

Is IP Out of Control?

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This article

- This article is based on a short talk given at the JILP/GRUR meeting of December 2019. It reviews the development of IP law, particularly in Europe, over the last fifty years identifying both good and poor practice.
- It argues that we need to devise better ways of changing and advancing IP law. Lobbyists should not get what they want simply by being the ones that shout louder than anyone else.

Introduction – Identification of the Problem

It is just over 52 years since I first got mixed up in IP.¹ What I joined was on its face an essentially stable system. The Patents Act 1949 was bedded in. The Trade Marks Act 1938

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¹ For a fuller account, see R Jacob, *IP and Other Things* (Hart Publishing, 2015).

was working fine. The Copyright Act 1956, with just fifty-one sections, underpinned copyright. Registered designs under the Registered Design Act 1949 caused no apparent trouble. (There weren't many of them anyway.) There had been no new IP legislation since the 1956 Copyright Act. Competition law had nothing to do with IP. There was little litigation in the courts – though quite a lot of opposition work in the Patent Office (true opposition to grant²). Indeed, there was so little patent litigation that the single English Patent Judge, Lloyd Jacob J, in 1963 spoke of the “somewhat exiguous list of the assigned judge.”³ There was but little counterfeiting. Such as there was was not of fashion items or perfumes, but of pharmaceuticals. Foreign IP of all sorts was completely irrelevant. We knew nothing of it. Not that of Commonwealth countries such as India, Canada or Australia, even though their laws were largely derived from UK law, nor that of the USA - where patents were largely irrelevant because the courts largely held them invalid, nor Continental Europe where each country did its own thing without regard to another.

It followed that there were no government inquiries or considerations of IP law. There had been a report in 1962 about Industrial Designs, but the government had shelved it saying it was all very difficult.⁴ This passive state of affairs had not always been so. If one goes back to the middle of the nineteenth century one finds fierce attacks on the patent system both here and on the continent.⁵ The USA was using the patent system to drive forward

² The name for the central revocation system of the EPC still annoys me. You can't oppose a grant which has already happened!

³ *Terrapin Ltd v Builders' Supply Co. (Hayes) Ltd* [1963] RPC 301, 307.

⁴ See *Report of the Departmental Committee on Industrial Designs*, Cmnd 1808 (1962) (Johnston Committee Report), discussed in more detail by L Bently, 'The Design/Copyright Conflict in the United Kingdom' in E Derclaye (ed), *The Copyright/Design Interface: Past, Present and Future* (CUP, 2018) 171, 204-210.

⁵ Although the patent system was not abolished in Great Britain, patent law was substantially reformed by the Patent Law Amendment Act of 1852, whereas patents were abolished in the Netherlands as a result of similar debates (but later reintroduced), see e.g. A Johns, *Piracy. The Intellectual Property Wars from Gutenberg to Gates* (University of Chicago Press, 2009), 247-289.

industrialisation. Anyone who thinks the smart-phone wars of today have no parallel in the past is ignorant of the sewing machine wars of the 1850s⁶ and suchlike.

Nor was all as quiet as it seemed. Below the surface there was ambitious work about a patent convention and even possibly a Europe-wide patent system. A product of that quiet work was the Strasbourg Patent Convention of 1963.⁷ It is the provisions of that Convention which were largely lifted by the European Patent Convention. In particular, the provisions defining novelty, obviousness and sufficiency are taken from the 1963 Convention. From the point of view of my subject today, the important thing to note about that Convention (as well as the UK Acts then in force) is that they were prepared with considerable care and thought.⁸ They were in the main not knee-jerk reaction to noisy lobbyists. Those who framed the Strasbourg Convention were thoughtful and careful. The result in my opinion was the best basic patent law statutory provisions we have ever seen.

Things changed soon after I came to the Bar. Some changes, significant though they were, were just of personnel. Mr Justice Lloyd-Jacob, who had been a terrible judge for many years, died. Mr Justice Graham (who had recently been appointed) and shortly after, Mr Justice Whitford, came in as new brooms. But other changes were legislative. The first was a result of lobby group pressure from the jewellers of Birmingham,⁹ the same city that had spawned the industrial revolution and particularly the age of steam by Matthew Boulton and

⁶ See, e.g. A Mossoff, 'The Rise and Fall of the First American Patent Thicket: The Sewing Machine War of the 1850s' (2011) 53 *Arizona Law Review* 165.

⁷ Convention on the Unification of Certain Points of Substantive Law on Patents for Invention, Strasbourg, 27.XI.1963 available at: <www.coe.int/en/web/conventions/full-list/-/conventions/rms/090000168006b65d> accessed 3 January 2020.

⁸ See, e.g., C Wadlow, 'Strasbourg, the Forgotten Patent Convention, and the Origins of the European Patents Jurisdiction' (2010) 41(2) *IIC* 123; A Plomer, 'A unitary patent for a disunited Europe: the long shadow of history' (2015) 46(5) *IIC* 508.

⁹ For an animated summary, see M Fysh, 'Apologia Pro Vita Sua: A HiFi Retrospective and a Modest Prospective' in R Jacob (ed), *The Sir Hugh Laddie Lectures: The First Ten Years* (Intersentia, 2019) 195, 204.

James Watt. (Although not quite the first to do so, it was their patent activities all those years ago which set the whole patents for invention thing into real motion.)

The legislative change secured by the lobbyists in 1968 was the Design Copyright Act 1968. In just a couple of sections it set the power of ordinary copyright (principally in drawings) loose. The result, from a smallish beginning, was a tsunami of litigation about copying of almost any industrial design, functional or not. That was essentially judge-made law based on a particular, literal interpretation of the Copyright Act and a lacuna in its anti-overlap provisions with design law. No-one had expected it and it took the Copyright, Designs and Patents Act 1988 to put an end to it (though the House of Lords put an end to spare parts protection a little earlier by what, on proper analysis, was a piece of illegitimate reasoning based on land law concepts which had never even been argued¹⁰).

In retrospect, the lobby-led Design Copyright Act 1968 foreshadowed much of modern IP legislation and indeed court decisions. Ill thought-out, ill drafted measures or decisions leading to wholly unintended and undesirable consequences. My thesis today is that we need to devise better ways of changing and advancing IP law. Lobbyists will always have their place and always have. But it should not be enough for them to get what they want simply by being the ones that shout louder than anyone else.

¹⁰ *British Leyland Motor Corp. v Armstrong Patents Co.* [1986] 1 All E.R. 850. The reasoning was gently criticised by Lord Hoffmann giving the advice to Her Majesty in one of the last Privy Council cases from Hong Kong in *Canon v Green Cartridge* [1997] AC 728 (“somewhat unorthodox” and “a strong thing (not to say constitutionally questionable) for a judicially-declared head of public policy to be treated as overriding or qualifying an express statutory right”). I doubt that courts these days would decide a case on the basis of a point which had never been argued – if the court was minded to consider such a point it would put it to the parties for their comments before deciding.

Patents – the EPC as a good example

Let me give you an example of good law-making process – the European Patent Convention. The ultimate Treaty was the result of a two-stage process. First, there was a huge amount of work done in preparing a draft treaty. The work was not subject to much consultation (perhaps it should have been). But it was the result of detailed, non-glamorous detailed graft. The resulting draft treaty was then subject to intense debate over a period of weeks in Geneva. All prospective member states sent delegations and they worked through the treaty inch by inch. And as I have said its key elements about patentability had already been laid down by the brilliant committee who drafted the Strasbourg convention.¹¹

I am not saying that the Convention was a complete success. It was not. Its biggest failure was its litigation system - the “opposition” system. That has become elaborate, ponderous and not well-respected. It is important to ask why the legislators got this wrong. The answer was that they had little idea of the litigation process and had no proper input from litigators. It was a big blunder because the weaknesses were foreseeable. Those of us who were litigators foresaw there would be trouble, albeit not on the scale we have now. Only now are they trying to undo just a part of the foreseeable mess that was created by new rules for the Boards of Appeal.¹² Only by amendment to the Treaty could fundamental reform be effected. For the present, we are left with a system which regards the first level of opposition as “administrative” even though it is clearly, in principle, judicial – a fight on evidence and law. There is a ponderous appeal system and no proper right of appeal from the Boards of

¹¹ For a fuller account, see e.g. Plomer (n 8), 511-522.

¹² On 01/01/2020, new Rules of Procedure of the EPO Boards of Appeal came into force, with the stated aim of increasing efficiency and predictability as well as harmonising decisions between boards, without any decrease in quality, see: <www.epo.org/law-practice/case-law-appeals/communications/2019/20190704.html> accessed on 3 January 2020.

Appeal which are the first and only tier of judicial consideration of a case. It is out of proper control.

Trade Marks fare less well

Still, the EPC was a big success compared with what was to follow with trade marks. This was an ambitious project for the EU – in my opinion the difficulties were much underestimated for a very simple and entirely foreseeable reason. Most important trade marks are word marks, not design marks or the even more exotic alleged colour marks, sound marks and so on. The real trouble then is language. The same word will be pronounced differently in different countries. It may have a meaning in some countries, and not in others. Yet, the legislation pretends these realities are not there. It is left to a Court with no real commercial experience to sort it out. Not surprisingly, there are hundreds of cases before the General Court and Full Court. I would add that just as was the case with the EPC, the drafters of the Trade Mark Directive and Regulation paid scant attention to a sensible litigation system. Do trade marks really need three tiers of appeal? Matters of life and death do not!

There is more to say about trade marks. At major places in the legislation uncertainty was positively encouraged. Fundamental blunders were made in the legislation. Those who wrote it should be ashamed. Any sensible person trying to create a new trade mark system for Europe would have begun by asking of each member state – all of whom had a long history of their own register trade mark system – what are the major questions you have encountered or think will be. There would be a bunch of answers. Some are obvious:

- (1) What do you do about honest comparative advertising?
- (2) Do you need a genuine intention to use the mark to get it registered?
- (3) Can you register for as many goods and services as you like?

- (4) What do you do procedurally about a mark which has not been used – and what is the period for non-use reckoned from?
- (5) Is the test for conflict between marks ‘mark for mark’, or do you take surrounding circumstances into account?
- (6) What to do about marks descriptive in some places not in others?
- (7) What is the best opposition system?
- (8) Can parties go direct to national courts wearing EU hats for revocation? In particular, there should have been provision for speedy removal of bad marks?
- (9) More generally, how to prevent litigation in OHIM (as it was) from becoming slow and ponderous?
- (10) And even more generally how can the system be misused?

These and plenty of similar questions which could and should have been asked. If the legislators had properly consulted and gone through an EPC-like process of a detailed draft Treaty and a major international conference we would not have created a system as muddled, uncertain and ponderous as we have.

It has not helped that the ultimate court for trade marks is the CJEU. It is not a commercial court and makes things up on the hoof. No-one predicted, or could have predicted, the whole elusive concept of trade mark ‘functions’,¹³ something which all

¹³ The CJEU has conjured out of nowhere a number of “new” trade mark functions including the communication, advertisement and investment functions, see e.g. Case C-487/07 *L’Oréal SA v Bellure NV* (2009) EU:C:2009:378, [58]; Joined Cases C-236/08, 238/08 & C-237/08 *Google France Sarl v Louis Vuitton Malletier* (2010) EU:C:2010:159, [77]; C-278/08 *Die BergSpechte v Günter Guni* (2010) EU:C:2010:163, [31]; Case C-558/08 *Portakabin Ltd v Primakabin BV* (2010) EU:C:2010:416, [30]; Case C-46/10 *Viking Gas A/S v Kosan Gas A/S (formerly BP Gas A/S)* (2011) EU:C:2011:485, [23], [37]; Case C-323/09 *Interflora Inc and another v Marks and Spencer plc* (2011) EU:C:2011:604, [38]; Case C-482/09 *Budejovický Budvar Narodní Podnik v Anheuser-Busch Inc* (2011) EU:C:2011:605, [71]. The uncertainty created by these new functions was noted by Advocate General Mengozzi (who stated: “neither Directive 89/104 nor, as far as I am aware, the case-law of the Court has provided a list or a description of the functions of a trade mark other than that as a guarantee of origin”, see Opinion in *L’Oréal SA v Bellure NV* (2009) EU:C:2009:70, [50]) and Jääskinen, (who stated: “There is no terminological or substantial consensus as to how the ‘functions’ of the trade mark should

previous and other trade mark systems do not use or need. Nor could anyone have predicted the wholly irrational idea that taking a trade mark off goods outside the EU and importing them amounted to trade mark infringement within it.¹⁴

I leave trade marks by offering you this thought. Between 1900 and 1994 the UK House of Lords heard just seventeen registered trade mark cases. In the period since the EU trade mark system came into force in 1994, it is difficult to enumerate exactly how many cases have gone to the ECJ/CJEU – perhaps 200 or more, still less how many to the Court of First Instance/General Court. Thousands, and yet the law remains more uncertain now than it was when it started. This will not do and is a result of letting the system get out of control.

Supplementary Protection Certificates – a chaotic system

Next SPCs. The system was devised internally by the Commission. Seemingly they put people on it who knew nothing about patent law or medicine regulation law. It does not seem they realised the self-evident legal rule that if that a patent protected a product, the extent of protection covered that product even if it was admixed with other things. Nor did they appreciate that medicines may have more than one use. Or that regulatory approval is very

be understood. The same goes for the conceptual relationships that exist between the various functions, especially whether some (or all) of the functions can actually be seen as included in the essential function that is to guarantee to consumers the origin of the goods or services.” Opinion in Case C-324/09 *L’Oréal v eBay* (2010) EU:C:2010:757, [46] f/n 20).

¹⁴ Case C-129/17 *Mitsubishi Shoji Kaisha Ltd and Mitsubishi Caterpillar Forklift Europe BV v Duma Forklifts NV and G.S. International BVBA* (2018) EU:C:2018:594. The CJEU reached the opposite conclusion to Advocate General Campos Sánchez-Bordona, whose opinion in that case (EU:C:2018:292, [62]) endorsed the approach of the Court of Appeal of England and Wales in *Boehringer Ingelheim KG & Anor v Swingward Ltd* [2008] EWCA Civ 83, [51]-[53], viz: ‘Total de-branding in general is far from uncommon. ... To say that removing (or not applying) the original supplier’s mark to the goods amounts to an infringement would be absurd: traders have ... applied their own trade marks to goods for centuries. There is no harm in it. ... Going back to the legislation, such total de-branding is clearly not an infringement. There is simply no use of the trade mark in any shape or form. Total de-branding does not fall within Art. 5 at all. No defence is needed. ... So a trade mark owner has no right to insist that his trade mark stays on the goods for the aftermarket.’

narrow indeed. They published a document where they said the proposed system would be simply administered by national patent offices.¹⁵ It is quite fun to quote what they said:

“16. The proposal for a Regulation provides for a simple, transparent system which can easily be applied by the parties concerned.

It therefore does not lead to excessive bureaucracy. There is no need for any new administrative body and the patents offices should be able to implement the procedure for granting the certificate without an excessive burden being placed on their administration.”

We all know what has happened – chaos for a system so important that it underpins the pharma industry for what is probably more often than not the most important period of protection. It has not been helped by the CJEU whose judges do not understand patent law at all¹⁶ – and the reason why, if there is to be a European patent court, it has to be separate from the CJEU. Industry, rightly, could not trust the CJEU in its present form to do anything other than to make a mess of it.¹⁷ There has been talk of doing something about the SEP system, but that has stalled, though reform is badly needed – not only to remove the legal mess we are now in but also to extend the term of protection. The latter is needed because getting

¹⁵ Explanatory Memorandum to the Proposal for a Council Regulation (EEC) concerning the creation of a supplementary protection certificate for medicinal products: COM(90) 101 final – SYN 255 (11 April 1990), available at: <<http://aei.pitt.edu/12237/1/12237.pdf>> accessed on 3 January 2020). This resulted in Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products which entered into force on 3 January 1993 and later Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products which entered into force on 8 February 1997. Both were codified under Regulation (EC) No 469/2009 of the European Parliament and of the Council of 6 May 2009 concerning the supplementary protection certificate for medicinal products, which has since been amended by Regulation (EU) 2019/933 of the European Parliament and of the Council of 20 May 2019 which entered into force on 1 July 2019. For more on the background of the original legislation, see D Curley, *Extending Rewards for Innovative Drug Development: A Report on Supplementary Protection Certificates for Pharmaceutical Products* (Intellectual Property Institute, 2007), pp.2-5.

¹⁶ Hardly any of the Judges have experience of any form of commercial law. This is partly because each Member State gets to nominate a Judge – there is no attempt to staff the court with judges of different expertise.

¹⁷ For a review of CJEU case law just concerning the meaning of the ‘protected product’, see *Teva UK Limited & Others v Gilead Sciences Inc* [2017] EWHC 13 (Pat), [32]-[88]. See also M Snodin, ‘Three CJEU decisions that answer some questions but pose many more’ (2014) 9(7) *JiPLP* 599, F Papadopoulou, ‘Supplementary protection certificates: Still a grey area?’ (2016) 11(5) *JiPLP* 372.

regulatory approval takes a lot longer than it did when the system started, so much so that the lost time of protection made up for by SPCs is about the same as the lost time was before the system started.¹⁸ Again, out of control.

Copyright – harmonisation to the lowest common denominator

There is much to be said about copyright, but I will spare you the details. The biggest single thing that happened in copyright over my lifetime was the extra 20 years term – from 50 to 70 years from the death of the author. How did it happen? By a perfect example of lack of control. It went like this. Back in 1992, Phil Collins and Cliff Richard sued some pirates in Germany for infringing performers rights and copyright. Under German copyright and neighbouring rights law only Germans qualified for copyright (the details of why don't matter). The ECJ ruled that this was discriminatory.¹⁹ This meant that Collins and Richard won. That caused the Commission to think (if you can call it thinking) about copyright. It realised that German copyright law provided for a term of 70 years post-mortem whereas the rest of the EEC only had 50 – so there would be a copyright barrier within the internal market. The solution was to up the term for the rest of Europe – 70 years all round.²⁰ The financial and economic consequences of this were both profound and completely

¹⁸ T Rollins, 'How Europe's SPC Regime Works in Practice' Managing Intellectual Property 22 June 2016. He calculated that "the patent plus SPC term after the first EU MA in 2011 (11.52 years) is significantly lower than the 15 years that the Commission deemed to be a suitable compromise for the overall maximum back in 1992".

¹⁹ Joined Cases C-92/92 and C-326/92 *Phil Collins v Imtrat Handelsgesellschaft mbH and Patricia Im- und Export Verwaltungsgesellschaft mbH* and *Leif Emanuel Kraul v EMI Electrola GmbH* (1993) EU:C:1993:847.

²⁰ The Directive of the European Parliament and of the Council amending Directive 2006/116/EC on the term of protection of copyright was adopted on 12 September 2011.

unconsidered.²¹ Mickey Mouse in the US asked for the same and got it.²² No-one can suggest any of this was rational or under proper control.

Since then there has been some partial harmonisation, with the CJEU overseeing it. The result has been less than satisfactory. Take the most recent case, *Cofemel v G-Star*²³ concerning the design of the G-Star ‘Elwood’ jeans which has confirmed that the standard for protection of an artistic work can only be based upon ‘author’s own intellectual creation’ standard. National copyright cannot require a higher level of artistic value.²⁴ I fear for what they will do to technical drawings in the forthcoming *Brompton Bicycle* reference²⁵ – maybe to deny copyright to these on the basis that the exclusion from design protection adopted by the CJEU in *DOCERAM*²⁶ also applies to copyright protection.

And the case law on the right of communication to the public is near chaotic!²⁷

USA

I turn to the USA, where the Supreme Court has attacked the patent system for no good reason. *Mayo*,²⁸ *eBay*,²⁹ *Myriad*,³⁰ *Alice*³¹ and *Limelight*³² are all anti-patentee. In the US patent eligibility has become a branch of unintelligible metaphysics. Getting a permanent

²¹ See M Kretschmer et al, ‘Creativity stifled? A joint academic statement on the proposed copyright term extension for sound recordings’ (2008) 30(9) EIPR 341.

²² As is said from time to time in Michael Ende’s *Never Ending Story* “but it is another story that shall be told another time.”

²³ Case C-683/17 *Cofemel – Sociedade de Vestuário SA v G-Star Raw CV* (2019) EU:C:2019:721.

²⁴ Foreshadowed in L Bently, ‘The Return of Industrial Copyright?’ (2012) 34(10) EIPR 654.

²⁵ Pending as Case C-833/18 *Brompton Bicycle v Chedech/Get2Get*.

²⁶ Case C-395/16 *DOCERAM GmbH v CeramTec GmbH* (2018) EU:C:2018:172.

²⁷ Discussed, e.g. in J Koo, *The Right of Communication to the Public in EU Copyright Law* (Hart, 2019); E Rosati, ‘GS Media and Its Implications for the Construction of the Right of Communication to the Public within EU Copyright Architecture’ (2017) 54(4) CMLR 1221.

²⁸ *Mayo Collaborative Services v Prometheus Laboratories, Inc.* 566 U.S. 66 (2012).

²⁹ *eBay Inc. v MercExchange LLC* 547 U.S. 388 (2006)

³⁰ *Association for Molecular Pathology v Myriad Genetics* 569 U.S. 576 (2013).

³¹ *Alice Corp. v CLS Bank International* 573 U.S. 208 (2014).

³² *Limelight Networks v Akamai Technologies* 572 U.S. 915 (2014).

injunction after eBay is not easy. Add to that the dreadful litigation system where jury trial³³, massive discovery, vast costs, trial of liability with damages, over-reaching damages, contingency fees and you have a good picture of a system out of control.

Competition Law

Finally, I must mention competition law and its persistent interference with IP and particularly patents. There is no time to say more than that competition authorities are too apt to miss the big picture and interfere too much. They do not fully grasp that competing *innovative* companies are competing in innovation itself, whereas competition law is largely designed around markets and de facto monopolies in unchanging products, such as cement.

Is there a solution?

What's to be done? Can anything be done?

Well, to my mind we should learn from the mistakes of the past – and from the good examples of past too. It is no good making knee jerk changes to complicated things like the various IP rights. You have to set up a detailed apparatus for considering what is to be done. I have in mind the sort of thing that was done to create the EPC – a well-organised and well pre-prepared commission. Experience shows that mere “calls for evidence” does not work very well – busy people with detailed knowledge of the subject are apt not to respond. The responders are largely those who have vested interests and money. Neither the public interest nor those who could provide more objective assessments and contributions play a sufficient part, as they would if they were appointed to a commission supported by a competent secretariat.

³³ Which only became popular in the late 1980s onwards when litigators discovered that juries awarded bigger (in some cases outrageous) damages. Before that parties always went for Bench (i.e. judge alone) trial.

Beyond that it is difficult to think of how IP can come under control. The overall picture in the West of ill-thought-out expansion of the soft IP rights (trade marks, copyright and designs) and diminution of patent rights is not pretty.