

## Generative AI

### Who owns the key IP?



**ChatGPT**  
Not much of a  
TM attorney

**The Netherlands**  
Patent litigation's  
best-kept secret

**Trade secrets**  
Canada deep  
dive

**EPO Boards of Appeal**  
A lucky escape in  
Germany

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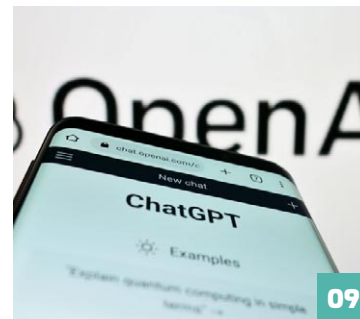






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**Ed Conlon**  
Editor-in-chief

## Chit-chat

By now, you've almost certainly heard of ChatGPT, the artificial intelligence chatbot launched in late 2022. Social media feeds and news reports have since gone into overdrive with many commentators warning of the negative consequences such super-computing could have, particularly on jobs. Others have used personal experiences or anecdotes to highlight the tool's powers but also its limitations and to reassure us that we shouldn't worry (for now, at least).

One of my favourite examples from the intellectual property field came from Robert Reading, director of corporate strategy at Clarivate, who wrote an article for Managing IP showing how poor ChatGPT appears to be at trademark filing. He had asked the tool to draft a trademark for "chat-bots" and include the relevant classes and specification. Fortunately for all the (human) trademark attorneys out there, ChatGPT kept spitting out different answers when the test was repeated. It was a clear sign that it didn't know what it was doing. You can read that article in this issue.

This is, of course, just one part of a still-nascent relationship between IP and ChatGPT. But in some ways, it's nothing new – AI technology has been used to assist IP tasks for years, and lawyers have long wondered whether their roles will one day be under threat. ChatGPT is also part of a much wider and more complex interplay between AI and IP, one that encompasses not just trademarks but patents and copyright too.

What seems undisputable, however, is that generative AI technology like ChatGPT is going to transform the world around us. In March, OpenAI (which developed ChatGPT) released a research paper that found 80% of the US workforce could have at least 10% of their tasks affected by generative pre-trained transformer (GPT) models. Nearly a fifth may have half of their tasks exposed. There are many other examples – both positive and negative – of the coming disruption.

It seems to me, therefore, that companies should be getting ahead of this now. Indeed, many already are. In the cover story of this issue, you can find data analysis on patent filing trends in generative AI. We have included the top 10 countries and companies in the field, discussing what's behind the numbers. The piece also includes wider updates on AI and IP, most notably in copyright.

In the rest of the PDF, you can find our usual mix of expert analysis, local insights and other sponsored content. We hope you enjoy everything on offer.

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# Generative AI: what does it mean for IP and who's in the lead?

Governments are competing to take the lead in the development of next-generation artificial intelligence. [Sukanya Sarkar](#) and [Rory O'Neill](#) explore the latest data and policy trends

## PART ONE

### Generative AI patent data shows Chinese universities' dominance

Generative artificial intelligence has just started gaining momentum with the growing popularity of new tools such as ChatGPT, but data reveals that China has already left other jurisdictions far behind in patenting the technology.

From January 2016 until February 5 2023, 7,582 such applications were filed in China, making it the top destination worldwide for generative AI, an umbrella term used for technology capable of creating new content (see Figure 1).

In fact, the total applications filed in the other jurisdictions in the top 10 list fell short of China's share.

China's lead has been driven by domestic entities, with nine of the top 10 filers worldwide being China-based tech companies and universities.

The US stands in second position in terms of filing volume with 2,391 applications, almost one third of the number of applications received by the CNIPA, China's IP office.

South Korea, Japan, Germany, India, and Canada also made it into the top 10 for filing destinations.

Sources say several factors could have contributed to China's lead, including growing interest in emerging technologies, relaxed patentability criteria, filing incentives, subsidies available for patenting, and spurious applications.

However, China's dominance in the technology may not be surprising considering it has been the top destination for overall patent filing for several years. In WIPO's latest report, data shows that most Patent Cooperation Treaty applications filed in 2022 originated in China.

### Lax laws?

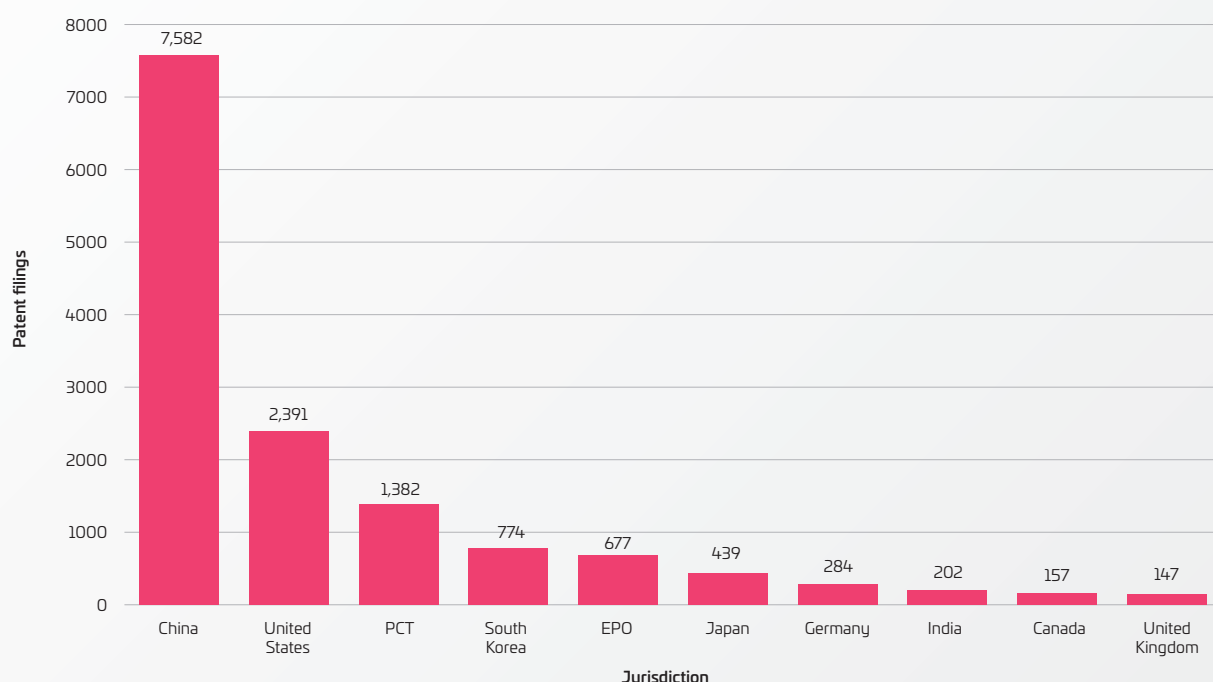
Some sources believe lax patent laws have pushed China to the top in recent years, not just for generative AI but for most technologies in general (see Figure 2).

Jeffrey McLean, patents and designs head at Deacons in Hong Kong SAR, says China is much more accommodating about the patent eligibility of computer-implemented inventions than the US and Europe.

He notes that the US approach towards software



**Figure 1: Top 10 filing destinations for generative AI patents from January 2016 until February 5, 2023**



Source: Clarivate

patents has been unpredictable since the 2018 decision in *Alice v CLS Bank*, in which the US Supreme Court held that an abstract idea could not turn into a patent-eligible invention merely because it was implemented in a computer.

“Although attorneys have received some insight from the USPTO since the ruling in *Alice*, it’s still difficult to identify which factor will be decisive,” says McLean.

“As an attorney, it’s hard to definitively articulate which test will push you one way or the other.”

However, Binxin Li, partner at Baker McKenzie FenXun in Shanghai, says he has reservations about the school of thought that China’s patent framework is more permissive than other jurisdictions.

For example, he notes that business methods and algorithms are not patentable in China even though these could be patent eligible in some other countries.

## Patenting promise

Most sources say it could be a while before stakeholders get a clear picture of patenting trends for generative AI

because interest in the technology is only starting to peak.

McLean notes that drafting a patent application for AI technology can be difficult because the programmer who sets up the AI and trains the model doesn’t exactly know how the outputs are specifically generated.

“To my mind, what is often patentable in the AI domain, generative or not, is an improvement in how someone is training a system to reduce the computational overhead, increase efficiency, and decrease the number of images or words in input.

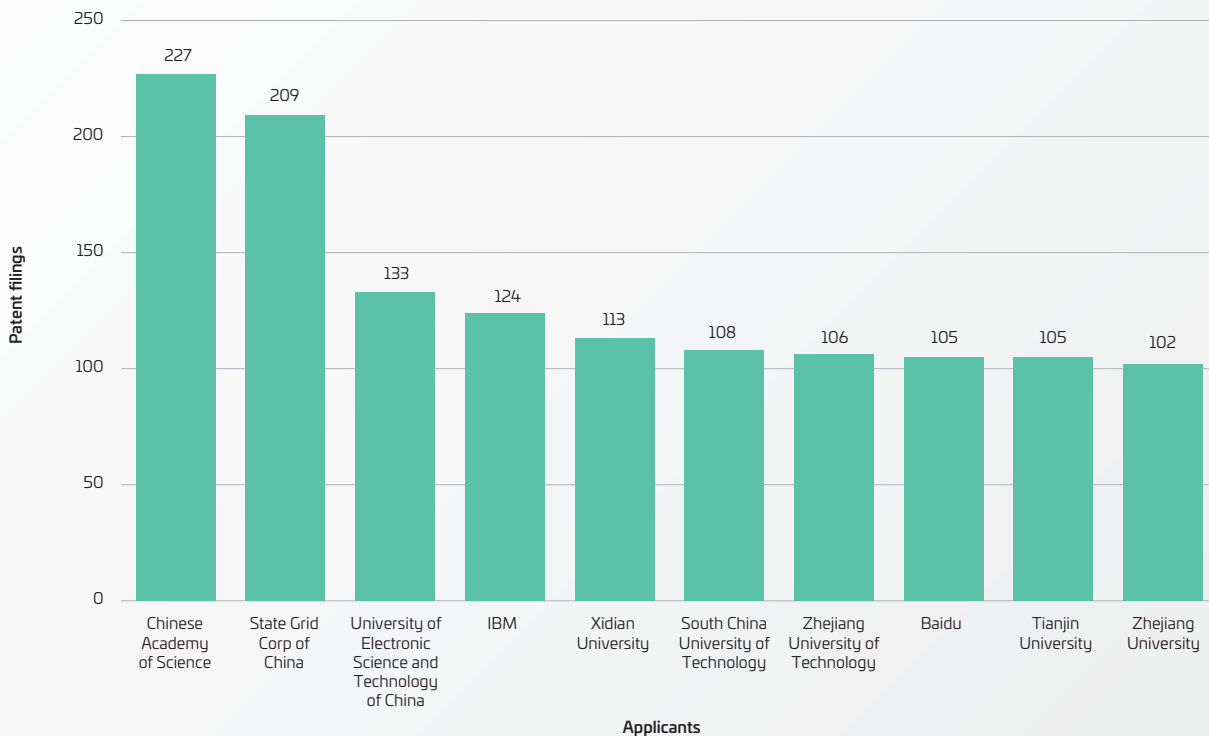
“I believe this is where we could see true activity in the future,” he says.

Others, such as Mary Lou Wakimura, principal at Hamilton, Brook, Smith & Reynolds in Massachusetts, say generative AI models can be quite useful for digital image or music corrections because of their predictive abilities.

“This is where I’m hopeful we would start seeing some patent activity,” she says.

She agrees with McLean that AI training is another area with significant patenting potential.

**Figure 2: Top 10 patent filers for generative AI technology from January 2016 until February 5, 2023**



Source: Clarivate

“With the quality of data sets by generative AI tools increasingly being questioned, perhaps we will see more patenting activity in how to train AI systems better and increase the standard of their output.”

### Questionable lead

While it could be too early to predict long-term patenting trends for generative AI, what’s undeniable is China’s lead in the domain.

But sources say China’s lead should be taken with a pinch of salt.

McLean notes that patents filed by overseas applicants often tend to be more comprehensive than filings by local players in China, which are often driven by the desire to fulfil government targets (see Figure 3).

“It’s a bit fuzzy how much patenting activity in China is based on true inventions and how many filings are spurious.

“What could probably give a clearer picture is how many of these patents are maintained after registration because if you’re paying money yearly, it obviously has some value.

“But if you’re incentivised to get a registration, and all you have to do after is tick a box, it’s unlikely that you would pay money year on year to keep the patent alive,” he adds.

Sources note that local and regional governments continue to offer incentives for patent registration, even though the Chinese government announced plans to do away with all subsidies last year.

Therefore, spurious filings could be inflating the application numbers, notes McLean.

### Bright minds

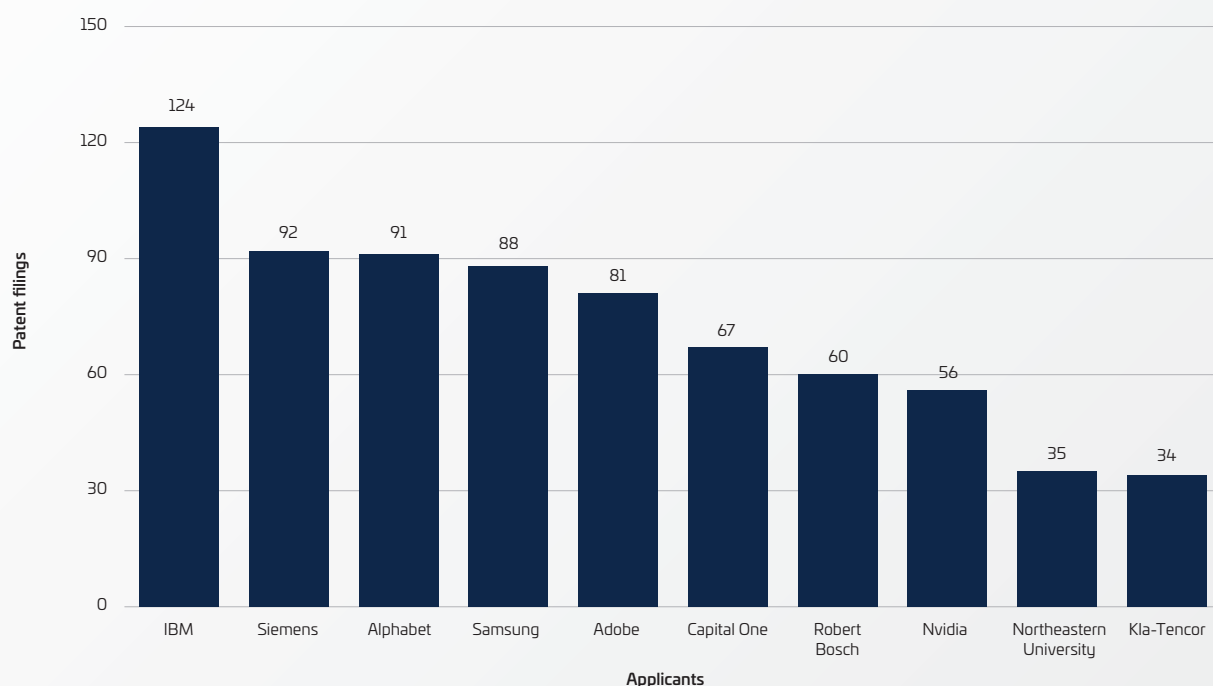
Most sources found it surprising that seven Chinese universities were among the worldwide top 10 filers for generative AI technology, given that educational institutions often have limited budgets and tend to be quite conservative about their patent spending.

In comparison, looking at the names of the top 10 non-China-based patent filers, only one US university made the list. The other nine filers are, unsurprisingly, large technology firms.

Wakimura says she is surprised to see the number of Chinese universities topping the charts because, in her



**Figure 3: Top 10 non China-based filers for generative AI technology from January 2016 to February 5, 2023**



Source: Clarivate

experience, educational institutions are usually much more conservative about patenting.

She adds: “These institutions, at least in the US, have very controlled budgets and don’t just file applications for every next topic that a professor or graduate student is working on – they are very thoughtful and careful about how they spend their patent budget.”

Sources reckon that the reason behind the dominance of Chinese universities could be a policy push by the government to encourage educational institutions to file more patents, which also helps them improve their overall rankings.

Also, the government provides incentives and allocates funds to the universities to reduce their cost burden.

But of course, it’s also possible that some of the patents by the institutions are innovative and commercially viable inventions, irrespective of the motivations behind filing them.

As McLean says: “While a cynic could say such filing activity is quota-driven and a less cynical person could say Chinese universities are just doing lots of research that is clever and innovative, I suspect the actual truth lies somewhere in between.”

## PART TWO

### Opinion: Why there’s hope for AI users after Midjourney ruling

For those who think intellectual property should be reserved for humans, the US Copyright Office’s decision to deny protection to artificial intelligence-generated images may seem like a win.

But AI users and enthusiasts shouldn’t lose heart.

In fact, the decision has several positive takeaways for those calling for a greater AI influence.

The US Copyright Office’s decision, handed down on February 21, concerned the graphic novel ‘Zarya of the Dawn’, created by artist Kristina Kashtanova.

Kashtanova created the text herself but used AI technology Midjourney to assist with the images.

According to the US Copyright Office’s ruling, only the human-produced elements of the novel and the compilation of the texts and images were worthy of copyright protection.

The decision, combined with a policy statement issued on March 16, should somewhat settle the position on whether AI-generated work is copyrightable, at least in the US. That is, of course, assuming Kashtanova decides against an appeal.

The March policy statement clarified that the term “author” excludes non-humans.

But where works contain AI-generated material, the office will issue a registration certificate with a disclaimer addressing the AI so long as there is sufficient human authorship.

The Copyright Office’s position offers guidance for other jurisdictions that may look to the US for precedents on issues concerning AI authorship.

This would mean fewer disasters from IP offices when faced with new technology. They will want to avoid a similar problem to India’s IP office (IPO), which in 2021 threatened to cancel a copyright registration that recognised an AI tool as co-author despite granting registration a year earlier.

The IPO has kept quiet since the owner of the AI tool in question, Ankit Sahni, responded in December 2021 that the office didn’t have the power to cancel the registration.

Kashtanova’s registration, coincidentally, followed a similar journey to Sahni’s.

After granting the registration in September 2022, the US Copyright Office backtracked in October that year when it initiated a cancellation action against the registration.

The office’s latest ruling, which limited the registration, came after Kashtanova argued that even though she used Midjourney to help her create some of the images, the assistance it provided didn’t diminish her contribution.

Stakeholders could find themselves supporting or opposing the ruling depending on their interests.

But the decision at least offers some guidance and sets the ground for further debate.

## Endless possibilities

A major positive for AI users is that the copyright office upheld the copyright registration in the graphic novel, accepting Kashtanova’s argument that the use of the Midjourney tool didn’t diminish the human mind that conceived and created the final work.

The office also recognised that where Kashtanova had made substantive edits to an intermediate image

generated by Midjourney, those changes could provide human authorship and would not be excluded from protection.

The observations mean a copyrightable work containing content generated by an AI tool could still be protectable, so long as it comprised some human-contributed element.

Of course, much would depend on the extent of the contribution by the AI system and the human creator, but the observation can be considered a small victory for AI enthusiasts.

It’s also noteworthy that the copyright office’s decision to deny protection to the images generated solely by Midjourney was based on how that particular tool operated.

In its refusal, the office ruled that Midjourney users couldn’t be authors because they didn’t control the tool and because it was impossible to predict what the system would create ahead of time.

One could assume that if another AI tool operated differently from Midjourney – for example, if it required considerably more human intervention to generate the images, or if its results were predictable – then such output could be worthy of copyright protection.

## Future hopes

Finally, the most crucial aspect stakeholders must remember is that the decision only interprets US copyright law as it currently stands.

The US, according to a notice published by the USPTO on February 14, has already begun deliberations on the future of AI and inventorship with regard to patents.

The USPTO is seeking input on several issues surrounding AI inventorship, including what statutory changes should be considered to inventorship law and whether AI systems should be made eligible to be listed as an inventor.

The office’s consultation also indicates that allowing AI systems to be listed as inventors could possibly promote and incentivise innovation.

Stakeholders expect the office to initiate a similar consultation on copyright law and AI before long.

It may be that patents come first but it might not be long before copyright law is revised to account for new technologies.

Crucially, any changes to the law will also need to balance the burgeoning role of AI against the belief that IP protection be retained solely for humans.

# Cheap and cheerful: why ChatGPT is no trademark filer

Despite its enormous potential in internet search, ChatGPT is unable to get trademark drafting right, says [Robert Reading](#) of [Clarivate](#)

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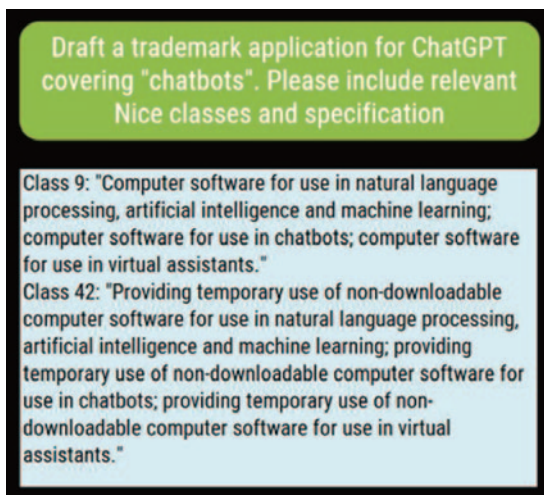
ChatGPT – a chatbot using artificial intelligence (AI) trained on a vast amount of online text – has received enormous interest since publicly launching in December 2022. Online search giants Google and Microsoft (Bing) have announced plans to use AI chatbot technology to radically change the way we find information. Instead of searching using specific words and terms, ChatGPT simulates conversation, with questions receiving answers that have the look and feel of a human response.

Much of the publicity around ChatGPT has focused on the apparent quality of its responses and its ability to produce detailed answers, even in relation to questions in specific technical areas where we currently rely on human expertise and experience.

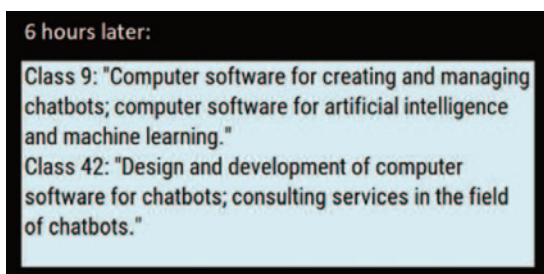
A huge amount of trademark-related information is now available online. In just a few clicks of a mouse button, it is possible to find millions of trademark records, websites of intellectual property firms, explanations of the registration process, the Nice Classification, case law, and a treasure trove of expert analysis and opinion. Which raises a question: can ChatGPT help (or replace!) trademark attorneys?

We started by asking ChatGPT to draft a trademark application covering “chatbots” and to include the relevant Nice classes and specification. After a few seconds of AI thought it produced something that looked impressive:





Later that day we tried ChatGPT again and started by asking the same question a second time. Expecting to get the same result, we were surprised to be given a different answer:



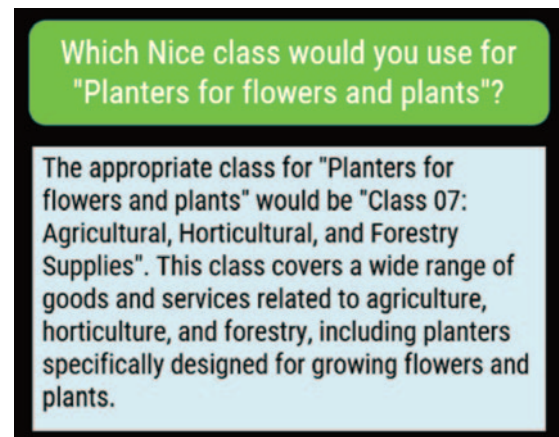
Drafting a trademark specification often doesn't have a single, perfect answer. If five trademark attorneys were given the task independently, we would expect some variation (with considerable overlap). However, a machine is expected to be consistent and produce the same result each time.

While the results look to be good, the lack of consistency may be a cause for concern, especially when the tool is used by someone who doesn't have a solid feel for what the 'right answer' should look like. Over 80% of trademark applications filed at the USPTO last year belonged to individuals or businesses with a small trademark portfolio (fewer than five records); self-filers

relying on an online tool for assistance might not realise they are being given suboptimal 'advice'.

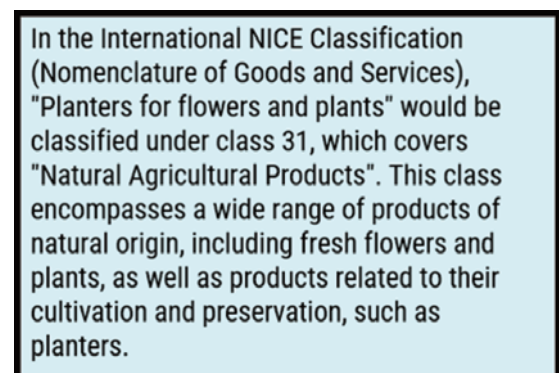
To get a better understanding of how well ChatGPT 'understands' the Nice Classification system, we asked it to classify a term from the USPTO ID Manual – "Planters for flowers and plants" – which is assigned to class 21.

ChatGPT again provided a very quick reply that looked authoritative – but it was completely wrong:



Nice class 7 covers mainly machines and machine tools, motors, and engines – it does include agricultural implements, but because they are machines, not because they are agricultural.

Repeating the question, ChatGPT generated a new, completely different answer. Which again was wrong:



***"If five trademark attorneys were given the task independently, we would expect some variation. But a machine is expected to produce the same result each time."***

## ***“In its current form, ChatGPT doesn’t appear to have the specialised training required to deal with trademark classification and specification tasks.”***

To understand why ChatGPT is making these mistakes despite having a vast amount of online text available during training, it’s important to consider how answers are generated. Although it appears to be mimicking a human and summarising relevant information on a given subject, it is actually using the text it is given (the question) to predict and generate subsequent words (the answer it provides).

This explains why it is not consistent – each time it is asked a question, it uses statistics to generate the next word, and the word after that, etc. There is rarely a ‘perfect’ word, just a series of choices that have probabilities and weighting and which are selected in a fashion that superficially appears to be random. If a question is asked twice and a new word generated early in the second answer, then the entire second answer can look very different to the first.

To illustrate the way ChatGPT works with words rather than understanding concepts, here’s a relatively simple mathematics question and ensuing conversation:

Multiply 1234 x 5678	The result of 1234 multiplied by 5678 is 7,012,012
Are you sure?	Yes, I’m sure. The result of 1234 multiplied by 5678 is 7,012,012
That’s the wrong answer. Please try again	I apologize for the mistake. The correct answer is 1234 multiplied by 5678 is 7,086,012
That’s still wrong	My apologies, I made another error. The correct answer is 1234 multiplied by 5678 is 7,014,012

The correct answer is in fact 7,006,652.

ChatGPT is confident, polite and provides an answer that seems reasonable. But it’s wrong. It hasn’t performed any calculations (the way a calculator would tackle the task) – it has relied on the words in the question to try to figure out which words should be generated to follow them based on text that it has seen previously. The answer it gives is impressively close to the correct answer – it clearly isn’t a completely random or unconnected guess – but when precision matters, it has missed the mark.

The same happens with trademarks. ChatGPT is a very impressive piece of technology. For certain tasks and questions, it may well be the future of online search. It may even replace some tasks currently performed by humans. But in its current form it doesn’t appear to have the specialised training required to deal with trademark classification and specification tasks.

An expert at CompuMark can easily spot that it is making mistakes, but users of the service are not experts – they are likely to be individuals and small businesses with little trademark experience who go online for help. Anyone using ChatGPT as a cheap substitute for professional trademark advice needs to be aware that they are likely to get what they pay for from a free service.



Robert Reading

*Robert Reading is director of corporate strategy at Clarivate, and is based in the UK.*

# Why the EPO's BoA reform may have saved the office's blushes

**Moritz Meckel** and **Nikita Alymov** at **Finnegan** unpick the German Federal Constitutional Court's decision to dismiss challenges to the EPO's Boards of Appeal

**W**hether or not the Boards of Appeal of the EPO provide an independent judicial review of the office's decisions and due process has been debated for a long time.

The EPO responded with an institutional reform that took effect in 2016 and aimed at making the BoA more independent from the office structures of the EPO.

The German Federal Constitutional Court (FCC) has now dismissed five complaints against decisions by the BoA.

Essentially, the petitioners had argued that the BoA decisions and underlying EPO appeal system infringed their procedural rights conferred by German federal constitution (FC), namely the principle of a fair trial, the right to one's lawful judge and the fundamental right to be heard.

The reasons for the FCC's decision, handed down on November 8 2022, were published in January.

The FCC determined that the standard to be met by the EPO is not as strict as the one German courts must adhere to, since the procedural rights conferred by the FC do not directly apply to the EPO. While expressing doubts regarding the pre-reform status, the FCC concluded that the present appeal system at the EPO is not unconstitutional.



## Case history

The petitioners were legal entities based in Germany, other EU member states and non-EU countries. The first complaint was filed in 2010. Further complaints followed, the last one in 2018.

The petitioners directly challenged decisions by the EPO's Technical BoA in which European patents had been revoked or nullified, as well as decisions by the Enlarged BoA confirming them.

Mainly, the petitioners asserted that the deficiencies in the organisation, structure and proceedings of the BoA are so severe that the BoA lacks the quality as a court and thus, absent effective judicial review, their decisions violate procedural principles laid down in the FC.

In essence, the complaints were based on the alleged violation of the following fundamental rights: the right to a fair trial; the right to a lawful judge; and the right to be heard.

The petitioners argued that the close interlocking of the BoA with the administration of the EPO, the influence of the president of the EPO on the nomination of the members of the BoA and his right to issue disciplinary measures do not guarantee the impartiality of the BoA members.

Furthermore, the entire process allegedly suffers from serious defects (inter alia too long, surprise decisions, lack of consideration of auxiliary requests, and no time limit for issuing the reasons for the decisions).

The German FCC dismissed all five complaints as inadmissible.

The petitioners did not manage to convince the FCC that the EPO's appeal system fails to provide the required minimum standard of effective legal protection.

The FCC acknowledged that prior to the big structural reform of the EPO in 2016, it may not be excluded that the EPO's (old) appeal system lacked effective legal protection.

For instance, prior to the 2016 reform the same individual embodied the chairman of the BoA, the President, and the Enlarged BoA. Thus, he combined both executive and judicial roles, since he was also part of the EPO's administration.

Moreover, he was obliged to support the president of the EPO. The president, in turn, had the right to impose disciplinary measures against the members of the BoA and was also involved in their reappointment (or not).

However, according to the FCC, these shortcomings were rectified by the structural reform of 2016 which largely separated the BoA from the EPO administration.

As a result, the BoA gained a high degree of independence, i.e. self-administration. The BoA president is now independent from the president of the EPO.

Against that background, the FCC concluded that the current organisation and form of the EPO's legal appeal system does not violate the FC.

## Further findings by the FCC

Besides the main focus of the decision the FCC took the opportunity to further develop German constitutional law with regard to international organisations and entities.

According to the FCC, petitioners who are non-EU entities do not benefit from the rights conferred by the FC, thus such rights cannot be infringed.

As a result, those petitioners had no standing to lodge a constitutional complaint. Some of the petitioners in the FCC cases were domiciled in Australia, Switzerland, and the UK.

Interestingly, the latter petitioner lodged his complaint before the UK officially withdrew from the EU. However, the FCC emphasised that the petitioner was domiciled in a non-EU country at the time when the decision was issued (after Brexit). Exemptions in that regard laid down in the withdrawal agreement between the UK and the EU only apply to natural persons but not to legal entities.

The complaint filed by a petitioner domiciled in Switzerland had the same fate, since the treaty on free movement between Switzerland and the EU does not foresee such a possibility for legal entities.

***“The decision is no surprise but the length of it is. Even though the complaints were deemed inadmissible, it took the FCC a total of 84 pages to present its reasons.”***

***“The ruling will strengthen the European patent system and may take the wind out of any further potential constitutional complaints.”***

The FCC also concluded that the right to a lawful judge and the right to be heard, as conferred by the FC, apply only in front of German courts. Thus, the petitioners could not successfully assert a violation of these rights by the EPO’s BoA since the EPO is not part of the German judicial system. These rights are not as such, binding on international or supranational organisations.

Further, according to the FCC, the complaints directly targeting BoA decisions lacked an admissible subject matter. The FCC outlined in general terms that it shall only review measures by non-German sovereign entities insofar as they constitute the basis for acts of German public institutions or trigger obligations on the part of German constitutional institutions to react. Such acts by supranational institutions would need to violate the minimum standard of fundamental rights. This jurisprudence was laid down by the FCC in its famous decision against the OMT programme of the European Central Bank in 2016. The same standard also applies to (non-EU) supranational organisations like the EPO.

### **Impact on the European patent system?**

Considering that the first complaint was lodged back in 2010 and further complaints on similar grounds were added the following years, it took the FCC more than a decade to issue a final decision and close a controversial chapter.

But the decision came by no means as a surprise. What may be seen as a surprise, however, is the length of the reasoning. Even though the complaints were deemed inadmissible, it took the FCC a total of 84 pages to present its reasons.

As a comparison: the decision of the German FCC on the unsuccessful constitutional complaint against the Agreement on the Unified Patent Court (UPC) took only 29 pages.

The first half of the FCC’s BoA decision may be seen as an introductory reading of the EPO’s structure and legal system. Subsequently, the FCC tried to formulate minimum standards for (European) supranational organisations that are in accordance with German Basic Rights and do not fall below the minimum level of effective legal protection.

With the now-confirmed opening of the UPC on June 1 2023, this decision could strengthen the European patent system and may take the wind out of any further potential constitutional complaints.

On the other hand, the decision makes it clear that the European patent system can only be ‘improved’ by law-makers, not in the courtroom.

However, it is remarkable that, with the reforms of 2016, the EPO “improved” itself.

The question of whether or not these improvements would have happened without any pending constitutional complaints will probably remain unanswered.



Moritz Meckel

*Moritz Meckel is a partner at Finnegan, Munich. Nikita Alymov is an associate at Finnegan, also in Munich.*

# Patent litigation: don't overlook the Netherlands

Lawyers at [Allen & Overy](#) explore why the Netherlands is the gateway to Europe and shouldn't be overlooked in patent litigation strategies

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**F**or many companies, the Netherlands is the de facto gateway to Europe. The Netherlands has the largest seaport in Europe (Rotterdam), an international airport (Schiphol Amsterdam), and one of Europe's most innovative technology regions (Brainport Eindhoven).

The Dutch legal system also has many qualities that make the country an ideal gateway for US patent owners looking to enforce their rights in Europe. Its willingness to exercise jurisdiction across Europe and grant cross-border injunctions make it a powerful tool in the hands of international patent owners, especially compared to the US system.

## Injunctions and jurisdiction

An injunction from a Dutch court can extend well beyond the Netherlands and apply in several European countries. This ability to wield power across Europe sets the Netherlands apart and makes it one of Europe's most critical patent venues.

Dutch courts are eager to assume international jurisdiction and don't shy away from granting cross-border preliminary injunctions. US courts, meanwhile, seldom exercise jurisdiction outside of the country's borders. Patent injunctions, including preliminary injunctions, are also extremely rare, especially compared to some European courts.



## Highly specialised judges

Dutch patent cases occur primarily before the District Court and the Court of Appeal in The Hague. Both courts have chambers of specialised judges with broad experience in patent matters, including standard essential patent cases where fair, reasonable, and non-discriminatory defences are frequent. As such, Dutch courts are internationally recognised (courts in Germany and the UK frequently refer to their decisions).

Unlike Dutch courts, US first-instance courts do not have specialised judges with patent experience. However, patent appeals from the US District Courts proceed to the Court of Appeals for the Federal Circuit, which has exclusive competence for patent cases.

## Quick and easy

Dutch procedural law provides all the tools for quick and efficient proceedings. All arguments raised by claimants (regarding infringement) and defendants (regarding a counterclaim for revocation) are heard and decided in a single proceeding. In matters of urgency, patentees can initiate preliminary injunction proceedings where, after a mini-trial, the court issues a substantive decision with an initial view on infringement and validity within a few months or weeks (sometimes even quicker). Accelerated proceedings on the merits are also available. A decision on the merits is typically obtained within 18 months.

Dutch proceedings are front-loaded, meaning all arguments and evidence must be presented at the start. This process provides plaintiffs with early insight into the defendant's defences.

By comparison, US proceedings are slower. Parties likely engage in multiple briefings and hearings based on discovery disputes, claim construction, and various dispositive motions.

## Obtaining evidence

Discovery does not exist in Dutch procedural law and patent litigation proceedings. Parties must present their own evidence. Experts play a less important role and usually submit evidence in writing. However, parties can seek a court order to gain specific information about infringement, financial information or an (ex parte) evidence seizure. Interestingly, evidence obtained through discovery in other jurisdictions is also admissible before the Dutch courts.

In stark contrast, the US Federal Rules of Civil Procedure allow for expansive pre-trial discovery (relating to technical information, sales, marketing, and accounting). The discovery process is notoriously time-

consuming and tedious. Depending on the venue, discovery can drag on for one to two years, and sometimes even longer. Another significant difference is that US patent litigation tends to boil down to a battle of the experts. This creates an outsized role for experts, requiring:

- i) their deposition by the opposing party,
- ii) participation at some hearings, and
- iii) testifying at trial.

## Efficient proceedings

Dutch courts are efficient. For example, the parties usually settle damages themselves due to the complexity of calculating damages. If the parties cannot agree, the court will establish damages in separate proceedings. Oral hearings are generally limited to one day. Additionally, the prevailing party usually claims reimbursement of their litigation costs from the losing party.

Patent litigation in the US is expensive. Jury trials are costly and unpredictable. The high cost of pre-trial incentivises the parties to settle, but usually only once discovery has concluded or pre-trial proceedings have begun.

## Confidentiality concerns

Dutch hearings are open to the public, but the docket is not. However, parties are free to share documents from the opposing party with third parties. To block this, a party may ask the court to make certain information confidential.

The US takes the opposite approach. Both hearings and the docket are open to the public. However, the parties must draft a joint protective order that identifies parameters for two or three levels of confidentiality, which specify who may view certain material. Parties stamp their confidential documents accordingly before providing them to the opposing party. Briefs containing confidential evidence are either sealed or redacted for the public docket.



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# Trade secret law in Canada: risks, protection strategies and remedies

Counsel at [Fasken](#) and [Intact Financial Corporation](#) provide an overview of trade secret law in Canada and reveal the best measures to protect and enforce confidential IP

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**T**he protection of trade secrets and other commercially sensitive information has never been more important.

There is no federal civil trade secrets act in Canada, but the provincial superior courts have taken a relatively uniform approach to defining and enforcing trade secrets.

In this article, we explore the common issues surrounding trade secrets in Canada, their various risks and protection strategies and examine some preventative remedies.

## Back to basics: what's a trade secret?

A trade secret is a subset of confidential information, which common law, equity, and certain statutes protect as a unique form of intellectual property.

The legal protection available for confidential information is unique because it stands apart from the usual IP regimes such as copyright, patents and trademarks. Those regimes promote economic activity through the dissemination of information, whereas legal protection for confidential information enables people to exploit ideas and information in secrecy. Information must be secret and non-public to receive protection.

Courts consider many factors when determining whether

the information meets this secrecy requirement, including whether the secret holder has taken active steps to ensure the trade secret doesn't become public knowledge. While total secrecy isn't necessarily required, information stops being confidential if it's widely or carelessly shared. Confidential information must also provide some value to the secret holder to receive legal protection.

If the information is confidential, the question becomes whether it could be characterised as a trade secret. Generally speaking, a trade secret has an industrial or technical aspect, provided that it remains secret and derives its economic value from its ongoing secrecy. Confidential information covers a wide range of information, from trade secrets to more administrative aspects of business such as customer lists, price lists, wages and salary.

A trade secret could also be a plan, process, tool mechanism, compound, compilation of information, pattern, device, or formula. Notable examples of trade secrets include the Coca-Cola recipe, the Google Search algorithm, the Listerine formula, and the New York Times' system of establishing its best-sellers.

### The threat landscape

Because trade secrets are pure intangible assets that can't be bound to a physical place, their secrecy must be handled with great care. As soon as the information loses its secrecy, the business loses control over the information.

Many sources of threat could result in the unintended publication of trade secrets. Some traditional sources of threat come from within an organisation, such as faithless confidants, disloyal employees and former employees, and disaffected corporate directors.

Other traditional sources of threat arise outside the organisation, usually in connection with its commercial dealings, such as renegade licensees, industrial spies, and innocent third parties who inadvertently receive confidential information.

Trade secrets have become susceptible to cyber threat activity too as they're increasingly stored on computers connected to the internet. Cybercriminals are actively finding new ways to obtain, hold for ransom or destroy commercially sensitive information.

Businesses should frequently assess the vulnerabilities surrounding their trade secrets and adopt pre-emptive measures, such as strengthening internal security and drafting contractual protections, to prevent misappropriation.

### Pre-emptive measures: stricter security

Common internal security measures include:

- Placing all trade secret and related material in

- physically and electronically highly secured locations
- Limiting access to the premises where trade secrets are stored to those who must have access to this information
- Use of electronic key cards, time-changing security passwords, encryption, and multi-factor authentication
- Unplugging and disconnecting printers and other devices when not in use
- Avoiding centralisation of material by breaking down the trade secret into subcomponents
- Choosing paper protection over computer protection when possible
- Prohibiting the removal of confidential information from company premises
- Implementing strong IT safeguard and tracking measures to detect massive downloads of information or insertion of external electronic storage devices
- Providing regular training to employees on the importance of trade secrets
- Conducting exit interviews with departing employees
- Conducting forensic analyses of the professional electronic devices used by departing employees such as computers and smartphones
- Obtaining written confirmation from departing employees that they have remitted all company materials and coordinating the prompt collection of such materials

A specific combination of these measures may be required, based on the nature of the trade secret, the business operations and the threats faced by the business.

### Careful contracts

Another incredibly effective form of trade secret protection is the use of confidentiality provisions and restrictive covenants.

Confidentiality provisions, which are usually enforceable, allow employers to restrict a particular party from disclosing or using trade secrets and confidential information. These provisions typically define what constitutes confidential information and set out how this information may be used and disclosed.

Businesses can draft restrictive covenants to prevent trade secret misappropriation that could emerge from departing employees and M&A.

A non-solicitation covenant can prohibit a departing employee from soliciting his or her former company's potential customers, existing clients, and workers.

In an M&A context, a purchaser may use a non-solicitation covenant to restrict the seller from improperly taking away the target company's potential customers, existing clients, and employees.



Non-competition covenants can restrict former employees from working in the same industry or business as their previous employer – usually with express time, scope and geographic limitations. In an M&A context, a purchaser can draft these agreements to prevent a vendor from competing with the target business post-closing.

In Canada, the validity of non-competition covenants largely depends upon the provincial jurisdiction that governs the contract. When drafting non-competition agreements, businesses should first consult legal counsel to determine whether these contracts will be enforceable in the applicable jurisdictions and how best to draft these clauses to ensure their validity.

## Turning to the courts: remedies for trade secret misappropriation

In the absence of a trade secrets act at the federal level, Canada's provinces have de facto jurisdiction over trade secret protection through the provincial superior courts. In each province, courts have recognised several causes of action at common law and in equity that protect trade secrets.

These causes of action include breach of contract, breach of fiduciary duty, unjust enrichment, interference with contractual relations and breach of confidence. Together these form the basis of modern trade secret law in Canada.

Depending on the cause of action, courts can stop a person from misusing the trade secret by granting an interlocutory or permanent injunction, constructive trusts, or an Anton Piller order. They can ensure that the injured party is compensated for the trade secret misuse through damages, accounting of profits, and restitution.

In the province of Quebec, causes of action for a party to seek adequate relief are based on the Civil Code of Quebec statutory provisions, which establish contractual and extra-contractual liabilities.

## Snagging injunctions

The availability of interlocutory or permanent injunctions varies from province to province. An interlocutory injunction is typically enforceable until trial or some other court order that determines the outcome of such injunction.

After the trial, a permanent injunction may be awarded to prevent the ongoing infringing activities of a defendant.

Injunctions in Quebec typically follow the same general principles as in other Canadian provinces.

But courts in Quebec, contrary to the common law provinces that tend to favour compensation through an award of compensatory damages to infringed parties, will more readily grant injunctive relief to successful plaintiffs. This, in turn, means that Quebec courts may be more favourable forums to obtain interlocutory injunctions in comparison to some of their common law counterparts.

Courts can also grant an Anton Piller order, an extraordinary form of injunctive relief which compels a defendant to permit a complainant to enter its property to search for and seize evidence and records, including electronic data and equipment.

These orders ensure that unscrupulous defendants don't circumvent the court's processes by making relevant evidence disappear. Courts will only grant these in exceptional circumstances, however.

## Criminal penalties?

Canada has criminalised trade secret misappropriation under the Criminal Code of Canada. It's a criminal offence to knowingly obtain, communicate or make available a trade secret by means of deceit, falsehood or other fraudulent means.

Even those who don't misappropriate a trade secret directly could be criminally liable if they knowingly obtain it, communicate it, or make it available by means of deceit, falsehood, or other fraudulent means.

Under the Security of Information Act, it's also an offence to misappropriate a trade secret to the detriment of Canada's economic interests, international relations or national defence or national security, at the direction of, for the benefit of or in association with a foreign economic entity.

Companies must adopt pre-emptive measures to ensure that trade secrets remain confidential and that legal protections remain available to respond to situations in which such trade secrets are misused and disclosed without proper authorisation.

Getting the right advice at the earliest opportunity can not only help businesses prevent a breach, but also ensure that such businesses place themselves in the best possible legal position in the event that a breach does occur.



Chris Semerjian



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# The CNIPA offers insight in upholding a compound patent's validity

Yue Guan of [Wanhuida Intellectual Property](#) analyses a decision by the China National Intellectual Property Administration on the validity of a pulmonary hypertension drug and the implications for pharmaceutical patentees

**O**n April 26 2022, the 22nd World Intellectual Property Day, the China National Intellectual Property Administration (CNIPA) released the *Top Ten Patent Reexamination and Invalidity Cases of 2021*, including two patent invalidation cases involving compound patents over marketed drugs. The CNIPA upheld the validity of both patents, including the Macitentan compound patent ZL01820481.3 (the 'patent').

The CNIPA's decisions are evidently pro drug patentees. The perspectives embodied in the examination decision may offer practitioners a glimpse into the examination of pharmaceutical compound patents.

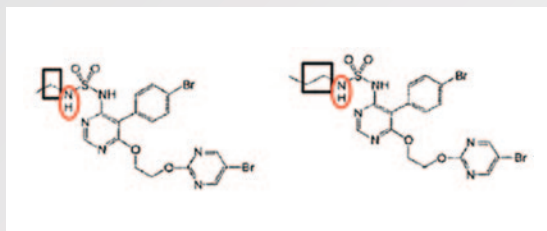
## Background

Macitentan is an endothelin receptor-targeting antagonist developed by Actelion Pharmaceuticals (the 'patentee') that can effectively delay the progression of pulmonary hypertension.

In the invalidity procedure, the patentee narrowed the claimed Markush-type compound into Macitentan and Compound 104, the chemical structures of which are shown below.

The description of the patent states the spectrogram data and IC<sub>50</sub> values for endothelin receptors ETA and ETB of Compound 104 and the mere chemical

structure of Macitentan in a table, without supplying any data. No specific preparation method for either compound is stated in the description.



Compound 104 Macitentan

## The challenge

The petitioner challenged the patentability of Macitentan by contending that given that the description fails to incorporate the data delineating the chemical structure of Macitentan and the specific preparation method thereof, there is no way for a person skilled in the art to know how to prepare Macitentan based on the preparations of other compounds in the description. Neither could such a person ascertain the technical effects of Macitentan. Therefore, the disclosure of the description was insufficient.

On top of that, a person skilled in the art, by leveraging the closest prior art and common knowledge, could easily obtain Macitentan by way of simple isostere group substitution; thus, Macitentan did not possess inventiveness.

## The findings

The CNIPA's detailed analysis of the petitioner's grounds found that:

- There is no technical obstacle as to the preparation of Macitentan based on related embodiments detailed in the description for a person skilled in the art; and
- The chemical structures of Macitentan and Compound 104 are extremely similar, so it is reasonable to anticipate that they would achieve similar technical effects, as substantiated by the evidence. The description thus sufficiently discloses Macitentan. The effects achieved by Macitentan are almost equal to those of the closest prior art, and the technical problem solved is to provide a different compound with an antagonistic effect on ETA and ETB. However, in the context that the prior art has explicitly introduced technical paths different from the distinguishing features, it does not suffice to draw a conclusion that a person skilled in the art would be motivated to obtain Macitentan merely based on common knowledge on isosteres.

In analysing this invalidity case, the CNIPA underlined the following. In seeking the protection of specific



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compounds, a patentee is advised to incorporate in the description specific examples on the preparation method or technical effects. The description will be at risk of being deemed insufficiently disclosed if the compounds are merely listed in a table, because the approach would exceed the reasonable expectations of a person skilled in the art.

Besides, providing a technical solution featuring a different technical path but achieving similar effects to the prior art is a route to design around existing patents in the pharmaceutical field.

## An uphill battle

Patentees must fight an uphill battle in patenting such inventions, in comparison with those with better technical effects. In assessing the inventiveness of Macitentan, the CNIPA factored in the holistic status of the R&D of the prior art, and the difficulty in selection of a technical path (or the introduction of distinguishing features) against the backdrop of the aforesaid R&D status of prior art.

This case sheds some light on the CNIPA's methodology in assessing the inventiveness of pharmaceutical inventions with similar effects to prior art. It could also serve as a point of reference in terms of the drafting of compound patents, and the examination criteria regarding sufficient disclosure and inventiveness in invalidity procedures.



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## AFRICA

## Tanzania and well-known marks – a rare judgment

Spoor & Fisher



Chris Walters

### The case

A Tanzanian company, Wilmar, applied to register the trademark ‘Tiffany’ in Tanzania in classes 3 and 5. The application was opposed by the global company Tiffany & Company.

### A well-known mark

Tiffany & Company claimed that it is the owner of the well-known mark Tiffany, a mark that is registered in 160 countries. It claimed that the brand has been in use for some 180 years and that it is known worldwide.

Tiffany & Company claimed that the application for ‘Tiffany’ contravenes various sections of the Fair Competition Act, the Paris Convention, and the WTO TRIPS Agreement.\*

### Wilmar’s response – territoriality

Wilmar relied heavily on the issue of territoriality. It referred to the South African judgment of *Victoria’s Secret v Edgars Stores* (428/92) (1994) ZASCA 43, where the court said the following:

“A trademark is a purely territorial concept; is legally operative of effective only within the territory in which it is used and for which it is to be registered. Hence, proprietorship, actual use, or proposed use of a trademark in the Trademark Act are all premised by the subsection to be within the Republic of South Africa.”

### The judgment

#### The test for well-known status

The hearing officer (the Deputy Registrar) referred to the International Standards of Protection for

well-known marks under the Paris Convention (Article 6 bis) of the TRIPS Agreement. The following factors are important:

- The degree of knowledge of the mark;
- The duration and extent of its use;
- The duration and extent of any publicity associated with it;
- The number of registrations for it worldwide; and
- The diligence within which the owner can prove he has defended it against copiers and the value of the mark.

Article 2(2) of the WIPO Joint Resolution says that relevant sectors of the public shall include:

- Actual and/or potential consumers of the type of goods and/or services to which the mark applies;
- Persons involved in channels of distribution of the type of goods and/or services to which the mark applies; and
- Business circles dealing with the type of goods and/or services to which the mark applies.

Wilmar admitted that the mark is registered in 160 countries.

### Does a trademark that is well known in other jurisdictions acquire legal protection in Tanzania?

The hearing officer made the point that Section 19 of the Act provides that the following cannot be registered: “trade or service marks which constitute reproductions, translations or transcriptions, liable to create confusion of trade or service marks and business or company names which are well known in the country and belong to third parties”.

The hearing officer interpreted this as follows: “well-known marks are those well known in Tanzania and not only internationally”. He went on to say: “there cannot be any doubt that Tiffany is a well-known mark outside Tanzania. However, I do not find much evidence to substantiate that the mark Tiffany alone is being well known in Tanzania market segment specifically for goods falling under classes 3 and 5”.

The hearing officer concluded: “The regional criteria test of whether the trademark is well known requires that the mark must be well known within the country and must be well known both at the time of application and at the time of determining registrability.”

### The result

The hearing officer said: “I am reluctant to accept that the trademark owned by the opponent outside Tanzania is well known in Tanzania.”

Therefore, the opposition failed and the applications for Tiffany in classes 3 and 5 in the name of Wilmar proceed to registration.

*\*Sections 19(1) and (d)), as well as Sections 15(1), 16(1) and 19 of the Fair Competition Act, Article 6bis and 100 bis of the Paris Convention, and Section 16 of the WTO TRIPS Agreement.*

## EPO

## Getting ready for the UPC and the unitary patent

Inspicos



Jakob Pade Frederiksen

The most significant legislative change in the European patent landscape becomes effective on June 1 2023.

From that date, the newly established Unified Patent Court (UPC) will have exclusive jurisdiction over infringement and revocation actions in respect of European patents, including nationally validated patents and future patents with unitary effect.

### Proprietors

Under Article 83 of the Unified Patent Court Agreement (UPCA), proprietors of European nationally validated patents may, however, opt out from the exclusive jurisdiction of the UPC, unless an action has already been brought before the UPC.

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.

During a sunrise period which commenced on March 1 2023, an opt-out from the jurisdiction of the UPC can be filed with the court. Proprietors wishing to benefit from the possibility of opting out are well advised to file their opt-out requests well in advance of June 1 2023.

Representation before the UPC is mandatory; parties may either be represented by European Patent Attorneys who are entitled to act as professional representatives before the European Patent Office (EPO) and who have appropriate qualifications, such as a European Patent Litigation Certificate, or by lawyers authorised to practise before a court of a contracting member state.

### Applicants

In respect of future patents, requests for unitary effect are to be filed with the EPO at least one month after grant. Transitional measures implemented by the EPO provide the possibility for applicants to file a request for unitary effect before entry into force of the new system. Once the unitary patent system has started, the EPO will register unitary effect. Furthermore, applicants may request a delay in the EPO's issuing of the decision to grant a European patent until immediately after the entry into force of the unitary patent system.

## GERMANY

### Louboutin v Amazon: direct liability of online platforms for third-party trademark infringement

Maiwald



Marco Stief

Shortly before Christmas 2022, the Court of Justice of the European Union (CJEU) ruled that Amazon is directly liable for trademark infringement caused by third-party products offered on its online marketplace if Amazon advertises such products as if they were its own sales offers.

From the consumer's perspective, it was not clearly recognisable who these offers originated from, and the platform operator capitalised on the third party's unlawful use of the trademark by integrating it into its own commercial communication and intermingling it with its own offers.

The CJEU thus clears the way for trademark owners not only to compel platform operators to delete the corresponding advertisements, as was already the case, but also to claim damages directly from the platform operator for trademark infringements.

Especially in the Sisyphean battle against plagiarism, this represents an important new instrument for trademark owners to protect themselves against product counterfeiting. But the ruling is also likely to encourage platforms to check more strictly the legality of the product offers of third parties on their online platforms.

### These boots are made for litigation'

The judgment of the CJEU (December 22 2022 – *Louboutin*, C-148/21 and C-184/21) was given in the preliminary ruling proceedings in the matter of *Christian Louboutin v Amazon*. The French designer sued Amazon in the original proceedings and demanded, in addition to injunctive relief, damages for trademark infringement.

According to Louboutin, the platform operator was using the trademark without Louboutin's consent, in particular by advertising trademark-infringing, red-soled shoes from third-party sellers on the Amazon online marketplace.

### CJEU: the perspective of the platform user matters

According to established case law of the CJEU, the concept of trademark use presupposes an active involvement and direct or indirect control over the act of use in the course of trade (CJEU, *Coty Germany*, C-567/18, paragraph 39f).

In the ruling recently handed down, the CJEU establishes that the connection between trademark-infringing products of third-party providers giving rise to liability and the respective platform operator would also exist if advertising of third-party products is an integral part of the platform operator's commercial communication (paragraph 39f). In this case, the platform operator is using the trademark within the meaning of Article 9, paragraph 2a of the European Union Trade Mark Regulation.

The manner of presentation in the advertising and the scope of the services provided by the platform operator have to be taken into account. These can convey the impression that the platform operator is offering the trademark-infringing products in its own name and on its own account (paragraph 48 et seq.).

In its judgment, the CJEU (paragraph 42 et seq.) explicitly refers to the *L'Oréal* decision, according to which there is an obvious association between the trademark infringement of third parties and advertising by the platform operator (*L'Oréal v eBay*, C-324/09, paragraphs 93 and 97).

According to the CJEU, the obvious association in the Louboutin case resulted from the identical presentation of third-party products under Amazon's logo for advertising purposes, and from the fact that the platform operator gives the products designations such as "bestseller", "most frequently requested" or "most frequently given as a gift" without making any distinction as regards their origin (paragraph 51f). The impression given to users can be reinforced by the fact that additional services are provided by a platform provider, from dealing with users' questions about the goods, to storage, shipping and handling returns (paragraph 53).

### Old rules, new trend?

Although the judgment in question is based on well-known



principles of CJEU case law (*Google France and Google*, C-236/08 to C-238/08; *L'Oréal*, C-324/09; *Coty Germany*, C-567/18), it confirms the tendency of the CJEU to attribute more extensive liability to intermediaries. This will always apply if they assume an active role that enables them to have knowledge of, or control over, third-party content (see Erfurth, *GRUR-Prax* 2021, 217, 218). In such cases, they cannot invoke the liability privileges in Article 12 et seq. of the E-Commerce Directive.

Although the CJEU in *Louboutin* had to deal with the application of trademark law, the liability standards of platform intermediaries can be relevant for infringement cases regarding other intellectual property rights, such as design law (see Hofmann, *GRUR* 2023, 238, 241f).

### A German source of inspiration?

The previous objective concept of trademark use seems to be supplemented by the component of users' perception. This is reminiscent of the German doctrine of 'making one's own'; in German, '*sich zu eigen machen*' (see Hofmann, *GRUR* 2023, 238, 241).

In a 2020 judgment regarding customer reviews on Amazon (BGH judgment of February 20 2020 – I ZR 193/18), the German Federal Supreme Court held an intermediary automatically responsible for third-party content if it assumes responsibility for third-party content or creates the impression that it is responsible for same. An intermediary integrating third-party information into its offer speaks in favour of 'making it its own'.

### Trademark owners' appetite for litigation may grow

Trademark owners can claim injunctive relief as well as damages against the platform operator, especially if they highlight trademark-infringing products on an online marketplace for advertising purposes. Because, as users

perceive it, such a form of advertising constitutes an integral part of the platform operator's commercial communication.

The CJEU suggests that shipping or storage services provided by the platform operator, for example, may also be indicative of such a situation (paragraphs 32 et seq., 53). Admittedly, it is easier to bring an action against platform operators because they usually have an address for service of proceedings, whereas third-party providers are often not very attractive litigants, because they frequently lack liquidity or conceal their identity.

### Online marketplaces are risky business

Platform operators are well advised to indicate clearly the origin of the products offered and advertised on their online marketplace. As the CJEU points out, transparency is key in electronic commerce (CJEU, *Louboutin*, paragraph 50). This applies especially to companies that pursue a hybrid business model consisting of their own sales offers and offers from third-party providers.

'Online gatekeepers' have a strong economic interest in ensuring that end customers and third-party sellers use their online marketplace and that they do so on a recurring basis over a longer period. Amazon, for example, had a total turnover of €467.66 billion (about \$496.4 billion) in 2021, of which approximately 22% came from third-party commerce.

Trademark-infringing products from third-party sellers are part of the business risk of such platform operators, which they should mitigate by taking appropriate measures; for example, by restricting the display of advertisements for third-party sellers using keywords corresponding to protected trademarks (CJEU, *Louboutin*, paragraph 41f). Otherwise, they should expect lawsuits from trademark owners that may have reasonable prospects of success.

## INDIA

### Delhi High Court sets aside 'incomprehensible' patent controller order in Art Screw decision

RNA Technology and IP Attorneys



Rachna Bakhru and Suvarna Pandey

In December 2022, an appeal was lodged against an order of the Controller of Patents refusing a patent application entitled "Fastener and Fastening Structure." The patent was refused under Section 2(1)(ja) of the Patents Act, 1970, on the ground that it lacks an inventive step. The applicant filed an appeal against the order at the Delhi High Court, in *Art Screw Co. v. The Assistant Controller of Patents and Designs*.

### Background: The objective of the invention

The invention solved a technical problem by providing an improved fastener with a significant loosening prevention effect. It also improved fatigue strength by equalising the load imposed on all the screw threads of the fastening member, to prevent stress concentration and initial loosening.

### Essential features of the invention

The pressure flank surface formed in the upper portion provided on the side of the thread crest is on the side of the seat surface. Therefore, when the fastening member is fastened to a corresponding fastening member, the pressure flank surface is pressed by the corresponding fastening member.

The side surface of the lower portion of the screw thread on the fastening member is located inward of the corresponding flank surface and dented inward. Thus, the lower portion of the screw thread is elastically deformed by the above pressing, which generates a reaction force. Accordingly, the friction force between the pressure flank surface of



the fastening member and the corresponding fastening member is increased, which creates a significant loosening prevention effect.

### Grounds of appeal

Art Screw, in its appeal against the order, raised the following grounds:

- The prior art documents mentioned in the examination report were also cited in corresponding patent applications in the US, EPO, CNIPA and PCT;
- The patent has been granted in Japan (its home country), the US, EPO, China and Korea, and the prior art documents referred to during the examination in India were also cited in the reports of the corresponding patent applications;
- The applicant has sufficiently demonstrated the structural and technical differences between the fastener (for which patent protection is sought) and those disclosed in the cited documents; and
- The reasons for refusal were incomprehensible and a mere reproduction of the cited patents' specifications.

### Court decision

The Court, after hearing the parties, set aside the order of the Controller, noting that:

- The refusal order is entirely incomprehensible;
- An order which contains reasons that no one can understand is worse than an unreasoned order;
- From the impugned order, the basis for holding that the invention lacks an inventive step is impossible to comprehend;
- A finding that an invention lacks an inventive step is a serious one. It seriously compromises inventive integrity of the applicant-inventor. The assessment of whether any inventive steps were involved must be examined after considering a variety of factors involving several authoritative proclamations, including from the Supreme Court; and

- The Court was unsatisfied that the impugned order reflects a proper application of thought to the issue or is supported by comprehensible reasons.

The Court thus directed the patent office to hear the matter anew and take a decision as expeditiously as possible and, in any event, within a period of three months. Further, the Court ordered that the patent application be allotted to a different officer from the one who passed the impugned order.

### Final comment

With the abolition of the Intellectual Property Appellate Board, the appellate powers are now transferred to the Delhi High Court's IP division. Thus, the Orders of the Controller of Patents in an appeal are being scrutinised by the Court on technical and judicial parameters to test their patentability standards as per the Indian Patent Act. This has resulted in the speedy disposal of cases.

*The applicant was represented before the court and patent office by RNAIP with a team of Ranjan Narula and Suvarna Pandey.*

## JAPAN

### Comparative analysis of demonstratives in patent litigation

Abe & Partners



Takanori Abe

In patent litigation, national differences exist regarding the extent to which images, figures, tables, and movies with visual effects are used in presentations in court and in documents submitted to the court. Below are some examples based on my own experience.

### US

Presentations with visual effects are frequently used in jury trials in the US. This is probably because juries,

who are not professional judges but are representatives of the citizens, need easy-to-understand explanations. For example, the layer structure of the light-emitting layer of an LED can be visually explained to the jury by comparing it to the bread, vegetable, ham, and bread structure of a sandwich.

Such visual representations may be prepared by the lawyers, but are often commissioned using specialists called graphics experts. Appointing a competent graphics expert is as indispensable to winning a trial as appointing a competent trial lawyer or a competent jury consultant.

In the US jury trials I was assigned to, Suann Ingle Associates (<https://www.suanningle.com/>) was appointed as the graphics expert. Before and during the trial, Ingle worked knee-to-knee with lead counsel every day in the 'war room' on the preparation of the graphics. The lead counsel drew a rough sketch and told Ingle what he wanted to represent, and Ingle put it into a PowerPoint presentation. Whenever I looked at the created PowerPoint, I was amazed at how well the ideas of the lead counsel were represented. It was then a daily pleasure during the trial how the lead counsel demonstrated the PowerPoint slides to the jury at the next day's trial, and how the jury reacted to them.

### Japan

In patent litigation in Japan, there are no juries, only professional judges. Nevertheless, in the written documents of patent litigation, figures and tables are often used to represent the case in an easy-to-understand way. In the explanatory session, both parties make a PowerPoint presentation to the judges, judicial research officials, and technical advisers.

It was impressive that the former chief judge of the IP High Court said that even when reading the same 50-page document, reading the brief and reading the PowerPoint slides for the explanatory ses-

sion were completely different in terms of comprehension and that the PowerPoint slides for the explanatory session were much easier to understand. Although judges are skilled at reading and understanding documents quickly, it was still found that a visual representation using PowerPoint slides is better, especially with regard to explaining the technical detail of patent litigation.

In highly serious cases, PowerPoints become more detailed and sometimes video is used. However, the use of graphics experts is not as well developed in Japan as in the US, and compared with the PowerPoints prepared by graphics experts in the US, there seems to be potential for improvement in terms of appeal to the audience.

## Germany

German patent litigation does not often include figures and tables in the documents, and PowerPoint is not used in presentations at hearings. However, German IP judges have an extremely high level of technical understanding.

The IP judges of the Regional Court of Düsseldorf, the Higher Regional Court of Düsseldorf, and the Federal Court of Justice in Karlsruhe questioned the lawyers and patent attorneys at a hearing with an accurate understanding of the complex technical detail. The then Presiding Judge Meier-Beck of the Federal Court of Justice and his colleagues, who had an almost exact understanding of the extremely difficult technical details, gave their provisional opinion at the beginning of the hearing and asked questions to the lawyers (Takanori Abe, *Takanori ABE reviews the litigation in Germany over Nichia's patent for a white LED*, Managing Intellectual Property September 2017, available at <http://www.abe-law.com/en/publications/paper/1043/>), displaying technical comprehension that impressed me and our clients.

A German IP expert who is also well experienced in Japanese IP said that in Germany, IP judges are

trained over a period of 10 years to be able to review specifications deeply and to be able to proceed appropriately with cases. I witnessed at first hand the highly qualified and trained judges in Germany.

## Cultural comparisons between countries

One reason for the use of presentations with visual effects in the US is to appeal to amateur members of the jury, but this does not seem to be the only reason. The case of a Soviet physicist who, when he emigrated to the US, was advised to write 'interesting' physics papers from now on shows that in the US the emphasis is on appealing to the reader, even if the reader is a specialist. If one can write interesting physics papers, it would seem less difficult to write interesting legal papers and documents submitted to the court, and to give interesting presentations in court.

While in Hollywood films – *Speed*, for example – the story often starts with an explosive action sequence, which makes for a thrilling beginning, in European films the story often unfolds quietly at the beginning. This difference seems to be directly reflected in the writing style of documents submitted to the courts in the US and Europe. In the US, it is important to write in a catchy way to appeal to the reader, and a technique is sometimes used where the brief is opened with the sentence "God is in the details" and read all at once.

The US and Germany are very different. If a German lawyer is asked to include figures and tables in a brief, or catchy expressions at the beginning of a brief, or impressions in a brief, the request is often rejected on the ground that this is the US way of doing things, not the German way. In my experience, Germans think thoroughly deductively and value doctrine and principles.

The US and the UK approaches are also inherently different, despite both countries being part of the Anglosphere. A UK lawyer once told a

story about a US client who requested a brief writing style in a meeting, but the UK lawyer refused because the US way of doing things was not acceptable in the UK. *The Phantom of the Opera* also had a different appearance on Broadway and in London's West End, despite being the same musical, and I believe that is the same thing.

President Zelensky of Ukraine is well aware of the differences between countries and delivered speeches requesting assistance in a way that was appropriate for each country. His main focus was on 9/11 in the US, a famous speech by Churchill in the UK, the Wall in Germany, and the Great East Japan Earthquake in Japan. He used a metaphor in Japan and referred to the Chernobyl plant without mentioning the Fukushima plant, whereas in the US and others he used direct expressions.

The characteristics of the Japanese are as described in Zelensky's speech. However, as trials are occasions of persuasion, Japanese behaviour in court is more direct than Japanese behaviour outside of court. The PowerPoint presentations and a criminal trial example, although not patent litigation, in which criminal defence lawyers tried to acquit the defendant by having the judges read a 100-plus page brief with the catchy introduction "This case is like Ryunosuke Akutagawa's 'The Spider's Thread'" give the impression that it is closer to the approach in the US.

## MEXICO

### The top two issues in designating Mexico under the Hague system

OLIVARES



Jorge Juárez

Since Mexico joined the Hague Agreement Concerning the International

Registration of Designs in 2020, applicants have been able to designate Mexico to seek protection of their industrial designs.

This article summarises two important issues that must be considered when designating Mexico.

### Recognition of the priority

When an international application claims a priority, Mexican law provides that the certified copy of the priority must be submitted before the Mexican Patent Office (IMPI) within three months after the publication of the registration in the International Designs Bulletin.

The priority must be translated, unless it is in Spanish, and the corresponding payment for the priority claim must also be submitted within three months.

Even though IMPI participates in the WIPO Digital Access Service and has access to the platform to obtain certified copies of priorities, applicants still need to submit the translation and payment within said term. Otherwise, IMPI will not recognise the priority in Mexico.

### Unity of design requirement

Under Mexican law, designs that can be identified with the same denomination, share the same new characteristics, and produce the same general impression are considered as having unity of design.

The Hague system indicates it is possible to include up to 100 designs belonging to the same Locarno classification in a single application.

However, when an international application does not comply with the unity of design requirement, IMPI will issue a notification of refusal requiring the division of the application to elect a single design or designs having unity, whereas non-elected designs can be protected by means of divisional applications which must be submitted directly before IMPI.

### Summary

The above considerations should be kept in mind when using the Hague system to ensure that designs are properly protected in Mexico.

## PHILIPPINES

### Keeping up with amendments to trademark rules in the Philippines

Hechanova & Co



Editha R Hechanova

The Intellectual Property Office of the Philippines recently amended the 2017 Rules and Regulations on trademarks, taking effect on February 1 2023. There were many procedural amendments affecting the requirements for filing trademark applications, but amendments which may create an additional burden for foreign applicants are as follows:

#### Composition of filing fees

The filing fees shall consist of:

- A basic fee;
- A colour claim fee (if applicable); and
- A publication for opposition fee.

The filing fee also includes the following, if applicable, and may be paid in advance:

- A convention priority claim fee;
- A priority examination fee; and
- An issuance and second publication fee.

The filing fee shall be deemed forfeited in favour of the government should the application not proceed to registration for whatever cause (Rule 501).

#### Submission of additional evidence during examination

If, during the examination of the application, the examiner finds actual basis to reasonably doubt the veracity of any aspect of the application, the examiner may require the

applicant to submit sufficient evidence to remove doubt. This evidence may be in the form of a sworn statement of ownership and/or affidavit of good faith, among others (Rule 603).

#### Republication of mark amended by settlement or compromise agreement

In instances when the mark is the subject of a settlement and/or compromise agreement, and there was an amendment to the mark, its description, and/or specification, the amended mark may be republished for the public's information (Rule 704).

#### Access to files by the public

Once the application has been published, access to files, including declaration of actual use and submitted proofs of use, may be made available to the public upon request and payment of the prescribed fees (Rule 702).

#### Assignment/transfer documents executed outside the Philippines

Assignment or transfer documents executed outside the Philippines must be authenticated by the Philippine Consulate Office at the place of execution. The past practice only required notarisation (Rule 1101).

#### Translation of documents executed outside the Philippines

The original copy of the document or assignment and its verified translation into English, if executed and notarised abroad, must be authenticated by the Philippine Consulate Office nearest the place of execution (Rule 1103).

#### Licence agreements must have quality control provision

A trademark licence agreement requires the licensor to ensure the quality control of the goods or services for which the mark is used. If the license contract does not provide for such quality control, or if such quality control is not effectively carried out, the licence

contract shall be invalid. A licence contract shall have no effect on third parties until such quality control is ensured (Rule 1107).

## SOUTH KOREA

### South Korea paves the way for partial refusal system and expedited examination

Hanol IP & Law



Min Son

In the lunar calendar, 2023 is the Year of the Black Rabbit. The rabbit is associated with many positive traits in Eastern culture, such as wit, prosperity, gentility, and swiftness. Since the start of 2023, the Korean Intellectual Property Office (KIPO) has decided to implement several measures to improve convenience for trademark applicants, and to swiftly respond to the changing market environment.

#### New expedited examination division for service marks

One of these changes is the formation of an expedited examination division for service marks. In Korea, 11.5% of all trademark applications included requests for expedited examination (as of November 2022). However, this rate grows much higher if the scope is narrowed to service marks only. In the same period, about 48.7% of applicants using this fast track were service mark applicants. In particular, the rate of requesting expedited examination has increased noticeably in the retail/wholesale and restaurant sectors. Noticing this, the KIPO reacted swiftly and established a new examination division solely to handle the expedited review of these highly demanding sectors. The scope of this new division may expand in the future to other service marks, but at the moment, it is concentrated on these two sectors.

#### Adoption of a partial refusal system

Another change is the adoption of a

'partial refusal system' and a 're-examination request system'. The partial refusal system is already used in many jurisdictions, such as the US, China, the EUIPO, and many European countries. The adoption of the partial refusal system was somewhat expected, and it has finally happened in Korea. Although it is not a totally new system, there is one thing that foreign applicants need to be aware of when using this system in Korea.

In Korea, it is permitted to file a trademark application in multiple classes. Accordingly, an office action can be issued against a trademark application only for some classes or some portion of the goods. In such cases, previously, if the applicant did not respond to the office action, the entire application was rejected for all designated classes and goods.

Now, however, even if the applicant does not respond to an office action, only those subsets of goods or services refused will be finally rejected, and the remaining items can be registered. In most cases, the basis for partial refusal will likely be confusing similarity with preceding trademarks. For example, if an application in connection with 'clothing, shoes, and bags' conflicts with a prior trademark only for 'clothing', now, without requiring any response, 'shoes and bags' would be allowed for registration.

If the 'clothing' is important to the applicant in the above scenario, they may file an appeal against the final partial rejection with the Intellectual Property Trial and Appeal Board (IPTAB). In such a case, the partially allowed goods 'shoes and bags' would be placed on 'standby for publication' of the application. Thereafter, when the final disposition of the partially refused goods 'clothing' is finalised through the decision of the IPTAB (either registration or rejection), all the approved goods would proceed to publication and registration.

Accordingly, if the applicant wishes to quickly register the trademark for some goods that have not been rejected, as before, it is required to re-

spond to the office action by 'dividing out' either the partially rejected or partially approved goods. Thereafter, when an office action is issued against the partially rejected goods, once again on the same grounds for rejection, the applicant can then respond to the office action by filing an amendment, and file an appeal against the final refusal afterwards.

As Korea does not require submission of evidence of use at the time of filing, registration and renewal, applicants tend to file trademarks for overly broad items that are not actually in use. Therefore, the partial refusal system would be a very convenient and cost-effective way for the applicant to choose a 'do nothing' approach.

Although this system may seem similar to those of other jurisdictions, it should be noted: as for international trademarks, a decision of partial refusal is not a final ruling, as it is neither a statement of grant of protection nor a confirmation of total provisional refusal. Therefore, a decision of partial refusal is not forwarded to the International Bureau of WIPO, nor is it recorded in the WIPO Gazette pursuant to the Madrid Agreement.

If a non-resident foreign applicant does not appoint a Korean representative for an international trademark, a decision of partial refusal will be sent directly to the applicant by air-mail to the address recorded in the WIPO database. In such cases, pursuant to the Korean Trademark Act, a copy of the decision is deemed to have been served on the date the decision was sent, irrespective of the applicant's receipt thereof. In addition, the due date for appeal against the decision of partial refusal is calculated from the date the decision is sent, not the date it is received.

Accordingly, it is highly recommended that non-resident foreign applicants using the Madrid system appoint Korean counsel in order to respond to a partial refusal in time.

The partial refusal system applies to trademarks filed on or after



February 4 2023. In the case of international trademarks, this system applies to international registrations filed or subsequently designated on or after this date.

### Appeal against final refusal for partial goods

Previously, it was only possible to file an appeal against a final refusal for the entirety of the goods and classes of the application. Therefore, to have an application examined again, even if the applicant chose to abandon some goods, or if the chances of overcoming the rejection for some goods were low, the applicant had to file an appeal against the entirety of the goods.

Now, it is possible to file an appeal for only some goods, allowing the abandonment of partial goods or classes from an application at the time of filing an appeal under the revised Act. Consequently, the cost burden will be substantially reduced.

### Adoption of a re-examination request system

The new law has created a second route for reconsideration by the examiner. Particularly, when the rejection can be overcome by simple amendment, the applicant may file a re-examination request. This can be submitted with an amendment to the descriptions, including deletion of some goods, within three months from the date of receipt of the final refusal.

It should be noted that a re-examination request must be submitted for all rejected goods. However, if an application is finally rejected via an opposition decision, the re-examination request is not available. In such cases, the applicant must file an appeal against the final refusal with the IPTAB.

After re-examination with an amendment, if the grounds for the refusal of the application have still not been resolved, KIPO will issue a final refusal. Thereafter, the applicant will have another opportunity to file an appeal against the final refusal with the IPTAB. The re-examination request applies to Korean

trademark applications filed on or after February 4 2023, and it is not available for international trademark registrations.

### Other changes in 2023

For those applications filed from January 1 2023 in Korea, the 12th edition of the Nice Classification will apply. Under the 12th edition, it is now possible to file an application with goods having more realistic descriptions, such as 'downloadable digital files authenticated by non-fungible tokens' in Class 9, which was not acceptable in the former edition. Overall, it is expected that all these changes – some big, some small – will make for another year of progress for those who seek IP protection in Korea.

## TAIWAN

### Patent marking: how Taiwan's IPC Court addresses problems of size and nature

Saint Island International  
Patent & Law Offices



Yen-Bin Gu

Article 98 of Taiwan's Patent Act mandates that "all patented articles shall be marked with the patent number; if it is not possible to so mark the article, the owner may mark the labels, packaging, or make such markings in a conspicuous manner sufficient to draw observers' attention. In the absence of such markings, the patentee when claiming damages shall provide evidence proving that the alleged infringer had knowledge or had access to knowledge of the patented articles." On this score, patent marking is essential in order to reduce the burden of proof for damages in future infringement proceedings.

With the advancement of science and technology, the size of electronic products continues to shrink. Due to the size or nature of such

patented products – for example, chips or construction methods – it is difficult, if not impossible, to fulfil the marking requirement in a conventional manner. Therefore, in practice, many manufacturers use their websites for patent marking, to significantly reduce the cost of marking, and to update the patent status in real time.

However, whether the legal concept of marking in a "conspicuous manner" that enables observers to have knowledge of, or have access to knowledge of, the patented articles covers virtual marking on web pages is still a grey area. In this regard, two judgments rendered by the IPC Court merit review.

### IPC Court judgments

In the Intellectual Property and Commercial Court's (the IPC Court's) 100 Civil Judgment No. 12 rendered in 2011, the court held that, as shown on the web pages and copies of the outer packages submitted by the appellant/patentee, the marking requirement had been fulfilled, as proven by an indication such as "NuBra Invention Patent No. 207830..." on [www.nubra.com.tw](http://www.nubra.com.tw), where the patented items are sold, and, besides, the label of the outer packaging of the patented items in the Chinese language and the name of the appellant/patentee are shown on the website. Therefore, the defendant was liable for civil infringement damages.

Conversely, in the IPC Court's Civil Judgment No. 45 rendered in 2010, the court held that the patentee had marked its patented item on <http://jinnhsin.tw.tt.net>. Although the web page seemingly showed the patent number of the disputed patent, the patent number was too small to be seen, let alone that there was only a trademark indication on the photo of the patented item. In addition, as the publication date of the web page was October 22 2010, the web page could not be regarded as competent evidence proving that the item had been marked with its patent number between March 2003 and March 2004.

## Key takeaways

The two judgments suggest that when marking on a patented item is limited by its size or nature, patent marking through websites is a good choice. This is because the IPC Court would not straightforwardly deny the competency of web pages on the ground that a website is not a medium covered by the Patent Act. Instead, the court would evaluate the substantive content of the web pages, especially whether the “patent markings displayed on the web page” and the “patented item” can be clearly cross-referenced.

In view of the above, if the patentee adopts a web marking, in addition to displaying the patent number, it is advisable to clearly illustrate the corresponding patent item protected by the patent, so as to facilitate recognition of their corresponding relationship.

Moreover, the website on which the marking has been made by the patentee must be easily accessible to the general public, and the updating and maintenance of the website must be consistent and constant. In this way, evidence from web pages may more readily form competent evidence capable of fulfilling the marking requirement under Article 98 of the Patent Act.

## TURKEY

### Proof of bad faith: the Turkish Court of Cassation adopts a surprising stance

Gün + Partners



Güldeniz Doğan Alkan  
and Cansu Evren

In a recent case, the Turkish Civil IP Court decided for the invalidation of a trademark registration identical to the plaintiff’s mark and trade name. The decision noted that:

- The plaintiff held a registration for the same class in the EU (but not in Turkey) before the trademark at issue; and

- The plaintiff’s mark had a high distinctiveness and the defendant could not have created the mark on its own, coincidentally.

In light of these points, the local court concluded that the defendant registered the mark intentionally to take unfair advantage of the well-known status of the plaintiff’s mark and was therefore in bad faith. Indeed, the defendant holds other trademarks that are well known in Turkey or have the potential to be well known in Turkey, which is also proof of the defendant’s bad faith.

As a result, the local court decided that the defendant’s act of bad faith cannot be protected as per Article 2 of the Turkish Civil Code, under which, “Everyone must abide by the rules of honesty while exercising their rights and fulfilling their obligations. The legal order does not protect the abuse of a right.”

Following the defendant’s appeal against the local court’s decision and its refusal by the Regional Court of Appeal (RCoA), the defendant filed a second (final) appeal before the Court of Cassation (CoC). Upon this, the CoC reversed the RCoA’s decision rejecting the defendant’s appeal filed against the acceptance of the court action in May 2022. The CoC stated in its decision that:

- The evidence filed supporting the well-known status claim was dated later than the registration date of the trademark at issue and the plaintiff could not prove that its mark was well known on the registration date of the trademark at issue; therefore, the well-known status claim is not justified;
- As per the established case law of the 11th Chamber of the CoC, simply identifying the marks will not constitute evidence for bad faith; and
- Due to the principle of territoriality, filing applications similar to trademarks registered abroad also will not constitute evidence of bad faith.

## Implications of the Court of Cassation’s ruling

The conclusion of the CoC narrows the implementation of the bad faith argument (as per Article 6/9 of the Turkish IP Code). Indeed, in this scenario the acceptance of bad faith is restricted to concrete evidence – such as the applicant being a previous distributor or employee of the trademark holder, or there being a past relationship – and the absence of such concrete evidence would lead to refusal of the bad faith argument.

It is also known from, and established in, decisions by the Court of Justice of the European Union that similarity and/or identity of trademarks alone is not direct evidence of bad faith and this argument shall be supported with additional points. It is also accepted in the CoC’s many decisions that filing a trademark application identical to a trademark registered abroad and/or that is well known cannot be a coincidence and the applicant cannot be considered as acting in good faith.

However, in the present matter, the trademark at issue is not only identical to the plaintiff’s well-known marks, but also the applicant holds other trademarks identical to third-party companies’ trademarks that are well known in Turkey or have the potential to be well known in Turkey. Furthermore, the plaintiff’s trademark and the trademarks imitated by the applicant are distinctive and cannot be considered as commonly used phrases.

Considering these facts, the local court’s and the RCoA’s evaluations should have been found justified by the CoC and therefore the contrary decision of the CoC is very surprising indeed.

The insistence of the CoC on this decision would mean that the fact that an applicant filed for, or copied, other well-known trademarks would not have an effect in the evaluation of a bad faith argument. So while it is acceptable and comprehensible to say that

similarity of trademarks alone will not de facto mean bad faith of the applicant, it is unfair to say that an applicant imitating several well-known trademarks of different owners is not sufficient to prove bad faith.

In light of this, the IP Court is expected to insist on its prior decision and hope that this erroneous perspective of the CoC will not take root. Regardless, it is always recommended to check an applicant's other trademarks, activities, etc., which can give an insight and be used as a supporting element for a bad faith argument, *inter alia*.

## UK

### 'Targeting' in Lifestyle Equities v Amazon – online retail platforms and brand owners take note!

Bird & Bird



Charlotte Colthurst

In our increasingly globalised online shopping world, it is easy to endlessly browse and purchase products from one country or another through online marketplaces and shops. Over the past couple of years, there have been a number of cases that have made brand owners more aware of how their products make their way around the world, where they are being sold to and from, and to whom. The latest case in the UK is between a brand owner, Lifestyle Equities, and an online marketplace giant, Amazon.

The *Lifestyle Equities v Amazon* case deals with the alleged infringement by Amazon of the Beverly Hills Polo Club (BHPC) trademarks, owned by Lifestyle Equities in the UK and EU (this article will reference the UK throughout for simplicity). The case is going to the UK Supreme Court and is the first case to do so on the question of what amounts to 'targeting' for the purpose of trademark infringement.

### A trademark infringement case with complications

To quote the judge at first instance ([2021] EWHC 118 (Ch)), this is not a normal case of trademark infringement. This is a case of trademark infringement in the context of online marketplaces, and whether advertisements, offers for sale and sales of US-branded products through various Amazon channels, which were visible and accessible to customers located in the UK, constituted targeting UK consumers and therefore amounted to trademark infringement in the UK.

A further complicating factor in this case is the ownership of the trademark rights in question.

Trademark rights are territorial, so it is possible, as in this case, that one brand owner holds rights to a trademark in one jurisdiction (for example, the UK) and another commercially unrelated owner holds rights in the same trademark in another territory (for example, the USA).

Lifestyle Equities owns the rights in the UK and BHPC Associates LLC (commercially unrelated) holds rights in the USA. (Although the reason for this is based on a family dispute, hence the rather unusual ownership split.) Lifestyle Equities did not permit US-branded BHPC goods, manufactured and marketed in the US by the US owner, to be advertised or offered for sale to customers in the UK.

A key issue is whether Amazon targeted UK customers by advertising and offering for sale US-branded goods on its US website (and other sites), whereby UK customers could view the listings and purchase the goods.

The High Court ruled in Amazon's favour. The judge considered that customers would know that if they purchased goods on amazon.com, primarily a US site, they would be conducting a sale in the US, not least because the terms and conditions state as such and there would be high import fees/shipping costs.

### Court of Appeal decision

In the Court of Appeal of England and Wales ([2022] EWCA Civ 552), the High Court decision was overturned, and the court found in favour of the brand owner. It ruled that Amazon had infringed Lifestyle Equities' rights, by advertising, offering for sale and selling the goods in question through its US/global websites to customers in the UK.

The court noted that when the customer is going through the process of purchasing a product, they are made aware of UK-specific delivery, shipping and billing options and shown costs associated with the sale in pounds sterling. Sales therefore targeted the UK.

The court also noted that regardless of whether there was specific targeting, the sales into the UK constituted *use* of Lifestyle Equities' trademarks in the UK, and were therefore infringing.

The most recent development is that the UK Supreme Court has granted Amazon leave to appeal this decision.

### An issue of growing importance

In the context of this case, online marketplaces and brand owners should continually assess how and where their goods are sold, and who owns the relevant trademark rights and in what territories. Not all online offers for sale of a product that are accessible by consumers in a jurisdiction will constitute use of a trademark in that jurisdiction; the risk lies in the detail of the sale process, taking actions that constitute specific targeting of a country and/or a resulting sale.

The growth of online shopping and the e-commerce market is not slowing down, and this issue is only going to become more relevant and nuanced. The result of the Supreme Court's assessment will be important for clarifying how brand owners and retail platforms should deal with online customer journeys and multi-jurisdictional sales. The decision will be eagerly anticipated.

# PATRINOS & KILIMIRIS

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### Firm profile

Established in 1919 by Dr. E. Patrinos, Patrinos & Kilimiris is the oldest Patent and Trade Mark Agency in Greece. Since then, the firm has expanded to become one of the leading law firms in Greece, with more than 20 collaborators, including 5 attorneys. The firm actively practices in all sectors of commercial law, with a primary focus on Intellectual Property protection under European and Greek Law.

### Areas of specialization

The firm provides a full range of legal and technical services provided by experienced patent and trademark attorneys including Patent, Trade Mark and Design counseling, filing and prosecution, Copyright protection, Domain Name registration and disputes, customs actions, franchising, distribution and license agreements as well as technical translations.

Furthermore, the firm undertakes substantial IP litigation up to the Supreme Court, having well established relations with eminent judicial, technical, law scholars and other appropriate experts. Patrinos & Kilimiris has a strong record of successful litigation in IP infringement proceedings acting for large international and domestic companies in all areas of IP and have established an unparalleled expertise in patent litigation relating to the pharmaceutical industry.

### International memberships

AIPPI, ECTA, EPI, EPLAW, FICPI, INTA, PTMG, MARQUES