

LES Legal Masterclass for Licensing Practitioners:
Recent developments in IP and commercial law

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13 May 2009



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Key Developments

§ Patents: *Licensing in the new European Patent System
Pharma sector enquiry*

§ Commercial: *Contractual Dispute Resolution
Limitation of Liability
New rules on signing documents*

§ Marketing: *Unfair trading regulations*

§ Brands: *Companies names legislation*

§ Commercial: "Downturn"

§ Copyright: Proposed reform to copyright term for sound recordings

§ Data Protection: New powers for the ICO to issue fines



Licensing in the new European patents system

Justin Watts (partner, Intellectual Property)



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Current status

- § EU determined to press ahead with pan-European litigation system – (but will it happen?)
- § UPLS proposal - 23 March 2009 – a single court system
 - § [Council Document 7928/09 PI 23 COUR 29](#)
- § Implications for licensing
 - § scope of application – Article 3
 - § transitional provisions – Article 58
- § ... but will it ever happen?



Tomatoes



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Main features

§ First instance courts – some national, mostly regional

§ Central registry - regional: UK/IE/NL - national: Germany

§ and Latvia, Lithuania, Estonia, Cyprus, Malta etc

§ Single court of appeal

§ Forum shopping?

§ Bifurcation: Article 32: procedures "*flexible*".

§ Speed and experience – what if courts overused?

§ Pro- or anti- patentee?

§ Official Patent Mediation and Arbitration Centre



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Scope of UPLS

- § Only EP (and CPC) patents – not national patents
- § 7 year transitional period with choice of jurisdiction
- § Election per patent (?) to opt in/opt out in transitional period
- § “Hard” opt-out by pursuing national patenting strategy
- § Choice of jurisdiction / dispute resolution after transition
- § Some lead-time to go:
 - § No political agreement yet
 - § Needs ECJ approval



Drafting in contemplation of UPLS

§ Long-term uncertainty: transitional period 2012–?2034

§ Patentee and exclusive licensee have litigation rights

§ Anyone can start UPLS revocation / declaratory actions

§ Clauses to consider:

§ Forum selection (Art 15a(6))

§ National, or UPLS (Central, regional, local division)

§ Mediation and arbitration

§ Patenting route clause – requiring use of nationals / EPs

§ Election clause – requiring election for national / UPLS



Size of the economy

§ UK: 60M people, GDP \$2.13T

§ Germany: 80M people, GDP \$2.81T

§ Population 1.33x UK, GDP 1.31x UK

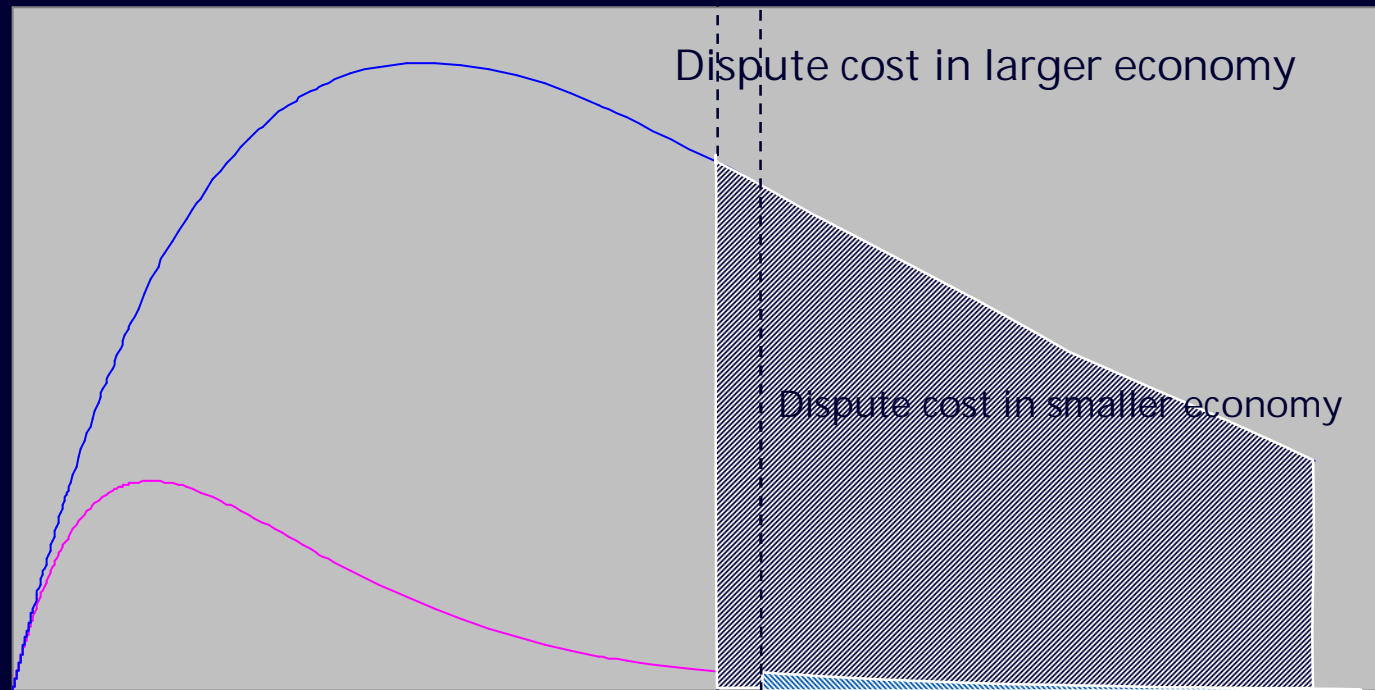
§ European Union: 491M people, GDP \$14.43T

§ Population 8.18x UK, GDP 6.77x UK



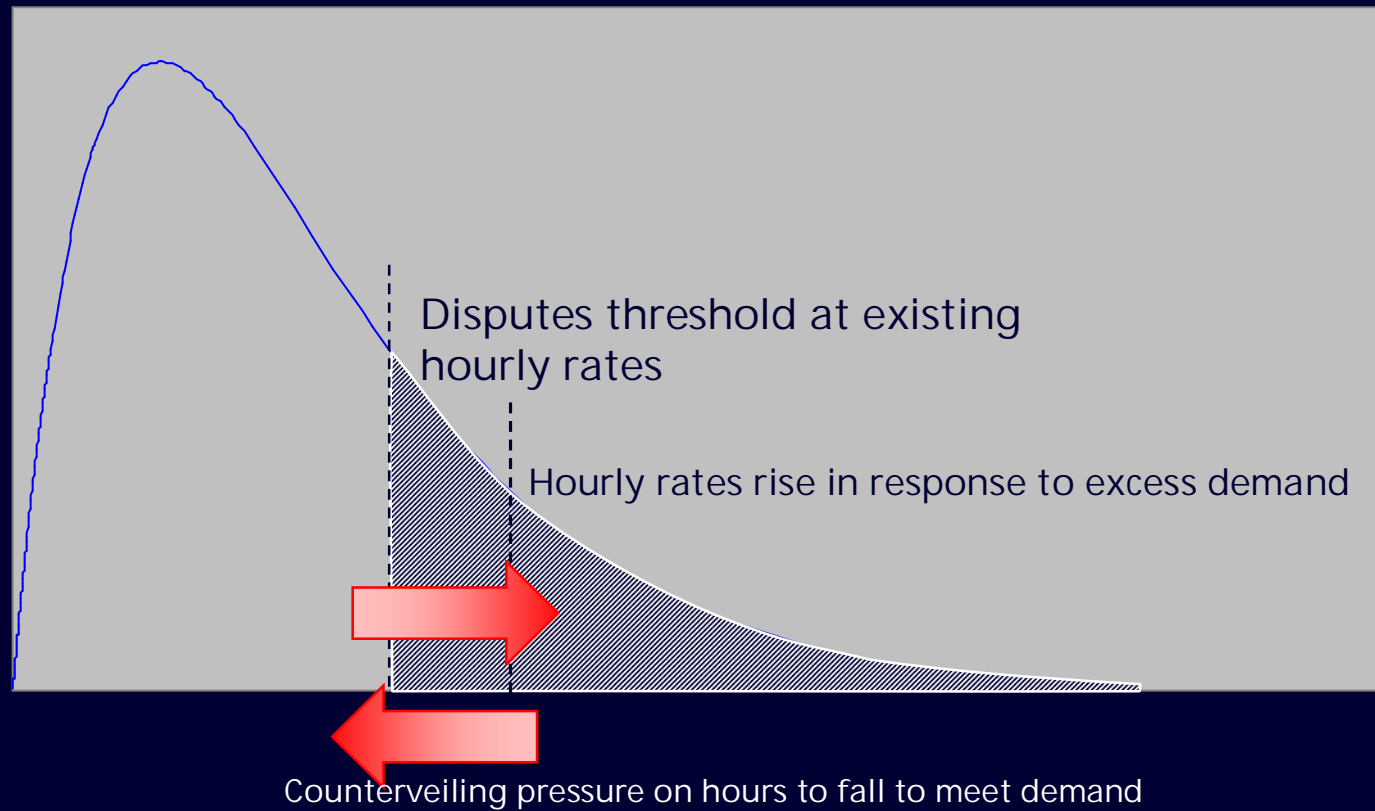
Net result

A single market with little change in litigation cost will vastly increase litigation especially in popular jurisdictions



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Supply and demand



European patent litigation and bargaining positions ...

Improved for	Worse for
<p>mid market patentees</p> <ul style="list-style-type: none">Reduced litigation costsMore valuable patent rightsGreater access to justice	<p>top market patentees</p> <ul style="list-style-type: none">Increased litigation costsEggs in one basket
<p>patent litigators</p> <ul style="list-style-type: none">Huge increase in demand (and consequent fee pressure)Reducing scope for lower value work	<p>defendants</p> <ul style="list-style-type: none">More litigationIncreased downside risk in litigation



The European Commission's Pharmaceutical Industry Investigation

- o Implications for the pharmaceutical industry
- o Cross-industry ramifications for licensing and portfolio management

Simon Priddis (partner, Antitrust, Competition & Trade)



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Content

- § The Inquiry's purpose and progress
- § Key interim conclusions
- § Implications



The Inquiry's purpose and progress



§ What is a sector inquiry?

- § Used by Commission to investigate whole sectors in which it is felt that *"competition is not working as it should"*
- § Not based on suspicion of unlawful behaviour
- § Pharma inquiry initiated to investigate whether individual company behaviour was causing:
 - § a perceived decline in number of new medicines coming to market
 - § apparent delays in generic entry following patent expiry
- § Consumer-facing industries likely to be next target of Commission's scrutiny

15 Jan '08	Unannounced dawn raids
16 Jan '08	Inquiry launched
Mar-Oct '08	Information gathering questionnaires sent to stakeholders
28 Nov '08	Publication of interim findings for public consultation
'Spring' 09	Publication of final report



Key interim conclusions



§ Competition in the pharma sector not working as well as it should

§ 'Toolbox of practices' è 'objective of delaying or blocking competing market entry'

§ Result è fewer medicines and delays in generic entry

§ Additional costs to consumers and reduced incentives to innovate

§ Delays in market entry

§ Patent filing strategies

§ Primary vs. secondary patents

§ 'clusters' of patents – divisional patents

§ lifecycle strategies for follow-on products



Key interim conclusions (continued)



§ Patent litigation

- § Primary vs. secondary patents
- § litigation on the “merits”
- § settlements – when are they used?

§ Competition between innovators

§ Defensive patenting

- § patent for product that will not be exploited
- § defensive portfolios to protect core innovation
- § cross licensing (and sometimes refusals to licence) used to extend barriers to entrants



Implications



§ General problems

§ interim nature of the report

§ but, note, no real prospect of better guidance in final report

§ final report may yet make matters worse

§ broad application – practices not unique to pharma



Implications (continued)



§ How to handle

§ understand where antitrust risk might come from:

§ portfolio reviews announcing strengths of a patent

§ analysis of own and competitor portfolios to identify patents of value

§ refusing licences

§ entering into cross-licences

§ seeking additional patent protection for follow-on products

§ How to mitigate risks?

§ rethink patent strategies – from innovation to expiry

§ review internal document/audit procedures

§ training on antitrust risk avoidance e.g. phrases to avoid in writing documents



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Contractual Dispute Resolution Clauses - An Update

Patrick Swain (Partner, Dispute Resolution)



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Content

§ Clauses you should have in your contracts:

§ Governing Law clause;

§ Dispute resolution clause.

§ What to consider when negotiating arbitration and jurisdiction clauses.

§ Recent developments.



Governing law - introduction

“The law to which a contract is subject determines its meaning and effect. If there is uncertainty as to the identity of the relevant law or its content, confidence will be undermined. The legal assessment of the meaning and enforceability of a contract will accordingly affect its value as an asset.”

UK Government Consultation Paper on Rome



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Governing law – introduction Cont.,

- § An English court will recognise and apply the parties' choice of governing law when determining a dispute arising from the contract, except in certain narrow prescribed circumstances.
- § Where no choice of governing law is selected:
 - § If the dispute is heard by a Court within the EU, the applicable law will be determined by the harmonised rules in the Rome Regulations
 - § If the dispute is heard by a Court outside the EU, the applicable law will be determined by the choice of law principles applicable in its jurisdiction



Governing law - issues and specimen clause

§ Relevant questions

§ When?

§ Where?

§ What is covered?

§ How many?(!)

§ Wording recommended: "This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by, and interpreted in accordance with, English law".



Dispute Resolution Clauses

- § While the governing law clause determines the substantive law applicable to proceedings, the dispute resolution clause determines how such proceedings will be resolved.
- § Relevant questions to consider
 - § When?
 - § Where?
 - § How many?
 - § Which type?
 - § Combinations?



Dispute Resolution Clauses

§ Types of dispute resolution mechanisms:

- § Negotiation

- § Alternative dispute resolution:

 - § Mediation/Conciliation

 - § Evaluation

 - § Expert determination

- § Arbitration

- § Litigation



Pick the best combination for your needs

§ Negotiation:

§ Can be paired with any other type of dispute resolution provision as it is consensus driven rather than determinative.

§ Informal or structured

§ ADR Methods:

§ Potentially quicker and more cost effective than arbitration and litigation, but depends typically on consensus.

§ Need to mesh approach to clause with attitude of Court e.g. whether voluntary/mandatory.

§ A mandatory agreement with sufficient certainty is now generally enforceable.



Pick the best combination for your needs – contd.

§ Arbitration/Litigation compared:

§ Private/Public

§ Final/Appealable

§ Speed and Cost?

§ Rigid/Flexible procedures

§ Enforceability

§ Choose between litigation or arbitration?



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Arbitration clauses

- § Be specific as to the details of the arbitration including:
 - § Scope of clause
 - § Venue
 - § How arbitrators appointed and how many?
 - § Language
 - § Applicable rules to govern the procedure of the arbitration eg ICC
UNCITRAL



Arbitration clauses – What not to do

“All disputes arising in connection with the present agreement should be resolved by negotiation and friendly settlement. If this method of resolution should be impracticable, the disputed question shall be decided in accordance with the Rules of Arbitration of the ICC in Geneva in accordance with the procedure set forth in the Civil Code of Venezuela and in the Civil Code of France with due regard for the law of the place of arbitration. In the event the proceedings were not able to decide the question for any reason whatsoever, the judicial courts of the injured party, shall decide the dispute on a legal basis”



Jurisdiction clauses

§ Parties agree to which courts will hear disputes arising from the contract. Clearly expressing their intentions can limit the “*Spiliada* vice” of parties litigating about where they should litigate.

§ Jurisdiction clauses can be:

§ Exclusive - English courts will ordinarily ensure compliance with such a clause unless strong reasons can be demonstrated that they should not;
or

§ Non-exclusive – greater flexibility but less certainty.



Recent Developments

§ Principles

§ EU harmonisation

§ “one litigation good, two litigations bad”

§ party autonomy

§ Rome II Regulation deals with applicable law in non-contract cases. In many cases parties can agree which law applies.

§ In England, arbitration clauses are now interpreted very broadly. It is presumed that parties wish all disputes to fall within the scope of their agreed arbitral mechanism. This is only rebutted by clear and specific contrary wording (*Fiona Trust*).

§ A similar rationale has recently been also applied to jurisdiction clauses (*Deutsche Bank AG v Asia Pacific Broadband*).



Recent Developments

- § What happens when the principles clash?
- § Decision in *West Tankers* in ECJ suggests EU rules are to be observed in priority to party – autonomy in arbitration.
- § Reflects jurisdiction clause position.



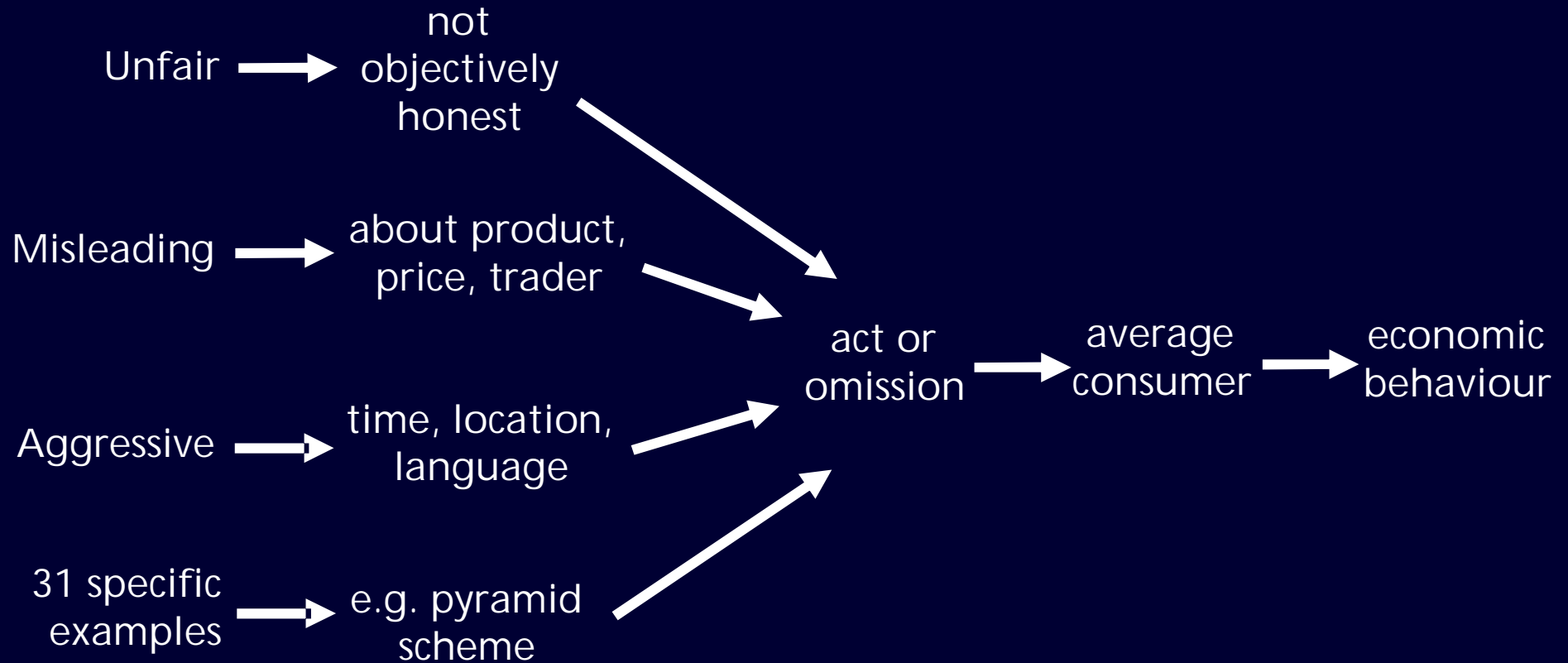
Review of the Year

Paul Joseph (senior associate, Intellectual Property)



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Marketing: Unfair Trading Regulations



Brands: Companies Names Legislation

S26(1)(c), 28(2) Companies Act 1985	s.69 Companies Act 2006
names identical to those on register	names in which the owner has goodwill
names too like those on register	names sufficiently similar to such names to be likely to mislead

Defences:

- registered before applicant acquired goodwill (unless aiming to extort)
- substantial start-up costs (unless aiming to extort)
- name adopted in good faith
- applicant's interests are not adversely affected



Agreements: New Rules on Execution

§ *Mercury Tax Group and another v HMRC and others* [2008]

§ Document must be a “discrete physical entity”

§ Strict for deeds: Section 1(3) LP (MP) A: “An instrument is validly executed as a deed by an individual if, and only if *it* is signed...”

§ More relaxed for contracts:

“In relation to each counterpart, upon confirmation by or on behalf of the signatory that the signatory authorises the attachment of such counterpart signature page to the final text of this Agreement, such counterpart signature page shall take effect together with such final text as a complete authoritative counterpart”



Limitation of Liability: The Story

§ *NETTV v MARHedge [2009] EWHC 844 (Ch), Gabriel Moss QC*

§ www.marhedge.tv



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Limitation of Liability: The Limitation Clause

“ Neither party will be liable to the other for any damage to software, damage to or loss of data, loss of profit, anticipated profit, revenues, anticipated savings, goodwill or business opportunity, or for any indirect or consequential loss or damage”



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Limitation of Liability

How to interpret the clauses

§ ~~Fundamental breach doctrine~~

§ ~~Normal rules of contractual interpretation~~

§ New rules of interpretation for limitation clauses



Limitation of Liability

7 Principles of Moss QC

1. No rule of law – matter of construction
2. Presumption they don't cover deliberate repudiatory breach
3. Would need strong language to cover this
4. Would need to be very strong to cover uninsurable risk: "*including deliberate repudiatory acts by the parties themselves*"
5. Words which literally cover deliberate repudiatory breach won't be construed to do so if that defeats main object
6. Won't normally cover deliberate *personal* wrongdoing
7. Additional jurisdiction to find clause "repugnant"



Limitation of Liability

Where does this leave us?

- § “Interesting” Negotiations
- § Tiered liability caps
- § Reassessment of risk profile before breaching
- § Impact on:
 - § service providers?
 - § administrators?

