

INTELLECTUAL PROPERTY

JUNE 2012

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Annual Review • June 2012

Intellectual Property

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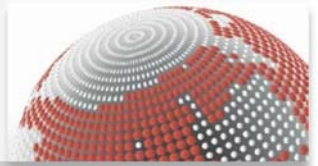
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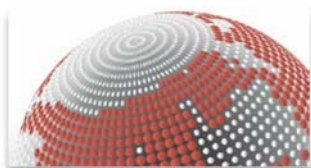


Have there been any recent legislative or regulatory developments in the United States that will affect intellectual property going forward?

Last year saw the most significant revisions to the US patent laws since 1952. Among the most significant changes, the US will shift to a 'first-to-file' system for patent applications, bringing it in line with the rest of the world and eliminating so-called 'interference' proceedings in the US Patent Office. There will be new post-grant opposition proceedings in the Patent Office, plus *inter partes* review for issued patents, providing new ways to challenge the validity of patents without the substantial cost of litigation. The new patent laws also create 'prior user rights' for those who first commercially use inventions, protecting the rights of early inventors and companies that invest in factories and manufacturing processes.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

The most important case was *Mayo v. Prometheus*, in which the Supreme Court invalidated a patent on a medical diagnostic method because it covered a 'law of nature' and the method otherwise involved conventional steps. The patented method adjusted the dosage of thiopurine drugs in patients based on measurements of certain metabolites in their blood. While doctors welcomed the decision, stakeholders in the fields of personalised medicine, diagnostic methods, and other biological inventions may not be as willing to invest in the research needed to find similar methods after this decision. In another important case, *i4i v. Microsoft*, the Supreme Court maintained the higher evidentiary standard of 'clear and convincing evidence' for proving an issued patent invalid in court. A lower standard of 'preponderance of the evidence', argued for by Microsoft, would have greatly devalued patents and companies' patent portfolios.



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In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

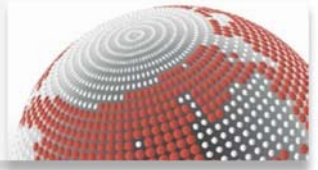
Most technology companies today know the importance of intellectual property to their businesses. In technology areas where many patents may cover a single product, a company will want to have a large enough portfolio for defensive use in negotiations or litigation. Start-up companies will want patents to allow them to attract funding or make them more attractive for acquisition. Effectively managing an IP portfolio may also include identifying acquisitions to strengthen or expand an existing portfolio, prioritising assets with a view toward licensing or even selling marginal assets to generate revenue, and donating or even abandoning some assets to reduce costs.

What advice would you give companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

Effective IP protection has to be built from the ground up. Too often, a company facing increased competition looks to its patent portfolio only to find that the cupboard is bare. So as a first – and most important – step, a company must capture its innovations in valid and enforceable patents. This takes time. It also takes an intimate knowledge of the business, whether it is in-house or outside patent counsel. Armed with that knowledge and a matching patent portfolio, monitoring potential infringement follows naturally. Once potential infringement is uncovered, however, then action should be taken without delay. The initial action can range from a notice letter and an offer to enter licence negotiations to filing a lawsuit and pursuing a preliminary injunction.

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In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

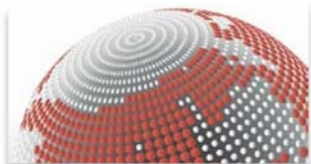
Obtaining an accurate and comprehensive intellectual property evaluation is critical to any transaction, whether it is a merger, acquisition, joint venture or investment. Ideally, IP due diligence investigations should be done at the start of negotiations, allowing time to value the IP portfolio and address issues that may influence the deal. Areas that need to be addressed include pending or potential litigation, the assignability of a company's IP agreements, and the scope and ownership of IP rights.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

Over the last decade there has been an increase in enforcement of IP rights – whether by licensing or litigation by non-manufacturers who do not themselves practice the patents, sometimes called 'nonpracticing entities' or 'NPEs'. The patents are often acquired solely for the purpose of enforcing them against companies that are already using the patented technology without even knowing it. Once a target company is aware of a potential infringement claim, it should seek the advice of competent patent counsel. Although not necessary to avoid a finding of wilful infringement – and possible increased damages – advice of counsel is one of the best ways to show that the company's position was reasonable.

What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

Although it is often an afterthought when concluding a licence agreement, attention should be paid to future dispute resolution. I would recommend more than a standard arbitration clause that refers to a particular set of rules or an organisation, although that is better than nothing if the parties want arbitration



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over litigation in court. Careful thought ahead of time on how the arbitrators will be selected, deadlines, and limits on discovery, for example, can significantly reduce future costs and provide quicker resolution of any disputes.

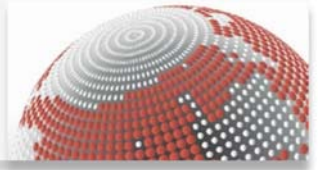
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Mike Jakes has broad experience in all aspects of patent law, concentrating his practice on patent litigation and related counselling. He has been lead counsel on many patent cases, including trials in federal district courts and the US International Trade Commission (ITC), and before arbitration panels. He deals mainly with computer, electronics, semiconductor, software, and medical device technologies. The leader of the firm's appellate practice, Mr Jakes has vast experience at the US Court of Appeals for the Federal Circuit, where he has argued over 25 appeals and prepared and filed briefs in many more. He is a member of the Federal Circuit's Advisory Council, appointed by the chief circuit judge.

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JORDANA SANFT, NORTON ROSE CANADA LLP

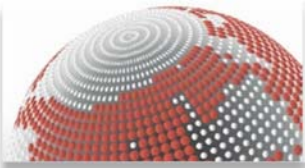


Have there been any recent legislative or regulatory developments in Canada that will affect intellectual property going forward?

An amendment to the *Patent Rules* introduced on 3 March 2011 allows the Commissioner to expedite the prosecution of an application when the invention is related to green technology. Further, the *Regulations Amending the Patented Medicines (Notice of Compliance) Regulations* came into force on 25 March 2011, bringing in a new category of drug submission for Extraordinary Use New Drugs (EUND). There were also amendments to the Canadian Domain Name Dispute Resolution Policy (CDRP) that took effect on 22 August 2011, including a broadening of the scope of rights protected under CDRP, allowing for greater flexibility for the bad faith and legitimate interest provisions by making them non-exhaustive, and eliminating the requirement of generic domain name registrants to show that the generic or descriptive term is used with an active website in substantiating a legitimate interest. Finally, over the last year, proposed legislative changes to the Canadian *Copyright Act* have resurfaced in *The Copyright Modernization Act (Bill c-11)*. Passage of this bill looks likely.

Could you outline any high profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

In the area of business method patents, the Federal Court of Appeal rendered the 'Amazon.com decision' (2011 FCA 328). The FCA confirmed that Canadian jurisprudence did not exclude the possibility of business method patents from patentability. Following the FCA decision, the Commissioner of Patents allowed Amazon.com's patent. In the context of pharmaceutical patent litigation, May 2012 saw the first Federal Court decision regarding the quantum of damages pursuant to section 8 of the *Patented Medicines (Notice of Compliance) Regulations* ('PM(NOC) Regulations'). In this much anticipated judgment, the Federal Court provided guidance on key issues including the scope of the claim and the period of recovery available to generic manufacturers, seeking damages from innovative companies, resulting from the statutory stay arising under this regulatory regime. The most significant Canadian trade mark decision in 2011 was *Masterpiece Inc v. Alavida Lifestyles Inc*. 2011 SCC 27. The Supreme Court of Canada (SCC) opined on several issues, including the test



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for confusion and consideration of factors impacting the likelihood of confusion. The SCC also provided guidance on the use and need for expert evidence in trade mark cases. In terms of copyright, the Supreme Court of Canada, in this last year, heard five appeals which will have significant impact on Canadian copyright law and in particular in the area of communications rights and fair dealing.

In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

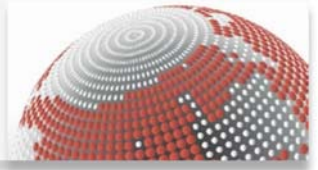
Clients could be doing more to effectively manage their IP portfolios. Companies need to conduct an intellectual property audit to assess what IP they have and what IP they need to succeed in the marketplace. The audit should take place at least annually and should consider factors such as: IP identification procedures, protection of the company's most profitable products and services, employee and contractor rights, competitor activity, technology needs, dormant technology, and assessing the resources allocated for the foregoing. In some technology sectors companies need to strategically plan for threats from non-practicing entities, sometimes pejoratively referred to as 'patent trolls'. Conversely, an IP portfolio may be effectively monetised by strategically asserting unexploited patents in a troll-like manner. Companies are increasingly finding ways to do this. Companies also need to assess how they are branding their products and services. This is particularly important with the emergence of the evolving social networking environment. The review may include assessing brand licensing, perception and consistent use of branding in the marketplace, and product and service quality associated with company trade marks.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

Companies should know why they have patents. Patents have been traditionally used to exclude competitors from making, using and selling the company's patented products and methods. Patents may be employed for other uses such as marketing by making the fact that the product is patented part of the marketing campaign. Patents may also be filed to attract investment in the company, or to attract a purchaser of the

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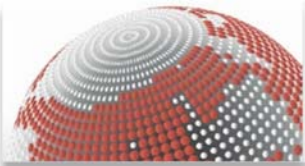
entire business. Advice can be affected by the foregoing motivations for patenting. For example, if the patents are being used as marketing tools then enforcement is not as important. Conversely, if patents are filed to block a competitor's product trajectory, then an aggressive policing and enforcement program is paramount. Since IP rights are essentially national, the emergence of the global marketplace means that the task of strategically managing IP requires more effort, coordination and greater expense.

In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

If IP is a material asset in the transaction, then it is essential that an IP due diligence plan be put into place and executed. For transactions including significant IP assets, it will often be time or cost prohibitive to conduct exhaustive due diligence. Our firm has been involved in transactions including thousands of patents. Assessing each patent could take several hours per patent. Hence, the review must be strategically planned to comprehensively assess the key IP, while cost effectively assessing the remaining IP. At a minimum, acquirers must assess the ownership of the IP, including a review of any encumbrances such as licence terms and liens. Acquirers should also assess the validity of the IP. If time and budget permits, the scope of the IP should also be assessed. Finally, an analysis of competitor IP may be conducted to determine the extent to which the target company's IP may be exploited.

Are you seeing any recurring themes in IP related disputes? What steps should companies take as soon as an IP dispute surfaces?

Canadian IP disputes and practice continues to see the elusive search for balance between protection for IP rights holders and encouraging innovation versus market accessibility. In recent years Canadian courts and practice notices have also expressed interest in promoting more efficient and more cost effective mechanisms to resolve IP disputes. When an IP dispute surfaces, IP counsel should be contacted to ensure rights and interests are protected. IP counsel can also assist with evaluating litigation and commercial resolution options. Depending on the circumstances, consideration



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may also need to be given to the potential of parallel disputes in other jurisdictions and coordination of such efforts, where appropriate.

What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

Companies ideally should have their IP contracts in place *before* the IP is created, and certainly before the IP is commercialised. When licensing IP – whether in or out – it is important that companies minimise their representations and eliminate, if possible, any indemnities. With the potential for massive IP infringement damages – sometimes in the hundreds of millions of dollars – companies must carefully consider the risk of an indemnity claim against the value of the contract. To address disputes, the governing law and venue provisions must be considered carefully, as some jurisdictions may be more or less advantageous. It may also be useful to consider including a provision requiring that disputes be resolved by the presidents of the contracting parties. Failing that, mediation, arbitration or the courts may be used and appeal mechanisms should be considered.

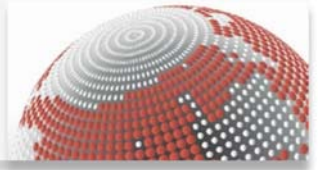
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Jordana Sanft practices in all areas of intellectual property law, with an emphasis on complex patent and trademark litigation. She is a registered patent and trademark agent. Ms Sanft has particular experience in matters involving the pharmaceutical industry, including infringement and validity actions as well as proceedings under the Patented Medicines (Notice of Compliance) Regulations. Her trademark experience includes advocating before the courts and specialised tribunals as well as advising clients on portfolio strategy and management. She regularly works with clients in respect of the enforcement of their intellectual property rights.

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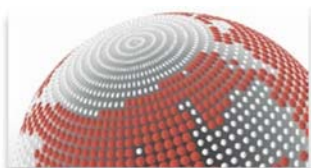


Have there been any recent legislative or regulatory developments in the United Kingdom that will affect intellectual property going forward?

There have been a number of developments both recent and under discussion. In Europe, the proposal to introduce a Community Patent is close to becoming a reality subject to agreement being reached over a unified Patent Court for Europe. If that can be agreed, it will make a huge difference to patent strategy and enforcement in the EU, moving from litigation in multiple countries with the possibility of inconsistent decisions to a single decision making process subject to a central appeal court and hopefully, once some case law has built up, more predictable outcomes. Staying with patents, in the US the 2011 America Invents Act makes significant changes to the process for obtaining a patent and to third parties' ability to oppose a granted patent, though it does not really harmonise the US with the rest of the world. Companies will need to examine their own processes to reflect both these sets of changes.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

It is difficult to select just a few decisions, but I think the English Court of Appeal's approach in *Schütz v. Delta Containers* is worth bearing in mind for any company involved in recycling or refurbishing products. Delta were held to have infringed Schutz's trade mark when they replaced the bottle in a second-hand Schutz container despite putting a disclaimer on to say the bottle was not a Schutz bottle. The Court of Appeal set a very high standard for such a disclaimer to be effective, and Delta had not done enough. It will make that sort of refurbishment activity more risky and companies will need to make sure they do not risk being seen to be trading on someone else's goodwill. Another interesting case is *Temple Island Collection Ltd v. New England Teas*, which throws into doubt how much re-working of an existing copyright image is needed to avoid infringement. The artistic effort put into photo-shopping a classic tourist shot of Parliament was enough to make a separate photograph, similarly treated, an infringement.



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In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

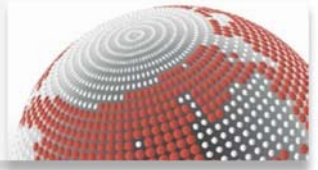
The traditional IP-rich industries are very sophisticated in their use of IP protection to maintain market share with product lifecycle strategies designed at the beginning of product development, but it is no longer just pharmaceuticals or the film and music industries who depend on IP. The key consideration is identifying the right forms of IP for the nature of the product – there is no point spending time and effort registering rights giving 20 years protection if your product has an effective shelf life of 18 months. At the other end of the spectrum, a policy of early registration of rights over potentially important products can leave a company with a portfolio of rights it is not in fact using, but is still paying for. It is a question of regular reassessment of which rights are genuinely adding value.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

Patents are the strongest form of IP a company can have, but the value of a patent which is not enforced is going to diminish rapidly as soon as one competitor is seen to be infringing it with impunity. Why should other competitors keep off the technology, or pay licence fees, if someone else is using it for free? So patent enforcement really is a necessity not a luxury when it comes to the core technologies a business relies on. And that means constant vigilance: analysing new competitor products as soon as they start appearing at trade shows or being offered as samples, in order to find out about any infringement as soon as it is threatened and either get it off the market or put a licence in place.

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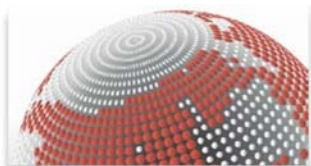


In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

I would be rather taken aback if anyone disagreed with that. So many companies' true value resides in their IP, whether their brand or their technology, that not to check it out before acquiring the company is totally reckless. Corporate lawyers don't always think about it though, because they come into the transaction when the deal is already agreed in principle, including the price, so the basis for that valuation is no longer explicitly on the table. An acquirer needs to verify that the target actually owns the rights which give it the reputation or allow it to use the technology; it is not uncommon for chains of ownership to prove incomplete when one comes to look into it, or for IP ownership to be held in a company which is not the operating company, so definitely not something to take for granted.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

One theme of recent IP disputes has been the overlap between technical standards and IP rights, reflecting the global nature of markets today. There has also been a series of disputes over the protection of content online, as the courts work through the legal implications of the brave new world of the internet. The first thing to do when an IP dispute surfaces is a thorough analysis of the legitimacy of the claim. Frequently, IP owners have a rose-tinted view as to the strength and scope of their rights, and it may be possible to head off a dispute before it goes too far by identifying weaknesses in the claim. It is also prudent to verify the subsistence and ownership of any rights in dispute beforehand – multinationals sometimes find a group company far removed from the company commercially interested in the product owns the rights, which can be embarrassing.



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What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

One key issue that comes up time and again is ownership – particularly where companies collaborate on a project, there is a temptation simply to provide for joint ownership of any resulting IP. But in practice that is a recipe for disputes, since under many laws joint owners can only assign or licence the rights jointly, and getting agreement on terms is often challenging once the collaboration has finished. Where IP is being licensed, it is essential to spell out clearly what the licensee can and cannot do, and what happens if the right owner decides to let it lapse, or to sell it to a third party. As regards clauses specifically aimed at the possibility of future disputes, the only critical thing is to have a clause setting out a mechanism the parties can fall back on if and when a dispute arises. Some may be better than others, but any is better than none.

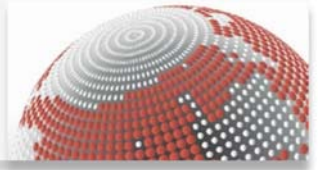
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Lorna Brazell is a partner at Bird & Bird LLP. She specialises in the protection of intellectual property in all its forms. Her experience spans both drafting and negotiating commercial contracts for the creation, transfer or licensing of intellectual property and the enforcement of rights through mediation, arbitration and litigation in the High Court and Patents County Court across a range of industries. Ms Brazell has experience of managing pan-European and global (including US) patent actions and is listed in the International Who's Who of Patent Lawyers 2009 – 2012.

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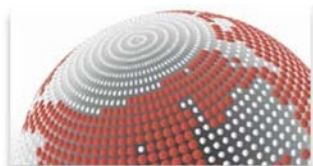


Have there been any recent legislative or regulatory developments in Germany that will affect intellectual property going forward?

The opposition period for German patents will rise to nine months, as is already the case for European patents, giving a more uniform handling for both patents. Moreover, the old three month period was very short, especially for foreign opponents. Furthermore, there are ongoing discussions on whether to allow multiple design applications for different classes of goods. This could make it possible to register up to 100 designs from up to 100 classes of goods within a single multiple industrial design application. This would be much easier for the applicant but make patent searches far more challenging.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

In the decision 'Okklusionsvorrichtung' X ZR 16/09, the Supreme Court pointed out that the applicant is responsible for a sufficient scope of protection of his patent. Parts of the description may be used to understand claims, but if there is anything in the patent description which is not found in the claims, there is no way of obtaining protection on that. For example, if different embodiments for solving a problem are contained within the description but only one of those embodiments is mentioned in the claims, there is no way of obtaining protection for the other embodiments, including by way of equivalent infringement. That gives a clear rule for equivalent infringement cases and makes it easier to estimate the scope of protection. On the other hand, in the decision 'Installiereinrichtung II' X ZB 6/10, the Supreme Court clearly stated that there is no need to provide an explicit hint to a person skilled in the art, to combine state of the art teachings to make the result obvious. This decision confirms our understanding of the assessment of the inventive step. In practice, the bar for an inventive step in Germany is still reasonably high.



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In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

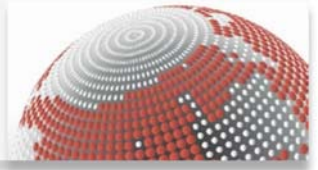
The importance of proper IP portfolio management is becoming more understood. But, there are still notable deficiencies. In small and medium sized companies the owners often intuitively know their needs and what is important. This may come from the fact that they are already concerned with economic questions as well as with development and IP matters. In larger companies it is often more complicated to investigate the needs and goods. The cost of maintaining an extensive IP portfolio is likely to rise exponentially – more so, depending on the global reach of the company's operations. Thus, it is essential to get an idea on the worth and importance of single protective rights or families, and identify the key values of a patent as quickly and objectively as possible.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

If a protective right is not policed and monitored, value will be derived from it only by accident. You are essentially trusting your competitors to respect that right. If you do not enforce the rules, very few people will care for them. Thus, taking out patents in countries where you are unable to identify an infringement does not seem particularly valuable. The same is almost valid for countries in which you are not able to enforce a patent. Then, the IP portfolio is reduced to a large and expensive bouquet of protective rights. My view is: define your key markets or main areas of competitors or distributors. Get a strong position of IP rights there and enforce them. Take care of other countries only upon changes in your definitions.

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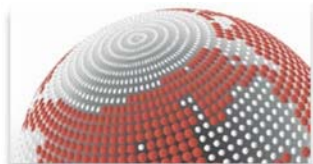


In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

M&A without IP due diligence is like sleepwalking on a highway – very dangerous. Without a well positioned IP portfolio the value of all other assets might be worthless. If your products infringe foreign rights you might not be able to sell them. If key technologies are blocked you might get only a tiny part of the cake. If the trademarks are already used by all others in the market, they might be ready to cancel. And last but not least, what about the handling of employees' inventions? A few years ago the Supreme Court in Germany pointed out that patents on employee inventions still belong to the employee if they have not been properly handed over to the employer as applicant. This can have dramatic results if important patents have to be assigned to a former employee who left to join a competitor. Thus, the value of an IP portfolio often exceeds that of buildings and machinery. But it can be significantly reduced if major missteps have been made in the past.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

Often companies spend a lot of time and money in development but overlook protective rights entirely. After the development is finalised it is too late for a freedom to operate investigation. Searching for already found solutions at an early stage of the project helps to avoid wasting human and financial capital. Often the problem has already been solved earlier. If the engineering department is provided with good information concerning other solutions, it is much easier for them to find a new and better way. The risk of infringing foreign rights is also greatly reduced. As soon as an IP dispute surfaces, it is strongly recommended to find the weak point of the opponent. Is there any important prior art? Is there any prior use? What about ownership rights? Is there a basis for cross-licensing? Is the opponent clean concerning unfair competition? That said, it is very important, before starting unfair competition action, to carefully check your own homepage, brochures, and so on.



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What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

A good way to avoid a lot of disputes arising from an agreement is a solid preamble. This should contain the intentions and aims of the parties as well as the status quo before the agreement. Such a preamble can be an enormous help in a dispute as it may help to define what is meant in the clauses if there is any disagreement in their meaning. At least, it will assist the court in finding out the aim of the contracting parties. Furthermore, in any kind of non disclosure agreement there should be a sufficiently high penalty clause. As far as patents, inventions and development cooperations are concerned, it should be stated who will be the owner of common inventions and which rights the other party gets, if there is the obligation to inform the other party, and what to do with licences for key technologies for marketing the inventions.

UDO TAPPE

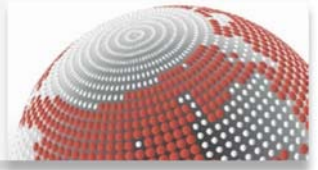
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ADVOKATER

Dr Udo Tappe is a partner at Zacco Dr. Peters & Partner, a part of Zacco, one of the biggest European IP firms with 14 offices in five countries (Denmark, Sweden, Norway, The Netherlands and Germany), more than 200 attorneys, and 500 employees in all. Mr Tappe is resident in the Bremen office. His main focus is on patent drafting, prosecution and litigation. He has more than 14 years of experience in the IP field, with work in nearly all important German IP courts including the Supreme Court (BGH) in Karlsruhe.

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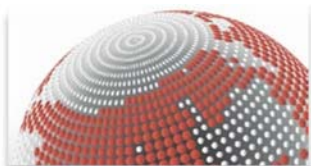


Have there been any recent legislative or regulatory developments in France that will affect intellectual property going forward?

As is often the case, French law is rich in new developments. The law of 17 May 2011 (*Loi n° 2011-525 de simplification et d'amélioration de la qualité du droit*) has recently harmonised the provisions of the Intellectual Property Code related to arbitration. As a result, the right to resort to arbitration in the event of an intellectual property dispute is now based on common law provisions and available for each type of intellectual property right. The law of 20 December 2011 (*Loi n° 2011-1898 relative à la rémunération pour copie privée*) has modified the French legislative framework pursuant to which digital materials are subject to the payment of a fee in order to compensate for authors' royalties. The law has provided that the original copies must have been obtained by lawful means and that buyers acquiring the digital materials for professional purposes will be exempted from paying the fee at the time of purchase or reimbursed. In addition, a bill aimed at strengthening provisions relating to the infringement of intellectual property rights was presented to the Senate on 17 May 2011. It provides for the increase of the amount of the damages and clarifies the procedures of seizure order, customs withholding and right to information.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

Among recent decisions, the French Supreme Court decision in the eBay saga, dated 3 May 2012, should be quoted first as it provided interesting clarifications as regards jurisdiction in case of infringement on the internet, and eBay's liability. On the first issue, the court held that the mere fact that a domain name included a generic top-level domain (TLD) such as '.com' and was available to French internet users was not sufficient to found the French courts' jurisdiction. However, finding that ebay.fr repeatedly urged internet users to visit the website ebay.uk, so as to expand their search, and that the two websites were complementary, the French Supreme Court ruled that the website ebay.uk was directed toward French internet users and that French Courts had jurisdiction. On the second issue, the French Supreme Court ruled that eBay provided information and services to sellers so as to enable them to optimise their sales and send unsolicited



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emails to buyers so as to prompt them to purchase items. Since eBay was not a mere host, it qualified as a broker and did not benefit from the provisions of Article 14 § 1 of Directive 2000/31 regarding (limited) liability for hosting activity.

In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

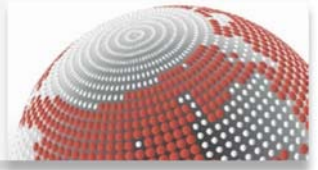
But for noticeable exceptions, IP portfolios are often not effectively managed by companies. When managing their intellectual property rights, companies should address two main issues but for registration: maintenance and enforcement. A company must ensure that the required steps for maintenance of the IP portfolio are taken. For instance, patent or trademark rights require genuine use for maintenance. Failure to do so would expose the owner to patent compulsory licensing or trademark revocation. Trademark owners in particular should pay close attention to the potential generic uses of its trademarks by third parties. French and European trademark laws provide that a trademark may be revoked if, in consequence of the acts of the proprietor, the trademark has become the common name for a product or service in respect of which it is registered and the proprietor has not taken sufficient measures to prevent it. In order to prevent such generic uses, companies exposed to such risk are recommended to implement surveillance tools, provide guidelines to authorised distributors, launch communication campaigns, send cease and desist letters, and so on. Another critical formality is the renewal of the registered intellectual property rights and the payment of the related fees within the time limit.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

In today's global marketplace, it is crucial to closely police and monitor IP rights. Indeed, in the scope of intellectual property litigations, defendants not only focus on contradicting the claimants' argumentation, they almost systematically raise counter claims challenging the validity of the claimants' alleged IP rights. For instance, defendants are often tempted to question the novelty of the alleged patents or the distinctive character of the invoked trademarks. Trademark owners should also be cognisant that a trademark which is

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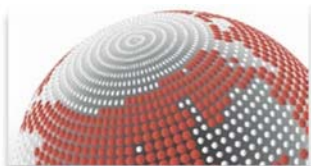
not genuinely used for a duration of five years may be subject to revocation. Worse, a mismanaged portfolio may delay or even jeopardise the signing of a transaction.

In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

Depending on the activity of the concerned companies, IP due diligence may be considered as an essential or incidental part of M&A transactions. However, all significant companies have substantial intellectual property rights, which usually constitute some of their most valuable assets. The potential purchaser needs to address a number of issues with regard to each identified intellectual property right including, among others, details of any existing or threatening claims, actions, proceedings or disputes relating to intellectual property rights owned or used by the target company; details of all assignments, licenses or other authorisations, and research & development agreements; and details of all encumbrances, mortgages, fixed or floating charges relating to the intellectual property rights. Depending on the key findings, the potential purchaser should obtain the related warranties from the seller or negotiate the acquisition price.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

We have recently observed the following trends. First, as cases often present a cross-border element, we have noted a trend towards forum shopping. Some claimants do not hesitate to seek jurisdiction of the court that they deem most likely to provide a favourable judgment. Should a court be known to provide quick and lenient decisions, a claimant may choose to bring an action before such a court rather than the 'natural' court. The judgement rendered will then be invoked to strengthen claims before a more severe court or to prompt the adverse party to enter into a settlement agreement. Please also note that parties tend to ground their claims on community trademarks, rather than French trademarks, in order to found the jurisdiction of the Court of Paris. Second, litigants tend to adopt a more economic approach, as regards both the means of proof and the assessment of damages. In the scope of intellectual property litigations, parties increasingly rely on market surveys, statistical studies or consumer



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behaviour analyses, notably to demonstrate the likelihood of confusion in the public's mind. Itemised accounting reports, elaborated by private companies, also efficiently support damages claims. Such trends may be understood in light of the courts' growing generosity. Indeed, infringed parties have lately been granted significant reimbursement of the costs incurred.

What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

Companies should first determine whether they want to assign (or be assigned) or only licence (or be licensed) the intellectual property rights at stake. Companies should then decide whether the assignment or licence will be in whole or in part. In R&D agreements, joint ventures, cooperation, close attention to ownership of joint (or not) developed IP and to ensuring the secrecy of confidential information should be paid. Companies must ensure they comply with the formalities required for each intellectual property right. From a practical standpoint, assignments and licences should always be in writing and registered with the relevant office, if applicable, for enforceability against third parties.

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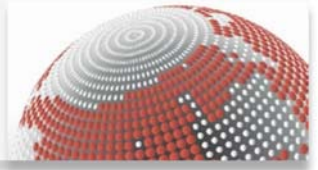
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Emmanuel Baud handles complex litigations for French and international clients in intellectual property law and technology and software, as well as unfair competition and passing off matters before national and European jurisdictions and institutions. He assists clients in drafting and negotiating contracts involving IP rights, notably licensing and transfer of technology. He also advises clients on IP strategy. In addition, Mr Baud has a great deal of litigation and transactional experience in the fields of patent, trademarks, copyrights, designs, personal data and protected geographical indications. He regularly writes articles on IP related issues in French and international publications. He is the former President of APRAM (2010-2012) and a member of INTA.

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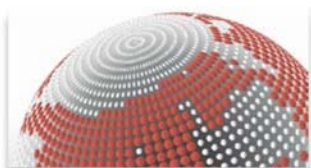


Have there been any recent legislative or regulatory developments in Spain that will affect intellectual property going forward?

The financial crisis and the economical contention measures adopted by the government have brought a severe reduction in public funding to R&D activities carried out by public institutions and private companies partially funded by public funding. This obviously will decrease the level of innovation by universities, public hospitals, and so on. In addition, after the *Padawan* case, the Spanish government suppressed in December 2011, with effect from 1 January 2012, the copyright levy system regulated by the Spanish Intellectual Property Act. A new system is still to be modelled and approved by Parliament. The absence of a provisional legal system is generating important issues between distributors, importers, manufacturers and collecting societies. Imminent legal actions are expected to recover the levies that cannot be recovered from the final consumer following abolishment. Finally, Spain is out – hopefully temporarily – of negotiations toward a Community Patent due to other Member States' reluctance to accept Spanish as the official language of this system. The initiative is now being pursued by the rest of the Member States by means of reinforced cooperation.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

The most important court cases during the last year came from the Supreme Court and Appellate Courts. A series of Supreme Court decisions granted a patent right over a product claim for innovator drugs which could only be protected as process patents due to the prohibition of patentability of chemical and pharmaceutical compounds under the old Spanish patent law. Although the prohibition was derogated at the time Spain joined the European Community and the European Patent Convention Treaty in 1986, the effects were protracted to the patents filed until 7 October 1992, due to the temporal reservation introduced by the Spanish Kingdom. According to the Supreme Court, the direct applicability of the TRIPS Agreement, in force in Spain since 1 January 1996, did anticipate the derogation of such prohibition. Such decisions provide patent enforceable rights to pharmaceutical companies in order to seek cease orders and



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damages derived from the marketing of generic drugs that would fall under the restored scope of such rights, which has a quite negative impact in the generic drug industry, let alone the legal uncertainty created under this scenario. A commercial court sitting in Barcelona has indeed granted preliminary injunctions against generic companies on these legal grounds. However, the issue is far from being settled, for another Barcelona commercial court has very recently issued a refreshing interpretation that could mitigate the effects of the above Supreme Court decisions.

In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

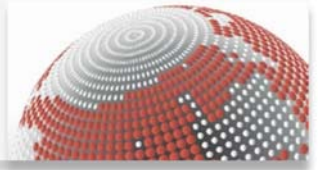
In general terms, companies are doing well with their IP portfolio. An education on how achieve further optimisation is needed from time to time given the fast developments of national and international legislation. Companies need to get acquainted with the basic principles of intellectual property rights and further legal and jurisprudence developments. Another key consideration for companies is to assess which protection methods are best for each and any IP asset in specific circumstances, and decide which should be prioritised. Lastly, companies should clearly establish the terms and conditions governing the ownership of the IP rights that could be generated from employees. Companies should understand that IP assets are key to their sustainability and in most cases the most valuable right.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

Good patent protection makes it easier to obtain a successful enforcement. Companies should rely on experienced patent attorneys to draft the corresponding patents to get the most of the patented matter and to get advice on how best to pursue a patent application among the several options that current legislation offers, including EP patents, and national patents with or without patentability examination. Enforcement is costly. Constant policing and monitoring might reduce costs and effort for patent owners, by not allowing infringements to grow in importance. Clearly, the stronger a patent is protected and the sooner the infringement is spotted, the more success

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a patent owner can achieve. This is especially burdensome in a global marketplace where monitoring needs to be carried out across continents. An international law firm might be in the best position for such a task.

In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

IP rights represent, in most cases, the most valuable asset of a company. The sustainability of a research or innovative goods company rests on the walls erected to protect such value – that is, its IP rights – which will prove to be defensive if they are well managed. Experience shows that the EBITDA originally set for calculating the price of a target company often proves to be excessive once IP due diligence has been carried out. It is essential for the acquirer to obtain an exact picture of the prospective IP rights of the target company. Acquirers need to be exhaustive in auditing every possible and potential IP right of the target company, including patents, utility models, industrial designs, trade marks, trade names, domain names, plant varieties, semiconductor goods, rights in rem, rights to apply, right extensions, know-how, and so on. This implies checking maintenance fees, possible infringements of or clashes with third-party rights, ownership issues, jurisdictional coverage, technology transfer contracts, and more.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

Probably the most recurrent themes are those arising in disputes between employees and companies over ownership issues, and the scope of licensing and transfer agreements. Whether or not the company has established clear terms and conditions in respect of ownership over IP rights derived from a consultancy or labour relationship, the company facing a problem should first collect the background information on the case and then seek a specialised legal adviser who will be in the best position to assess and explain the legal implications under the circumstances. Of course, after any dispute legal measures should be taken to prevent further similar issues by implementing adequate policies to which all parties should agree prior to embarking in a contractual relationship.

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What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

IP rights can be exploited by the company itself or through third parties by contracts such as licensing, transfer, and so on. Advice on the legal implications of exploitation should be sought from specialised legal counsel before such exploitation is commenced. It is especially important that the scope of the licensing, transfer, etc., is clearly defined in the contract and that non-disclosure agreements are signed before making any contractual approach to third parties if the preliminary exchange of information entails sharing sensitive material. Key clauses include definition of the subject-matter IP rights, scope of the contract, ownership of the IP rights and results achieved by the cooperation of the parties, duration and causes of prior termination. They also include terms on potential sub-contractors, confidentiality, representation and warranties over the IP rights which are subject to a contract and in relation to competitor's rights, penalty and indemnification clauses, laws governing the contract and disputes, as well as dispute resolution prior to courts, and courts before which non-resolved disputes should be brought.

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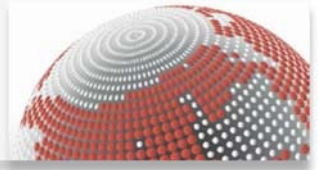
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Fidel Porcuna has represented and counselled both national and international clients before the Spanish Courts and the Spanish Trademark and Patent Office in the area of Intellectual Property including litigation, prosecution, negotiation, licensing and administration of all manner of intellectual property assets. In particular, Mr Porcuna is a chartered trademark agent who has represented mayor players in advising and managing worldwide brand portfolios in varied market sectors: medical devices, hoteliers, food industry, publishing, banking, electronics and sports. He is leading the Brand Portfolio Management Services offered by the Madrid office of Bird & Bird.

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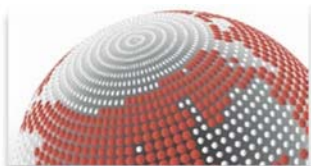


Have there been any recent legislative or regulatory developments in Luxembourg that will affect intellectual property going forward?

Intellectual property and innovation have progressively become major elements of the economic development and competitiveness of the Grand-Duchy of Luxembourg. The country has recently introduced the following initiatives. First, the creation of a legal framework to support research and innovation through the Law of 5 June 2009 relating to the promotion of research, development and innovation that provides for financial assistance to companies that engage in such activities, published in the Luxembourg official gazette, *Mémorial A*, n°150, dated 29 June 2009. Second, the introduction of an exemption regime of 80 percent for income derived from IP or from the sale of IP rights through the Law dated 21 December 2007, published in the Luxembourg official gazette, *Mémorial A*, n°234, dated 27 December 2007, and detailed by the circular of the Direct Tax Authorities LIR n°50bis/1 dated 5 March 2009. Third, preparation of the ratification process of the European 'Patent Law Treaty' adopted at Geneva on 1 June 2000 and subsequent amendment to the current Luxembourg Law dated 20 July 1992 on patents, as amended. The revised law shall provide additional guarantees in favour of applicants and shall facilitate the granting of priority rights. For the purpose of such ratification and further amendments, Luxembourg should initially put in place a computer system in order to properly manage the patents. Finally, approval by the Luxembourg Law dated 16 December 2011 – published in the Luxembourg official gazette, *Mémorial A*, n°264, dated 21 December 2011 – of the Protocol dated 22 July 2010 amending the Benelux Convention on IP, but which still needs the ratification of Belgium to be effective, which notably introduces a new provision in relation to e-filing of trademarks.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

To our knowledge, there have been no high-profile decisions in relation to IP taken by any Luxembourg court except common commercial litigations. Infringement lawsuits with respect to patents usually occur in larger jurisdictions where such rights on patents are also threatened.



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In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

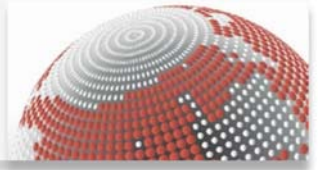
Companies should take advantage of the attractiveness of Luxembourg for R&D activities and its position as a leading place for IP management in Europe. Luxembourg has enacted a law implementing a regime known as the 'IP Box' providing for very attractive tax measures for developing and maintaining IP rights in Luxembourg. The IP Box regime provides for an exemption of 80 percent on net income – royalties, taxed at a rate of 5.76 percent – and capital gains derived from certain qualifying IP rights, including copyrights on software, patents, trademarks, domain names, designs and models acquired or constituted after 31 December 2007. To benefit from such tax exemptions and other advantages, companies willing to establish themselves in Luxembourg should first be aware of the extent of their IP portfolio and should, with the assistance of their lawyers, carefully assess and value their existing IP rights, including know-how.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today global marketplace?

Companies should not consider their patent only as a mean they can use as patent holder to prevent others from copying a claimed invention. Indeed, they should realise that the patent also constitutes an asset for the holder, which can be sold, contributed, mortgaged or licensed. Therefore, they should actively police and monitor their own patent and other IP portfolio as valuable assets. SMEs may opt between 'European patent' and 'Luxembourg patent'. However, they should be aware that the latter patent only covers the territory of the Grand-Duchy of Luxembourg unless parallel patent applications have been filed in other countries. This process is, however, facilitated by using the priority right attached to the Luxembourg patent application and various patent cooperation conventions. In order to avoid losing the rights resulting from a missed deadline or any application mistake, one should advise companies willing to ascertain patent protection to work closely with their lawyers or IP attorneys, which will deal with all of the formalities related to the Luxembourg patent application as well as parallel applications in other countries.

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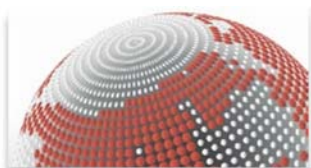


In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

Located in the heart of Europe, Luxembourg is hosting a number of technology-intensive companies with an important IP portfolio. Indeed, some of the biggest ICT companies and leading fast growing online cloud and social gaming companies have elected the country as their European distribution platform. The development and expansion of these companies, taking advantage of Luxembourg's business friendly tax environment, makes them potential targets for acquisition, joint venture or investment arrangements. The entities willing to acquire or invest in such technology-intensive companies should seriously consider conducting due diligence of the assets and liabilities of the target company, including its IP assets and liabilities. Indeed, although IP due diligence is essential as part of an investment in virtually every type of target company, it is especially significant where the target is involved in the technology sector since, in this industry, most products and services will involve IP assets. While conducting such due diligence for the purpose of a M&A, the acquirers should identify all IP assets, verify ownership, ensure that such assets are free of encumbrances for the intended business and require further legal analysis on some IP issues raised, for instance, warrants might be expected from the seller stating that the registration or use of its trademark as well as any other registered or unregistered IP rights, which shall be subject to the acquisition, do not infringe any third party rights.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

Should any IP dispute arise, the concerned company should firstly adopt a clear and consistent position as to their rights and duties. Then, a notice drafted by its lawyers should be sent to the other party together with, if necessary, a confidential letter starting a negotiation process. The recurring themes in IP-related disputes concern cancellation of trademark registration notably for filing in bad faith (Court of Appeal of Luxembourg, 24 October 2007, n°31570 and 31609) and for creating a likelihood of confusion on the part of the public with another trademark (Court of Appeal of



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Luxembourg, 20 March 2002, Pas., p 239 to 247 and Supreme Court (*cassation civile*), 2 May 1996, Pas., p 65 to 70). There are, of course, other patent or trademark infringements and copyright disputes that arise.

What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

While entering into agreements with other parties, companies should make it clear that IP rights exist, and be explicit on the nature, extent and value of their IP rights. To avoid any dispute with employees having been involved in the development and creation of IP rights such as logo, copyright, patent or trademark on behalf of the company they work for, the company must clearly include, in the employment agreement or in any other separate agreement, a clear and unambiguous provision as to the ownership and exploitation of IP rights.

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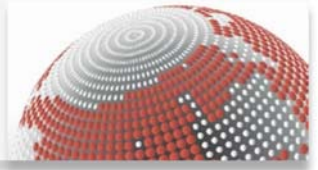
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Anne Morel was admitted to the Luxembourg bar in 1994. She specialises in advising and assisting clients in court in respect of all aspects of IP law (patent, copyrights, trademarks, designs and models, etc.) and works closely with the tax department in respect of the specific tax regime, so called 'IP Box', set out by Luxembourg law.

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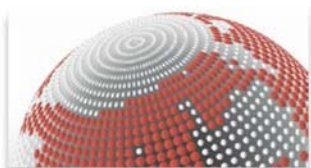


Have there been any recent legislative or regulatory developments in India that will affect intellectual property going forward?

Very recently, in May 2012, the Indian Parliament passed the Copyright (Amendment) Bill, 2012 which makes significant amendments to the Copyright Act, 1957. Amendments to the Act which have been approved include provisions safeguarding the right of authors of works, incorporated in a cinematograph film or sound recording, to receive an equal share of royalties and consideration payable if the work is utilised in any form other than for exhibition in a cinema hall. The Bill also provides for statutory licences in certain cases while making available compulsory licences for foreign works as well. Additionally, the Bill provides civil and criminal remedies for tampering with management rights information and circumvention, with intention to infringe, of technological measures. The Bill is now pending presidential assent and thereafter will come into effect, as and when notified by the central government in the Official Gazette. In April 2011, the Government of India notified rules under the Information Technology Act, 2000 laying down minimum security practices and procedures in relation to sensitive personal information or data.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

A decision that has received widespread attention and spawned debate is the order of the Controller of Patents in Bayer Corporation v. Natco Pharma Limited, wherein a compulsory licence to manufacture and sell the patented anti-cancer drug was issued in favour of Natco. While the order is under challenge, if its interpretation of the working requirement and finding that 'reasonable affordable price' is to be determined predominantly from the perspective of 'affordability' is upheld, the decision would have far reaching consequences for patentees in India. In Samsung Electronics Company Ltd. v. Kapil Wadhwa & Ors., a Single Judge of the High Court of Delhi held that Indian trademark law provides for national exhaustion. This decision is in appeal and has currently been stayed. On the other hand, the border control authority has issued a circular clarifying



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that parallel imports under trademark and patent law would not be prohibited in India, indicating a divergence of views.

In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

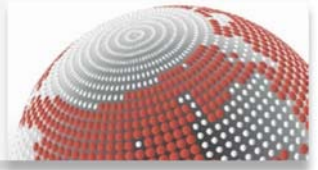
With the increasing importance and growth of the Indian market, companies are paying more attention to their IP portfolios. However, the approach tends to be piecemeal rather than holistic and often an India specific IP strategy is lacking. Changing perceptions of IP, the government's focus on the scope and impact of our IP laws, the tendency of our courts to take an original approach to IP issues and increasing commercial relevance of IP disputes, call for a custom approach to management and periodic review of IP portfolios in India. Companies would do well to update themselves regularly on developments in IP law in India and how these translate to their own portfolios. A well-planned and strategic approach to enforcement of IP in India may be more beneficial in the long run than focusing solely on obtaining an ex parte or interim injunction.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

There is no presumption of validity of a patent and Indian patent law provides for challenges at multiple levels. Consequently, any enforcement strategy should take into account the possibility of having to go the distance without an interim injunction. Applications for compulsory licence and challenges based on law relating to abuse of patent rights should also be anticipated and planned for prior to initiating any enforcement action. From a general Indian law perspective, it is extremely important to monitor IP rights and take prompt legal action. Further, it is important to monitor publications of trade mark and patent applications so as to timely lodge challenges to their registration and avoid being at the receiving end of a lawsuit.

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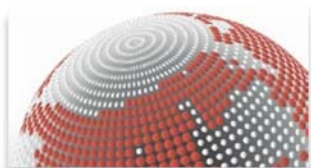


In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

Nowadays, M&A transactions in various sectors are IP driven and therefore IP due diligence in M&A transactions is in most cases indispensable. This is also evident from the increasing demand for IP specialist attorneys to form a part of a due diligence team. In the course of an IP due diligence, acquirers typically need to identify the intellectual property assets owned or used by the target, the extent of protection obtained on owned intellectual property, assess the strength and validity of the intellectual property rights including those based on any ongoing disputes in relation to the same as well as analyse any agreements – including in-licences, out-licences, and non-disclosure agreements, etc. – entered into by the target with third parties and the restrictions and third party rights thereunder.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

Awareness of IP rights in India has led to a significant increase in IP-related disputes. In view of the long drawn process of litigation and the uncertainties involved, parties often explore the possibility of an amicable settlement. As soon as an IP dispute surfaces, it would be advisable for a company to assess the strength of the case, identify commercial considerations, and strategise accordingly. Options for a potential complainant include issuing a letter before action, which would also facilitate opening a line of communication with the other party. Failing resolution, the company should seek to enforce its IP rights aggressively at the best available forum. From the perspective of a defendant, actions against groundless threats, invalidity challenges, and so on, could be explored. Caveats to avoid passing of ex parte orders should be filed promptly in relevant jurisdictions.



india

NIRUPAM LODHA, LUTHRA & LUTHRA

What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

In any agreements relating to licensing of IP it is recommended that the scope of the licence is clearly captured. From the perspective of a person who is receiving the IP, it is essential to obtain the necessary representations and warranties in relation to the IP from the grantor, and to have the same backed by adequate indemnity provisions, particularly in the case of an assignment or exclusive licence. From the perspective of a future dispute scenario, in addition to the parties capturing the understanding regarding the dispute resolution mechanism, it is essential for the IP licensor to ensure that the agreement clearly provides for the treatment of IP during pendency of any dispute. Further it is also advisable to clearly enumerate the consequences post termination or expiry of the agreement.

NIRUPAM LODHA

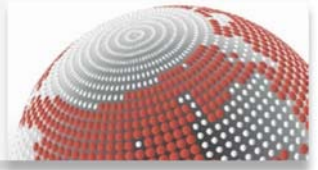
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Nirupam Lodha is a senior associate in the Intellectual Property Law Practice at Luthra & Luthra Law Offices. Mr Lodha has worked extensively on IP transactional matters as part of which he has drafted, vetted and negotiated various IP agreements including technology licensing agreements, IP assignments, licences, etc. He is also adept in advising on matters relating to trademark and copyright protection and enforcement, data privacy and information technology related issues. Mr Lodha has handled prosecution portfolios for various clients. He has also been involved in enforcement of IP rights for clients by way of patent and trademark infringement actions, and passing off.

south africa

BRIAN WIMPEY, NORTON ROSE SOUTH AFRICA

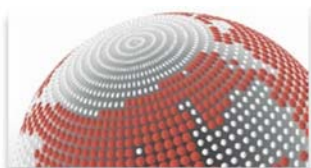


Have there been any recent legislative or regulatory developments in South Africa that will affect intellectual property going forward?

There have been no changes to the four main statutory pillars of IP in South Africa, namely the Trade Marks, Patent, Design, and Copyright Acts, although the Intellectual Property Laws Amendment Bill is awaiting our President's signature to become law. Once it does so, it will amend the Trade Marks Act, Copyright Act and Designs Act (as well as the Performers Protection Act) to protect traditional knowledge as various species of intellectual property. This Bill has come under major criticism for various reasons, among them being that it seeks to protect that which is already in the public domain, while those species of traditional knowledge which are protectable in terms of our current regime can be protected without amending the law. Government has steadfastly rejected proposals for a *sui generis* Traditional Knowledge Act for reasons that remain obscure and seem to be largely political. The Consumer Protection Act came into force in April 2011 and, among other things, makes provision for the registration of business names and for the discontinuation of a business name if it does not comply with the Act.

Could you outline any high-profile court cases and decisions that have arisen over the last 12 months? What impact could they have on the market?

The Supreme Court of Appeal in *Adcock Ingram v. Cipla Medpro* (265/2011)[2012] ZASCA delivered a judgement on 29 March 2012 which has altered the 'class of customer' test for confusingly similar pharmaceutical trade mark confusion. In brief, pharmaceutical trade marks which covered prescription medication traditionally faced a higher threshold of confusability because it had long been accepted by South African courts that the 'customer' for prescribed medication was a pharmacist or medical doctor who was less susceptible to being confused by two competing medicines with similar names. The *Adcock Ingram* case has changed this onus by acknowledging that patients should also be included in the notional class of customers who receive prescription medicines, thus lowering the threshold and making it easier for the proprietor of a pharmaceutical trade



south africa

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mark to enforce its rights against a competitor. The judgement brings our trade mark law in line with the regulatory regime of South Africa's medicine regulatory body in certain respects. Although the MCCA refused to be drawn into trade mark disputes, particularly where generic manufacturers were involved, it had recognised in its regulations that dangers existed where even unrelated medicines carried similar proprietary names. Perhaps this sea-change will encourage pharmaceutical companies to more readily register medication proprietary names as trade marks in South Africa.

In your experience, are companies doing enough to manage their IP portfolio effectively? What key considerations do they need to make?

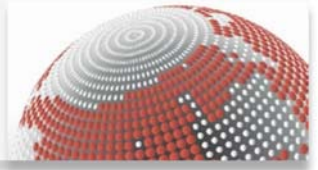
One cannot generalise about this topic. The larger corporations, specifically the internationals, usually employ in-house counsel to oversee their organisation's IP, and the better teams develop strategic IP policies which go hand-in-glove with product development plans. Unfortunately, some organisations downplay the role of IP, as is evidenced by, among other things, entrusting the portfolio to unskilled officers, questioning the value of IP in money's worth, allowing their marketing departments to lead product development without IP input, and so on. It is absolutely crucial, in the modern era where IP can have far reaching effects on business strategies that the strategic teams of any organisation include a person experienced in IP.

What advice would you give to companies on patent protection and enforcement? How important is it to police and monitor IP rights in today's global marketplace?

Perhaps because of the cost involved in patent enforcement, there is less litigation in this area than in other areas of IP. Furthermore, patent enforcement does not always require litigation but can often be resolved by the offering of licences. Companies with valuable patents should draft a patent strategy policy which makes provision for in-house counsel with patent experience, good avenues of communication between counsel and the technical and development teams, a strategy for monitoring the industry, and in-house training.

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BRIAN WIMPEY, NORTON ROSE SOUTH AFRICA

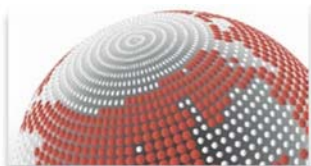


In your opinion, should IP due diligence be considered an essential part of M&A transactions? What are the main areas that acquirers need to address?

Due diligence is without doubt a crucial element of M&A, since the value of an organisation is not restricted to the bottom line and other traditional indicators. Apart from the obvious fact that an organisation's IP may constitute a major asset, the other side of the coin is equally important. Either party to the merger may have IP which is encumbered by way of hypothecation or naked licences which will affect the way in which the Newco operates its business going forward.

Are you seeing any recurring themes in IP-related disputes? What steps should companies take as soon as an IP dispute surfaces?

Contentious IP matters cover a whole variety of disputes – imitation of advertisement goodwill before the Advertising Standards Authority of South Africa (ASASA), trade mark confusion usually dealt with at the opposition stage, trade mark infringements heard in the high courts, attacks on patent validity in the pharmaceutical sector, and so on. What seems to be a recurring theme has arisen from two factors: the expansion of the global village coupled with the recognition of the concept of protection for an unregistered well known mark. What is being seen more often is the adoption by a local trader of a trade mark registered in a foreign country and disputes arising from that scenario. The recognition of a well known mark introduced by the 1993 Trade Marks Act affords the owner of the brand or trade mark some protection in these scenarios. Of course, where the adopted mark is not well known, the general principle, confirmed in the SCA case of *New Balance Athletic Shoe Inc v. Dajee NO (251/11) [2012] ZASCA 3 (2 MARCH 2012)* is that the *bona fide* adoption of a foreign trade mark which is not well known in South Africa is perfectly legitimate.



south africa

BRIAN WIMPEY, NORTON ROSE SOUTH AFRICA

What advice would you give to companies on contractual issues surrounding IP rights? What key clauses should be included in contracts to account for the possibility of future disputes arising from an agreement?

Most agreements that involve IP in one way or another should ensure that the following are included. First, accurate identification of IP, which may require evidence of the provenance of that IP, particularly if it is not registered. Examples of ill-defined IP include business names, trading names, common law trade marks, know-how, confidential information and copyright. Inaccurate definitions, often expressed in boilerplate clauses, may attract a dispute. Second, adequate description of user issues. If a proper licence is contemplated, the agreement should make this clear and should spell out basic provisions. If use by a third party without a licence is contemplated, issues of goodwill and validity must be addressed. Third, adequate guarantee provisions to cover situations where the IP is attacked, is vulnerable or is encumbered. Fourth, post-termination clauses are always helpful when IP forms part of a contract. Although agreements tend to deal with a breach adequately, often no specific provision is made as to the subsequent devolution of the IP. Finally, jurisdiction should be chosen carefully. An IP right may exist in the US but not, for example, in South Africa.

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Brian Wimpey is an intellectual property lawyer based in the firm's Johannesburg office. He is head of Intellectual Property in South Africa. His experience comes from a broad range of trade mark and related work, inter alia, trade mark availability searches and trademark filings, litigation in the Supreme Court of Appeal, High Court and before the Registrar of Trade Marks, in respect of unlawful competition, passing off, objections under the Companies Act and the Business Names Act, trademark oppositions and infringements, and to a lesser degree, copyright matters. Mr Wimpey has run various interesting high court litigation matters.



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