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THERE HAS BEEN A LOT OF DEBATE RECENTLY OVER WHETHER and how the European Union should amend its laws on the patenting of computer-implemented inventions. Both sides of the debate agree that the current EU regime is ambiguous and inconsistent. The European Commission has proposed new legislation to solve the problems – but as yet with little success.

CURRENT LEGISLATIVE POSITION

Article 52 of the European Patent Convention states that “schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers” are not to be regarded as inventions and therefore not, “as such”, capable of patent protection. (These provisions are duplicated in the UK’s Patents Act 1977, section 1(2)(c).)

The phrase “as such” is key here. The European Patent Office’s (EPO’s) Boards of Appeal, as well as the guidelines issued by the EPO, state that all inventions must have a technical character. Accordingly, computer-implemented inventions can be patented if they have a technical character of some sort, because they are not computer programs “as such”. (The requirement for technical character is in addition to the usual requirements of novelty, demonstration of inventive step, and capability of industrial application.)

But even though the EPO permits software and business method patents where the invention has a technical character, general awareness of this is very low in EU member states. A study carried out in 2001 on behalf of the European Commission found that amongst SMEs, very few understood that patents could protect software. This lack of awareness has, by many commentators, been blamed on the fact that the availability of patents on software which has a technical character is not codified in the legislation.

Further problems arise when the EPO jurisprudence is interpreted by domestic courts. For example, decisions of the UK courts seem to show that in the UK, a pure business method patent will never be granted even if it has technical character – in contrast to the EPO’s stated approach. But the German courts have upheld business method patents even where the invention does not appear to have a technical character.

Amongst those who are aware of the potential for patenting software, there are broadly two schools of thought. On the one side are the large corporations, industry organisations and many member state governments, who are concerned that the ambiguity and confusion is causing the EU to become uncompetitive with the USA, where the patenting of software and business methods is well understood. On the other side is the opensource community, who in most cases would prefer to see a complete ban on patenting software and business methods. There is also significant disquiet amongst economists, who fear that opening up the scope for patenting software will lead to “bad” patents being granted, stifling innovation and allowing big businesses to increase their dominance to the detriment of competitiveness within the EU.

The concerns regarding the lack of legal certainty over software

and business method patents spurred the European Commission to propose a harmonisation of the laws. On February 20th, 2002, it released a draft Directive for review by the European Parliament.

APPROACH OF THE DRAFT DIRECTIVE

The draft Directive codifies the requirement for “technical contribution” for the first time. In brief, a computer-implemented invention shall be patentable if it is new, involves an inventive step, is susceptible of industrial application, and which as part of the inventive step makes a technical contribution (i.e. a contribution to the state of the art in a technical field which is not obvious to a person skilled in the art).

REACTION TO THE DRAFT DIRECTIVE

The divisions within the EU on this topic became evident when the draft Directive was debated by the European Parliament. The Parliament, after its first reading in September 2003, proposed a number of amendments to the draft Directive. These included statements that data processing was not to be considered a field of technology and that algorithms on their own were not patentable, and clarifications on what was to be considered a technical contribution. Those proposing the changes felt that the original wording of the draft was too vague, leaving it open for pure software patents to be granted. However, those in opposition considered that the amendments subverted the aim of the draft Directive, by effectively removing the possibility of any software being patentable.

In May 2004, the Council of Ministers effectively removed most of the changes proposed by the Parliament. The DTI reported that the text approved by the Council was very close to the original text proposed by the Commission.

The aim was then to re-submit the draft Directive for a second reading by the Parliament in the Autumn of 2004. However, this has been delayed. The official reason is differences between member states over the number of languages into which patent documents should be translated. However, unofficial reports point to the deep divisions in opinion between the Council and the Parliament. The Parliament’s appointment of former French Prime Minister Michel Rocard to draw up the response to the latest draft may be significant; Mr Rocard is an outspoken supporter of the open-source movement and an opponent of software patenting.

WHERE DO WE GO FROM HERE?

Much will depend on whether the Parliament agrees to ratify the revised draft. If it does not, the Council of Ministers may be able to reach a consensus through the conciliation procedure. What the shape of any final Directive will be is difficult to predict. However, the European debate over software and business method patenting seems set to continue.

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President's Diary



OCTOBER

What can LES International do for you? **Willy Manfroy**, newly-elected International President wants to make LESI more relevant to members of the national societies. If you share my experiences, it takes several years to become involved with LES Britain and Ireland and then several more years to participate in LESI activities. We need to give

members the opportunity to become active internationally at a much earlier stage in their careers. One initiative is in education, delivering the "Fundamentals in Intellectual Asset Management" series of courses around the world.

A second initiative, as keen readers of News Exchange will already know, is that LESI Committee meetings will now be held during International Conferences and also the LES US and Canada Annual Conferences. At present they are held during the much smaller International Delegates meetings. This change will enable all LES members to influence directly the activities of LESI in their particular area of interest or technology. We are always receptive to hearing your ideas.

We were well-represented at the recent LES US and Canada Annual Conference and International Delegates meetings in Boston in October. I arrived after a long flight following Oral Proceedings in Munich to find the Boston hotel bars throbbing with **Red Sox** fans. For those (like me) non-baseball aficionados, imagine Accrington Stanley reaching the FA semi-final or **Chelsea** winning the Premiership! After being 3-0 down in the best of seven World Series semi-final, the **Red Sox** then proceeded to win the next straight eight games to become the champions. Incidentally, we shared the hotel with an "Orthopaedic Trauma" conference, whose sessions **Chris Goodman** kept wandering into by mistake!

NOVEMBER

In addition to usual business at our November meeting, Council spent some time discussing the success, or otherwise, of LES activities in the regions. Inevitably there is a danger that LES Britain and Ireland could become too London-centred because half our members are here. Successful regional events are regularly run, especially in Scotland and in Ireland, and we are very grateful to the organisers. For the regions of England, smaller numbers of members can sometimes be a problem, and we have identified some ways of improving matters. Further suggestions would be welcome, so if anyone in the North East, North West, East or West Midlands has any ideas please contact me or alternatively your local chair listed elsewhere in this issue of News Exchange.

Newly co-opted council member **Georgina Godby** has undertaken to set up an evening meeting in Cambridge early next year. Another issue raised in Council was that of invention promoters, who make extravagant promises to private inventors and charge high sums while offering little in return. The Office of Fair Trading is known to have concerns in this area and it may be that a Code of Conduct could be set up. I am sure many of you will have had direct or indirect experience of inventors being "ripped off". It would inform our discussions if you have any information on the scale of the problem and any remedies you could suggest. The exploitation of innovation should not have a bad name!

LES Council sends all members best wishes for Christmas and a royalty-rich New Year.

Stephen Powell
President LES B&I

IPR in Business

1. Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik (16/11/04). ECJ Case C-245/02. The TRIPS Agreement applies in the event of conflict between a trade mark and a sign alleged to infringe a trade mark where conflict arose before date of application of TRIPS but has continued beyond that date.

2. Draft Commission Regulation allowing compulsory licensing of patents (29/10/04) relating to the manufacture of generic medicines for export to countries with public health problems.

3. DTI publishes a Knowledge Transfer and Public Sector Research Establishments (PSREs) best practice document (27/10/04). The document highlights best practices using case studies.

4. Celltech R&D Ltd v Medimmune Inc (21/10/04). On the proper construction of a licence agreement the parties had negotiated a clause to give jurisdiction to the English court to determine any issues relating to the performance of the agreement.

5. Commission Regulation No 1891/2004 (21/10/04) lays down the provisions for the implementation of Council Regulation No. 1383/2003 concerning customs actions against goods suspected of infringing intellectual property rights.

6. Novell is prepared to use its portfolio of US software patents to protect against patent lawsuits of the open-source software it ships (19/10/04) as SCO continues to pressure Linux users to pay for licences.

7. Kangol Ltd v Sports World International Ltd (15/10/04). Defendant was not direct licensee and was importing goods bearing trade marks. Application for interim injunction refused as unlikely there would be further damage.

8. Commission has adopted a strategy (10/11/04) for the implementation and enforcement of intellectual property rights in third countries. It proposes to identify priority countries where enforcement actions should be concentrated.

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For further information on all of the above please visit the LES Britain & Ireland website www.bi-les.org

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BOOK REVIEW

The Entropy Vector

Connecting Science and Business

by Robert D Handscombe
& Eann A Patterson



Chairs of Committees and Special Interest Groups

ISBN 981-238-571-1

Publisher: World Scientific Publishing

This is a well-researched, well written, amusing and stimulating read. The basic premise is that we can apply thermodynamic principles to the study of systems, industry, commerce, economics, management and, indeed, human behaviour. Along the way, the authors touch on a fair number of elements of the history of science and philosophy and leaven the text with interesting facts. I do not believe that this book will change what anyone does or how they approach management but it may cause them to look differently at what they are doing. There are no answers, just approaches and insights.

Why entropy? First, we need to look at the laws of thermodynamics. In their simplest form these state that 1) energy is always conserved, it cannot be created or destroyed and 2) in all energy exchanges, if no energy enters or leaves the system, the potential energy of the system will always be less than that of the initial state; this change is referred to as entropy. Entropy is the degree of disorder or chaos that exists or is created, and in a closed system, it can only increase. The authors paraphrase these two basic laws as: 1) you can't have something for nothing and 2) you can't have it just any way you like. Another concept used throughout the book is "exergy", which is defined as the potential energy available to do useful work. This will tend to decrease as work is done.

What is meant by the "Entropy Vector"? The truth, even after reading the book, is that I am not quite sure. I am an engineer by original training; practical, ordered and looking for answers. The entropy vector is conceptual. I cannot measure it and the diagrams in the text are illustrative, not quantitative. So my question remains, how do I use it? The answer may be that by stopping to think about disorder, I am using it. Entropy is a measure of disorder and a vector consists of speed and direction. The authors suggest that each system, or market has its own natural speed and direction of increase in disorder (or entropy vector) and that deviating from that natural entropy vector can have both positive and negative consequences that can be predicted, or at least understood. The authors aspire, in the "Entropy Vector", to coin an expression that may pass into common parlance from obscurity in the manner of "Quality Circles" or "Intellectual Capital". Personally, I doubt that this will happen because I think it is simply too conceptual and because the definitions used are not rigorous, as the authors themselves point out at the start of the book.

The early part of the book is a little self-indulgent in a jokey way; hardly surprising, you may think, for book whose title was conceived in St Emilion by the authors whilst sharing a bottle of the eponymous beverage. However it soon gets to grips with philosophers and scientists through the ages. I had not previously heard

of Ockham's Razor, nor Maxwell's demon or Zeno's paradox, but old friends such as Carnot, Newton, Planck, Kelvin, Boltzmann, Clausius and Hawking provide reassurance that this is a book written by engineers for engineers and scientists aspiring to business success, as well as for business people interested in new approaches.

The entropy vector provides a platform for the authors to comment upon a wide range of topics, events and systems that interest, amuse or irritate them. One example is Detroit airport where an insufficient allowance for entropy, in the shape of late flights, defects, bad weather or delinquent passengers, means that a well-planned structure turns into a nightmare because, they opine, the number of gates equals precisely the number of aircraft scheduled to be attached to them at a given time; allowance for entropy could have delivered the planned efficiency. The authors look at the relationship between entropy and efficiency where, in theory, low entropy means high efficiency; the moral being that over-constrained systems do not work.

The Chapter on creativity and innovation is probably the most relevant to members of the Licensing Executives Society. Here the analogy fit between entropy and technology is examined and the concept "Technopy" coined to describe technology entropy. An organisation with high technopy is expected to produce lots of ideas for products that will expand markets and give dominance over its competitors. The concept of a natural entropy state is extended to a natural technology entropy curve where deviation by a margin either side will yield acceptable products, with the market dominators being on the higher technopy side and the safe market maintenance products on the lower side of the natural curve. Exceeding the margin results in products that are either too way out (high technopy side) or yesterday's products (low side). Here I return to the problem I highlighted earlier, that though I think I understand the concept, I am not sure it is really useful.

Some of the analogies used by the authors slightly miss their targets. For instance, I would hazard a guess that neither of the authors is either a regular sailor or a conductor (of orchestras) and they would have been wiser to avoid their use. However, this is a minor criticism and does not detract from my admiration for the authors in completing this book. On a general business philosophy, they draw on Richard Branson's view of how to assess opportunities "terrific upside, manageable downside." Or, limit the negative effects of entropy (if it goes wrong) by setting the entropy vector with care.

Overall, this is a book that makes you think! It is short (177 pages) and so does not demand a huge investment of time to derive benefit. **Read and enjoy it!**

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COMMON SURNAMES AS TRADE MARKS FIRST COME, FIRST SERVED?

INTRODUCTION

The ECJ's recent decision in *Nichols Plc -v- Registrar of Trade Marks* (case C404/02 ECJ, 16 September 2004) appears to spell the end of the UK Patent Office's restrictive approach to registering common surnames as trade marks. In future, it may well be that such marks will be available to applicants on what amounts to a "first come, first served" basis.

THE BACKGROUND

Nichols had applied to the UK Trade Marks Registry to register the word "Nichols" for both vending machines and various food and drink items that might be supplied through them. The Registry has traditionally adopted a specific practice (when faced with applications to register surnames) that avoids giving any unfair advantage to the first applicant for a particular name.

The Registry's view is that there is no inherent reason why surnames cannot serve to distinguish goods or services emanating from different undertakings. Whether or not they are "devoid of distinctive character" (an absolute ground of refusal under the Trade Marks Directive) will depend on whether as a matter of fact the average consumer sees the name as identifying one particular source of the goods or services. This will in turn depend on the commonness of the surname and the number of other persons from whom the relevant goods or services could originate; the more sources of the goods or services in question, the less likely it is that the public will take the surname as an indicator of origin. One factor that the Registry sees as indicative of commonness is whether the surname appears more than 200 times in the London (or other appropriate) telephone directory.

As a result in this case, the application for vending machines - a relatively narrow class of goods - was accepted but the equivalent application for various food and drink items - a much broader class - was rejected.

THE ECJ REFERENCE

Nichols appealed the decision to reject its application covering food and drink to the High Court. Mr Justice Jacob (as he then was) decided that the case raised issues which concerned the interpretation of the Trade Marks Directive and therefore fell to be decided by the European Court of Justice (ECJ). The ECJ ruled on four questions referred to it by Jacob (a fifth question was in the end redundant):

1. When should a trade mark consisting of a single surname be refused registration as being "devoid of distinctive character"?
2. Should such an application be refused if the surname is common in the relevant Member State or indeed elsewhere in the EC?
3. Is it appropriate for the national authority, when

considering the application, to determine it by reference to the presumed expectations of an average consumer of the relevant goods or services, taking into account the commonness of the surname and its prevalence in the trade?

4. Does the fact that under the Trade Marks Directive a trade mark proprietor cannot prevent a third party using his own name in certain circumstances have any bearing on whether an application for such a trade mark should be allowed?

THE ECJ'S JUDGMENT

Since neither the Trade Marks Directive, nor relevant case law, draws any distinction between different categories of trade mark, the ECJ stated "the criteria for assessment of the distinctive character of trade marks constituted by a personal name are therefore the same as those applicable to other categories of trade marks. Stricter general criteria of assessment... cannot be applied."

The ECJ acknowledged that it may be more difficult to establish distinctive character in certain categories such as surnames, but no matter how great, this cannot justify the assumption that such marks are inherently devoid of distinctive character.

Provided that the other grounds for refusal (such as descriptiveness) do not bite, therefore, an application to register a surname should not be refused in order to avoid any advantage being afforded to the first applicant; it should be considered in the same way as any other application.

The ECJ added that the fact that even following registration third parties may be able to continue to use their own name is not relevant to the application itself. Any "own name" defence will affect the proprietor's rights following registration, not the process of registration itself.

It should be noted that this is not the final word on Nichols' application. The High Court will now be required to decide the appeal based on the ECJ's ruling.

FIRST COME, FIRST SERVED?

It can be seen that as in other recent cases concerning attempts to register shapes, sounds and colours as trade marks, the ECJ has again turned to first principles and the idea of the essential function of a trade mark. In so doing, it has concluded that there is no inherent ban on registering surnames, even common ones, as trade marks. It seems likely that this would also extend to company names, although the ECJ did not express an opinion here.

In summary, it may well be that in the future, the first to come and apply to register a surname will be first served. When there is more than one player in a particular market with the same name, it is more important than ever to be first in line. DLA represents Nichols Plc both in the High Court and before the ECJ.

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Business News

The Business Link National Network has now moved to a strong brokerage model with generalist business advice being available from Business Link Business Advisors and specialist advice being brokered in from approved third party suppliers.

Highbury Ltd has become an approved supplier of intellectual property advice to clients of Business Link Hertfordshire through its own Specialist Advisory Panel. The business link national register of approved consultants allows delivery of services on a national basis to SMEs. The great benefit to the clients will be that they might also be eligible to apply for a grant of up to 50% of the IP advice fees to a maximum of £5,000. Further information is available from Christi Mitchell.

IT DEVELOPMENTS

TI claims court victory over Qualcomm: Texas Instruments Inc announces that a Delaware court has ruled for the second time that TI did not materially breach terms of confidentiality in an agreement with chip manufacturer Qualcomm. Qualcomm was therefore not entitled to terminate the agreement. (6/10/04)

EU software patents directive delayed again: the formal approval of the draft Directive on the patentability of computer-implemented inventions has been delayed again, officially due to translation delays. The European Parliament is unlikely to start working on its response to the Council of Ministers much before the end of 2004. (11/10/04)

WiFi under threat from Symbol patent? Symbol Technologies claims power save patent over standard feature on 802.11 implementation. Proxim Technologies pays \$23 million in damages for infringement. (25/9/04)

US Patent Office rejects Microsoft's FAT patent: USPTO rejects patent claimed over File Allocation Table system. The re-examination was initiated by the Public Patent Foundation. (30/9/04)

Infineon Technologies in interesting times: US Department of

Justice fines German chip maker \$160 million after it pleads guilty to DRAM price fixing. EU competition regulators are conducting their own enquiry. Schatz & Nobel PC announce launch of class action for violation of securities laws. (15/9/04)

Linux implements 283 patents - SCO round two? a study by Open Source Risk Management identifies 283 patents potentially infringed by the Linux kernel, of which 27 belong to Microsoft. However, none of these patents have been validated by a court. (2/8/04)

All change at PeopleSoft: CEO fired after US Department of Justice rules that hostile takeover by Oracle will not harm business software customers. EU Competition Commission also approves the takeover. (2/11/04)

Sun Microsystems claims business method patent: president Jonathan Schwarz announces in September that Sun is seeking a patent over its per-employee software pricing plan. However, on 12th October the head of the USPTO acknowledged that many business method patents had been wrongly awarded in the past, and promised a more careful approach in the future. (30/9/04)

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From across the pond...

Jacobs v. Nintendo of America, Inc.: Licensee's Right To Make, Use, And Sell Patented Product Immunizes His Customers From Suit Under The Patent.

A patentee wishes to maximize its revenue stream when it has granted a licensee a license to make, use, or sell a component for use in a device that would otherwise infringe the patentee's patent.

The patentee may wish to do so by bringing patent infringement actions against all sellers or users of the patented technology, including, for instance, against a customer of the licensee for using the component purchased from the licensee in an infringing manner. However, earlier this year, the United States Court of Appeals for the Federal Circuit, which has jurisdiction over appeals in all United States patent cases, held in *Jacobs v. Nintendo of America, Inc.*, 370 F.3d 1097 (2004), that when a patentee grants a license to a licensee to make, use, and sell a component for use in an infringing manner, the patentee cannot subsequently prevail in a patent infringement suit against the licensee's customer for using the component purchased from the licensee in that infringing manner.

Jordan S. Jacobs is the owner of U.S. Patent No. 5,059,958 (the "'958 Patent"). The invention relates to a video game controller that the operator tilts in order to achieve corresponding motion in a video game. Jacobs brought suit against Analog Devices, Inc. for inducing infringement and for contributory infringement of the '958 Patent, alleging that Analog was providing tilt-sensitive components called accelerometers to other hardware manufacturers (who were allegedly directly infringing the '958 Patent by making certain controllers). However, Jacobs terminated the action by entering into a settlement and licensing agreement with Analog in which Jacobs agreed to: (1) grant Analog a perpetual license to sell micro-machined accelerometers, for use in infringing tilt-sensitive control boxes; and (2) abstain from suing Analog for any alleged infringement or violation of the '958 Patent, whether in the past, present, or future.

Following the settlement of the litigation with Analog, Jacobs filed a patent infringement suit against one of Analog's customers, Nintendo of America, Inc., charging Nintendo with infringing or inducing infringement of the '958 Patent by producing a video game in which a user could control the movement of a character in the video game by tilting the controller in the desired direction of movement. Nintendo then

moved for summary judgment of non-infringement on the basis that the aforementioned settlement agreement between Jacobs and Analog afforded Nintendo the right to manufacture infringing tilt-sensitive controllers using Analog accelerometers. The district court agreed with Nintendo, explaining that the earlier settlement agreement necessarily afforded Nintendo an implied license to make the tilt-sensitive control boxes (which arguably infringed the Jacobs patent) using the Analog accelerometers. The court reasoned that if Jacobs could bar Analog's customers from using the accelerometers in the exact type of infringing products expressly referred to in the settlement agreement, then the provision of the settlement agreement permitting the sale of accelerometers for use in tilt-sensitive control boxes would be completely ineffectual. Consequently, the court granted Nintendo's summary judgment motion of non-infringement.

Subsequently, Jacobs filed an appeal with the U.S. Court of Appeals for the Federal Circuit. Jacobs argued that the settlement agreement did not grant Nintendo a right to use Analog's accelerometers in tilt-sensitive control boxes, which it alleged infringed the '958 Patent. However, the Federal Circuit upheld the lower court's dismissal of the infringement suit under substantially the same reasoning as the lower court. **The court explained that according to basic contract law, a party may not assign a right, receive consideration for it, and then take steps that would render the right commercially worthless.** Thus, the court held that Jacobs could not confer upon Analog the right to sell accelerometers for use in devices that infringe Jacobs' patent and then render that right absolutely worthless by suing Analog's customers for using the accelerometers, which they bought from Analog, in those same infringing devices. Practically speaking, the court seemed to ask itself, why would Analog ever have bargained for the right to manufacture and sell a product knowing that its customers would be unable lawfully to use the product for the bargained-for purpose?

Thus, when a patentee grants a license to a licensee to make, use, and sell a component for use in a particular manner, or for use in a particular type of product(s), the patentee cannot subsequently prevail in a patent infringement suit against the licensee's customer for using the component purchased from the licensee in just such an infringing manner or product. However, the court in *Jacobs* noted that its holding would not be applicable to cases in which a patentee confers a so-called "bare license" to the licensee. A "bare license" (which is functionally equivalent to a covenant not to sue) has the effect of merely conferring a right to the licensee not to be sued for infringing the patentee's patent; it

does not affirmatively grant the licensee a right to engage in the manufacture and sale of a component for use in an infringing product. The Jacobs court explicitly distinguished the Jacobs-Analog settlement agreement from a "bare license" because the settlement agreement, in addition to conveying a right to the licensee to not be sued for making, using, or selling the accelerometers, conveyed an affirmative right to Analog to make and sell accelerometers for use in infringing tilt-sensitive control boxes. The difference between these two types of licenses is crucial: because a "bare license" is essentially nothing more than a promise by the patentee not to sue the licensee, it is not transferable, and cannot be invoked by third-party beneficiaries; thus, a patentee may prevail in an infringement suit against a customer of the licensee for using the component in an infringing manner. When an affirmative right to make particular products is granted to the licensee, though, as in *Jacobs*, customers of the licensee's licensed products may properly claim beneficial rights, and specifically, immunity from infringement liability, under that license.

As demonstrated above, whether a license is a "bare license" or is akin to the Jacobs-Analog settlement agreement can have a profound impact on the way in which the courts will handle an infringement suit brought by the patentee against a customer of a licensee who is practicing the technology covered by the patentee's patent. It should be noted that the holding in *Jacobs* does not address the situation in which a customer of a licensee is manufacturing a product infringing the patentee's patent and did not purchase the infringement-causing components from the licensee, but rather acquired the components from an unlicensed source. In such an instance, the customer would not be able to claim that his infringing conduct was authorized.

Patentees who wish to be clear as to the extent of rights their license or settlement agreements may create in licensees, and in such third parties as the licensee's customers, should thus seek counsel in the drafting of these agreements. More careful attention to the drafting of the Jacobs-Analog settlement agreement could have preserved for Mr. Jacobs the right he apparently wished to retain to proceed against "downstream" users of his technology, and could have averted the creation of the inadvertent "pass through" of rights to third parties such as Analog's customers. Conversely, licensees who negotiate their licenses aggressively and obtain an affirmative right to make, use, and sell particular products should be able to secure such extensive "pass through" rights to the ultimate benefit of their customers and end users.

Jeffrey D. Sullivan, Baker Botts, L.L.P.
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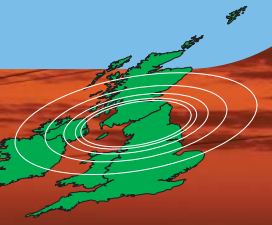


LES Education Committee

The Education Committee is starting up again for 2005 and we are looking for members who would like to be involved
If you are interested in joining the Committee please contact **Anne Lane** on **020 7679 6528** or at anne.lane@ucl.ac.uk

The Education Committee will meet up to four times in 2005 with the first meeting to be held at 1pm on 6th January 2005 at Apothecaries' Hall before the Council Meeting. Lunch will be provided.

News from the Regions



LES (Scottish Branch)

“On the Ball with Sports Merchandising”

While Europe's top teams battled it out for the Champions League title on the night of Wednesday November 3, the LES (Scottish Branch) discovered how clever marketing and brand management led to the tournament becoming one of the most instantly-recognisable football contests around today.

At the stunning venue of the Corinthian in Glasgow's city centre, Patrick Stewart, legal counsel of TEAM Marketing in Switzerland, described - with wonderful videos and music - how the company have helped UEFA turn the Champions League into a multi-million pound commercial operation since they were appointed 12 years ago. By using a three-way process involving the clubs, the broadcasters and the sponsors, TEAM have ensured that when everyone plays ball (excuse the pun), the Champions League brand is as commercially lucrative as it is exciting to watch.

Stringent obligations are imposed, for example: broadcasters must use the now-familiar 'Starball' branding in their studio sets; clubs must ensure only the tournament sponsors are advertised in the stadia; and all sponsorship and advertising rights are collected by UEFA.

Also touched on was UEFA's problem of copyright infringement for example on the merchandised products such as T-shirts for the tournament.

T-shirts allowed the evening to segue brilliantly to Ian Adie, managing director of MPS (Merchandising and Promotional Services). He gave an informative—and very entertaining—presentation on his company's achievements and goals. Ian started off selling T-shirts for a friend's rock band, and took 1,000 leftover XXL shirts to Japan with the intention of offloading them there; however, there he learned his first rule of merchandising—do your homework. The Japanese fans told him they would make good duvets!

It was a lesson learned for Ian, though, who has since built the business into a force to be reckoned with. It was him who trademarked the The Tartan Army® brand, and successfully sued Carlsberg for a T-shirt they produced. If only he could make a similar success out of the national squad...

Ian's enthusiasm for his work is obvious, and it's undoubtedly his passion is obviously one of the company's biggest assets.

MPS have now set their sights Stateside, and are vying for the NFL merchandising rights with their 'Future Quarterback' and 'Future Cheerleader' kids' clothing range.

LES Irish Section

LES has had an active year: it hosted three meetings for members on various intellectual property issues; it inaugurated IP briefings on important developments during the year and kept members informed on IP news in Ireland; it made submissions to the Intellectual Property Unit of the Department of Enterprise Trade and Employment in relation to developments. During the year LES also laid the foundations for a very active programme for members in the coming year.

The first meeting of this (LES) year was the Annual Lunch at which we were honoured to have Baroness Susan Greenfield address us on, "The Scientist in Business".

During the summer the committee has been busy organising monthly morning workshops for LES members. These will start in January 2005 and details have already been sent to members. If you have not received the information please contact Maureen Daly (email: mdaly@algoodbody.ie). Details of the first two meetings appear in the Diary Section, p 8, of this edition of News Exchange. The workshops, start at 8:30 and finish at 10:00 every second Friday from January until June, all to be held in Wilton Room Forfás, Wilton Park House, Wilton Place, Dublin 2.

Our first meeting in this series will be on January 14th, when Yvonne McNamara will discuss, "Negotiating a technology licence that works for you".

We are in the process of arranging LES Christmas Drinks for a date in December, location and date still to be finalised as News Exchange goes to press, again please contact Maureen Daly for further information (email: mdaly@algoodbody.ie). We wish you all a Happy Xmas and Prosperous New Year and hope to see you at meetings in 2005!

LES London Region

The first London meeting of the New Year is on January 6th at Apothecaries Hall. The Rt Hon. Lord Justice Robin Jacob, Honorary President of LES B&I, will talk about, "The future of Patent Litigation in the UK and Europe".

Places are limited - and are going fast - so please contact Sheena (les@glasconf.demon.co.uk), or see the LES B&I website: www.les-bi.org to book your place now!

LES B&I Annual Lunch and Morning Meeting

The Savoy, London. 10th February 2005

This year we are delighted to welcome Deborah Jaffé as our lunchtime speaker, her book, "Ingenious women—from tincture of saffron to flying machines" has received excellent reviews and contains some surprising information. It has

resulted in Deborah speaking at the All Party Design and Innovation Group in the House of Commons, at The Patent Office in London, the Designerinnen Forum Conference in Cologne and the World Creative Forum. She has recently been made patron of *ideas21*.



The publication of "Ingenious Women" in 2003 was the result of her original research into forgotten female inventors who lived between 1637 and 1914. Whilst many women invented things to make their lives easier, for example the disposable nappy and the dishwasher there are others, such as Ada Lovelace, daughter of Lord Byron, who were involved in the conception and invention of more technical items - in this case the Analytical Engine, one of the earliest computers, way back in 1842. Deborah told the BBC's World Service Everyman Programme that when she was writing the book people would say to her "but women have never invented anything" how wrong they were!

Deborah Jaffé is an amusing and stimulating speaker and will talk about the struggle women had to acquire patents and to put their inventions into production. Copies of Deborah's book will be available for sale, at a reduced price for attendees.

Morning Meeting

This year's morning meeting entitled, "Intellectual Property-based financing - How it can help you" should be of interest to all our members, across all sectors.

Organisations around the world are increasingly recognising the enormous value of their intellectual property rights. Yet they remain under-utilised as assets on the basis of which their businesses can be financed. The purpose of this meeting is to demonstrate how this can be achieved, through real life stories of successes.

The meeting will be chaired by Nigel Jones, Chair of LES Britain & Ireland's Laws Committee, and the speakers will include Graham Richards, Chairman of Chemistry at Oxford University, and Chairman of IP2IPO, who has raised tens of millions of pounds for the University based on the IP rights coming out of the chemistry department alone, Mark Bezant of Deloitte and Dr Ken MacLeod of Paul Capital who will give a brief introduction to his organisation and its different platforms followed by an in-depth description of the Paul Royalty Fund using examples of recent transactions to highlight the benefits of using future revenue streams as a source of current financing.

We also hope to have a speaker from a University spin-out company, who will explain how its IP rights were crucial in that process.

The Annual Lunch and Morning Meeting are always very popular please register early to avoid disappointment. Tables may be reserved by members wishing to bring guests to the Lunch but again you are advised to reserve your table as soon as possible.

For registration and further information contact Sheena Hunter: les@glasconf.demon.co.uk; tel: 01355 249959 or see the LES B&I website: www.les-bi.org

Charity begins (and ends) at home!

THE RECENTLY ANNOUNCED SETTLEMENT between Franklin Mint and the trustees of the Princess Diana Memorial Fund is the latest twist in a legal battle which began in 1998. The Fund had been established in 1997 following the death of Diana to accept donations to be given to various charities with which Diana had been associated. Diana's estate authorised the Fund to use Diana's name and likeness for this purpose and the Fund in turn licensed various parties to use the name and likeness in connection with products sold in the United States. Franklin Mint was not one of those parties but continued to market Diana related products. They had marketed such products since 1981.

In May 1998 the Fund began proceedings against Franklin Mint in the United States District Court for the Central District of California alleging violations of the Lanham Act for false endorsement and false advertisement, trade mark dilutions, violation of California's statutory post-mortem right of publicity and unfair competition under California Business and Professions Code.

The District Court granted Franklin Mint's motion to dismiss the Fund's post-mortem right to publicity claim reasoning that California's personal property choice of law provision applied. Under that provision, in the absence of a contrary law, it is the law in the country of domicile which applies, in this case the United Kingdom, which has no such post-mortem right.

Following that District Court decision, the California legislature amended the post-mortem right and the Fund moved to reinstate its claim under this right, but this was again denied by the Court on the same grounds as the earlier decision. The Court also decided in favour of an application by the Franklin Mint for summary judgement on the Fund's Lanham Act false endorsement, trade mark dilution and false advertising claims concluding that there was no likelihood of consumer confusion as to the origin of Franklin Mint's Diana related products. A request by Franklin Mint for an award of attorneys' fees was also granted by the Court adding some \$2.3 million to the Fund's already considerable costs.

The Fund then appealed the District Court's denial of their move to reinstate and, separately, the award of attorneys' fees. The two appeals were consolidated and argued and filed in March and June 2002 respectively in the United States Court of Appeals for the Ninth Circuit some four years after the launch of the original proceedings.

The Court of Appeals reviewed the earlier decisions of the District Court making some interesting observations on the way. In the Senate Bill seeking to amend the earlier post-mortem right to publicity an attempt had been made to introduce the qualification that that right should apply "whether or not the plaintiff is a domiciliary of this state" but had not been approved by the legislature. This provided evidence to the Court that the legislature did not intend this qualification to apply observing that the California Courts give substantial weight to the deletion of a provision during the drafting stage of a Bill.

On the false endorsement issue, the Appeal Court highlighted the importance of establishing likelihood of confusion and agreed with the District Court that the Fund had failed to do that. In coming to that conclusion, the

marketing of products by Franklin Mint and others was considered both before and after Diana's death and also the fact that Diana herself had neither objected to nor endorsed such products.

On the use by Franklin Mint on their products of the image of Princess Diana and the words "Diana Princess of Wales" the Appeal Court again approved the District Court view holding that the Franklin Mint use was fair under a nominative fair use analysis and therefore not an infringement of the Fund's trade mark rights. Reeling under these successive blows to their Appeal, the Fund received a further blow when the Appeal Court approved the award of Attorney fees to Franklin Mint. In approving the size of award the Appeal Court pointed out that the Fund itself had spent more on the case than the award.

The comments made during the case and the manner in which the case was conducted by the Fund and its representatives were eventually to lead to a further action in which Franklin Mint were the Plaintiffs and the Fund the Defendants. It is this further action which has recently been settled but it may not be the end of the story. It seems that Franklin Mint are to take action against the Fund's US lawyers.

The case has proved costly for both parties but particularly costly for the Fund. Apart from the monetary costs, there is also the problem that the Fund's claimed trade mark rights have also been successfully challenged in the world's largest market. This must make future licensing negotiations in that market more difficult. Litigation is usually costly and often uncertain although the trade mark issues to be considered were not in themselves unusual. The debate will no doubt continue as to whether a charity should have become so embroiled or whether their efforts and money would have been better spent on emphasising the official nature of the Fund and its connections in the promotion of its products.

**Bill Downey
Wilson Gunn M'CaW**

Barry Quest receiving his plaque from Jonas as he steps down as LESI Secretary. Boston 2004.

Picture: Tom Ryder



LES USA/Canada Meeting in Boston

Pictures: Bob Smalles



LES International Officers 2004-2005

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Willy Manfroy
USA/Canada

Past President:
Jonas Gulliksson
Scandinavia

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Peter Chrocziel
Germany

Vice President:
Elisabeth Logeais
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Vice President:
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Japan

Vice President:
Ron Grudziecki
USA/Canada

Honorary Treasurer:
David Braunstein
USA/Canada

Honorary Secretary:
Adam Liberman
Australia/NZ



Events Diary 2004-2006

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Name of new Chair of this region will appear in the next edition.

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For further information please contact regional officers for LES events in Britain and Ireland (see panel on the left of this page or visit the LES B&I website www.les-bi.org) and the officers of national societies for overseas events (see LES directory or the LESI website www.lesi.org)

7 December 2004

LES NW Region

Dukes 92, Castle Street
Castlefield, Manchester
Speaker: Gavin Hyde-Blake from Carratu International
"Professional IP Investigations in the 21st Century"

18:00 for 18:30

For further details please contact:
Paul Brandon, Appleyard Lees
Tel: 0161 835 9655 Fax: 0161 835 9654

6 January 2005

LES London Region

The Apothecaries Hall
Speaker: The Rt Hon Lord Justice Robin Jacob.
"The future of Patent Litigation in the UK and Europe"

For further information please contact:
Email: les@glasconf.demon.co.uk

14 January 2005

LES Irish Section

Wilton Room Forfás, Wilton Park House, Dublin 2
Speaker: Yvonne McNamara, McCann Fitzgerald
"Negotiating a Technology Licence that Works for You"

8:30 - 10:00
For further information please contact:
mdaly@algoodbody.ie

24 January 2005

LES NW Region

Speaker: Judge Fysh
Topic and Venue TBA
For further information please contact:
paulbenthams@addleshawgoddard.com

27 January 2005

Cranfield R&D Management Centre in association with AURIL
Cranfield University

"Workshop - Valuing Intellectual Property"

£220 (£180 for AURIL members)

For further information and registration see:
<http://www.cranfield.ac.uk/sme/rdman/courses/webleafs/valuing.pdf>

28 January 2005

LES Benelux

(to coincide with the LESI Winter board meeting)

Conrad Hotel, Brussels

"LES meets the EC"

For more information and pre-registration e-mail to meeting@benelux.les-europe.org.

10 February 2005

LES B&I Annual Lunch & Morning Meeting

The Savoy, London
Morning Meeting entitled:
"Intellectual Property-based financing" and LES B&I Annual Lunch
Guest Lunch Speaker: Deborah Jaffé
"Ingenious Women"

For further information please contact:
Sheena Hunter
Email: les@glasconf.demon.co.uk

11 February 2005

LES Irish Section

Wilton Room Forfás, Wilton Park House, Dublin 2
Speaker: Mary Bleahene of FR Kelly & Niall Rooney of Tomkins
"Trade Marks or Designs - How to Allocate your IP Protection Budget"

8:30 - 10:00
For further information please contact:
mdaly@algoodbody.ie

22 March 2005

LES London Region

The Apothecaries Hall
Speaker: Vanessa V Lawrence
"The importance of the modern business of mapping - in particular the licensing of Ordnance Survey mapping technology and intellectual property."

For further information please contact:
Sheena Hunter
Email: les@glasconf.demon.co.uk



6 January 2005

12-15 June 2005

LESI Conference

Munich, Germany

For further details please see:
www.LESI-2005.de

A Date for your Diary...



21-23 June 2006
LES European Conference
Glasgow

Welcome!

Council has been pleased to welcome the following new members to the Society:

Peter Berry, Ipsen Ltd.; George Campbell, McGrigors; Jim Cuddy, Enterprise Ireland; Graeme Feason, Thring Townsend; Paul Golding, TRG Law; Sarah Hanson, CMS Cameron McKenna; Kevin Mutch, RHM Ltd.; James Peter Peel, Barker Brettell; Glenda Poluck, University of Surrey; Vanessa Taebi, Percy Short and Cuthbert.

Membership

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Email: les@glasconf.demon.co.uk

A membership application form may also be found on the LES B&I website: www.les-bi.org



newsxchange

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newsxchange is circulated as a service to members of the Society. Editorial contributions are welcome and should be addressed in the first instance to the Editor.

Unless otherwise agreed, acceptance of any submission for publication in News Exchange is on the understanding that the author also consents to publication in the same or edited form on the Society's website at www.les-bi.org.

Advertising and insert enquiries should be addressed to the LES Administrative Office. Please contact Gill Moore at Northern Networking in the first instance:

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