



From Alicante to Madrid EU goes International

Intellectual Property Institute
Generating a lot of heat



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FOR MANY YEARS THE MADRID SYSTEM OF INTERNATIONAL registration of trade marks administered by the World Intellectual Property Organisation ("WIPO") has allowed trade mark owners to secure protection across many countries at a fraction of the cost of applying for separate national registrations.

With the US joining last year, 1st October 2004 now sees the EU accede to the Madrid protocol, finally linking the international trade mark registration regime to the Community Trade Mark ("CTM"). This provides two new opportunities for trade mark owners.

Extending CTMs to International Registrations

From accession, a CTM application or registration can be used as the basis for an international application (the "home application"). The application should be made in any of the official languages of the EU designating a Madrid Protocol language (English, French or Spanish) direct to the Office for Harmonisation in the Internal Market ("OHIM") with the fee of €300. The owner of the CTM needs to be a national of or have a real and effective industrial or commercial establishment or domicile within an EU country. Once OHIM receives the application it will check that it has been completed correctly and accurately and will forward it electronically to WIPO to deal with in the usual way.

The same "central attack" policy will apply to international registrations based on CTMs - if the CTM is revoked or invalidated within the period of 5 years after the date of the international application, the latter will also fall unless converted into national applications. It is also possible with CTM based applications to convert to an application designating those member states within the EU which are party to the Madrid Protocol.

Designating the EU in an International Application

The second option available to trade mark owners from 1st October is to designate the EU within an international application. The result of such an application if successful will be a registration with equivalent effect to a full CTM. An application designating the EU will need to specify a second language chosen from the OHIM languages and can claim seniority or priority. Non EU domiciled entities or individuals must appoint an EU representative - without this the application will be refused. The cost of the application is €1875 for up to 3 classes of which €1100 is refundable should it fail.

Upon receipt, WIPO will register the international application and notify OHIM electronically that the EU has been designated under that process. Legally this has the same effect as if an application has been made for a CTM directly to OHIM. OHIM will then republish the application in what will be a new part of the CTM Bulletin.

OHIM has 18 months following notification in which to indicate to WIPO any objections which it has to the registration of the mark within the EU. Such refusal to register can be based on absolute

or relative grounds. Examination on absolute grounds commences as soon as the international application has been republished in the CTM Bulletin. If OHIM decides there is an absolute ground for refusal, it must provide a notice of provisional refusal to WIPO within 6 months of the republication. WIPO will pass this on to the applicant following which OHIM will correspond directly with them. If the objection cannot be overcome, a final decision (which can be appealed) is made. Once the decision is complete, OHIM will send WIPO a final notification.

Where there are no absolute grounds OHIM will issue a first "statement of grant of protection" to WIPO for information only. The application is then published in the International Gazette and entered into the International Register. It is left to holders of earlier marks or rights to oppose the application on relative grounds. With international applications designating the EU, opposition notices may be filed between 6 and 9 months following the date of republication. Should a properly constituted opposition be lodged, OHIM will notify WIPO of a provisional refusal based on the opposition. OHIM will then conduct the opposition and notify WIPO of the final outcome.

Should no oppositions be filed and there are no absolute ground objections, a statement of the grant of protection will be issued to WIPO.

How does the accession of the EU affect the UK regime?

The accession of the EU to the Madrid Protocol has been dealt with in the UK by statutory instrument. These add a new category of mark to the Trade Marks legislation of "international trade mark (EC)" together with a number of other appropriate definitions.

The new category of mark is included within the definition of "earlier mark" in relation to relative grounds for refusal. The groundless threats provisions have been extended to include threats of proceedings for infringement of an international trade mark (EC) and the anti-piracy sections of the CTM Regulations will cover the new type of mark. It will also be an offence to falsely represent a mark as an international trade mark (EC).

Impact for trade mark owners

The benefits for trade mark owners from this expansion are obvious - it enlarges the Madrid system yet further and is a long awaited development in addition to the US joining last year. However, this also brings risks. By opening up the system there is a chance that EU wide protection could be granted to many more trade mark owners from across the world. With the laissez-faire approach in the CTM system, it would be wise for existing trade mark owners to keep a careful watch for those who might encroach on their rights. Professional watch services may be worth even more than their weight in gold as the changes take effect.

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President's Diary



August

Tampere in Finland was the location of this year's annual conference of LES Scandinavia, which I attended with my family at the end of August. Tampere, Finland's second city lies between two lakes and is the centre of

much research activity. It has a considerable industrial heritage thanks to the Scot James Finlayson, who established a textile factory there in 1820, the buildings now serving as a distinctive home for various museums and a micro-brewery. The highlight of the conference was a presentation by **Kjell Nordström**, the author of the business development books "*Funky Business – Talent makes capital dance*" and "*Karaoke Capitalism: Management for Mankind*".

The timetable of the conference included pre-conference tours on the Saturday and Sunday, a licensing course on Sunday afternoon and conference sessions on Monday and Tuesday, with the conference dinner on Monday evening. The dinner took place at Vapriikki, another impressive museum centre near the rapids between the two lakes. The organising committee can look back at a successful conference knowing that they have four years in which to re-charge their batteries while the other Nordic Countries take their turn as hosts. The Monday afternoon programme included a company visit to nearby Sandvik Tamrock Corporation, a manufacturer of mining equipment.

At present, the various European societies within LES organise both unilateral conferences and (in years when the international meeting is outside Europe) pan-European conferences. One of the possibilities thrown up by an ad hoc brainstorming session at the dinner, was a bilateral B&I and Scandinavia conference... do you know someone with a large castle on the Shetland Isles?

September

LES B&I Council had its first meeting after the summer break at the beginning of September. We strive to keep members up-to-date with new developments in the field of technology transfer as well as providing general educational and networking opportunities. **We also encourage active participation, especially among our younger members, and are presently looking to recruit new faces to our various committees.** If you might be interested in contributing to the activities of one of these committees (shown in the margin on page 3) please contact the Chair. The role of a committee member is not onerous, and several committees conduct most of their business via e-mail.

Council also decided to provide financial assistance to the education committee of LES International in the development of its professional development series of courses. Accordingly, during the year, a 2½-day Train-the-Trainers course will be held in London, so that LES members throughout Europe can qualify to present the Individual modules for the professional development course. **Chris Goodman** will be in charge of organisation.

Stephen Powell

President LES B&I

IPR in Business

1. BTG is suing online retailers Amazon and Barnes and Noble (16/09/04) over the use of online marketing technology after failure to agree licence terms.

2. Kenyan Wildlife Service claim Leicester University and US biotech, Genencor (05/09/04) have not complied with the Convention on Biological Diversity and illegally extracted the country's biological resources in relation to enzymes isolated from bacteria from soda lakes in the Rift Valley and used commercially to fade jeans.

3. First intellectual property (IP) crime strategy developed by the Patent Office is launched (10/08/04) as a blueprint to crackdown on the trade in counterfeit goods by Industry Minister.

4. Explora Group Plc v Hesco Bastion Ltd and The Trading Force Ltd (28/07/04). A contract was not subject to express or implied prohibition on assignment. One party to the contract was therefore entitled to assign the benefit of that contract to a third party without the prior permission of the other party.

5. HSS Hire Services Group Plc v RMB Builders Merchants Ltd and Grafton Group (UK) Plc (29/07/04). Under a licence, the sale of the licensee to a third party constituted an event of default and breach of the licence. The third party purchaser of the licensee was guilty of wrongful interference with contract.

6. Raks Holdings AS v TTPCOM Ltd (29/07/04). Claimant's application for an interim injunction restraining defendant from disclosing confidential information (and breaching obligations under a licence agreement) refused.

7. The Government publishes its ten year investment framework (20/07/04) alongside the 2004 Spending Review. The framework sets out the Government's ambition for UK science and innovation.

8. Lionel Sawkins v Hyperion Records Limited [2004] EWHC 1530 (01/07/04)

Editor of classical music may be entitled to copyright protection in respect of his editions where they do not include any new notes. Record companies liable for unpaid royalties?

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

COMPANY NEWS

BTG plc, the IP and technology commercialisation company, today announces the appointment of Louise Makin as Chief Executive Officer. The appointment will commence on 19 October 2004.

From 2001 until recently, Louise Makin was President, Biopharmaceuticals Europe of Baxter Healthcare, where she was responsible for sales revenues in excess of a billion dollars from Europe, Africa and the Middle East and for several hundred employees. She joined Baxter Healthcare in 2000 as Vice President, Strategy & Business Development Europe. Before joining Baxter, Louise Makin was Director of Global Ceramics at English China Clay and prior to that she held a variety of roles at ICI between 1985 and 1998.

IP is generating a lot of heat, but where is the light?



Chairs of Committees and Special Interest Groups



WHEN IT COMES TO DIY, I WILL TURN MY hand to pretty much anything except wiring and electrics. I have always adopted my father's attitude of "I don't know

much about electricity, but I know enough not to touch it".

I think that there is a similar attitude to IP in many quarters and, given its clear (and growing) importance to the wellbeing of our economy, I believe that this is a serious problem. Let me give one or two examples of what I mean. Even in highly sophisticated, IP-dependent companies (I wonder if there are any IP-independent companies?) senior managers can display a spectacular ignorance of IP, since it is often regarded as a technical matter for the "IP experts", rather than as a core business or strategic issue. Another example is the tendency for some in the economics and/or competition fields to dismiss IP as little more than a constraint on trade, seemingly with little knowledge or understanding of IP law or how companies use it to stay competitive. Joe Public can be forgiven for not having an in-depth knowledge of IP law, but where there is awareness of IP its image is often not good. Patents "stop poor people in Africa getting drugs to treat AIDS". Trade marks "stop you buying cheap Levi's at Tesco". Copyright "lets the music industry rip you off with expensive CDs". The "brand of IP", as the Institute's Chairman (Ian Harvey, CEO of BTG plc) puts it, is not good. There is now a lot of heat generated around IP issues such as those I have touched on above, but there is still little in the way of light; i.e. a deep understanding of the economic and social effects of IP regimes.

Our mission at the Institute is to promote awareness and understanding of intellectual property law, and its contribution to economic and social welfare, through high quality, independent research. We aim to provide knowledge and expertise for industry, policy makers, professionals and the general public, in order to foster a legal, social and regulatory climate that supports an innovation-based economy.

The Institute has its roots in the early 1980s, when an organisation called CLIP (the Common Law Institute of Intellectual Property) was formed. As the name suggests, this body addressed IP research from a common law perspective, seeking to provide an alternative source of advice and expertise for European policy makers to balance and complement that which they received from civil law sources.

Even then, it was apparent within the EU that intellectual property-related issues were of first order significance to the region's economy. Europe's industry was under increasing competition from emerging economies which could operate on a much lower cost base; employment, capital and raw materials all came

cheaper outside Europe, and the regulatory conditions were often not as burdensome. Crucially, much expertise, which had hitherto been the preserve of the west, had diffused globally, especially for the more mature industries. Nowhere was this felt more keenly than in the UK, and the business mantra "innovate or die" became widespread.

Throughout the 1990s the importance of intellectual property to the UK grew, and it continues to grow, to the extent that we now describe our economy as "knowledge based". We now regard intellectual property issues to be globally significant. The advent of world-wide agreements (the TRIPs provisions in GATT), combined with new information and communication technologies, make a parochial view of intellectual property law increasingly inappropriate. The change in name from CLIP to the Intellectual Property Institute reflected this. Our work is now as much concerned with addressing the opportunities and threats that new IP regimes pose for the least developed nations, as it is with ensuring that IP law continues to foster a climate for innovation in developed economies. Naturally, achieving a workable and sustainable balance between these aims is one of the major issues facing those concerned with intellectual property law today.

The Institute has a vibrant programme of research and events, and we produce a wide range of publications on all manner of IP-related issues. We have recently published research on copyright in today's digital environment, on business method patents, on patents for genetic sequences, and on the new climate for innovation in Japan. We are soon to publish work on the patent research exemption and we have just undertaken work for the Patent Office to gauge IP awareness among the general public and industry sectors. We are currently seeking to pursue a range of policy-related research projects in partnership with the Patent Office. I know that they, like us, are concerned that IP policy is "evidence-based". It is the purpose of the IP Institute to provide such evidence, from impartial, independent, high quality research. I should stress that we have no role in actually formulating policy; that is the job of government. Our role is simply to provide a reliable source of intelligence which government may use to underpin its efforts: to provide more light in all the heat.

Dr Paul Leonard
Director, Intellectual Property Institute



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and progress through
research

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An Optimised Approach to Patent Shopping through Risk Modelling

IN THE KNOWLEDGE-DRIVEN ECONOMY, INTELLECTUAL PROPERTY RIGHTS (IPRs) are of critical importance. Witness the recent recognition of such in China, previously no great bastion of IP law, with the settlement between Cisco Systems Inc. and Huawei Technologies Co. following allegations of patent infringement.

In China, as elsewhere, companies' innovation, creativity and technological discoveries combine to produce thousands of new inventions each year. Yet many companies have limited knowledge of the real value of their IP, and under-utilise what can be their greatest asset. Increasing awareness of the value of IPRs is evident in licensing revenues in the U.S. rising from an estimated \$15 billion to \$100+ billion during the 1990s.¹ The buying and selling of IPRs is not a new phenomenon, but this has become the driving objective for many deals, rather than an adjunct to the main event.

Purchasing patents is a challenge but it is of increasing interest to both 'strategic' and 'financial' buyers. The acquisition of "real property" typically involves placing reliance upon lawyers and accountants to determine fair market value, but it is not so easy to apply this paradigm to the purchase of intangible property such as IPRs.

In order to value a patent, it is essential to understand the nature of the rights a patent affords. A patent is essentially a state-sanctioned monopoly; the right "to exclude others from making, using, offering for sale, or importing" an invention. In practical terms, owning a patent does not mean that the owner can make the product or practise the process with impunity, and other patents may exist that would be infringed by the patented product or process.²

This is important when considering the value of a patent. A patent's value is essentially what it is worth to be able to exclude others from making the claimed invention. For this reason, companies must invest in a thorough and dispassionate evaluation through risk modelling of their IP assets. This allows managers responsible for a company's IP to make strategic decisions about the management of their patent portfolio – e.g. hold, license, sell or buy, or drop the patent.

The valuation of patents presents unique challenges. There is no market which can help set a price, or indeed regulate the process. Even publicly-listed companies are typically very secretive about the details of such deals.

The standard framework for valuing patents involves three main approaches – the first is based on the cost to create or recreate the asset (cost approach), the second is based on sales of comparable IP (market approach), and the third is based on the future economic benefits produced by the IP (income approach). The cost approach has limited utility in the patent context as the cost of a patent rarely equates to its true underlying worth.³ The market approach can theoretically provide accurate estimations of patent value, yet there is little data on which direct market comparisons of IP assets can be made, as patents are mostly bought or sold in private transactions, sometimes also involving sales of entire businesses. The income approach calculates the value of a patent simply as the net discounted present value of the future projected cash flows of the patent.⁴ This approach is difficult to use when it is hard to identify a definite income stream from a particular patent, such as in the case of a technology that has not yet been commercialised.⁵

Consequently, it is essential in assessing a patent's commercial value to analyse the actual technology described. Surprisingly, this aspect is often overlooked. An invention could have low development costs but could have high value due to its technical superiority, whereas an invention that costs a fortune to develop may have little practical use. An independent expert can evaluate the patent and assess the market, giving an unbiased opinion as to the "licenseability" of technology, and can facilitate patent exchanges. Risk modelling processes can be applied to identify patents that can be used offensively or defensively against a specific company or product in litigation; to identify patents that a company may wish to buy or license to strengthen their existing portfolio and/or insure the right to manufacture a product; to identify patents that may be

asserted against a company, and to identify potential alternative uses of non-core patented technology.

The buying and selling of patents, let us call it 'patent shopping,' can be likened to searching for a second-hand car. Ostensibly everything may seem fine, yet a closer inspection may reveal hidden problems, the smallest of which may render a purchase unwise and costly.

What is needed is a comprehensive system of risk modelling, to evaluate the strength of patents before recommending a purchase or settling on a price. This method ideally includes patent analysis by both qualified technical experts assessing patent claims and industry specialists who give insight on standards and trends. Contrary to citation analysis, this approach places importance on generating actionable knowledge over raw data. This includes the value of specific technologies to a company within its industry as well as extra-industrial applications, potential current and future licensees, and in some cases, targeting companies already using the technologies without authorisation. Without this analysis, it may be very difficult to tell the difference between an offer best left on the table and an offer that cannot be refused.

Large corporations often look to other companies for opportunities to license-in technologies for their own use. Having its own strategic IP portfolio places the company in a better bargaining position where it can negotiate the best licensing agreements by maximising the value of the transaction, receiving either money or other IP rights in exchange for the covenant not to sue. The need to have full knowledge of a company's patents in order to protect them on an assertion basis is illustrated by the *Cisco/Huawei* dispute. *Cisco claimed Huawei was infringing at least five patents, specifically copying word-for-word Cisco's technical documentation to the programming code, including sections that were used by Cisco for testing but are non-functional in the final product.*⁶ Such companies are increasingly willing to use their IP assets as a sword, rather than just as a shield, and to assert their value through litigation against new market entrants.

Selling patent portfolios offers a company the opportunity to receive a further return from what may have become non-core technology. Buying patents enables strategic acquirers to strengthen their existing coverage and launch more convincing licensing campaigns. It also means new entrants may enter a market with some umbrella IP protection. A recent trend, over which there has been some controversy, is the rise of the financial acquirers, who load patents into shell companies and then launch licensing campaigns. Both types of buyers must use an integrated risk modelling approach to ensure they get the right patents at the right price.

Whether you are running the IP department of a large corporate trying to reduce annual patent costs, or acquiring patents to assist with entry into a new market, risk modelling is essential in order to get the most bang from your patent buck.

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Notes:

- 1 Bowman J. Heiden, *The Microeconomic Asset Value of a Patent: An Empirical Study of Highly Valuable Swedish-owned Patents – Part I* Chalmers University of Technology, April 2001.
- 2 Richard J. Coddling and Matthew E. Hocker, "Patent for Sale by Owner: Caveat Emptor in the eCommerce Age" *Intellectual Property Today*, March 2000, p.8.
- 3 Jonathan A. Barney "A Study of Patent Mortality Rates: Using Statistical Survival Analysis to Rate and Value Patent Assets" *30 AIPLA Quarterly Journal* 317, p.323.
- 4 *Ibid*, p.321.
- 5 *Ibid*.
- 6 Mathew Fordahi, *Cisco, China's Huawei Settle Lawsuit* Associated Press, Wednesday July 28, 2004.

From across the pond...

U.S. Federal Circuit Appeals Court Signals Major Changes In Law Of Claim Construction, Damages

The United States Court of Appeals for the Federal Circuit – the appellate court vested with jurisdiction over appeals from all federal patent litigation matters – has in two recent cases undertaken to revisit, on a plenary basis, seemingly-settled law on fundamental issues important to all U.S. patentees as well as to those whose business involves, or is alleged to be implicated by, U.S. patents.

The court's *en banc* orders in these two cases (one of the orders has issued, in the other case the issues are fully briefed and awaiting determination) have the potential (1) to influence dramatically parties' (including potential licensees') decision whether to obtain an opinion of counsel when confronted with a patentee's patent, so as to avoid later imposition of enhanced damages, as well as (2) altering significantly the balance of power in patent claim construction proceedings.

Although the Federal Circuit has over a dozen seated judges, the great majority of all appeals are heard by three-judge panels of the court. The holdings of each of these panels are considered the law of the Circuit, and are authoritative in all patent matters at the trial and appellate level. However, it is a principle of U.S. law that no one panel of an appellate court can overrule or abrogate the holding of another panel. Instead, this power is reserved to the U.S. Supreme Court, and to the Circuit appellate court in its plenary or *en banc* form -- i.e., sitting with all eligible and available judges.

The rule that appellate court panels cannot overrule each other, while it preserves the hierarchy of judicial authority, can lead to inconsistency or inconvenience when multiple iterations of different three-judge panels issue mutually-inconsistent rulings on the same topic (albeit refraining from "overruling" each other, which they are forbidden to do), or when a rule enunciated in a previous panel or *en banc* decision eventually loses its usefulness or applicability, but cannot be circumvented without an obvious attack on clearly-precedential Circuit case-law. For these reasons, the Circuit judges as a group may, upon petition by a party, or *sua sponte*, re-hear any appeal *en banc*, and thereby (assuming a plurality or better of the judges join in a common opinion) overrule or re-shape the existing law on the issue under appeal.

This is precisely what has happened with respect to the issues of (1) willful patent infringement, which the court addressed *en banc* in a recent order in *Knorr-Bremse Systeme v. Dana Corp.*, 2004 WL 2049342, Nos. 01-1357, -1376, 02-1221, -1256 (Fed. Cir. Sept. 13, 2004) (available at <http://fedcir.gov/opinions/01-1357.doc>), and (2) the fundamental tenets of patent claim construction, as to which the court has invited briefs (<http://www.fedcir.gov/opinions/03-12690.doc>), but has not yet finally ruled, in *Phillips v. AWH Corp.* The Phillips case, once decided, has the potential to usher in the most sweeping revisions in U.S. claim construction principles in two decades or more.

Knorr-Bremse: Willful Infringement And The Status Of Opinion Letters On Patent Invalidity And Non-Infringement

On September 13, 2004, the Federal Circuit issued an order in *Knorr-Bremse* overruling its own prior precedents that had allowed adverse inferences as to willful infringement to be drawn against those parties who failed to obtain or produce opinions of patent counsel that would (in the event infringement were found) nonetheless 'justify' the accused infringer's conduct.

The removal of this inference is of potentially great importance because a finding of willful patent infringement allows the court to award damages up to three times the amount of actual economic damages assessed, plus reasonable attorney fees in exceptional cases.

Opinions of patent counsel, under the pre-*Knorr-Bremse* case-law, could exonerate infringing defendants by, for instance, demonstrating that defendant had, once on notice of the patentee's claims of infringement, procured or developed a reasonable, albeit ultimately-unsuccessful, defense as to why the patentee's claims were either invalid or not infringed by the defendant. This approach to defending against willful infringement charges made obtaining, and producing, such an opinion practically a *sine qua non* for any defendant who wished to show that his (alleged) infringement had not been willful.

The Federal Circuit held *en banc* in *Knorr-Bremse*, for the first time, that an alleged infringer's failure to obtain or produce a favorable opinion of counsel does not create an adverse inference that an opinion of counsel may have been unfavorable and/or consequently that the alleged infringer behaved improperly.

Although previous precedent of the Federal Circuit, which the court pointedly reiterated and re-endorsed, had stated that willful infringement would be determined by considering the "totality of the circumstances," it is only now, following *Knorr-Bremse*, that this issue will be determined without the spectre of a heavy and adverse inference or presumption that the unproduced or unobtained opinion of counsel may have indicated that infringement was likely. This change is important because it may relieve defendants of the difficult dilemma previously posed in deciding whether to produce an opinion, even if one was obtained: such production waives all attorney-client and work product privilege relating to the opinion, and thus goes against the strong interest in maintaining attorney-client confidences, but many clients have in the past been forced to forfeit such privilege and confidentiality protection by producing opinions because the alternative was the imposition of the harsh adverse inference that such opinion was unfavorable.

The removal of the evidentiary adverse inference does not do away with the doctrine of willful infringement or the possibility of proving it. It simply alters the procedural devices by which the patentee and defendant may present and rely upon their respective claims and defenses on willfulness, and the weight that these proofs will respectively be given.

The *Knorr-Bremse* decision made clear that the duty to avoid willful infringement has not vanished. According to the Federal Circuit opinion, once a potential patent infringer has actual notice of another's patent rights, a duty to exercise due care still exists to determine whether there is infringement. Thus, the Federal Circuit has not altered the settled principle that potential infringers still have an affirmative duty of due care to avoid infringing

known patent rights of others -- it has simply removed the automatic procedural presumption that an opinion of patent counsel effectively must be obtained and disclosed to the opponent in litigation in order to prevail on the willfulness issue.

It remains to be seen how the *Knorr-Bremse* decision will affect the substantial "patent opinion" practice that has developed over the years. At first consideration, however, the court's ruling should foster more extensive and franker communications between counsel and client. Even though no adverse inference will be drawn based upon defendant's not having or producing an opinion of counsel, it still is likely that having a non-infringement or invalidity opinion will remain the "gold standard" among defenses to willfulness, and that producing it will effectively counter a willful infringement charge, and avert imposition of enhanced damages, in almost any case. Thus, it still seems prudent to obtain the pre-activity opinion of patent counsel, and reserve until any subsequent litigation the option of producing the opinion if necessary, or maintaining it as privileged and confidential.

Phillips v. AWH Corp.: Federal Circuit To Undertake Comprehensive Review Of Patent Claim Construction Rules

The Federal Circuit announced this July, in issuing an order for *en banc* review of an appellate claim construction holding in *Phillips v. AWH Corp.*, 363 F.3d 1207 (Fed. Cir. 2004), that it would reconsider *en banc* a number of fundamental tenets of patent claim construction. The decision by the court indicates that the judges are aware of the significant inconsistencies and divergent approaches to claim construction that have become apparent (some might say notorious) among varying panels of the court in recent years, notwithstanding the Supreme Court's authoritative prescription for the basic rules of claim construction in *Markman v. Westview Instruments, Inc.*, 517 U.S. 70 (1996).

The recognized lack of consistency among panel decisions on the most basic of claim construction principles has arguably led to a troubling lack of predictability in the resolution of claim construction issues at both the district court and appellate level. Among the specific claim construction issues that the Federal Circuit will be considering on rehearing, and has invited new party and *amicus curiae* briefing upon, are: (1) the role and authority of dictionary definitions in claim construction; (2) the circumstances under which the patent specification can be the primary determinant of proper claim interpretation; (3) whether patent claims should be construed narrowly if necessary to preserve their validity; (4) the role of intrinsic and extrinsic evidence in claim construction; and (5) whether trial court claim constructions should be given any deference by the Federal Circuit on appeal.

Changes or clarifications to current case law on any of these issues could potentially alter significantly the dynamics and balance of power in claim construction proceedings. A ruling in the *en banc* rehearing of this significant case is unlikely to issue before the New Year.

Any parties having substantial involvement with U.S. patents will likely wish to pay continued attention to the Federal Circuit's renewed attempts to shape a coherent body of fundamental federal patent principles, and to how the Supreme Court and district courts respond to the Federal Circuit's efforts in this regard.

Jeffrey Sullivan, Baker Botts LLP, New York
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News from the Regions



LES (Scottish Branch) in association with BIA Scotland

LES Scotland was pleased to be invited to participate in the a half-day seminar run by BIA Scotland on the EC Technology Transfer Block Exemption Regulations (TTBE) on 2nd September 2004.

The TTBE Regulation came into force on 1st May 2004. It covers not only future proposed licence agreements but also those already in existence including those for products still in development. The Regulation has the potential therefore to impact on both current and future tech transfer deals!

Despite the best efforts of BIA and BTG in lobbying for amendment to the draft regulations (against significant time pressures and deadlines) it was clear from the seminar that there are probably some significant difficulties for all licence holders including those in the bioscience sector.

The meeting opened with Peter Cozens, Chair of BIA Intellectual Property Advisory Committee, giving an overview of the Regulation and its impact. The legal perspective was given by John McKinlay, DLA and Colin Miller, Biggart Baillie. Ian Harvey CEO BTG clarified the impact of the Regulation from the company viewpoint with several case studies to underscore his point. The Government perspective was given by Anthony Pygram from the DTI and the meeting closed with Ken Long, Wright Johnston and MacKenzie showing how the Regulations could affect licence agreements.

The presenters brought clarity to an extremely complex subject and gave good advice on how we should be managing the risk of potentially falling foul of TTBE. However, it was clear from the seminar that lobbying through organisations such as BIA was becoming an activity of increasing importance particularly if regulations such as TTBE were not to adversely affect the Biotech Industry and our capacity to do business.

Thanks are due to Heriot Watt Technology and Research Services for assistance with the venue and to BIA for the chance to participate in such an informative and relevant event with so many distinguished speakers.

The next diary date for LES Scottish Branch will be on Wednesday 3rd November 2004, entitled 'Kicking Round the Brand' - the game of sports merchandising. Venue Glasgow. Time 18:00 - 20:00.

Dr Cathy Rooney, SNBTS

PEOPLE NEWS

Hamish Corner has changed company. His new contact details are as follows:

Hamish Corner
Solicitor, Charles Russell

Direct telephone: (+44) (0)20 7203 5210
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Email: hamish.corner@charlesrussell.co.uk

LES International follows GB/I lead

A disrespectful LESI report from Barry Quest, the outgoing International Secretary. The disrespectful reminiscences will follow....

Delegates from the 30 member societies of LESI will get together in Boston (the USA one) October 22-23 at the annual autumn (or fall) Meeting at which the presidency changes. Delegates will review and vote on important issues which have arisen since the March meeting in Paris. They will take the opportunity to network, meet old friends, find out what is going on in the world of licensing and technology transfer, and attend committee meetings at which rash promises will be made about administrative and substantive IP projects to be undertaken in the forthcoming year.

LES GB/I is the second largest member society and has always been influential and active internationally – to the benefit of both LESI and GB/I.

The main event at the Boston meeting will be the unveiling of the new International web site. The present now-outdated site was very much a GB/I initiative which was run largely with voluntary assistance (to accommodate original International 'waste of money' objections). Recently it was decided to take the bold step of engaging a paid US web editor, Larry Plonsker, and to redesign the site completely

with the assistance of a team of expensive US web designers. The first prototype failed to impress and the format now adopted is based on the current GB/I site even including our innovative (but unfortunately unpatented!) scrolling IP-in-business section.

Another GB/I initiative was the informal European Presidents Group which originally faced International objection on the ground that it was becoming an influential LES body acting outside the control of LESI. Meetings of the Group were excitingly held clandestinely during lunch breaks in International Meetings. Now the Group is considered to be such a good idea that LESI has set itself the task of forming Asia Pacific and American Groups working on the same model. Progress on this will be reported in Boston.

Quite some years ago GB/I pursued various commercial options to get the society running effectively. We have long had a professionally produced newsletter with advertisements, and a paid secretariat. These were anathema to the 'voluntary' nature of LESI. At Boston, International Board reports will record significant expenditure on current paid for assistance, proposals for taking on further professional secretarial assistance, increasing revenue from Members link advertisements carried on the web site, and the new policy of encouraging Les Nouvelles advertisements even from law firms.

Long may our influence continue!

Time is running out for Peter Pan copyright

Peter Pan, the adolescent star of J M Barrie's 1904 timeless classic, is to take to the skies once again. A century after Peter and Tinkerbell rescued Wendy from the evil Captain Hook, Great Ormond Street Children's Hospital is holding a competition to find an author to write a sequel to Sir Barrie's masterpiece.

The philanthropic author died in 1937, eight years after gifting the copyright in Peter Pan to the hospital. While the threat of pirates in Never Never Land undoubtedly calls for Peter's heroics once more, the real reason for his return is far less fantastical.

Over the years, the copyright in the creation has proved a vital source of funds and brought happiness to the hospital's young patients. However, the copyright will soon lapse – in 2007 in Europe and 2023 in the United States. Given the imminent reduction in royalties the hospital expects to receive upon expiry of copyright around the world, the fresh copyright in a sequel represents an attractive source of income.

The position in the UK is somewhat different. The copyright in the stage version of Peter Pan is guaranteed in perpetuity by a rather exceptional clause in the Copyright, Designs and Patents Act 1988. The UK copyright originally expired in 1987, 50 years after Barrie's death. Former Prime Minister Lord Callaghan benevolently proposed a statutory amendment to the Copyright Bill. The fairytale result – s.301 and Schedule 6 of the CDPA 1988 – conferred upon the hospital's trustees a perpetual copyright in the play Peter Pan as regards acts taking place in the UK. Any person performing the work or a substantial part of it in public,

publishing it commercially or broadcasting it is obliged to pay royalties or some other agreed form of remuneration to the trustees of the hospital. If the amount cannot be agreed, the matter may be referred to the Copyright Tribunal which will determine a reasonable payment.

Although it expired in 1987, copyright in Peter Pan was in fact revived under the Duration of Copyright and Rights in Performances Regulations 1995. This revived copyright in the UK would, were it not for the special provisions of the 1988 Act, expire at the end of 2007. Until then, reg.24(6) prevents an overlap between the general rights of the copyright owner under s.16 of the 1988 Act (subject to the limitations applicable to all revived copyrights) and the more limited rights conferred under Schedule 6. The Regulation provides that the obligation in Schedule 6 to pay royalties to the hospital is exhaustive of the duties of a person to pay remuneration for exploitation of the work covered by the perpetual copyright.

The perpetual copyright in the play Peter Pan seems even more noteworthy given the abolition by the 1988 Act of certain well-established perpetual copyrights. Unpublished works, and books given to universities and colleges, no longer attract perpetual copyrights as had been the case since the Copyright Act 1775.

A legal dispute between Great Ormond Street Children's Hospital and author Emily Somma is currently ongoing in the US over her derivative work involving the original characters from Peter Pan that, she argues, are now in the public domain. In the meantime, the hospital is hoping that the competition it is running will find the author to officially revive Peter Pan. The sequel is intended to be published next autumn.

Daniel Lowen, Bird & Bird

LES Council Members

Dai Davis – a profile



Dai is a Technology Lawyer. He read Physics at Keble College, Oxford and took a Masters Degree in Computing Science at the University of Newcastle-upon-Tyne before qualifying as a Solicitor.

He is a qualified Chartered Engineer and Member of the Institution of Electrical Engineers.

Dai has been a member of the Licensing Executives Society since 1987. For the past few years he has been an active member of the Laws committee of the Society: having organised and chaired workshop sessions at most of the last few annual conferences. He has also been responsible for making several submissions on behalf of the Society and the Laws Committee on matters on which the society has been asked for its opinion by Government.

For the last six years, Dai has been a full time consultant with national law firm Nabarro Nathanson where he is Head of IT Group (North). Dai advises clients on intellectual property, computer and technology law subjects including such topical matters as E-Commerce issues. He is conversant with the "CE Marking" legislation. Dai is a regular contributor to legal and technology journals and is a panellist to the World E-Business Law Report.

Dai is a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce. Dai is the convenor of the International Electro-technical Committee TC56 - Legal Advisory Working Group (IEC

TC56 being the organisation which is responsible for drafting international maintainability and dependability standards). Dai is a member of the Executive Committee of the IEE Professional Management Network.

In particular Dai hopes strengthen the LES Council with his knowledge of IT licensing and seminar organisation.

Dai is married with a young son. He enjoys tennis, reading and computer programming. He can be contacted by e-mail at daidavis@iee.org or by telephone on 07785 771 721.

Christopher Bartlett – a profile

Chris has been a member of LES since the early 1990s and in recent years has worked in support of the annual conference programmes.

His industrial career began with 7 years as a Development Engineer with Pilkingtons on process and defence work, and he then ran the UK sales office for Chicago-based Morton Advanced Materials, providing pan-European technical support to sister offices.

For the next 8 years he headed up BTG's advanced materials interests, licensing into the USA, Europe, Russia and Japan. He was then IP Manager at Madge Networks for 2 years, and joined the Corporate Legal Dept at British Telecommunications plc for a further 2 years before moving to QinetiQ in early 2003 where his role centres on broad IP management issues in support of commercial operations.

He has a degree and PhD from Imperial College and an MBA from Durham Business School. He has particular interests in copyright and software licensing, and the establishment of a recognised professional licensing qualifications structure in the UK.



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A New Members Perspective

I recently became a member of LES. It was clear that I needed to know more about IP and licensing.

This is an account from the perspective of someone who promotes the products, services and interests of innovative companies.

In 1998 I left the corporate worlds I have known to start as an independent marketing consultant for technology based businesses. It quickly became apparent that IP and licensing are issues that run through the whole history of the enterprises I can count as clients

I have greatly appreciated the short association I have with LES because it is through the Society that I was introduced to the excellent and succinct IP management overview by Kieran Comerford, "Managing Technology and Intellectual Assets" as well as the fascinating accounts from LES members of how various IP departments in large companies address the management of their intellectual property portfolios.

In parallel with this I have had a productive relationship with a technology transfer company, which has given me a tremendous opportunity to be involved in market assessments, where in some cases the innovation is little more than an idea. I have also recently been introduced to an association with the UK's largest Business Angel capital outfit. This is a very exciting way to be introduced to innovative businesses seeking to grow during a crucial formative phase with the help of private venture capital funding. This is where a smaller company's effort put into IP issues begins to show some value.

In my opinion all of the above are parts of successfully marketing a modern, innovative, entrepreneurial business – they involve market research, planning of market exploitation and practical marketing

of the business itself to potential investors as well as to customers. That said, marketing is really about people!

I do get a sense from the LES articles I have read that IP professionals have to make a point of being objective, detached and methodical about technology. I would like to start a debate within the society about the place for people factors and for smaller enterprises in the world of licensing.

I have shown alongside some research findings from NBAN (the National Business Angels Network) on why angels invest and why they do not.

The rejections suggest that a significant number of smaller businesses could be more systematic about IP matters. A proportion of angel investments are made in fields where you might not expect IPR to confer business advantage and therefore it would not feature highly in the rejection or acceptance stakes. Nevertheless seeing these results gave me pause to reflect yet again that people factors tend to outweigh technical factors in business decisions. I would like to learn some more about the people factors in the world of licensing. Are the above results surprising to members of LES? Are there in fact significant people factors when a decision is made to accept or reject continuance of individual IP's in large and small portfolios?

Simon Heywood
Zianetti Ltd
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PRIME REASON FOR REJECTION:	%
• Poor management team and personal chemistry	23
• Lack of exit routes	20
• Unsuitable deal origination and location	20
• High financial risks with uncertain rewards	10
• Poor intellectual property, product or service	9
• Not a niche market with barriers	8
• Limited sales potential	5
• Poor market growth potential	5
PRIME REASON FOR INVESTING:	%
• Good balance of risks and potential rewards	25
• Liked the management and its ability	20
• Good exit routes	17
• Excellent sales potential in profitable niche market	12
• Investor could add value with skills and experience	11
• Substantial market lead or protection of good IPR	8
• Liked the product/service	4
• Tax incentives (eg EIS)	3



Events Diary 2004-2006

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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)

6 October 2004 LES Benelux

Full day topic meeting
Rotterdam
"LES Benelux Meets the Judges – Recent Developments in the Jurisprudence of IP"
For further information see www.benelux.les-europe.org or email: meeting@benelux.les-europe.org

13 October 2004 LES London

The Apothecaries hall
Speaker: J Carl Allen of Forrester Research Inc
"Technology meets Venture Capital"
For further information please contact: Matthew Hailey
Email: les@glasconf.demon.co.uk

17-21 October 2004 LES USA & Canada



40th Annual Meeting
"Solutions through Synergy"
The Marriot, Copley Place, Boston
For further details please see: www.usa-canada.les.org/2004/annual/

3 November 2004 LES Scottish Branch

18.00-20.00
"Kicking Round the Brand"
E-mail: cathy.rooney@snbts.csa.scot.nhs.uk

16 November 2004 LES London

The Apothecaries hall
Speaker: Andrew Muir
Programme Manager of NESTA
"What has NESTA learnt from 150 early stage investments?"
For further information please contact: Matthew Hailey
Email: les@glasconf.demon.co.uk

6 January 2005 LES London

The Rt Hon Lord Justice Robin Jacob
For further information please contact:
Email: les@glasconf.demon.co.uk

10 February 2005 LES B&I Annual Lunch

The Savoy, London
For further information please contact: Matthew Hailey
Email: les@glasconf.demon.co.uk

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:

Richard Bird, Clifford Chance LLP; Peter Brown, Qinetiq; Roman Cholit, Student at QMW; Darren Daly, BCM Hanby Wallace; James Evans; Micropatent; Frederique Peroy, University of the Arts, London; Ena Prosser, Enterprise Ireland; Sue Ratcliffe, Urquhart Dykes & Lord LLP; Ian Robinson, Appleyard Lees; Colin Sainsbury, BCM Hanby Wallace; Theo Savvides, Osborne Clarke; Mark Warburton, Cuprotext plc; Emma Wilson, QED Intellectual Property Ltd.; David Winstanley, Sheffield University Enterprises Limited; Ashley Winton, Pillsbury Winthrop.

Membership

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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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