Managing IP

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Ed Conlon
Editor-in-chief

In the metaverse mix

Towards the end of August, Managing IP broke the news that Brandit, an intellectual property consultancy, would be launching a metaverse office in September. Brandit is the first European IP outfit to branch into the new virtual terrain, following in the footsteps of Arent Fox Schiff in the US. The pair are presumably just the first of many to take the plunge. If you're wondering what this all means, however, you're not alone.

Interest in the metaverse has soared over the past few months, and IP firms, owners and organisations all seem keen to get a slice of the action. Brand owners are weighing up how to enter the metaverse successfully (if they haven't already) – and how to protect their IP in the process. IP offices are examining how to set a framework for those very applications; some have issued guidelines already.

With so much going on, it would be understandable to feel a little dazed. It's why we have brought together some of the IP major developments in this area in the cover story of this PDF. The two-part article examines how brands should approach IP protection when entering the fields of the metaverse and non-fungible tokens (NFTs), before assessing what the EUIPO's recently issued guidelines on trademark filing mean for interested parties.

One of my favourite quotes from the article comes from Niall Trainor, senior director for brand protection at entertainment company eOne, whose parent organisation Hasbro has already launched an NFT related to the 'Power Rangers' characters. He says, rather candidly, when discussing yet another possibility of whether individual NFTs could one day become separate brands themselves: "Everyone is new to this market so it will take time to establish where these developments lie in relation to IP law."

I think this sums up the entire position on the metaverse and IP right now, and it's refreshing to see this level of honesty from someone in the mix of things. The truth is that we are just at the start of a journey, at least where IP is concerned, and the future is far from certain. Who knows where the metaverse will take us? Who knows if these issues will even exist in two years? What we do know for sure, though, is that we look forward to finding out.

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COVER STORY

Can IP catch up with the metaverse?

Brand owners and IP offices are starting to get serious about brand protection in the metaverse. Sukanya Sarkar and Max Walters explore best practices.

PART ONE How brands can manage metaverse IP risks

Managing metaverse intellectual property risk requires considerable planning and resources, which is perhaps why few companies beyond those in big tech and fashion have dipped their toes into the digital pool.

The metaverse is still a young and untested market and there are several challenges there that have yet to be resolved.

Some examples include disparate practices adopted by different non-fungible token (NFT) marketplaces and rampant IP infringement in the metaverse.

The recent cryptocurrency crash has also made brands wary of Web3 technologies, including blockchain and the metaverse.

But these issues shouldn't stop IP owners from exploiting their IP assets in the virtual world, say sources.

"It comes down to thinking big because every business has risks and benefits," says Camila Maida, in-house lawyer at EM2 Entertainment LATAM in the Netherlands.

> **"Companies must conduct due diligence in metaverse platforms as there might be competitive brands that only exist in those platforms."**
>
> Anna Smyth, IP commercialisation partner at Gilbert + Tobin

"If virtual shoes can be sold for millions, I'd say venturing into the metaverse might just be worth the risk."

Sources say the metaverse has a lot more to offer brands than just money, however.

From a business perspective, entering the virtual space might help develop interest and excitement in a brand, says Holly White, head of digital and commercial service development at Rouse in London.

"It's not necessarily only about straightforward sales, but also about attracting customer attention and linking it back to physical products.

"It comes down to merging the online and offline worlds to reinforce and reiterate the brand and what it stands for and driving physical sales via the digital excitement."

Strategic thinking and planning are key to minimising risks and making the most out of the metaverse, sources add.

Pre-launch considerations

Companies looking to enter the virtual world must think about their planned activities and the landscape they want to cover.

They must also consider how IP relates to the different technologies they will need to use, such as NFTs and blockchain, says White at Rouse.

"Brands need to carefully pick the right platform and blockchain to list their digital assets," she adds.

But before they can monetise their assets, rights owners need to engage marketing agencies and artists to create new tokens, avatars, or other digital offerings.

"In some ways, it's much easier and quicker to create digital assets than to make physical products because artists can generate them using computers," says White.

"But it also means several external parties are involved in the creation process. Therefore, you really need to think about how the IP will be owned, managed, and controlled."

Even when a brand gets a new image or artwork created to go into an NFT, it may not necessarily own the rights to the work, although it might promote and license the token to others, she notes.

"Brand owners need to think about these potential IP touch points and risks."

Ownership and licensing

When working with an external artist or agency, a brand must decide whether it wants to own the new artwork, considering that doing so might be expensive.

A brand may want to secure limited rights if it wants a big bang for its buck but doesn't want its NFT campaign to last forever, suggests White.

"In such cases, it needs to think about the appropriate licensing terms, how long it needs to have some control over that artwork, and how long the asset will be important or relevant to its brand."

In cases in which the brand owner doesn't secure rights for the artwork and merely licenses it from the artist, said owner needs to have a clear idea about whether the artist can also use the work.

If a brand is keen to lock up ownership, it needs to have work-for-hire or copyright assignment agreements in place, says JoAnn Holmes, senior legal adviser at the Atlanta Blockchain Center and IP attorney at Holmes@Law.

But that may not always be feasible, especially in cases where the brand owner has a tight budget or the artist is unwilling to transfer ownership.

Gvantsa Baidoshvili, legal counsel at alternative investment company Revenue Capital in Tbilisi, Georgia, says creative agencies already experienced with NFT launches are often unwilling to sign work-for-hire agreements.

"They prefer to opt for collaboration or partnership agreements and do not transfer any IP to the token issuer.

"In cases where a brand owner is only securing a licence, it must ensure that the agreement includes warranties and representations about the originality of the artwork."

Brand clearance and registration

Brand owners must also conduct trademark clearance and common law searches before launching their products and services in the metaverse.

Even though clearance searches are tried and tested procedures, they may not be straightforward for digital products and services because the metaverse has no clear territorial boundary and has potential users all around the world.

"It's not going to be possible or commercially viable to do brand clearance and common law searches in every country in the world," says Anna Smyth, IP commercialisation partner at Gilbert + Tobin in Sydney.

"Therefore, brands need to be pragmatic and think about where they want to be clearing the brand.

"They should ideally at least cover their home market as well as major markets such as the US or the EU, where they could potentially have a lot of users."

She adds that brands also need to think about businesses that are already in the metaverse and may not be easily identified through simple search engine searches.

"Companies must conduct due diligence in metaverse platforms as there might be competitive brands that only exist in those platforms."

The next logical step is to seek protection for the digital assets that a brand plans to launch.

Marian Vanslembrouck, Belgium-based associate general counsel at blockchain tech company Enjin, recommends trademarking flagship products, if not all products, before entering the metaverse.

"It is much easier to request takedowns of infringing items when you have a granted trademark as most marketplaces ask for registration numbers in their request forms."

Mitigating external risks

While iron-clad contractual arrangements with marketing agencies and artists can help mitigate some risk, an extra challenge for rights owners in the digital space is preventing consumers from misusing or abusing their brands and assets.

White at Rouse says brands need to establish what consumers are and aren't permitted to do with their assets.

"The more an IP owner's assets get sold, the more complex everything becomes.

"Therefore, it's important to weigh up the platforms and technology providers you plan to work with."

She adds that brands also need to ensure the platforms they plan on engaging have the necessary safeguards in place to control end consumers.

"You want to ensure that they wouldn't take control of your assets, operate a safe platform and have appropriate takedown procedures."

Other sources, such as Smyth at Gilbert + Tobin, agree that brands need to carefully check the relevant takedown procedures that apply to them.

"The metaverse is quite fragmented, which means there are different standards and takedown arrangements across platforms.

"Brands need to be circumspect about which environments they want to enter because some can be riper for infringement than others and have less sophisticated procedures in place."

According to sources, it comes down to planning in advance rather than just jumping in the domain and finding the problems later.

If more brands spent time understanding how they could deliver value using the metaverse and creating necessary safeguards to protect their and their consumers' interests, they might find the technology to be well-worth their time and money.

If that happens, we may see companies beyond big tech and fashion take their first steps in this new digital universe.

PART TWO

EUIPO metaverse rules could cut costs and deliver advantage

The EUIPO's metaverse and non-fungible token guidelines could help trademark lawyers avoid unnecessary costs from dealing with objections or rejections and deliver new opportunities, say counsel.

The EUIPO published guidelines for EU trademark (EUTM) applications specifying the metaverse, NFTs or other virtual goods in July. The guidance, the office said, was put together in response to increasing applications in these areas.

Counsel in the luxury fashion, cosmetics, and entertainment industries tell Managing IP that the clarification is welcome and well timed, noting that they've recently gone into or are considering entering the virtual realm.

Leo Longauer, deputy director for market protection at luxury goods maker LVMH in Paris, says the guidelines have proved useful to him and his company. LVMH's brands, including Dior, have begun to explore NFT and metaverse-related goods.

Nine lives

According to the EUIPO's guidelines, virtual goods and NFTs firmly belong in class nine of the Nice Classification system because they are treated as digital content or images.

But the office notes that the term 'virtual goods' lacks clarity and precision on its own and must be backed up by statements on the content related to the goods, such as clothing.

The next edition of the Nice Classification will include the phrase "downloadable digital file authenticated by non-fungible tokens" in the class-nine section to describe NFTs, the EUIPO added.

The approach is set out in the office's draft guidelines for 2023. Managing IP understands a consultation will run until October, giving stakeholders a chance to comment and suggest further changes for future editions.

The senior IP counsel at a cosmetics brand in Switzerland says it's the right time for the EUIPO to make these clarifications. He notes that his company is in the

"In the past, some had argued that having protection for the physical goods would also be sufficient with regard to virtual goods. But based on what the EUIPO has published, that argument seems less and less convincing."

Christian Tenkhoff, partner at Taylor Wessing

early stages of discussing its own NFT venture and that the guidance will prove useful for such a project.

He adds, however, that the official guidance is likely to evolve in the coming months and years.

"Once we see how all these NFTs and metaverse goods can be used by brands, and all the related issues that pop up, things may need to change."

Be specific

Christian Tenkhoff, partner at Taylor Wessing in Munich, notes that the guidelines make it easier for brands to formulate strategies.

"If a fashion company producing shoes in class 25 wants to protect those in the virtual world, they will have to make a separate class-nine filing for something like downloadable virtual goods, namely virtual shoes," he notes.

"In the past, some had argued that having protection for the physical goods would also be sufficient with regard to virtual goods. But based on what the EUIPO has published, that argument seems less and less convincing."

Tenkhoff further notes that the EUIPO's transparency will reduce unnecessary costs for clients who may otherwise have had to react to objections related to the specification of applied-for products.

Simone Gallo, attorney at Jacobacci & Partners in Turin, agrees, adding that the focus on class nine was not unexpected but will help avoid early-stage refusals.

Longauer at LVMH says the business has so far not been forced to cite its new EUTM applications in any defensive actions against rival brands, but that the guidelines will be useful should it need to take such a step.

"Our brands have launched their own NFTs and we are monitoring and taking down infringing tokens on the relevant platforms," he adds.

LVMH is not the only company to have entered the digital world, however.

Niall Trainor, senior director for brand protection at entertainment company eOne in London, notes that eOne's parent company Hasbro has already launched an NFT related to the 'Power Rangers' characters and has hosted a metaverse event for its trading card game 'Magic: The Gathering'.

Trainor welcomes the guidance but questions whether individual NFTs may fall more naturally under copyright law.

Evolving definitions

More generally, sources question whether the definition of an NFT may need to change with time.

The EUIPO's proposed NFT definition partially resembles the USPTO description. The US version states: "NFTs are maintained on a blockchain and typically represent digital items and authenticate their ownership".

Gallo at Jacobacci & Partners says the fact that NFTs provide a public certificate of authenticity or proof of ownership doesn't take away from the idea that they're goods in their own right.

"In this regard, I would have preferred a more open approach from the EUIPO," he adds.

Tenkhoff at Taylor Wessing says he similarly interpreted the EUIPO's position, in that the NFT is not the actual product but merely a type of certificate attached to the product being bought.

This stance is understandable for a number of reasons, he says, because the NFT itself merely provides information about the provenance of the asset.

"That said, what is actually being bought and which licences are being granted will depend on the circumstances of the case. Owning an NFT is not the same thing as owning the underlying asset."

Moreover, he questions whether consumers will have the same perception.

"I'd assume the average consumer, when asked what they were buying, would say they were buying an NFT rather than buying a digital file authenticated by an NFT."

Maximise potential

Trainor at eOne also believes there is scope for brand owners to maximise EUTM protection for their NFTs.

"You could make the argument that the downloadable file is class nine, but that the image in the file itself is capable of protection in practically any class," he suggests.

"It will be really interesting to see if brands try their hand at this potential loophole to ensure maximum trademark coverage and protection for their NFTs."

Trainor notes that there will need to be a high degree of distinctiveness for an image trademark to be granted and that many may fall short of that. Nevertheless, it isn't inconceivable that a famous brand would create an image related to its company that was sufficiently distinctive, he adds.

"It's almost a theoretical discussion – could individual NFTs eventually become separate brands in and of themselves? We will have to wait and see how it develops. Everyone is new to this market so it will take time to establish where these developments lie in relation to IP law."

Brands and lawyers appear keen to take the digital plunge.

And if the prediction of lawyers seeking loopholes to maximise protection comes true, perhaps the virtual world won't be so different from the real world – from a legal point of view, at least.

Will a UPC opt-out survive the transitional period?

John Pegram and Jan Zecher of Fish & Richardson say the question will most likely be litigated after the UPC transitional period

The Unified Patent Court Agreement contemplates that the UPC will have exclusive competence for European patent infringement and validity litigation (and that of related supplementary protection certificates) with two principal exceptions.

During a transitional period of seven years, which might be extended, national courts will have parallel jurisdiction for national parts of conventional European patents. During that period, the owners of conventional European patents may opt out of the UPC's jurisdiction.

Opinions differ on the question of whether a patent that is opted-out at the end of the transitional period will remain opted out or become subject to UPC jurisdiction. We have summarised the principal arguments on both sides of that question and have concluded that the question probably will not be resolved until it is litigated after the transitional period ends.

Interpretation of international agreements

The question of whether an opt-out will survive after the end of the transitional period is one of interpretation of the UPCA. In the EU, the interpretation of such international agreements is governed by the general rules of interpretation of customary international law

> ***"Some practitioners believe the opt-out does survive after the transitional period, and a non-binding FAQ, posted by the Preparatory Committee on the UPC website a few years ago, takes that position."***

and based on the supplementary means of interpretation as restated in the Vienna Convention on the Law of Treaties. Under its Article 31: "A treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose." The principal context for interpretation of a treaty comprises its text, including its preamble and annexes.

The competence of the UPC and national courts

UPCA Article 3 provides that the agreement shall apply to any European patent with unitary effect, conventional European patent, European patent application and SPC. Those of its provisions that include European patents and applications are specifically without prejudice to the transitional provisions in Article 83, discussed below.

The agreement's preamble indicates the broad intent for the UPC to have exclusive competence in respect of European patents with unitary effect (unitary patents), other European patents granted under the provisions of the EPC (conventional European patents), and SPCs. That intent is implemented by Article 32(1), which, inter alia, provides that the UPC shall have exclusive competence over (a) actions for actual or threatened infringements and related defences; (b) actions for declarations of non-infringement; (c) actions for provisional and protective measures and injunctions; (d) actions for revocation of patents and for declaration of invalidity of SPCs; (e) counterclaims for revocation of patents and for declaration of invalidity of SPC.

However, Article 32(2) provides: "The national courts of the contracting member states shall remain competent for actions relating to patents and SPCs which do not come within the exclusive competence of the court." In the UPCA, "patent," standing alone, includes both a conventional European patent and a unitary patent. National court jurisdiction under Article 32 will include national patents not granted by the EPO and, as we will see, conventional European patents that are subject to the transitional provisions of UPCA Article 83.

Article 83 – the transitional regime

Article 83, which is captioned "transitional regime," is the sole article in Part IV on "transitional provisions". It has parallel provisions for conventional European patents and related SPCs. For simplicity, we will refer only to patents.

Section (1) of that article provides that, during a transitional period of seven years after the date of entry into force of the UPCA, an action for infringement or for revocation of a conventional European patent may still be brought before national courts or other competent national authorities. That is the principal exception to the exclusive jurisdiction of the UPC.

Section (2) is the only part of the UPCA that expressly provides an exception to the UPC's exclusive jurisdiction after the transitional period. It states: "An action pending before a national court at the end of the transitional period shall not be affected by the expiry of this period."

"We point out that, if a patent owner wants to rely on general propositions regarding the legislator's objective, unfairness, or the purpose of the transitional period, it will have to find supporting, supplemental evidence of the type mentioned in the Vienna Convention."

Section (3) permits an opt-out of UPC jurisdiction for conventional European patents, stating:

Unless an action has already been brought before the court, a proprietor of or an applicant for a European patent granted or applied for prior to the end of the transitional period under paragraph 1 and, where applicable, paragraph 5, … shall have the possibility to opt out from the exclusive competence of the court. To this end they shall notify their opt-out to the Registry by the latest one month before expiry of the transitional period. The opt-out shall take effect upon its entry into the register.

Subsection (4) permits the owner of a conventional European patent or application, who made use of the opt-out, to withdraw their opt-out at any moment.

Why some say an opt-out survives the transitional period

Some practitioners believe the opt-out does survive after the transitional period, and a non-binding FAQ, posted by the Preparatory Committee on the UPC website a few years ago, takes that position:

"It was the legislator's objective when providing for the possibility to opt-out, to give the patent holder the possibility to remove his European patent from the jurisdiction of the UPC for the whole life of that patent. This follows clearly from the fact that an opt-out can be notified until the very last day of the transitional period. The latter would make no sense and would not have been foreseen if the effect of an opt-out was to expire on the last day of the transitional period."

It should be noted that this FAQ contains a factual error. Opt-out cannot be notified until the last day of the transitional period. Rather, Article 83(3) provides that opt-out may be requested by the latest one month before expiry of the transitional period.

Another argument that has been put forward for survival of an opt-out is that, otherwise, it would be unfair to owners of patents granted before the UPCA comes into force, who had a reasonable expectation that they could enforce their patent in national courts and that the patent would not be subject to central attack in a single court.

Some proponents of opt-out survival argue the purpose of the transitional period is to provide a defined time during which opt-out applications must be filed, as reflected in the one-month deadline. This is to allow the UPC time to process the opt-out applications before the end of the transitional period. But Article 83 does not necessarily limit the effect of such opt-outs to the transitional period itself.

We point out that, if a patent owner wants to rely on general propositions regarding the legislator's objective, unfairness, or the purpose of the transitional period, it will have to find supporting, supplemental evidence of the type mentioned in the Vienna Convention. Those propositions are not expressly stated in the UPCA.

Several arguments favouring survival of the opt-out rely on alleged omissions in the UPCA. Article 83(3) does not specify that there is a certain time period during which an opt-out is effective. It does not specify that an opted-out patent will automatically come back into the jurisdiction of the UPC. If there is to be a limit to the effectiveness of an opt-out, the proponents say, this would have been made clear in the UPCA.

The contrast between the language used in Article 83 for withdrawal of an opt out, which can be made at any moment, and the application for an opt out, which must be made by the latest one month before expiry of the transition period, may also suggest that the effect of opting out is intended to last longer than the transitional period itself.

Another argument for opt-out survival is that because the exclusive competence of the UPC does not actually take effect until the end of the transitional period, the ability to opt out of the UPC's exclusive competence supports the contention that the effect of opting out will last beyond the end of the transitional period.

Why some say an opt-out does not survive

The principal non-survival argument is that the ordinary meaning to be given to the competence and transitional period provisions of the UPCA clearly indicate that – except for national court cases pending at the end of the transitional period – the UPC is to have exclusive competence after that period ends. The object and purpose of the participating member states, as indicated by the UPCA's preamble and operative articles, was to grant the UPC exclusive jurisdiction for infringement and validity litigation involving all types of European patents and related SPCs subject to the specific, limited exceptions in Article 83. That is indicated by the official captions of Part IV and Article 83, "transitional provisions" and "transitional regime," respectively, and by the fact that the only UPCA provisions permitting parallel national court jurisdiction and opt-out are in Article 83.

A counterargument to the opt-out survival position taken in the FAQ (as corrected above) is that Article 83(3) does make sense. A specific deadline eliminates doubt about when an opt-out request will be accepted. A deadline one month before expiry of the transitional period would permit a party to protect the possibility of filing a national court action late in the transitional period. Even if the national courts would lose their jurisdiction for opted-out patents to the UPC immediately after the transitional period, their jurisdiction for cases brought shortly before the end of the period would be perpetuated under Article 83(2).

A possible counter to the unfairness argument is that the fundamental right to an effective remedy before an independent tribunal does not necessarily require protecting an expectation that a future case will be heard before a certain tribunal and under certain rules of procedure.

Further non-survival arguments are that exceptions – like the opt-out – should be construed narrowly; and that, unlike the provisions for continued national court jurisdiction in pending cases, Article 83 says nothing about an opt-out extending beyond the transitional period.

Perhaps the most compelling argument that opt-out does not survive is that national courts will lack jurisdiction for patent infringement and invalidity actions filed after the UPC transitional period. The national court exceptions in Article 83 only apply during the transitional period and to actions pending at the end of the transitional period. Therefore, under this argument, if opt-out were to be interpreted to survive the end of the transitional period, there would be no court in which an action could be filed with respect to an opted-out patent. That interpretation's result would be unreasonable and manifestly absurd. A related argument is that, if the national courts would not lose their jurisdiction for opted-out patents to the UPC after the transitional period, there would be no need to perpetuate their jurisdiction for pending cases under Article 83(2).

Conclusions

There are non-trivial arguments on either side regarding whether or not an opt-out from the UPC will survive after the transitional period. Therefore, that question probably will be litigated.

Potential litigation scenarios

1: A patent owner files a national court action for infringement of an opted-out patent after expiration of the UPC transitional period. The defendant argues that the national court lacks jurisdiction.

2: A third party files an action in the UPC for revocation of an opted-out patent after expiration of the UPC transitional period. The patent owner argues that the UPC lacks jurisdiction.

3: A national court action for infringement of an opted-out patent is pending after expiration of the UPC transitional period. The defendant files an action in the UPC for revocation in the other participating states in which the patent is validated. The patent owner argues that the UPC lacks jurisdiction.

John
Pegram

Jan
Zecher

John Pegram is of counsel, and Jan Zecher a principal, at Fish & Richardson.

Anti-suit injunctions – a new global trade war with China?

Ken Korea, founder of Colev Law and former head of US IP at Samsung, sets out the problems with anti-suit injunctions and the problem of getting rid of them

The EU filed a dispute complaint at the World Trade Organization against China on February 22, 2022 over Chinese courts' use of anti-suit injunctions.

Considering that more than $20 trillion worth of goods are traded globally every year, spats among nations are hardly surprising.

In fact, a core responsibility of the WTO is to resolve trade disputes among its member states. Since its inception in 1995, the organisation has received 611 dispute complaints and issued more than 350 rulings.

Dispute complaints involving IP enforcement are also growing. WTO members have lodged 43 such grievances, alleging that the respondent's law, policy or regulation violated the TRIPS Agreement.

But the EU complaint, as mentioned, is based on China's court decisions. The EU argues that China's Supreme People's Court's (SPC) decision that its lower courts can issue anti-suit injunctions under civil law is tantamount to a state policy that violates TRIPS.

Huawei v Conversant

An anti-suit injunction is an injunctive order issued by

"Even though anti-suit injunctions are directed to litigants and not to foreign courts, they essentially interfere with foreign courts' ability to hear parallel proceeding because there can be no parallel proceeding without litigants."

a court that prohibits a litigant from initiating or continuing parallel proceedings in a foreign court.

In *Huawei v Conversant*, Conversant had appealed a Chinese intermediate court's determination of the license rate for its 4G standard essential patent (SEP) implemented by Huawei to the SPC.

While the appeal was pending, the Düsseldorf regional court in a parallel proceeding issued an injunction prohibiting Huawei from selling certain mobile devices in Germany. Huawei immediately applied to the SPC for an injunction preventing Conversant from enforcing the German injunction.

The SPC granted the anti-suit injunction, finding that Chinese civil law allowed for such an injunction prohibiting a litigant from seeking judicial relief outside China and for the imposition of a maximum fine of RMB 1 million ($156,845) per day to enforce the bar.

Lower court decisions

Following *Huawei v Conversant*, several Chinese courts issued anti-suit injunctions. In *ZTE v Conversant*, the Shenzhen Intermediate Court issued an anti-suit injunction that prohibited Conversant from enforcing an injunction issued in a parallel SEP case in Germany.

In *Xiaomi v InterDigital*, the Wuhan Intermediate Court issued an anti-suit injunction requiring InterDigital to withdraw an injunction already filed against Xiaomi in a parallel SEP case in India.

In *Samsung v Ericsson*, the Wuhan court issued a worldwide anti-suit injunction prohibiting Ericsson from requesting any injunction or decision based on its 4G and 5G SEPs outside China.

The Shenzhen court issued an injunction in *Oppo v Sharp* that prohibited Sharp from initiating any action against Oppo based on its SEPs involved in that case anywhere in the world.

The EU said these court decisions demonstrated that China had a "measure of general and prospective application" prohibiting a party in a Chinese patent action from seeking relief from a non-Chinese court.

This measure, the EU argued, prevented patent owners from enforcing their non-Chinese patent rights and interfered with the ability of other nations' courts to order injunctions in their national patent cases, thus violating the TRIPS Agreement.

Third-party reactions

Three WTO members – the US, Japan and Canada – have now asked to join in this trade dispute as third-party participants.

In addition, the US Senate introduced a bill called the Defending American Courts Act, which sought to deter defendants in patent suits from obtaining anti-suit injunctions from non-US courts.

If a defendant did so, the US court should assume upon a finding of infringement that the underlying infringement was willful and the underlying lawsuit was exceptional, exposing it to treble damages and attorney fees. These defendants also wouldn't be allowed to seek post-grant reviews of any patent.

A brief history

Chinese courts are not the first entities to issue anti-suit injunctions.

In 15th century England, royal courts began issuing writ of prohibition to stay parallel proceedings in the ecclesiastical and common law courts.

The use of anti-suit injunctions later expanded to prevent parallel proceedings in British colonies and eventually foreign countries.

Since then, anti-suit injunctions have become an established feature of international litigation, frequently used by the UK and US courts to prevent concurrent parallel proceedings that might result in inconsistent or incompatible decisions.

The propriety of anti-suit injunctions has been in question, however.

Even though anti-suit injunctions are directed to litigants and not to foreign courts, they essentially interfere with foreign courts' ability to hear parallel proceeding because there can be no parallel proceeding without litigants.

Global goals

The parallel proceedings at issue in the EU complaint are global SEP disputes.

"Without anti-suit injunctions, fragmentation of the FRAND law will accelerate along national boundaries."

A lot of electronic devices including smartphones, laptops and televisions can be sold globally because they comply with global technical standards. Such standards are developed by standard setting organisations (SSOs) and covered by SEPs. These patents are owned by SSO members who contribute to the underlying technology.

SSOs typically require their members to license their SEPs globally on a FRAND (fair, reasonable and non-discriminatory) basis. But FRAND is in the eye of the beholder, and disputes often arise over royalty rates and related licence terms.

Moreover, patents are issued under national law and enforceable only within the boundaries of the issuing nation, whereas FRAND commitments are global and apply to all the national patents in the relevant SEP portfolios.

This disparity raises a thorny question: if a national court is to determine a FRAND royalty rate, should it do so solely on its national patents or the patents issued by other nations as well? If the latter, what stops other national courts from doing the same?

Injunction perplexities

Given that the anti-suit injunction has been part of international litigation for centuries, it is surprising that the EU should file a WTO dispute complaint over the Chinese courts' use of the same remedy for a few short years.

Perhaps, unlike common law jurisdictions such as UK and US, the EU courts have not had the tradition of issuing anti-suit injunctions. In fact, the Court of Justice of the EU (CJEU) ruled in *West Tankers Inc v Allianz SpA* (2009) that anti-suit injunctions were incompatible with EU law.

Given that, perhaps the EU is trying to level the playing field by insisting that no anti-suit injunctions should be issued by the Chinese courts and, by logical extension, any other national court.

But the EU courts have begun issuing anti-anti-suit injunctions in recent years.

Although some argue that an anti-anti-suit injunction is necessary to counteract the extraterritorial reach of an anti-suit injunction, the EU courts have issued the former pre-emptively.

The ready availability of anti-anti-suit injunctions from the EU courts also begs the question of why the WTO complaint is even necessary.

The US reactions, especially the Senate bill, are easier to understand as a reflection of simmering trade tensions between the US and China, rather than an

“The SSOs should take a leadership role in finding a better approach. After all, they created the current system of global technical standards, SEPs and FRAND commitment.”

attempt to address undue extraterritorial reach of anti-suit injunctions.

The bill, for example, penalises obtaining anti-suit injunctions from foreign courts but does not prohibit the US courts from issuing anti-suit injunctions. If anti-suit injunctions issued by foreign courts offend the rule of law, then the converse should be true of anti-suit injunctions issued by the US courts.

Riddance ramifications

If the WTO rules in the EU’s favour, it may set a precedent that anti-suit injunctions by any nation violate the TRIPS Agreement.

Without anti-suit injunctions, fragmentation of the FRAND law will accelerate along national boundaries. If a FRAND dispute is litigated concurrently in the UK and China, for instance, the litigants could end up with two different “global” FRAND royalty rates.

Another ramification may be a race among SEP litigants to their favourite jurisdictions. The availability of injunctions in Germany and the UK could make them attractive to SEP licensors because design-around is not an option with SEPs.

German courts are also known for their speedy disposition of patent cases, which will make those forums even more attractive to SEP holders.

China, the second largest market in the world, will continue to be attractive to potential SEP licensees because its courts tend to set FRAND rates much lower than other jurisdictions.

The US, the largest market in the world, will likely see many SEP cases because the US courts tend to award much larger patent damages than other jurisdictions.

What can be done?

Global technical standards are one of the glues that hold today’s interconnected economy together.

The fragmentation of FRAND law will likely bring about confusion and inefficiency. SMEs in the EU are already expressing confusion, and that has slowed down their willingness to adopt 5G and IoT technologies.

The SSOs should take a leadership role in finding a better approach. After all, they created the current system of global technical standards, SEPs and FRAND commitment.

Government agencies including the US Federal Trade Commission have already recommended that FRAND disputes be resolved through mediation and arbitration rather than litigation.

Several academics have gone further, arguing that SSOs should require their members to submit FRAND disputes to binding arbitration.

A few SSOs such as the Digital Video Broadcasting Project, the VMEbus International Trade Association and the Blu-Ray Disc Association have introduced such mandates.

Given the current state of FRAND law, having one tribunal provide a global resolution to FRAND disputes looks sensible and rather enticing.

Ken Korea

Ken Korea is the founder of Colev Law in San Francisco.

INTA explains need for morality rethink in 'Covidiot' case

Noemi Parrotta, chair of the European subcommittee within INTA's International Amicus Committee, explains why the 'Covidiot' EUTM case has sparked a call to action

As many readers of this publication may know, INTA exercises its advocacy mission, inter alia, through the International Amicus Committee, which provides expertise concerning trademark and other intellectual property-related laws to courts and IP offices around the world through the submission of amicus curiae (friend of the court) briefs or similar filings.

INTA plays a neutral role here, addressing only the legal issues of the cases.

The IAC is divided in three subcommittees: Asia Pacific, Europe and the US; and its work includes evaluating requests to file, monitoring leading cases, and drafting submissions.

This committee has a rather busy schedule. Over the past three years, INTA has filed 13 briefs in Europe alone, in addition to those in other regions. Seven briefs have been filed before the Court of Justice of the EU (CJEU) and six before the EUIPO's Grand Board of Appeal (GBoA).

A friendly influence

In this last regard, INTA has acted according to the procedure set forth in Article 37(6) of Commission Delegated Regulation (EU) No. 2018/625, which allows the intervention of interested groups or bodies in appeal proceedings referred to the GBoA.

These are usually cases involving disputed issues which have given rise to diverging decisions.

And the EUIPO has valued INTA's contribution so far. The GBoA's decision in April this year in *Euromadi Iberica v Zorka Gerdzhikova*, on the issue of similarity between alcoholic and non-alcoholic beverages, made ample reference to INTA's submission, by reaching a conclusion that deviated from its previous decision practice. That case marked the first GBoA decision in a case in which INTA had intervened.

INTA's Covidiot submission in *Matthias Zirnsack v EUIPO* (*R-260/2021-G*) was filed on June 3. It concerns the registrability of the figurative mark combining the word 'Covidiot' with a jester cap in connection with metal clips in class 6, computer gaming software, mobile apps in class 9, and board games and toys in class 28.

In December 2020, the examiner refused registration of the mark at issue on the basis that it would allegedly be contrary to the accepted principles of morality and, as such, would fall within the absolute ground for refusal set out in Article 7 (1)(f) EUTMR.

The examiner further argued that this ground of refusal is not restricted by freedom of expression, as a refusal to registration only means that the mark is not granted protection under trademark law but not that the use of the sign is prohibited.

"Freedom of speech should come into play only at a later stage of the assessment at issue, i.e. once the judicator body has established that the relevant sign is contrary to the accepted principles of morality."

The applicant appealed against that finding and, by interim decision in December 2021, the First Board of Appeal – which seems to concur with the examiner's findings – referred the case to the GBoA because of its legal complexity and importance.

The BoA also wonders whether, and to what extent, the principle of freedom expression – as outlined in Article 11 of the Charter of Fundamental Rights of the EU and Article 10 of the European Convention of Human Rights – should have an impact on the assessment of the grounds of refusal set out in Article 7.

Call for action

INTA saw the referral above – dealing with an important and highly disputed issue such as signs which cannot be registered as a trademark for being contrary to the accepted principles of morality, and the role that freedom of speech may play in the relevant assessment – as a clear call for action.

The association is rather sensitive to this issue and previously addressed these points in amicus briefs filed in the US in *Lee v Tam* (2016), *Iancu v Brunetti* (2019) and *VIP v Jack Daniels* (2020).

In the Covidiot case, INTA maintains that the public perception shall play a key role in the assessment under Article 7.

This examination should call for a concrete factual assessment of how the mark is perceived by the relevant public, with an emphasis on the majority of the relevant public.

This means that EUIPO's refusals on this ground should rely on supportive factual circumstances, which the examiner might be required to identify on its own motion.

On the other hand, in invalidity proceedings, the relevant burden of proof should shift from the EUIPO to the cancellation petitioner, on the basis of the presumption of validity enjoyed by prospective EUTMs.

With regard to freedom of expression, INTA takes the view that, in the Fack Ju Göhte case (*Constantin Film v EUIPO C-240/18 P*), the CJEU made it clear that freedom of expression clearly applies in the field of trademark law, and specifically in the assessment of whether a sign is contrary to principles of morality.

However, freedom of speech should come into play only at a later stage of the assessment at issue, i.e. once the judicator body has established that the relevant sign is contrary to the accepted principles of morality (meaning that it would be actually perceived as immoral by the majority of the relevant public). It is only at that point that examiners/judges would be required to balance the accepted principles of morality with the right of free speech.

In light of the above, INTA suggests a three-step test, consisting of 1) verifying the public perception of the content of the mark, 2) enquiring whether a majority of the public would consider that to be against accepted principles of morality, and 3) if necessary, seeking to establish a balance between the right of free speech and the interest of the public to ban marks from registration that run against accepted principles of morality.

This test is aimed at ruling out – or, at the very least, minimising – the risk that judicator bodies apply the ban on trademark protection vis-à-vis signs contrary to the accepted principles of morality in a subjective way by relying on their personal taste.

INTA has made its point on these important issues. We keenly await the GBoA decision.

Noemi Parrotta

Noemi Parrotta is chair of the European subcommittee within INTA's International Amicus Committee and a partner at Spheriens in Italy.

From Muji to Manolo: unpicking China's first-to-file system

Charles Feng, partner at East & Concord in Beijing, explains why filing for a trademark early is still a brand's best bet in China

Since the promulgation of China's Trademark Law in 1982, the first-to-file principle has been firmly established.

The major benefits of the principle are that it promotes the efficiency of trademark examination by the China National IP Administration (CNIPA), as well as the evaluation of the trademarkablity of new applications.

Nonetheless, the principle has also caused significant problems, in particular those applications that infringe the prior rights of brand owners including their copyright and trademarks.

Fame in a name

In the milestone case of *Michael Jordan v TRAB and Qiaodan Sports*, the Supreme People's Court ruled that prior rights concerning personal names are granted under Article 32 of China's Trademark Law.

However, the following conditions must be met:

- The name has a certain degree of fame and is well known to the relevant public;
- The relevant public will use the name to refer to the particular individual;

"Pre-emptive registrants file applications for almost every valuable brand they can ever observe from foreign websites."

- A stable corresponding relationship has been established between the name and the individual

However, the test of "stable relationship" between the name and the individual right owners is not always easy to establish. The reason is because, in order to prove the stable relationship, CNIPA and Chinese courts are traditionally inclined to admit evidence collected domestically only from distribution and advertisements within China.

However, due to the development of the internet, pre-emptive registrants file applications for almost every valuable brand they can ever observe from foreign websites. As a result, a large number of foreign brands that suffered from trademark squatting have actually not been used in China at all.

In the meantime, whether evidence regarding use of the mark by distribution and advertising in other jurisdictions can be taken into account when considering the fame of an unregistered mark, remains a disputable and unsettled issue.

In *Ryohin Keikaku (Muji) v TRAB*, the SPC ruled that the evidence collected on the use of Muji (the Japanese retail store) in Japan and Hong Kong, including evidence on the trademark's fame in those jurisdictions, could not prove that the mark was famous in China.

Because of this, it rejected the plaintiff's claim to ownership of the mark, which caused huge problems between the Japanese brand and the Chinese applicant which had already registered the name, originally Hainan Nan Hua which later assigned it to a Beijing-based Beijing Mian Tian Fang Zhi.

In the recent *Manolo Blahnik v TRAB* case, evidence regarding the existing fame of the brand before the disputed mark was applied for was permitted by the SPC and contributed to a fundamental difference in that court's judgment compared to the first and second instance decisions.

However, whether such rulings will be more widely adopted or not remains to be seen.

Mixed picture

The revision of China's trademark law in 2019, particularly the revision of Article 4 (that marks not intended for use will be rejected), had been expected to act as a new remedy for brand owners to stop rampant pre-emptive registrations.

However, the situation has not fundamentally changed as of yet.

On the one hand, we have witnessed an increasing number of cases where the CNIPA has actively quoted Article 4 in the preliminary examination, which resulted in findings against trademark squatters at the very first stage. This will have saved a significant amount of resources for brand owners.

But on the other, pre-emptive registrations when considered in relation to opposition or invalidation proceedings still require huge efforts from brand owners as the good faith principle outlined in Article 7, which states that the principle of good faith should be followed when applying for a trademark, is a theoretical and not applicable provision.

Therefore, whether the Manolo Blahnik case will be admitted by the SPC as a guiding case or merely as a case that is simply worthy of attention is not clear.

To sum up, filing a trademark application early remains to be the most cost-effective approach under the current rules if IP owners want to save themselves from the threat of trademark squatting.

In prosecution and judicial proceedings, brand owners should not exclude the evidence of distribution and adverts from other jurisdictions, as they did before, although domestic evidence is still weighted more substantially as a whole.

Charles Feng

Charles Feng is a partner at East & Concord Partners, in Beijing.

The EU Data Act: data versus trade secrets

The EU is seeking to create a single market for data and trade secrets owners will need to prepare early, according to IP lawyers at Osborne Clarke

On 23 February 2022, the European Commission officially presented its proposal for an EU Data Act, which aims to establish a European single market for data – a core component of the digital economy.

The proposal sets out a cross-sectoral and harmonised legal framework for the access to and use of data, both personal and non-personal, whether by individuals, businesses, public sector bodies or European public authorities. It aims to maximise the value of data by ensuring stakeholder control while still incentivising investment in data generation.

The proposed regulation governs rights and obligations with respect to the data generated by the use of connected devices and related services. It, therefore, mainly applies to manufacturers and users of connected products and providers of related services within the EU.

But, provided those products or services are made available in the EU, the regulation would impact manufacturers and service providers located outside of the EU too.

A key element is that manufacturers of such products and providers of related services would have to make data generated by their use easily accessible to users, businesses or consumers.

Users would have the right to share this data with third

> ***"It is hoped that the regulation will foster innovation and preserve incentives to invest in ways of generating value through data."***

parties or demand that the data is made directly available to third parties. By doing so, the stated aim is to foster access to and use of data and to ensure fairness in the allocation of value from data among actors in the data economy.

The Commission intends that the data sharing envisaged by the act will foster the creation of complementary data-driven business models, such as services enabling owners of smart homes to aggregate and analyse data from all of their connected products regardless of manufacturer. It is also hoped that this increased access to data will lead to cheaper prices for aftermarket services and repairs of connected devices.

As such, the proposed regulation has the potential to change the ecosystem for data-driven business models in the EU. It is hoped that the regulation will foster innovation and preserve incentives to invest in ways of generating value through data.

Conflicting objectives?

At first blush, the objectives of the proposed regulation and existing trade secrets protection may seem at odds. The act seeks to facilitate the sharing of and access to data. The Trade Secrets Directive (agreed in 2016) aims to harmonise protection of confidential information across the EU, recognising that confidence protection is particularly important for business competitiveness and innovation-related performance.

Despite the desire to facilitate more open access to data, the Data Act states that existing rules for the legal protection of trade secrets are not affected by the proposal. Trade secrets must be respected and should only be disclosed provided that "all specific necessary measures are taken to preserve [their] confidentiality", particularly with respect to third parties.

Where data disclosure to a third party is requested by a user and trade secrets are involved, the disclosure should be limited to the extent strictly necessary to fulfil the agreed purpose and only where specific confidentiality measures have been agreed between the data owner and the third party. Moreover, the obligation to make data available to a data recipient does not oblige the disclosure of trade secrets, unless otherwise provided by EU law.

At this stage, it is unclear how all of this would play out in practice.

For example, how is the designation of a trade secret made and communicated to the user and/or third party? Would this designation be contestable? If so, how and to whom? Despite these uncertainties, it is still possible (and indeed recommended) for parties to start to make preparations for the entry into force of the Data Act.

Practical tips for owners

With respect to direct disclosure to third parties, data owners should consider whether the disclosure of any trade secrets is strictly necessary for the purpose agreed between the user and the third party. If not, the data owner should resist such disclosure.

In doing so, the data owner will need to prove the data at stake qualifies as a trade secret and that reasonable steps have been taken to protect the confidentiality of

"Where trade secrets should be disclosed, the proposal emphasises the need to ensure that appropriate confidentiality measures are in place between the parties."

the data. This will require having a proper trade secrets management and protection policy in place. Data owners should anticipate the receipt of access requests and prepare by conducting a trade secrets audit, maintaining a trade secrets register, and having all reasonable confidentiality measures in place.

Where trade secrets should be disclosed, the proposal emphasises the need to ensure that appropriate confidentiality measures are in place between the parties. Such measures will need to be agreed and implemented before any trade secrets are disclosed (and any related data shared). They should set out the obligations imposed on the receiver, be appropriate to the information being shared, address the specific purpose of providing the data, and set out the outcomes and remedies available should the measures be breached.

Implementing monitoring and other technical protection measures, such as smart contracts, to ensure compliance with the agreed measures may be prudent. These are explicitly permitted by the proposal, provided that such measures are not used to hinder a user's right to provide data to third parties.

If many access requests involving trade secrets are anticipated, data owners might want to formulate a uniform confidentiality policy to ensure consistent steps are followed for each access request and trade secrets appropriately protected in each instance.

It is important to bear in mind that the Data Act stipulates that data must be made available to third parties on fair, reasonable and non-discriminatory (FRAND) terms and it aims to prevent the unilateral imposition of unfair contractual terms on micro, small or medium-sized enterprises by rendering any such terms non-binding.

To assist in this regard, the Commission has committed to developing non-binding model contractual terms. It remains to be seen whether these will involve model provisions aimed at ensuring the confidentiality of trade secrets. If they do, these will serve as a good starting point for considering what measures to put in place.

Practical tips for users and recipients

Users and other data recipients should firstly consider whether receiving trade secrets is necessary for the purposes they wish to pursue. If possible, any data qualifying as trade secrets should be avoided as this may involve limitations on the use of the shared data.

If such data needs to be received, users and other data recipients must ensure they understand the implications of receiving the trade secrets, including putting in place proper processes for their handling and to ensure compliance with any agreed protective measures.

Challenging whether specific data qualifies as a trade secret may also be well advised as the data owner will bear the burden of proof of such qualification.

As to third parties, they should ensure they are aware of the obligations the Data Act places on them, including, for example, the restrictions on the purposes for which the data can be used.

Next steps

At present, the Data Act remains a proposal and could be subject to change. We would expect its progress to become clear over the next year. However, the Commission's intentions are apparent: to create a European data economy.

All parties involved in the contemplated access to data need to be alert to the interplay between the desire for openness and existing protection of trade secrets.

Those affected should look to prepare for its enactment at an early stage, particularly data owners who will need to avoid making inadvertent disclosures of trade secrets.


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How to remain free from controversy in the no/low sector

As the popularity of free-from products soars, Chris Hamer and Laura Clews of Mathys & Squire explain how to protect brands in the rapidly growing sector

Increased consumer demand has seen a raft of free-from products, such as non-dairy milk, meat alternatives, and low or no-alcohol drinks, hit the market in recent years.

This trend in consumer demand is driven by health concerns and increasing food sensitivities, as well as concerns over the impact of traditional meat and dairy products on climate change.

Given the potential for revenue growth in this sector, new entrants and makers of more conventional products will be fighting for market share. Unilever has announced plans to grow its plant-based meat and vegan dairy products business five-fold to €1billion ($1.02 billion) by 2027.

In a hotly contested space, brands such as Oatly and Impossible Burger have resorted to legal action over alleged breaches of their intellectual property in a bid to protect their market share. As the market grows, what considerations do brands need to take on board when pursuing litigation?

Assessing potential risks to your IP

The importance of protecting your IP in this space has been highlighted by two recent infringement proceedings. In March 2022, Impossible Foods started

"Given the rapid growth and potential size of this market, it is quite clear that the potential IP clashes will grow considerably in the coming years."

infringement proceedings against Motif FoodWorks based on US patent number10,863,761.

Impossible Foods said it started out with a team of researchers analysing which molecules make meat look and taste the way it does. As a result, it was discovered that a hemoprotein molecule, soy leghemoglobon (LegH), could be incorporated into plant-based products to provide meaty aromas and create the appearance of "bleeding" in a burger. Impossible Foods states that this molecule is a key ingredient in its products.

The action brought by Impossible Foods centres around Motif's sale of Hemami – a bovine myoglobin composition which Motif says "tastes and smells like meat because it uses the same naturally occurring heme protein", along with burgers produced containing the Hemami molecule.

Impossible Foods claims that Motif directly infringes its patent through the sale of the burgers and indirectly through the sale of Hemami – as Motif is considered to "actively encourage its business partners to make, sell and/or offer for sale the infringing burger".

Claim 1 of US 10,863,761, refers to:

> "A beef replica product, comprising:
>
> a) a muscle replica comprising 0.1-5% of a heme-containing protein, at least one sugar compound and at least one sulfur compound; and
>
> b) a fat tissue replica comprising at least one plant oil and a denatured plant protein,

wherein said muscle replica and fat tissue replica are assembled in a manner that approximates the physical organization of meat."

In response, Motif FoodWorks has now filed a challenge to the validity of the patent at the USPTO's Patent Trial and Appeal Board. Motif argues that the use of heme proteins in meat substitutes was known prior to the filing of this patent.

Motif's actions in the circumstances are unsurprising and it is essential for companies to critically assess their own IP before commencing any form of contentious action. This ensures companies are aware of and can prepare for any potential attacks against their IP once proceedings begin.

A further dispute, relating to the ownership of US patent 11,058,137, is ongoing between two meat alternative startup companies, Meati Foods (previously Emergy) and The Better Meat Co.

Emergy co-founders Tyler Huggins and Justin Whiteley claim that, while conducting research at the US Department of Energy's UChicago Argonne National Laboratory (Argonne) in Illinois, they developed a new mycelium cultivating process (mycelium being the vegetative part of a mushroom), which allowed the cultivated material to maintain a fibrous filament structure.

Huggins and Whiteley then went on to assess the use of this material as a meat alternative product. During this time Augustus Pattillo assisted in this research and had access to relevant confidential information before gaining employment at The Better Meat Co.

Meati has accused The Better Meat Co. of basing their patent (US number 11,058,137), which names Mr Pattillo as an inventor, and their fungi-based meat alternative product Rhiza on Meati's misappropriated trade secrets, as well as proprietary and confidential information. Meati Foods has requested that the '137 patent be assigned to its ownership. In response, The Better Meat Co. asserts that the action is simply an attempt to bully a less well-funded rival.

Given the rapid growth and potential size of this market, it is quite clear that the potential IP clashes will grow considerably in the coming years. However, due to the expense of litigation proceedings and potential issues with respect to brand reputation, consideration should be given to other ways of settling disputes.

Assess Potential Damage to Reputation

As The Better Meat Co's allegations of bullying against Meati Foods suggest, another factor which companies must weigh up when pursuing IP litigation is potential damage to reputation. This is especially pertinent when suing a smaller competitor.

In a well-known case at the England and Wales High Court last year, Oatly claimed that Glebe Farm Foods's oat milk product PureOaty (shown below) infringed five of registered trademarks, including three word marks (OATLY, OAT-LY! and OATLY) and two device marks (a blue OAT-LY! carton mark, shown below, and a grey OAT-LY! carton mark).

The judge dismissed the complaint, finding no likelihood of confusion between the PureOaty and Oatly marks.

Oatly's decision to bring proceedings against Glebe Farm Foods (a significantly smaller competitor), resulted in negative publicity and a social media backlash. Oatly faced media commentary accusing it of hypocrisy over its 2020 investment from private equity fund Blackstone, which has been linked to deforestation.

While Oatly may have felt it had no choice but to take action against Glebe Farm, as failing to defend trademarks could open the door for other brands to enter the marketplace, the ultimate decision of whether to pursue a third party needs to be weighed up carefully against any potential long-term reputational damage in the marketplace.

Alternative Means of Dispute Resolution

For companies who find themselves embroiled in an IP dispute but would prefer not to proceed down the litigation route, there are a range of options at their disposal which could be cheaper, faster and/or more discrete. For example:

- Offer to buy a licence: Short-term this may be a cheaper option, whereby firms offer to pay an annual fee to continue to use the contested IP.
- Purchasing IP rights: This can be more costly than licensing, especially up front, but brings the advantage of long-term security.
- Opting for mediation: Mediation uses an independent mediator to try and help resolve disputes without requiring court proceedings. This has obvious advantages for smaller players but may also offer advantages to large corporates too. This is especially the case if the IP which they claim is being infringed is not core to their business and they would like to enforce their rights without investing too much time and money. They may also be more likely to agree to mediation if they are less sure of the outcome.

> ***"All companies looking to make their way in the field of no/low products need to have a commercial strategy which includes several potential responses should a third party seek to lay down a challenge."***

All companies looking to make their way in the field of no/low products need to have a commercial strategy which includes several potential responses should a third party seek to lay down a challenge.

Companies looking to develop new products and protect new and existing IP in this rapidly growing market should make sure they are as informed as possible on the latest IP law developments, with the right knowledge and expert advice that can ensure their products are indeed free from controversy.

Chris Hamer

Laura Clews

Chris Hamer is a partner, and Laura Clews is a managing associate, at Mathys & Squire.

The effect of China's patent law on partial design applications

Danchen Cheng of Liu Shen & Associates discusses the consequences of China's amended patent law for partial design patent applications

On June 1 2021, the revised Patent Law of China came into effect, clarifying that the protectable subject matter of design includes the partial design of a product (Article 2, Clause 4). Incorporating partial design into the patent law is a major breakthrough that came in response to rising calls from across the Chinese IP landscape.

Revisions to the Implementing Rules of the Patent Law and the Guidelines for Patent Examination are in the legislative pipeline. Below are the key take-aways for partial design applications based on these revisions, which represent just some of the legislative changes that may happen in the future. Nonetheless, we do not think there will be significant changes.

Key take-aways

Product name

When applying for a partial design, the claimed part as well as the whole product to which the part belongs shall be specified in the product name, such as 'door of a vehicle'.

Views to be submitted

When applying for a partial design, a view of the whole product shall be submitted, and the claimed part shall be designated by a combination of solid lines and dot-

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ted lines, or in other ways, such as by covering the disclaimed parts with a translucent layer of single colour.

The view of the whole product shall not only show clearly the claimed part, but also reveal its position and proportion in the whole product. Where the claimed part contains a stereoscopic shape, the submitted view shall include a perspective view showing the part clearly.

Priority claim

According to Article 29 of the Patent Law, the priority claim of a design application can be a foreign priority or a national priority.

The drafted guidelines do not stipulate any special standard for judging 'the same subject matter' particular for partial design. Therefore, it can be construed that the feasibility standard for priority claim for integral design shall also apply to partial design.

That is, a later design application can claim priority over the first filing design application, only if the design claimed in the later design application has been shown in the first filing design application, regardless of whether it is the integral design or partial design being claimed in the later design application. In addition, regardless of the original, the later design application can choose to claim either the integral design or the partial design.

Graphical User Interface (GUI)

For a GUI that is applicable to any electronic device, it is allowed for an applicant to file only views regarding the GUI itself, without the product. However, the product name in the design application shall include "GUI of electronic equipment", such as "a navigation GUI for electronic devices".

When applying for a design patent for a part of the GUI, the product name shall also indicate the claimed part, such as 'a search bar of a mobile payment GUI of electronic devices'.

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Ms. Cheng joined Liu, Shen & Associates in 2016 and became a qualified patent attorney in 2017. She participated in conducting research on, and proposing specific details for, the revisions regarding partial design to the Guidelines for Patent Examination of China in 2021. She specialises in patent applications, re-examination and client counselling, with a focus on display device, semiconductor device and process, material science, optical device, quantum dot, electrical engineering and automatic control.

Voluntary amendments

Changes to the claimed subject matter, which do not go beyond the scope indicated by the initial views, are allowed within two months from the date of filing. However, after the two-month window, the following amendments will not be allowed:

- From an integral design to a partial design;
- From a partial design to an integral design; and
- From a partial design to another partial design.
- Divisional application

A partial design application cannot be divided from a parent design application claiming integral designs, and vice versa.

Validity issues

According to Article 23, Clause 2 of China's Patent Law, the design for which the patent right is granted shall be significantly different from the prior design or the combination of prior design features.

When determining whether there is a significant difference of a partial design, the shape, pattern and colour of the claimed part, as well as its position and proportion in the product, will be considered, and the principle of overall observation and comprehensive judgement also applies.

For integral design, the points, lines and surfaces randomly picked from the prior design do not belong to the prior design features that can be used for combination. However, for partial design, these parts of the prior design can be regarded as the prior design feature available for combination.

Above are the prospects of some implementation details of partial design under the new patent law. The establishment of the partial design protection system in China is a positive signal that the government is strengthening the protection of design patents. We expect that partial design will begin to play a more active role in, and make increasing contributions to, the design industry.

China issues guidelines to support medical device innovation

Xiaoyan Zhou of Purplevine IP analyses the Fifth Set of Listing Standards for Medical Device Companies on STAR Market of the Shanghai Stock Exchange, which encourages companies to develop core technologies

On June 10 2022, the Shanghai Stock Exchange officially released and implemented the 'Guidelines of the Shanghai Stock Exchange for the Application of the Rules for Issuance and Listing Review on the STAR Market No. 7 – Medical Device Companies under the Fifth Set of Listing Standards' (hereafter referred to as the Guidelines).

The Guidelines intend to fully support the listing of medical device companies that have not yet generated a certain level of income but have "key and core technology". At the same time, this should actively encourage medical device companies to develop and innovate core technologies and products.

According to the Guidelines, core technologies are those that fall within the scope encouraged and supported by the national medical device sci-tech innovation strategy and relevant industrial policies. These include equipment and its key components, parts, accessories, and basic materials in the areas of advanced inspection and testing, diagnosis, treatment, monitoring, life support, Traditional Chinese Medicine (TCM) diagnosis and treatment, implantation and intervention, and rehabilitation.

Based on previous practice as well as the developments of sci-tech innovation and the regulatory requirements in the medical devices industry, the Guidelines detailed rules for medical device companies while applying for listing on the STAR Market. These include:

- The scope of the products with core technology;
- Initial success;
- Market share;
- Technological advantages;
- Business sustainability; and
- Information disclosure.

Among them, Article 6 of the Guidelines is closely related to IP rights, and so we will analyse this Article in detail.

Article 6

The Guidelines state that the applicants should possess obvious technological advantages. The applicants should disclose whether they have obvious technological advantages in terms of the following aspects:

- The corresponding relationship between the core technologies and core products;
- The method of core technology acquisition;
- The development of core technology;
- Indicators measuring the advancement of the core technology;
- The competition between domestic and foreign medical device companies;
- The technical reserves and continuous research and development (R&D) capabilities; and
- Information about the applicants, such as their education background, their R&D achievements, the time at which they joined the company, and the stable retention rate of the core team.

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Ms. Xiaoyan Zhou is a senior patent attorney at Purplevine IP Group. Ms. Zhou was a former patent examiner in the Patent Examination Cooperation (Sichuan) Center of the Patent Office and CNIPA. She has experience in the substantive examination of over 500 invention patents, including a large number of PCT applications, with applicants including Ford, Toyota, Volkswagen, BYD, NIO, Contemporary Amperex Technology Co., Ltd., etc. Ms. Xiaoyan Zhou is a certified patent attorney and a certified lawyer in China. She can be reached at xiaoyan.zhou@purplevineip.com.

Obvious technical advantages

Article 6 focuses as a priority on "obvious technical advantages"; that is, whether the applicant's technology is advanced compared with its competitors. The possible obvious technical advantages can be categorised as below:

1. Corresponding relationship between core technologies and core products

During the listing review of the STAR Market, the applicants should prove that they own the core technologies. This can be backed up by invention patent applications. At the same time, in the examination of the relationship between the core technologies and the core products, the applicants should also be the invention patent holder of the core products.

2. Method of core technology acquisition

The acquisition of core technology refers to how the applicant acquires the core patent, for example, through independent R&D or a transfer. In general, if the core patent is acquired through independent R&D, it demonstrates the R&D capabilities and the sci-tech attributes of the applicant.

3. Development of core technology and indicators measuring the core technology advancement

The advancement of core technology is examined through the disclosure of core technology development and relevant quantitative data. The quantitative indicators generally include the number of invention patents related to the core technology development and main business income.

4. Comparison with domestic and foreign competitors

Rather than solely considering the quantitative data of the applicant, comparing the applicant's reputation and

The Guidelines encourage medical device companies to develop and innovate core technologies and products.

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Beijing | Shanghai | Shenzhen | Nanjing | Wuhan | Chengdu | Suzhou | Hong Kong | Taipei | Kaohsiung | Taichung | Washington, D.C. | Switzerland non-quantitative information with its competitors can better reflect the applicant's position in the market

5. Technical reserves and continuous R&D capabilities

Unlike with the previous four sets of listing standards, the Guidelines do not impose any rigid requirements on the applicant's revenue. Therefore, the Guidelines will be a preferable choice for small start-ups with key and core technology. Although revenue is not a priority of the listing review, the continued growth and profitability of the business – in other words, future revenue – may be reviewed.

6. The educational background, R&D achievements, time at which the applicant joined the company, and stable retention rate of the core team

Given that there is a close connection between the technology and the core team, the indicators measuring the personnel of the core team reflect, to a great extent, the continuous R&D capabilities of the applicant.

Final thoughts

The precise guidance of Article 6 of the Guidelines in identifying "obvious technical advantages" of medical device companies helps to screen promising medical device start-ups.

Moreover, Article 2 of the Guidelines stipulates the eligibility of applicants which covers almost all aspects of the medical device field, demonstrating the Chinese government's strong support for medical device companies.

Therefore, medical device companies are advised to pay close attention to examples successfully listed according to the Guidelines' definitions, as these Chinese companies may grow into formidable competitors in the future.

China's judicial landscape on infringement assessment over offering to sell a patented drug

Tiejun Tang, Yuming Wang, and Jianhui Li of Wanhuida discuss the evolving rules around offering for sale in China

An evolving judicial landscape

China's judicial practice over infringement assessment and damages awards surrounding offering to sell a patented drug has been evolving over the past 20 years. The landscape has undergone seismic changes increasingly tilting the balance in favour of the patentee.

Offering for sale used to be characterised by Chinese courts as the preparatory stage of sale rather than a standalone act. The judicial infringement assessment over offering to sell a patented drug relied heavily on the availability of the infringing drugs for over a decade. That is to say, in cases where there was no infringing product readily available for sale, courts were prone to find non-infringement.

In the 2007 case *Eli Lilly and Company v. Gan & Lee Pharmaceuticals Co., Ltd.*, the Beijing High Court held that: "The act of offering to sell, which predates actual sale, aims to facilitate sale. In order to serve that purpose, not only shall the alleged infringer manifest an explicit intention to sell the infringing product, but also the said product shall be available for sale when such intention is manifested."

The court therefore concluded that, despite the defendant's promotion of the allegedly infringing 'Prandilin' insulin on its website, evidence did not suffice to prove that the promotion was designed for the purpose of selling the product and the act did not constitute offering for sale. No offering for sale, no infringement.

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Tiejun Tang is a partner at Wanhuida Intellectual Property. Tiejun's practice focuses on patent litigation. She has abundant experience in litigating complex patent cases.

Tiejun has represented multinational and domestic Chinese companies, particularly chemical, pharmaceutical and biotech companies, in their patent validity and infringement litigations before the Patent Reexamination and Invalidation Department and courts of all levels. She addresses leading edge legal issues in many of her cases. Tiejun also has experience litigating other technology cases, such as patent ownership disputes and trade secret cases and advises clients on validity, infringement/freedom-to-operate, and other IP

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Yuming Wang is a partner and attorney-at-law at Wanhuida Intellectual Property. His practice primarily focuses on intellectual property law.

Yuming has extensive experience in litigating trademark, unfair competition, patent and IP-related contractual matters. He has been aggressively defending his clients' IP interests all the way up to China's Supreme People's Court.

Honing his expertise in over 300 lawsuits, Yuming has served as lead counsel in quite a few landmark cases, which are selected as exemplary cases by the Supreme People's Court and the Beijing High Court. He was listed as a rising star by MIP IP Star in 2021.

The case set a high bar for the finding of offering for sale and the doctrine seemed to be advocated by the Beijing courts until 2017, as this case was cited in the Interpretation and Application of the Beijing High Court's Patent Infringement Assessment Guideline (2017) as an exemplary case to underline that the availability of the infringing product is a key parameter in the finding of offering for sale. Infringers with legal acumen cunningly circumvented infringement liability, employing the following tactic: promoting patented drugs at fairs and exhibitions, and only setting manufacture in motion upon receiving orders.

Fortunately, there were dissenting opinions. In *BASF SE v. Hailir Pharmaceutical Group Co., Ltd. et al.* (2015), the Shanghai No. 1 Intermediate Court took a different stance from the Beijing courts, finding that: "The act of offering to sell is a standalone patent exploitation act, which does not necessarily hinge on the simultaneous existence of manufacture or sale. In the meantime, the manifestation of intention to sell is not necessarily based on the premise of the physical existence of the accused infringing product."

This is a positive step forward in assessing infringement of the act of offering for sale. Nevertheless, patentees still face another hurdle to obtaining monetary damages associated with offering for sale, as courts have not yet recognised the harm caused by the offering to sell act. No harm, no damages. In *BASF SE v. Shandong Binnong Technology Co., Ltd.* (2016), despite the finding of offering for sale, the Shanghai Intellectual Property Court denied the patentee's request for damages, only awarding BASF reasonable expenses incurred for stopping the infringement.

The rationale behind this is: "As to the amount of damages, given that the defendant's offering to sell act did not result in the decrease of the market share of the plaintiff's patented products and thus caused no actual losses to the plaintiff, the court found the plaintiff's request for damages is without merit". The reasoning was affirmed by the Supreme People's Court (SPC) in *Beijing HuaJieSheng Electromechanic Equipment Ltd. v. Shenzhen DingSheng Gate Control Technology Ltd.* (2018), where the retrial petitioner's request for damages was also overruled.

Three years later, the SPC seemed to have a change of heart. It stated in *Shenzhen Kean Silicone Product Co., Ltd. v. Dongguan Yatian Silicone Product Co., Ltd. et al.* (2021) that: "The existence of the act of offering to sell will cause reasonably foreseeable damage to the patentee, like price erosion of the patented product, decrease or delay of business opportunities. Where there is a wrong there is a remedy. Unless otherwise specifically provided by laws,

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Jianhui assists the firm's senior patent practitioners in patent infringement, patent validity analysis, free-to-operate and other patent legal affairs for a few multinational biological and pharmaceutical corporations both at home and abroad.

the remedy should include at least two most fundamental forms of tort liability, namely cessation of infringement and indemnification for losses, rather than only one of them."

That is to say that patentees may request the indemnification of damages, apart from cessation of infringement, in cases of infringement surrounding offering for sale.

In 2022, the SPC used two decisions in *Nanjing Hencer Pharmaceutical Co., Ltd. v. Nanjing IP Office* and *Nanjing Lifenergy R&D Co., Ltd. v. Nanjing IP Office* to clarify several key issues. These included whether offering for sale hinges on the availability of the patented drug, whether a disclaimer from the accused infringer creates exemption from infringement liability, and whether the Bolar exemption applies to the act of offering for sale.

Facts of the case

Bayer Intellectual Property GmbH (Bayer) owns the invention patent relating to the blockbuster anticoagulant drug rivaroxaban. On November 29 2019, Bayer filed a complaint with the Nanjing Intellectual Property Office (IP Office), alleging that Nanjing Hencer Pharmaceutical Co., Ltd. and its subsidiary Nanjing Lifenergy R&D Co., Ltd. (collectively referred to as the alleged infringers) had infringed its patent by offering to sell the rivaroxaban products. Bayer contended that the alleged infringers were engaged in offering to sell the patented drug by promoting rivaroxaban tablets and rivaroxaban APIs at the 18th Chemical Pharmaceutical Ingredient China Exhibition (CPhI) and on their websites by way of displaying the packaging bottle and box with clear product specification, registered trademarks and manufacturer information. Bayer requested cessation of the infringement.

Bayer's allegation met the following rebuttals:

- The accused did not manifest a substantive intention to sell. Without acquiring a registration license for rivaroxaban, the accused is not allowed to manufacture and/or sell the drugs. Moreover, the accused had explicitly included a disclaimer in the CPhI promotion material, which read "Patented products (are) available for research & development use as permitted under CFR35 sec.271 (e)(1)". Therefore, the alleged acts did not constitute offering for sale.
- Even if the acts did constitute offering for sale, they should be exempt from patent infringement liability as the acts fall under the scope of Bolar exemption as stipulated in Article 69.5 of the 2008 Patent Law. The accused infringers argued that Bolar exemption implicitly includes the acts of "sale" and "offering for sale". The target audience of the accused is the pharmaceuticals that are about to apply for the registration of the generic version of rivaroxaban, thus the alleged acts constituted offering for sale "aiming to provide the information required for regulatory examination and approval" for others.

On May 25 2020, the Nanjing IP Office made administrative decisions in favour of Bayer, finding that the alleged acts constituted offering for sale, and ordered cessation. The alleged infringers filed administrative lawsuits, challenging the decisions of the Nanjing IP Office before the Nanjing Intermediate Court, which sided with the Nanjing IP Office. The alleged infringers appealed to the SPC IP Court.

The court of appeal dismissed the appeals based on the reasoning below:

- Offering to sell is a statutory and independent act of infringement. The assessment over whether the tortfeasor is to bear civil liability associated with offering to sell is not based on the premise of the actual occurrence of sales activity. Where a sale agreement is reached, the act no longer falls under the category of offering for sale. It is indeed sale. The act of offering to sell may postpone the purchase of patented products made by unspecified buyers from the patentee and would consequently undermine the legitimate rights and interests of the patentee.
- In essence, offering to sell is a unilateral manifestation of the seller's intention, which does not hinge on the availability for sale of the infringing product. Offering for sale may be established as long as the

intention to sell is clearly manifested. The absence of contractual terms like price, supply of goods, and product batch number, has no bearing on the determination of offering for sale. Offering to sell may aim at specified or unspecified targets, and it may appear in the form of an offer or an invitation for offer. The alleged infringers have shown their explicit intention to sell the products, which constituted offering for sale.

- The acts of the alleged infringers, such as indicating the original drug manufacturer and the original drug as well as the inclusion of a disclaimer, serve the purpose of facilitating the potential buyer's purchase of the infringing product and have no bearing on the determination of offering for sale.
- The Bolar exemption may serve as a non-infringement defence in either of these two scenarios: where an entity is applying for regulatory examination and approval on its own account, or for the purpose of facilitating the application for regulatory examination and the approval of another entity. In the second scenario, the Bolar exemption does not apply unless the accused is assisting another entity that does exist in reality, in acquiring the said regulatory approval. The accused, in this case, targeted an unspecified audience, rather than a specific entity that was about to apply for the registration of the generic version of rivaroxaban products. The Bolar exemption thus is not applicable to the alleged infringers.
- The Bolar exemption does not exempt the infringement liability of offering to sell. Although the alleged infringers attempted to justify their act, arguing that their promotion enabled them to reach out to potential generic drug makers, the Court found the argument inconsistent with the express provisions of law and ruled that the act would unreasonably squeeze the legitimate interests of the patentee.

Comments

The SPC's aforementioned decisions are expected to help establish a stable jurisprudence in terms of infringement assessment surrounding entities offering to sell patented drugs.

For starters, the SPC significantly lowers the threshold for assessing the act of offering for sale, affirming the below principles:

- Offering for sale is not based on the actual occurrence of sales activity;
- The unavailability of the products being offered for sale, the absence of contractual terms, and the inclusion of a disclaimer has no bearing on the finding of offering for sale; and
- Offering for sale may be established, so long as the intention to sell is clearly manifested.

Secondly, it reiterates that the Bolar exemption should be interpreted literally so that the entities eligible to invoke the clause are either:

- "An entity [that] manufactures, uses, or imports a patented medicine or a patented medical apparatus" for the purpose of providing information needed for regulatory examination and approval on its own account or
- "Another entity that manufactures [or] imports the patented medicine or the patented medical apparatus specifically for the aforesaid entity".

In other words, in the context where an entity is assisting another in the process of seeking regulatory approval for patented drug or medical apparatus, the latter shall be a specific entity, rather than an unspecified audience. The SPC makes it clear that the Bolar exemption shall not be broadly interpreted as covering the entity that offers for sale, but that it appeals to unspecified targets.

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AUSTRALIA

Critical importance of common general knowledge in Australian patent law

FB Rice


Jacqueline Warner and Marcus Caulfield

What is CGK?

Australian courts have indicated that CGK is the technical background knowledge and experience that is available to the hypothetical skilled worker in a particular field. It is accepted without question by the majority of those skilled workers and becomes part of their common stock of knowledge.

CGK is not restricted to information that may be memorised and retained. It also includes material that is known to exist and would be referred to routinely by the skilled worker even if the skilled worker is not consciously aware of the information.

CGK may include information available globally in standard textbooks, handbooks, dictionaries, industry magazines in the field and prior art acknowledged in patent specifications. CGK does not necessarily extend to information that is widely read or circulated to the skilled person or to information found by conducting searches.

Inventive step determination

The Patents Act 1990 prescribes that an invention is taken to involve an inventive step unless it would have been obvious to a person skilled in the relevant art (PSA) in light of the CGK, as it existed before the priority date, alone or in combination with the relevant prior art. Accordingly, CGK is the threshold issue to be addressed in an inventive step assessment.

Evidentiary approaches to proving CGK

Determining CGK is a factual test conducted with the aid of a person skilled in the art. What constitutes CGK can only be established by evidence. The evidentiary approaches to proving CGK vary depending on whether the CGK is being considered before IP Australia (IPA) or the courts.

During prosecution of a patent application before IPA, an assessment of inventive step involves the examiner formulating an opinion of what constitutes CGK based on material such as textbooks, dictionaries, magazines and patent specifications. Examiners consider arguments against CGK on merit and apply balance of probabilities considerations.

During opposition proceedings before IPA, CGK is established through written declaratory evidence from an expert in the field of the invention. Although the rules of evidence do not apply, the commissioner will evaluate the evidence, with hearsay evidence given less weight than first-hand testimonies and non-expert evidence.

Before Australian courts, the Evidence Act 1995 allows the admissibility of evidence in the form of expert opinions. An expert's opinion may be admitted if the expert has "specialised knowledge" based on training, study or experience, provided the evidence is "wholly or substantially" based on that expert knowledge.

The courts will consider expert evidence from each side concurrently to establish the CGK. This is an effective way for judges to understand the technical complexities of a case. It can, however, be difficult to establish the CGK to meet the requisite evidentiary burden.

CGK failures

In *Arrow Pharmaceuticals v Novartis* [2019] APO 22, the delegate found that CGK did not extend to information included in a textbook published 17 days before the priority date of the opposed application on the basis that there was not enough time for the information to be generally accepted and assimilated by those skilled in the art. It had not become part of their "common stock of knowledge".

In *Aktiebolaget Hassle and Astra Pharmaceuticals v Alphapharm* [2000] FCA 1303, the Full Federal Court noted that CGK did not equate to information that might be found by a diligent searcher and mere public availability is not sufficient to establish CGK.

CGK successes

In *Minnesota Mining & Manufacturing v Beiersdorf (Australia)* (1980) 144 CLR 253, the High Court held that the claimed invention was obvious in light of the CGK alone.

In *Merial v Intervet International (No 3)* [2017] FCA 21, the Federal Court considered concurrent evidence from experts and utilised the joint expert reports to identify the CGK.

Steps to establish CGK

The following steps should be adhered to in establishing CGK:

- Choose an independent credible expert with a strong command of the technical field of the invention;
- Ensure that the expert understands that their role is to assist the court, not be an advocate for either party;
- The testimony should be written in the expert's words and avoid legalese; and
- The testimony should be substantiated by reference materials publicly available well before the priority date.

The CGK in a technical field is integral in assessing the patentability of an invention in Australia. It is therefore critically important that it is correctly determined. This may be challenging, as the state of the CGK is based on evidence that itself must be assessed for its suitability in representing what would have been known to the skilled person at the relevant time.

The local insights section in Managing IP comprises updates contributed by firms on a jurisdictional basis. These updates are sponsored by each correspondent, and all the contact details are listed on the last page. Please contact the firms directly with any queries arising from these articles.

CHINA

The effect of China's patent law on partial design applications

Liu Shen

Danchen Cheng

On June 1 2021, the revised Patent Law of China came into effect, clarifying that the protectable subject matter of design includes the partial design of a product (Article 2, Clause 4). Incorporating partial design into the patent law is a major breakthrough that came in response to rising calls from across the Chinese IP landscape.

Revisions to the Implementing Rules of the Patent Law and the Guidelines for Patent Examination are in the legislative pipeline. Below are the key take-aways for partial design applications based on these revisions, which represent just some of the legislative changes that may happen in the future. Nonetheless, we do not think there will be significant changes.

Key take-aways

Product name

When applying for a partial design, the claimed part as well as the whole product to which the part belongs shall be specified in the product name, such as 'door of a vehicle'.

Views to be submitted

When applying for a partial design, a view of the whole product shall be submitted, and the claimed part shall be designated by a combination of solid lines and dotted lines, or in other ways, such as by covering the disclaimed parts with a translucent layer of single colour.

The view of the whole product shall not only show clearly the claimed part, but also reveal its position and proportion in the whole product. Where the claimed part contains a stereoscopic shape, the submitted view shall include a perspective view showing the part clearly.

Priority claim

According to Article 29 of the Patent Law, the priority claim of a design application can be a foreign priority or a national priority.

The drafted guidelines do not stipulate any special standard for judging 'the same subject matter' particular for partial design. Therefore, it can be construed that the feasibility standard for priority claim for integral design shall also apply to partial design.

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CHINA

China issues guidelines to support medical device innovation

Purplevine IP

Xiaoyan Zhou

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Based on previous practice as well as the developments of sci-tech innovation and the regulatory requirements in the medical devices industry, the Guidelines detailed rules for medical device companies while applying for listing on the STAR Market. These include:

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Among them, Article 6 of the Guidelines is closely related to IP rights, and so we will analyse this Article in detail.

Article 6

The Guidelines state that the applicants should possess obvious technological advantages. The applicants should disclose whether they have obvious technological advantages in terms of the following aspects:

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- The method of core technology acquisition;
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- The competition between domestic and foreign medical device companies;
- The technical reserves and continuous research and development (R&D) capabilities; and
- Information about the applicants, such as their education background, their R&D achievements, the time at which they joined the company, and the stable retention rate of the core team.

Obvious technical advantages

Article 6 focuses as a priority on "obvious technical advantages"; that is, whether the applicant's technology is advanced compared with its competitors. The possible obvious technical advantages can be categorised as below:

1. Corresponding relationship between core technologies and core products

During the listing review of the STAR Market, the applicants should prove that they own the core technologies. This can be backed up by invention patent applications. At the same time, in the examination of the relationship between the core technologies and the core products, the applicants should also be the invention patent holder of the core products.

2. Method of core technology acquisition

The acquisition of core technology refers to how the applicant acquires the core patent, for example, through independent R&D or a transfer. In general, if the core patent is acquired through independent R&D, it demonstrates the R&D capabilities and the sci-tech attributes of the applicant.

3. Development of core technology and indicators measuring the core technology advancement

The advancement of core technology is examined through the disclosure of core technology development and relevant quantitative data. The quantitative indicators generally include the number of invention patents related to the core technology development and main business income.

4. Comparison with domestic and foreign competitors

Rather than solely considering the quantitative data of the applicant, comparing the applicant's reputation and non-quantitative information with its competitors can better reflect the applicant's position in the market

5. Technical reserves and continuous R&D capabilities

Unlike with the previous four sets of listing standards, the Guidelines do not impose any rigid requirements on the applicant's revenue. Therefore, the Guidelines will be a preferable choice for small start-ups with key and core technology. Although revenue is not a priority of the listing review, the continued growth and profitability of the business – in other words, future revenue – may be reviewed.

6. The educational background, R&D achievements, time at which the applicant joined the company, and stable retention rate of the core team

Given that there is a close connection

between the technology and the core team, the indicators measuring the personnel of the core team reflect, to a great extent, the continuous R&D capabilities of the applicant.

Final thoughts

The precise guidance of Article 6 of the Guidelines in identifying "obvious technical advantages" of medical device companies helps to screen promising medical device start-ups.

Moreover, Article 2 of the Guidelines stipulates the eligibility of applicants which covers almost all aspects of the medical device field, demonstrating the Chinese government's strong support for medical device companies.

Therefore, medical device companies are advised to pay close attention to examples successfully listed according to the Guidelines' definitions, as these Chinese companies may grow into formidable competitors in the future.

GERMANY

Germany cancels agreement with Switzerland on the use of trademarks

Maiwald

Susanna Heurung

Owners of German trademarks who use their trademarks only in Switzerland should now be careful. As of May 31 2022, Germany has terminated an 1892 agreement with Switzerland, under which owners of German trademarks could rely on use in Switzerland to count as a genuine use of their marks.

In both Germany and Switzerland, a trademark must be used for five years after registration or expiration of the opposition period. If it is not possible to prove that the trademark has been used genuinely, in the event of a dispute, the trademark can be cancelled. In this case, proceedings based on this trademark can be lost due to lack of use, without the courts or a patent office even examining further questions such as the likelihood of confusion.

In principle, use must take place in the territory in which the trademark is protected, i.e. for German trademarks in Germany.

The German-Swiss Agreement of 1892 created an exception in favour of the trademark owner, according to which the use of a German trademark in Switzerland, or the use of a Swiss trademark in Germany, was recognised as genuine use. Thus, it was previously possible to rely on use in Switzerland to prove that a German trademark had been used in a way that preserved the rights of the owner, and vice versa.

Ruling from the European Court of Justice

The European Court of Justice (CJEU) has now put an end to this. As early as 2013, the CJEU ruled that the use of a trademark in Switzerland was not suitable for proving its genuine use in Germany (C-445/12 – *Rivella International v OHIM*). However, according to the case law of the German Federal Court of Justice, the agreement remained in force.

In another judgment from 2020, in which Ferrari relied on a right-preserving use in Switzerland for the German territory in accordance with the agreement, the CJEU ruled that the 1892 Agreement was incompatible with EU law (C-720/18, C-721/18 – *Ferrari SpA/DU*). Germany therefore had to amend this situation, and has now complied with this obligation by terminating the agreement.

Owners of German trademarks that are only used in Switzerland must therefore immediately adapt to the changed situation. According to general opinion, the termination of the agreement does not apply retroactively. Acts of use in the other contracting country up to the date of termination of the agreement are therefore still considered to constitute genuine use.

However, the use of a German trademark in Switzerland after May 31 2022, can no longer be used to prove use of the trademark in Germany. Owners of German trademarks who have previously only used the trademark in Switzerland should therefore ensure from now on that they can also prove the use of their trademarks in Germany. If they fail to do so, proceedings based on these trademarks will be lost on the grounds of lack of use alone. Worse still, the trademarks concerned may even be cancelled.

The proof of use must allow determinations to be made as to the place, time, extent, and nature of the use of the trademark for the goods and services covered by it. It is advisable to provide precise documentation of the trademark use, showing the number of units sold, the turnover achieved, the advertising expenses incurred, and so on. This must be supported by appropriate documentation such as exemplary invoices, photographs of the products concerned and marked with the trademark, and advertising materials.

INDIA

How to protect trade secrets in India

RNA Technology and IP Attorneys

Rachna Bakhru

With the advancement of technology at jet speed, many businesses find it challenging to safeguard their crucial information. The ease with which data can be copied and transferred has given rise to conflicts between the employer/employee and third-party contractors, vendors, and competitors.

India does not have a sui generis trade secret law. However, the Indian courts have upheld trade secrets protection under various statutes, including those relating to contract law, copyright law, the principles of equity, and – at times – the common law action of breach of confidence (which amounts to a breach of contractual obligation). Section 72 of the Information Technology Act, 2000 also provides some protection, although this is limited to electronic records.

The remedies available to the owners of trade secrets are:

- An injunction preventing a licensee, employee, vendor, or another party from disclosing a trade secret;
- The return of all confidential and proprietary information; and
- Compensation for any losses suffered due to the disclosure of trade secrets.

Contract law

In India, a person can be contractually bound not to disclose information that is revealed to them in confidence. The Indian courts have granted injunctive relief for breach of confidential information even in the absence of a formal contract (see *Richard Brady v Chemical Process Equipments* (AIR 1987 Delhi 372), recognising the importance of information that was meant to be confidential).

Contracts help to safeguard confidential information exchanged between the employer/employee, contract manufacturers, vendors, or any other party with whom such business information is shared.

Copyright law

In some cases, the courts have recognised client information stored in databases as copyrightable material.

During their operation, businesses regularly collect data that they arrange systematically or methodically and that can be accessed electronically; for example, to analyse business profitability or customer behaviour, or to maintain an inventory of goods. Thus, databases are essential for businesses, allowing them to run smoothly and plan their development.

Databases are protectable under copyright law. Section 2(O) of the Copyright Act, 1957 defines compilations, including computer databases, as "literary works".

In *Govindan v Gopalakrishna* (AIR 1955 Madras 391), which concerned a compilation, the court held that although the amount of originality in a compilation is small, it is still protected by law. Hence, no party may steal or appropriate the result of another's intelligence, skills, or labour, even in such works.

The present legal position mandates that every effort, industry, or expense of skill results in copyrightable work, but the only works that are protectable are those that:

- Are somewhat different in character;
- Involve some intellectual effort; and
- Involve a minimum degree of creativity.

Proving confidentiality of information

In *Ritika v Biba Apparels* (DelHC DE 0784 2016), where a suit was filed for infringement of the plaintiff's clothing designs, the court took the view that if an injunction order were sought with respect to trade secrets, the specific trade secrets would have to be mentioned, as well as how the plaintiff had ownership of them. Only then would the court consider granting an injunction order. A general order in respect of an unspecified trade secret could not be passed against the defendant.

In *Emergent Genetics India v Shailendra Shivam and Ors* (2011 (47) PTC 494), the court observed: "Pleadings of the nature and quality of information which is confidential are crucial and, in the absence thereof, there is no question of confidentiality."

Thus, a trade secret suit should clearly make the subject information confidential. Apart from pleading that the information is confidential, the plaintiff must prove that reasonable efforts have been made to keep it confidential. If the owner of the information cannot prove as much, the information risks losing the quality of confidentiality.

Conclusion

At present, Indian trade secrets law is judiciary-made law based on the principle of equity and common law actions against breach of confidence, with the jurisprudence as a whole revolving around an employee's obligations and duties towards the employer regarding confidential information gained during employment.

Indian jurisprudence regarding trade secrets is unclear on several important aspects, including:

- The scope of damages in the case of a breach of confidential information;
- The theft of trade secrets by business competitors; and
- Procedural safeguards during court litigation.

Enacting a trade secrets law in the future will hopefully address the above concerns. Meanwhile, business owners need to take measures to protect their trade secrets by following the best practices outlined below.

- Sensitising and educating employees on the importance of confidential/sensitive business information.
- Drafting a trade secret policy for the workplace.
- Due diligence and maintaining non-disclosure agreements.
- Signing employment/confidentiality agreements with the employees and any third parties with which commercial business information is shared.
- Conducting periodic trade secret audits to identify possible leakage.
- Using a combination of technical and legal solutions to protect databases.

JAPAN

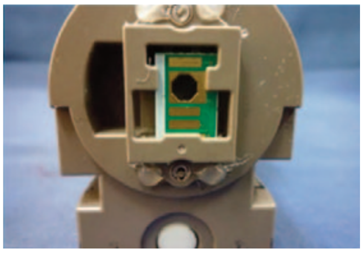
Antimonopoly Act defence unsuccessful against patent enforcement

Abe & Partners

Takanori Abe

Summary of the case

Ricoh owns two patent rights: JP4886084, entitled "Information storage device, removable device, developer container and image forming apparatus", and JP5780375 and JP5780376, entitled "Information storage device and removable device". Ds Japan removed electronic components from used Ricoh toner cartridge products, compatible with printers manufactured and sold by Ricoh, and replaced them with electronic components manufactured by Ds Japan (see below). It refilled the toners and prepared them to be sold as recycled toner cartridge products.



A close-up of the toner cartridge

Ricoh sought an injunction against Ds Japan on selling its product and the disposal of its products and electronic components, as well as damages. Ricoh argued that the electronic components manufactured by Ds Japan fell within the technical scope of Ricoh's invention, and Ds Japan's act infringed each patent right.

The Tokyo District Court dismissed Ricoh's claim, holding that Ds Japan's electronic components fell within the technical scope of each invention, and that, as a whole, Ricoh's actions violated the Antimonopoly Act. Furthermore, Ricoh's injunction against Ds Japan on manufacturing and selling its product and a damages claim based on each patent right reasonably corresponded to an abuse of rights.

Judgment of March 29 2022, IP High Court

The IP High Court (Presiding Judge Otaka) modified the Tokyo District Court's judgment and accepted Ricoh's injunction against Ds Japan on manufacturing and selling its product and the damages claim. The IP High Court affirmed the infringement and validity, and held as follows on an abuse of rights.

Comparing the function of Ricoh's printer equipped with a genuine Ricoh product with Ricoh's electronic components, on which rewrite restriction measures are taken, against that of Ricoh's printer equipped with a recycled product – that is, a used Ricoh product with refilled toner – the following was found:

- A Ricoh printer equipped with a recycled product will display "?" as the remaining quantity of the toner, although the remaining quantity of the toner or a warning sign will not be displayed, which differs from Ricoh's printer equipped with a genuine Ricoh product. However, Ricoh's printer equipped with a recycled product will stop printing when the toner runs out and displays an indication such as "Toner has run out", in a way not different from Ricoh's printer when equipped with a genuine product, which may not interfere with the printing function.
- A Ricoh printer equipped with a recycled product will display "Ready to print" beside "?" on an indicator that shows the remaining quantity of the toner. It can therefore be easily recognised that the remaining quantity of the toner is not displayed because it is a recycled product, and the user is not deemed to be concerned that the printing function will be affected.
- Furthermore, even if the remaining quantity of the toner is not displayed, users can prepare extra toner in advance. As such, the users' burden may not be great.

In light of the above, it is recognised that there are users who select recycled products in consideration of the above functional differences and price difference between the genuine products and the recycled products on which the remaining quantity of the toner is not displayed. In addition, an indication of the remaining quantity of the toner cannot be a condition for public bidding.

On the other hand, for the concern that users may feel uneasy about the fact that the remaining quantity of the toner is not displayed, the rRecycling companies can address users' concerns about the remaining quantity of toner not being displayed by indicating that the recycled products can print, but the remaining quantity of the toner cannot be displayed because it is a recycled product.

It is technically possible to manufacture electronic components that do not fall within the technical scope of inventions 1 through 3 by devising the shape of the electronic components and replacing them with Ricoh's electronic components, avoiding the infringement of each patent right, to indicate the remaining quantity of the toner. In the market of toner cartridges for Ricoh printers, the degree of disadvantage for recycling companies due to the rewrite restriction measures is considered small.

Ricoh argued that the reason for taking the rewrite restriction measures was to eliminate harmful effects because if the rewrite restriction measures were not taken, Ricoh printers would display the remaining quantity of the toner of a third party's recycled products, the quality of which cannot be controlled by itself, and Ricoh would not be able to control the accuracy of a display of the remaining quantity of the toner.

Ricoh then stated that, as a business

strategy, among the toner cartridges corresponding to Ricoh printers, it has adopted Ricoh's electronic components installed in Ricoh's product corresponding to the C830 and C840 series of high-end printers, which shows a reasonable rationality. In addition, as described above, it is technically possible to manufacture electronic components to avoid infringement of each patent right.

Considering these factors, it cannot be recognised that Ricoh's enforcement of each patent right on Ds Japan's electronic components installed in used Ricoh products is solely for the purpose of excluding Ds Japan's recycled products from the market.

In view of the above fact finding and other circumstances in this case, it cannot be said that Ricoh's enforcement of each patent right and seeking an injunction and damages against DS Japan with respect to Ricoh's electronic components violates the Antimonopoly Act as an interference with a competitor's transactions.

Practical tips

Professor Tamura criticised the Tokyo District Court judgment as follows: The Tokyo District Court judgment was considered unique in the respect that it dismissed the patentee's claim based on the abuse of rights doctrine, taking the exhaustion doctrine into consideration, and with the help of the Antimonopoly Act. By contrast, in this case, it was sufficient to deny patent infringement based on the exhaustion doctrine, an inherent interpretation of the Patent Act, or the abuse of rights doctrine, a principle of private law in general, without referring to the Antimonopoly Act. However, the IP High Court denied exhaustion, as did the Tokyo District Court.

The IP High Court then held that, unlike the Tokyo District Court, there was no violation of the Antimonopoly Act. What caused this difference? This seems to have been critical, because Ricoh, lost in the Tokyo District Court, in order to overcome the avoidability of infringement of each patent right, the cause it lost, argued in the IP High Court that the Tokyo District Court judgment was wrong as it held that Ricoh insisted the actions of the recycling companies resulted in either a patent infringement or a decline in competitiveness. Ricoh claimed and proved that the recycling companies were able to manufacture recycled products that do not display "?", avoiding infringement of each patent right, by providing the result of an experiment to show that "it was confirmed that remaining quantity of the toner was displayed instead of '?' and Ricoh's printer operated normally".

As a result, the IP High Court found that the degree of restriction on competition was low and that the purpose of excluding recycled products from the market was not recognised.

The case has been appealed to the Supreme Court and attention must be paid to its future ruling.

The judgment of September 30 2021, the Tokyo District Court (Presiding Judge Asakura) (*Elecom et al. v. Brother Industries*) is another aftermarket case of printer like this case, holding that design changes to printers concerning consumables were in violation of the Antimonopoly Act.

MEXICO

Applying EUIPO guidelines on the metaverse to Mexico

OLIVARES

Mariana Patiño

As a result of interactions in the so-called metaverse and digital assets such as non-fungible tokens (NFTs), multiple business opportunities have arisen. In line with this, the debate about the general regulations of intangible assets has evolved.

Regarding the guidance notes published by EUIPO on June 23 2022 in relation to the classification of trademarks that distinguish virtual goods, it has been determined that according to their nature they correspond to international Class 9, insofar as they are treated as digital content. Furthermore, EUIPO has stated that the term 'virtual goods' should be specific according to the composition of the goods. For example, the content could be referred to as 'virtual goods, namely virtual headgear and clothing'.

As concerns NFTs, the EUIPO has proposed to publish a 12th edition of its Nice Classification system, to be published in 2023, including 'downloadable digital files authenticated by non-fungible tokens'. This would provide clarity and precision, because in EUIPO's opinion, NFTs only act as authentication certificates for digital files or elements.

In general practice, we have observed that rights holders, on the recommendation of their specialised attorneys, have applied for trademarks intended for use in the Metaverse. These trademarks are in Class 9 for virtual goods, Class 35 for retail stores with virtual goods, and Class 41 for entertainment services, including the provision of virtual goods that are not downloadable online.

Considering that precision is a key objective to obtain adequate trademark protection, EUIPO has specified that services related to virtual goods and NFTs will be classified according to the classification principles established for services. This means services will be classified according to the branches of activities defined by the service class headings and their explanatory notes, or, if not specified, by analogy with other similar services in the alphabetical list.

The existing debate among the Intellectual Property Niche Academy I is whether NFTs should be considered unique digital certificates for the authentication of digital items, or whether it would be more useful to clarify that they are not limited to authenticating digital items only. If the latter, there is a possibility that NFTs could transfer to the physical or material realm in that they could be downloaded, and with the support of 3D printing models.

It is worth mentioning the way in which the Mexican Institute of Industrial Property (IMPI) interprets these new regulations in the classification of trademarks to distinguish goods or services in the metaverse. Up to this point, we have observed that examiners have adopted the criterion of accepting NFTs in Class 9 without further elaboration. However, specific clarification has been requested with respect to the generality of virtual goods or products as set forth by EUIPO.

It will be interesting to see if an interpretation is made with respect to the use of trademarks in the Metaverse and their possible transformation by download to the everyday, physical world.

NEW ZEALAND

What New Zealand's free trade agreement with the EU means for intellectual property

AJ Park


Florence Lundon-Moore and Kieran O'Connell

On June 30 2022, New Zealand and the EU concluded negotiations on a free trade agreement (FTA).

For New Zealand, the potential economic benefit of the FTA is significant. The EU is already New Zealand's fourth-largest trading partner. Two-way trade in goods and services between New Zealand and the EU is estimated to be worth around NZD 17.5 billion ($11 billion) annually. The FTA will see 97% of New Zealand's exports to the EU eventually become duty-free.

The FTA contains a chapter on IP that complements the existing rights and obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The IP chapter includes the following key provisions:

- New Zealand will extend the term of protection for copyright by 20 years and will implement this change within four years of the FTA entering into force;
- New Zealand's regime for the registration of geographical indications (GIs) will be extended beyond wine and spirits to include agricultural products, foodstuffs and other beverages;
- New Zealand and the EU will each protect a list of the other's GIs, including EU protecting a number of New Zealand wine GIs;
- As was agreed in the UK FTA, the parties will establish and maintain a regime relating to an artist's resale right;
- New Zealand will make all reasonable efforts to join the Hague Agreement Concerning the International Registration of Industrial Designs, mirroring the commitment given under the UK FTA;
- New Zealand will maintain its patent and data protection rules, preventing the increase in costs associated with human or veterinary medicines and agricultural chemicals; and
- The recognition of *Te Tiriti o Waitangi* / The Treaty of Waitangi has been a central consideration for New Zealand.

Many of these provisions echo what New Zealand agreed in its FTA negotiations with the UK that were concluded earlier this year, albeit with shorter timeframes for compliance.

Geographical indications

The protection of EU GIs in New Zealand was identified as an essential outcome of the FTA for the EU. New Zealand has agreed to protect close to 2,200 EU GIs in New Zealand. New Zealand has also agreed to amend its existing GI laws to extend the registration regime beyond the current wine and spirits to other food and beverage products.

The EU has agreed to protect New Zealand wine GIs in the EU, and the parties have agreed that the list may be amended over time. To provide some context for the comparable number, at the time of writing there are 22 New Zealand GIs registered for wine in New Zealand.

Included in the list of EU GIs are terms that many New Zealand consumers would likely think of as generic descriptors. For some of these names, New Zealand producers have been given a longer period of time to adjust and come up with alternative descriptions before the restriction is in place.

The restriction on 'feta', for example, will apply within nine years of the agreement coming into force, and 'gorgonzola' within five years. For 'parmesan' and 'gruyere', New Zealand cheese makers can continue to use the terms if they have been using them for five or more years before the FTA is implemented. Terms including 'mozzarella', 'brie', 'camembert', and 'gouda' can continue to be used without restriction.

Mānuka honey and Māori interests

The FTA also contains a chapter, separate to the IP chapter, on Māori Trade and Economic Cooperation which aims to advance Māori trade in the EU. The stated purpose of the chapter is for the parties to pursue cooperation to contribute to New Zealand's efforts to enable and advance Māori economic aspirations and wellbeing.

Included within this chapter are two interesting references to IP:

1) A reference to the parties cooperating and exchanging information and experience on GIs.

Outside of wine, New Zealand does not have a strong heritage of reliance upon "geographical indications" as they would be thought of in the European tradition. The reference points to potential growth in GIs with the Māori economy.

2) A definition of 'Mānuka' as "the Māori word used exclusively for the tree Leptospermum scoparium grown in Aotearoa New Zealand and products including honey … deriving from that tree. Mānuka … is culturally important to Māori as a tāonga and traditional medicine."

This definition appears to allow 'Mānuka' to be recognised as something akin to a GI but that has been placed outside of the context of the GIs within the IP chapter.

However, it is not readily apparent from the text how this definition will translate to recognition and protection within the European market.

Next steps

Following the conclusion of negotiations, a number of procedural steps will take place before the FTA is entered into force. Such steps will be taken place between now and 2024, and will include each party carrying out their respective domestic legal processes.

SOUTH KOREA

Patenting AI-related inventions in South Korea

Hanol IP & Law

Min Son

The number of artificial intelligence (AI) patent filings has grown rapidly in Korea recently. In line with this trend, the Korean Intellectual Property Office (KIPO) updated its Examination Guidelines for AI Inventions in early 2022.

This article explains the most recent AI patenting practices in Korea based on these updated guidelines.

Patent eligibility issue and acceptable claim formats

In Korea, the Patent Act defines an invention as "a highly advanced creation of a technical idea utilising the laws of nature". Therefore, to be patent eligible, AI inventions must also satisfy this requirement.

Not just for AI inventions but for general purpose, the examination guidelines provide examples of what are not considered as inventions, such as the laws of nature per se, computer programs, artificial decisions, and human mental activities.

In practice, patent eligibility for AI inventions is treated substantially the same in Korea as that for computer-implemented inventions. To avoid ineligibility, AI inventions (as well as computer-implemented inventions) become patent eligible only when:

- Information processing is performed by a "combination of software and hardware"; and
- The claims do not involve a "human mental activity or offline activities".

Unlike some other countries, in Korea, eligibility is assessed without consideration of prior art.

Consider the following claim, which may not be patentable in Korea because the claim does not disclose hardware components, and/or the collection step may involve a human offline action.

A method for automatic temperature control using a machine learning model, comprising:

- Collecting weather information on at least one of temperature, humidity, wind speed, and cloudiness; and
- Training the model based on weather information as input data and temperature control parameters as output data.

In a way, an eligibility issue is closely related to the type of claim format. AI inventions can be drafted with a method or a product claim.

Focusing solely on the claim format, there is nothing special about method claims in Korea. However, for product claims, the KIPO generally accepts the following claim formats, but does not accept others, such as a program product and program signals.

- An apparatus (device) using a training model.
- A computer-readable medium with a program recorded therein.
- A computer-readable medium with a data structure recorded therein.
- A computer program or application stored in a computer-readable medium.
- A computer program for implementing a training model stored in a computer-readable medium.

Enablement issue

In addition to the general explanation of enablement, the updated guidelines provide more specific guidelines for AI inventions:

- The specific means for implementing an invention (for example, training data, data pre-processing, learning models, and loss functions) should be disclosed in the description and claims unless a person of ordinary skill in the art (POSITA) can clearly understand them.
- The correlation between the input data and the output data of the learning model should be disclosed in the description, unless a POSITA can clearly understand the same.
- If a conventional machine learning method or algorithm is employed, it is not necessary to specifically describe the same.

For example, if a claim describes a "step of generating a learning model by… using training data for controlling a temperature", in order to be enabled with regard to the first item above, the claim needs to specify the training data – for example, "training data which comprises exterior temperatures… as input data, and temperature control parameters as output data" – unless a POSITA can clearly understand them.

Inventiveness issue

In Korea, an inventive step is determined by evaluating whether there is (i) difficulty in constituting the technical features of an invention and (ii) a remarkable or unexpected effect over the prior art.

In the examination guidelines, the KIPO classifies AI inventions into three categories:

- An AI training data invention;
- An AI modelling invention; and
- An AI application invention.

The inventiveness of these groups of inventions is generally assessed according to the following guidelines.

For an invention featuring training data, an inventive step may be recognised if the claim describes in detail how raw data is processed (for example, through (i) the extraction of primary attributes; (ii) data standardisation, normalisation, or vectorisation; and (iii) data increment) and an unexpectedly advantageous effect is achieved from the features of the training data.

For an AI modelling invention, an inventive step may be recognised if the claim specifically defines the configuration of a training model (for example, through configuration of a training environment, evaluation of the training model, the linking of multiple models, distributed or parallel processing, and optimisation of hyper-parameters), and there is an unexpectedly advantageous effect resulting from such configuration.

When an AI invention is featured by a new application, an inventive step may be recognised:

- If the invention has resolved a long-term problem or technical difficulty in the specific industrial field; or
- If unexpectedly advantageous effects are found from its application to a different industrial field.

Global AI patenting

AI patenting has a relatively short history in the intellectual property (IP) world, and its rules and guidelines are frequently updated. In a way, it is natural that the practice around the world is quite diverse.

Understanding the most up-to-date practice may be helpful to anyone who is interested in AI patent filing in Korea.

TAIWAN

The nuts and bolts of an unusual Taiwanese Supreme Court decision

Saint Island International Patent & Law Offices

Frank Liu

It is not common for the Taiwanese Intellectual Property and Commercial Court (the 'IPC Court') to overturn a patent infringement opinion rendered by the technical examiner of the IPC Court in the first instance. It is also rare that the Supreme Court rescinds a judgment reached by the IPC Court in the second instance. Nevertheless, both scenarios occurred in a judgment that the Supreme Court rendered in April 2021.

First-instance trial

The patent at issue related to a large LED display installed on the body of a stage truck, in which a top rod and a bottom rod were fixed at the top and bottom ends of the main display and the side displays, respectively. The top rod and bottom rod were paired with corresponding sleeves through which pins were extended, thereby mounting the side displays to the main display to form a large screen.

At the first-instance trial in the Tainan District Court, the court entrusted a technical examiner of the IPC Court to investigate on the spot and provide an infringement analysis report. Although the bolts included in the accused design were referred to by the court as "pin bolts", based on the report, the Tainan District Court held that the accused device literally infringed the patent at issue, since the bolts included in the accused device fell within the definition of the pins recited in the claims of the patent at issue.

The appeal

The IPC Court rescinded the judgment on appeal, finding that the accused device did not read on the claims of the patent at issue.

The judges of the IPC Court found, among others, that when performance was yet to begin or had ended, the pins locked between the two side displays and the main display, respectively, can be withdrawn so that the two side displays can be removed while achieving the function of easy assembly and disassembly.

On the other hand, the bolts included in the accused device were secured in the sleeves to serve the function of a stable connection that was not easy to loosen. Thus, the bolts included in the accused device cannot be construed as a variant of the pins in the patented device under the doctrine of equivalents.

Supreme Court appeal

Unsatisfied with the outcome, the patentee filed a further appeal, with the Supreme Court. However, the Supreme Court remanded the case for the following reasons.

While it was recited in the claims of the patent at issue that "the pins are extended through the sleeves, thereby mounting the side displays to the main display", the pins included in the patent at issue also served the function of a connecting element. As bolts and pins seemingly serve the purpose of connection, the case was remanded to the second instance of the IPC Court to reconsider whether bolts are a variant of pins under the doctrine of equivalents.

Looking ahead

It is worth observing any further developments. Incidentally, in the second-instance judgment of the IPC Court, the judges also indicated that pins are used throughout the specification (including embodiments and drawings) with no reference to any other connecting elements. This merits the attention of practitioners when drafting a specification.

TURKEY

Turkish IP office rules on similarity of figurative marks: Timberland's tree emblem

Gün + Partners

Zeynep Seda Alhas
and Dilan Sıla Kayalıca

Timberland is one of the most famous and prestigious footwear brands, especially known by its original waterproof 'yellow' boots, which have defined the brand since their invention in 1973.

Timberland is also the owner of the tree device mark demonstrated below, which is broadly used on its products, including footwear and apparel, as well as on any kind of promotional material of the company.

Due to the value and good reputation of the brand, not only the design of the yellow boots but also the Timberland word and the tree device marks are frequently imitated by counterfeiters.

Trademark application and opposition

On November 27 2020, a real person filed the following trademark application before the Turkish IP office, seeking registration in classes 18, 25, and 35.

The font used for the "TBL" letters is close to the font of the "Timberland" word in the mark shown below, and it is combined with a tree device, and there are circles in both signs – embracing the entire composition in the opposed sign and connecting the tree device to the ground in the earlier trademark.

Even though "TBL" is also one of the trademarks used by Timberland, the company had no trademark application or registration for "TBL" in Turkey at that time. Nevertheless, it holds multiple trademark registrations for the tree design shown below in several classes, including 18, 25, and 35.

An opposition was filed based on the following arguments:

- Likelihood of confusion against "Timberland" word marks and tree device marks (Article 6/1);
- Genuine rights over "TBL" (Article 6/3);
- Well-known status (Article 6/5);
- Commercial name (Article 6/6); and
- Bad faith filing (Article 6/9).

The decision and appeal

The opposition was rejected by the Trademarks Department, for all grounds raised in the opposition stage. Most notably, the department concluded that the parties' trademarks are not confusingly similar to each other.

Earlier registration   Opposed sign

Upon further appeal, the Higher Board, consisting of three senior examiners, decided for the total refusal of the contested sign, because it determined that there is likelihood of confusion between the opposed application and Timberland's tree device marks, pursuant to Article 6/1.

The board stated that there will be likelihood of confusion since the device element, which is the only element of Timberland's earlier trademarks, and the device element in the contested sign are similar in respect of their overall appearance and the parties' trademarks cover similar good/services. However, other opposition claims, including bad faith filing, had been rejected.

An alternative perspective

Gün + Partners disagrees with the reasoning of the board rejecting the bad faith filing allegation. It is indeed difficult to accept that it is a mere coincidence that the applicant combined the tree device with the "TBL" word, which is the abbreviation of Timberland, and furthermore sought registration for identical goods and services. In the firm's view, the board should have concluded that the applicant intentionally acted against the principles of fair trade in an attempt to unfairly take advantage of the opponent, and filed the application in bad faith.

Even though the office presented a limited perspective as to the bad faith claim, it balanced the overall outcome by performing an examination broader than its standard, as to the similarity of the signs; and maybe by considering inwardly the other aspects effective in the current proceedings, such as that:

- The word element "TBL" – which is the abbreviation of

Timberland and the main element of the opponent's trade name, TBL Licensing – was also used by the opponent as a trademark;
- The goods and services are identical; and
- The "Timberland" mark itself is well known in Turkey.

With its pros and cons, the office refused registration of the opposed sign and gave a good precedent as to the similarity of figurative elements in trademarks.

Following this matter, Timberland also filed a trademark application for the "TBL" word mark in Turkey and Gün + Partners believes that in this way, it will encounter fewer difficulties in enforcing its trademark rights over "TBL" in Turkey from now on, since Turkey is mostly a 'first to file' country, rather than 'first to use'. Therefore, it is highly recommended to register all types of signs created and used by the trademark owners, both for defensive and enforcement purposes.

UNITED KINGDOM

UK supermarket price wars lead to trademark dispute

Bird & Bird

Ewan Grist

The grocery retail market in the UK is highly competitive, with the big supermarkets constantly vying with each other to win and retain customer loyalty. In years gone by, the market was dominated by the 'big four' of Tesco, Sainsbury's, Asda, and Morrisons. More recently, though, their grip on the market has been increasingly loosened by newer entrants to the market; in particular, the discounter supermarkets Lidl and Aldi, which are well known for their focus on value.

Supermarkets now work harder than ever to persuade customers of their low prices and value for money, frequently engaging in so-called price wars with their competitors, including by way of price matching.

Lidl v Tesco

It is against this backdrop that an interesting dispute has arisen between Lidl and Tesco. In proceedings issued before the High Court, Lidl has alleged that Tesco's use of its Clubcard logo, under which it offers discounts on products to customers who have signed up to its Clubcard scheme, infringes several of Lidl's trademarks and its copyright.

In addition to being the owner of trademark registrations for the Lidl logo (shown below left), Lidl also owns trademark registrations for the same logo but without the word LIDL (the 'wordless mark', below right).

Lidl argues that Tesco's use of its Clubcard logo (examples of which are shown below) infringes Lidl's wordless mark, being a mark that has a reputation in the UK, by taking unfair advantage, and/or being detrimental to the distinctive character or repute, of Lidl's wordless mark.

Lidl argues that such unfair advantage is gained because Tesco's use of the Clubcard logo is deliberately intended to call Lidl to mind amongst Tesco shoppers, to be suggestive that the prices offered by Tesco are the same or lower than those offered by Lidl (that Tesco is price matching Lidl, contrary to fact).

While the trial is not until February 2023, the case has recently had an outing before the English High Court to decide on Lidl's applications to:
- Strike out Tesco's allegation that Lidl's wordless logo trademarks were filed in bad faith; and
- Have Lidl's distinctiveness survey evidence admitted.

Lidl succeeded in both applications.

High Court rulings

With regard to the strike-out application, Tesco had pleaded that Lidl had filed for the wordless logo trademarks in bad faith by, allegedly, not having an intention to use them as such (as distinct to the logo with the word LIDL, which had, of course, been widely used) and by 'evergreening' the marks by making repeat applications so as to avoid the need to prove use.

Following a thorough review of the law on bad faith (including the recent *Skykick* decisions), Joanna Smith J concluded the question to be determined was whether the facts pleaded to establish bad faith are, or may be, sufficient to shift the evidential burden and lead to the rebuttal of the presumption that the marks were filed in good faith. The judge concluded that Tesco's pleadings did not disclose any reasonable grounds for making the bad faith allegation and it must therefore be struck out. This decision has now been appealed by Tesco to the Court of Appeal.

Lidl also applied to have its distinctiveness survey evidence admitted. The importance of the survey was that, according to Lidl, it showed that a large proportion of UK shoppers regarded the wordless mark as being distinctive of Lidl (even without the word LIDL).

This mattered because Lidl's case is that while it may not have used the wordless mark on its own, use of the mark with LIDL on it also constituted genuine use of the wordless mark (thus saving it from revocation for non-use) because the distinctive character of the wordless mark is not being altered (pursuant to the *Specsavers* decision).

The judge assessed the likely value of the survey by reference to the well-established Whitford Guidelines from the *Interflora* cases, concluding that it had "real value in the context of this case" and that the costs of dealing with the survey were proportionate.

The case now proceeds to trial in February 2023.

The judgment can be found here: Lidl Great Britain & Anor v Tesco Stores & Anor [2022] EWHC 1434 (Ch) (13 June 2022).

Bird & Bird acts for Lidl in this case.

VIETNAM

Vietnam's amended IP Law will strengthen and modernise copyright protection

Tilleke & Gibbins

Linh Thi Mai Nguyen and Chi Lan Dang

When Vietnam's newly amended IP Law takes effect on January 1 2023, bringing the country's IP regime more in line with international standards, some of the most noticeable impacts will be in the copyright area. Some important changes in the amended IP Law are summarised below.

Reproduction

Reproduction is defined as the act of copying, in whole or in part, a work, sound or video recording, or broadcast programme fixation by any means and in any form. Therefore, copying only a part of a copyrighted work would still be considered an act of reproduction and could be subject to relevant sanctions.

Distribution rights

It is clearly provided that distribution rights are limited to products in a tangible form. Therefore, the act of making a work, sound or video recording, or broadcast programme fixation available in digital form (through the internet, for example) will not be considered an act of distribution.

Exceptions to copyright infringement

The amended IP Law widens the scope of exceptions to copyright infringement. Exceptions have been added for, among others, persons with disabilities. The reproduction, performance, and communication of a work in an accessible format (when the persons involved have legal access to the original or copy of the work) is permitted.

In addition, exceptions (including distribution rights) are added for not-for-profit organisations authorised by the government to operate in a related field.

It is also notable that "works of art" and "the collection and anthologizing of works" are excluded from the permissible exceptions.

Enforcement against infringements

There are significant changes in the approach to identifying acts of copyright and related rights infringement. Specifically, instead of listing all the possible acts of infringement, the amended IP Law states that any acts violating moral rights and economic rights that do not fall under the stipulated copyright or related rights limitations and exceptions would be infringements of copyright or related rights.

This means that it will be less likely for an act of infringement to be overlooked just because it is not included on a limited list, as is the case under the existing IP Law.

In addition, the IP Law amends and introduces some acts of infringement in relation to technological measures and rights management information employed by copyright and related rights owners to protect their works and related rights objects.

The introduction of these extra acts of copyright and related rights infringement provides additional legal protection and effective legal remedies against the circumvention of effective technological measures or rights management information used in connection with the protection of copyright and related rights.

Determining and distributing royalties

The IP Law adds a clause on the principles for determining and distributing royalties among co-authors and co-owners. This prioritises the parties' mutual agreement, with consideration of their relative share of creative participation in and capital contribution to the work, performance, sound or video recording, or broadcast programme, and as appropriate for the form of use (for example, based on the type, form, quality, quantity or frequency of use). If no mutual agreement can be reached, the government's regulations will be applied.

Rights of self-protection

The right of self-protection is broadened to allow rights holders to:

- Publish rights management information or apply other technological measures to prevent IP infringements and meet the rapid changes of technology; and
- Request infringers to remove and delete infringing content on telecommunications networks and the internet.

This change is a progressive step which enables copyright holders to actively request infringers to take down or remove infringing content in the digital environment without the order of an authority. This will be the basis for rights holders to request intermediary service providers (ISPs) to take down infringing content.

Presumption of copyright and related rights

A provision is introduced on the presumption of ownership, which complies with Article 18.72 of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Accordingly, “authors, performers, producers of sound and video recordings, broadcasting organisations, producers of cinematographic works, and publishers that are named in the usual manner” are considered copyright holders, unless there is proof to the contrary.

This provision may help to accelerate copyright infringement proceedings by easing (a) the burden of proof on the rights owners, and (b) the verification of ownership of copyrighted works by the enforcement authorities. The amended IP Law further clarifies what constitutes “being named in the usual manner”.

ISP responsibility

The newly introduced Article 198(b) on the obligations of ISPs shows Vietnam’s attempt to impose effective methods to address copyright infringement in the digital environment by defining ISPs more broadly than the current definition, listing their functions rather than specific types of ISPs. More importantly, the IP Law introduces a responsibility for ISPs to coordinate directly with rights holders to protect copyright and related rights, which will make enforcement more straightforward.

In addition, a safe harbour mechanism for ISPs is introduced, requiring a takedown and site-blocking mechanism as a condition to enjoy safe harbour provisions. Specifically, ISPs are only entitled to a safe harbour when they:

- Remove digital information content, or deny access to such content, when they know that it has been removed at the original source or the original source has cancelled access to it; or
- Take prompt action to remove or prevent access to such content upon learning that it infringes on copyright or related rights.

Collective management organisations

Additional obligations are provided for collective management organisations, including the required submission of royalty rates and royalty payment methods to the Minister of Culture, Sports and Tourism for approval.

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