LICENSING EXECUTIVES SOCIETY
BRITAIN AND IRELAND

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The Newsletter of the Licensing Executives Society Britain and Ireland Issue 128 September 2009

AMBUSH MARKETING AND THE LONDON OLYMPICS 2012

Ambush marketing or guerrilla marketing is a term used to describe a brand which connects itself to a particular event without paying any sponsorship fees to be an official sponsor.

An official sponsor of an event, such as the Olympic Games, will pay a considerable sum of money by way of sponsorship fees. The success of these events depends upon the huge sums raised from sponsorship, ticketing and official merchandising. These payments fund the event. So when an official sponsor's competitor "ambush markets" the event, the value of being an official sponsor is considerably diminished. The result of an event being ambush marketed is that official sponsors are reluctant to enter into future sponsorship deals. The knock on effect is that future events fail to obtain the revenues generated by way of sponsorship. The result is that the reputation and prestige of something such as the Olympic brand can be irredeemably damaged.

The cost of being an official sponsor of the Olympic Games is alleged to be in the region of 80 million pounds; so brand owners are keen to employ cunning marketing tactics to associate their brand with the Olympic Games but avoid paying the sponsorship fees. This tactic was seen at the Beijing Olympic Games where ambush marketing was at its most prevalent. As a result, the London 2012 Organising Committee for the Olympic Games (LOCOG) is keen to take steps to control ambush marketing.

How are the exclusive rights of official sponsors to be preserved?

The Olympic brand is made up of various elements including official names, phrases, trade marks, logos and designs related to the 2012 Games and the Olympic and Paralympic movements.

Protection of Intellectual Property

Certain elements of the Olympic brand and its intellectual property are protected against ambush marketers under UK law by registered trade marks, passing off, copyright and designs. For example, there are a number of Olympic related UK and Community registered trade marks including: the word marks "2012", "The Olympics", "Olympian", "2012 London" and images such as the Olympic Symbol (five interlocking rings symbol).

The registration of the Olympic marks means that any brand owners who use identical or similar marks in the course of trade may be guilty of trade mark infringement. As a result, they may well find themselves the subject of an interim injunction restraining use of the mark and subsequent trade mark infringement proceedings.

Additional Protection

The London Olympic Games and Paralympic Games Act 2006 (the "2006 Act") amends the already in existence Olympic Symbol (Protection Act) 1995 (the "OSPA"). Together they legislate to provide further protection for intellectual property rights relating to the London 2012 Olympic and Paralympic brands.
For example, the OSPA creates an "Olympics association right" which confers exclusive rights in relation to the use of the Olympic Symbol, Olympic Moto ("*Citius, altius, fortius*") and certain "protected words", being "Olympiad", "Olympiads", "Olympian", "Olympians", "Olympic" and "Olympics". A person infringes the Olympics association right if in the course of trade he uses (a) a representation of the Olympic symbol, the Olympic motto or a protected word, or a representation of something so similar to Olympic symbol or the Olympic motto as likely to create in the public

mind an association with it, or a word so similar to a protected word as to be likely to create in the public mind as association with the Olympic games or Olympic movement.

The 2006 Act provides further protection by creating a right, to be known as the “London Olympics association right”. The concept of association includes any kind of contractual or commercial relationship or corporate or structural connection, and the provisions of financial or other support. The London Olympics association right is infringed if a person uses a word or logo (of any kind) in any manner likely to suggest there is an association between goods or services or a person providing goods or services, and the London Olympics. The Act sets out when a court may take into account the use of a combination of certain expressions including “games”, “2012” and “twenty twelve”, “gold”, “silver”, “bronze”, “summer” and “medals”.

The unauthorised use of any of the elements of the Olympic brand or any other marks or logos that are confusing similar to or, likely to be mistaken for, them is not allowed. The 2006 Act also makes it unlawful to falsely represent any association, affiliation, endorsement, sponsorship or similar relationship with London 2012, the British Olympic teams or any other part of the Olympic movement, whether through us of the Olympic brands or otherwise.

The protection afforded to official sponsors of the London Olympics does appear to be far reaching. Certainly, brand owners intent on ambush marketing the London Olympics need to take care not to fall foul of the new legislation. However, ambush marketing by its very nature is often creative, innovative and difficult to police and we are sure to see some very cunning non-official marketing campaigns surrounding the London Olympics!

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President’s Diary

I hope you have all had an enjoyable and restful summer, that the cricketing fans among you have recovered from the outcome of the Ashes series (having celebrated or drowned your sorrows – commiserations to our LES ANZ colleagues!), and that you have returned refreshed and eager to contribute to another busy year of LES activity.

There have been no meetings since the Annual Meeting on which I reported in the last issue (hence the somewhat abbreviated nature of this column), but much work has been done behind the scenes to prepare for the coming year and beyond.

The year will get off to a cracking start with two meetings on 9 September: one in London, the other in Manchester. If you are reading this before these events take place, make sure you get your registration in form quickly.

The London meeting will be on the theme of responsible licensing - contributing to my key Presidential theme of Responsibility. It has been organised by the Renewables Committee chair, Meredith Lloyd-Evans, and will take place at the Science Museum. Those attending will have an opportunity not only to learn about this topic from the distinguished panel of speakers, but also to enjoy the IPO-sponsored Wallace and Gromit exhibition. This promises to be an excellent educational and networking event, as well as providing an opportunity for some fun and games at the exhibition. Don’t miss it!

For those based in the North West, the Manchester meeting is on “Managing and Monitoring Licensees”, and will be led by Martin Dougall and Ian Jackson of KPMG. They will cover all key aspects of the licensing process from initial set up and contracting to the ongoing monitoring of performance and compliance.

These will be followed by a meeting of the Scottish branch on 8 October, and further meetings throughout the country later in the year and in 2010. As ever, Mark Wilson would welcome your suggestions for topics and speakers.

A reminder also of an important event in the more distant future, namely our hosting of the LES International Meeting in London in June 2011. LESI meetings provide excellent educational and networking opportunities, and with this one being on our doorstep, the cost and time investment will make attendance a priority for all LES B&I members. Those of us who have become regulars at these events have made new business contacts, learned new skills and had opportunities to educate other LES members from around the world on topics on which we have some knowledge or expertise to share through speaking at plenary or workshop sessions. The more you put in, the more you get out. If you are interested in participating as a speaker or workshop leader at the London meeting in 2011, or have suggestions of people you think would be well suited for either role, please contact Anne Lane, Chair of our organising committee for this event. And if you want to see what this sort of meeting is all about, why not register for the LES USA/Canada meeting taking place in San Francisco from 18-21 October this year or the LES International meeting in April next year in South Africa - details on the LESI website. Further details of current plans for meeting later in the year appear on the back page of this edition.

I look forward to seeing as many of you as possible you at one of these events.

Nigel Jones, President
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Welcome!

Council is pleased to welcome the following new members to the Society:

Mr David Blair, DBA Group Ltd.; **Mr David Goodbrand**, Burness LLP.; **Mr Daniel Guildford**, Dewey & LeBoeuf; **Dr Anthony Kynaston-Pearson**, Intrinsiq Materials Ltd.; **Dr Norman Law**, Topotarget UK Ltd.; **Mr Stuart Maxwell**, University of Dundee; **Dr Lisa Riccdarton-Banks**, NHS Innovations; **Ms Alison Smith**, Allanpark Consultants Ltd.; **Mr Craig Thomson**, Murgitroyd & Co.; **Dr Elizabeth Vokurka**.

Members on the move >>>>>>>

- **Dominique Kleyn**
  LondonGenetics Ltd
  Imperial BioIncubator,
  Prince Consort Road, London SW7 2BP

- **Geoffrey Sturgess**
  Blake Lapthorn Solicitors
  New Kings Court, Tollgate
  Chandler’s Ford, Eastleigh
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Oxonica Energy Ltd v Neuftec Ltd, [2009] EWCA Civ 668, 9 July 2009

The Court of Appeal has handed down it’s judgment in the appeal from the High Court’s decision in *Oxonica Energy Ltd v Neuftec Ltd* (for a summary of the High Court’s decision please see my article in the November 2008 issue entitled ‘How to Cut & Paste Your Way To Court’).

The case concerned a poorly drafted patent and know-how licence deed. Under the licence, Neuftec was paid, amongst other remuneration, a royalty on the sales of “Licensed Products” by Oxonica. Unfortunately the drafting of the definition of Licensed Products caused ambiguity and both interpretations of the ambiguities presented by the parties led to problematic conclusions. The High Court held that the same expression “Licensed Products” could be interpreted in this particular licence as having different meanings in different parts of the agreement, according to the context. Oxonica appealed the decision.

The Court of Appeal dismissed the appeal, upholding the original decision that the same expression "Licensed Products" was used in two contexts in the licence. It made its decision for essentially the same reasons as the High Court.

In particular, attention was drawn to the following well known principles for construction of contracts and other commercial documents from previous case law:

- consider what the reasonable reader would make of the disputed phrase in the context of the document and all of

- the background that the parties would have had at the time of forming the agreement;
- the poorer the quality of the drafting the more reliance that should be made on the "big picture" rather than the

- actual language used, especially, if relying on the actual language attributes to the parties an improbable and unbusinesslike intention; and
- the more unreasonable the result of a particular construction, the more unlikely it is that the parties can have intended it, and if they do intend it the more necessary it is that they should make that intention abundantly clear.

The Court of Appeal, looking at the big picture, upheld the High Court's decision that it was not necessary to tie the licence of the patents and know how to the subject matter on which royalties were paid as the contexts of licensing and payment were different. A conclusion, it said, that was necessary in order to make rational sense of an appallingly drafted document.

It would be interesting to know whether readers agree with the conclusion that payment may be calculated by reference to a different description of property from the one in the licensing clause.

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Controversial UK IPO fee increases

Oh to be a Patent Office now that the recession is here! Despite operating at a substantial profit[1], the UK IPO is proposing swingeing across-the-board increases in official patent fees[2]. Where will the money go? Are UK inventors being asked to subsidize over-generous and ever-increasing UK IPO and EPO staff benefits while private industries are having to tighten their collective belts?

The suggestion is that up-front search and examination fees will still be subsidized but will double – respectively from £100 to £200 and from £70 to £150, albeit with a larger e-filing discount. Renewal fees will go up by more than 40% - on a rising scale that penalises successful inventors who keep their patents in force longer. The first year renewal fee could go to £70 from the present £50, whereas the 20th year fee could soar from £400 to £600. And 'penalty' fees will be introduced for each patent claim over 15 (at £20 per claim).

The increases are blamed on the pre-recessionary 2006 Gower Report[3], which recommended that fees should closely follow actual costs, and on Treasury guidelines that say that all official fees should be reviewed regularly. The UK IPO points out that patent fees have not increased significantly since the 1990s but they fail to mention the large renewal-fee windfall that they have enjoyed during that period. The profitability of the UK IPO is heavily dependent on renewal fee income and that has grown year by year due to the cumulative increase in the number of granted European patents designating the UK. The EPO grants the patents and the UK IPO collects, and keeps around 50% of, the renewal fees. The UK IPO last year put into reserves a further £9m (up from £7.8m the previous year). Even after allowing for the subsidy of search, examination and other UK IPO activities, renewal fee income yields a considerable surplus.

It might be right to charge applicants a more realistic rate for search and examination; it might be right to apply a fiscal deterrent to keeping patents needlessly in force; and it might be right to penalise those who ‘play the system’ with excessive claims. But, leaving aside constitutional concerns about the UK IPO having the power to use disproportionate fee increases to manipulate use of the patent system, there is the important question: what is the Office going to do with the resulting embarrassment of riches?

One answer is doubtless related to the finances of the EPO. It is bankrupt. More precisely, it is suffering ‘further increases in the deficit in its reserves’[1]. Liabilities, especially staff benefits, currently exceed income. An examiner recently commented, eloquently, that he was discouraged from moving to a job in the private sector because he was trapped in a ‘golden cage’. If things do not improve, the EPO will have to demand higher funding from the national patent offices.

The ‘realistic’ changes in search, examination and certain other fees may be justifiable. There are, however, concerns about the proposed increases in renewal fees. In the absence of an adequate ‘open’ explanation of what the money is needed for it is difficult to see why there should be any increase at all at this stage.

1. The UK IPO Annual Report and Accounts 2007-8 http://www.ipo.gov.uk/ourpublications-review.htm
2. The UK IPO Consultation on Proposed Fee Increases http://www.ipo.gov.uk/pro-policy/consult/consult-live/consult-fees.htm Submissions deadline - 12 October 2009
3. The Gowers Report 2006
   www.hm-treasury.gov.uk/d/pbr06_gowers_report_755.pdf

UK IPO ideas for PCT reform

The PCT has been with us for over 30 years. There was initial reluctance to engage with its complex procedures, but now it is widely used. The ability to obtain an International Search and Preliminary Examination while deferring expensive filing of national and regional patent applications is a great benefit. But there has always been dissatisfaction with the search and examination procedures. The UK IPO has now published an ‘informal’ consultation document (see http://www.ipo.gov.uk/consult-live.htm - submissions by 21 Sept 2009) which sets out some ‘ideas’ for improving matters. The document also summarises suggestions made by other national patent offices. The UK ideas include: collaborative searching (by three or more search agencies), provision for third party observations, an enhanced preliminary examination, top-up searching during preliminary examination, and accelerated processing options. This is an interesting document which addresses the difficult, but important issue of improving international search and examination procedures to meet present day global requirements.

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THE EUROPEAN COMMISSION’S PHARMACEUTICAL SECTOR INQUIRY

The European Commission’s high profile investigation into the behaviour of companies operating in the pharmaceutical sector culminated in the publication of a Final Report on 8th July 2009. The main rationale for the Commission’s investigation was specifically to learn more about company practices which can cause delay to the entry on to the market of cheaper generic medicines. By way of recap, the Commission launched this important inquiry in a blaze of publicity, with dawn raids for documents at the premises of a number of multinational pharmaceutical companies, in January last year. It presented its Preliminary

Report on 28 November 2008. On matters such as patent filing strategies and patent litigation (delaying) tactics, the Preliminary Report received a largely hostile response from the IP community, including a notoriously trenchant speech from the Honorary President of LES (Britain and Ireland), Lord Justice Jacob.

In the press release that accompanied the Final Report, the Commission has shied away from some of these arguably more controversial topics. It has gone for politically much safer options at the end of its Final Report, concluding that there is an urgent need for the establishment of a Community patent and a unified specialised patent litigation system in Europe. In addition, the Commission has welcomed recent initiatives of the European Patent Office (the EPO) to accelerate certain of its procedures during prosecution and to ensure that patents that are granted are of a "high quality".

In the detail of the Final Report, the Commission examines specifically the competition between the originator (research-based) companies. This section of the Final Report includes several interesting observations on licensing practices in the pharmaceutical sector. The Commission notes, for example, that licensing is seen as an option by the originator companies if they conclude – usually after a freedom to operate analysis – that a proposed activity would infringe patent rights belonging to a third party. The Commission suggests that it is common practice in such circumstances for the originator to contact the patent owner in order to resolve any infringement issues between them, possibly by means of licensing. In fact, half of the originator companies that responded to the Commission's questionnaires confirmed that they had requested licences from other originator companies, with 99 reported instances of such requests in the period 2000-2007. A notable, positive statistic from the Final Report is that in 77 of these cases, a licence was granted. In four of the remaining cases, no licence had yet been granted, but negotiations were ongoing. In the other 18 cases, a variety of reasons were given for the failure to conclude a licence agreement, including inability to agree licence terms with the other party, as well as instances where the requesting company decided in the end to abandon a development project.

The Commission also found that licensing deals were a common way for originator companies to settle their differences in the event of disputes, either in litigation or in the context of opposition procedures at the EPO. The Commission concluded that the majority of litigations between originator companies ended in a settlement and that these settlements were "very closely linked to licensing"; licence-related settlements accounted for 67% of the total number of originator-originator settlement deals analysed by the Commission.

It should be noted that sector inquiries are intended to allow the Commission to gather information for giving effect to the competition rules: Articles 81 and 82 of the EC Treaty. The Commission therefore sought to analyse in more detail 58 agreements entered into by the originator companies where the parties had a combined market share exceeding 20% in at least one Member State in the European Union (the reason for the 20% threshold may be explained by reference to the combined market share threshold of 20% for the contracting parties, as specified in Article 3(1) of Regulation (EC) No. 772/2004, the Technology Transfer Block Exemption Regulation). As the Commission stated in its Final Report: "*Agreements with a significant market share of the contracting parties are generally more likely to have a considerable impact on the competitive environment*". The majority of the companies that provided information to the Commission agreed that the relevant 'market' for pharmaceutical products could be sub-divided (or defined) according to the ATC (Anatomical Therapeutic Chemical classification) therapeutic classes.

The Commission analysed a variety of different types of agreement, including research and development agreements, manufacturing agreements, supply agreements, distribution agreements, promotion agreements and licences. The focus of the Commission's attention was whether the agreements analysed contained exclusivity and non-compete clauses. It found that 81% of the agreements (47 out of 58) provided for some kind of exclusive relationship and a non-compete clause was included in 27 agreements. The Commission also found "no challenge" clauses in 12 agreements and in 23 agreements, there were restrictions on one or both parties' ability to carry out research and development.

It is well known that contractual clauses such as those granting exclusivity, non-competes, no challenge clauses and restrictions on the parties' ability to carry out R&D have been sensitive topics for European competition regulators in the past, particularly in the context of agreements where the parties have significant combined market shares, but it should be emphasised that the Commission has drawn no conclusions in its Final Report in relation to individual cases. Nevertheless, all companies operating in the pharmaceutical sector should take note of the warning signs from the subjects covered and the tone of the Commission in its Final Report. The Commission's investigations are continuing and the Sector Inquiry heralds a period of more interventionist activity by the regulator.

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New Vertical Agreements Draft Block Exemption and Internet selling

Every ten years the EU updates its block exemption regulations. In July it issued new versions of the block exemptions for vertical agreements and accompanying guidelines and consulted on the replacement to the motor vehicle distribution block exemption. It is also consulting on the new R&D and specialisation block exemption regulations and guidelines. Comments are sought on the vertical agreements block exemption and guidelines by September. The draft new regulation can only now be used if the parties' joint market shares are under 30% and the other major change from the current regime will be new rules on internet selling addressed below as they are of particular importance in the IT field. The current general distribution rules are fairly straight forward. It is illegal to stop a distributor making sales outside their exclusive territory but it is acceptable to prevent them from actively selling outside their area. Internet selling has muddied the waters. The section on internet selling in the current EU guidelines has been modified in the new draft and this may be of particular interest to IP lawyers. Clients often ask questions such as can they ban distributors from selling the goods over the internet, what conditions can be imposed and the like.

The new draft will ban the following if it goes through in current form:-

- requiring an exclusive distributor to prevent customers located in another exclusive territory from viewing its website or requiring the distributor to put on its website automatic re-routing of customers to the manufacturer's or other exclusive distributors' websites;
- requiring an exclusive distributor to terminate consumers' transactions over the internet once their credit card data reveal an address that is not within the distributor's exclusive territory;
- requiring a distributor to limit the proportion of overall sales made over the internet (this does not exclude the supplier requiring, without limiting the online sales of the distributor, that the buyer sells at least a certain absolute amount (in value or volume) of the products off-line to ensure an efficient operation of its brick and mortar shop, nor does it preclude the supplier from making sure that the online activity of the distributor remains consistent with the supplier's distribution model. This absolute amount of required off-line sales can be the same for all buyers, or determined individually for each buyer on the basis of objective criteria, such as the buyer's size in the network or its geographic location.)
- requiring a distributor to pay a higher price for products intended to be resold by the distributor online than for products intended to be resold off-line.

Generally a website is not considered a form of active selling to certain customers unless it is specifically targeted at these customers. An online advertisement specifically addressed to certain customers is a form of active selling to these customers. However the supplier may require quality standards for the use of the Internet site to resell his goods, just as the supplier may require quality standards for a shop or for advertising and promotion in general which is common with franchising arrangements and selective distribution systems. The supplier may require its distributors to have a brick and mortar shop or showroom before engaging in online distribution. The same considerations apply to selling by catalogue. An outright ban on Internet or catalogue selling may be objectively necessary and fall outside Article 81(1) if it does not restrict competition that would take place in its absence given specific circumstances such as to ensure a public ban on selling dangerous substances over the internet or by mail order for reasons of safety or health. The supplier cannot reserve to itself sales and/or advertising over the Internet.

These are interesting rules and are often raised by our clients who sell on line. In addition the UK Office of Fair Trading has just issued its Annual Report which makes for interesting reading in the competition law field.

The current vertical block exemption is N° 2790/1999 and it expires in May 2010. The EU says “Two major developments have marked the ten-year period following the entry into force of the current rules: a further increase in large distributors' market power and sales on the Internet. To take account of these developments, the Commission proposes that for a vertical agreement to benefit from the block exemption, not only the supplier's market share (as is currently the case) but also the buyer's market share should not exceed 30%. Regarding on-line sales, on the one hand there is a need to protect consumers' possibilities to purchase to their advantage across borders, which is greatly facilitated by the Internet. On the other hand, certain sales restrictions that aim at limiting or preventing distributors from taking unfair advantage of marketing and brand promotion undertaken by others (i.e. free riding) may enable consumers to benefit from better services. The Commission's suggested approach therefore refines, in the on-line context, the distinction, between sales made as a result of active marketing and sales made as a result of the consumer taking the initiative (i.e. between active and passive sales), and explains how the revised Regulation would deal with conditions imposed in relation to internet sales, such as a requirement imposed by a supplier that the distributor should have a "brick and mortar" shop before engaging in online sales.”. The Commission invites interested third parties to comment by 28th September 2009.

The draft revised Block Exemption Regulation and Guidelines are available on the Europa website at:

http://ec.europa.eu/competition/consultations/2009_vertical_agreements/index.html

News Exchange has already reported on the proposed R&D and specialisation agreements block exemptions which are also due to be replaced.

The OFT annual report is on line at
http://www.oft.gov.uk/shared_oft/annual_report/644197/hc475.pdf

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News from the Regions…

Ireland

Glaxo Group Ltd v Patents Act
[2009] IEHC 277

The Irish High Court decision of *Glaxo Group Ltd v Patents Act* recently found that an Irish patent for asthma medicine should be disallowed. Mr. Justice Charleton concluded that the subject matter was not patentable in that it did not involve an inventive step.

The patent was granted to the respondents in 1995, for a medicine known as Seretide, which is one of the best selling drugs in the world. Seretide consists of a mixture of two ingredients; salmeterol xinafoate and fluticasone propionate. While there was no argument against these two individual patents, the petitioner claimed that Glaxo should never have been granted the patent for putting the products into a single *compound* preparation. The argument it put forward was that the combining of these two medications into one product for use by those with ongoing asthma problems was obvious (i.e. it did not meet the requirement for an "inventive step").

Patents Legislation

Charleton J. considered the case under the Patents Act 1992 (the **"1992 Act"**) as amended by the Patents (Amendment) Act 2006 (the **"2006 Act"**). Throughout the judgment he also relied heavily on the European Patent Convention of 1973, to which Ireland became a contracting party in 1992, and the UK Patents Act 1977.

Article 56 of the European Convention states that an invention "shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art". A patent must involve a new invention and under s. 9(1) of the 1992 Act, it must be capable of industrial application.

Under s. 58 of the 1992 Act, as amended by s. 11 of the 2006 Act, a patent may be revoked if the subject matter of the patent is not patentable; the specification in the patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art; the matter disclosed in the patent extends beyond that disclosed in the application; or the protection has been extended by an amendment that should not have been allowed.

Charleton J. stressed that something which is not inventive is not patentable. It is for this reason that most challenges to a patent arise under the rubric of obviousness. He noted that the requirement to obtain authorisation for a new pharmaceutical product is important in establishing an inventive step.

Three sections of the 1992 Act are particularly relevant to the judgment. Section 11 states that "an invention shall be considered to be new if it does not form part of the state of the art". Section 13 provides that "an invention shall be considered as involving an inventive step if, having regard to the state of the art, it is not obvious to a person skilled in the art." Finally, under s. 11(2) the state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the patent application."

The judgment makes reference to the English decision of **Cipla Limited v Glaxo Group Limited**, in which the patent for Seretide was revoked in the UK because of obviousness. Although this case was of persuasive authority, it was pointed out that substantially different facts were argued and witnesses called in the case at hand.
The Patent

Charleton J. discussed in detail the descriptions of the patent, noting that the claimed invention relates to improvements in the treatment of asthma and respiratory disorders. All the evidence was agreed that no new formulation or delivery system was proposed or described.

Various experts gave evidence in the case, providing scientific information in relation to the patented product.

Obviousness

Charleton J. emphasised that an obvious step is the opposite of an inventive step, and it is for the party challenging the patent to establish that the product was obvious. The judge notes that novelty is not the same as inventiveness. A product may be new, but it may not have involved an inventive step because that novelty would have been obvious to a person skilled in the art.

In determining the question of obviousness, Charleton J. cites with approval the English four-stage test restated in *Pozzoli SPA v BDMO SA* [2007] F.S.R. 37, 872 at 879:-

1. (a) Identify the notional "person skilled in the art"
   (b) Identify the relevant common general knowledge of that person;
2. Identify the inventive concept of the claim in question or if that cannot readily be done, construe it.
3. Identify what, if any, differences exist between the matter cited as forming part of the "state of the art" and the inventive concept of the claim or the claim as construed;
4. Viewed without any knowledge of alleged invention as claimed, do these differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

In considering whether the product would have been obvious, Charleton J. warned against the danger of hindsight and the risk of being misled by the simplicity of any solution into believing that it must have been obvious. Rather, his task was to consider whether it would have been obvious to a person skilled in the art to combine the two drugs in a pharmaceutical preparation.

The judge discussed whether it was "obvious to try" the strategy that produced the novel result for which the patent is claimed. He notes that the concept "obvious to try" was first considered in *Johns-Manville Corporation's Patent* [1967] RPC 479, where it was said that a development should be treated as obvious if "the person versed in the art would assess the likelihood of success as sufficient to warrant actual trial".

Prejudice

The judgment looks at whether the common general knowledge of the skilled person would include the prejudices, preferences and attitudes of that time, such that the person skilled in that art would reject the combination in Seretide at discussion stage; or would simply reject it out of hand. Charleton J. opines that a patentee who contributes something new by showing that contrary to the mistaken prejudice, an idea will work, or is practical, has shown something new. His contribution is then novel and non-obvious.

However, it was pointed out that the patent at issue says nothing about any novel solution for the purpose of combining two compounds, nor does it claim that the combination of these drugs would be a clinical advance in respect of regular drugs.

Charleton J. further discussed the nature of asthma, as well as the composition and effects of the drugs that are combined in Seretide.

Skilled in the art

The judgment notes that a person skilled in the art, as in almost all pharmaceutical cases, would be a pharmaceutical team. Having analysed much scientific evidence from various experts, Charleton J. did not accept that the drug discovery and development team at the time would not have had any motivation to create a combined preparation of the two drugs. Nor did he accept that there was a prejudice among clinicians against the use of combined therapy.

Charleton J. further stated that combination therapy is merely an application of prior art and that patent protection is not available in respect of a part of the state of the art, or what is obvious in consequence of it.

Conclusion

Charleton J. concluded that the development of the product would have been obvious to a person skilled in the art, and as such, the patent should be disallowed.

Peter Bolger and Avril Daly,
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Regional Meetings

Scotland

Our autumn meeting is a Joint Event with *Wellness & Health Innovation and Interface* on Thursday 8th October 2009 at Maclay, Murray & Spens LLP Edinburgh Office, Quartermile One, 15 Lauriston Place, EH3 9EP, Edinburgh.

Entitled, "IP is Good for your Health" the meeting addresses the following issues: What are the benefits of knowledge transfer - or the new buzz words "knowledge exchange"? Are you simply generating IP for IP sake? Is the drive for IP good for the health of your business? How can knowledge exchange be facilitated?

Starting at 18:00 this joint event will explore two shining examples of knowledge transfer in the fields of wellness and health technology. It is being run in partnership with expert facilitators, **Interface,** the knowledge connection for business, and **Wellness & Health Innovation (WHI)**. It will be an excellent opportunity to discuss and debate the issues surrounding knowledge exchange in general as well as a chance to meet experts in this field. Knowledge exchange is a topic which in these economic climes is relevant to us all. There will be a question and answer session during the event and an opportunity afterwards to network and speak further with the presenters over drinks and a light buffet.

Please contact ***Jennifer Kirkaldy*** for further information:
jennifer@northernnetworking.co.uk **or click this link**

London Region

(Image provided courtesy of Justin Sutcliffe and the Science Museum)

The joint LES-BfB-REKTN special interest group on technology licensing for renewables has organised a meeting at the Science Museum, London UK on 9th September 2009, sponsored by the Intellectual Property Office, (Intellectual Property Office is an operating name of the patent Office), the meeting will focus on issues and challenges in equitable management and best practice in international IP flow.

International trade in IP is of increasing importance, as markets open up in developing countries and as technologies for climate-change mitigation, carbon-capture and low-carbon energy become more compelling. Some aspects of IP flow have in the past been seen as non-equitable, and best practice seeks to recognise how trade can be two-way in technologies and knowledge, and how to assure mutual benefits across the North-South/developed-developing economic divide. This evening meeting will present case studies, discussion points and opportunities to contribute to knowledge and future policy in this area, using renewables and health technologies as material.

There will be an opportunity for a private visit to the Aardman Animation 'Wallace & Gromit present a World of Cracking Ideas' exhibition sponsored by and courtesy of the Intellectual Property Office, and recently featured in News Exchange, and a networking buffet after the meeting.

The meeting will be chaired by Meredith Lloyd-Evans. Speakers will include:

• Harry Thangaraj of St. George's University London (SGUL) talking about Socially Responsible Licensing. Harry researches the access gap between developed and developing countries, primarily in health technologies. He will discuss this area and also the application of access principles to areas such as renewable

• Ilian Iliev, founder and CEO of Cambridge IP, who has been involved in technology analysis and international issues in management of renewables IP

• Jim Houlihan, the Intellectual Property Office, to discuss IP in the context of international trading and IPO's international policy

• Basil Omar, Chief Executive of Woodbridge Innovation Ltd, who has practical experience of transferring and establishing biorenewables technology into China.

Please contact ***Jennifer Kirkaldy*** for further information:
jennifer@northernnetworking.co.uk

North West Region

We welcome two speakers to our Autumn meeting on 9th September 2009, at KPMG, St James Square, Manchester M2 6DS. Martin Dougall is a Director responsible for leading KPMG's Forensic Team in Manchester. Martin has extensive experience working with a significant number of businesses in various sectors on a range of forensic investigations, commercial disputes, contract compliance and royalty audit engagements.

Ian Jackson is a Director in KPMG's Intellectual Property and Contract Governance team, which he jointly set up with a fellow KPMG partner in 2001. Ian has extensive experience working with a significant number of global and smaller businesses across many industry sectors assisting with their royalty license monitoring and compliance programmes.

The presentation is entitles, "Managing and Monitoring Licensees" a subject, about which Martin and Ian speak regularly. It will cover all key aspects from initial set up and contracting to the on-going monitoring of performance and compliance.

The ticket price of £5.00 for LES members and £7.00 for non-members includes a buffet and refreshments kindly provided by KPMG. Please let me know as soon as possible if you wish to attend and please indicate whether you wish to attend the buffet.

We hope to see you on 9th September, 17.30 for an 18.00 start!

For further information please contact Mark Goodwin, Mark.Goodwin@wilsongunn.com

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SHOULD CREATIVE INDUSTRY LICENSING DEALS REPLACE GOVERNMENT DESIGN INTERVENTIONS?

MISINTERPRETATION OF THE COX REVIEW COULD PROMPT A CHANGE IN APPROACH

Since the launch in 2005 of the *Cox Review of Creativity in Business*, which laid down firm guidelines regarding the value of design to industry, a plethora of design and innovation initiatives have sprung up claiming to uphold and implement Sir George Cox' recommendations. The majority of these initiatives have been instigated by universities and other public sector organisations – Research Councils, Regional Development Associations, Knowledge Transfer Networks, the Technology Strategy Board, Business Links, the Design Council – utilising £millions of public sector funds to aid implementation.

But alarm bells are now ringing in a commercial design profession not previously engaged by the organisations delivering design and innovation initiatives in its name. *Delivering the Innovation Dream: The BDI Report*, presented to the government in March, illustrates how the UK's world-class design companies and trade organisations are being bypassed, ignored, discriminated against and otherwise disadvantaged by competitive university-led design activities aimed at start-ups and SMEs and supported by public funds.

Universities are autonomous private organisations in receipt of state funding, and there are clear guidelines on how such funding can be used. One specific rule is that state funding may not be used to compete directly with the private sector. However, due to increased pressure from the government on universities to commercialise, they are indeed competing head-on – with the design, prototyping, printing and IP industries.

The BDI Report calls for the creation of a level playing field for the design industry, one where HEIs engage top-level design experts as knowledge providers, innovation partners, sector-specific experts and mentors in collaborative commercial partnerships across the UK. To achieve this, a more appropriate licensing model between collaborative parties and industry is now called for.

Universities cite the Cox Review when justifying their funding proposals for design-led interventions and the creation of innovation and design centres. Many also refer to a need to expose students to 'live' projects as justification for offering subsidised or free services direct to SMEs (the same SMEs who make up between 50 and 90 per cent of design firms' business). But this reveals a fundamental misreading of the review and a profound misunderstanding of the commercial design industry's different sectors and areas of expertise. The Cox Review did not imply that a market failure existed in the provision of commercial design services – it was referring to the failure of SMEs to identify and engage with private sector design services.

This misinterpretation of the Cox Review has not only resulted in HEIs competing against their own alumni (the future employers of their graduates) but also – through university provision of free design services to industry using unqualified students – blown a massive hole in the review's promotion of the value of design to industry, because when SMEs experience unsuccessful HEI solutions delivered in non-commercial timeframes, their view of design as value-added is forever tarnished. Students' need for 'live' projects is also a red herring: a hypothetical design brief, and judgement of the thinking process, is as valid as a live project. (Would the legal profession accept HEI intervention, using law students to fight 'live' legal cases on behalf of SMEs on a free or subsidised basis? Of course not!)

Industrial SMEs are consistently cited as being risk-averse. Lowering that risk through shared-risk-and-reward licensing deals between professionally-qualified designers and industry, in partnership with HEIs where appropriate, would better meet the objectives of creating world-beating products and services.

But therein lies the rub. Although our world-class design industry is a major contributor to export income – the creative industries are constantly referred to by the government as one of the most important, fastest-growing sectors, of high importance to the UK's international reputation as a creative hub – it is made up of many small and medium-size enterprises. When they seek government funding to bring their own products, services and brands to market, rather than those commissioned by brand owners, they are turned away as 'suppliers'.

It would appear that the government would rather pour millions into supporting HEI student-to-industry initiatives, or on moribund SMEs who need to be dragged kicking and screaming towards innovation, than support commercial design firms who understand innovation and the development of products and services. Most design firms don't manufacture – they 'license' to manufacture. Government support for such activity would not only increase the quality of products, services and license income deals, but by default would expose manufacturers to low-risk innovation, and create manufacturing jobs.

Such an initiative would certainly help the members of the organisation I lead. British Design Innovation (BDI), is the representative voice to industry of the majority of the most qualified top-end product, service, innovative 3D packaging, digital and brand designers in the world, each with over a decade of experience in sectors such as aeronautics, biotechnology, consumer electronics, food and drink, medical, nano-technology, telecommunications and transport. BDI member companies generate a collective turnover of over £200 million per annum in a UK design industry representing over £4.5 billion of design-sector turnover and an average £1 billion of export income.

There are only about 400 strategic design firms in the whole of the UK, and they're among the world's best. Strategic designers apply design principles to increase innovative and competitive qualities through the analysis of user-centred trends and data, enabling decisions to be based on facts rather than aesthetics or intuition. They apply new ideas and ways of thinking in support of start-ups, early-stage companies, SMEs, knowledge transfer networks, university technology spin-outs and global clients alike, and advise established portfolio companies on behalf of fund managers and investment teams. They also play a crucial role in IP commercialisation, innovation and brand strategy, new market identification and applications, design development, implementation and stakeholder management, and translate science, engineering and technology into tangible products and services businesses can manufacture and consumers wish to buy.

A significant opportunity is being missed when it comes to start-ups, SMEs, support organisations and consultant intermediaries availing themselves of the sector-specific advice and expertise of such world-class knowledge-based product and service designers, who make such a crucial difference at the earliest stages of a business, product or service development strategy by linking front-end research with delivery.

Yet even some innovation professionals appear loathe to acknowledge that such talent is actually at their disposal for as few hours, weeks or months as needed. Until they fully grasp such opportunities, Cox Review recommendations will be imperfectly implemented, outcomes from many public sector commercialisation initiatives will be compromised, and the UK's design and innovation business strategy will remain fundamentally flawed.

Maxine J Horn
British Design Innovation
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FNM tries to use IP to stop contract manufacturers turning into competitors

A recent decision from the UK Patents Court illustrates how IP can be used to try to control a contract manufacturing relationship. It also provides a reminder, if any were needed, that confidential formulation information can lose its confidential status when a product incorporating the formulation is put on the market. *FNM Corporation Ltd v Drammock International Ltd & Anor [2009] EWHC 1294 (Pat) (15 June 2009)*

"Magicool" is an aerosol cooling spray based on a mixture of water and dimethyl ether. The spray is the subject of a European patent filed in 1993 by FNM Corporation, who market the spray but contract out its manufacture. As part of a second-sourcing exercise, Liverpool-based LEC Limited were contracted to manufacture the spray in 1999, having previously been provided with detailed formulation information under NDA.

In 2006, LEC acquired another aerosol manufacturing company, North West Aerosols, which manufactured a competing cooling spray aerosol based on water and compressed nitrogen and sold by Drammock International under the name "Cooling Mist". Shortly after being acquired, North West Aerosols went into liquidation and the manufacture of Cooling Mist was taken over by LEC. However, LEC was not equipped to fill aerosols with nitrogen and modified the formulation of Cooling Mist to use dimethyl ether as the propellant, coming close to the Magicool formulation in the process. FNM subsequently sued LEC and Drammock for patent infringement and for misusing confidential information provided under NDA.

LEC counterclaimed for revocation of the FNM patent on the grounds of lack of novelty and argued that, even if the detailed formulation information had constituted FNM's trade secrets at the time it was originally provided, it had ceased to do so by 2006 because it was in the public domain as a result of the marketing of Magicool.

In his decision, Arnold J. decided that the FNM patent was invalid due to lack of novelty over earlier patent publications and should be revoked.

On the question of FNM's confidential information, the judge concluded that the identity of many of the ingredients of Magicool had ceased to be confidential when Magicool was put on the market (a list of ingredients was printed on the side of the can). As regards the relative amounts of the various ingredients, these could be determined by analysis and were not therefore confidential (an approximate analysis of Magicool was also commissioned by LEC). The judge accepted that the precise formulation of Magicool remained a trade secret; however, since Drammock's "Cooling Mist" did not use this precise formulation, there had been no breach of NDA.

At the time of writing, a 200ml can of Magicool retails at £4.69.

Ian Hartwell,
Asivu Limited

LES International 2011 Meeting – London

LES B&I have won the bid to be host chapter for the 2011 LESI Annual Conference. This will be held in London from 4th-8th June 2011 and we are already well into the planning of the conference. This is a great opportunity for LES B&I and we are looking for speakers and contributors to make it a success. As Nigel Jones has mentioned in his "President's Diary" it is a great opportunity to participate in a major international conference – there is a lot to be gained…

The planning committee is:

Patrick Cantrill
Conan Chitham
Dai Davis
Jeanne Kelly
Anne Lane (Chair)
Jenny Pierce
Anita Roberts
Raja Sengupta

And we have 3 groups focussing on specific aspects of the conference.

Sponsorship:
Conan Chitham
Raja Sengupta
Mark Wilson

Conference programme:
Anne Lane
Jenny Pierce
Dai Davis

Social programme:
Anita Roberts
Sangeeta Puran
Patrick Cantrill

We would welcome your ideas for this prestigious event and hope that we will see you supporting the conference in 2011.

For further information, questions, contributions please contact:

Anne Lane
anne.lane@ucl.ac.uk

LICENSING EXECUTIVES SOCIETY
BRITAIN AND IRELAND

"Advancing the Business of Intellectual Property Globally"

Moving Company/ Changing Address?

Please remember to tell our administrator, Jennifer Kirkcaldy, if you change your office address so that we can continue to send you LES information.

LES Administrative Office,
Northern Networking Events Ltd
Glenfinnan Suite
Braeview House
9-11 Braeview Place
East Kilbride
Glasgow
G74 3XH

Please also remember to change your contact details in the membership directory on the LESI website (www.lesi.org). As a service to our members the editor will print any change of company and location in newsXchange™. Please contact Mary Elson, elson.mary@btinternet.com

Membership

Enquiries should be addressed to Jennifer Kirkcaldy at the LES Administrative Office:

Tel: +44 (0) 1355 244966 Fax: +44 (0) 1355 249959

Email: les@northernnetworking.co.uk

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