

IP & IT—looking ahead to 2017

06/01/2017

IP & IT analysis: Our panel of experts considers what lies ahead for IP & IT lawyers in 2017.

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Legal developments and practical impact

What are likely going to be the most important cases in 2017 and why?

JB: Two trade mark cases have the potential to lead to some interesting developments in 2017. The first is the *Iceland v Iceland* battle involving the frozen food retailer and the state government. This centres on the right to use the mark ICELAND for which the retailer has broad registered protection. It is argued that this is stifling commercial enterprises based in Iceland who rightly wish to explicitly include reference to their origin in their branding. (Cancellation action no 000014030 was filed by the state government at the European Union Intellectual Property Office (EUIPO) on 24 November 2016 in respect of EU trade mark registration no 02673374 for ICELAND).

This does bring into question the use of brands that incorporate terms that can have alternate meanings and, in particular, the issue of geographic references. It will also inevitably involve an assessment of the date at which this became an issue, given that the retailer's brand has been in use for many years and protected for the majority of that period.

PSL practical point: For more on cancellation actions before the EUIPO generally, see Practice Note: [European Union Trade Mark registration—opposition, registration, renewal and cancellation](#).

The second case (*Rolex Watch USA Inc v Palazzolo et al* (case no 1:2016cv09132, filed on 23 November 2016)) centres on counterfeit goods and online sales. Watch giant Rolex is bringing proceedings in the US against online retailer [www.thereplicawatchshop.com](#) in relation to listings on the website for replica watches bearing Rolex trade marks. Rolex claim they have 'intentionally, maliciously and wilfully sold...watches bearing counterfeits of one or more of the Rolex registered trademarks, despite knowledge that such sales were illegal'. If there is a finding in favour of Rolex this would be an important precedent for brand owners in the battle against counterfeiters.

PSL practical point: For details of recent anti-counterfeiting activity in the UK, see News Analysis: [White collar crime—key highlights from the latest IP crime report](#).

JF: All the usual mega-tech companies are involved in litigation at the moment but 2017 is likely to be a year that contentious IP/tech lawyers won't forget and non-contentious lawyers will have to take notice of.

We see 2017 as being a year when disappointed customers seek recompense and compensation where technology companies have failed to deliver. Insurance cover is likely to be tested in this context, with many technology companies relying on PI when claims are made, only to realise that their policies are generally out of step with the intangible work produced as part of their service offering.

The application of cover to cyberbreach is overdue for legal challenge too. At the moment a disparity remains around whether a data breach would be covered in a situation where the primary purpose of the PI is to cover a professional

service, let's say that of a solicitor, who provides advice but the loss relates to unauthorised access or damage to their system, not their services.

There will almost certainly be legal challenges brought against Google, probably around privacy and 'Allo'. In particular, the right to forget will be much vaunted in light of upcoming changes to data protection and the push for governments to be able to intercept communications and call for release of data most of us would consider to be private.

The AR patent wars have been waging for some years now, but 2017 will see an increase in disputes around blockchain and similar distributed technology.

Further litigation around co-existence and concurrent use is also possible on the back of *Victoria Plum Ltd (trading as Victoria Plumb) v Victorian Plumbing Ltd and others* [2016] EWHC 2911 (Ch) and *Merck KGaA v Merck Sharp & Dohme Corp* [2016] EWHC 49 (Pat).

PSL practical point: For more, see News Analyses: [In Brief: High Court considers keyword advertising and honest concurrent use \(Victoria Plum Ltd \(trading as Victoria Plumb\) v Victorian Plumbing Ltd and others\)](#) and [Co-existence agreements—a cautionary tale](#).

Creative Commons is an area that might see litigation and a codification of its very being in the 'share economy'.

AH & RG: At a time when we are contemplating the impact of Brexit on English law, the influence of the European Commission and CJEU continues to grow in the fields of IT & IP law.

In the IT space, there have recently been some developments in relation to liability for internet content, where courts across Europe continue to grapple with the extent to which internet intermediaries should be liable for unlawful content posted by third parties or for hyperlinking to IP infringing content. In the defamation and privacy arena, we are still awaiting judgment of the Northern Ireland Court of Appeal in the important case of *CG v Facebook*, which will grapple with some of the key issues around intermediary liability, including how the E-Commerce Directive 2000/31/EC and the Data Protection Directive 95/46/EC interact with each other.

In relation to hyperlinking, in September 2016, the CJEU clarified the extent to which hyperlinking amounts to copyright infringement in the [GS Media case](#), drawing a distinction between linking for commercial purposes and linking for private purposes. Expect to see more developments in this area in 2017.

PSL practical point: For more, see News Analysis: [Playboy highlights new issue with intellectual property rights](#).

In relation to trade marks, the CJEU is due to deliver judgments on a number of trade referrals in 2017. Two of the most interesting are:

C-291/16: *Schweppes, SA v Exclusivas Ramírez, SL and Others*

This case concerns the parallel importation of Schweppes products within the EU. Although Schweppes has a consistent global brand image, the ownership of the brand in the EU is actually split between Schweppes International and Coca Cola. This case concerns the question of whether Schweppes International's Spanish subsidiary can prevent the importation into Spain of Schweppes put on the market in the UK by Coca-Cola. The case could have a significant impact on those brands whose ownership is split within the EU or could provide an opportunity for brand owners to more effectively partition the market within the EU.

PSL practical point: To follow the progress of this case, see Practice Note: [Trade marks tracker](#).

C-163/16: *Christian Louboutin, Christian Louboutin SAS v Van Haren Schoenen BV*

Louboutin shoes are well known for their signature red sole, a trade mark for which was registered in the Benelux. The Court of Justice has been asked to consider whether the shape exclusion which prohibits the registration of signs which consist exclusively of the shape of goods which gives substantial value to the goods can encompass non-3D properties such as colour. The shape exclusions have recently been expanded to include 'other characteristics' as well as shapes following a reform of EU trade mark law reform. Although these changes will not be of direct relevance in this case, the CJEU may provide some clues as to how these will be interpreted.

PSL practical point: To follow the progress of this case, see Practice Note: [Trade marks tracker](#). For more on unconventional trademarks, see Practice Note: [Unconventional trade marks](#).

What are likely to be the most significant legislative and regulatory developments and why?

JB: The UK government giving the go ahead to ratify the Unified Patent Court Agreement will undoubtedly have a significant impact for clients and practitioners alike. It is anticipated the system will go live in the second half of 2017 and it has been eagerly awaited by many UK-based innovative companies as it provides the possibility of economic protection and enforcement across Europe. Pan-European patent protection should now be within reach for SMEs. It will be of particular interest to those who operate in the life sciences sector as London will host the life sciences branch of the court while Paris will host the central division of the court.

PSL practical point: For more on this development, see News Analysis: [UK set to ratify Unified Patent Court agreement](#).

JF: As regulators lose the stick of EU compliance to beat financial institutions with, they will have to decide if they will be bloodhounds or watchdogs. As they start to look into multi-layered deals where banks have incubated and sold at an apparent loss, the scale of false promises and fake unicorns will become clear. The City will once again have to face up to the fallibility of its 'experts' and broken promises to shareholders and the regulators may well be left scratching their heads about sanctions and recourse. If regulators take the role of watchdog, we foresee additional layers of regulation being imposed on banks and senior executives around risk and remuneration. If they go the bloodhound route, then litigation must follow.

It could be that with more than 70% of businesses suffering cyberbreach last year, 2017 will see government impose an obligation on businesses of a certain size to secure cyberbreach insurance, just as they need to secure employees liability insurance.

Following a spate of recent injunctions around intrusions of privacy and some rarely used torts (such as the tort of mental injury) could 2017 be the year that the UK finally moves towards a codified law of privacy?

PSL practical point: For more on one of the key privacy injunctions in 2016, see News Analysis: [Examining the effectiveness of celebrity injunctions](#).

AS & RG: Below are the most significant legislative and regulatory developments:

Patents

Following the UK government's recent decision to ratify the Unified Patent Court (UPC) Agreement, the UPC could be up and running before the end of 2017. This will represent a major change to the patent registration and enforcement process in Europe. Once it comes into force, the UPC will enable patent holders to enforce their EU patent rights (with some exceptions, Spain and Poland are not taking part and Croatia has not yet signed up) at the UPC rather than having to bring separate proceedings in the courts of Member States. It will also allow for the grant of Unitary Patents that cover the whole of the EU (again, with the exception of Spain, Poland and possibly Croatia) rather than individual national patents. The system will initially be voluntary, so many patents and disputes will still be granted and resolved on a national basis, but over time the expectation is that the UPC will become the main route through which patents are enforced in the EU.

PSL practical point: For more information, see Practice Notes: [Unitary patents and the Unified Patent Court](#) and [Unified Patent Court timeline](#).

Trade marks

The EU's trade mark system has also been the subject of reform recently, with revisions to what is now the European Union Trade Mark Regulation (previously the Community Trade Mark Regulation) coming into force from 23 March 2016 (when certain provisions of Council Regulation (EC) No 207/2009 were amended by the entry into force of Regulation (EU) 2015/2424).

However, further revisions to the Regulation will only come into force on 1 October 2017. These changes include the abolition of the 'graphical representation' requirement for trade marks, which will make it easier to protect non-traditional marks such as sound and motion marks (for example, by using a sound or video file as the representation of the trade mark). In addition, it will also become possible to file certification marks at an EU level. These are marks that certify that goods or services have a particular characteristic, even if they may come from different sources.

PSL practical point: For more, see News Analyses: [Reform of EU trade mark law—where are we?](#) and [The Community Trade Mark—what changes lie ahead?](#).

Digital single market

Also of relevance, particularly for copyright, are various legislative developments that form part of the EU Commission's digital single market initiative. It is currently expected that the [Cross-Border Portability Regulation](#) will be adopted and possibly come into force in 2017. This will enable providers of portable online content services to enable their subscribers to access that content when they are temporarily present in other Member States. It will also require many such providers to offer this cross-border portability and will make unenforceable any contractual provisions between content owners and service providers that would prevent this.

PSL practical point: To follow the progress of the Cross-Border Portability Regulation, see Practice Note: [Copyright and databases tracker](#)

For more information about the impact on copyright law of the digital single market strategy, see: [Weighing up the European Commission's proposed copyright reform package](#).

Data protection

Following the emergence of the 'Privacy Shield' to deal with issues of transatlantic data flows arising from the *DPC v Facebook Ireland Ltd and Maximilian Schrems* (Record Number: 2016 No 4809P) case in Ireland, and with the General Data Protection Regulation (EU) 2016/679 (the GDPR) due to come into force in May 2018, businesses continue to focus in on the detail of what it means to be 'GDPR compliant'. Expect to see more regulatory investigations in this respect and further developments in relation to the 'right to be forgotten' across Europe.

JT: In 2017, we will see more demand for intelligent services and devices—this will be powered by more advanced algorithms, AI and advanced machine learning. These technologies will provide the ability for these services/devices to start to understand, learn, predict, adapt and operate autonomously. For example, retailers will provide more reliable online recommendation systems for customers, driverless cars will be smart enough to be rolled out to consumers, security architecture will be more adaptive and permeate all technology processes, etc. Although culturally we, as humans, may not be ready to accept all these new advances.

However, these technology requirements will translate into increased complexity for chief information officers (CIOs) who need to incorporate the new technology with existing infrastructure. 93% of CIOs believe that IT complexity has increased, yet only 20% of them have the necessary skills and resources to deal with that complexity. This trend will only continue in 2017.

In 2017, tackling the complexity challenge will become a top CIO priority as companies tackle ambitious and digital transformation projects (within finite budgets) that will help companies transform their propositions, ways of working and help keep them ahead of the competition.

JH: It appears to me that 2017 is lining up to be the year that cybersecurity is finally taken seriously by businesses. While it may be a bit dramatic to say that businesses are not aware that security is important, the high profile attacks of Tesco Bank, Three Mobile and Talk Talk show that traditional approaches are not working. Protection against these threats needs to be moved up the agenda and recognised as part of a business' overall strategy, not just an IT problem. However, there are a few concerns that Brexit could diminish UK organisations' ability to protect themselves from cyber threats. We have highlighted some of the key arguments below:

GDPR

Concerns raised around GDPR can be largely alleviated as the regulation takes effect before Britain leaves the EU in May 2018. Furthermore, despite our withdrawal, Europe will likely continue as a huge source of income for UK companies and the terms of the regulation must be upheld by any country that stores data on EU citizens.

Intelligence and data sharing

Intelligence sharing is vital to Britain's cybersecurity strategy—sharing and pooling knowledge allows threats to be tackled faster and with a higher success rate. The National Crime Agency has reported the success of this strategy, showing an average 12% drop in breaches as a result of internet service providers (ISPs) sharing scenarios between themselves.

Post-Brexit UK will need to take the initiative in negotiating a new agreement for intelligence and data sharing between themselves and the EU.

Availability of financial capital

While in the short-term the same amount of money will buy less (because of the weakened pound), it is unlikely to have an effect on security in the long-term. Instead, Brexit is seen as an opportunity for businesses to completely overhaul their security policy—saving money and creating a more robust infrastructure at the same time.

As cyber threats evolve, the consequences become serious and attacks are more frequently reported, firms will begin to overhaul their security policies and dedicate meaningful resources to this area. The questions for many, however, is do they have the capabilities to hold back these threats in-house or do they need to outsource to an organisation better placed to do so?

Automation

Another prediction for 2017 we have is the development of business automation. Automation is nothing new, but in 2017 we will see it come to the fore as companies use automation to streamline their core operations and increase efficiencies across their entire business structure.

We will see organisations set themselves the goal of zero-touch process across these core operations—removing manual touch points completely and resulting in fewer errors, faster processes and extra visibility. However, arguably the biggest benefit of automation is access to analytical data, allowing management to generate performance forecasts and identify areas for long-term improvement.

This development in automation will free up an organisations' employees to perform tasks that add real value to the business rather than being wasted on menial tasks that can be carried out by automation technology. Those organisations that are not exploiting this opportunity will see themselves left behind their competitors.

BG: With 2017 almost upon us, I have gathered our predictions for the IP sector in the coming year. This is a non-legal perspective based on what we have observed as IP strategy consultants and patent brokers and from discussions with customers and key participants in the IP ecosystem globally.

Patent culling

IP maintenance budgets are under pressure and, with doubts about the validity of some patents and the renewed pressure to generate income from non-core assets, companies with medium-to-large portfolios will rationalise their portfolios and decide to abandon or sell patents. We would not be surprised to see some companies reducing their portfolio size by 30–40%.

Patent brokers becoming match-makers

Patent brokerage—where an intermediary represents an IP owner with patents with good selling potential, and markets the assets to potential acquirers (operating companies, non-practicing entities (NPEs), defensive aggregators) for offensive or defensive reasons, and shares a proportion of the proceeds—is evolving. In the last few years, the secondary patent market has been flooded with patents of low quality and buyers find it nearly impossible to find assets of quality matching their requirements. IP match-making is when a broker explores the potential of a deal between a potential buyer having expressed IP needs in a specific area and a seller with relevant assets.

Value of Chinese IP going up and Chinese companies increasingly prepared to fight for their home turf

The IP space in China is now reaching a level of maturity close to that of advanced economies. Chinese technology giants are increasingly assessing IP risk linked to geographical expansion, but are now starting to defend their domestic market against Western companies and other domestic companies. China is also becoming a litigation venue of choice for foreign IP owners. We can also expect a lot of patent transactions involving Chinese buyers.

Patents as part of marketing messaging

Start-ups, often driven by their backers, are increasingly bringing IP on the board agenda. A possible emerging trend which we may see in 2017 is the use of IP/innovation to form a differentiator in their marketing messaging, with

companies looking to file patents to protect their inventions, but also to be able to claim they have protected designs or patents pending in their marketing messaging.

Recruiters using patent databases to find top talent in some technical fields

With online tools becoming cheaper and more user friendly, non-IP specialists can now derive benefits from mining patent databases. Artificial Intelligence, for example, is a field where top scientific talent, often from academia is in high demand and where such tools can be useful to identify named inventors as potential recruits.

The rise of trade secrets

Filing a patent application is an investment that can be substantial depending on the number of geographical areas granted and on the duration of its maintenance. Given the much increased invalidity risk post-*Alice Corporation Pty v CLS Bank International et al* No 13-298, 19 June 2014 for software, computer-implemented and business-methods patents, and the high success rate of post-grant challenges, companies may increasingly prefer to protect some inventions through trade secrets.

PSL practical point: For more information on the EU Trade Secrets Directive 2016/943/EU, which was adopted in June 2016, and which is to be introduced to domestic law by June 2018, see, News Analysis: [Shining a light on the Trade Secrets Directive](#)

Licensing of more integrated IP packages

Given the points mentioned above, plus the other potential complications on how damages are calculated and other legal changes, licensors are increasingly integrating know-how, copyrights and sometimes even trademarks into their licensing agreements.

How is Brexit likely to affect these predictions?

JB: The impact of Brexit on the UPC does still leave some questions unanswered given that participants were thought to have to be members of the EU and the final instance court of appeal for the UPC is expected to be the Court of Justice of the European Union, which would mean that European courts continue to have some jurisdiction over certain aspects of UK law.

JF: Let us be under no illusion that Brexit will affect almost every law enacted in the last 40 years. It should force us to re-evaluate our entire system, but there is danger in doing so every bit as much as there are risks in not taking such a bold step.

As the government undertakes the exercise of 'divorcing' EU Law from English Law, it will have to decide to either accept everything as is and then repeal unwanted laws piecemeal, or reject every piece of EU legislation and re-legislate. The latter option is neither practical nor preferable whereas the former 'quickie divorce' gives lawmakers the opportunity to overhaul many laws that are beyond their sell-by date and are deeply unpopular. A huge dose of uncommon common sense will be required here though and government, whose GLS was decimated in budget cuts after the credit crunch, might have to rely on the goodwill of the legal profession or invest significant resource in seeking the type of expert knowledge that private practice lawyers have

AS & RG: There had been an expectation that Brexit would mean that the UPC Agreement would not be ratified by the UK and that the whole project was in danger of unravelling. While this now seems not to be the case, it is not entirely clear whether the UK will remain part of the UPC Agreement once it leaves the EU. Although the UPC is not an EU institution, all of its members are also members of the EU and the Court of Justice does have some role in interpreting its powers. It seems that the UK government believes that the UK can continue to take part even after Brexit and this is perhaps a signal that the UK's legal system may not become entirely separated from the EU.

Otherwise, Brexit in general raises the question of the extent to which the UK's IP & IT legal framework will continue to mirror that of the EU where there is harmonisation both now and in the future. There is also a question of what happens to EU unitary rights, such as EU trade marks and Community registered designs, with the likelihood that separate UK rights will need to be created when the UK leaves the EU. It is unlikely that these issues will be resolved in 2017, with the UK only expected to leave the EU in 2019.

In relation to the GDPR, after all the work the ICO contributed to that document, it is likely that the UK will adopt something very similar when the UK eventually 'Brexit's'. There may be some scope for adjustments around the edges, particularly in relation to freedom of expression which has been left to Member States to devise their own rules. Protections for intermediaries such as those contained in the E-commerce Directive are also likely to be retained, if not strengthened under English law post-Brexit.

PSL practical point: For more information about the potential impact of Brexit on intellectual property rights see *News Analyses*:

[Brexit and design rights](#)

[Trade mark protection and IP ownership post-Brexit](#)

[The post-referendum landscape for 'soft' IP rights](#)

See also Q&A: [In light of the EU referendum results if I have an EUTM over five years old, and it is only used in the UK, should I consider filing a separate UK application?](#)

Clients and business developments

How do you think the practice of IP & IT law is going to develop in 2017?

JB: With Brexit looming, we may start to see a shift in enforcement strategies with a move towards multiple local enforcement actions or the seeking of pan-European remedies outside the UK with separate parallel UK claims. Filing strategies are also likely to evolve to a risk-averse approach of filing in the UK and EU pending any further guidance being issued as to the post-Brexit regime for EU marks in the UK.

JF: Tech clients have always been well-informed and insightful, but 2017 is likely to be a year when clients take the gloves off and ready for a fight around patents, TM protection and the right to determine how information about their digital selves is used. Clients offered a 'FRAND' of friendship from a competitor will almost certainly look to defend their technology and 2017 is likely to be the year the mouse roars.

AS & RG: We expect the courts to continue to grapple with a range of issues arising from the digital exploitation of copyright works. Issues such as digital exhaustion and online communication of works to the public through hyperlinks are likely to remain a source of disputes in the UK as well as referrals to the Court of Justice. Online platforms will continue to face scrutiny of a range of issues even if the digital single market stops short of imposing wide-ranging rules to deal with this area.

What do you think the key challenges are going to be?

JB: UK practitioners will face increased competition from EU practitioners for EU work. Providing economic and futureproof filing and enforcement strategies for IP will be difficult in the coming year given the uncertainties caused by Brexit.

JF: Contracts with international elements are going to need to be reviewed and European partners may well have to be found to provide the foothold business will need to retain in the short term Brexit landscape.

Preparing for GDPR, which clients still largely ignore, will be a huge challenge in 2017. This should be a year of preparing for the changes at board level, reviewing processes, implementing good and robust practices that comply with GDPR and appointing an internal or outsourced DPO if necessary to ensure compliance.

AS & RG: 2017 is shaping up to be a year where rights owners need to re-assess their IP protection and enforcement strategies in expectation of a number of significant changes in the IP landscape from the end of 2017 onwards. Questions rights owners will be grappling with will include—how will the UPC affect their patent protection and enforcement strategies and which patents should be opted-in to the new system? How will the changes coming in as part of the digital single market impact rights owners' and content providers' business models and what should be done now to ensure they are best placed to deal with and adapt to these changes? And does Brexit provide an opportunity to modernise the legal and regulatory framework for IP & IT in the UK or a threat to the UK's role as an innovator and leader in IP & IT exploitation?

PSL practical point: For information on the Great Repeal Bill, see News Analysis: [The Great Repeal Bill—a copy and paste approach to Brexit?](#)

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