

Gowers Review of Intellectual Property  
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HM Treasury  
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London  
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Friday 21 April 2006

**Gowers Review of Intellectual Property:  
Submission of Evidence by ICC United Kingdom**

In response to the Gowers Review of Intellectual Property Call for Evidence, ICC United Kingdom (ICC UK) has considered the Issues Paper and welcomes the opportunity to comment upon the same. We convey our readiness to contribute to the consultation process and input the views of international business. We have provided responses to those questions which we feel are of particular relevance to international business and also raised another issue that we believe to be of key importance. This response has been prepared by the ICC UK Committee on Intellectual Property.

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1. Background information on ICC and ICC UK is provided in the Annex to this paper. ICC is primarily concerned with encouraging international trade and economic development. We also attach a copy of the 2006 edition of the ICC publication "Current and emerging intellectual property issues for business - a roadmap for business and policy makers".
  2. ICC UK is glad of the opportunity to submit evidence to the Gowers Review. UK IP law to a large degree derives from international treaties ranging from the Paris Convention of 1883 to the European Patent Convention<sup>1</sup> of 1973 to the WIPO/WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (1994). In addition, much IP law in the UK derives from EU directives and regulations. We hope that our comments will help the Review to formulate -
    - (a) recommendations on the government's approach to international obligations and negotiations, and
    - (b) recommendations on the government's approach to those IP matters on which it is presently entitled to act independently, but where nevertheless international trading considerations need to be taken into account.
  3. Against this background, there are three areas on which ICC UK wishes to comment:-
    - (i) **The patent system generally and also utility models** (General Questions 1 "How IP is awarded", 2 "How IP is used", and Specific Issue "Patents - utility models" at page 8, in the Call for Evidence).

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<sup>1</sup> This is not an EU treaty.

- (ii) **Criminal penalties for IP infringement** (general question 4 "How IP is challenged and enforced" and Specific Issue "Legal sanctions on IP infringement" at page 8).
- (iii) **Disclosure in patent applications of the origin of biological material.** (General Question 1, "How IP is awarded", effectively an additional "Specific Issue").

These three topics will now be dealt with in turn.

### **The patent system generally and utility models<sup>2</sup>**

4. ICC believes that the substantive patent law in the UK, like that in the rest of Europe with which it is already harmonised, strikes about the right balance. In return for disclosing new technology to the public through the patent specification, an applicant secures a 20-year monopoly, provided that the "inventive level" (in the last resort as judged by the Courts) is sufficiently high. This system does, of course, constrain the commercial activities of the patentee's competitors. In compensation, it enlarges the technical understanding of industry at large through the publication of the patent specification, and it encourages investment in R&D. On balance, the public, including consumers, benefits substantially.
5. However, second-tier patents (or "utility models"), as available in some countries, differ from patents in two or more of the following respects:-
  - (i)<sup>3</sup> They require a lower inventive level to be valid (the case in the German and Australian systems, but not the French or Dutch systems).
  - (ii) They are not automatically examined substantively by Patent Office before being granted (the case in most systems).
  - (iii) They last for a shorter period than patents (7 years in France and Netherlands, 8 years in Australia, 10 years in Germany).
6. ICC UK's view is that feature (i) provides excessive reward to the applicant regardless of how short the term is, and that feature (ii) creates unjustifiable uncertainty and trouble for competitors (the more so, the longer is the term). Accordingly, countries like UK, Sweden, and USA are in our view right in not having a utility model law, even taking a purely local view. (The French and Dutch systems, with the shortest terms and no reduction in "inventive level", are the least objectionable of the systems that do exist.)
7. The argument is often presented that a second-tier patent would be useful for SMEs because of its relative cheapness. However, if such a law were introduced, it would be used by large companies as well as SMEs (even those large companies who at present are against the introduction of second-tier patents - one has to work with the law as it is). The resulting "grit in the wheels of industry" would in our view damage SMEs as much as (or more than) it would damage the large companies; overall, every one (including the consumer) would be worse off.

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<sup>2</sup> Utility models do not figure in the ICC "Roadmap" because, at the time the Roadmap was drafted, the subject had apparently "fallen off the agenda" (see 8 below).

<sup>3</sup> The Call for Evidence does not deal explicitly with this point.

8. The European Commission formally proposed the introduction of German-style EU-wide national rights some years ago<sup>4</sup> and less formally a Community right. The formal proposal has now been withdrawn<sup>5</sup> and the informal one has not been heard of for some time. This was after industry (including through ICC) had expressed its disagreement with the proposals.
9. Because the Commission has abandoned its proposal to harmonise second-tier patent law, it is of course in principle open to HMG to introduce one in the UK. However, the fact that the Commission abandoned any attempt to introduce more second-tier patents in Europe should, we think, be a warning against any HMG action along those lines.
10. Moreover, taking a broader international perspective, one needs to note that there is no prospect that the USA will ever introduce such a law. If the UK were to introduce such a law, an unlevel playing field, to the advantage of US companies, would be created. They could relatively cheaply (their language being English) monopolise minor technical improvements in UK whereas UK companies would not be able to do so. The UK manufacturing and service delivery base (including of products and services for sale overseas) would be handicapped.
11. **ICC UK would appreciate very much a Recommendation by the Review that HMG should not introduce any second-tier patent law in the UK.**

#### **Criminal penalties for IP infringement**

12. In response to your question: "Are you aware of any inconsistencies..... in the way the law applies legal sanctions to infringement of different forms of IP....?", our answer is "Yes, but these are justified."
13. In particular, UK law has criminal penalties for counterfeiting, but no criminal penalties for patent infringement. The view of ICC UK is that this is the way the law should stay.
14. ICC is energetic in combating counterfeiting, e.g. through its BASCAP initiative. Counterfeiting is essentially a deceitful activity. Patent infringement is quite another matter. Patents are granted by Patent Offices on the basis that the benefit of any doubt is given to the applicant, leaving third parties to argue that the scope of the claims is too broad to be valid. The very scope of the claims may turn out to be obscure in critical respects, so that it is unclear whether a particular product made by the patentee's competitor is covered. Regardless of whether or not the competitor has read the patent specification, he should be free to engage in commercial activity and to allow the matter of any patent infringement to be negotiated or to go to Court.
15. The introduction of criminal penalties for patent infringement would put competitors of a patentee, and their legal advisers, in a very difficult position, and would have an anti-competitive effect.
16. The international perspective is again important. The USA has no criminal penalties for patent infringement, but if they were introduced in the UK, US companies could be expected to take advantage of them without any fear of retaliation. (In USA, there are in fact proposals before Congress to reduce the civil penalties for patent infringement.)

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<sup>4</sup> (1997) 0356/COD

<sup>5</sup> COM (2005) 462

17. We are gratefully aware that the Department of Constitutional Affairs takes a similar view to ICC UK on this matter, but **ICC UK would appreciate very much a Recommendation by the Review that criminal penalties for patent infringement should be avoided.** This is something which HMG needs to monitor at EU level. The IP Enforcement Directive 2004/48/EC already approved does not have criminal remedies for patent infringement (contrary to the original Commission draft), but subsequently the Commission (COM (2005) 276 final) revived the proposal to have them. COM (2005) 276 final has been withdrawn but we understand that the Commission is about to reissue it in the light of an ECJ Ruling.

### **Disclosure in patent applications of the origin of biological material**

18. “Biopiracy” is currently of concern to developing countries. The Convention on Biological Diversity (CBD) provides that member countries may control access to genetic resources within their borders, in particular by requiring “bio-prospecting” companies to enter into a benefit-sharing contract. “Biopiracy” is, broadly, making use to the traditional knowledge or genetic resources (or both) of another country without any necessary permission, or in breach of the CBD.
19. As a defence against “biopiracy”, and to promote observance of the CBD, developing countries propose that patent applicants for inventions relating to biological material should be required to disclose the “country of origin” of such material. This is strongly opposed by three major developed countries (USA, Australia, and Japan), though the EU and Switzerland have taken intermediate positions.
20. Industry opposes the requirement, because it is burdensome, disproportionate, and ineffective. Industry respects binding provisions of the CBD, and seeks no dispensation from these. However, the relevant provision of the CBD (Article 15) refers to conditions under which parties grant access to resources (stipulating, in particular, prior informed consent and benefit-sharing). It does not cover situations in which access to such resources is already available. But most biological inventions are made with resources already available, either originating locally or imported without restriction. A reasonable case can be made for “disclosure of origin” in “bioprospecting” inventions, where the inventions are based on special properties of rare or possibly unique lifeforms. Already most patent specifications relating to such inventions disclose where the sample can be obtained. But “bioprospecting” inventions are only a small subset of biological inventions as a whole – many of which are based on widely available materials. The term “country of origin” is not clearly defined in the CBD. In many cases it is not unique. Often the facts on which a judgement would be based are not available. Some patent specifications refer to dozens, even hundreds, of different biological materials. Requiring “disclosures of origin” for every biological invention will cause considerable trouble for biological innovators. According to how a law making such a requirement were drafted, a patent in UK could be invalid through a failure or error by the applicant in meeting this difficult and obscure requirement.
21. The UK itself allows free access to its biological resources (i.e. it does not take advantage of the provisions of the CBD) and therefore has nothing to gain, even in principle, from a “disclosure of origin” requirement. Of course, HMG must quite properly respect the ambitions of those countries which do take advantage of the CBD. However, ICC UK believes that HMG should not take this disproportionate measure being requested by such countries (a measure which in practice would benefit those countries very little, if at all).

22. **ICC UK would appreciate very much a Recommendation by the Review that, in discussions at EU and higher level, HMG should resist any proposal for the procedure for obtaining patents in the EU and UK to include any requirement to disclose the origin of biological material.**

### **Conclusion**

23. Above, ICC UK indicates its opposition to three changes in IP law that have been proposed, or are being proposed. This may be misinterpreted as betraying a negative approach. However, the international IP system - and with it the UK IP system - has been refined over more than a century, and any proposal for change in the substantive law needs extremely careful justification. Moreover, proposed changes are often justified on narrow sectoral grounds, or indeed are sometimes purely politically motivated, and implementing them runs the risk of serious unintended consequences for trade.
24. ICC UK hopes that this contribution of evidence is of value to the Review and will be happy to follow up any point in further correspondence or at a meeting.

## Annex

### ICC United Kingdom

1. ICC United Kingdom represents the interests of the business and international trade community within the United Kingdom and consists of members from the manufacturing, banking, insurance, transport, trading, legal, and other professional sectors.
2. ICC (International Chamber of Commerce) is the voice of world business championing the global economy as a force of economic growth, job creation and prosperity. With comprehensive membership in more than 130 countries, it is the only representative body that speaks with authority on behalf of enterprises from all sectors and every part of the world. Founded in 1919, ICC's purpose is to promote an open international trade and investment system and the market economy world-wide. Its rules for international trade transactions and trade finance are accepted globally by traders, governments and judges as the foundation of law of international trade. Since its foundation, ICC has promoted the market economy and the greatest possible economic freedom for business, based on self-regulation and responsible business conduct.
3. ICC activities cover a broad spectrum, from arbitration and dispute resolution to, trade policy, the environment, intellectual property, responsible business conduct and combating commercial crime. Specialist ICC work groups (Commissions) meet regularly to review issues affecting international business. Business leaders and experts drawn from ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical or sectoral subjects.
4. The Commission on Intellectual Property brings together leading experts from all over the world to promote an environment favorable to for the protection of intellectual property on national, regional and international levels. It believes that the protection of intellectual property stimulates international trade, creates a favorable climate for foreign direct investment, and encourages innovation and technology transfer.
5. ICC works closely with intergovernmental and non-governmental organisations involved in intellectual property policy, such as the World Intellectual Property Organisation (WIPO), the World Trade Organisation (WTO), the UN Economic Commission for Europe (UNECE).