

VIRTUAL ROUND TABLE

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INTELLECTUAL PROPERTY 2015



MEET THE EXPERTS



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Maggie Ramage is a UK and European trade mark attorney, and started in the profession in the early 1980's. She is a member of INTA, ECTA and MARQUES. She is also active on the governing Council of The Institute Of Trade Mark Attorneys in the UK, and from April 2010 until April 2012 was its President. Maggie worked for the California-based Raychem Corporation in San Francisco, and was seconded to that city in 1987. She then worked for Beecham Group (now part of GlaxoSmithKline), before moving to British Telecom. She became a partner in Surrey-based Alexander Ramage Associates in 1991. Maggie has extensive experience in trade mark matters, particularly in overseas jurisdictions, and has also worked very closely through her Institute with the UK IPO, OHIM, WIPO, and the Legal Services Board in the UK. Maggie currently chairs the General Purposes & Finance Committee of her Institute, which is the management Committee for the profession.



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Steven E. Warner is a partner of Fitzpatrick, Cella, Harper & Scinto (Fitzpatrick). Mr. Warner routinely lectures on intellectual property law matters for professional organizations such as the District of Columbia Bar, is chair of the firm's industrial equipment and manufacturing group and is a member of the firm's consumer goods, energy and semiconductor technology groups. Prior to joining the firm, Mr. Warner was a Primary Examiner at the U.S. Patent and Trademark Office.



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Aoife Elizabeth Butler is a senior associate in Alston & Bird's New York office; and, focuses on complex patent litigation in the financial and pharmaceutical industries.

Prior to joining Alston & Bird, Aoife worked in both the legal (patent litigation matters covering pharmaceuticals, chemicals, electronic and mechanical devices) and industrial (investigated delivery methods for cancer treatments and developed quantitative analytical methods) sectors.

Aoife received her law degree from the University of London and her honors master's and bachelor's degrees (chemistry major with and minors in mathematics and biology) from the University of Dublin, Trinity College.

Aoife has been selected to the New York Metro Super Lawyer's Rising Star list for 2013 and 2014, and has previously been honored both as one of the Irish Legal 100 and as one of the Top 40 Under 40 Irish/Irish Americans for contributions in the Irish-American community.

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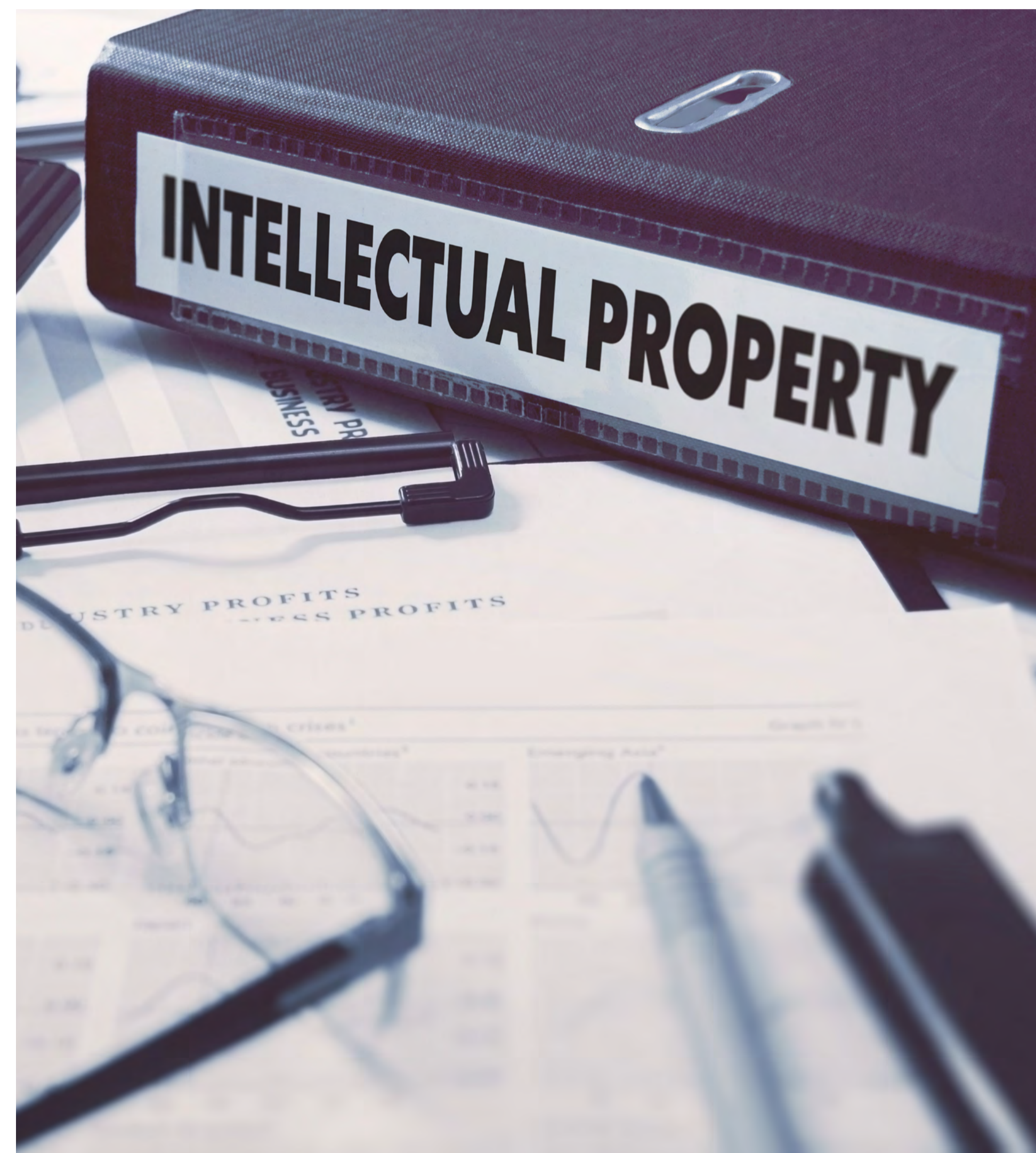
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Andrew J. Sherman is a Partner in the Washington, D.C. office of Jones Day, with over 2,500 attorneys worldwide. Mr. Sherman is a recognized international authority on the legal and strategic issues affecting small and growing companies. Mr. Sherman is an Adjunct Professor in the Masters of Business Administration (MBA) program at the University of Maryland and Georgetown University where he has taught courses on business growth, capital formation and entrepreneurship for over twenty (23) years. Mr. Sherman is the author of twenty-three (23) books on the legal and strategic aspects of business growth and capital formation. His twenty-third (23rd) book, *Harvesting Intangible Assets, Uncover Hidden Revenue in Your Company's Intellectual Property*, (AMACOM) is due out in the Fall of 2011.



Intellectual Property Roundtable 2015

In our Intellectual Property Roundtable 2015 we spoke with five experts from around the world to discuss recent developments in their jurisdiction. Highlighted topics include: intellectual property issues surrounding legalised marijuana in the United States, the complexities of wearable technology and 3D trade marks, and the efforts to clamp down on patent trolls.

1. Can You Explain How Intellectual Property Works In Your Jurisdiction With Reference To Relevant Legislative Acts?

Ramage: In the UK we work to the Trade Marks Act 1994, which is constantly being updated by the UK IPO by way of Practice amendments, which are published regularly, usually following consultation with practitioners. Our own Institute, ITMA, is included in the consultation process, so that views of the profession are taken into account before changes are agreed. For example design law is currently being addressed, and there will be some changes coming into effect in the UK. The Intellectual Property Act 2014 has laid down some major changes here, for example the ownership of a commissioned design will now be the designer, and not the commissioner (unless a contract states otherwise); and international copying of a registered design may now be a criminal offence.

Wanigasekera: The comprehensive law on Intellectual Property in Sri Lanka is contained in a single legislative enactment, the Intellectual Property Act No 36 of 2003. Protection for Patents, In-

dustrial Designs, Trademarks and Layout Designs of Integrated Circuits is granted by an intricate system of registration with the exception of Copyright and Geographical Indications and trade names which are protected per se. Unregistered marks if used and known in Sri Lanka receive protection against unfair trade practices under chapter XXXII on Unfair Competition.

2. Is the era of Patent Trolls now behind us with the shifting political mood toward aggressive patent enforcement?

Warner: While the number of new patent troll lawsuits was down in the past year, I think it is still too early to say that the era of the patent troll is over. Nevertheless, the political mood is certainly trending against patent trolls. Our U.S. Congress, for example, has proposed legislation aimed at curbing patent troll abuses. That legislation, however, has not yet been enacted, and it remains to be seen what effect the legislation would ultimately have on patent trolls.

Butler: While the Innovation Act is before Congress, it has not passed yet;

and, arguably it does not go far enough to stymie the activity of true “trolls”. The sophisticated troll can certainly overcome many of the proposed obstacles without too much concern. There is much discussion about the Innovation Act making things “fair” in response to the significant backlash against trolls because of their questionable approach to business and misuse of their patent portfolios; however, is the recent attack by a hedge fund on the patent portfolio of a pharmaceutical company any different? In a free market it will be very difficult to curtail the exploits of one category of business, and it is only a matter of time before they find a way to circumvent the obstacles, or another category pops up seeking to take advantage from a different angle.

Sherman: The era of patent trolls is not yet behind us, much to the disappointment of small and mid-sized companies worldwide. While several pieces of legislation have been introduced into the US Congress, no laws have yet to be passed in part due to the complexities of the various constituencies who both support and oppose the legislation. The need to strike a balance

between the rights of the intellectual property holder versus the wrongful attacks of a non-practicing user (NPU) has yet to be struck from a legal or policy perspective. The downturn in patent trolls may actually more to do with an overall loss of momentum and intolerance than it does with a shifting political or legislative landscape.

3. In Your Opinion, What Are The Biggest And Most Interesting Cases To Follow In 2015?

Butler: One interesting case, *Kimble v. Marvel Entertainment*, discussed whether a patent holder can continue to collect royalties after a patent expires. In a 6-3 decision, the Supreme Court ruled against Stephen Kimble, who invented a popular toy that shoots foam string from a Spider-Man glove. “In this world, with great power there must also come -- great responsibility.” As such, the Court held that the superpowers endowed by patents exist only for a limited time; and, if royalties should be allowed to accrue after a patent expires, then that is for Congress to decide. Other important decisions this year include *Commil v. Cisco*, ruling that good faith belief of inva-

lidity is not a defence to inducement. Also, *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, sets the standard for appellate review of claim construction rulings.

Ramage: The recent appeal from a UKIPO decision (KIT KAT), upholding Cadbury's opposition to Nestle's application to register a 3-D shape as a UK trade mark is particularly interesting. A number of points were referred to the CJEU, and it appears clearly important to show that the consumer relies on the mark as an indication of origin, not just distinctiveness acquired through use, to get the mark through. Further points raised relate to whether the shape is necessary to obtain a technical result. However 3-D marks will become, via commercial use, tantamount to badges of origin in the consumer's mind. The attempt to push the boundaries of trade mark protection will, I am sure, continue. However, when using 3-D depictions, a trade mark owner should ensure that 2-D depictions of the shape should prominently appear on packaging or promotional material, preferably from the outset. This should help the consumer to recognise the shape, and hopefully eventually ease the way for protection of the 3-D format of that mark, i.e. a mark which may identify the product to the exclusion of other trade mark matter.

Warner: In the wake of the our U.S. Supreme Court's decisions in *Mayo v. Prometheus and Alice Corporation Pty. Ltd. v. CLS Bank Int'l*, the Court of Appeals for the Federal Circuit, district courts, and the U.S. Patent and Trademark Office continue to wrestle with the boundaries of what constitutes an unpatentable abstract idea. This is especially true in the context of software patents. We are carefully watching each case, particularly at the Federal Circuit level, that considers whether a claimed invention is directed towards an abstract idea.

4. Are You Witnessing Any Prominent Trends Or Strategies?

Ramage: There is an increasing tendency in the UK for trade mark applicants to by-pass the trade mark practitioners' profession. This is particularly apparent when trade mark owners file trade mark applications, or increasingly then take action to oppose or attempt other contentious actions against third parties, again via the UK IPO direct. ITMA is working closely with the UK IPO to ensure that web-links are in place to guide direct applicants to professional advisors to ensure that the correct strategy and advice is given and used at the outset. I am aware that this is not a problem confined to the UK. However, UK qualified practitioners work

to strict codes of conduct, have to update their practical knowledge by way of continual professional development (which is monitored), are regulated as to their activities, and hold professional indemnity insurance, so this should inform trade mark owners to trust the advice given and the added value provided by the professional sector.

Warner: One prominent trend is the increasing use of prioritised examination for patent applications filed in the U.S. Patent & Trademark Office (USPTO). Prioritised examination can be simply requested with the payment of an additional fee when a patent application is filed, and the USPTO guarantees that a prioritised application will reach a final disposition (i.e., either an allowance or final Office Action) within 12 months of the filing date of the application. This is much quicker than most standard, i.e., non-prioritised examinations. USPTO statistics indicate that the number of requests for prioritised examination was up 35% in the 2014 fiscal year. And, I would expect that the number of prioritised requests will continue to increase in the future.

Sherman: One key trend for the balance of 2015 and 2016 will be the focus by larger and medium sized companies on the establishment of effective intangible asset management (IAM) sys-

tems. Boards of directors, shareholder activist and other stakeholders are creating pressure on company leaders to better manage and leverage the intangible assets of the company in order to drive new revenue streams, better margins and global business opportunities. Intangible assets have become the primary drivers of enterprise value and no public or significant privately-held company can afford to be "asleep at the switch" in their fiduciary duties towards the management of these important resources.

Wanigasekera: Due to the delay and expense involved in the litigation process the preference of alternative dispute resolution mechanisms can be observed. Also cease and desist notices are widely used as an outside court mechanism to restrain the commission of IP infringements.

5. What problems do you foresee relating to wearable tech, 3D printing and other new technologies?

Butler: One of the big problems will be the number of patents involved in the wearable devices and all of their necessary components, as well as the design and functionality. In many respects, the problems will be similar to what we have seen in the telecommunications sector – big players with

big patent portfolios trying to leverage their respective portfolios. However, the problems won't stop at IP, there is the potential for various other issues, including, for example, privacy issues and ownership of data issues. 3D printing has its own problems – for example, who owns the printed work? And, in light of the Supreme Court's decision in *Alice*, there is also now a question as to patent eligibility for applications of 3D printing.

Ramage: In connection with 3-D printing, copying of articles will be potentially faster, more accurate and cheaper. For example, a computer programme may be written, then multiplied indefinitely, to produce a very large number of products. Products may in future be copied easily in the home. Customs traditionally are used to police movement of product imports from one country to another. However, with 3-D printing, goods may be created anywhere, not necessarily in countries perceived as having cheaper production costs, so custom control at country borders could be by-passed altogether. Design protection should be considered earlier and more widely than perhaps today, by the originators of products. This method of protection should therefore be considered at the outset, as patent and trade mark protection now is, when a product is brought to market.

In the future, any infringement actions may have to be brought by going back to the original computer software used to make products, rather than by going after product distributors or importers.

Warner: Wearable technology and 3D printing may pose challenges in patent prosecution and/or patent enforcement. With wearable tech, patent attorneys may face potential challenges in view of our U.S. Supreme Court's *Alice* decision, regarding patentable subject matter under 35 U.S.C. § 101, as many of these devices involve applying abstract ideas and/or software claims to well-known objects, e.g., glasses, watches, etc. 3D printing, on the other hand, allows for individuals to easily create products that may infringe design and utility patents. It could be logistically challenging, however, for patent holders to enforce these patents against the multitude of 3D printers available today.

Sherman: Ever since the invention of printing press, the advent of radio and television and more recently the power of high speed downloading and uploading over the world wide web, intellectual property law has struggled to keep pace with society's ability to disseminate and replicate intellectual property we are now entering into an era of advanced robotics, drone technology,

wearables, digital health, holography and 3-D printing which will place a burden on both business leaders, lawyers and regulators to keep pace with the speed of technological change. At this point, very little appears to be happening to protect the rights of intellectual property owners in the context of these emerging technologies and the courts are probably not the best nor the most efficient forum for eventually deciding these rights. It is hypercritical that thought leaders that are at the intersection between technology and intellectual property begin thinking about the right place to find a balance which is both fair and reasonable to all affected parties.

6. About 70% of all infringement actions in patent litigation in Europe are brought before German courts. How do you determine which jurisdiction patent litigation should be filed in?

Butler: Aside from the fact that both parties must be subject to the personal jurisdiction of the selected venue, and the alleged acts must be under the subject matter jurisdiction of the venue, there are a number of factors that can go into determining where to file a patent suit. Time to trial is an important consideration, as is the depth of the bench in patent matters. Whether the Court is patent friendly and the

scope of the local discovery rules can also be a consideration. The convenience for witnesses and relevant documents can also be a factor; however, in the case of large multi-nationals this may not be the highest priority. Other factors that may be considered, but that are usually lower on the radar too are the pendency of related litigation, and whether or not there is a public interest reason to pursue a specific venue.

Warner: As an initial matter, a defendant typically must either be a citizen of, or commit an infringing act within or directed toward a jurisdiction in order to be sued in that jurisdiction. Before filing infringement lawsuits, plaintiffs may investigate which jurisdictions may constitute a favourable forum, looking, for example, for jurisdictions having the lowest average time from filing to disposition, jury pools that favour intellectual property rights, and their own set of patent rules that provide more streamlined procedures. The U.S. District Court for the Eastern District of Texas, for example, is an attractive venue for plaintiffs for at least these reasons.

7. What are the main difficulties in representing international clients in cross-border intellectual property disputes?

Ramage: The main problems are usually experienced because of different jurisdictions, and therefore applicable local law, locating the infringer (perhaps pushing up costs because investigators are required to track down the perpetrators), and also making sure that any judgment obtained is enforceable against the guilty party. Unfortunately because of a lack of harmonisation of individual laws, these matters may make cross-border actions disproportionately expensive to begin. Language problems and translation costs also have to be brought into the equation. A trusted network of international advisors is invaluable in cross-border disputes – you need to know who you are dealing with, and trust them. Although OHIM strives to harmonise practice and procedures for trade mark issues at the EU level, local practices and procedures may not be in line with each other in individual countries. Finally you need to be very aware of time differences, to ensure that action is taken in good time, and that differences in time between countries are considered ahead of time, so that an official deadline is not missed inadvertently.

Sherman: The most difficult challenges in representing international clients in cross-border transactions or disputes involving intellectual property are the

significant differences in both regulation and cultural attitudes towards those who develop and harvest knowledge and innovation. The fundamental structure of each society from country to country varies significantly with respect to creativity, entrepreneurship and as to how the fruits of those labours should be rewarded and allocated. A second major challenge are the inconsistencies in the enforcement of these laws and the overall lack of global harmonisation by and between regions and globally. A third major challenge is the difficulty in accessing the judicial systems and courts in an efficient and timely manner, thereby making it more important than ever to negotiate provisions in all intellectual property transactions which dictate the venue for resolving disputes, the laws that shall apply and the processes to be followed when disputes arise.

Wanigasekera: Difficulties are present in combating importation of grey market goods particularly when the international client has not registered its IP rights in the importing state. Furthermore, in the case of copyright or trademark infringement taking place on the internet difficulties may arise in determining the state in which action is to be instituted particularly in the case of trademark infringement when the mark owner does not possess reg-

istered trademark rights in the residing state of the primary infringer or that of the internet intermediary, unless the trademark is well known on a global scale.

8. How has big pharma diversified strategies in order to combat the effects of the patent cliff?

Butler: The patent cliff has been a looming issue for many companies for a couple of years now; and, different companies have taken different approaches in recent years. Some have enacted cost cutting measures; some have gone down the merger and/or partnership routes, while others have taken the spin-off approach; some have shifted their R&D focus, while others have ventured into the generic or biologics businesses. The impact of these strategies for many companies remains to be seen, but diversification has proven to be a successful approach for those who anticipated the cliff, and acted on it.

Warner: The pharmaceutical “patent cliff” relates to the potential sharp decline in revenues for a pharmaceutical company upon patent expiration of patented pharmaceuticals of one or more leading products of the pharmaceutical company. In the current marketplace, several noted pharmaceutical

companies have taken or will be taking large hits in revenues as they lose patent protection for their blockbuster drugs. This drop off in revenue has encouraged larger players in the pharmaceutical industry to explore new avenues for growth, for example, through the acquisition of smaller companies with promising drug pipelines.

9. With the increase in legalised marijuana in the USA, how can companies protect their brands without trademarks?

Warner: Four U.S. states and the District of Columbia have legalised recreational marijuana, with 19 additional states either decriminalising marijuana or legalising medical marijuana. Companies in these jurisdictions can protect their intellectual property with unregistered common law rights through use in commerce, although these rights are limited to the geographical area of use. Companies potentially can also apply for state registered trademarks, limiting rights to the individual states in which they are able to register. Our federal law still generally bars patent and trademark protection of marijuana. Federal registration may be available, however, for ancillary goods and services that are not illegal under federal law, especially when not specifically identified for use with marijuana.

Wanigasekera: Health issues arising from legalisation of such substances has led to introduction of regulatory health warnings. Ex: regulations on labelling of tobacco products. In Sri Lanka under s34 of the National Authority on Tobacco and Alcohol (Amendment) Act, No. 3 of 2015 it is mandatory to depict health warnings on the packaging of tobacco products covering 80% of the surface area reducing the area for presentation of the trademark to 20%. The resulting reduction in value of the trademark requires brand owners to innovate brands without use of trademarks. Use of distinctive forms of get-up or trade dress may prove effective.

10. Following Taylor Swift's attempt to trademark lyrics how far do you think it is reasonable for artists to go to protect their intellectual property rights?

Warner: It is appropriate for artists, like Taylor Swift, to be "fearless" and to use all available intellectual property tools to prevent others from trading off their good name, creativity, and ingenuity. In the U.S., unlike in some other countries, a trademark must be used in interstate commerce and indicate the source or origin of the goods, in order to be federally registered. This use requirement is an inherent limit on

attempts to protect all song lyrics.

Wanigasekera: English law does not recognise an "image right" allowing a celebrity to control use of the name or image. An artist must predominantly rely on passing off which requires presence of misrepresentation arising from use of the image. In Sri Lanka apart from the traditional IP protection available an artist could protect the "appearance/image" under the chapter on Unfair Competition [160 (3)] notwithstanding the existence of any deception/confusion.

11. As the dispute over the Washington Redskins continues to make headlines, when is it appropriate for the Justice Department to overrule First Amendment rights in reference to disparaging trademarks?

Wanigasekera: The Washington Redskins trademark registrations were invalidated in the US as it is disparaging to Native Americans. The argument on the First Amendment right failed as invalidation was not an impediment to use.

Similarly, s 103 (1) (e) of the Sri Lankan IP Act renders socially disparaging marks inadmissible. Unlike the US, the use of marks which create incitement to violence, cause religious, racial,

communal disharmony, are prohibited under the criminal laws, as the constitutionally granted right to freedom of expression [Art 14(1) (a)] is subject to legal constraints in the interest of racial, religious harmony and defamation [Art 15].

12. In an ideal world what would you like to see implemented or changed?

Butler: Instead of the focus being on "trolls", I would like to see a clamp down on abusive litigation tactics generally – the use of which are not limited to trolls. Raising the bar for everyone – clients to counsel – would lead to a much more efficient docket for courts and counsel, and would significantly impact the cost of litigation for clients. For example, requiring more comprehensive specifics in the initial pleadings and standing to bring an action including a showing of the injury being inflicted. Also, strictly enforcing the ethics rules as they pertain to the behaviour of counsel and attributing violations to not only counsel but their clients – a sure fire way to lose your client would lead to more efficient civil (pun intended!) litigation.

Ramage: In an ideal world, I would like to see the OHIM surplus used to help educate trade mark owners in IP mat-

ters. There is already a good level of education for professional practitioners in IP, but as in the UK, where the UK IPO try to educate the public, I believe that OHIM could do the same, but this time all around the EU. This would help to benefit the owners of IP rights, to know that they are well protected for their commercial businesses, but would hopefully also avoid the need for expensive litigation which could be avoided (for example by not checking availability of marks before commercial launch, only to find that trade mark infringement and opposition or cancellation of marks is the result). I would be relieved to see the end of multi-class protection of EU marks – I really do think that multi-class, or the "file one and get two classes free" approach in the EU has led to more conflict, and certainly to a more cluttered register throughout the EU. This approach also leads to considerable uncertainty when trying to provide an analysis of a trade mark clearance search for the EU. If marks are generally filed as multi-class, although the owners have little interest in perhaps two of the three classes filed, then expensive investigations are the only way forward to check with certainty that a mark is indeed clear for use and protection by another party. This just pushes up the cost of IP protection generally.

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Sherman: In an ideal world, commercial banks, sources of debt financing and even the equity based capital markets would do a better job recognising the strategic value of intangible assets. While we do have some examples of companies that are rich in intangible assets being rewarded (for example Facebook's acquisition of What's App for \$22.5bn), most small and mid-sized

companies are still struggling to have commercial lenders to accept their intangible assets as valid security for collateral of an ordinary business loan and there are still tens of thousands of companies whose exit values are being determined by multiples of EBITDA rather than their inherent strategic value as driven by the potential of their intangible assets.