbents. Arguably the real winners are Google since the majority of the smartphone offerings are using the Android operating system, although of course Apple have retained their position as market leader with the iPhone 6, with its own iOS operating system.

How then are the manufacturers able to differentiate?

One area where companies seek to differentiate their products is in promoting wearable technology accessories, such as the smart watch, or in the provision of more robust devices which may be, for example, waterproof or shockproof. At this year's Mobile World Conference LG launched its stand-alone smart watch which incorporates an LTE wireless access interface and all of the functionality associated with a smart phone albeit with the size and features of a watch. Other manufacturers, including Apple, are showcasing devices which are paired with a user's smart phone.

Wearable technology accessories offer companies opportunities for differentiation

Innovating to achieve product and brand diversity

In a market crowded with ever converging design and form, wearable technology innovation provides an opportunity for manufacturers to differentiate. Factors of differentiation require protection and clearly therefore necessitate the acquisition of intellectual property rights.

Standards related patents

The communications technology in respect of the wireless access interface and chip sets delivering a communications service to mobile devices will be covered by standards related patents, which still provide a valuable tool for those players who have contributed to developing the 3GPP standards, which could provide a barrier to new entrants. The 3rd Generation Partnership Project (3GPP) unites the seven telecommunications standard development organizations (ARIB, ATIS, CCSA, ETSI, TSDSI, TTA, TTC), known as 'organisational partners' and provides their members with a stable environment to produce the reports and specifications that define 3GPP technologies. Standards related patents are powerful in demonstrating infringement if the device operates in accordance with the standard.

However, the courts in European countries have in recent years begun to restrict the enforcement of standards essential patents, raising the bar for a patent holder to obtain an injunction against an infringer and also requiring that licences be available on Fair Reasonable and Non-Discriminatory (FRAND) terms. As such, an innovation in an item of wearable technology which appeals to the consumer and which is not defined in accordance with a standard, but in accordance with a proprietary interface, operation or design, could represent more valuable intellectual property, protecting a valuable market share.

Furthermore, the design of something which is fundamentally worn on the body will usually be something which would require aesthetic appeal to the end user and therefore could be the subject of a Community registered design. It may well be that through this ancillary differentiation of smart phones, through innovation in wearable technology products, that manufacturers may distinguish their offering and gain a valuable foothold in the market place backed of course by powerful intellectual property rights.

Author:
Jonathan DeVile

Jaguar Land Rover Evoque v Landwind X7 IP in China

Chinese intellectual property laws broadly replicate the forms of protection (patent, registered design, etc) available in the European Union and the US, but there are differences, particularly in relation to registered designs.

The Evoque and the X7

These differences may be contributing to the difficulty that Jaguar Land Rover is experiencing in China in trying to put a stop to the Landwind X7 which bears a striking visual similarity to the Evoque.

The grievance is that the X7 looks like the Evoque. Visual similarity suggests that registered designs, rather than patents, would be the IP 'tool' that is needed, because a registered design is concerned with protecting visual appearance, whereas a patent is concerned with protecting an underlying technical idea.

Unfortunately, whilst patent law is generally harmonised across the major jurisdictions of the EU, the US and China, so that what infringes a patent in the EU or the US is likely also to infringe the equivalent Chinese patent, the same is not true in relation to registered designs.

> The EU has a modern design law which allows a visually striking part of a product to be protected as an alternative to protecting the whole product.

The part can be drawn in solid line, and dashed lines can be used to depict the features of the rest of the product which are to be ignored and which do not form part of the protected design.

For example, if your new car has a visually striking 'glasshouse' with tapering side windows, and generously flared and rounded front wheel arches which cut up into the lower lip of the bonnet, then these features could be depicted in solid line, and the rest of the car could be disclaimed in dashed line. This would ensure that the EU registered design protected just the striking features of the car, and that infringement could not be avoided by changing the other features (such as the door handles, the headlights, and the tailgate).

The same depiction technique can be used in the US.

> Unfortunately the design law in China is old fashioned and less applicant friendly and does not permit just part of an overall product to be protected.

The whole product (the whole car) would have to be shown in solid line in the Chinese design application, and this would mean that (unlike in the EU and the US) infringement could be avoided by changing sufficiently the visual appearance of just enough of the 'minor' design elements of the car (the 'minor' features that were shown in dashed line in the EU and the US) in order to avoid the likelihood of a Chinese court holding that the registered design has been infringed.

Guidance for design applications in China

The best that can be done is for your design attorney to obtain some pre-filing advice from a Chinese attorney as to how, within the constantly evolving constraints of Chinese practice, your envisaged design application in China can be best presented based on what you have already filed in the EU or the US.

Author:
Paul Price

This article was first published in Automotive World, 04 May 2015: http://dycip.com/automotiveworldmay15

We are pleased to announce that the D Young & Co design team has begun work on the first edition of our collection of influential and notable design cases. We expect the book to publish later this year so do let us know if you would like to receive a copy.

Design law is not harmonised across the major jurisdictions of the EU, US and China

And finally…

D Young & Co news

IAM Patent 1000
D Young & Co top tier for UK patent services

We are delighted to report that IAM Patent 1000 has published its guide to leading private practice patent professionals and firms in which D Young & Co is featured for the quality of both our prosecution and litigation patent work.

> IAM Patent 1000 "recommends those it considers to be the leaders in the field: only those delivering top-quality patent services make the cut."

IAM Patent 1000 commentary 2015

"You can't fault the fantastic quality of the work D Young & Co puts in. It collaborates efficiently to find the best solutions, but isn't the sort of firm which will simply agree with everything you say to keep you happy. The practitioners there demonstrate a high level of scientific expertise and are quick to understand the key features of an invention. They also demonstrate an impressive understanding of the psychological factors that come into play when communicating with authorities."

"One of the first UK prosecution firms to offer contentious services, the firm continues to do a brisk trade in litigation... equally at home in patent office spats as in full-blown global disputes."

This is the fourth edition of the IAM Patent 1000 review, compiled following a five month research process which has included interviews with numerous attorneys at law, patent attorneys, in-house counsel and clients to gather market intelligence on the leading players in the field. Firms qualify for a listing on the basis of their depth of expertise, market presence and the level of work on which they are typically engaged.

We are grateful to our fellow IP professionals and to our clients and associates for their positive feedback and recommendations.

D Young & Co is ranked as a top tier patent and trade mark firm across the UK legal directories, including Managing IP, WTR 1000, Legal 500 and Chambers and Partners.

Contact details

D Young & Co LLP
120 Holborn, London, EC1N 2DY
T +44 (0)20 7269 8550
F +44 (0)20 7269 8555

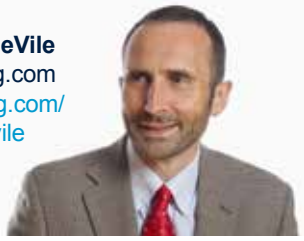
D Young & Co LLP
Briton House, Briton Street
Southampton, SO14 3EB
T +44 (0)23 8071 9500
F +44 (0)23 8071 9800

www.dyoung.com
mail@dyoung.com

Contributors

Partner, Editor
Anthony Albutt
aja@dyoung.com
www.dyoung.com/anthonyalbutt

Partner
Jonathan DeVile
jdv@dyoung.com
www.dyoung.com/jonathandevile



Partner
Richard Willoughby
rww@dyoung.com
www.dyoung.com/richardwilloughby

Associate
Paul Price
pp@dyoung.com
www.dyoung.com/paulprice

Associate
Rachel Bateman
reb@dyoung.com
www.dyoung.com/rachelbateman

Assistant
Antony Latham
aml@dyoung.com
www.dyoung.com/antonylatham

With our thanks to contributor Bart Kiewiet, D Young & Co plant variety rights consultant
www.dyoung.com/bartkiewiet