

Managing Risk of IP Litigation: Thickets & Clutter

@ I3PM

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Top 20 most frequent word marks registered at EUIPO:
clashes include decisions by Opposition division, Board's of
Appeal, GC/CJEU judgments,

Mark	N	Firms	Clash	Mark	N	Firms	Clash
SKY	317	8	401	EVOLUTION	164	45	93
AMAZON	204	6	26	SMART	162	28	400
ECO	201	44	764	ELITE	160	29	78
ECLIPSE	189	44	12	ORION	160	39	17
ONE	177	39	1113	MATRIX	159	37	30
IRIS	177	46	35	MINI	156	8	167
VISION	168	45	209	REVOLUTION	156	30	28
APOLLO	167	31	14	OMEGA	155	28	120
AURORA	166	39	12	CAT	153	11	330
FUSION	165	43	35	ICON	150	30	95

Sky

Example: Sky [Sky Sky] v Joao Luis Martins Esteves LDA [Skyview]

- ▶ **Skyview** for electronic tracking, geolocation on the basis that Sky's list includes "signalling apparatus" as well as sunglasses etc.:

Class 9: Photographic, cinematographic, optical, weighing, measuring, radio, television, sound recording, sound reproducing, telecommunications, signalling, checking (supervision), teaching apparatus and instruments; apparatus for recording television programmes; apparatus for recording, transmission, reproduction or reception of sound or images; electrical and electronic apparatus for use in the reception of satellite, terrestrial or cable broadcasts; television receivers including a decoder; set-top boxes for use in decoding and reception of satellite, terrestrial and cable broadcasts; apparatus for decoding encoded signals including set top boxes for television reception; set top box apparatus including a decoder and an interactive viewing guide; set top box apparatus including a decoder and a recorder for recording television and audio programmes; set top box apparatus including a decoder and a recorder programmable to transfer stored recordings to storage and also to delete the older recordings; recorded television and radio programmes; recorded programmes for broadcasting on television and on radio; video recordings; computers; computer programmes; electronic computer games; electronic interactive computer games; computer software and computer programs for distribution to, and for use by, viewers of a digital television channel for the viewing and purchase of goods; computer games software and computer quiz software; computer video games and/or quizzes adapted for use with television receivers and screens or with video monitors or with computer screens; computer programmes for interactive television and for interactive games and/or quizzes; electronic publications, computer software, computer games, computers video games, all relating to betting, gaming, gambling, lottery or book making services; video screens; video projectors; tapes, discs and wires, all being magnetic; cassettes and cartridges, all adapted for use with the aforesaid tapes; blank and pre-recorded audio and video cassettes, tapes and cartridges; compact discs; dvd discs; phonographic records; laser readable discs for recording sound or video; ROM cartridges, CD Roms, cards and discs, integrated circuit cards, memory carriers, recording media, all pre-recorded with computer video games and/quizzes; encoded cards; radio and television signal antennae; parts and fittings for all the aforesaid goods; sunglasses.

Figure 1: Sky in Class 9



Why litigate?

- ▶ “A man had better have anything happen to him in this world, short of losing all his family by influenza, than have a dispute about a patent.”

Esher M.R. (1817-1899) in *Ungar v Sugg* (1892) [M. Jewess]

⇒ Better to settle, if you can anticipate court's decision.

- ▶ Yet Lemley (2001) argues that economic efficiency may be higher if disputes over patents are left to courts
 - Very many patented inventions don't make it to market.
 - The principle applies to trademark use in EU: e.g. Skyview.
- ▶ Who litigates uncertain IP?
 - Bad IP affecting many: collective action problem
 - Regular users have advantages, e.g. bifurcation in Germany



Context

- ▶ Globalization: more applicants, more jurisdictions, more IP
- ▶ Complexity and modularity of IT: complements & standardisation
- ▶ Network effects in many IT markets, generate strong strategic incentives
- ▶ Globalisation & network effects: greater concentration of markets (USA)

Standard essential patents licensed subject to “fair, reasonable and nondiscriminatory” (FRAND) royalties.

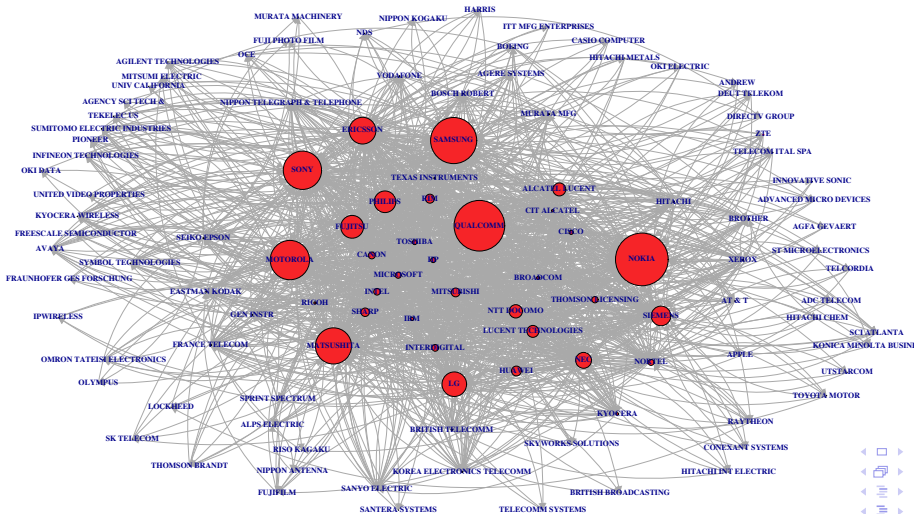


Sky v Skykick

- ▶ Sky have protected their core trademark (“Sky”) systematically.
- ▶ Joao Luis Martins Esteves LDA [Skyview] ought to have challenged Sky on use, but did not do so.
- ▶ Sky v SkyKick [2018] EWHC 943, referred to CJEU (SkyKick C-371/18) by Richard Arnold.
 - Infringement proceedings brought by Sky against Skykick
 - Skykick countered by challenging validity and alleging bad faith
 - Question: Is an overly broad list of goods and services, one for which no intention to use exists, evidence of bad faith?
 - Answer: Advocate general: Yes this may be and that may mean the mark can be partially invalidated on those grounds.



Thickets - 2005



Why litigate? - Financial constraints

- ▷ Semiconductors, US:
 - US strengthens patent rights in early 1980's
 - Japanese semiconductor firms Toshiba, Hitachi, NEC take market share from Texas Instruments (TI)
 - TI monetizing IP assets 85/85 starts portfolio building
 - Motorola, AT&T and IBM follow suit.
- ▷ Mobile communications:
 - Apple displaces Nokia in mobile telephony,
 - Nokia, Ericson, Siemens looking for returns on their mobile telephony investments
 - Nokia are suing Daimler looking for better terms from Huawei et al.



Clutter

Clutter is often referred to as **deadwood** in US.

Clutter arises where registered but unused marks accumulate to an extent that there are negative externalities for other users of the trade mark system, e.g. from higher costs of clearance.

- ▶ Clutter more extensive in EU (than US) due to laxer rules regarding use and fewer maintenance events;
- ▶ Clutter more likely to grow in fields in which firms operate globally and seek one mark for the world due to multiple applications, e.g. Pharma.

⇒ Clutter follows where office adopts a "rational ignorance" stance.

⇒ Are the costs of clutter economically significant?



References

LEMLEY, M. (2001): "Rational Ignorance at the Patent Office," *Northwestern University Law Review*, 95, 1–39.

