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Federal Court of Canada Reaffirms Efficiency not Focus of Claim Construction Essential Element Inquiry:

Arif A. Mahmood &
Michelle N. Mondorf
Gardiner Roberts LLP

The Plaintiffs’ CA ‘619 Patent claimed a system using solar-heated panels to channel heated air into buildings. The specification and claims positioned the ventilation inlet at the top of the air collection space, maximizing thermal efficiency. The Defendant’s competing system had a lower-positioned ventilation inlet. Infringement analysis is preceded by claims construction to identify essential and non-essential elements of the invention, which determine the scope of the patent monopoly. The test is:

1) If a variant has a material effect on how the invention works - a variant device is non-infringing.

2) If the variant does not have a material effect but this is not obvious to a skilled reader - a variant device is non-infringing.

3) If the variant does not have a material effect and this is obvious to a skilled reader, but the reader understood from the claim language the patentee intended strict compliance with the patent language - a variant device is non-infringing (Free World Trust v. Électro Santé Inc., 2000 SCC 66).

The issue was whether the location of the ventilation inlet was an essential element of the plaintiffs’ invention. The Court found it was, and the defendant’s device did not infringe. The Court found the plaintiffs’ expert wrongly focused on the efficiency of the ventilation inlet position, rather than its material effect. It accepted the defendant’s expert opinion that buoyancy and airflow would permit better movement of heated air to the ventilation inlet in the plaintiffs’ invention. The defendant’s device was 14% less efficient, which the Court found “significant”. It held the alternative position of the ventilation inlet had a material effect on the invention.

The inventor acknowledged that drawing heated air from the bottom of the airspace attempted to defy the laws of physics. The Court found that a skilled person would have understood that the ventilation inlet position had a material effect. Even if the variant had not had a material effect and this was obvious to the skilled reader, the disclosure and claims only positioned the ventilation inlet at the top of the air collection space.

As the goal was to draw as much pre-heated air as possible a skilled person would believe that strict compliance with the words of the patent was required by the inventor.

Full Disclosure: My firm represented a defendant in a separate action involving the same plaintiffs and patent. That case did not proceed beyond the pleading stage. This case note is based on the 2 public decisions in the original matter.
Rule of Law Issues in Technology Transfer in Egypt: Two Proposals for Leveling the Playing Field

Gregg B. Brelsford, Esq.
Principal Advisor, Rule of Law and Intellectual Property
Microsoft, Egypt

Introduction

Egyptian innovators presently face a crucial disadvantage in commercializing their inventions and negotiating technology licenses on an uneven playing field. This is especially serious at this time in Egypt’s economic development.

Innovation and technology drive the 21st century in today’s fast-paced knowledge and information world. Indeed, the accelerating velocity of technology growth is unmistakable. For example, patent applications filed each year in the international patent system grew from 20,000 in 1990 to 182,000 in 2010. This is a nine fold increase in just 20 years. Worldwide licensing revenue grew, in US dollars, from $2.8b in 1970, to $27b in 1990 to $100b in 2000 to $400b in 2010. This is 200-fold growth in 40 years and a 400% increase in just the last ten years.

Any country failing to compete aggressively in today’s global technology race is falling behind. There will be winners and losers. The Egyptian Ministry of Scientific Research and many others recognize this danger. Significant efforts are underway to strengthen Egypt’s competitiveness in this regard.

Technology Transfer Rule of Law in Egypt – An Uneven Playing Field

However, developing new technology is only the beginning. Once developed, the new technology must make its way out of the laboratory and into a productive economic or social use in society. The most brilliant technology in the world is essentially useless if it sits on a shelf and fails to help a country successfully compete in the 21st century. Licensing is the primary vehicle for doing transferring this new technology from the laboratory to society.

Presently there is a terrible practical problem in the rule of law in technology licensing in Egypt. There is a fundamental structural imbalance in licensing negotiation capability between Egyptian innovators and their commercial licensees. Egypt, a civil law system, has a commercial code. But there is a major gap in the larger rule of law system of technology transfer. This is because there is limited practical ability on the part of Egyptian inventors to secure fair agreements for licensing their inventions. Egyptian innovators are negotiating the transfer of valuable technology on a playing field that is not level in terms of licensing knowledge and skill. Because of this, they are negotiating with one hand, if not two hands, tied behind their back.

Licensing “Rules” Are Not the Rule of Law

Let’s look at a chess analogy. Picture a highly skilled chess player matched against an opponent substantially less skilled. Chess rules do not require the highly skilled player to educate the opponent about the opponent’s mistakes, even harmful mistakes. Chess rules also allow the highly skilled player to secretly and fully exploit these mistakes.

We would concede wouldn’t we, that playing by these rules, the highly skilled competitor plays a technically “ethical” game? Yet wouldn’t we say also that his victory over the less-skilled opponent is unfair? Indeed, that is why competitive chess games match players by skill level – to ensure a fair outcome.

Chess games are normally fought over relatively small stakes. Nevertheless, chess matches the skill levels of the opponents. Chess does this to go beyond merely prescribing technical rules for the individual steps in the game. It does this to

1 The views expressed here are the views of the author only.
2 WIPO Statistics Database, March 2012.
4 There are also weaknesses in the “enforcement” part of the present technology rule of law system in Egypt. A discussion of those weaknesses is beyond the scope of this paper.
enhance substantive fairness in the overall outcome. In licensing valuable technology, where Egypt’s global competitiveness is involved, shouldn’t we expect at least the same type of fair outcomes that we expect in a chess game?

Like chess, technology licensing has technical rules that allow, and expect, one party to say nothing to an opponent about the opponent’s mistakes and to secretly exploit these mistakes. Yet in technology licensing, the stakes are emphatically higher than in chess. Here, an inventor’s life’s work, or university intellectual property revenue, or valuable benefits to society, are involved. Doesn’t the rule of law require parity in the ability to skillfully use the legal rules?

Indeed, this lack of parity can have potentially very harmful consequences. For example, a university professor, unskilled in technology licensing, may fail to accurately define the scope of the intellectual property transferred in a license. Or, he may potentially create unlimited financial harm for himself and his university by failing to negotiate “limited liability” protection in the license. Further, he may fail to accurately assess the market value of the technology, and unnecessarily “give away” potential revenue. These are just a few of many possible harmful mistakes.

Two Proposals to Level the Playing Field and Strengthen the Rule of Law

How can Egypt effectively address this contradiction between compliance with technical rules and the potential unfairness of licensing outcomes? That is, how can Egypt level the playing field for innovators and strengthen Egypt’s global competitiveness in technology transfer transactions?

Given the competitive pressures of the global economy today, Egypt must quickly improve the ability of Egyptian innovators to skillfully negotiate technology licenses. I suggest a two-pronged approach, involving concurrent short-term and long-term strategies.

In the short-term, the number of skilled technology licensing negotiators in Egypt is insufficient to properly protect the high volume of new technology bursting forth. Egypt should promptly create a specialized temporary organization and staff it with highly skilled international licensing professionals. Then, these skilled professionals should help Egyptian innovators nationwide negotiate their technology license deals.

Long term, in parallel with the short term effort, Egypt must create a national pool of skilled Egyptian technology licensing negotiators. This could be done, on an on-going basis, through educational programs and training certificate courses. This training could be provided in universities and professional seminars. Further, it could be provided through NGOs, law syndicates and other national or international resources.

The goal of this education and training is to provide technology licensing expertise extensively, effectively and efficiently throughout Egypt. The specialized temporary organization could not only help with immediate negotiations, but also serve as training and mentoring resource. Then, once the pool of skilled Egyptian licensing professional is large enough, the specialized temporary organization could be phased out.

Conclusion

Egypt is diligently working to compete aggressively in the technology race of today’s knowledge economy. However, creating the technology is only the first step. Once created, it must be pushed-out from the lab to productive use in society. Problematically though, Egyptian innovators presently face licensing opponents on an uneven playing field. This imbalance will produce licenses that are unfair, unbalanced and uncompetitive in the global arena. These licenses will defectively protect and deficiently advance Egyptian inventors and Egypt’s global competitiveness.

This gap in the rule of law of technology licensing, the unfair playing field, can be solved through a two-pronged strategy: (1) quickly creating a specialized temporary organization of skilled international technology licensing negotiators who can help Egyptian innovators in technology licensing deals and (2) over time training skilled technology license negotiators throughout Egypt.
AFRICA

A High Court in South Africa Extends Copyright Protection to Creators of Database

Discovery Health South Africa was found guilty of copyright infringement regarding a database developed by the Board of Healthcare Funders known as Practice Code Numbering System. The South African High Court applied the “sweat of the brow” doctrine in reaching its ruling. Under this approach, a database may be afforded copyright protection based upon the work required to compile it, not the originality of the information contained therein.

For more on this decision, see: Board of Healthcare Funders v Discovery Health Medical Scheme and Others [2012].

Botswana’s Industrial Property Act of 2010 Enters into Force


Nigerian Copyright Commission Raids Unauthorized Collecting Society

On September 18, 2012, The Nigerian Copyright Commission (NCC) raided the premises of Musical Copyright Society of Nigeria (MCSN) Ltd/Gte based on information that MCSN was acting as a collecting society illegally. Nigerian law provides that any organization that operates as a collecting society must obtain NCC approval. Though MCSN had previously applied for and been denied approval to operate as a collecting society, MCSN continued its operations. NCC’s preliminary investigation revealed that MCSN had been granting licenses and collecting royalties for the use of musical and film works. The raid resulted in the arrest of five senior officers of MCSN and the seizure of computers and related documents. The NCC has since instituted six criminal charges at the Federal High Court, Lagos, against the MCSN and seven of its officials for operating a collecting society without the approval of the Commission.


Plant Breeder’s Right Reigns Supreme in South African High Court

Sheehan Genetics, developer of ten varieties of seedless grapes, granted exclusive license to Spanish company Antonio Munoz Y Cia SA (‘AMC’) to test and commercially develop all new plant material bred, acquired and developed by Sheehan. AMC subsequently entered into a sublicensing agreement with Colors Fruit South Africa for the Sheehan varieties. When AMC later notified both Sheehan and Colors of its intention to terminate the aforementioned licenses, Colors asserted ownership in the Sheehan plant varieties. The South African High Court upheld Sheehan’s plant breeder’s right in the IP pertaining to the vegetative material and found that the sublicense did not constitute a transfer of ownership in the IP.

Read the full decision here: Voor-Groenberg Nursery CC and Another v Colors Fruit South Africa (Pty) Ltd [2012].
Africa (continued)

Can you hear me now?—Counterfeits cut off in Kenya

More than 1.5 million Kenyan mobile phones were “switched off” on 30 September 2012 in the fight to rid the country of an estimated three million counterfeit mobile handsets. Government officials said the move was designed to protect consumers from potential health risks and to prevent mobile banking fraud. Counterfeit mobile phones raise additional concerns for law enforcement agencies: Duplicated IMEI codes make it difficult to track down users. In advance of the switch off, the Communications Commission of Kenya (CCK), in association with the country’s four mobile firms, ran public awareness campaigns informing consumers of the dangers of counterfeit devices.

For more on the Kenyan switch off, visit: http://www.cck.go.ke/news/2012/Switch-off_deadline.html

ASIA

Singapore Strengthens Existing IP Law

Singapore has amended its existing IP law. On 10 July 2012, legislative amendments to the country’s IP law were passed in Parliament. The amendments are aimed at strengthening the patent regime, growing international patent capabilities in Singapore, and supporting efforts to establish Singapore as an Asian IP hub. Changes in the law include movement from a ‘self-assessment’ to a ‘positive grant’ patent system; liberalization of the patent agent regime; and a new Integrated Registries IT system at the Intellectual Property Office of Singapore (IPOS). It is expected that subsidiary legislation to implement and operationalize the recent changes will be published later this year.


Singapore and Korea Sign MoUs on Intellectual Property

On 3 October 2012, Singapore and Korea signed a Memoranda of Understanding on Comprehensive Intellectual Property Cooperation and a MoU on Patent Prosecution Highway Program. According to the Intellectual Property Office of Singapore (IPOS), the MoU on IP cooperation establishes a framework for bilateral cooperation aimed at improving the administration and effectiveness of IP systems in both countries through exchanges of information and best practice.

More information can be found at: http://www.wipo.int/treaties/en/notifications/madridp-gp/treaty_madridp_gp_194.html

EUROPE

The Madrid Protocol Enters into Force for Philippines

The Madrid Protocol entered into force for the Republic of the Philippines, on July 25, 2012. Mr. Benigno C. Aquino III, Philippines President, had signed the instrument of accession on March 27, 2012. The Madrid system for the international registration of marks (the Madrid system) was established in 1891 and offers trademark owners the advantage of protecting a trademark in multiple countries by filing a single application with a national or regional trademark office. The Madrid Agreement Concerning the International Registration of Marks was adopted on 14 April 1891. The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks was adopted at Madrid on 27 June 1899.

New Small Claims Track in U.K. Patents County Court

On 1 October 2012, a new small claims track was introduced to the Patents County Court (PCC) in the U.K.. It is expected that the small claims track will speed up the court process and make it cheaper and easier to protect intellectual property rights in the U.K. The
Europe (continued)

change is particularly targeted at small and medium sized businesses. The change appears to be a response to recommendations made by Professor Ian Hargreaves in a 2011 report. In May 2011 Professor Ian Hargreaves released his Independent review of IP & growth report. In a paper issued on 3 August 2011, Government’s response, the U.K. government signaled its broad acceptance of the recommendations contained in the Hargreaves’ report.


EU Council Adopts Long-awaited Orphan Work Directive

On 4 October 2012, the European Union Council adopted a new Directive on Orphan Works Directive (Directive).7 Orphan Works are works which are protected by copyright but whose creators cannot be identified or found. EU Commissioner Barnier called the adoption of the Directive “a significant achievement” in EU’s efforts to create a digital single market. The Directive concerns “certain uses made of orphan works by publicly accessible libraries, educational establishments and museums, as well as by archives, film or audio heritage institutions and public-service broadcasting organisations, established in the Member States, in order to achieve aims related to their public-interest missions.” The Directive “does not interfere with any arrangements concerning the management of rights at national level” (Article 1.5). According to Article 2 of the Directive, work or a phonogram shall be considered an orphan work “if none of the rightholders in that work or phonogram is identified or, even if one or more of them is identified, none is located despite a diligent search for the rightholders having been carried out and recorded in accordance with Article 3.” Article 3 goes on to describe what constitutes a diligent search for the purposes of establishing whether a work or phonogram is an orphan work.


GLOBAL

WIPO’s IP-Related Technical Assistance to Iran Does Not Violate Security Council Resolutions

In a 21 September 2012 letter to Mr. Francis Gurry, the Director General of the World Intellectual Property Organization (WIPO), a United Nations (UN) Security Council Committee responsible for overseeing the implementation of Security Council resolutions pertaining to the Islamic Republic of Iran (Iran) confirmed that WIPO’s proposed technical assistance to Iran do not violate relevant United Nations resolutions. WIPO plans to supply the Industrial Property Office of Iran with certain proprietary software.

A different Security Council Committee, Security Council Committee established pursuant to resolution 1718 (2006), came to a similar conclusion regarding WIPO’s technical assistance to the Democratic People’s Republic of Korea (DPRK) in a letter dated 20 September 2012.

The letter pertaining to Iran (REF: S/AC.50/2012/OC.42) and the letter pertaining to DPRK (REF: S/AC.49/2012/OC.25) are both available at: http://www.wipo.int/export/sites/www/about-wipo/en/oversight/pdf/
About the International Intellectual Property Committee

The International Intellectual Property Committee of the American Bar Association Section of International Law (ABA-SIL) deals with intellectual property problems arising out of differences in the laws of various countries; issues concerning the negotiation and implementation of international agreements affecting intellectual property rights; the rights of United States citizens to obtain intellectual property protection in other countries and the rights of foreign authors, inventors and producers to obtain intellectual property protection in the United States.

To join or learn more about the ABA Section of International Law visit: http://www.abanet.org/intlaw/membership/home.html. If you have any difficulties, please contact the International Section office at 202-662-1660.

Conferences


Reminders

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We welcome voluntary contributions of case reviews, book reviews, proposed or pending relevant legislation, news items, useful links and relevant information concerning upcoming events of possible interest to members of the international intellectual property committee for inclusion in future issues of this newsletter; contributions may be sent by email to uchee@uark.edu.

For questions, suggestions or problems, contact Prof. Uche Ewelukwa, uchee@uark.edu

Thank you again for your interest and participation!

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