



LICENSING EXECUTIVES SOCIETY
BRITAIN AND IRELAND

newsxchange™

The Newsletter of the Licensing Executives Society Britain and Ireland

Issue 138 September 2011

Terminating patent licence agreements

Post credit crunch, the patent licence portfolios of life sciences companies may become relevant to cutting costs. For example, imagine if a particular partnering arrangement is behind schedule or overrunning on costs or a partner is simply not performing. Or perhaps there has been a strategic change in the business direction of the partner, because of a recent acquisition of a product in the same therapeutic area. In any of these cases, and others, a party may wish to see whether there is scope to loosen, or even exit, some of its licensing commitments. However, doing so is fraught with difficulty.

If, for any reason, a party wants to terminate a patent licence, they must first examine whether they are permitted to do so. There are two aspects to this. Firstly whether the agreement itself expressly provides for termination and, secondly, if the agreement is silent or is simply expressed to be terminable for “any” breach, what the common law allows.

Under English common law, termination is only permissible for repudiation by the other party. Repudiation generally occurs where: there has been a total or partial failure of the agreement by a party; where one party makes an agreement impossible for the other to perform; or, one of the parties renounces their obligations under the agreement. Whether a breach of a term of an agreement is repudiatory requires difficult determinations to be made about whether the breached term is a ‘warranty’, a ‘condition’ or an ‘innominate’ term; it is only where the provision is so serious as to deprive the innocent party of substantially the whole benefit of the licence that they will normally be entitled to terminate the agreement.

However, terminating an agreement is a huge risk. This is because accepting an alleged repudiation of a contract inevitably involves declaring an intention not to be bound by it. So a party who later finds they have wrongfully discharged their obligations may find that far from preparing to claim damages, it is they who have repudiated the agreement and it is they who need to prepare themselves against a claim for damages.

Particular areas where disputes about failure to perform will arise are grant and royalty provisions. Disputes can concern the patent that is being licensed and whether it is the patent application in the schedule or the granted patent that is relevant when determining whether royalties are payable. The question of what technology is being licensed and how this is affected by royalty stacking provisions has also been disputed in the English courts. Even assuming one knows the patent being licensed and the technology it covers, the issue of when the royalty should be paid might prove a sticking point.

Jurisdictional complications also arise in patents licence disputes, adding to their length and cost. This is because patents are national rights and a bundle of patents being licensed may include rights protecting territories other than the country whose laws govern the actual licence. For example, under an English jurisdiction clause an English court may have to determine issues relating to US patent law, such as the US rules on scope of patent claims and the US doctrine of file wrapper estoppel. For this reason, licences conferring rights under patents of more than one jurisdiction cannot be litigated in a vacuum. One eye must always be on the effect of the arguments advanced in foreign proceedings.

Any party considering terminating a patent licence for a failure of performance by the other party should consider the following points:

- Patent licence disputes can be drawn out, bitter and expensive.

- Your advisors need to be familiar with contract law and patent law.
- There are difficulties and uncertainties around repudiation which means that there is a judgment call to be made on whether there is a right to terminate a licence.
- Where circumstances permit, seeking a declaration that there is a right to terminate may be the better and safer route.
- The bottom line is that one must gather one's legal forces together and act quickly.

Richard Binns, Partner
Simmons & Simmons LLP

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Government Announces Changes to Copyright Law

Unlike most other countries, under Britain's current intellectual property system it is illegal to transfer digital media protected by copyright from one format to another. For instance, transferring songs from a legitimately bought CD to a different format such as a computer or an iPod is technically breaking the law even if the owner of the CD is the only one to use the media.

The Hargreaves report was released in May 2001. The report was commissioned to look into supporting growth of the UK's increasingly intangibles intensive economy. One of the recommendations in the report was an approach to exceptions in copyright, which encourages successful new digital technology businesses both within and beyond the creative industries. Professor Hargreaves proposed that sharing of legitimately purchased media across platforms with immediate family members should be allowed by law. He also said that parodies should be exempted from copyright law.

Other recommendations in the Hargreaves report included:

- An efficient digital copyright licensing system, where nothing is unusable because the rights owner cannot be found;
- A patent system capable of preventing heavy demand for patents causing serious barriers to market entry in critical technologies;
- Reliable and affordable advice for small companies, to enable them to thrive in the IP intensive parts of the UK economy;

On 3 August, Vince Cable, the Business Secretary, announced that the Government plans to support all ten recommendations as set out in the Hargreaves Report.

In relation to copyright Vince Cable said that we need to "bring copyright into line with people's expectations and update it for the modern digital world". This will free up innovative British businesses to develop new consumer technology and help boost economic growth". Although it will no longer be illegal for individuals to make digital copies of their purchased CD's and DVDs for their own private use and to share copies with family members, the reforms will not extend to sharing files of copyrighted material over the internet. The changes are expected to smooth the way for Google and Amazon to launch online content music storage systems for UK consumers allowing consumer to create back-up files on the internet of their music and films in a "cloud" library.

A government statement further added: "This move will bring copyright law into line with the real world, and with the consumers' reasonable expectations".

Kirsten Toft
Virtuoso Legal

Liz Ward from Virtuoso Legal is currently writing a book for Business owners about IP and its value within the UK economy etc. If you have any interesting stories about good practice and success with licensing focusing on outcomes, and would like to share these with other businesses, please contact Liz (email: liz@virtuosolegal.com).

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Reclassification of trade marks at the UK Intellectual Property Office

The UK Intellectual Property Office (UK IPO) recently issued a press release regarding reclassification of trade mark specifications. For the purposes of trade mark registration, goods and services are classified under the Nice Classification system.

There have been periodic changes to the Nice Classification, most notably in 2002 with the addition of Classes 43, 44 and 45, which now contain services which were previously in Class 42. Since then it has been the practice of the UK IPO to allow proprietor's of UK national trade mark registrations in Class 42 to reclassify services now in the new classes. In practice, reclassification tends to occur once a registration has been renewed; the UK IPO sends a notice to the proprietor with a recommendation to reclassify (where appropriate). However, reclassification is not mandatory and it does not affect the scope of protection of a registration.

Change of practice

The UK IPO has now decided that with effect from 31 October 2011 it will no longer reclassify trade mark registrations, although it will still be possible to reclassify up to that date.

As reclassification does not affect the scope of protection of a registration, the UK IPO's decision will not affect the rights of trade mark proprietors that have not requested reclassification of services in Class 42.

However, the change of practice will have two main effects:

1. When conducting UK trade mark clearance searches for services in Classes 43-45, it may also be necessary to search in Class 42 for earlier registrations that cover services that have not been reclassified.
2. Part of the value of a trade mark registration is that it acts as a deterrent to third parties considering using identical or similar marks. Where a proprietor has not reclassified services previously found in Class 42 but now proper to Classes 43-45, third parties searching for similar marks in those classes may not be aware of a proprietor's earlier trade mark rights.

Options

As stated above, trade mark proprietors may still request reclassification until 31 October 2011.

Leighton Cassidy, Partner & Simon McCormack, Solicitor
Field Fisher Waterhouse

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Follow up from article ‘The Saint, the Queen, and Ironic Tribute’

Our article in NewsXchange on 23rd May 2011 summarised the decision of Judge Birss in the Patents County Court in the matter of Westwood v Knight – relating to Mr Knight’s use of names and logos on clothing designed by him. The case attracted interest because it was the first to be heard by the newly appointed Judge, Colin Birss, and the first to apply the new PCC rules. In general, commentaries have focused on the application of these rules and particularly the curtailed procedure and limitation of costs. While any attempt to reduce the complexity and cost of litigation must be applauded, it is important not to lose sight of its prime purpose – to arrive at a fair conclusion. Unlike other commentaries, our article drew attention to the prolific references to procedural informalities and conduct of the parties, and, whilst the Judge was clearly at pains to ensure that these factors did not stand in the way of proper consideration of the issues, our review wondered if things might have turned out differently in a more relaxed regime.

Mr Knight has since contacted us to endorse our view, and in doing so has stressed, by way of example, that the statement in the judgement, to which we drew attention, that he did not file a formal skeleton argument, was superseded by acceptance that the documents that he did file did in fact contain an appropriately set out skeleton argument. Mr Knight informs us that he has now filed an appeal. We await the outcome with interest!

Barry Quest
iPC2



Meeting News...

His name was Larry

Personal reflections on a busy IP summer conference season by Brands committee co-chair Roman Cholij

INTA San Francisco May 14-18 2011

His name was Larry, and he was the smartest shoe shiner you could ever meet on a street corner with his stand of brushes, shoe polishes and other shoe shining paraphernalia. He was in suit and tie with ironed white shirt, hair swept back neatly, and of course wearing impeccably polished shoes. The main thing that gave away the fact of something unusual about him (apart from his dress) was his chiselled face and signs of past bruises and cuts. ‘A conference, then?’ ‘Yes, the annual meeting of the International Trade Mark Association’. ‘You a lawyer, then?’ Not wanting to go into technicalities and to keep things simple I replied with a ‘yes, sort of, for trade marks’. ‘Well, I’m a reformed alcoholic, drug taker and homeless person’ came the refrain. Then followed what I can only describe as an incredibly inspirational story about how this man had turned his life around against huge odds. It was a humbling few minutes (I was a captive audience perched on a stool having my shoes polished), contrasting wildly with the (excesses of?) countless drink and cocktail parties and afternoon and evening receptions going on all around town for INTA participants.

There were other memorable moments for me at INTA. Meeting old friends and acquaintances from overseas of course is at the heart of the INTA experience, as well at other IP conferences. But there were some very interesting presentations this year, too, beginning with the key note speaker John Anderson, CEO and President of Levi Strauss speaking on Levi’s attempts to be an ‘ethical’ brand. Then there was Sir Robin Jacob’s intervention on Tuesday afternoon during the workshop on “a Century of Trade Mark Law”. In

typical fashion his opening line was: "This is my first time at INTA and I have been told that it involves everyone here exchanging their business cards with everyone else, which by my calculation is 81 million exchanges of cards. I have not brought enough cards!"

Those delegates who were out and about on the Sunday morning, such as myself en route to the Catholic Cathedral not far from the Palace Hotel, could not have failed to have 'run' into the San Francisco annual 12 kilometre 'Foot Race' which was celebrating its 100th anniversary (also otherwise known as the Zazzle Bay to Breakers Race). Among the colourfully dressed 50,000+ runners were also not a few un-self conscious individuals of both sexes who jogged past the INTA (Moscone) Convention Center possessed of their running shoes, designer sun glasses, and perhaps hats, but nothing else in between (evidence recorded on my camcorder!). A fitting fanfare for the appearance next day in the Exhibition Hall of a new work on the 'bare' essentials of trade mark law...

Tuesday morning was another memorable time for me as I had been invited to deliver a short paper on the Max Planck Institute Study on the European Trade Mark System. This is a set of proposals for the EU Commission to improve the way trade mark protection functions within the EU, both on the national level and at OHIM (the IP community will be hearing a lot more on this in the future – the ITMA 2011 autumn conference, for example, is dedicated to this topic). The meeting was the 'Linkedin & INTA My Powerful Network Breakfast Meeting' at Golden Gate University, San Francisco organised by a colleague, Alfred Strahlberg, of the Swiss and Latvian firm Strahlberg & Partners, and hosted by Hiaring + Smith, LLP (USA), with over 200 registered participants from 55 different countries. Co-presenters, covering a wide range of topics, included our very own UK IP Guru Jeremy Philips (speaking on Google Adword caselaw updates) and Barbara Cookson, UK Patent and Trade mark Attorney of Filemot Technology Ltd (speaking on use of technology by IP Offices), among a number of others.

Entering the US without a Passport

I very nearly didn't make it to INTA at all this year despite leaving Heathrow for San Francisco on a Virgin Atlantic flight.

Half way across the Atlantic the captain of our flight was radioed by ground staff at Heathrow to say that one of his passengers – namely me – had dropped their passport at the Departure Gate. There followed, periodically for the remainder of the 10 hour flight, frantic conversations between immigration authorities in the US, UK Border Control (who by this time had possession of my lost passport) and Virgin Atlantic Airways. In the meanwhile I tried to be as philosophical as possible about the possible outcome and buried myself in (yet) another reading of the Max Planck Institute Report (what better way to take your mind off stressful thoughts?). Then the dramatic moment arrived – the head stewardess broke the unwelcome, but almost inevitable, news that an official would meet me as soon as we touched down and would arrange for my immediate repatriation on the next available (Virgin) flight. Thus, expecting to see a fierce looking enforcement officer in orange uniform with a pair of handcuffs to greet me when the plane door opened, the only person that faced me was a red liveried ground staff member of Virgin Atlantic Airways. In response to my question where do I find the immigration official I was supposed to meet, the answer was I had to go into the main hall where I would find someone. So a few minutes later I duly looked for this immigration official that had been assigned to my case – but to no avail. There was no one brandishing a pair of handcuffs. I then decided to approach the friendliest looking official and explain in the most casual and nonplussed manner possible that 'somehow' I had displaced my passport and I believed it had been picked up at Heathrow but now wasn't sure what I was supposed to do. Forty- five minutes later I was in a taxi heading towards the Palace hotel: - a 'free' man, having successfully blagged my way into the US without a passport! (the rest of the story is a trade secret...). When Virgin Atlantic found out about this they arranged for my passport to be

flown over the next day and between us we decided it would be best if they held on to it until time for me to leave. When, the following week I did show up to collect my passport, and because of the inconvenience caused to the staff, I presented some chocolates to the desk staff as a big 'thank you'. Not long before boarding I was about to make a purchase of a Napa Valley wine in Duty Free (I managed to squeeze in a tour of the nearby wine producing region with a US friend where I tasted but did not buy) when I heard my name repeatedly called out on the airport Tannoy system (oh no, 'here we go again again', I thought). I abandoned my purchase, believing the worst, dashed to the gate to which I was being called – to be presented with a complimentary first class ('upper class') ticket back to London. A fitting end to my US adventure!

LESI London June 3 –5 2011

All the above occurred in mid-May. I had barely been back before our own LESI London conference took place at the Park Plaza Hotel, June 3rd-5th. This has been reported elsewhere, but those who were there know what an impressive and successful event this turned out to be, much to the delight and relief of the Planning Committee and Board of LES Britain & Ireland. The conference proper was preceded by an International Delegates meeting, to which I was honoured to have been invited along with Belinda Isaac, co-chair of our Brands committee, where matters pertaining to the LES organisation as a whole, with all its various committees, were discussed. The meeting was crowned by a delegates dinner at the Royal Courts of Justice. The majesty and grandeur of the setting certainly did not fail to impress our foreign guests. A great coup for our Society!

On the second day of the meeting I had to absent myself as I was part of the team of trainers, which included Hayley French of Council, for the one day LES 100 course that preceded the main conference. There were around 30 participants. The course presents the basics of IP, IP licensing and commercial exploitation (with negotiation exercises between teams) all in one day, and is proving to be a very popular course internationally (some UK trainers, for example, recently presented in Russia and in South Africa at LES meetings there – a sign of our international reach). We are also planning on rolling this out more extensively in the UK in due course.

Regarding the main conference, there was a fantastic line up of speakers, not excluding our very own Belinda Isaac, Darren Olivier (former chair of the Brands committee, now based in South Africa) and David Abrahams. Belinda, Darren and David (who chaired) took part in a workshop on trade marks and ambush marketing in the context of major sports events. Well done to all!

ECTA Stockholm June 8-11

On the final day of the LESI conference I, along with a few other LESI participants, were on our way to yet another conference - to Stockholm for the 30th Annual conference of ECTA (European Communities Trade Mark Association). This was my first involvement with the Association. I had been invited to present a paper on some case law – the Google Adwords Interflora case, in a session chaired by Paul Maier, President of the Boards of Appeal, OHIM. Colleagues on the panel for this joint session on case law updates from the European courts were from Poland, Spain and Italy, so truly European!

Stockholm, for those who have never visited, is a fabulously beautiful city and we were blessed with wonderful weather which made the after-conference lunch cruise in the Stockholm archipelago that much more enjoyable. The organisation also outdid itself by putting on a magnificent reception in the City Hall (where Nobel prizes are awarded) and a Gala dinner in another historic building (Münchenbryggeriet) overlooking the city skyline with an ABBA lookalike group playing ABBA hits. A fitting finish to a conference that had been themed around ABBA songs! This was a particularly nice conference for me to attend for another reason – as my wife and her mother (who is Swedish) were able to join me for the last part

of the conference as guests. Having partners and guests is a tradition at major IP conferences and this was the very first time in a few years of conference going that I was able to experience at first hand that extra dimension to conference networking which often leads to establishing strong and often life- long friendships.

Jerusalem Seminar June 26

Finally, as if this wasn't enough for one season, I had been invited to a very unusual (for me) seminar on June 26 to present on a very unusual topic. I had been invited by the Israeli law firm JMB Factor & Co, and Yad HaRav Herzog, to present a 'comparative religion' paper at the 2nd International Conference on Applied Halacha on 'Intellectual Property in Jewish Law' in Jerusalem. Professor Jeremy Phillips was the only other speaker from the UK, speaking on 'Trade Secrets in Jewish Law'. I believe I was one of only two 'Gentiles' among the presenters and (packed) audience, the other being an Arab Christian specialist in Islamic law and IP. My assigned topic was 'IP in Christian Law'. This was a paper for which there is little precedent that required a fair bit of research. Personally it was a hugely rewarding project as part of my (remote) background is as a theologian and church law lawyer (in which I have academic qualifications). I believe the presentation was well received (at the very least politely received) - and it was the very first time I have ever spoken with simultaneous translation into Hebrew!

If anyone would like a copy of this paper (but not in Hebrew) please drop me an email: roman@camtrademarks.com.

I was particularly happy to have been invited to Jerusalem for another reason. By extending my time there by a few days I was able to visit a number of traditional pilgrimage sites of the Holy Land, this being 'time out' from my normally frenetic schedule and client work, and time for reflection. A visit to Bethlehem with a Palestinian guide, just 6 miles or so from Jerusalem, is also a powerful introduction to the complexities of the Israeli political situation, where the high wall divides divided peoples and cultures, and yet ironically where beyond the wall 2000 years ago the powerful message of 'Peace to all those of good will' was proclaimed by an Angel to the shepherds.

Incidentally, there are some thoughts about establishing a 'Holy Land/IP' tour involving IP seminars in the evening and touring during the day. An unusual combination but bringing together, with a different balance, the best of IP conference tradition. Anyone interested, please contact Michael Factor (Mfactor@israel-patents.co.il).

This, then, is my round up of personal news from this summer, from Larry at INTA, to discussing the Pope and IP with Rabbis in Jerusalem. I imagine my summer next year should be slightly less adventurous.

Roman Cholij

Cam Trade Marks & IP Services

camtm@camtrademarks.com

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LES London Meeting

“Valuation – Why it Matters in IP”

20th October 2011, 17.30 for 18.00

Navigant, 5th Floor, Woolgate Exchange, 25 Basinghall Street, London, EC2V 5HA

LES B & I CPD Ref No: CBL/LESO (1 hour accredited to CPD Points)

This meeting is kindly sponsored by



Overview

The session will explore the importance of valuation in various aspects of dealing in IP including both commercial and litigation related issues and an overview of some of the different methodologies that can be employed in the valuation of IP.

Presenter



The speaker will be Romek Matyszczyk, from Navigant Consulting. Romek has many years valuation experience gained across the world in a variety of different industries. He has been involved in valuing assets, including IP assets for both commercial and litigation purposes and has appeared in court as an expert witness on valuation matters in the UK, the USA and Canada as well as before International Arbitration Tribunals.

Please visit www.les-bi.org for registration details

LICENSING EXECUTIVES SOCIETY
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Future Meetings...

20th October 2011

LES London Meeting

"Valuation; why it matters in IP?"

Navigant, London

1st November 2011

LES (Scotland) Meeting

Harper Macleod, Glasgow

15th November 2011

LES & ITMA Half Day Meeting

Royal College of Surgeons, London

1st December 2011

LES London Meeting
"Hot Topics Affecting Licensing"
Raynolds, Porter & Chamberlain LLP, London

1st December 2011

LES Evening Drinks Party, London
Further information will be available shortly

Please visit www.les-bi.org for further information and registration details

Members...

New Members...

Mr Digby Thomas-Bennett, Atomic Weapons Establishment

Interests Include: Aerospace defence, computer hardware, electronics, renewable energy, environmental, telecommunications, computer software, chemical polymers, energy, other (nuclear)

Mr Ben Goodger, Edwards Angell Palmer & Dodge UK LLP

Interests Include: Biotechnology, pharmaceutical, computer software

Miss Clio Davies, Innovate Product Design Ltd

Interests Include:

Mr Benjamin Guy, Dolby

Interests Include: Consumer goods, electronics, multimedia

Mr Jake Alvarez, Queen Mary Innovation Ltd

Interests Include: Aerospace/ defence, healthcare, biotechnology, pharmaceutical, computer hardware, university, computer software, renewable energy, bioenergy, electronics, the internet

Mr John Hanna, Hanna IP

Interests Include: Aerospace/ defence, consumer goods, renewable energy

Ms Sarah Webber, BP plc

Interests Include: Energy, Engin Oils

Miss Ruth Keir, Archea Ltd

Interests Include: Biotechnology, Healthcare, Pharmaceutical

Dr Oonagh Lynch, University of Ulster

Interests Include: Aerospace/ defence, healthcare, environment, animal, plant, food science, biotechnology, pharmaceutical, multimedia, green chemistry, computer hardware, transportation, telecommunications, chemical, polymers and associated industries, consumer goods, univ

Mrs Liz Cohen, Bristows

Interests Include: Healthcare, biotechnology, pharmaceutical



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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.

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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 Jennifer Kirkcaldy, les@northernnetworking.co.uk

Membership

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