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# Welcome to the Spring 2017 edition of IP Review

**Since the inception of the European patent system there has been a desire for a single patent right covering the whole of Europe, and a court with the power to enforce such patents.**

And now, finally, after 40 years of trying, it looks like that desire is about to be realised; the UK's announcement in November that it will ratify the relevant agreements has paved the way for the Unified Patent Court and the Unitary Patent to come into effect this winter. Our main article this issue explains the new system and its benefits and disadvantages, and we look at one industry which might be an early beneficiary.

Elsewhere in this issue we look at the crucial but often overlooked question of patent ownership. This is one of the many issues which exercises those with responsibility for management of Intellectual Property and IP strategy within organisations, and we argue that, as IP becomes increasingly important to businesses of all sizes, all businesses

should consider appointing a Chief IP Officer.

We've also examined new figures that suggest that the UK lags behind other major economies in terms of the number of patents filed per capita, and the possible reasons for this.

Finally, we've looked at some interesting recent trade mark decisions. The Rubik's Cube decision in particular will concern those who rely on 3D trade marks to protect functional products.

We hope you enjoy this issue.



Matthew Howell  
Editor

# Is this your patent, sir?

Patent rights can have huge commercial value. They offer the patent owner up to 20 years in which to monopolise an area of technology, giving the owner the legal power to exclude competitors. Given the value of patent rights, it is important to take steps to ensure that you actually own them and that no third party can lay claim to them.



## Patents

The first step in determining ownership of a patent is to identify the inventor (or inventors). In the UK, an inventor is a person who has contributed to devising the “inventive concept” - the innovative technology the patent seeks to protect. An inventor will be somebody who conceives or implements the concept, or provides solutions to problems discovered while implementing the concept. Somebody who has merely followed instructions to perform routine tasks, without showing any initiative or solving any problems along the way, will not usually be considered an inventor. Neither will somebody who has merely managed or financed the project while making no technical contribution.

All of the inventors have a right to be named on the patent application. It is especially important to name all of the inventors correctly for the US, where providing false information about the identity of inventors can lead to a patent being invalidated.

Inventors are the default owners of their invention (and entitled to the patent rights), unless there is an alternative agreement in place. This means that any external consultants or subcontractors you engage to work on an invention will own the rights to that invention; their rights will not be automatically transferred to you even though you might have paid them for their work. So, when engaging external consultants or subcontractors, it is important for your contract with them to assign their rights to you.

In the UK, inventions made by employees are automatically

transferred to their employer as long as the employee has been employed to invent (for example, as a researcher) or the employee is in a senior position (such as a director or senior manager). In all other cases, the invention belongs to the employee. So, inventions made by a junior employee in the sales department, for example, would belong to that junior employee, not their employer.

It is important to check whether an inventor is actually an employee (for example, a PhD student is not usually an employee). It is also important to confirm whether the company the employee is actually employed by is the intended owner of the patent rights. For example, an employee in a group of companies may sometimes be employed by a subsidiary company, whereas the patent rights are to belong to a holding company, in which case an assignment would be needed from the subsidiary to the holding company.

Where there is even the slightest doubt over whether the rights to an invention have been automatically transferred to the desired owner, the inventor(s) should be asked to sign formal transfer agreements.

Special attention is required where inventions result from collaborations between two or more parties, where careful consideration must be given not only to the transfer of rights from the inventors but also to the ownership arrangement between the parties.

By default, ownership will be shared equally between the parties. Each

party will be able to make the invention, but the agreement of all parties will be required to issue licences. This default arrangement might favour some parties over others. For example, the default arrangement favours a manufacturer who is in a position to make and sell the invention, while another party hoping to rely on licence income could be prevented from doing so by the manufacturer refusing to agree to the licensing deal. It is important to seek advice on the best way to structure collaborations as early as possible for the good of all parties involved.

The best advice is to take proactive steps to secure ownership of your patent rights as early as possible. Over time, the risk that inventors or employees will move, die or fall out increases, making it difficult or impossible to have transfer documents signed, leaving unanswered questions about ownership which represent a risk to your business. A disgruntled inventor leaving a business with valuable patent rights in their name can hold that business to ransom. Such risks can cause problems when seeking investment for your business or when trying to sell your business, resulting in deals falling through or offers being reduced. Dealing with ownership early on is always cheaper and easier than resolving disputes over ownership which arise once the value of a patent has been demonstrated, when the commercial stakes are highest.



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The main benefit of the UP is that it is a single patent right covering all of the available UP member states. The UPC will enable patent holders to enforce their rights in all of these states with a single legal action (which can be in the language of the patent), meaning that it will no longer be necessary to bring legal action in each country separately.

# It's finally happening!

After years of preparation, argument and anticipation, the Unitary Patent Package (UPP), consisting of the Unitary Patent (UP) and the Unified Patent Court (UPC), is almost upon us. Administrative preparations for the UPC and the UP are now well advanced, and the national ratifications of the relevant legislation are being coordinated to ensure that the UP and UPC can hit the ground running once the required ratifications have been completed. Following the announcement in November last year that the UK will ratify, we expect the system to be up and running on 1 December 2017, so now is a good time for a recap on what the system is, how it will work and what you as patent holders or applicants should be thinking about now.



## What is the Unitary Patent Package?

The Unitary Patent Package consists of the Unitary Patent (UP) and the Unified Patent Court (UPC).

The UP (or more formally the European Patent with Unitary Effect) is a new patent right for Europe, which will provide a single patent right covering up to 26 of the current 28 European Union countries. The UP will initially extend to those countries that have ratified the relevant UP/UPC legislation before the start date (and may cover around 18 countries), but eventually future UPs will cover all 26 signatory countries, when the remaining countries have completed the ratification process.

The Unified Patent Court is a new Court for patent matters in Europe. It will be the only court that is able to deal with matters relating to the infringement and validity of UPs.

It is intended that in time the UPC will also have exclusive jurisdiction over traditional “European” patents which cover a UPC member state, though there will be a transitional period of at least 7 years in which traditional (i.e. non-unitary) European patents can also be litigated through the existing national courts. Alternatively European patents can be opted-out of the jurisdiction of the UPC completely.

## How do I obtain a Unitary Patent?

UPs are obtained by filing a conventional European patent application and selecting the UP option when the application is granted. Nearly all European patent applications that are pending when the UP comes into effect will be eligible to elect the UP option, though old cases with a filing date before 1 December 2006 will not be eligible.



# ...It's finally happening!



It is important to note that a granted UP will only cover those EU member states that were part of the UP system at the time of selecting the UP option. Coverage for the other EU member states will be available via the traditional national validation route.

## What are the cost implications?

As the process of applying for and obtaining a European patent will remain the same, the costs involved in that process will not change. The difference in cost is at the post-grant stage, when the European patent must be validated at the national patent offices of the countries in which patent protection is required. For a traditional European patent this process typically involves filing translations of all or part of the granted patent into an accepted language at each of the relevant national patent offices. For a validation programme covering several states translation costs can mount up quickly. In contrast, electing the UP requires only a single translation of the granted patent into either English (if the language of the patent is either French or German) or into any EU official language (if the language of the patent is English). Accordingly, the post-grant validation costs for a UP will be significantly less than the costs involved in obtaining equivalent protection via the traditional route.

Annual renewal costs may also be significantly reduced, as the post-grant official renewal fees for a Unitary Patent will be equivalent to the cost of renewing a patent in the UK, France, Germany and the Netherlands.

So, if you currently validate your European patents in four or more EU countries, you'll likely see a reduction in renewal costs if you take up the UP option. On the other hand, if you currently validate your European patents in three countries or fewer, renewal costs will likely increase.

## What are the benefits?

The main benefit of the UP is that it is a single patent right covering all of the available UP member states. The UPC will enable patent holders to enforce their rights in all of these states with a single legal action (which can be in the language of the patent), meaning that it will no longer be necessary to bring legal action in each country separately.

It will also simplify administration with a single renewal fee and a single patent office (the EPO) at which to lodge any assignments, name changes etc.

## Are there any disadvantages?

The unitary nature of the UP is also its main disadvantage, as a UP will be treated as a single asset for all purposes. This means that if the validity of a UP is successfully challenged at the UPC, the patent will be revoked (cancelled) in its entirety, leaving no rights in any of the countries that it covered. Accordingly, applicants should carefully consider whether it is appropriate for key technologies to be covered by UPs, or whether the traditional European patent route resulting in grant of a bundle of national patents is safer.

Additionally, it will not be possible to cherry-pick the countries in which protection is to be maintained after grant by failing to pay renewal fees in the countries where

# UPP Arrival

protection is no longer required. Instead, a single renewal fee for the UP will be payable annually, and failure to pay this renewal fee will result in the loss of the patent in every country in which it was in force.

Similarly, as the UP is a single asset it will not be possible to transfer the patent to another owner on a country-by-country basis. If the patent is to be transferred to another owner, it must be transferred for all of the countries that it covers, although it may be licensed to different parties on a geographical basis.

## What should I be thinking about now?

As the deadline for selecting a UP at the post-grant validation stage is short (only a month from the date of grant of the patent), you should start to consider whether your existing European patent applications should become Unitary Patents, or whether the traditional approach of individual national validations is more appropriate.

If you have European patent applications that are approaching the grant stage and you want them to become Unitary Patents rather than bundles of individual national validations, it may be possible to delay the grant process until the Unitary Patent option becomes available for these applications. Your patent attorney will be able to advise you on the steps to take if this option is of interest.

You may also wish to consider whether your existing European patents should be opted-out of the jurisdiction of the UPC. By default the UPC will become a new option for litigation for all existing European patents for both the patentee and third parties, but this option can be removed

by opting-out at any time, provided that no action has been commenced in the UPC (e.g. an infringement or revocation action) in relation to the patent. In addition, there will be a "sunrise period" starting around September 2017 in which patent owners can opt their European patents out of the jurisdiction of the UPC before the UPC is in operation.

Most court actions are commenced by the patent proprietor, and the arrival of the UPC will simply increase your options as to when and where a Court action for patent infringement is started. The use of the opt-out will usually only become relevant if a rival instigates proceedings on one of your European patents, such as by filing a revocation action. If a patent is not opted out a rival could choose to use the UPC, and once an action is filed you will not be able to opt the patent out of the UPC's jurisdiction. If the patent is held to be invalid by the UPC it will therefore be revoked for all UP member states covered by the patent. On the flipside, if your patent is opted out and a rival instigates an action at a national court of their choice it will not be possible to counter with an action at the UPC.

Accordingly, if you have European patents that are of particular strategic importance, for example where a major revenue stream is protected by a single European patent, and the ability to obtain a single injunction covering multiple countries is of lesser importance, you may wish to consider opting those European patents out during the sunrise period, in order to eliminate the risk that an aggressive rival will instigate a revocation action as soon as the UPC opens for business. Again, your patent attorney will be able to advise you on this issue.



...It's finally happening!

## 10 Reasons to welcome the Unitary Patent Package

- **Impressive geographical coverage** - A Unitary Patent will provide protection spanning most of the countries of the EU. With a population of over half a billion people and a GDP valued at more than \$18 trillion, this region represents the largest market in the world.
- **Simplicity** - The unitary patent system offers much greater simplicity for users. Instead of having to validate a granted European patent on a country-by-country basis, innovators will be able to achieve the same protection with a single Unitary Patent maintained by a single renewal fee.
- **Cost effectiveness** - The unitary patent system is cost effective for everyone. The system becomes cheaper, by comparison with traditional bundle European patents, the more countries there are where your products or services require protection.
- **Unexpected benefits** - Where previously a European patent may have only been validated in, say, five EU countries, the Unitary Patent covers 26 of the 28 member states for a similar cost to the five previously. These "bonus" countries could provide unexpected benefits to companies. Infringements can arise anytime and anywhere, so the impressive geographical coverage provided by a Unitary Patent could prove useful in the future. It could also open the door to new market opportunities in countries where the business has not previously considered trading.
- **Access to a well-run Unitary Patent Court** - Under the current system, different laws and working practices mean there is a lack of consistency in the way that patents and other intellectual property rights are enforced at jurisdictional level. Once established, the Unified Patent Court will take a centralised approach, with the power to enforce IP rights across the entire region. The new court system will have central divisions in three European cities - London, Munich and Paris.
- **Pan-European powers of enforcement** - Spanning the world's largest market, the Unified Patent Court will have significant powers of enforcement at its disposal. This means that any business deciding to litigate to block an alleged infringement of its patent rights could secure a pan-European injunction. It may also be possible to secure an 'interim injunction' while the case is being heard; to date this type of intervention has only been available readily in Germany.
- **Expediency** - The Unified Patent Court will resolve cases much more quickly than is possible under the current system. If a case is brought, it will be processed and a judgment passed down within a year. This means businesses can bring their case to court more quickly if needed, with the added protection of an 'interim injunction' while they do so. The alleged infringer, on the other hand, will have to defend the case, in the knowledge that, if they lose, they would be forced to pay damages. Alternatively, they could choose to settle out of court.
- **Better for SMEs** - Some small and medium-sized businesses have been reluctant to pursue patent litigation in the past because it can take two years or more to achieve a resolution and the costs associated with bringing a case were regarded as too great. The unitary patent system is more agile and the ability to secure an interim injunction will appeal to SMEs particularly by providing an incentive to their opponents to settle given the much bigger market from which they could be excluded. Discounted court fees may also apply for some small businesses and universities.
- **Choice of language** - For businesses in the UK and other English-speaking countries, there is a clear advantage to being able to litigate in one's mother tongue. This will be possible at all Unified Patent Court hearings. Once the unitary patent system is established it will also no longer be necessary to obtain post-grant translations, although this will continue to be a requirement for a temporary period. As well as simplifying processes, these changes should help to reduce cost.
- **Clear timelines** - The Unified Patent Court system will introduce a clearer timeline and set deadlines for the completion of each stage. This will bring added clarity for all and help to prevent unnecessary delays. The UPC has set itself the goal of hearing patent cases within 12 months from commencement and with just a one day trial.



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# Future Enterprises v McDonald's: A family affair

Can ownership of a family of trade marks help to prove infringement?



According to the EU's General Court, the answer is yes. In a recent case, the Court held that McDonald's' family of "Mc-" trade marks creates a scope of protection which allows the business to prevent the registration of marks which employ the prefixes 'Mac' and 'Mc', together with the generic name of a food or beverage, in respect of food and beverages.

Future Enterprises is a Singaporean food manufacturer, which markets goods under brands including MacTea, MacCereal, MacChoco, MacChocolate, MacFito and MacCoffee.

In 2008, Future Enterprises applied to register MACCOFFEE as an EU trade mark for foodstuffs and beverages. The registration was granted in 2010. Subsequently, McDonald's applied to have the trade mark declared invalid on the basis that the MACCOFFEE trade mark takes unfair advantage of the distinctiveness and reputation of the McDonald's trade mark. In making this argument, McDonald's relied on its earlier EU trade mark McDONALD'S, as well as 12 other marks which employed 'Mc' as prefixes. The European Union Intellectual Property Office (EUIPO) found in McDonald's' favour, and Future Enterprises appealed to the EU General Court.

In order to succeed with its case, McDonald's would have to show that:

- its earlier marks had a reputation in the EU;
- its marks were sufficiently similar to MACCOFFEE so as to create a link in the mind of the consumer; and
- use without due cause of MACCOFFEE would cause McDonald's to suffer one of the "reputational" harms of free-riding, tarnishment, or dilution of distinctive character.

In upholding the EUIPO's decision, the Court found that McDonald's' trade mark portfolio did constitute a 'family' of 'Mc-' trade marks. McDonald's evidently had a reputation. The relevant public would establish a link between the 'MAC' element in MACCOFFEE, and the use of MACCOFFEE without due cause would therefore ride on the coattails of the reputation of the McDonald's trade marks. In its decision, the General Court provided some valuable guidance on the relevance and impact of 'families' of trade marks in relative grounds proceedings.

The Court confirmed that the existence of a family of marks is a relevant factor in assessing whether a new trade mark creates a link in the consumer's mind to an existing trade mark. A condition of this relevance, however, was that each mark claimed to be in the family had to be in use (so placing on the owner of the existing trade marks the burden of having to provide evidence

of use to the Court). Without use, the existence of a number of similar trade mark registrations is irrelevant. This is because consumers need to be aware of these marks in order to draw the necessary conceptual link. No lower limit was specified by the Court for the number of marks required for a family. Whether marks are a family depends on their having common characteristics, such as the reproduction in full of the same distinctive element with the addition of a graphic or word element differentiating each one. This case also shows that the structure of a trade mark — in this case "Mc+foodstuff" — could also constitute a family characteristic. Lastly, the infringing mark needed to contain elements which "connect with characteristics common to the family".

It is worth noting that McDonald's' monopoly does not extend to "Mc-" alone in the food and drinks sector. Rather, the monopoly lies in the combination of a non-distinctive foodstuff with "Mc-".

The judgment confirms the value of a branding programme which establishes a common root (e.g. Mc-) for different product or service lines.



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# The first beneficiary of the Unitary Patent?

## European shale oil and gas

Most industries today are fairly well established, meaning that companies operating within those industries have a good understanding of their key manufacturing and sales territories, and can take appropriate steps to protect their markets in those territories using patents. For example, an automotive company which holds patents in the US, France and Germany is likely to be well placed in terms of being able to secure and protect a market share.

However, in emerging industries, particularly those which are highly regulated, it is not always as straightforward for innovators to know where their key commercial territories will be over the next ten or twenty years. The European shale oil and gas industry is an example of such an industry.

The first layer of uncertainty in this industry stems from the oil and gas resources. Exploration is in its infancy in Europe and as a result there is a high level of uncertainty over which European countries possess shale resources (or 'plays') that are

economically or even technically recoverable using current extraction technologies.

Shale plays within Europe are thought to be deeper, more dispersed and within more challenging geological formations than those found in territories where the shale oil and gas industry is more established such as the US. The European landscape therefore presents unique challenges, and these technical challenges may require innovative solutions to be developed in order to make mainstream shale extraction economical. In addition to this, European

topography can make facilitating shale extraction more challenging, in that plays may be spread across a number of countries, and the physical nature of the topography can make it challenging to provide resources such as water and proppant to extraction sites. Existing extraction solutions, which have been developed for sites where resource delivery and storage is not an issue, may not be the optimum solutions for the European shale industry.

The European shale market is therefore crying out for innovation to provide technologies which can increase the safety of shale extraction and improve its



economic viability within the European landscape. Innovators who develop unique technologies which address these specific challenges may find themselves well placed to benefit hugely from what is expected to become a strong emerging industry over the next twenty years.

The second layer of uncertainty stems from the regulatory environment within Europe. Europe is at present divided on whether shale extraction is a positive or a negative activity. Given that shale plays may be located close to cities, towns and villages, or areas of natural beauty, there is understandable concern over the safety of shale extraction techniques. Governments therefore have difficult decisions to make on whether to permit shale extraction, especially in view of public opposition.

The UK is currently one of the leading European territories in favour of permitting shale extraction, and exploration licenses were granted at a number of sites in 2015/2016. Countries such as Poland and Romania are thought to have sizeable shale reserves, and the governments of those countries are in favour of permitting shale extraction. We have however seen major US oil and gas companies entering these territories for shale exploration purposes and subsequently pulling out, citing poor test results among other concerns. In contrast, countries such as France, which appears to have significant shale reserves, are currently prohibiting shale extraction using existing technologies. Similarly, Germany appears to have reasonable shale

potential but is restricting exploration at present. Thus, there are territories which appear to have the potential to support a local shale industry, yet at present, due to concerns over the technologies currently available for shale extraction, progress towards unlocking the potential in these countries is being stifled.

Innovators seeking to exploit this emerging market are therefore faced with a dilemma: in which European territories do they seek patent protection? Do they take the less costly but risky approach of gambling on which territories might be commercially important over the next 10 to 20 years, and seeking patent protection in only those territories, or do they take the safer but much more expensive approach of covering all bases?

Under the current European patent system, a patent owner must at the point of grant nominate the territories in which the European patent is to be made to have effect. For a given country, the cost of this validation process will include an official fee payable to the national patent office and may require the filing of a translation of the patent specification into the national language of the territory. For a patent owner to validate its European patent in all EPC member states, the cost is significant.

However, help may be at hand in the form of the Unitary Patent Package. As explained elsewhere in this issue, the Unitary Patent will provide a single patent right covering all of the EU member states that have signed

up to the relevant agreements. Given that many of the countries which appear to have significant potential for being key shale territories are within the EU, the ability to cover all of these territories together via the Unitary Patent is of significant benefit to innovators within the European shale industry. We estimate that savings of between €25,000 and €65,000 (depending on the size of the patent specification) can be made at the validation stage by validating a granted European patent as a Unitary Patent rather than individually validating in each of the corresponding countries. More significantly, we estimate that the cost of maintaining a Unitary Patent over its full potential 20 year term could be reduced by as much as €125,000 in comparison to nationally renewing each national patent in the corresponding state.

Of course, it is not all about cost. Patentees should weigh up the potential cost benefits against other considerations such as whether the patents should be within the exclusive jurisdiction of the Unified Patent Court and the ability to drop the patent in individual countries, which will not be present under the Unitary Patent Package. However, we think that for the vast majority of innovators within this sector, the Unitary Patent will be viewed as a welcome commercial tool.



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## Intellectual Property

# Why doesn't every company have an IP director?

At a recent workshop hosted at our London office, a group of Intellectual Property strategy experts mused on the question "Why doesn't every company have an IP director?"

Intellectual Property is increasingly the cornerstone for business success, yet in many organisations responsibility for Intellectual Property is, at best, divided between several different departments (e.g. patents are covered by the technology or engineering function, whilst trade marks are the province of the marketing or legal department) or, at worst, is not picked up by any department, as each executive believes that IP is being looked after somewhere else in the business.

Such arrangements risk missing out on valuable IP, as IP is either not recognised at all or else is viewed too narrowly (e.g. as patents only), which can lead to IP such as copyright and trade secrets going unnoticed, and therefore failing to add value.

Moreover, such arrangements are not conducive to the consideration of IP issues at a strategic level. IP is rarely a board-level responsibility in these situations, so receives little board-level attention, except in exceptional situations such as when the organisation is sued for infringement of a competitor's IP.

As long ago as 2004 Bill Gates, then chairman of Microsoft, was espousing developing, at board level, a sophisticated understanding of IP issues, saying: "over the last 10 years, it has become imperative for CEOs to have not just a general understanding of the Intellectual Property issues facing their business and their industry, but to have quite a refined expertise relating to those issues... It is no longer the legal department's problem. CEOs must now be able to formulate strategies that capitalise on and maximise the value of their company's Intellectual Property assets to drive growth, innovation and cooperative relationships with other companies", whilst in 2014 Frans Van Houten, CEO of Philips, argued the same point more succinctly: "A business strategy without an IP strategy is no strategy".

The workshop identified plenty of examples where well-executed IP strategies had helped to add value to a business. In one such example a company with a small IP portfolio identified a target company with a complementary portfolio of IP rights and acquired the target company, thereby bolstering its IP position and helping it to counter a known challenge from a competitor whose patents were being infringed. The acquisition of the target company and its patent assets were key to enabling a defence strategy which enabled the company to retain its market share.

It's clear that significant benefits, including better decision making on IP issues (or even just some decision making!) can be derived from a strong appreciation at board level of the significance of Intellectual Property. But what would a senior role with responsibility for IP (called something like "Chief IP Officer" or "IP Director") entail?

IP issues will impinge on multiple different areas of a business, so a CIPO needs to be a senior employee with a strong understanding of the needs of the business as a whole. Rather than just managing patents and other IP, the role of CIPO involves developing a detailed understanding of the business and formulating effective IP strategies that will further the interests of the business. Accordingly, the role requires an IP strategist, rather than an IP manager.

The CIPO must engage with the Chief Information Officer, the Chief Technology Officer and General Counsel, as well as other functions such as human resources and IT in order to build this understanding, and marry it with their own expertise in Intellectual Property issues to develop these IP strategies. Good communication skills and an understanding of both technology and business issues are therefore prerequisites.

The CIPO must also have the authority and confidence to share their expertise in IP matters with the CEO and other executives in language that they will understand. A major part of a CIPO's role is to translate the jargon that is particular to the field of Intellectual Property into appropriate language, and to translate hard IP issues into business impact issues that can be understood by those who don't specialise in IP.

Additionally, the CIPO must be able to identify and capitalise on IP opportunities as they arise, wherever in the business those opportunities may come from, which further

highlights the need for the CIPO to be engaged with all areas of the business.

Aside from the improved decision making and better strategic use of IP that comes with the CIPO role, one of the clearest benefits of the role is that the CIPO becomes the single point of contact within the business for IP matters, and develops a corporate memory on the specific IP challenges and benefits within the sectors of the business.

All organisations create Intellectual Property and should have a plan for collecting, understanding, monitoring and enforcing their rights.

Of course, even the most confident, knowledgeable and authoritative CIPO will struggle unless the Board understands that IP and the role of CIPO are important to its business; if there is recognition at board level of the significance of IP, half the battle is won!

All organisations create Intellectual Property and should have a plan for collecting, understanding, monitoring and enforcing their rights. The plan should be strategically aligned with the company's business goals. To enable such understanding and alignment, all businesses should ensure that someone "owns" the Intellectual Property remit. In an ideal world all organisations would have a role of Chief Intellectual Property Officer, to enable proper interdisciplinary understanding and to benefit from the hugely valuable intellectual assets being created on a daily basis by the business.



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## Patents

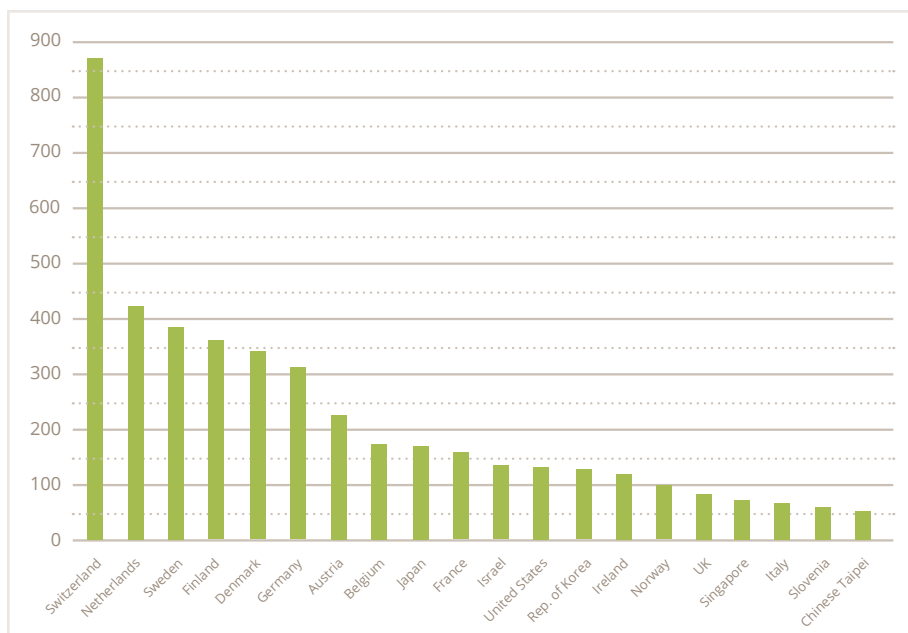
# Is the UK one of the least inventive countries?

A recent document published by the European Patent Office (EPO) includes a graph which claims to be “measuring inventiveness” of the world’s leading economies using the ratio of European patent filings to population<sup>1</sup>.

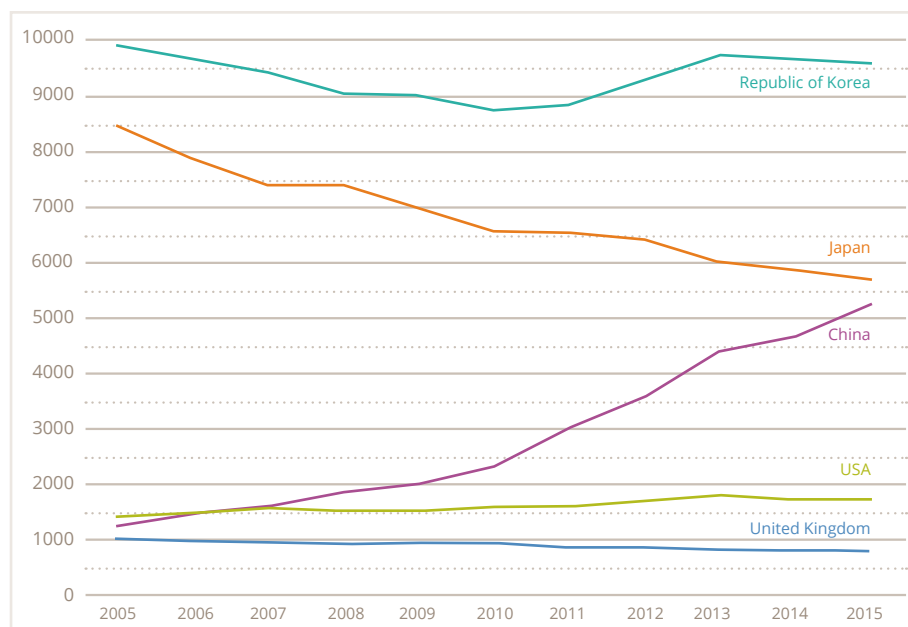
The data, reproduced in the graph (top right), shows the number of European patent filings per million inhabitants in 2015. Switzerland comes out on top, with 873 applications per million inhabitants, whilst the UK sits 16th on the list with only 79 applications per million inhabitants. This means that Switzerland has over ten times as many European patent filings as the UK, per million inhabitants.



European Patent Filings per Million Inhabitants in 2015



Resident Patent Filings per £100 Billion GDP



Additional data, provided by the World Intellectual Property Organisation (WIPO)<sup>2</sup>, shows resident patent filings per £100bn GDP for the last 10 years - see the graph above. The UK is at the bottom of the pile, flat-lining at only about one filing per £100m GDP. In 2015, the USA beat the UK by a factor of about two and Korea beat the UK by a factor of over ten.

These graphs show slightly different things. One shows European patent filings, the other shows resident patent filings (i.e. filing in a resident's "home" patent office). However they both make the same point loud and clear - UK companies file significantly

fewer patent applications, in relative terms, than their competitors in other countries.

What is less clear is why the numbers are so low. Broadly speaking, there are two possible explanations.

One is that the UK really is less inventive than the rest of the world - as the EPO graph would have you believe. We would like to think that's not true - the UK is renowned in the world of innovation, with UK inventors famously having invented the telephone, the world wide web, and recently even the holographic television, to name but a few.

A more plausible explanation is that the UK has a different patent filing "culture", which originates from a number of factors:

- There is a lower general awareness of the value of patents
- Some UK tech companies attempt to obtain competitive advantage in other ways, for example by going to market as quickly as possible or relying on trade secrets
- Much of UK innovation originates with smaller enterprises who are either not aware of the value of patents, or who find the costs involved in obtaining patents prohibitive (compare this with Samsung and LG who account for Korea's top ranking)
- If they do file patents at all, UK companies often file a single all-encompassing "blockbuster" application, compared with Japanese or Korean companies which tend to file a series of applications for incremental improvements, creating a so-called "patent thicket"
- Some UK innovation is in sectors not traditionally associated with patents - for instance computer games or financial technology

Bear in mind that the UK's anti-patent culture is by no means universal - just ask ARM Holdings. SoftBank's £24bn takeover was the biggest ever tech deal in the UK, and the majority of that value can be attributed to ARM's patent portfolio.

So the reasons are many and varied, but the message to UK companies is clear: your international competitors are likely to be filing more patents than you, and you need a strategy that takes this into account. This might involve filing more patent applications, or simply becoming more aware of your competitors' patent portfolios.



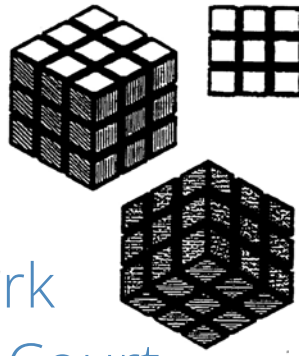
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## Trade Marks

# The final twist: Rubik's Cube trade mark declared invalid by EU Court



In a recent decision of the Court of Justice of the European Union (CJEU) the European Union trade mark registration for the famous Rubik's Cube was declared invalid. This marks the end of a 10 year tussle over the registrability as a trade mark of the world's best-selling toy of all time.

The trade mark in question is Seven Towns Ltd's 3D trade mark (depicted above) for "three dimensional puzzles".

This was first registered as an EU trade mark on 1 April 1996.

In 2006, a German toy manufacturer, Simba Toys GmbH & Co. KG, applied to invalidate Seven Towns' registration, on the basis that the trade mark is a shape which is "necessary to obtain a technical result", i.e. that the internal rotating capability of the cube is a functional element that should not be protected by trade mark law.

An important principle that is applied when assessing 3D shape trade marks is that registered trade marks should not grant a monopoly for technical solutions. That is the preserve of patents.

An earlier decision of the General Court (GC) had upheld the validity of the Rubik's Cube mark. The GC had taken the view that inferring the existence of an internal rotating mechanism from the graphical representations of that mark would not have been appropriate, particularly due to a lack of sufficient certainty. In other words, the graphical representations of the trade mark did not provide a direct indication that the cube was capable of rotation due to its internal constituent parts.

With this in mind, the CJEU affirmed that "the essential characteristics of a shape must be assessed in the light of the technical function of the actual goods concerned". Unlike the GC's consideration that the assessment must be made objectively, the CJEU directed the assessment to the actual goods at

issue. For the Rubik's Cube shape mark, this meant examining the rotational capabilities of the puzzle by virtue of its interior mechanics.

For this reason, the CJEU held that the non-visible elements of the graphic representation of the 3D shape mark had to be considered. As they had a technical function, the trade mark was declared to be invalid.

This decision highlights the interplay between patent and trade mark law. For functional elements, such as the rotational capabilities of the Rubik's Cube, trade mark registration is not the appropriate means of protection; the eternal monopoly granted by a trade mark registration is not appropriate for technical solutions. Instead, patent protection should be sought for technical aspects of a product. If registered trade mark protection were available for such technical aspects, this would be at odds with the public policy of allowing technical solutions to become freely available to the public after the expiry of any patent rights.

The invalidation of the Rubik's Cube EU trade mark registration could see its manufacturers face competition from imitations. It will also act as a prompt for owners of 3D shape marks to review their trade mark portfolio to ensure that their registrations are not vulnerable to invalidation due to their underlying functionality.



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