

**RESPONSE BY THE CHARTERED INSTITUTE OF PATENT AGENTS TO THE
CALL FOR EVIDENCE BY THE GOWERS REVIEW OF INTELLECTUAL
PROPERTY**

These comments are made on behalf of the Chartered Institute of Patent Agents.

The Chartered Institute of Patent Agents (“**CIPA**”) welcomes the opportunity to submit evidence to the Gowers Review.

This response is divided into several parts:

1. Background to CIPA and its submission to the Gowers review
2. Introduction and Summary
3. Observations on the operation of the intellectual property system, as CIPA members experience it, particularly in the context of the Background section in the Call for Evidence – this is embedded in “Background” text of the Call for Evidence
4. Responses to specific responses to the questions identified by the Call for Evidence
5. Further comments including areas on which the Gowers review may wish to consider examining current tissues

Sections 4 and 5 have been embedded within a copy of the text of the Call for Evidence, and are shown in bold italics.

1. BACKGROUND TO THE CHARTERED INSTITUTE OF PATENT AGENTS

The Chartered Institute of Patent Agents is the body which represents almost all patent agents in the UK. It was formed in 1882 and granted a royal charter in 1891.

Members of the CIPA advise and represent their clients in relation to patents, trade marks, designs and other intellectual property including confidential information.

They are responsible for the vast majority of patent applications made to the UK Patent Office and a high proportion of registered design applications before the UK Designs Registry, and of applications made in the European Patent Office and Community Designs Office by UK based companies, as well as, in many cases, companies in jurisdictions outside the UK. Many of them are registered trade mark agents and form a majority of all registered trade mark agents. As such their clients also have a very substantial interest in trade mark protection.

Members of the CIPA advise their clients on, and in many case are directly involved in enforcement of patents, trade marks, designs and frequently in respect of copyright.

In this capacity members have a strong interest in maintaining the effectiveness of the intellectual property regime on behalf of their clients, and ensuring that effective and appropriate measures are in place for enforcement. Members also advise those who seek to remain free to carry out activities without infringement of third party rights, and therefore also have an interest in a fair and balanced system, which reflects both the needs of those who seek protection and those who are affected by such protection.

In this position, CIPA, through its members, has considerable experience of the operation of the UK intellectual property system, in particular in relation to patents, registered designs and trade marks and related rights such as supplementary protection certificates and plant breeders rights, and also in relation to the industrial and product design aspects of copyright (including to some extent computer software), unregistered design rights and confidential information.

Reference in this response to CIPA or “we” are intended to reflect the experience of members of CIPA in their professional capacity acting for users of the intellectual property system.

2. INTRODUCTION AND SUMMARY

Introduction:

The UK economy is knowledge-based. Within that broad framework IP rights underpin crucial money earners for the UK: the UK has a huge positive balance of payments from copyright; trade marks are crucial to branded products sold across the world by UK companies; and patents ensure that profits from research-based innovation are not undercut by competitors riding on UK R&D.

We do have some overall concerns about some of the underlying assumptions set out in the background, which might suggest a specific agenda driving part of the review, perhaps influenced media representation of “topical” issues such copyright in the digital world and software patents debates. The introduction contains some very negative references, e.g to "restricted or restrictive licensing" and "overly broad" patent protection. We are concerned that these are

It is our experience that media coverage of IP issues is often based on misunderstandings of the IP system. For example there are frequently reports about so-called "trivial patents" which turn out to be merely patent applications that have not yet been examined. Similarly, many of the issues highlighted in the media are specific to the USA.

We are pleased that the introduction to the review acknowledges that the UK's IP framework is a critical component of the UK's success in the global economy. Generally, we consider that the IP system in the UK and Europe works effectively. Like any other system, the IP system is not perfect, but it is in general very good. It incorporates numerous checks and balances to maintain the proper relationship between owners of IP, their competitors, consumers and the wider public interest. This relationship should not be upset by making significant changes unless there is sound research and hard evidence to justify any such changes. The review should also avoid a debate on some issues on which there may be genuine concerns drawing in other areas (such as trade marks and designs) which operate in a fundamentally different context and to which the same concerns do not apply. For example, trade marks and designs have a vital role in combatting the tide of piracy and counterfeiting (often funding organised crime) which threatens to overwhelm EU industry, none of which appears to be recognised in the background to the review.

Summary:

- In general the IP system in the UK is works effectively. Changes to it should only be undertaken with considerable caution.
- In addition the quality of access and of information about the system are also generally good.
- There are a number of issues in relation to the operation of the “system” itself to which consideration should be given:
 - The costs of enforcement or challenge are very high, and in some cases (but not all) this is inappropriate and a significant disincentive to enforcement or freedom of action. This is particularly so in relation to the patent system.

- Retaining quality of granted rights in the patent system is of major importance.
- Continuing international harmonisation is likely to be valuable, although not at any cost.
- At a European level
 - There is some concern about the costs of obtaining patent protection in Europe. In particular reduction in translation costs should be a focus, and the London Agreement should be pressed forward.
 - Harmonisation on the litigation front through the EPLA should be promoted, although details need to be sorted out and we do not support the current transitional arrangements.
 - The use of specialists (patent and trade mark attorneys) in intellectual property matters in the “higher” European Courts should be assured and steps taken to obtain a political consensus and to amend the EU provisions where necessary, to parallel access in the UK.
- There are several further areas in which we would make recommendations:
 - There needs to be a suitable formally constituted body where IP issues can be debated and where users of the system can interact with each other and with the Patent Office.
 - We believe that the government should ensure that high quality, properly informed independent research is carried out into IP issues, including the economic and social consequences of any proposed changes to the system.
 - There should be improved linkage across government in relation to IP policy and an understanding of IP and IP issues.
 - Steps should be taken to promote the value and importance of IP to the UK economy in the public perception.

GOWERS REVIEW OF INTELLECTUAL PROPERTY

3. OBSERVATIONS ON THE OPERATION OF THE INTELLECTUAL PROPERTY SYSTEM: Comments on background framework in which IP sits and Gowers' review background

BACKGROUND

While it has been suggested that the present UK system strikes broadly the right balance between consumers and rights-holders, it also appears that there are a variety of practical issues with the existing framework. For example:

- Past legislative reform has resulted in a highly complex IP system. While a degree of complexity is inevitable in a system covering a wide range of products and innovations, aspects of the system appear to have become increasingly opaque. There may be options to improve the transparency of the system and increase business awareness of IP, making the system easier to navigate.

COMMENT: We note that the underlying assumption here is very simplistic. The international system for protecting intellectual property is unsurprisingly complex as it addresses 5 or more different groups of rights in over 150 jurisdictions. There are international arrangements in place which make it much easier to obtain broad geographical protection than if users had to deal with each international jurisdiction independently. Ironically, some complexity arises from the very flexibility given by having such international arrangements available- eg various options of filing strategy (UK, EPO, PCT). You have to get a balance. If there were no options things would be simpler, but people would complain about lack of flexibility.

The national system (with EU) is fairly complex. However, this is not necessarily a result of legislative reform, and it is not particularly opaque, although media make it seem so.

The UK IP system itself is not as complex as it first appears. It comprises discrete parts. Somebody interested in one type of IP usually is not confronted with another. For all types of IP the complexity is mainly in the application of the law to particular facts rather than in the law itself. IP law is not as complicated as many other areas of law eg tax law and contract law.

The IP system has developed over many years. It contains checks and balances between the interests of innovators as rights-holders and as those affected by others' rights and the interests of broader society. The systems are broadly harmonised internationally and governed by international treaties of long standing as well as national laws consistent with the international obligations.

There is always room for more awareness although CIPA believes that there are considerable efforts both on the part of the UK Patent Office and CIPA itself, as well as other sectors of government and non-governmental organisations to address this. CIPA itself has an awareness programme

- Obtaining IP rights can impose significant costs on businesses and innovators. For example, evidence suggests that securing patent protection in a selection of European countries and in the USA typically costs around £75,000 over the first seven years, including legal fees and renewal fees. Moreover, it appears to be considerably more expensive to obtain patent protection across Europe than it is in the US, largely due to translation fees and other costs at the national level. These figures do not include the costs of enforcing IP and challenging infringement through litigation, which also appear to be very high, often prohibitively so, especially for small and medium enterprises. This may be acting as a barrier to efficient enforcement of IP rights and equally as a deterrent to innocent parties being able to challenge dubious rights. Efforts to agree a European Community Patent, aimed in part at reducing these costs, have repeatedly foundered.

COMMENT: Some rights are obtained without any payment (eg copyright, database rights); some rights are less costly (eg trade marks, registered designs); patent protection costs a significant amount, although in the UK alone the cost is quite low. But where ideas and technologies are complex, the research and development which gives rise to patents is costly. Overall costs are in general reasonable. There are questions: is there a way of realistically taking cost out of the system (translation costs and further international harmonisation - eg, European Patent Litigation Agreement - are possibilities)? ; and can costs for inventions which come from a smaller research base/smaller enterprises be reduced (discussed under costs)?

- While patents provide a vital incentive for innovation, the granting of overly broad patent protection, together with restrictive or restricted licensing of IP, can impede the development of the next generation of products and reduce competition. The practice of obtaining patents defensively also appears to be widespread in some industries, where rights holders have no intention to develop marketable products or to license the IP to others, but wish to prevent others from undertaking research and development in similar areas. Others may hold defensive patents and seek to generate revenue not by commercialising them, but by seeking out potential infringers and proposing licensing agreements to them under threat of litigation. While such practices are legal, they may hinder innovation if the original patent was dubious or too broad in scope, and impose barriers to market entry for those who have

legitimate innovations but are unable to risk litigation. Use of a patent in a way that places a burden on innovation rather than stimulating it will not be achieving the objective of the patent system.

COMMENT: This statement mixes different issues: the largely discredited “everlasting lightbulb” myth; the necessary use of defensive patents to secure effective protection for real innovation; and the quality of examination of patents. There are concerns arising out of the last of these and also the enforcement issues; there are also issues in relation in particular to the USA. Both the general question and the specific issues are discussed below.

Note also that the use of the term “defensive” in relation to protection strategies has many different meanings. In the electronics sector particularly, some businesses build up portfolios of patents so that, if challenged by another party, they have something to respond with. This results in part from the rather different nature of the electronics industry, where the operation of many of the products will involve many different elements, and that operation may not be visible externally at all, with a consequent impact on the detection of infringement and the need for patent protection.

In other cases “defensive” patents are filed to prevent others obtaining a monopoly, so that the filer can preserve freedom of action.

These different approaches also reflect a factor which is relevant throughout this response: that different sectors of industry use IP in very different ways, and have built business models around how IP can effectively be used in those sectors.

- The increasing complexity of high-tech products and of scientific research may also be leading to problems. Firms often need to use large numbers of existing patents to develop a new product. They may find themselves having to negotiate complex licensing agreements, often with multiple rights-holders holding overlapping patents, in order to emerge from so-called “patent thickets”. Delays in patents being granted can also lead to new products inadvertently infringing on patents issued after these products were brought to market. These problems are at their most extreme in high-tech industries such as computing and telecoms because of the complex and fast moving nature of the innovations concerned and the need to set formal technological standards and ensure interoperability.

COMMENT: Several issues are muddled together here. The highlighted issue is primarily in relation to patented technology. Technological development is becoming more complex as technologies become more complex. The advantage of the patent system is that the details are published – either in a patent, or, because of a patent, in other publications. In many cases if there were no patent protection then, there would be no publication and others would not have the

innovation available to use so they would not benefit from the work others are doing anyway. The owners are therefore protecting a legitimate interest.

In other areas such as parts of electronics and communications, there may be significant numbers of patents owned by other parties. Often “thickets” are not present: there are often alternative routes or those wishing to take advantage of another’s innovation can buy the necessary components to achieve this.

Availability of licences in these areas is discussed below.

The second issue is of late publication of protection (rarely delayed more than 18 months now and we are not aware that there are significant issues over this in most fields). Formerly there were problems in the US market).

There are two further issues: in many cases in the electronics and software field, businesses deliberately do not search competitors' patents. The reason is that there is some protection for the innocent infringer and in the USA there are serious penalties for knowingly infringing.

Secondly, in some fields, particularly at the moment in electronics and computing, it is not easy to determine in advance of grant what the scope of a granted patent is likely to be. This results in businesses knowingly taking a risk or being deterred in the face of uncertainty as to whether the patent will be granted. Indeed, this remains an issue even after grant in some fields of technology, where there are frequently doubts about the validity even after examination and grant. This is a particularly serious issue in the USA.

- Increasingly firms appear to be innovating collaboratively, and using crosslicensing agreements and “patent pools” to share their IP with other firms and reduce the need for costly and time consuming negotiations. However, while this may enable innovation among the firms involved, it may also increase barriers to market entry for others.

COMMENT: Again there is more than one issue here. Businesses are working collaboratively, encouraged, amongst other reasons, by EU grant funding conditions which often require an element of collaborative working. Sometime these do result in “pooled” IP rights, and it may mean that outsiders find it less easy to enter the market. However, collaborators are advised about competition law issues, so that unfair market barriers should be avoided. As a separate issue, parties working in similar fields, especially where they are involved in development of small elements required in a technology will need to cross-licence technologies in related areas in order to make use of such technology. As a result patent pools will be created. However, each instance of patent pooling needs to be looked at on its own merits, in order to see whether it creates unfair barriers to market entry, and it should be noted that, without pooling it would often be impractical to move forward on developments at all.

This is illustrate in areas involving the development of standards, for example in the communications industry. The cost of entry reflects the substantial cost of R&D incurred by the players who are developing the systems, which can then be exploited more broadly. A number of years later, the cost of entry may look like a barrier to entry, but those who are seeking to enter are obtaining the advantage not just of substantial R&D, but of the developments of the market (and the absence of development risk associated with an established technology base).

- The widespread use of the Internet and the advent of high-speed digital networks has made it increasingly easy to copy and share digital information quickly, easily and without appreciable loss of quality. This has enabled widespread copyright infringement, most notably the use of file sharing technologies to download unlicensed music. It has been suggested that copyright exceptions lack clarity and are ill equipped to deal with these technological challenges. Furthermore public awareness of the boundaries of lawful use is low, and legal sanctions on infringement appear to lack clarity and consistency across different forms of IP.

COMMENT: We have discussed aspects of clarity in the copyright exceptions below. We do not believe that the sanctions particularly lack clarity or consistency – a range of remedies is available from injunctive relief to damages or an account of profits, with the amount depending on whether actual damage is likely to be suffered or not, and in some cases criminal sanctions are available. A “lack of consistency” implies that there is a common element across intellectual property rights by which consistency can be assessed. As we have pointed out above, there are substantial differences in different forms of intellectual property, which serve different purposes, and that there should be no assumption that sanctions should be the same, and indeed it would be inappropriate if they were the same. Further, while there have undoubtedly been challenges to concepts within the IP arena as a result of digital technology (including the very concept of copyright applying to software at all), actually the evidence is that the existing legal framework has coped remarkably well, and better in many respects than tailored frameworks such as the Computer Misuse Act and Electronic Communications Regulations, which are already showing their age and are difficult to interpret despite (indeed probably because of) their specifically directed content. Perhaps, in the context of copyright and “digital” infringement, one of the areas of perceived inconsistency is the lack of criminal sanctions for certain forms of infringement, while there are criminal sanctions for others. In particular, the existence of criminal sanctions would be wholly inappropriate in relation to patent infringement, where it could result in significant chilling of innovation. In relation to the public awareness of the boundaries of acceptable use, and “fair use” and related exceptions, there have been difficulties and there are areas which certainly could helpfully reflect the generally accepted or appropriate current level of approbation or disapprobation of particular conduct. If there is an issue here it is in a mismatch between public perception of what is fair and (in the UK) the existing narrowly interpreted exceptions to infringement This is partly a factor of public awareness (largely

induced by the media's inability to report accurately on the relevant issues – range from talking about patenting Princess Diana to copyright in brand names), and partly a substantial mismatch between user expectations, particularly with the younger generations and the existing law.

- There may also be a number of barriers to efficient markets for copyright licensing. A significant proportion of copyrighted works are presently unavailable because they have little private value to the existing rightsholder – they do not merit the cost of being re-issued. Such works are therefore inaccessible to consumers and to other firms wishing to license or purchase the rights, and it often becomes difficult to trace the authors and rightsholders of such works.

COMMENT: Yes, this is an issue, in some cases. It is made more serious by the fact that making copies in these circumstances may amount to a criminal offence, and moreover one with “proceeds of crime” implications attaching, even where no harm is intended or done.

4. RESPONSES TO SPECIFIC QUESTIONS

GENERAL QUESTIONS

1. How IP is awarded

- (a) Are there barriers to obtaining IP rights due to system complexity? What could be done to improve this situation?

COMMENT: The rights to which this question appears to apply are registered rights: patents, trade marks and registered designs.

Of these there is no evidence that we are aware of that the trade marks and registered design systems are so complex that they represent a barrier to obtaining the relevant rights. There is significant evidence to the contrary, in that there a significant number of applications made without professional representation. In relation to UK Registered Designs the majority of filers are unrepresented and typically registration takes only a few months which suggests that the system is relatively simple. There are complexities in having two systems (Community and UK national, as well as different routes by which applications can be made, but we are not aware that this presents a barrier – indeed the existence of the Community system and international arrangements are an additional option which permits a user to use the national system alone for national protection, or to use the international arrangements to simplify what would otherwise be a very complex system for obtaining protection in more than one jurisdiction.

In relation to patents/inventions, again we are not aware, except possibly as noted below in relation to computer implemented inventions, that the system complexity creates a barrier to obtaining rights. Certainly, when the issues are explained by professional representatives to lay clients, representatives generally find that the clients do not see a barrier to applying. We would add that, in the case of patents, it is almost inevitable that professional representation is required, and this is reflected in the guidance already given by the UK Patent Office. For patents, there is a greater level of complexity, but this is related to the subject matter: patents provide a monopoly (ie give a right to exclude others regardless of whether the others copied or independently developed the subject matter) and relate to technical innovations. It is inherent in them that they require a distinction between the technology which is already known or accessible, and that which is not, and this distinction must either be made at the time of grant or when determining infringement. By its nature the distinction is one which requires a complex analysis, as well as understanding the context in which the monopoly is granted. If the work necessary to provide this distinction were made at the time of determining infringement, it would be done by many people, and would also lead to great uncertainty in the interim before the scope were clearly defined. This would cause greater issues in terms of the existence of patents of poorly defined scope.

In relation to computer implemented inventions, the issue of whether software is patentable gives rise to confusion, and this probably does act as a disincentive at the level of the inventor or business: all “technology” is patentable, but not computer programs per se (a branch of IT !) so that there may well be some misunderstanding in business. However, there has also been a considerable amount of discussion of the issues, and even if the system were reformed, this probably would not dispel the huge amount of misinformation out there – not least because of the level of (often misinformed) antipathy to software patents.

- (b) How easy is it to find out about obtaining IP rights? What could be done to improve awareness for businesses and innovators? Is there sufficient awareness of the need to protect IP internationally?

COMMENT: There is a considerable amount of information available in relation to obtaining patent protection on the internet and by way of publications. This addresses mostly the formal issues in relation to obtaining protection, which is what is believed to be referred to here.

The UK Patent Office provides excellent material on-line, by help-lines and with leaflets/brochures on how to obtain IP rights. But there is a need for greater awareness on IP.

Again, in relation to obtaining rights, it is assumed that this refers primarily to registered rights (as other rights arise automatically in the correct circumstances (Note: there are of course both steps which can be taken to “obtain” certain unregistered rights, such as ensuring first release in the correct jurisdiction, although these have a fairly narrow relevance). In all cases there is very adequate information on for example the UK Patent Office website. In addition, in relation to patent protection, as noted above, it is almost certainly very desirable that professional assistance is sought, because the inherent nature of the rights means that the demarcation between what can and cannot be protected is a complex technical question. In this case advice is available from professionals, in particular members of CIPA. Furthermore it is common for members of CIPA to provide a period of initial consultation free of charge so that an understanding can be obtained, and in addition CIPA runs a series of clinics allowing inventors to learn more, free of charge, about the potential for protection of their inventions.

In general also our members experience is that awareness about patent protection and the need to obtain it is at a pretty high level among the inherently research-based innovative industries. Certainly as soon as any business considers seeking financing it will obtain information on the desirability of protection of intellectual property, and usually if it has contacts with other entrepreneurs in the field (which is strongly encouraged, and for which there are now a substantial number of networks) it is likely to encounter such advice. Moreover, since the Lambert Review (and partly as a result of it) it is much more likely that those going through the higher education system will encounter such information. We suggest the Gowers review also recommend that all creative and technical courses should contain modules on IP.

In relation to international protection amongst those who are aware of the general issues of protection, particularly in the research-based innovative industries, there is a high awareness of the need for international protection. Anybody in the UK seriously interested in obtaining IP protection in the UK will almost certainly think of other markets for his or her products – there is plenty of encouragement and information on this – and recognise the importance of IP protection outside the UK if relevant. If that does not happen his or her professional advisors eg patent and trade mark attorneys fill the gap.

There remains a question as to whether other businesses (ie those that are not innovative, research based businesses) are particularly aware of IP protection. There are smaller businesses, particularly where there is not a significant level of investment in research or brand development, which remain relatively unaware of the possible significance of IP to their businesses, so that issues do arise with these businesses in inadequate protection for trade marks and also by use of registered designs, and of their infringement of third party rights in some cases. However, we question whether this level of unawareness is significantly greater than their level of unawareness of other important business and regulatory issues.

In most such cases there is also little need to protect internationally, although there can clearly be issues in relation to a lack of protection elsewhere in the EU, and there are potential advantages such as possible licensing opportunities (which would have to be weighed against the costs and likelihood of taking the benefit of those advantages) in international protection.

It is also possible that in some cases such businesses publish before seeking patent protection, and so lose the possibility of patent protection. The existence of a grace period (as in the USA, and in respect of registered design protection in the EU and UK) could be introduced to protect their position. However, experience in the USA, and in relation to registered designs in the UK indicates that a grace period adds considerably to the difficulty of assessing the validity or enforceability of rights, and so adds to the costs of enforcement and ability of competitors to assess the risk of infringement.

(c) Are there barriers to obtaining UK IP rights on grounds of cost? What drives these costs?

COMMENT: Again this question is primarily directed to obtaining registered rights, and we suspect patent protection.

In relation to trade marks and registered designs, costs in the UK are extremely low for obtaining individual rights, and compare favourably with those in other jurisdictions. In the EU they are still very reasonable. We can comment on this further.

In relation to patent protection, costs are still usually a relatively small part of the likely research budget which gives rise to inventions worth protecting. The costs for UK patent protection are low, and are very favourable compared with other jurisdictions. The costs for EPC patent protection are

rather higher, and, taking into account translation costs are unfavourable compared with individual other countries, including the USA. Leaving out translation costs, the costs are generally not regarded by practitioners as unreasonable or excessive compared with other jurisdictions (and there are mechanisms by which translation costs could be reduced, which should be supported, such as the London Agreement (or at least central validation of EU required translations)).

The component elements of the costs are national office fees (and international office fees where an international or regional route is taken), country-of-origin professional fees both for original drafting and filing and for prosecution (correspondence with the local office), local (in the country of filing) professional fees (for filing and prosecution), translation costs and costs of certifying translations to local requirements. The biggest significant element which causes an increase in the EPC costs are the costs of translation.

While overall practitioners regard the costs as reasonable, (leaving aside any comments on translation costs) there remains a question of whether in some fields, particularly where research is not intense, these costs are a barrier. All practitioners have experience of clients saying that they will not seek patent protection or a wide scope of patent protection on the basis of cost. However, if a potential patent applicant is not prepared to commit the levels of cost currently required for protection, it is unlikely in most cases that they will have the usually significant resources for developing their invention and putting it on the market and therefore the inability to obtain patent protection will not have a material impact on the development of innovation as a whole. In general the only circumstances where this “barrier” could be material is where an invention is made without any significant investment and it also “finds a market” similarly without devotion of resources. Our experience is that this is not the nature of most inventions, and that, to the extent cost may be dissuasive in this context, it is not likely to have a significant effect on real levels of economic activity. A patent system (or other intellectual property system) should not be designed around such eventualities if it impairs the quality of overall protection materially.

It is worth adding here that although larger businesses are not believed to be dissuaded from patenting as a result of costs in general, the costs do affect the size of portfolio and the geographical scope. In some respects this is an advantage as it restricts retention of unnecessary patents; in other cases patents in large portfolios may be abandoned and subsequently be found to have been valuable.

On the other hand, having moderate barriers to obtaining and retaining IP rights is important, especially in relation to “monopoly” rights, such as patents, registered designs and registered trade marks, as otherwise applications and registrations will proliferate with a consequent impact on competition because of the need to analyse these. There is a balance to be struck here.

There are moves in the wrong direction here also, by shifting later costs to become up-front costs: potentially in the debate about UK Patent Office Fees and the recent move to enhanced search reports for EP/PCT has been a significant hindrance here. In the past, if the search was bad, you

did not proceed with examination. Now you have to pay in effect upfront for some of the examination, even when you do not want it. So the fee structure for EP/PCT has moved in the wrong direction recently - you want a filing and search fee as low as possible. I am also concerned that the UKPO wants to increase the initial fees.

(d) How do these costs compare internationally in your organisation's experience?

COMMENT: We have commented on this above: they are reasonable in the UK; in general they are reasonable in the EU, although, in relation to patents, something must be done to reduce translation costs. (Translation costs are not significant issues for registered designs or generally for trade marks).

(e) Do you have any comments on the UK Patent Office fees structure for obtaining and renewing IP protection?

COMMENT: The UK Patent Office fees structure for patents should continue to rest on the following principles: a) cover costs; b) no cross-subsidy between IP rights; and c) provide low-cost entry to the system and relatively high renewal fees to ensure that successful innovations subsidise ready entry to the system.

We believe there are significant advantages in the back-loaded approach. Even if the amount of fees for early years are relatively low by comparison with professional fees, we see a significant psychological benefit for applicants using the system, in seeing low initial fees. Accordingly we feel the existing balance between front-loading and back-loading of fees should be retained. In addition, front loading fees would have a disproportionate impact on smaller businesses and reduce the incentive to prune unnecessary patents in portfolios.

There is potentially an inherent need for higher fees overall if increase in the quality of examination were to require a greater level of income. In this case we would still favour the same back-loading of fees, because the evidence, where it is available suggests that the psychological advantage exists in such back-loading.

Note that the registered designs fee structures are currently being changed to match those of the EU, and that the EU "multiple design" system – which provides for a single application for multiple designs, with substantial reductions for second and subsequent designs in a single application – favours those who file designs in bulk, who tend to be larger entities, and thus indirectly favours those entities as against smaller entities.

Note also that generally that some foreign countries (e.g. the US) offer reductions in fees for small entities - James Dyson has commented on the unfair effect of renewal fees on inventors, which could be limited by adopting a "small entity" reduction.

- (f) Is lack of trust in the system a barrier? To what extent do you rely on other tools to bring innovation to the marketplace, such as being first to market, maintaining trade secrets, or using an open innovation model to generate value through reputation or network effects?

COMMENT: It is not altogether clear what the question is seeking: whether lack of trust is a barrier to seeking protection; or to using/enforcing it; or to the development of businesses which might otherwise rely on IP. Again we assume that this question is primarily addressed to the patent system. Some comments on enforcement issues in relation to other intellectual property are discussed below. However, in general we do not see lack of trust in the system as being a significant factor in non-use of the intellectual property system or development of business in the IP sector. There are areas where this may be a factor. Examples are where the cost of enforcement means that some businesses, particularly those which do not have substantial turnover or profits in relation to the subject-matter, do not seek patent protection, or seek it in the expectation of not enforcing it through the courts (so reducing its overall value to the business); areas where it is difficult to find out what competitors are doing, which makes it difficult to discover whether there is an infringement – such as in software and electronics where often protection would be for processes or methods which are not externally evident; and areas where there are repeated numbers of small infringers, making the costs of enforcement particularly high relative to the benefit. However, lack of trust is, in our experience, only a small factor in the impact. The real impact is from the overall cost-benefit analysis.

The question also asks whether businesses use other modes of “protection” of the market or competitive position. Undoubtedly they do -- most companies will use a variety of strategies, choosing the right one for each individual innovation. Frequently in areas where the subject matter is not open to inspection, enforcement is difficult because information is not readily available; for the same reason businesses rely on secrecy to protect their innovations. This is common in the electronics industry (as exemplified by the common practice of maintaining source code confidential). Furthermore, such protection can provide greater longevity than patent protection (examples are Pilkington's Float Glass Process, and catalyst technology in the chemical process industry). Similarly, open standards and open-source systems are used to contribute to development of the market with the opportunity to obtain greater expansion. However, we do not believe that the existence of these practices are evidence that distrust in the IP system promotes its non-use. In the first case disclosure is not an inherent part of exploitation and accordingly significant protection can be afforded by non-disclosure. There is evidence that this is not a reason for avoiding use of the IP system, as companies which apply non-disclosure principles in relation to their know-how are often also active in selectively patenting those elements which provide them with additional competitive advantage. Similarly, the promotion of open standards more often results from the state of the market and the need to establish a common basis on which the market can be exploited, rather than distrust in the system. Again the evidence for this is that businesses involved in open standards not

only frequently apply for patent protection, but also that such patent protection may often relate to areas the subject of such standards.

A specific area in which this has received much publicity is in relation to the open software movement and some other open “commons” movements – this actually relies on the copyright system to maintain the system open.

There is still some tendency for those in less innovation based businesses to assume that patent protection will not provide the scope of cover – will be too narrow and easy to avoid – that they would need for commercial protection. We find this more often to be a misunderstanding of how the patent system defines and invention than to reflect real problems with the patent system. It is again an issue related to awareness and understanding particularly of small businesses, and is discussed further below.

There may be slightly different considerations in relation to registered designs, where historically applicants may have had less trust in the system because the scope of protection was frequently very narrow. Often they preferred to rely on other unregistered forms of protection, particularly copyright under the Design Copyright Act 1968, which often provided better protection for less cost, particularly in fields where copying was likely to occur. This is perhaps reflected in the sporadic nature of registered design applications, with one industry player sometimes having many registered designs and a competitor none at all. Time will tell whether the new design registration systems serve applicants better. For designs, confidentiality is not an option and relying on lead time in the market is only an option in the most ephemeral industries. Relying on reputation is valueless against pirates and counterfeiters, whose aim is to steal the benefits of a reputation.

(g) Are there specific barriers to obtaining IP rights in your sector?

COMMENT: There are clearly inherent restrictions on scope in relation to IP rights which may be obtained, such as patents for software (as mentioned above) and business methods, and for certain biotechnology and pharmaceutical inventions. In some case, in particular in relation to software, significant numbers of businesses see these restrictions as wider than they are, and therefore see a barrier to seeking protection which is not in fact there. For example it is common for practitioners in the software patent field to be told by a business or would be inventor that “of course a patent cannot be obtained for my (computer implemented) invention”, when in fact protection would in principle be available. This also probably has an impact in relation to certain biotechnology and pharmaceutical inventions.

(h) Are there specific barriers to obtaining IP rights for small businesses or individuals?

COMMENT: We have commented on this above. There are undoubtedly small business which are deterred from using the patent (and even trade mark) system by cost. In general we doubt that such businesses would contribute significantly to the economy even if they felt able to apply for relevant

IP rights, as their inherent under-resourcing means that they would have difficulty competing significantly in any event. Small businesses are also “prevented” from seeking protection through lack of knowledge or mis-information. However, this is not because of a lack of information – there is an enormous amount of information available and the UK Patent Office bends over backwards to help such businesses. It is more through an inability to communicate that information often because of competing demands on such business people’s time. If the media were able to give a more accurate picture of what IP is really about, it is possible such communication would be more effective.

The resource issue is also of wider relevance to smaller businesses. Time is in very short supply for managers of small businesses, and is spread very thinly over a large number of activities. Our members experience is that there is a greater propensity for those in smaller business to misunderstand the issues (as in relation to many other issues in their businesses). This is not because of a lack of skill or lack of information, but because of lack time to assimilate relevant information. It also shows up more in smaller businesses because generally large businesses handle a greater volume of IP rights and can therefore build up and maintain internal IP knowledge. The problem for small entities is not that the knowledge is unavailable, but that as IP rights are sought infrequently, the knowledge has to be re-acquired on each occasion - there are no economies of scale. Smaller entities are therefore more reliant on the services of our members and other professional advisors, which represents an additional cost to them relative to these economies of scale enjoyed by larger entities. However, this is not an issue unique to intellectual property: it is inherent in small businesses and applies as much to their compliance with employment law, health and safety legislation, and other regulatory and legal regimes.

As noted above, there is also a slight specific disadvantage that small businesses have in relation to registered designs in the official fees for Community Registered Designs favour large numbers of designs in a single application, which is more likely to benefit large businesses.

It is also worth noting that the patent offices in some countries (notably the USA) provide small entities with more favourable fees to small entities.

- (i) How well does the national system for awarding IP, administered by the Patent Office perform? How well do the international and European systems work?

COMMENT: We assume that this is intended to apply to registered rights. The UK system functions well. The international systems and European systems also function well, although greater efficiency and, particularly for the international systems, even further harmonisation and reduction of self-serving extra costs would help.

In relation to patents, there are concerns about the scope of some granted rights and the quality of examination. Some members have commented that the UK patent system is a 'file, argue and be granted' system – that if there is sufficient argument the UK Office will grant. There is certainly an

issue in some areas, especially some mechanical and electronic/software systems patents being granted where there are substantial doubts, even in the absence of detailed searches, about validity, and sometimes a very rigorous view being taken. In the biotech area views have been expressed that the standard of inventive step is a little lower than in the EPO and the approach more formalistic. On the whole the professional view is that this is improving but is still patchy in some areas, and for example there is also a perception of inconsistency in the UK patent office on software based patents, at times being stricter than the EPO. There are concerns that "target" based examination systems (where examiners are need to meet targets in terms of the number of applications examined) may adversely affect this, especially in the more complex technologies.

There are still issues in relation to the European Patent Office in some fields (for example with electronics and software) with a perception that sometimes examination is regarded as an academic exercise, presenting unnecessary (and costly) issues for applicants. Comments on the EPO in the biotech area were that it struggles to provide the same quality [as the UK office], and that the quality of search and examination in the EPO are declining and cost more; that it is becoming user unfriendly, slow and cumbersome.

There has typically also been a (largely) separate issue that in areas of very new technology, there is a tendency to grant over-broad or unjustifiable patents.

In terms of international comparison, the UK patent systems still stands up well. Examination in the EPO is probably overall more rigorous although it also suffers from similar breadth and non-inventive grants. As compared with the US patent system, UK practitioners have a very favourable view of the UK system, and the position is probably true in relation to most other national systems. One practitioner's comment was: "The UK office works pretty well on the whole. The EPO is often just too slow and the translation requirements on grant increase the costs too much. The PCT generally functions OK. The US system has significant problems."

In relation to registered trade marks, there is a question about the desirability of maintaining (or not having, in the CTM) examination for conflict with other marks. The impact of this in relation to CTMs is already that there are more marks on the register which may be confusingly similar to other marks, and that trade mark owners themselves need to be more vigilant about conflicting rights being granted. While this is something which larger businesses are familiar with, a large number of smaller businesses do not maintain watching services to see if others are applying for conflicting marks, and on occasions this does result in conflicts which would otherwise have not occurred. This has been the subject of a separate consultation and we do not propose to repeat the views previously expressed here.

In relation to registered designs, there is no examination. This means that invalid registrations can be made, and examination of the Community Registered Designs Bulletin suggests that there are a significant number of these. It is not clear what impact these will have on competition at present – ie whether competitors will take advice and a view, or will seek revocation, or will be deterred.

2. How IP is used

(a) What types of IP does your organisation use and why?

COMMENT: It would not be very meaningful for CIPA to comment on this, as members see, and advise clients, on the use of all types of IP. However, as a general rule, in our experience most businesses use IP for the type of subject-matter and activity which it has been designed to protect. There are areas where this does not apply. Examples are areas where one might expect use of patent protection where it is not available such as the specific exceptions to patentability (eg for software per se, and medical methods applied to humans or animals, although for these frequently surrogate forms of patent protection are used, and in relation to software where confidentiality and copyright are frequently used to give very tight protection); and areas where rights are extended outside their area of designed protection such as the use of copyright to protect information (as opposed to the presentation of information) and also access to information (such as encryption algorithms and keys). In general well-advised companies use a portfolio of IP rights to protect different aspects of their businesses.

We have commented on some areas of business where our experience is that IP rights are not used in circumstances where they might be thought to be applicable. In general our experience is that this results from a commercial balance being assessed, and that this commercial balance is not materially affected by “imperfections” in the system.

(b) To what extent do you seek multiple overlapping forms of IP protection?

COMMENT: The question possibly covers several issues. IP may be seen to overlap in different ways: different forms of IP which are seen to have an overlapping impact; and the same forms of IP through different routes (eg registered designs or registered trade marks through the UK and European routes); and the same form of IP even through the same route to provide overlapping protection (eg more than one design registration through the UK route for one product. Of course, especially in relation to registered designs, these will frequently overlap with unregistered rights although the nature of protection will differ to some extent.

We understand the question to be directed mainly to the first issue. In this respect, we believe the question is misconceived: the different aspects of IP protect different aspects of the business in respect of the same subject matter. For example, patent protection is used to protect the underlying ideas; registered designs the physical appearance of the product made in accordance with the patent (and therefore the investment which goes into creating a marketable appearance for a product) and registered trade marks in respect of the name and good will associated with marketing the product. It is very typical of business to seek several different forms of IP protection (and also to rely on IP protection for which no application is required such as copyright, unregistered design right, confidentiality and unregistered trade mark rights). An example of a specific marketed product protected by several distinct IP rights might be a soft drinks bottle. This might have a patented

closure, a bottle shape the subject of a registered design, a label protected by copyright and bearing a registered trade mark, and contents made to a recipe that is a trade secret.

In relation to different routes, this applies to patents (UK and EPO), registered trade marks (UK and CTM) and registered designs (UK and CRD). Our experience is that in the patent process it is relatively common for UK as well as EPO patents to be applied for, for reasons such as scope of grant, individual allowable claims and particularly speed of grant. In some cases these UK patents will be maintained after grant in preference to the EPO patents. For trade marks similar considerations apply, although it is much more common (because of payment of several years' fees at once) to maintain parallel protection. For registered designs, it is relatively unusual to apply for parallel protection (although not unknown, particularly as there are slightly different substantive issues applicable to each).

In relation to the third issue, multiple approaches to protection are a common consideration in order to provide the widest and most effective protection.

- (c) To what extent are these decisions influenced by sector-specific considerations?

COMMENT: These are frequently sector- and market-specific issues

- (d) How does your company value its IP? Are there problems with raising finance against intangible assets based on IP? What improvements could be made in this area?

COMMENT: There are a large number of aspects to this question: the valuation for accounts purposes, and the valuation for purchase or licensing purposes; the impact on raising bank, other debt finance or venture finance and improvements in each of these. We cannot comment on accounts valuation. Practitioners are asked about valuation of IP in relation to the business value or royalties. This is always a difficult question, because the fundamental determinant of value is the ability of IP to underwrite the generation of business – additional sales, higher pricing, royalty returns. These are largely dependent on other factors such as the market, market position of the exploiting party, and degree of development, market, pricing and other risks and there can be no simple fixed rule for valuation.

Unsurprisingly, there are problems with raising finance on IP assets alone: in a large number of cases, especially those where business most need finance (ie at a relatively early stage), IP may be a necessary ingredient to value, but not a sufficient ingredient. It needs other contributions, such as understanding the technology, or development and marketing skills, to have any value. The difficulties here are associated more with overall business risk than IP risk (such as rights not being granted). It is believed that investors are becoming more sophisticated about this (and therefore placing less weight on possible uncertainty about IP protection).

On the other hand, it is clear that having IP is beneficial to raising finance in the sense that it is not unusual for investors or financiers to seek security over IP. For example banks will typically seek fixed security over intellectual property as part of security for overdraft facilities, and venture capital finance may include debt finance or preferred equity secured on intellectual property.

There are some questions as to the scope or effectiveness of such security. However, so far as we are aware, this has not given rise to a reluctance to use it as security.

- (e) To what extent does the term of IP rights at the margin affect investment decisions?

COMMENT: This depends on the industry, and the state of the industry. It is clearly very important in industries with long development cycles (and relatively long product lifetimes), and in particular in the pharmaceutical and perhaps now some medical devices industry area, where not only are research costs high, but approvals processes mean that access to the market is often significantly delayed. In addition, in areas where technology is leading-edge or market-opening so that market development is likely to be relatively slow and involve substantial investment, finance will depend on term of protection available – for example highly disruptive innovations, such as fuel cell or new engine technologies, are likely to depend on investment returns over the whole term of protection.

Generally in the ICT sector we believe term of protection is not regarded as a significant issue in investment decisions.

It is said that in short term of protection in relation to spare parts (effectively in relation to unregistered design right) has an effect on pricing of the substantive product.

- (f) How well does the UK IP system promote innovation?

COMMENT: This is too broad a question for us to comment on fully. We see businesses base (positive) investment decisions in innovations (both research and exploitation of developments) on availability of IP protection. However, whether stronger or weaker protection, or longer or shorter protection, or protection available in areas where it is currently not available would help, depends on the industry, players in the industry, market and other factors.

- (g) To what extent does your organisation make use of other methods used by Government to encourage innovation, such as public funding?

COMMENT: We see significant use of government funding, such as SMART (or their current equivalents) awards with smaller businesses. We also see substantial use being made of government funding in the University sector for both research and development and IP protection and exploitation.

- (h) Are data on the use of patents and other forms of IP useful as a means of measuring innovation?

COMMENT: Numbers of patents applied for or granted are a very difficult and possibly dubious measure of innovation. In our experience, at best they are only relevant with serious qualifications. Data on use takes several forms – applications made (or pursued to grant/renewal), and rights “used” or licensed. Reliable data on the latter is pretty difficult to obtain, although it is likely to provide a more reliable measure of the real value of IP rights in play. The former has several serious drawbacks: there are cultural and industry sector issues about the approach to seeking patent protection; there are also issues about the breadth of protection and other forms of protection available. These differ significantly between the USA, UK, Germany and Japan, so that cross-comparisons are difficult. There are also different approaches in different industry sectors, such as between electronics and pharmaceuticals. A further significant issue is that if patent (or other IP) applications are identified as a target this will influence the number of applications made – if there is a financial reward associated with the target.

- (i) Do you have any evidence as to the static or dynamic costs that IP rights (as statutory monopolies) impose on the economy?

COMMENT: Note that most IP rights (even statutory rights) are not monopolies – for example UK and EU unregistered design rights and copyright are not monopolies of any description, as they prevent other copying, and do not exclude use of the same subject matter; they are only infringed by those who take advantage of others' investment by such copying, not those who make their own investment in creating an independent design. Even where the right is an absolute one to exclude others from its use, there will usually be alternatives (such as with designs or trade marks) and if there is a de facto monopoly it is because of the investment or work of the owner in creating a consumer preference for the product, usually after the right has been established. We agree that evidence of costs and of benefits would be useful. We have made suggestions as to possible research at the end of these comments.

- (i) Have you encountered patents or other IP rights being used defensively, i.e. obtained not to develop products, but only to prevent others from doing so? Under what circumstances do you consider this acceptable?

COMMENT: There are several different areas that this question covers: the use of rights such as patent rights to protect the “penumbra” around a commercial product; the use to prevent others making a product which would compete with an existing (protected) product; and the 'everlasting lightbulb' argument – use to protect an existing (probably unprotected) market from encroachment by a disruptive technology. There also seems to be a suggestion that collection by non-traders (patent “trolls”) and use of these to extract revenue from third parties falls into this category.

The “penumbra” approach is common practice and the inability to protect the penumbra around a newly developed product would seriously undermine the value of protection which is given by the patent system. The reason for this is because frequently it is not possible to carry out all the development work on a new development to discover the limits of commercially valuable scope of an

invention during the priority year. Consequently a new chemical product may spawn a series of patent applications protecting not just the initial product but also other related products that competitors might otherwise make. (More often than not, the best product will be developed, but clearly at a point when a significant investment has been made in relation to a target product, the development may be fixed on a product which turns out not to be the best. However, investment in either would not be justified if there were not protection for related products.)

The second is less common, but does in our experience occur – for example where a new technology is being developed, resources may be devoted to identifying competing technologies and “blocking” these. This again has a commercial justification because the investment in bringing to market the initial product would be undermined if a competing product fulfilling the same function could be marketed. If there are serious issues about such a blocking patent – losing other opportunities – there are regimes in place in the UK (compulsory licensing) to permit use of those patents, which may serve to encourage a reluctant patentee to negotiate.

In relation to the third area, we do not believe this is a significant issue. There possibly are occasions in which it has occurred, but usually there are other significant issues as to why development has not taken place (such as the long term limited viability of a market for perpetual lightbulbs), and as noted above, there is a compulsory licensing regime if there really is an issue of a marketable product being prevented from getting onto the market. The collection of patent portfolios for licensing purposes only is not seen as a particularly significant issues in the UK (as compared with concerns (we do not express a view as to whether they are justified) in the USA. In any event, the issue here is more related to the quality of the granted patents – if they are good, the inventions contribute to innovation whether or not the patents are held by “trolls”, and in the absence of the invention the potential licensee would not have that solution to their problem. If the quality of granted patents is poor this can give rise to a problem, particularly, as in the USA, where challenge can be difficult.

3. How IP is licensed and exchanged

- (a) How easy is it to negotiate licences to use others' IP for commercial or non-profit purposes?

COMMENT: This depends on the circumstances. It can be very easy, but sometimes it is difficult, particularly if the other party is naïve about the system. We doubt that it is significantly different from negotiating business arrangements in other areas.

- (b) What mechanisms do you use for finding potential licensing partners?

COMMENT: There are a variety of mechanisms. The most common is probably through personal contacts or networks, based on knowledge about what is going on in the industry. The internet and improved search engines have made it much easier in some areas than in the past both to find needed technologies or technology opportunities, and to identify information about potential users of

technology and to make approaches to them. “Agents” are used in a number of cases. It probably remains the case (as in many other areas of business) that personal contacts and networks are the most important element.

- (c) How easy is it to use others’ IP for research purposes? Have you experienced difficulty around research exemptions?

COMMENT: In relation to patents, in general, the system works fairly well in the UK. The biological sciences may be an exception, since in this area the infringing experiment may directly generate the ancestor of the subsequently marketed product. Uncertainty about being sued for infringement in such circumstances can be a powerful deterrent to research. Some of the changes in the fair use provisions in relation to copyright may have had a similar effect.

- (d) Are there specific barriers to licensing in the main forms of IP currently used: patents, copyright, trade marks, and designs?

COMMENT: There are issues which relate to the subject matter and the risks associated with licensing. For example, in relation to trade marks, control is essential to maintain the goodwill in the mark, and may restrict licensing, and generally results in terms which in other areas would be regarded as onerous. And in relation to know how licences (including some software licences), risks associated with disclosure or misuse of sensitive information mean that terms are onerous and licensing may not be the first choice for exploitation because of the risk of loss of control. The same can be true in relation to certain patent areas, where it is perceived that access to the technology will give the licensee a leg-up in generating competing technology.

In addition there are constraints on the shape of licences through competition law (or at least perceived competition law) restrictions, making exclusivity especially geographical exclusivity difficult to implement, even where these make good sense in terms of market development. These restrictions may not be real, but the risks associated with non-compliance are perceived as being significant barriers in some cases. There are also some perceived issues around the protection for licensees in the case of licensor insolvency.

- (e) Are there barriers to licensing IP on grounds of cost? What drives these costs?

COMMENT: Licensing costs fall into the price for the IP and the transaction cost (legal and associated costs). Some small companies tend to have unrealistic expectations about the value of their IP or the level of payment they should have to make for use of the other party’s IP. In terms of transaction costs, for small transactions, these may become relatively large. A large part of this depends on ensuring that the parties understand the commercial issues involved, and frequently these are relatively larger for small companies because of their immaturity in understanding the commercial issues.

(f) Are there specific barriers to licensing IP in your sector?

COMMENT: See above under (d).

(g) Does your organisation use methods to facilitate exchange of IP - such as crosslicensing or pooling IP rights with other firms or organisations?

(h) Are there specific barriers to licensing IP rights for small businesses or individuals – for example barriers to entry to patent pools?

COMMENT: See above generally.

(i) Are there barriers to trade and exchange of IP internationally?

COMMENT: There are some issues arising from different scopes of protection or standards of patentability. This particularly arises in the computer and business methods area, especially because the USA has a very different approach on these subject areas.

(j) Does your organisation consider renewing patents using “licence of right” provisions in patent law (which entitle any person to a licence under your patent and reduce your renewal fees by half)?

COMMENT: We have found that it is relatively unusual for clients to wish to endorse patents licence of right

(k) What could be done to improve “licence of right” provisions and business awareness of them?

COMMENT: This relates to patents. The cost saving on endorsement is not regarded as material, and the prospect of a change of business meaning that a live patent should be retained exclusive is potentially always there. Further, the fact of endorsement is usually not itself likely to promote the possibility of licences being granted. We do not believe there is any evidence that there is a need for the provisions to be more widely known; almost all patentees will have engaged patent attorneys in relation to patent applications, and they will be in a position to advise if there is a material benefit to their clients.

(l) Do you have any experience of the compulsory licence provisions within current patent law? Are they effective? How could they be improved?

Compulsory licence provisions are little used. This does not necessarily mean they are completely ineffective: they may encourage patentees to negotiate sensibly, rather than refuse licences arbitrarily. A difficulty for those seeking licences is uncertainty about success and the time taken to achieve it. There are three problems – first, that the burden of proof in showing that there is an unmet market, and showing the extent of that market, and showing the licensee's suitability to work

it, lies on the licensee. Second, that following the Quantel case, it is difficult to get a licence if the patentee is already in the market, even if you want to market something they do not sell. Third, that until the whole process is concluded, which takes time, the applicant does not have licence. Possibly the Comptroller should be given powers to grant an interim licence immediately where the applicant makes a strong prima facie case.

4. How IP is challenged and enforced

- (a) Are there specific problems with enforcing the main different forms of IP: patents, copyright, trade marks, and designs?

COMMENT: The major barrier in enforcement is probably cost. UK litigation is generally expensive and the UK is therefore a very expensive country when it comes to enforcement of all IP: this applies especially to patents, but is also true, usually to a lesser extent, in relation to other forms of IP. (It is also very rigorous and fast.)

We have evidence that at least some businesses, perhaps many, are dissuaded from litigation about IP rights because of the cost. This is an issue both in relation to businesses enforcing rights as well as being affected by the possibility of infringement of third party rights. The issue is one which particularly affects small and medium-sized enterprises, but is also one which affects even substantial businesses where the amount in issue is relatively small – either because they are based on a cost-centre approach or because they cannot justify on a commercial basis the costs and associated risk of litigation.

There is also a significant amount of evidence from members in international corporate business or who act for them, that at least in the patent field, the number of disputes which enter the court system is much lower (by more than an order of magnitude) than for example in Germany, and that in a number of cases a deliberate choice will be made to have disputes resolved outside the UK, especially Germany.

However, the evidence on this is not all one-sided. There are cases where the UK is chosen as a jurisdiction because of the approach taken by the Courts. In addition, it is likely that in a significant number of cases the parties act in the same way as if a matter had gone to court, but do so on the basis of forming a view of the underlying merits and not taking the matter to court because of the cost.

The downside cost risk, characteristic of UK litigation in general rather than IP in particular, dissuades small entities from taking on large infringers as they so spectacularly do in the US (for example, defeating Microsoft in the Stac litigation on disc compression and also the Eolas browser patent).

We have made a number of proposals over the years, including in relation the establishment of the Patents County Court, seeking to address the issues of affordability. We have also attached a further discussion document which has been prepared recently by CIPA.

We believe there is also a potential issue in relation to repeated flagrant infringement (essentially piracy – usually non-patent) which means that it can be expensive for rights holders to enforce rights, even where infringement is clear.

In addition to the issue of cost, we have referred to the issue of processes carried out behind closed doors, and the difficulty of obtaining proof. There are procedures in other jurisdictions (including Scotland and France) which provide information in some cases which is not readily accessible until later in proceedings in England. On the other hand, the procedure in England provides a considerable amount of access later in the proceedings through the disclosure process.

In terms of substantive legal issues, there are not seen to be substantial problems with enforcing IP. There is some concern that the courts are applying a different standard on inventive step than the Patent Office, although this is difficult to assess as (for reasons mentioned below) it is likely that usually only the most contestable cases get to Court – some pro-patentee decisions could quickly change this perception. Further, the fact that validity is almost always an issue in patent infringement actions undoubtedly increases the costs and complexity of such actions.

- (b) Are there barriers to challenging infringement and enforcing your IP rights on grounds of cost? What drives these costs?

COMMENT: See above. Aspects such as disclosure, collection of oral evidence, live cross-examination and experiments (in patent cases) and surveys (in trade mark cases) are costly, as well as the overall length of the procedure and the procedural steps up to trial, but ensure high quality. Substantial steps have been taken to reduce the extent of these components.

- (c) To what extent does your organisation make use of other methods than litigation to resolve IP infringement cases, for example the Patent Office opinion service, mediation services, Alternative Dispute Resolution, or the Copyright Tribunal?

COMMENT: Most organizations use a variety of approaches, and certainly advisors consider a variety of approaches. Mediation is perhaps not as widely used in IP disputes as generally. This is in part because mediation is seen as introducing further delay into an often urgent situation, and also not offering the public resolution that a rights-holder will want, in relation to a public right. However, there is undoubtedly a growing belief that mediation is a valuable alternative tool. The Patent Office Opinion service has only recently been put in place and experience has yet to be gathered on how valuable it is. (Of course in practice the majority of IP disputes still result in a settlement which is one of the main forms of “alternative dispute resolution”.)

(d) To what extent do you use IP litigation insurance? How effective is it?

COMMENT: Members experiences vary considerably in relation to the use of litigation insurance, particularly patent litigation insurance, from those who have found it completely ineffective, to those who have found it very valuable; and those who find it very expensive to those who believe it is a worthwhile investment. The prevailing view amongst most members is relatively to extremely negative about it. There are, we believe, significant underlying difficulties with IP litigation insurance, particularly in the patent field. These are that the overall costs of such litigation are very high, and therefore the premium income for insurers needs to be high, either by a large number of insureds, or high individual premiums (or probably both). The level of premiums, together with the fact that such insurance is likely to be refused or very expensive unless a “clean bill of health” can be obtained means that, often, if a business has to obtain a report of a clean bill of health, it does not consider insurance a worthwhile investment. We also suspect believe that many insurers have dabbled with IP insurance without a clear appreciation of the nature of the risk they are undertaking.

(e) Are there barriers to using such methods to settle IP disputes without recourse to litigation? How might they be removed?

COMMENT: We assume this refers to mediation and other assisted forms of ADR and arbitration. The principal barriers we have encountered are concern about the lack of a public judgment and the delay (and additional cost) introduced by further steps.

(f) Are there specific barriers to challenging and enforcement of IP rights for small businesses or individuals?

COMMENT: See above. Cost. Lack of resources. Lack of (or costs of) access to expert technical advice. The greatest barriers are thought to be cost and the amount of management time and associated business uncertainty. An example is given by a client who after totally defeating the other party and recovering costs says: “I would still have preferred to settle two years ago”

(g) To what extent is the risk of litigation a factor in your organisation’s investment in innovation?

COMMENT: Larger organizations will often have a product clearance system in place, where the risks are material. Smaller organizations often will work on their existing knowledge of competitors or hope for the best. Where there is a known risk, our experience is that this will be taken into account in investment in development, and possibly even in basic research, although often other factors (such as possible inability to exclude competition will be as important). In a limited number of cases, we believe that where there is a well-known aggressive competitor, this will affect investment choices. However, an abstract risk of IP litigation is not seen as a significant factor in investment in innovative research or development. Indeed, the risk of litigation in some cases is what drives innovation, encouraging parties to look for alternatives.

What are the principal barriers to efficient and successful challenge and enforcement internationally?

COMMENT: The US – costs and presumption of validity etc. Europe – no centralized system. In all cases the delay and uncertainty of outcome, and the resulting business uncertainty. (The EPO opposition system is in theory an attractive and relatively cheap forum for challenge in Europe, subject to the requirement that a challenge be brought within 9 months of grant. However it is much too slow for many technologies).

SPECIFIC ISSUES: COPYRIGHT

COMMENT: CIPA does not propose to comment on these questions at this stage

• Current term of protection on sound recordings and performers' rights

Background: The Review will fulfil the Government's commitment to examine whether the current 50 year term of protection on sound recordings and performers' rights in sound recordings is appropriate, in the light of its extension to 95 years in a number of other jurisdictions.

- (a) What are your views on this issue?
- (b) Is there evidence to show the impact that a change in term would have on investment, creativity, and consumer interests?
- (c) Are you aware of the impact that different lengths of term have had on investment, creativity, and consumer interests in other countries?
- (d) Are there alternative arrangements that could accompany an extension of term (e.g. licence of right for any extended term)?
- (e) If term were to be extended, should it be extended retrospectively (for existing works) or solely for new creations?

• Copyright exceptions - fair use / fair dealing

Background: There are a number of exceptions to copyright that allow limited use of copyright works without the permission of the copyright holder.

- (a) What are your views on the current exceptions in copyright law?

COMMENT: There are differing views on the scope of the exceptions. There is a general perception that the exceptions are narrow. However, they strike a balance between the interests of copyright owners and users of copyright materials, and have been drafted to comply with the UK's obligations under TRIPS and the EU Copyright Directive.

There is concern that a gap between the scope of what is permitted and what users perceive as being acceptable practice has developed, although steps taken by the industry recently have possibly narrowed that gap. If such a gap persists (and there are academics in the IP field who consider that it cannot be closed in relation to the current teenage generation and exchange of information over

the internet) it will undermine public confidence in the IP system, not just in relation to copyright but also in other fields.

- (b) Could more be done to clarify the various exceptions?
- (c) Are there other areas where copyright exceptions should apply?
- (d) Are the current exceptions adequate or in need of updating to reflect technological change? For example copyright law in the UK does not currently have a private “fair use” exception. Such an exception might allow individuals to copy music CDs onto their PC and MP3 player for their personal use. Should UK law include a statutory exception for “fair use”?
- (e) How would you see content owners being compensated for such use?
- (f) To what extent has technological change presented difficulties in use of copyrighted material in the field of education?
- (g) Are there issues concerning the archiving of material covered by copyright?

• **Copyright – digital rights management**

Background: Increasingly digital media content is distributed with digital rights management (DRM) technologies that can enable rights-holders to track usage and prevent unlicensed copying by technological means. However concerns have been raised about interoperability and that such technologies may impair the content consumer’s legal rights. For example they may be unable to take into account exceptions to copyright, the ultimate expiry of copyright term, or the future evolution of technology. They may therefore undermine legitimate rights to access digital content, now and in the future. (NB: We are aware of all formal submissions that have been made to the All Party Parliamentary Internet Group on this issue.)

- (a) Do you have a view on how the use of digital rights management technologies should be regulated?

COMMENT: There have been instances of the use of technology (such as the Microsoft’s software package installed with certain music releases) which illustrate the risks to consumers, and ultimately in confidence in digital distribution systems and their growth. In that case software which had consequences which were not apparently clearly described (including a burden on computer performance and alleged disclosure of information) was installed on users’ computers, and could not be uninstalled without specialist knowledge or skill. It is clearly important to ensure, regardless

of other views on DRM, that the established "common sense" practices of consumer protection are respected in distribution of DRM protected digital content.

If DRM is to make a useful contribution to the way in which digital content is distributed, and to innovations in the field of digital content distribution, interoperability needs to be ensured among DRM technologies especially through industry led efforts. The development of industry led international standards should be supported.

• Copyright – orphan works

- (a) Have you experienced any difficulties in identifying the owners of copyright content when seeking permission to use that content?
- (b) Do you have any suggestions on how this problem could be overcome?

• Copyright - licensing of public performances

- (a) Have you encountered problems with the system of licensing and paying royalties to collecting societies for public performance of music and/or sound recordings?
- (b) Could the system be clarified or simplified, and if so how do you see this working?

SPECIFIC ISSUES: PATENTS

• Patents – utility models

Background: Some countries, notably Germany, have a “utility model” system offering protection for simple inventions, usually subject to less examination and shorter terms than standard patents.

(a) Do you have a view on some sort of second tier patent system?

COMMENT: CIPA has considered the desirability of second-tier protection on a number of occasions, and has concluded that utility model protection is not desirable. A copy of CIPA’s conclusions on this, together with the basis for reaching these conclusions, is attached.

(b) Has your organisation encountered problems in protecting its IP internationally where such systems exist?

SPECIFIC ISSUES: SPCs

• Pharmaceutical Supplementary Protection Certificates (SPCs)

Background: SPCs are a “sui generis” IP right available in EU Member States for pharmaceutical products (as well as plant protection products). The standard patent term is 20 years. SPCs aim to compensate rights holders for the time required to obtain regulatory approval for their products. Where regulatory approval is issued more than five years after a patent is granted, SPCs may be granted to extend the term of protection on the active ingredient in the patented product. SPCs last for a term corresponding to the period elapsed between the five-year point and the point at which the product reaches market, up to a maximum term of 5 years.

- (a) Does your organisation use SPCs?
- (b) How fair and effective are they in delivering an incentive for investment?
- (c) How could they be improved?
- (d) Should the term of SPCs be more flexible - perhaps relating straightforwardly to the period between patent award and regulatory approval?

COMMENT: *Comments on this have been made separately by interested organisations.*

SPECIFIC ISSUES: TRADE MARKS

• Trade Marks – international issues

- (a) To what extent does your organisation register its trade marks at the European rather than national level?

COMMENT: Our experience is that organizations use both the UK and CTM systems, depending on the nature of their market and possibly some other factors (such as whether there are potential conflicting marks and the scope of goods or services is very broad, or where a quick grant is desired)

- (b) Could the UK trade mark system be improved to work better alongside the European system?

COMMENT: Our view is that the systems are working well together at present; the features which differentiate the two systems provide choice which is advantageous. The substantive legal issues are being largely harmonised.

SPECIFIC ISSUES: DESIGNS

• Designs – registered designs and unregistered design rights

- (a) To what extent does your organisation rely on registered designs? And on unregistered design rights?

COMMENT: Our experience is that organization range from those that rely heavily on filing registered designs, to those that rarely, if ever, file registered designs. This applies even in the same fields of activity, although it is less usual for organizations to use registered designs if their products are not intended for a consumer market. In contrast unregistered design right is relied on in business to business markets as well as consumer markets. UK unregistered design right and unregistered Community designs are both somewhat idiosyncratic, as the former is generally unavailable to non-EU entities and the latter may be unavailable to entities who market first outside the EU (the law is unclear on the point at present). Proving copying can be expensive, with a dishonest or uncooperative infringer, adding substantially to the cost of litigating unregistered rights. Unregistered design rights have typically been involved in low-value disputes, but are not low-cost to enforce, and the very short term of protection for EU unregistered design, together with some uncertainty about its scope and subsistence, means that people do not "rely" on the EU right except for a one-season product)

- (b) To what extent does your organisation register its design at the European rather than national level?

COMMENT: Our experience is that a very substantial proportion of designs are being registered at the EU level rather than the national level

- (c) To what extent does your organisation rely on the European unregistered design right rather than the national UK unregistered design right?

COMMENT: Our experience is that EU rights are being asserted alongside UK rights as belt and braces. People do not "rely" on the EU right except for a one-season product in view of the short lifetime; it is more used by people who did not think in advance that they would be copied at all and therefore did not "rely" on anything. .

- (d) Could the UK registered design be improved to work better alongside the European system?

COMMENT: In general the systems work well together. There are idiosyncratic differences both in the rights (for example bona fide prior use) and the implementing wording (for example on prior publication, where the UK has chosen not to follow the exact wording of the Directive) which make advice on overlapping systems complex. These could be tidied up. We note that some changes to

harmonise the UK system with the EU system are within the Intellectual Property (Enforcement, etc) Regulations 2006 (SI 2006 No.1028), and are expected to come into force at the end of April.

- (e) Could the UK unregistered design right be simplified to work better alongside the European unregistered design right?

COMMENT: As noted above, we believe the EU unregistered design right has significant drawbacks; we believe that the UK unregistered design right serves a valuable purpose. We think that changes to align the UK system to the EU system would be premature since the higher UK and European Courts have not yet considered the scope of the European unregistered design right - the UK rights are a known quantity, and we think businesses will be reluctant to sacrifice what they know for what they do not. Greater substantive alignment would reduce the protection available in the UK in several respects: the lifetime would fall from ten years to three; the barrier for subsistence would be raised from the present "originality" test to a novelty test; and there would be no protection at any time for spare parts.

- (f) Do you see a useful role for the UK unregistered design right alongside the European design right?

COMMENT: The UK design right was the result of a carefully considered compromise by which designers are given five years of protection against copying followed by a right to a reasonable royalty for a further five years. Many Continental countries provide protection to unregistered designs by unfair competition law (or, in the case of France, copyright) which does not exist in the UK. The British unregistered design plugs a gap that is filled in a different way on the Continent. At least until the open issue of protection for spare parts by Community design is resolved at a Community level, and until the unregistered Community design has proved its value to businesses in the higher courts, we favour retaining the UK unregistered design right.

SPECIFIC ISSUES: LEGAL SANCTIONS

• Legal sanctions on IP infringement

- (a) Are you aware of any inconsistencies or inadequacies in the way the law applies legal sanctions to infringement of different forms of IP or to different circumstances?

COMMENT: The broad approach to sanctions for IP infringement appears fairly consistent, although issues arise in relation to criminal sanctions. We have commented on these below.

There are quite significant differences in the way in which sanctions in respect of different IP rights operate in relation to matters such as secondary infringement, innocent infringement and prior use rights which may give rise to some difficulty. Examples are that infringement by supply of an unlicensed copy of software depends on knowledge, but if the unlicensed copy bears the owner's trade mark, such supply infringes the trade mark even though the supplier is not aware that it is unlicensed. On the whole, we do not have experience of these causing significant difficulties.

Leaving aside issues as to the cost of infringement actions, in most cases we believe that the sanctions applicable to infringement are appropriate. There are two areas where this may not be the case: the first is in relation to piratical activities – flagrant infringement – where often the costs of enforcement are not recovered effectively; and damages for copyright infringement when they are determined as a reasonable royalty, which often mean that small scale infringements are not worth pursuing as the damages are unlikely to cover the costs.

We believe considerable caution should be exercised before criminalizing IP infringements generally, and have attached a paper on this subject prepared by us in relation to the Enforcement Directive (Appendix C).

In addition, in the areas where criminal sanctions are applied, we have concerns that the courts do not necessarily have the same expertise as the civil courts in understanding the nature of the relevant intellectual property rights.

- (b) For example, should criminal sanctions on online infringement be the same as those relating to physical infringement?

COMMENT: We assume that the question relates essentially to copyright infringement. We believe that it is appropriate to set levels of criminal sanctions so that they match the extent of the wrong, and there is good reason to suppose that there are significant differences between online and physical infringement. However, in both cases there are issues about what level of sanctions are appropriate (for example the risk of sanctions for a “private use” download being the same as for wholesale trading in illicit copies may well serve to bring the IP system into disrepute, rather than protect IP owners' legitimate interests). In relation to online sanctions, it is important that user

expectations and sanctions are broadly brought in line: otherwise there is a substantial risk that the IP system will suffer increasing lack of respect.

SPECIFIC ISSUES: COHERENCE

• Coherence between competition policy and IP policy

- (a) Has your organisation experienced any activity linked to IP rights that you regarded as unfair competition?

COMMENT: There are areas where our members have experience of IP rights being linked to conduct which might be regarded as anti-competitive. We should also add that there are many more occasions where clients have been constrained in licensing activities by concern about the impact of competition rules. This is also discussed below.

Instances of potentially anticompetitive activity are usually dependent on specific factors and not uniform examples across a field, and therefore it is not very helpful to identify specific ones.

On the other hand, there is significant concern that licensing models are frequently subject to perceived constraints because of competition law when in fact the very fact of licensing may well be opening up competition. This arises for example with the 'safe harbours' under the Technology Transfer Block Exemption, taken with the fact that economic analysis (required to show that an activity outside the 'safe harbour' is on balance beneficial) is unreliable and expensive. Consequently there are significant concerns that territorial restrictions and exclusivity, which in many cases may be essential to effective exploitation, may give rise to a challenge later in the life of an agreement, with resultant lower royalties or more difficulty raising funding.

- (b) How did you deal with this problem?

COMMENT: A variety of methods are used, ranging from complaint to the other party to complaint to the competition authorities

- (c) Was competition law effective at controlling this behaviour?

COMMENT: To a limited extent. Complaints to competition authorities are often not effective and are very costly if they are to stand a good chance of being effective, because of the need for substantial market and financial evidence which is often difficult to obtain

- (d) Should competition law have a greater role to play in regulating IP?

COMMENT: Competition authorities undoubtedly have a role in relation to exploitation of IP and preventing abuse of rights. Examples where there is potential for concern are use of IP rights to prevent transfer of information or conduct of genuine research activities. However, it is also absolutely essential in the innovation environment that there be a good degree of certainty, and therefore, while in some cases there may be good reason to involve competition authorities, it must also be possible to obtain clearance or a determinative position which remains valid for a significant period of time in order for innovative markets to flourish

(e) How would you see the system working?

COMMENT: *See above*

SPECIFIC ISSUES: INTERNATIONAL

• Parallel Imports / International Exhaustion

Background: European law does not allow firms to use trade mark or copyright law to prevent their goods sold in one EEA Member State from being imported and resold in another Member State – i.e. they are not able to segment the EU market. However European law does allow the use of trade mark and copyright law to restrict the imports to EU Member States of goods sold outside the EEA. It also specifically inhibits EU Member States from legislating to remove such import restrictions at the national level – so called “international exhaustion” of trade marks or copyright. There has been a good deal of debate, both here in the UK and at EU level, about the costs and benefits of removing restrictions on parallel imports. There is a further issue of firms taking advantage of variations in prices on pharmaceutical products across the EU and repackaging drugs bought cheaply elsewhere within the EEA to resell within the UK.

(a) Has your company been affected by parallel trade?

COMMENT: Our members have experience of parallel imports and issues of exhaustion of rights. These range from those affected by third parties seeking (or carrying out) parallel imports, to those engaged in parallel import activities. These may be parallel imports in respect of the whole range of intellectual property rights including copyright, patent, trade mark issue, and include activity from within the EU as well as activity from outside the EU into the EU

(b) What would be the impact on your organisation of a change in the current rules?

COMMENT: There are legitimate justifications for excluding parallel imports which give significant benefits to consumers, both in terms of permitting the development of markets and the distribution of the subject matter of intellectual property rights within areas which have different market and cultural constraints and permitting the enhanced investment in research which can be achieved where marketing can be better controlled. In terms of businesses which invest in research and innovation and in building markets, the ability to control parallel imports may frequently be significant elements in ensuring that investment can be justified.

The “current rules” reflect two regimes (at least). The EU regime in which, broadly, parallel trade is permitted, although there have recently been constraints, particularly in publicly controlled sectors such as public health and pharmaceutical imports; and from outside the EU, where broadly speaking parallel trade is not permitted. Bearing in mind the advantages of a single market, prohibition of parallel trade within the EU could adversely affect growth of markets. However, there

should be a readiness to accept that where there is a genuine consumer benefit in terms of development of innovation and distribution networks, then restrictions should be permissible.

In terms of trade from outside the EU, there are much wider cultural and market issues (such as the form of product, the packaging and associated information, the distribution networks, and a “fair” price). In these cases a change of rules to permit parallel imports would be seriously disruptive and we believe have significant adverse consequences both within the EU (in terms of quality of product) and outside (in terms of willingness to market at all). Parallel imports prevent market segmentation. If markets cannot be segmented, there will be a single price world-wide. For some products this could be a clear benefit to consumers - but not for all. Innovators need to recover sunk costs from successful products (if they cannot, innovation would have to be left to the public sector, losing the driving force of competition). If there is a single price world-wide, each purchaser, whether from a rich or poor country, pays the same contribution to sunk costs. This is good for the rich, but bad for the poor. For example, it would severely reduce access of the poor to new drugs.

- (c) What evidence is there of the costs and benefits, both for consumers and firms of the current rules?

COMMENT: In relation to parallel imports from outside the EU, we have no doubt others will provide more detailed evidence. However it is clear that restrictions on parallel imports from outside the EU permit differential pricing, and that in some cases this is reflected in different quality, and in many cases it is reflected in differences in the distribution networks. It is not necessarily clear in all cases whether the balance of these is in favour of greater (perhaps unjustified) returns for the business or greater benefits for the consumer. However, it is clear from our experience that in areas where innovation is involved, either in terms of technical innovation or establishing or changing a market, the ability to deal with different markets in different ways is fundamentally important, and obtaining investment for developing innovations or markets for them would be substantially more difficult if parallel imports were freely permitted.

2. ADDITIONAL COMMENTS

There are several further areas in which we would make recommendations:

1. There needs to be a suitable formally constituted body where IP issues can be debated and where users of the system can interact with each other and with the Patent Office.

The current system of face to face consultation through focus groups is not working properly. It is not clear what is the status of such groups, how the participants are chosen or who they speak for. Written consultation exercises are usually well conducted, but have not covered all of the matters that they should have.

2. We believe that the Government should ensure that high quality, properly informed independent research is carried out into IP issues, including the economic and social consequences of any proposed changes to the system. We stress high quality and properly informed as our experience is that in a significant number of cases existing research is based on inadequate understanding of the way in which IP is used in, and affects, real life industry, commerce and innovation. Because the IP systems are the result of long development with built-in checks and balances and because of their international aspects, change needs to be based on sound research, particularly economic research. The UK government needs to put more effort into such research. We would ask the Gowers Review to make this a specific recommendation.
3. There should be a more co-ordinated approach within different parts of Government in relation to IP issues. There should be a better linkage across government (and within sections of the EU Commission). For example, it is often perceived that competition authorities will “assume” that IP owners are likely to use rights in an anti-competitive manner, rather than as a source of innovation which drives competition; and while some rules on taxation are designed to address issues in the innovative environment (such as the abolition of stamp duty on IP transfers) other changes made in taxation can significantly undermine the use of IP in such an environment (such as the recent “Schedule 22” fiasco, and its impact on spin outs in the HE sector).
4. There is a feeling IP is being portrayed by the media and by some very effective lobby groups as being counterproductive (as for example in relation to the debates over the Software Patent Directive and the consequent impact in the European Parliament. It is important that this portrayal is reversed in the light of the importance of IP to the UK economy, and that attention is paid to obtaining a more balanced media presentation.
5. The use of specialists (patent and trade mark attorneys) in intellectual property matters in the “higher” European Courts should be assured – for example on appeals on Community Trade Marks and Community Designs to the Court of First Instance and European Court of Justice and in any European patent court.

At present there is a provision which limits representation before the European Court of Justice to “Lawyers”. In cases where our members are typically already involved, such as applying for a Community Trade Mark, it has been held that this limitation excludes UK registered patent attorneys (although they have rights to conduct litigation and appear as advocates in cases in the UK), and this imposes an additional cost burden on applicants.

There is also a proposal that a similar course be followed in relation to the European Patent Litigation Agreement which would significantly undermine the current efficiencies obtained through use of patent attorneys in litigation in England.

6. The UK is an important centre for the innovative life sciences. Interests range from plant science through microbiology to health, for example stem cell research, One concern for inventors in the life sciences is a proposal to change the requirements for granting patents on biological material. Developing nations have over recent years drawn attention to various instances of biopiracy, in which biological materials from their countries are

taken without permission, investigated and made the subject of patent applications. The Convention on Biological Diversity (“CBD”) is supposed to control such behaviour, but is not sufficiently effective. To remedy such abuses, developing nations have proposed changing the patent law to require all patent applicants to disclose the country of origin of all genetic resources (or biological materials) mentioned in their patent applications, and also to prove that such resources were accessed legally. Exactly what would have to be disclosed and in what circumstances, and the penalties for failure to disclose, remain to be settled.

CIPA objects on principle to the use of patent law to solve problems in other areas. For example, European law forbids the patenting of inventions contrary to morality (Art 53). These provisions do not work well. In the present case, the remedy proposed has two drawbacks: it will be ineffective and disproportionate to the evil it seeks to combat.

A case can be made for “disclosure of origin” where the material is rare or unique, and has been accessed from overseas. Such bioprospecting inventions are however the exception, not the rule: most “biological materials” used in inventions are readily available and accessed locally. The CBD requires “prior informed consent” of the country from which the material are accessed, but this is impossible where access has already taken place. Further, few countries have in place officials to give such consent (or even laws authorising such officials for such purposes). The objectives of the scheme are nebulous, and how it will operate is unclear. The burden it will impose on all innovations in the life sciences area is quite disproportionate to any benefit which might be obtained on this small number of cases. Essentially it is not the right vehicle to seek to impose CBD requirements. For more detail on this subject see CIPA’s position paper at <http://www.cipa.org.uk/pages/GeneticRes>.

Alasdair Poore, Chartered Institute of Patent Agents

THE CHARTERED INSTITUTE OF PATENT AGENTS

Response to the Commission Staff Working Paper entitled: - "Consultations on the impact of the Community in order to update the Green Paper on the Protection of Utility Models in the Single Market (COM(95)370 final)."

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The Chartered Institute of Patent Agents is the professional body representing Patent Agents/Attorneys in UK. Its members are professionally qualified by examination, able to see all sides of any particular problem, and act for large and small undertakings in all fields of technology. The members are also accustomed to advising clients not only in connection with Patents, but also on all other aspects of intellectual property.

The Chartered Institute is grateful for the opportunity to comment on the Commission Paper by answering the eight questions posed. Our answers are as follows:-

QUESTION 1

- (a) It is thought that the introduction of the Community U M System would have little effect on R & D and innovation activity in the EU.
- (b) With regard to competition it is thought that SMEs will be inconvenienced by an increase in uncertainty and the increased number of systems (i.e. national patent and UM, Community Patent, European Patent and International (PCT)) of which they had to be aware.
- (c) As US and Japanese companies are likely to use the system without affording equivalent reciprocity to EU nationals, the result is likely to be damaging to the EU.(It is appreciated that there is a Japanese UM but this is apparently not equivalent to what is being proposed.)

QUESTION 2

It is thought that there will be less certainty, both for industry and the public. Industry wants certainty but the proposals will cause uncertainty due to the proliferation of unsearched and unexamined rights. This would have a damaging effect, particularly on smaller enterprises.

QUESTION 3

There is little evidence on which to base an estimate, but it is felt the 100,000 is of the right order of magnitude.. It is thought that a large number of European (or Community) patent applications which do not proceed to grant might well be converted into Utility Models. Alternatively patent applicants will probably rely on simultaneously-filed UM applications.

QUESTION 4

It is felt that local, rather than central, filing procedures will be likely to reduce the number of applications. Translation provisions will probably have the greatest effect on filing rates, and opposition procedures will have little effect. It is to be noted that many German attorneys use patent oppositions as an aid to training staff.

QUESTION 5

We are not in favour.

The Commission Staff Working Paper states "Furthermore, the vast majority of users of Utility Models are local users who generally have little or no interest in protection at EU level". We therefore find it surprising and contradictory to see that "protection at EU level" is being proposed.

We consider that there will probably be a substantial adverse effect on patent law.

Under the proposed system, the costs to SMEs will be increased as they will have to keep a continuous watch for competitors' (unsearched) UMs in addition to their watches for (searched) patent applications and (searched and examined) patents. The objective of cost reduction would be achieved by a copyright-style system, since an SME (or any other sort of enterprise) would know if it had copied and therefore infringed. It follows that if a UM holder could not prove copying then there would be no infringement. If the system is not to be of a copyright-style, then an inexpensive means for third parties to search for any relevant UMs must be readily available.

Furthermore, under the proposed system, professional charges would not be greatly reduced as the same care and attention will be needed in drafting the specification and claims as with patents.

It is felt that some companies may well file UMs not to protect innovation, but to prevent others making small developments of existing technology. For example, retailers could be affected considerably as they often ask suppliers to make own-brand versions. Larger retailers have considerable purchasing power and could refuse to deal with two suppliers who are in dispute.

Question 6

The potency of a granted UM must be less than that of a patent if the inventive merit required is also less. This may be achieved in several ways and thus a UM system must have most, if not all, of the following features:-

- All applications for UMs should be searched, and preferably examined, before grant.
- The maximum term should be no more than 6 years from application.
- At least one renewal fee should be payable after, say, 3 years from application.
- No injunctions should be obtainable.
- Searching by third parties should be facilitated.
- There should be no limitation on the type of technology which is protected.
- There should be a relatively small number of claims.

- Omnibus claims should be allowable.
- "Copying" should be proved for infringement to have occurred.
- Compulsory licenses should be readily available.
- Translation provisions should not be onerous or expensive.

QUESTION 7

A major development which could affect the viability of the proposed system was the single language solution for patents.

QUESTION 8

The level of inventive step required is considered to be a major issue, although different standards in different countries around the world already exist for patents and UMs, as well as the different ways the contents of more than one prior art document are allowed to be combined. Nevertheless the profession has managed to deal with these.

In UK, in addition to the usual, slower procedure, the Patent Office has for several years provided an inexpensive route to obtaining patent protection very quickly (less than 1 year from application) for those applicants who request it. Thus there would be no advantage to users of a UM system where the inventive merit requirement is the same as for patents and particularly as professional charges are likely to be of the same order if the UM system includes search and examination. The costs of litigating a UM could well be the same as for a patent. There is the danger that the introduction of the Community Patent and this proposed Community UM system would dissuade people from using the UK Patent Office which provides such a high standard of service.

DRAFT

Report of the Affordable Litigation Sub-Committee
- amended 4th April 2006

General

1. The original intention was to submit his report before the Patents Act 2004 came into force. However, in view of the nature of the Sub-Committee's formal proposal, it is highly unlikely that it would have had any effect on the course of the Patents Bill, even if strongly promoted by CIPA and other interested parties.

2. Though not with completely unanimity, the Sub-Committee accepted that the present cost of patent litigation, whether in the Patents County Court or in the Patents Court, was grossly in excess of what most individuals or small enterprises could afford and was high enough to have a large impact on medium-sized enterprises.

3. The provision of affordable IP litigation is a requirement of TRIPs, but more pertinently, we refer to EC Directive 2004/48/EC (the corrected version), which has the requirement:

Art 3: Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time limits or unwarranted delays.

4. It was noted that on the continent, provided the litigation is run without outside assistance from high-cost countries, litigation can cost an order less than in the United Kingdom, though there are some exceptions. Thus in theory, it is possible to very significantly reduce the cost of litigation in the United Kingdom.

5. In addition to the benefit of enabling individuals and small and medium-sized enterprises to litigate their patents if they have to, another benefit of cost reduction seems to be that it could encourage more patenting, it being noted that not only Germany but also France have significantly higher patent filings per person than the United Kingdom.

6. Although not debated in depth, there was some understanding in the sub-committee that to reduce costs to levels comparable with those on the continent, a significant change in culture is required. At the present time, the only feasible approach would be to have the first instance of some or all patent litigation in the Patent Office.

7. However, the Sub-Committee appreciates that there are a number of factors against being able to achieve any great cost reduction: an important factor is the natural conservatism of judges and lawyers; another factor is the reluctance of judges to accept that senior civil servants can properly decide patent cases; another factor is that, by the natural mechanism of supply and demand, if patent litigation is made significantly cheaper, there may be much more patent litigation and the cost to the state will be increased; a last factor was that expressed on behalf of a large enterprise, namely that if patent litigation is much less expensive, they will have to devote much more resource to defending themselves against patent claimants.

8. We note that the easiest way to reduce the cost of litigation is to avoid it, and alternative dispute resolution (ADR) must be encouraged. The main draw back in the context of this report is that both or all parties must agree to ADR. We also believe that ADR cannot be used successfully in all cases.

Proposals Considered

9. In all, twelve different proposals were reviewed, some of which included a number of variations. Most of these were not considered in detail, and we only refer to three, the last one being the formal proposal of the Sub-Committee. If you wish, we can let you have a list of, and very brief details of, all the proposals, but we believe that you should rely on our selection.

Attractive Proposal (Dave Bradley Proposal)

10. The Sub-Committee was interested in the modified Dave Bradley proposal based on new s.74A (non-binding opinion by the Patent Office on infringement or validity), and assuming that the proceedings can effectively be inter parties. The proposal includes an additional requirement that if in later infringement or invalidation proceedings, the Court makes the same finding as the Comptroller in the s.74A proceedings, costs are awarded in the normal manner or perhaps on an indemnity basis; if however the Court makes a different finding, no costs are awarded.

11. To give an example, if A requests the Comptroller to issue an opinion on infringement by B, and we assume that B can request the Comptroller to issue an opinion on infringement and validity, there can be two outcomes: outcome (i) - the patent is not infringed and/or is invalid; (ii) - the patent is valid and infringed. If the outcome is (i), A is unlikely to start court proceedings because he risks having costs awarded against him. If the outcome is (ii), B is much more likely to settle in the knowledge that if the Court makes the same finding as the Comptroller, he would have costs awarded against him.

12. A fundamental attraction of this proposal is that the Patent Office non-binding opinion proceedings are much cheaper and much less formal than Patents County Court or Patent Court proceedings. The only addition to existing legislation would be the costs stipulation, which, if accepted, would not be difficult to introduce. Nonetheless, the feeling of the Sub-Committee was that although this was an attractive proposal intellectually, it was too complex to explain easily to clients and complex in its effect., and thus not acceptable to the government (or to lawyers).

The IPAC Insurance Proposal/Government fund Proposal

13. This insurance or government fund proposal was also among the Patent Reform Group proposals. We discuss it because of the Patent Enforcement Project proposed on 30th July 2004 (<http://www.patent.gov.uk/about/enforcement/pepoverview.htm>) for a feasibility study:

to establish a mutual organisation which primarily 'small firm' patentees would be encouraged to subscribe to and which would provide assistance in the enforcement of patent rights, in the UK and internationally, including where appropriate by means of litigation.

14. The Sub-Committee spent very little time on this. It is treating the symptoms and not the ill. If insurance is at the usual level (which we believe to be £100k, £200k or £250k), the insurance is inadequate even to pay costs up to the first instance hearing, especially if the plaintiff takes account of possible award of costs against him. It does not compensate for management time. It is unlikely that any mutual organisation would be sufficiently funded to give full cover. We also understand that the limit proposed by the Patent Enforcement Project is £50k, which is much too low. It may also be that the total funding is intended to be between £1m and £1.5m, which could be consumed in a single action if the limit is exceeded.

The Sub-Committee's Formal Proposal

15. For patent litigation, significantly increase the limit[†] for the small claims track so that individual and SME inventions follow this track rather than the multi-track procedure. It would be understood that a substantial amount of pre-hearing preparation may be required (at present, the small claims track is used only for cases that do not need a substantial amount of pre-hearing preparation).

[†]Possible limits were discussed, including in relation to: the actual sum in dispute (the damages or account of profits); the turnover of the enterprise; and a proportion of the claimant's profit for that year (or the year before to be practical) - one-quarter was referred to. In any case, if the parties agree, the small claims track can be followed. If the parties do not agree, a rough guideline could be given and the decision left to the judge.

16. The same judge should handle proceedings from the beginning to the end. To reduce the involvement of experts, the judge should have at least an academic training in the general field of the patent. This can be achieved using deputy judges.

17. The action could take place in the PCC. A special small claims court is attractive, but would probably require primary legislation.

18. The detailed procedure should be generally as proposed in 2002 by the IP Court User group, namely:

three rounds of written argument with affidavit evidence, imposing tight time limits (more for the defendant's response than for the others);

no disclosure;

no experiments;

cross-examination only by leave of court, and only where strictly necessary;

trial duration fixed (normally less than one day), with each advocate having a specified time for speaking;

no award of costs;

case management conference with written decision, deciding between:

- i) no further fact finding;

- ii) limited further fact finding on identified issues;
- iii) transfer to Patent s Court;

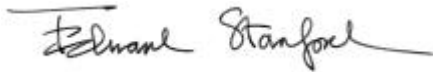
for (i) or (ii), the judge would decide whether and what expert evidence he required.

19. We appreciate that there is a reluctance to have different rules in different courts, but here it would be justified by the great reduction in cost.

20. We discussed limiting the items of prior art on which an invalidity attack could be based. Although we believed this could significantly reduce costs, we could not devise a practical way of implementing it.

21. We discussed whether the action should be an *in personam* action but rejected this. If the patent was held invalid, it should be revoked.

22. Appeals would be available under the normal rules. However, we note the DCA consultation paper on civil appeal rules, which closed on 2nd December 2005, in particular the proposal to impose a costs cap on appeals from small claims, which may have been allocated to another track. This proposal could apply to appeals from the court we are proposing.



Edward Lyndon-Stanford, Convenor
006.04.04

Preliminary comments of the Chartered Institute of Patent Agents

Preliminary Comments on the proposed Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights and the Council Framework Decision on measures to strengthen the criminal law framework to combat intellectual property offences.

These comments are made on behalf of the Chartered Institute of Patent Agents in relation to the proposed Directive on criminal measures, and measures to strengthen the criminal law framework within the EU.

The Chartered Institute of Patent Agents

The Chartered Institute of Patent Agents is the body which represents almost all patent agents in the UK. It was formed in 1882 and granted a royal charter in 1891.

Members of the CIPA advise and represent their clients in relation to patents, trade marks, designs and other intellectual property including confidential information. They are responsible for the vast majority of patent applications made to the UK Patent Office and a high proportion of registered design applications before the UK Designs Registry, and of applications made in the European Patent Office and Community Designs Office by UK based companies, as well as, in many cases, companies in jurisdictions outside the UK. Many of them are registered trade mark agents and form a majority of all registered trade mark agents. As such their clients also have a very substantial interest in trade mark protection.

Members of the CIPA advise their clients on, and in many case are directly involved in enforcement of patents, trade marks, designs and frequently in respect of copyright.

In this capacity members have a strong interest in maintaining the effectiveness of the intellectual property regime on behalf of their clients, and ensuring that effective and appropriate measures are in place for enforcement.

CIPA has been involved at a number of levels in seeking cost effective enforcement mechanisms for intellectual property rights, including proposing and consulting on changes in litigation procedure and the establishment of the Patents County Court. CIPA continues to examine ways in which enforcement of intellectual property rights can be made more effective both in terms of cost and speed.

Summary of comments

Criminalisation of IPR infringement

While strongly supporting the applicability of effective enforcement mechanisms for enforcement of valid intellectual property rights, and for preventing acts which flagrantly and deliberately encroach on owners rights, CIPA believes that criminal sanctions should generally be restricted to registered trade marks and copyright, and the Directive should generally not seek to criminalise

acts in relation to other intellectual property rights. CIPA is seriously concerned that the Directive and Framework Decision fail completely to acknowledge the position of those who wish to compete legitimately with owners of intellectual property rights. CIPA is very concerned that the proposals would result in significant chilling of competition in many fields because of the fear that genuinely competitive activities could be criminal offences. This applies especially in relation to rights (such as registered designs) which are not examined, and to rights in relation to which there are often significant arguments after examination (eg about their validity and scope), such as patents.

If a mandatory requirement to introduce criminal sanctions is introduced by the Directive, this should be restricted to registered trade marks and copyright only, and should be restricted to acts which deliberately, knowingly and flagrantly infringe the valid scope of the registered trade mark or copyright, by closely imitating the subject matter of such right.

Although generally opposed, there is recognition that certain clients may favour providing criminal sanctions in respect of infringement of registered designs. However, because registered designs are not examined, this should only apply to registered designs which are clearly valid. In addition, if introduced, it should be restricted to acts which deliberately, knowingly and flagrantly infringe the clearly valid scope of the registered design, by closely imitating their subject matter.

Access to advice

CIPA is also seriously concerned that organisations and individuals should be free to obtain professional advice about the scope and risks of infringement of intellectual property rights, both to avoid infringement and to compete effectively in the face of many intellectual property rights. The ability to obtain such advice should be protected, and professional advisors should not be subject to the risk of criminal liability unless they are knowingly and actively involved in promoting a serious criminal activity.

General Comments

The draft Directive proposes the introduction of criminal sanctions in relation to intellectual property generally. Such sanctions are required in certain instances under TRIPS (intentional infringements of trade marks and copyright on a commercial scale). They are not required in relation to other intellectual property rights, although members the WTO may provide for them.

It is important that there are effective mechanism for enforcement of intellectual property rights in Member States, and that these should be cost effective and generally be a deterrent in relation to activity which is a flagrant and deliberate breach of the rights of an intellectual property owner.

However, in providing the background for a case for criminal sanctions for all intentional intellectual property rights infringements, the draft makes several serious errors.

1. The Directive appears to equate all intentional¹ intellectual property infringement to “piracy and counterfeiting”. It advances a number of harms caused by counterfeiting and piracy (“are a serious threat to national economies and governments”) which are at the very extreme even in relation to counterfeiting and piracy; however to attribute such harm to “intellectual property infringements in general” presents a highly unbalanced picture.

¹ There are many reasons why “intentional” intellectual property infringement cannot necessarily be considered to be piracy; some of these are considered later.

2. Secondly the major part of the preamble to the Directive appears not to seek to justify the application of criminal sanctions otherwise than to counterfeiting and piracy. References to counterfeiting and piracy are used in many places to justify the application of criminal sanctions – “make it difficult to combat counterfeiting and piracy effectively”; “counterfeiting and piracy also present problems for consumer protection”; “this phenomenon [distribution of pirated goods] appears to be increasingly linked to organised crime”; “Counterfeiting and pirating have become lucrative activities [like]... drug trafficking”; “additional provisions to strengthen and improve the fight against counterfeiting and piracy are therefore necessary”. However, **counterfeiting and piracy are not the same as infringement of intellectual property rights, even if intentional**. Not all (by any means) infringements of intellectual property rights, even if “intentional” can be characterised as counterfeiting or piracy, nor do they have the same effects. The Directive itself makes it clear that the justification for criminal sanctions is in relation to counterfeiting and piracy. The substance of the Directive should also be restricted (at most) to such activities.
3. The preamble to the Directive (and the Directive itself) fail completely to recognise the possibility that (a) there are legitimate competitors to intellectual property rights owners; and (b) that such competitors have rights, as do intellectual property rights owners. Repeated reference is made to the Charter of Fundamental Rights that “Intellectual property shall be protected”. The Directive should recognise that competitors have rights also, and that criminalisation of intellectual property infringement could have a serious impact on those rights, for reasons which are discussed below.

The intellectual property rights in question

Intellectual property rights cover a very wide area. They include unregistered rights such as copyright, unregistered design rights, rights such as “passing off” in the UK, which effectively protects unregistered trade marks and rights in trade dress, and breach of confidence and rights in confidential information. In some cases the scope of the rights and the validity and enforceability of such rights may be fairly clear, and they are rarely subject to a successful challenge on the grounds of invalidity. This is generally the case with copyright, especially in relation to aesthetic subject matter such as literary works, paintings, photographs, sculpture and video arts (film and broadcast); and in relation to imitations of computer software.

In addition they include registered rights such as registered trade marks, registered designs and patents (and rights in patent applications). Registered rights may be examined substantively (reviewed by the patent or other industrial property office for prima facie validity and registrability), or there may be no substantive examination (in the case of registered designs in the EU. In particular in relation to registered designs, there can be no assurance that the design is valid when registered, and there are currently numerous examples of designs which are registered which are likely to be invalid.

These various rights serve very different purposes. They protect complementary aspects of business. Trade marks protect image and association with a trade mark owner. Copyright protects the form and presentation or material such as literary works or software. Patents protect the underlying technical ideas.

In addition some rights are very directly relevant to consumers, such as trade marks, which are an indication of origin, and in many cases copyright, where the consumer is interested in the genuine article, and at least the detailed content of the subject matter – such as a literary work, musical work or piece of software – is the reason for purchasing it. In others, such as patents, the consumer is less interested in, and will frequently be completely unaware of, any subject matter which is protected by patent rights.

These underlying differences mean that the concept of piracy and counterfeiting is not necessarily applicable in the same way to each right.

It also means that criminal sanctions are not necessarily appropriate in each case. For example, although patents are fully examined, it is common in infringement proceedings (after the patent is granted) that there will be arguments about the scope of the patent protection and whether it covers a particular product or process; and also the validity of the patent will be challenged; and in many cases these reflect on each other – the competitor will argue that what they are doing does not fall within the valid scope of the patent. If criminal sanctions applied to patent infringement, the uncertainties about the scope of protection and validity would give rise to a significant deterrent to competitors even **considering** activities which **might** be within the scope of a patent².

A further illustration of this is that, in industries such as electronics, it is not uncommon for organisations to build up large portfolios of patents which are frequently not challenged, and to use these as a currency to barter with other technology innovators in the field. Much bartering occurs “after the event”. In other words the competitor is found to be using a patented technology, is approached, and then negotiates a licence to a bundle of patents, or a cross licence of the parties’ respective patent portfolios. If patent infringement were made a criminal offence, on many such occasions the participants in these arrangements for exchanging technology would have been committing such an offence before they enter into the relevant licence, and the existence of such an offence might well discourage adoption of new technology, or increase the costs of compliance without a significant benefit.

Unexamined rights

The position is even more difficult in relation to some unexamined rights. In English law there are several statutory unexamined rights, such as registered designs (both national and Community), unregistered design rights (both national and Community), and non-statutory provisions such as passing off (unregistered trade mark infringement) and breach of confidence.

The position in relation to registered designs is particularly difficult. It is widely recognised that the effect of having no substantive examination is that there are many designs which are registered which are not valid. If criminal sanctions applied to infringement of such rights then it would seriously impact on the freedom of others to use those designs. Even if it were a defence to show that the registered design was invalid (or that it was believed to be), it is likely that there would be a substantial adverse effect on legitimate competitors, who would not be willing to take the risk of criminal liability. Commercial organisations are willing to take a commercial risk in relation to civil liability – that they will be found liable for damages if their commercial judgement is wrong; but such issues should be left to civil remedies, not to criminal ones.

² The writer has experience of the chilling effect of potential criminal sanctions in other fields, such as product liability, where the risk of criminal sanctions from an adverse interpretation of the legal framework may deter producers even where production is clearly in the interests of the public.

The position in relation to unexamined rights is also difficult. Here the competitor must make their own judgement as to the scope of the right or the scope of protection. In relation to copyright that is generally not difficult, at least in respect of very close imitations. In respect of unregistered design right it is much more difficult, because the right protects not just the whole of an article, but features of a part of an article, and there can be considerable uncertainty as to which features are sufficiently unusual to merit protection. In addition the short term and uncertainty as to the date on which such rights arise (and therefore their duration of protection) add to uncertainty. Both issues of scope and validity can become very contentious. Similar issues apply in relation to other unregistered rights.

The application of criminal sanctions to different intellectual property rights

For these reasons, CIPA is opposed to the application of criminal sanctions in respect of intellectual property rights other than registered trade marks and copyright.

CIPA members have indicated that certain of their clients may be in favour of criminal sanctions applying to infringement of registered designs, but CIPA would be opposed to this unless such rights were clearly valid and the infringement was such as to amount to piracy or counterfeiting by being identical to or have very close similarities to the registered design and the proprietor's products protected by the registered design.

The nature of infringing activity

Piracy and counterfeiting versus infringement

A competitive environment thrives on imitation. It is fundamental to intellectual property rights regimes that not only do they provide appropriate protection for owners of valid intellectual property rights, but also that they do not stifle competitive activity, and competitors are entitled to and in general governments encourage them to carry on activities which imitate the market leaders or other innovators in the field, while not encroaching upon their legitimate rights.

In practice this means that possible infringing or competing acts range from those that are squarely in the middle of the scope of protection granted by any particular intellectual property right, through areas where it is not so clear whether they infringe or not, through to ones which are reasonably clearly outside the scope of the rights, to ones which do not "imitate" at all.

The focus of criminal sanctions should be on acts of infringement which are a close imitation of the subject matter of the intellectual property right, and should not seek to criminalise those who imitate for good competitive reasons but get it wrong. That should be the domain of civil proceedings.

Intention in infringement

It is not clear in the wording of the Directive whether intentional infringement means (1) that the act was carried out intentionally, and that act infringes; or (2) that the perpetrator intended that the act infringe.

CIPA would be strongly opposed to any criminal sanctions applying on a mandatory basis under the Directive, in respect of (1) above. There must be something more than that the person

carrying out the act did so intentionally. CIPA believe that, in respect of those intellectual property rights where they consider that there could be a mandatory requirement under the Directive to impose criminal sanctions, there must at least be knowledge or expectation that the act in question would infringe the valid scope of the relevant right.

We believe that the current use of the word “intentional” is too broad and should be restricted.

Issues concerning the definition of infringement

In a number of jurisdictions, including the UK the concepts of validity and infringement are separate. This means that the use of the term “infringe” can be interpreted as carrying out an act which falls within the current scope of the right (whether or not that scope is valid).

The Directive should make clear that criminal sanctions apply only in respect of infringement of the **valid scope** of the right in question.

The commercial competitive environment

Encouraging competition

This has been mentioned on a number of occasions in these comments.

It is important that, in creating a framework for criminal sanctions for intellectual property infringements, the commercially competitive environment is clearly recognised. At present the Directive does not even acknowledge it, still less recognise it.

Acts which are carried out as part of proper commercial competition should not be criminalised, even if it should turn out that they infringe valid intellectual property rights, and even if they are done intentionally. They should not be even be criminalised just because the person carrying out those acts knows that there is a risk of infringement – this is something which is a part of commercial competition, and should be resolved by civil remedies.

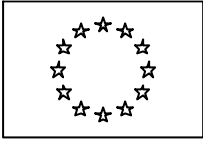
This also means that in relation to patent protection it is hard to see that criminal sanctions would ever be appropriate. It also makes it unlikely that criminal sanctions would ever be appropriate in relation to the majority of unregistered or unexamined rights.

The ability to obtain advice freely

CIPA notes that the proposal would be to make aiding, abetting or inciting infringement a criminal offence. CIPA is seriously concerned that this could affect the willingness of members to provide advice in the context of a possible ongoing infringement. This is very important given the great complexity in many cases of the issues which clients may have to consider. It should be made clear that legal advice (or technical advice) of this nature would not in any event amount to aiding or abetting or a like offence.

In addition to advice, it would be important also to protect the legal advisor who is involved in setting up arrangements which in fact give rise to infringement in such as case as that above (such as by assisting in negotiating an agreement, or setting up a company).

Alasdair Poore/26.09.05



EUROPEAN COMMISSION

Brussels, 26.7.2001
SEC(2001) 1307

COMMISSION STAFF WORKING PAPER

**Consultations on the impact of the Community utility model in order to
update the Green Paper on the Protection of Utility Models in the
Single Market (COM(95)370 final)**

COMMISSION STAFF WORKING PAPER

Consultations on the impact of the Community utility model in order to update the Green Paper on the Protection of Utility Models in the Single Market (COM(95)370 final)

INTRODUCTION

In July 1995 the European Commission launched an exercise to consult interested parties in order to assess, on the basis of a number of possible options, the need for Community action in the field of utility models¹. Among the options put forward for a possible Community initiative in this field were the approximation of the national systems of protection and the creation of a Community system of protection.

The first option received the support of most of the parties consulted, while there was only limited support for the second. Consequently, the Commission presented a proposal for a Directive approximating the legal arrangements for the protection of inventions by utility model (COM(97)691). The Economic and Social Committee delivered its opinion on this proposal on 27 May 1998. The European Parliament adopted a legislative resolution on the proposal for a Directive on 12 March 1999, and the Commission presented an amended proposal for a Directive on 28 June 1999 (COM(1999)309).

Work on this amended proposal for a Directive has been suspended since March 2000, the majority of the Member States having considered that priority should be given to the Community patent.

In its conclusions, the Stockholm European Council on 23 and 24 March 2001 expressed its concern at the lack of progress on the Community patent and the utility model and urged the Council and the Commission to speed up their work in accordance with the Lisbon and Feira conclusions, with all due regard to the existing legislative framework.

As regards the amended proposal for a Directive, the situation remains unchanged compared with March 2000 and the suspension of work was recently confirmed.

In order to give appropriate effect to the conclusions of the European Council, the Commission has suggested updating the information it obtained from the interested parties on the possible creation of a Community utility model. On 31 March 2001 the Internal Market Council welcomed the Commission's intention of quickly organising consultations with a view to drawing up a basic document taking a closer look at the possible impact of a Community utility model in legal, practical and economic terms.

That is the purpose of this consultative document.

¹ Green Paper on the Protection of Utility Models in the Single Market, COM(95)370 final.

1. GENERAL

1.1. The concept of a utility model

A utility model is a registered right which confers on its proprietor exclusive protection for an invention. As with a patent, to be protected by a utility model, an invention must be new, involve an inventive step and lend itself to industrial application. The level of inventiveness required, however, is generally lower than that for patents. In addition, utility models are granted without prior examination to establish the conditions of novelty and degree of inventiveness that are required for obtaining protection. This means that protection can be obtained more quickly and at less cost than with a patent, but on the other hand it has less legal certainty.

1.2. Utility models in Europe and the world

At present, legal protection for inventions by means of utility models is available only at national level. With three exceptions – the United Kingdom, Sweden and Luxembourg – most EU Member States offer, under various names, utility-model protection. However, their legal systems vary widely. In the Member States that have utility-model protection the following designations are used:

Germany	:	Gebrauchsmuster
Austria	:	Gebrauchsmuster
Belgium	:	Brevet de courte durée/Octrooi van korte duur
Denmark	:	Brugsmodel
Spain	:	Modelo de utilidad
Finland	:	Hyödyllisyysmalli/Nyttighetsmodell
France	:	Certificat d'utilité
Greece	:	Πιστοποιητικό υπεδειγματούχου χρησιμότητας
Ireland	:	Short-term patent
Italy	:	Brevetto per modelli di utilità
Netherlands	:	Zesjarig octrooi
Portugal	:	Modelo de utilidade

This form of protection is also very widespread outside the European Union (Argentina, Australia, Brazil, Korea, Chile, China, Hungary, Japan, Poland etc.). The United States, on the other hand, has no such system of protection.

2. ADVANTAGES AND DISADVANTAGES

2.1. Advantages

Utility models are generally acknowledged to have the following advantages:

2.1.1. *Quick, simple registration*

It takes on average 6 months to grant a utility model, compared with 2 to 4 years for a patent, because as a rule there is no prior examination of novelty or inventive step. This first of all allows an applicant to get quick protection against copies and imitations, and this protection serves to strengthen the competitive position of companies, including SMEs, and improve the availability of their products, especially capital goods and consumer goods, on the market. Rapid registration also allows speedy economic exploitation of the invention, in particular through the granting of licences.

2.1.2. Flexible conditions for obtaining protection

Whereas, an inventive step and absolute novelty are required in order to obtain a patent, most systems of protection by utility model demand a lesser degree of inventiveness than that needed for a patent and provide for restrictions on novelty (e.g. in Spain, where only the national state of the art is taken into account), so that the conditions for obtaining a utility model are more flexible and easier to meet. The fact that the degree of inventiveness required is less than for a patent constitutes a major reason for seeking protection by utility model, since it means that inventions can be covered that represent minor technological advances, which are important not only for SMEs but also for large companies.

2.1.3. Low cost

In contrast to a patent, the utility model does not involve any investigation of novelty or inventive step, which makes it less expensive. This advantage is particularly important for companies that need protection that is as complete as possible against copies and imitations and have to apply for a large number of utility models. The question of cost is also a decisive element in the case of inventions whose commercial success is uncertain. This is especially true for SMEs, which do not for the most part have sufficient market information to forecast a new products' chances of success, whereas large companies have planning and forecasting tools that allow them to limit the risk of failure.

2.1.4. Temporary protection pending the grant of a patent

When an invention is eligible for protection under both systems, the quick registration of utility models makes it possible to cover the relatively long period it takes to grant a patent with prior examination. This temporary protection is of particular use in Member States where patents are subject to a full examination of novelty and inventive step and the procedure for granting a patent is thus a fairly long process.

The economic importance of protection by utility model is not the same for all businesses but depends on what is in the interest of each company. The interests of SMEs lie mainly in the savings to be made in terms of cost, time and administrative burden. Moreover, because of their limited financial and human resources, these companies' research and development activities often lead to technical inventions involving only a minor inventive step which do not

necessarily meet the conditions for patent protection. It is mostly a question of technical improvements which, as they accumulate and interact, have just as great an impact on the technology used in the sector concerned as do inventions in the strict sense.

The utility model may also be used in certain industries where there is a constant need for innovation, particularly in the form of minor technical inventions. The main sectors concerned are machinery construction, the electrical industry, precision engineering and optics, the toy industry and motor vehicle construction.

2.2. Disadvantages

Certain interested parties expressed doubts as to the economic value of protection by utility model, particularly for SMEs. The main supposed disadvantages of protection by utility model can be summarised as follows:

2.2.1. Too much legal uncertainty resulting in major costs

Legal uncertainty, arising from the lack of any prior examination of the basic conditions, could be harmful to SMEs. When they make improvements to a product or process, SMEs could come up against a utility model granted without any examination to someone else, resulting in costly litigation or even the loss of the sums they have invested in the improvements in question. Consequently, there would have to be additional expenditure on monitoring utility models, besides the need to assess them as regards validity and counterfeiting.

2.2.2. Risk of the proliferation of unexamined rights

Europe would open up its market to its main competitors without any reciprocity, and would be in danger of being swamped by foreign applications to be granted a right that is not examined, the validity of which can be tested only through litigation and which can be granted to practically all new products in view of the very low level of inventiveness required to obtain protection.

2.2.3. Negative impact on the whole system of patents in Europe

The utility model could even have a negative impact on the patent system in Europe, because it would lower the threshold of protection and institute a parallel system that would be cheaper but poorer. In addition, in the long term that could lower the standards of protection in Europe, thereby devaluing years of effort to provide Europe with appropriate standards for the protection of intellectual property. Lastly, the position of European companies vis-à-vis their competitors, mainly in the United States and Japan, could be seriously affected, since non-European companies could find this form of protection interesting in order to occupy the field in the EU in the face of their local competitors. In this connection it should be pointed out that some 300 000 patent applications are filed on average each year in the United States and some 450 000 in Japan.

2.2.4. Harmful effects for SMEs

The advantages of the utility model would in principle benefit all companies, not just SMEs. In practice it is likely to be used, to the detriment of SMEs, by those who already operate in the single market and are familiar with the system of intellectual property, with the consequence that large (European, Japanese or American) companies would find it easier to protect their products with utility models and thus block access to the market for European SMEs.

It must be said that none of the disadvantages described above has been observed in the Member States where protection by utility model is in place. Furthermore, the vast majority of users of utility models are local users who generally have little interest in protection at EU level.

3. POSITION OF THE INTERESTED PARTIES IN 1995 CONCERNING THE COMMUNITY UTILITY MODEL

In the 1995 consultation, about a third of the replies to the Green Paper were in favour of a Regulation setting up a Community utility model. The majority of the replies rejected this possibility for the following reasons:

- a single right would be too costly; a Regulation setting up a Community utility model would have to be based on Article 308 of the EC Treaty, which implies unanimity in the Council; in that context it would be difficult to imagine a possible solution to the question of translations; if the utility model had to be translated, for example, into the 11 official languages, that would mean completely exorbitant costs in relation to the needs of industry for quick, flexible and cheap protection;
- a single right would not correspond to the real needs of industry, particularly in the field of minor inventions; protection by utility model is rarely sought in more than 3 to 5 Member States and never in the whole EU.

4. POSITION OF THE COMMISSION'S SERVICES ON A POSSIBLE COMMUNITY UTILITY MODEL

According to the Commission's services, if there is to be a Community utility model it should have the following principal features:

- protection by a Community utility model would be available for inventions of both products and processes (no requirement for defined or three-dimensional form);
- inventions eligible for protection by a Community utility model would be new, inventive and suitable for industrial application;
- the level of inventiveness required would be lower than for patents;
- novelty would be absolute (defined in relation to the state of the art at international level);
- an application for a Community utility model would be subject to only a formal verification, and the utility model would be granted without any prior examination of the conditions for obtaining protection with regard to novelty and inventive step;
- there would be no limit on the number of claims;

- a search report on the state of the art could be requested by the applicant or by third parties; the search report would be added to the file and would become compulsory in the event of legal proceedings;
- the rights conferred by a Community utility model would be identical to those conferred by a patent;
- the duration of protection would be limited to a non-renewable maximum of 10 years from the date of filing of the application;
- dual protection, allowing one and the same invention to form the subject-matter of a patent application and a utility model application, would be permitted, but in the event of dispute, successive proceedings under both sets of protection arrangements would not be allowed.

Finally, it has to be stated that the Community utility model would not replace national arrangements for the protection of utility models but, rather, would complement them.

5. QUESTIONNAIRE

In the light of the above considerations, the Commission would like to have the opinions and comments of the interested parties on the following questions:

1. *What, in your opinion, would be the impact, in your sector of activity or more generally, of the introduction of a Community utility model as described in point 4 on:*
 - *research and development activities and innovation,*
 - *competition within the European Union,*
 - *the European Union's competitiveness at world level?*

Where necessary, make a distinction according to the size of company (large companies or SMEs) and the sectors concerned.
2. *What, in your opinion, would be the effect of a Community utility model on legal certainty for your company and for the European Union in general?*
3. *If the system described in point 4 was set up, how many applications for utility models would you be likely to file per year?*

In your opinion, what would be the total number of applications filed each year in the European Union?
4. *Would the reply to question 3 be different if the registration for the Community utility model is made to a centralised office or to national patent offices? If so, please explain.*

In the same vein, would the reply to question 3 be dependant upon the procedures, including those related to the linguistic regime:

 - *to be applied for filing and processing utility model applications; and/or*
 - *governing the grounds for opposition by third parties to granted utility models.*

If yes, please explain.

5. *On the basis of your replies to the previous questions, would you be in favour of the introduction in the European Union of a Community utility model as described in point 4?*
6. *If your reply to the previous question was negative because of the features described in point 4, what changes would you suggest to make the system acceptable to you?*
7. *Have any new developments occurred since the Green Paper of 1995, which have led you to change your opinion on the Community utility model?*

Please explain, as appropriate.
8. *Do you have any further comments regarding the Community utility model? If so, please give details.*

6. TIMETABLE

This consultative document is being sent to the main interested parties. It will also be available on the website of the European Commission's Internal Market DG at the following address:

http://europa.eu.int/comm/internal_market/en/intprop/indprop/index.htm.

Replies to the questions must be sent to the European Commission's Directorate-General for the Internal Market, either by writing to the following address: **European Commission, DG Internal Market (MARKT/E/2), rue de la Loi, 200 (C100 5/109), B-1049 Bruxelles**, or by e-mail to MARKT E2@cec.eu.int.

All comments must reach the Commission by **30 November 2001** at the latest.

For any further information on this consultation, please contact Mr P. Ravillard (tel. +32-2/295.27.69; fax +32-2/299.31.04; e-mail patrick.ravillard@cec.eu.int).

Disclosure of origin of 'genetic resources'

The Convention on Biological Diversity (CBD) seeks to promote:

- Conservation of biological diversity.
- Sustainable use of its components.
- Equitable sharing of the benefits from the use of genetic resources.

Patent laws should forward these objectives, which are worthy of full support. Accordingly some suggest that patent applications concerned with genetic resources should be obliged to show that such resources have been accessed with Prior Informed Consent (PIC): or at a minimum to disclose the origin of such resources. This, it is said, will enable supplying countries to check that users of such resources are respecting the CBD, and encourage benefit-sharing.

This proposal is totally misconceived. It is based on false assumptions. It is unclear, impractical and disproportionate. If implemented, it will hinder the objectives of the CBD rather than promoting them, and impose burdens on innovators while benefitting no-one.

1. CBD

The Convention on Biological Diversity (CBD) came into force in December 1993. It has about 180 members - the great majority of countries in the world, though excluding the USA. Its objectives are set out in Article 1 as:

- Conservation of biological diversity.
- Sustainable use of its components.
- Equitable sharing of the benefits from the use of genetic resources.

It recognises the sovereignty of each member nation to exploit its own genetic resources (Article 3). Accordingly, each nation has the right to control access to those resources (Art 15.1) but is obliged to 'facilitate' such access (Art 15.2). Access is to be granted on mutually agreed terms (Art 15.4) but subject to PIC of the party providing it (Art 15.5). Benefits arising from use are to be equitably shared with the providing party.

Article 15 applies only to the provision of resources for which the providing country is the 'country of origin', or has received in accordance with the CBD (Art 15.3). The 'country of origin' is the country which possesses those genetic resources in in-situ conditions (Art 2).

Article 16 deals with access to technology, which is to be facilitated, but taking account of IP rights. Art 16.5 requires members to ensure that IP rights are 'supportive of and do not run counter to' the CBD's objectives.

2. Objectives

The objectives of the CBD are worthy of the fullest support*. Biological diversity should be conserved: both for practical and for moral and aesthetic reasons. The components of biological diversity have many valuable existing

uses (feeding the world, for example), and there are many more to be discovered. Many important drugs have been extracted from plants, or synthesised from starting materials obtained from them. It is surely unarguable that the benefits from such uses should be fairly shared - though of course there may often be disagreement about what is fair.

However, good objectives are not sufficient. The road to Hell is paved with good intentions. Effective legislation must take account of all relevant circumstances.

3. IP Law

Again, it is entirely proper that IP laws should support and not frustrate the CBD's objectives. But it by no means follows that changes to IP laws are good (or even acceptable) ways of achieving those objectives. Existing IP laws provide a way of extracting returns from investments in new uses. In this way they have two effects: they encourage innovators to search for such new uses, and they enable innovators to extract a financial return from the new users. This return may then be shared, equitably, with those who have contributed resources. Regulations which make it more difficult to obtain patents discourage research on new uses. Changes are worthwhile only if the benefits will outweigh the costs.

4. The case alleged for 'disclosure of origin and PIC'.

This runs broadly as follows:

- a) Genetic resources have many valuable uses. They are concentrated in countries of high biodiversity, which are typically poor and less developed.
- b) Rich developed countries have access to genetic resources provided by poor countries, with widespread disregard of the provisions of the CBD on PIC and benefit-sharing.
- c) In particular, many patent applications relating to genetic resources are filed by residents of developed countries. These lead to profits which are not shared with providers. In most cases, the providers are quite unaware of this, and hence are unable to claim what is rightfully theirs.
- d) If patent applicants were obliged to state the country of origin of biological materials used in their inventions, and document PIC, providing countries could see that those materials had been accessed legally, and claim their fair share of the profits.
- e) This would reduce a significant injustice and promote development of poorer nations.

5. Basic objection

There are several weaknesses in this case, but one fundamental problem. This is the hidden assumption in b): that all access to genetic resources either takes place in accordance with the provisions of the CBD, including PIC, or is illegal. This is simply untrue. The fact is **that nearly all access to genetic resources is both legal and outside the provisions of the CBD.**

The parties to the CBD are sovereign states. The provisions of the CBD, to be effective, need to be written into national laws in specific form. A few countries have done this (Philippines, India, countries of the Andean Pact) but most have not. Where no legislation exists, access to genetic resources is legal. Whether there are laws or not, in most cases local inhabitants (and

indeed visitors) will have access to a wide variety of local genetic resources without formality. One sovereign state may not have access to certain genetic resources of another, and to be given such access it will appropriately follow the CBD procedure. But this is a very specific case. Most people have access to genetic resources by virtue of being in the same country as the resources. No laws inhibit them from access, any more than they require a licence to breathe the air around them (with any micro-organisms floating in it) or eat breakfast. Where (as nearly always happens) access precedes any formal or specific consent, PIC is logically impossible. Such access may happen in or outside the country of origin. When materials are exported without conditions, they pass beyond the sovereignty and control of the exporting country. The CBD recognises national sovereignty, but does not extend it extra-territorially.

There is one situation where proof of PIC might reasonably be demanded. This is Bioprospecting. Where someone sets out to collect rare or unique genetic resources in a foreign country which has suitable legislation in place, the collector is properly obliged to obtain Prior Informed Consent, and to respect conditions imposed. Such conditions might reasonably include the obligation to document PIC and mention the country of origin in any patent application filed. But Bioprospecting accounts for only a very small proportion of inventions on biological resources - probably less than 1%. A very strong case is needed to impose even minor inconvenience on the other 99% - let alone (as in some proposals) requiring them to make a statement which (if inadvertently wrong) may render their rights invalid.

6. Which 'Origin'?

Proposals for disclosure vary. Most developing countries believe it important that PIC be demonstrated in filing patent applications, in spite of the difficulties discussed in 5. above. Several developed countries (e.g., Switzerland; Norway; the EU) accept the difficulties in requiring evidence of PIC, but still support the disclosure in patent specifications of 'country of origin'. They believe that this will meet the concerns of developing countries and forward the objectives of the CBD. Presumably they think this will discourage breaches of CBD Article 15, and bring to light any which may occur. Also, perhaps, it will provide 'countries of origin' with the opportunity to bring pressure to bear on patentees to compensate them even though the patentee has not breached article 15.

For patent applicants who may be obliged to make such disclosure, this still raises serious questions. First, what is meant by 'country of origin'? The CBD defines 'country of origin' as 'the country which possesses those genetic resources in *in-situ* conditions' (Art 2). Despite the definite article, this will rarely define a unique country - mostly, similar genetic resources will be found in more than one country. If there is more than one country of origin, must the applicant name all of them, or only the one in which his sample originated? He usually will not know all the facts: for example, he may not know where his sample originated; or he may know where he got it, but not whether the country where he got it possesses it in '*in-situ* conditions' (which could in some cases be very difficult to establish).

Given the difficulties with 'country of origin', alternative proposals require the applicant to disclose 'source'; or 'origin, source or legal provenance': or to

disclose 'source' if 'origin' is unknown. An applicant may be expected to know the immediate source of material he has used (or to have a good explanation why not). In most cases, probably, this source would be local (in the applicant's home country): and it is not clear how such disclosure would forward the objectives of the CBD.

7. Other difficulties

Most discussions assume that each patent application is concerned with a single genetic resource which is essential to the invention. In fact, many patent applications disclose dozens or even hundreds of distinct genetic resources. Some of these may be essential to the invention; others useful for carrying it out; others of minor, accidental or trivial significance. Is the 'origin' or 'source' of each such resource to be given? What is the criterion for disclosure? Verifying each case could be extremely burdensome, and would be likely to lead to a reduced disclosure, of less value to the public.

8. Principles

In general, public policies should be promoted directly rather than indirectly. If it is acceptable to change patent law because in a few cases genetic resources are being misappropriated, why stop there? Should the law be changed to require applicants to declare that they are obeying tax laws - or employment laws - or laws against discrimination? No - innovators need encouragement, not new obstacles put in their way. They make our lives easier: and we in return should seek to make their lives simpler, not more complicated

9. Inefficiency

The strongest reason for not requiring disclosure of origin in patent specifications is that it will not give the advantages sought. Filing a patent application is neither a necessary nor a sufficient condition for a successful commercial venture. Of inventions on which patents are filed, less than 5% ever reach the market: perhaps less than 2% make money. Conversely, patenting is not essential to a commercial venture: many traditional medicines, for example, are sold under trade marks, without any patent protection, and equally without any direct return to countries of origin. A requirement for disclosure will be ineffective in meeting its objectives and wasteful of the resources of inventors. It will discourage use of genetic resources rather than promoting them, in direct conflict with the objectives of the CBD.

For the foregoing reasons, it is **strongly recommended** that **no further steps** be taken to require patent applicants to disclose 'country of origin'.

*The adherence of so many countries to the CBD suggests a considerable international consensus about this, though not a complete one because of the absence of USA. But the USA does not (we may suppose) dissent from the objectives: rather it has concerns about the methods of achieving them.