

**GOWERS REVIEW OF INTELLECTUAL PROPERTY
CALL FOR EVIDENCE
SUBMISSION BY DAVENPORT LYONS, SOLICITORS**

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?

There is no doubt that the system of obtaining IP rights is complex and difficult, even for those who are IP lawyers. The complexity arises partly as a result of the piecemeal manner in which intellectual property has grown up over a very long period of time, as well as intrinsic factors. These include:

- the territorial nature of IP (I may have an IP right in one country but not another);
- the different subject matter covered by the various IP rights (hence the difficulty in explaining to a client the difference between an invention, a discovery, an idea, a work, a design, a brand, and a trade secret);
- the fact that some forms of IP are subject to registration whilst others are not.

In addition to these intrinsic factors, the language of IP is confusing for many people: in common parlance reference is often made to “copyrighting an idea” or “patenting a brand”. Even for the practitioner, the manner in which legislation is drafted can sometimes prove complex. The Copyright, Designs & Patents Act 1988 was a marked improvement on previous legislation, but even the name itself suggests potential for confusion. An example of recent additions to that Act which are amongst the more opaque pieces of UK legislation can be found at section 296 and following (dealing with circumvention of protection measures).

To improve this situation, consideration could be given to simplifying the language by which intellectual property rights are regulated, and the manner in which they are presented by public bodies, such as the Patent Office.

(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?

Whilst the Patent Office website contains useful material on the available rights, our experience is that not all entrepreneurs or innovators will have access to it. In relation to international protection of IP, we frequently find that entrepreneurs and innovators are not aware of this aspect or, if they do have some awareness, are suspicious of the implications. For example, we frequently find that one objection to making international applications for trade marks is the perceived cost, without taking into account potential benefits.

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

Costs are certainly a barrier to obtaining IP rights in the UK in some cases, but perhaps this is not the right question to ask. It is usually possible to find some mechanism for achieving some level of protection which will be acceptable even to an unfunded innovator or entrepreneur, but the question is whether the next level of protection, at any given stage, will be worthwhile in terms of the potential benefits. It would probably be fair to say that obtaining a patent in the UK is more expensive than obtaining other forms of IP, but then the level of protection given by a patent can be very broad. The factors driving costs include official fees (some entrepreneurs and innovators find even the comparatively modest fees now charged by the UK Patent Office high), lawyers' and

other professional charges in relation to IP applications, and the costs resulting from opposition and infringement proceedings. In the nature of things, it is often difficult to see how some of these costs can be avoided, although timely advice can obviate further costs along the line.

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

Generally, the UK Patent Office fees compare well with those of other countries; in relation to trade marks, those charged by OHIM now compare favourably, so that if a client wishes to seek protection in more than (say) three or four EU countries, it will usually be more beneficial to apply for a Community Trade Mark.

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

On the whole the UK Patent Office fee structure is reasonable and well thought out. Consideration could be given to restructuring fees so that if an application (for example, for a trade mark) is unsuccessful, the whole of the fee is not forfeited.

(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?

There will always be those who mistrust the IP system and regard it as a barrier to innovation, for example those who champion "open source" systems or what is known as "copy left". There will always be businesses which prefer to seek a commercial advantage by being the first to market or by maintaining trade secrets, particularly those involved in business areas where an innovative product has a short period during which it will be successful. However, most maturing businesses see the desirability of obtaining IP protection.

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

As a law firm specialising in rights in the widest sense, we deal with all varieties of IP, including applying for trade mark and design registrations for our clients (we have an in-house team headed by a senior European Trade Mark Attorney), and referring clients to appropriate firms of patent attorneys in order to prosecute patent applications. We also act for many foreign organisations that wish to protect their rights in the UK and throughout Europe. It would be difficult to identify a business sector where there are specific barriers to obtaining IP protection, although we have noticed an increase in the number of our clients seeking advice on the protection of business methods, which are not capable of patent protection in the EU (although they may be in the USA).

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

The specific barriers to obtaining IP rights for small businesses and individuals are largely those which we have touched on above. The chief barriers are understanding the need for and benefits to be obtained by IP rights, and the costs involved.

(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?

Entrepreneurs and innovators increasingly realise that international protection is necessary, except in limited circumstances. Part of the task of a national patent office must be to provide a portal to the international systems available. Mechanisms exist for obtaining international protection, but the rationale for this is not always understood by lay people; for example the fact that copyright protection is generally available automatically on an international basis, whereas to obtain international protection for trade marks (and claim the benefit of the same filing date) corresponding applications have to be filed within six months, and for patents corresponding applications have to be fled within twelve months. Inevitably there is scope for improving understanding of the available mechanisms for international protection. For example, it is not immediately clear from the UK Patent Office website that Community Trade Marks and Designs are an alternative and, in some cases, preferable route to national rights.

2. How IP is used

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

As a law firm specialising in rights, we advise on the full panoply of IP protection including patents, copyright, registered designs, unregistered design right, database right, trade marks etc. As a creative organisation, we rely most heavily on copyright (although it is fair to say that factors other than IP rights are decisive in service industries such as ours, such as the intrinsic quality of the material which may be protected by copyright).

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

The results of innovation and creativity may be capable of protection in a number of ways, which may overlap. For example, protection for a new business or product idea may be obtained initially by confidentiality and copyright, and subsequently, if it comprises an invention for which a successful patent application is made, by a patent. In the life of an industrial product, design features will come into play at an early stage, whilst trade marks are a key factor in the marketing process. This "hierarchy" of intellectual property does not merely have a linear character: few research and development activities are carried out without any reference to established techniques and data, and the use of pre-existing intellectual property may therefore be necessary both for carrying out the work and exploiting its results, even if the work itself has produced new discoveries or original ideas. Part of our task as intellectual property advisers is to advise on and coordinate these different modes and levels of protection. For example, a new business name may be registered as a domain name and a company name, but checks need to be carried out to establish that it is registrable as a trade mark and will not infringe third party rights.

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

The differing nature of the subject matter of the various types of intellectual property inevitably means that one or more of them will be more common in one sector than another. For example, creative industries depend to a very large extent on copyright, whilst scientific and technological industries will depend more heavily on patents. As advisers to a broad cross section of business and industry, we have to be alive to the different dynamics involved in each area.

(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?

The valuation of IP is one of the most complex and obscure of its aspects. Whilst there are specialist professionals who will advise on, for example, brand valuation, there are differences of approach: in some areas it is well known that there are "going rates" for royalties, whilst more apparently scientific methods prevail in different areas. Experience indicates that there are a number of problems with raising funds against IP generally. These include:

- the fact that IP bestows negative rather than positive rights (i.e. it is what you do with the IP that creates value);
- it is often difficult to disentangle the various rights;
- the complexity and cost of obtaining due diligence reports;
- technical problems associated with taking security over intellectual property and practical implications.

In practice the most promising candidates for raising finance against intangible assets based on IP are likely to be found in areas such as copyrights in a catalogue of films or recordings. In emerging industries there are greater uncertainties (as was seen in the "dotcom" boom). The issues are not entirely dissimilar to those which have made "securitisation" of IP something of a hit or miss topic. At the least, some legislative review would improve the practical difficulties.

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

The term of IP rights varies enormously. Trade marks, once registered, and provided they are renewed, are in theory perpetual, but as is well known trade marks are vulnerable to becoming generic and therefore revocable. Patents by contrast have a limited life of twenty years, and in some industries this may seem a short time to recoup the necessary investment, particularly in the pharmaceutical and biotech industries, hence the regime for supplementary protection. In swifter moving industries, such additional protection may not be justified. In those industries which exploit creative works, the standard period now fixed for copyright of seventy years from the end of the year in which the author died is a seemingly adequate period, and it is not clear how a further extension to ninety-five years can be justified. Clearly where copyrights are reaching the end of their life, this will affect their value and hence investment decisions. From the point of view of encouraging innovation and creativity in the digital era, it may be thought that shorter periods of protection will be more relevant.

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

The UK IP system approximates to all the major forms available internationally, and by that measure it performs well. As indicated above, there are certain areas where the system could be improved to enhance the public benefit in terms of promoting innovation and creativity.

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

There is an obvious contradiction at one level between an open market theory of intellectual property and public funding of innovation and creativity on the other. Whilst there may be general support for spending public funds in specialist areas, the role of public funding (such as in the DTI Business Support Schemes) is less well understood. Arguably, further public debate would be desirable in this area.

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

Whilst it is doubtless true that the number of patents registered annually reflects part of a country's inventive activity, it cannot be the only measure of innovation. Use of other forms of IP, such as copyright, cannot be meaningfully measured.

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

It is hard to see how the existence of IP rights imposes costs on the economy, when all indications are that they provide the necessary security (and therefore stimulus) for innovation and creativity in a dynamic economy. The downside (i.e. overprotection) can be dealt with by a robust but systematic interpretation of competition law.

(j) 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?

As already indicated, IP rights are by their nature negative not positive, and it is hard to see in general terms why government or the courts should interfere to prevent IP rights being used defensively. In recent years we have seen a decrease in the extent to which compulsory licensing has become available, and indeed it is difficult to justify this in competition terms except in extreme circumstances, such as the abuse of a dominant position.

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?

The ease or difficulty with which it is possible to negotiate IP licences varies enormously. Leaving aside compulsory licences or licences of right, and the collective licensing systems, the negotiation

of IP licences depends on freedom of contract, and this in turn presupposes an open market and a climate where the necessary information is readily available. One of the difficulties in establishing, for example, reasonable royalty rates for a licensing agreement is the lack in some cases of sufficient data on agreed royalties, such information being often by its nature confidential. In areas such as the licensing of pharmaceutical products, the negotiation process may take years and involve large teams of key personnel and high transactional costs. In other areas, such as standard computer software, licences are essentially a commodity available on standard terms which are rarely negotiated.

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

Where an industry or commercial sector is familiar with IP licensing as a tool of business expansion, finding potential licensing partners will not be difficult. Mechanisms such as licensing clubs are helpful for promoting certain types of technology, particularly where small businesses are concerned.

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

The exemption from patent infringement under section 60(5)(c) of the Patents Act 1977 is limited to experimental purposes relating to the subject matter of the invention, and is more limited than the similar exemption under US law. The recent changes to UK copyright law (under the Copyright and Related Rights Regulations 2003) have narrowed down the previous exemption for use of copyright material for research, so as to exclude research for commercial purposes. Despite the existence of, for example, the Newspaper Licensing Agency, there are grounds for arguing that the current regime in relation to research, both academic and commercial, is too narrow.

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

The statutory provisions relating to patents, copyright, trade marks and designs all permit licensing of these forms of IP, whilst the courts have developed theories of implied licences in certain limited cases. There are therefore no specific barriers to licensing in general terms.

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

Established businesses in areas in which licensing IP is common do not generally find that there are barriers to licensing on grounds of cost, although this may be a problem for business start ups and the "lone inventor". The costs are driven in part by the time and effort required to locate a suitable licensor/licensee and associated transaction costs including legal charges.

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

We are not aware of specific barriers to licensing IP in our sector.

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

Cross-licensing is common in technology rich industries such as electronics, but is subject to potential difficulties particularly in the field of competition law. Patent pooling is encountered in the field of biotechnology as a solution to the problem of access, but again is prone to difficulties from the point of view of competition law, unless it is "pre-competitive".

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

Small businesses or individuals will find it difficult to access IP rights through licensing, for many of the reasons already touched on, which again suggests that the interface between licensing and exemptions from infringement should be reviewed.

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

There are a number of reasons why barriers to trade persist on an international basis. By and large it is not the IP system itself which imposes such barriers but rather other factors such as differences in technical standards.

(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)?

In our experience licence of right provisions in patent law are not utilised to a significant extent.

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

In our view greater thought needs to be given to the rationale behind licence of right provisions and the related areas of exemptions under IP legislation.

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

In our view compulsory licence provisions may be explicable in terms of competition law but not otherwise.

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?

In considering the means of enforcing the various forms of IP, it is important to distinguish the different kinds of infringement. All infringement involves the use of the intellectual property of another party without consent. Counterfeiting occurs when infringing copies of a product, often of inferior quality to the original, are marketed without consent, usually as a deliberate act. In infringement cases that do not involve counterfeiting, problems of enforcement typically include proving that the infringing article does in fact infringe, and this will often be because there is a grey area, and so the specific problems will be related to evidence and legal argument. In the case of counterfeiting, there is usually little doubt that the infringing articles do in fact infringe, and the particular problems will be those of identifying the source of the infringing articles and executing judgment (for example, in relation to an order to deliver up infringing articles for destruction). Whilst the different subject matter of patents, copyright, trade marks and designs will give rise to individual difficulties in evidential terms, there are few specific problems that arise from the manner in which they are protected.

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

The protection of all legal rights involves time and expense. The costs of enforcement include not only legal costs but those in other fields such as accounting. Arguably methods of sharing costs such as the greater availability of legal costs insurance could assist in challenging infringement and enforcing IP rights.

(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?

The new Patent Office opinion service may well prove a useful tool, but it is probably too early to say. It should be noted that it only proves an opinion and is non-binding. Mediation and ADR of course have their role, but pre-suppose an open mind to the resolution of a dispute. The Copyright Tribunal provides a useful service but appears to be under utilised.

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

IP litigation insurance is a growing sector of insurance and in our view is likely to increase in its effectiveness as the market matures.

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

In our view it is not feasible to settle IP disputes in all cases without recourse to litigation.

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

There is no doubt that the costs of litigation are a barrier to challenging and enforcement of IP rights for small businesses or individuals, but greater availability of specialist insurance would in our view assist in overcoming these to some extent.

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

The risk of litigation is one which cannot be altogether excluded in any business; but the risk can be reduced by greater awareness of the significance of IP and timely advice.

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

In our view the principal barriers to efficient and successful challenge and enforcement of IP on an international basis are: (a) the differences between substantive IP laws in different countries; (b) the differences between judicial procedures; (c) the lack of specialist IP courts that have a genuine understanding of the subject matter in certain jurisdictions; and (d) the lack of efficient administrative procedures to assist enforcement in certain jurisdictions.

SPECIFIC ISSUES

• 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?

The key to the issue of the appropriate term of protection of sound recordings and performers' rights in sound recordings is to identify the overall policy considerations. The current term of fifty years from fixation is arguably arbitrary. If the intention is to reward individuals (including performers) involved in a sound recording during their lifetime, then a period of seventy years might nowadays be regarded as more appropriate, having regard to increased lifespans. A subsidiary issue is whether a sound recording should be protected on the same basis as that applying to the work itself i.e. the life of the author plus seventy years. It may be thought appropriate to draw a distinction between authorship and recording/performance in this respect. Further policy considerations include harmonisation at an international level, and in particular whether the extension of the relevant period in the USA to ninety-five years distorts international trade. On its own, a period of ninety-five years would again appear to be arbitrary. Many other countries now have seventy years.

(b) Is there evidence to show the impact that a change in term would have on investment, creativity, and consumer interests?

It is unclear whether there is any actual evidence to show the impact that a change in term would have. Arguably it would encourage further exploitation of older sound recordings, and thereby

enable recording companies to invest more widely in new artists. It is not clear that overall consumer interests would be adversely affected.

(c) Are you aware of the impact that different lengths of term have had on investment, creativity, and consumer interests in other countries?

It would be interesting to see evidence to this effect.

(d) Are there alternative arrangements that could accompany an extension of term (e.g. licence of right for any extended term)?

Consistently with the provisions of the Duration of Copyright and Rights in Performance Regulations 1995, it is arguable that any extension of the term of protection of sound recordings and performers' rights in sound recordings should be subject to a licence of right subject to payment of reasonable royalties. However, the arguments as to the justification for extension by reference to investment in older recordings would need to be taken into account.

(e) If the term were to be extended, should it be extended retrospectively (for existing works) or solely for new creations?

It is difficult to see why an extension of the term should be limited to 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?

There is anecdotal evidence that the current exceptions in copyright law are drawn too narrowly and should be replaced by a broader notion of "fair use" more akin to that prevailing in the USA. In particular, it is arguable that the lack of a general exception in relation to domestic recording and "media shifting" has added to the general contempt with which copyright is treated at "street level". Most consumers are astounded to learn that transferring a track from a CD on to a mobile electronic device is an infringement of copyright law, and it is also arguable that this has led to the, at best, neutral view with which illegal uploading and downloading via the internet is regarded generally by the public. As Lord Templeman commented in the case of *CBS Songs Limited v Amstrad Consumer Electronics Plc* (1998) "a law which is treated with such contempt should be amended or repealed".

(b) Could more be done to clarify the various exceptions?

It follows from the answer to the previous question that we think that the existing exceptions need radical rethinking in certain respects. Perhaps the more difficult aspect as to the extent to which there should be a general fair use exception in the commercial sphere should also be reconsidered.

(c) Are there other areas where copyright exceptions should apply?

A good example of an area where consideration might be given to updating the current exceptions in copyright law concerns the use of "derivative" digital images. For example in the case of *Antiquesportfolio.com Plc v Rodney Fitch & Co. Limited* (2000) it was held that the use of small scale photographs of antiques on a website was an infringement of copyright in a well known encyclopaedia of antiques. This contrasts with the US case of *Leslie A. Kelly v Arriba Soft Corporation* (2002) in which it was held that the defendant's display on a visual search engine of lower resolution "thumbnails" of copyrighted images was a fair use of those images, because of the lower resolution of the pictures. Similar areas which merit further consideration are those involving "linking" and "framing" on the internet, as to which it is arguable that the Scottish case of *Shetland Times v Wills* (1997) has not provided very clear guidance (for understandable reasons).

(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”?

As indicated above, we think that there should be exemptions for domestic media shifting as an example of “fair use”. It is important to distinguish this from illegal downloading from the internet.

(e) How would you see content owners being compensated for such use?

The existing examples of fair dealing are not subject to compensation provisions, and the present situation is that, despite the recent successful spate of private prosecutions for illegal downloading, rights owners are not compensated for domestic media shifting use. The “blank tape levy” debate has not provided a satisfactory outcome, and it is difficult to see how there could be one in the digital era, but it would be worthwhile exploring how the major beneficiaries of downloading from the internet could share a proportion of the benefits with the creative side.

(f) To what extent has technological change presented difficulties in use of copyrighted material in the field of education?

One of the concerns surrounding the implementation of the EU Directive on the harmonisation of certain aspects of copyright and related rights in the information society was whether the new protection for effective technological measures would be consistent with the exceptions to copyright and related rights in relation to institutions such as libraries and educational establishments. In the event the complaint scheme introduced by section 296ZE of the 1988 Act seemed a somewhat half-hearted measure, and it would be interesting to see whether there is any evidence to its effectiveness.

(g) Are there issues concerning the archiving of material covered by copyright?

We are not aware of any outstanding 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?

We think it is imperative that a greater consensus should be reached as to the value of digital rights management technologies and how their use should be regulated.

• Copyright – orphan works

(a) Have you experienced any difficulties in identifying the owners of copyright content when seeking permission to use that content?

We have experienced difficulties in identifying the owners of copyright content in a number of fields, including literary and music works.

(b) Do you have any suggestions on how this problem could be overcome?

It is arguable that there should be a general exception in carefully defined circumstances subject to payment of reasonable royalty for use of genuine orphan works.

- **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?*

Yes, in particular in relation to sound recordings, in view of the restrictive mandate available to PPL in certain circumstances, which has resulted in difficulties in securing new media licences for “simulcasting” and other internet usage.

(b) *Could the system be clarified or simplified, and if so how do you see this working?*

The basic issue is whether and to what extent and on what basis should rights owners be subjected to compulsory licensing, to avoid potential licensees having to knock on the doors of individual record companies. The answer is not obvious but would merit further public debate.

- **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?*

Arguably it would help to harmonise the laws in the EU to introduce community “utility model” system. In addition, such a system would assist small or micro businesses and individual inventors because of reduced costs.

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

The difference between national rules regarding the protection of utility models can result in problems of protection and enforcement.

- **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?*

We do not propose to give a view on this topic.

- **Trade Marks – international issues**

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

As indicated above, it is our view that it is frequently beneficial for clients to register their trade marks at the European rather than the national level.

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

The Community Trade Mark system is to some extent “bolted on” to the UK trade mark system in legislative and administrative terms, and arguably the system could be improved in this respect.

• Designs – registered designs and unregistered design rights

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

Our experience is that registered designs are increasing in importance, as indicated by the increasing numbers of applications that we handle. In relation to unregistered design rights, there are unreconciled differences between the UK and European rules, which should desirably be harmonised.

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

As with trade marks, there are advantages in certain circumstances in registering at the European rather than national level. Our experience is that increasingly international clients wish to register at a European level.

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

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

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

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

There is widespread ignorance as to the similarities and differences between European and UK unregistered design rights, and as indicated above we think that it would be desirable to harmonise the rules so far as possible.

The main distinction between UK unregistered design right as opposed to European unregistered right is that the former lasts for ten to fifteen years whilst the latter lasts for only three years, and for that reason UK unregistered design right remains a useful instrument.

• 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?

One area of inconsistency that is particularly noticeable is the difference between substantive provisions of copyright law as between different countries, for example as to the liability of ISPs for copyright infringement, which gives rise to the undesirable practice of “forum shopping”. There are in our view good arguments for updating the Berne Convention to achieve greater international harmony in the digital field.

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

We are not aware of any particular inconsistencies or inadequacies in the way that English law applies legal sanctions to infringement. In general we think that there should be consistency overall, and therefore the possibility of criminal sanctions for online infringement should be the same as those related to physical infringement.

• **Coherence between competition policy and IP policy**

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

(b) How did you deal with this problem?

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

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

(e) How would you see the system working?

It is desirable above all there should be consistency and clarity as between the fields of competition law and intellectual property. In general, competition law should only impinge on agreements which significantly reduce competition, or behaviour that constitutes an abuse of a dominant position. It would be desirable for the OFT to update and complete its consultation paper on this issue.

• **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?

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

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

Amongst brand and rights owners, many of whom we represent, there is no general wish to move towards “internal exhaustion” of trade marks or copyright. The strongest argument in favour of international exhaustion relates to price differentials as between EU and other markets, but it is highly arguable that the correct field for legal challenge in that case is that of competition law rather than further amendment to intellectual property law.

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