



RSC Law Group Newsletter

Message from the Editor

Dear members, I have volunteered to take over the editorial responsibility for this month's newsletter.

Our penultimate seminar of the year was recently held at Burlington House and attracted quite a lot of interest from our members. Our final seminar of the year will be on case law and will be held at Burlington House on the 16th November.

We have already planned a number of events for next year and details will be sent out to members in our

next newsletter, early next year.

We sincerely hope that you can join us for many of these events and would welcome your comments. In addition, we would also encourage you to share your thoughts about possible seminars with us, so that we can accommodate our members requirements appropriately.

We would like to thank all the participants who supported our recent seminars and hope that they enjoyed them.

If you have not visited our LinkedIn page, then this is a reminder that one has been set up and members would be welcome to join us online.

I will be representing the Law Group's interests, in the absence of Don Lewis, at the next RSC General Assembly. I will update you on that in the next newsletter.

Please refer to page 8, for AGM details

Richard Toon.

Case Law Seminar—November 2010

Recent Chemistry Case Law-Patents

The RSC Law Committee has decided to hold another seminar on updates in case law. This may well become an annual event which will help all of us to keep abreast in this fluid field.

This seminar will focus on recent high profile

patent law developments in the UK, Europe and the US relevant to the field of chemistry.

The seminar will be held at the RSC's offices at Burlington House on 16th November and will be chaired by Donald Lewis.

Speakers include:

Graham Burnett-Hall
Stuart Jackson
Alex Rogers
Jonathan Couchman
Howard Rosenberg
David Rose
Don Lewis.

Richard Toon

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November 2010

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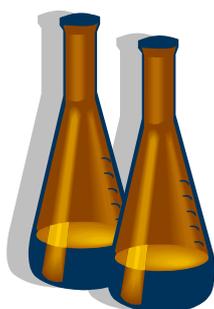
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Two seminars have been held this year so far - one on environmental nuisance claims and another on freedom-to-operate matters.

The seminar on environment nuisance claims was well received, and we were lucky to have a range of experienced speakers on the topic, including Justine Thornton, a barrister at 39 Essex St., Nick Jones and Louise Warren from the

Recent Seminars

company OdourNet and Andy Talbot from Atkins Consultancy. Many thanks to Louise Howarth of Eversheds for organising and chairing this seminar.

The seminar on freedom-to-operate focussed on the law and practicalities of FTO in the field of chemistry and related patents. Experienced practitioners gave guidance on FTO searching, how to react to potentially problematic third part rights

and, hopefully, avoid expensive litigation. Many thanks to all the speakers involved.

The slides from both of these seminars are available on our webpage.

Alex Rogers

Seminars for 2011

Litigation of chemical patents throughout Europe: Q1, 2011, Organiser: Stuart Jackson.

Licensing - the Law and Practicalities : Q2 2011. Alex Rogers is organizing a seminar on licensing. This will focus on the commercial and legal aspects of licensing and the pitfalls that need to be avoided.

Indian Patent Enforcement in the Chemical Arts: Q3, 2011.

Don Lewis is organizing an event which will discuss the aspects of patent enforcement in India.

Case Law. Q4, 2011. The committee has been considering holding an annual case law update.

Any comments and suggestions by members on the proposed seminar program are very welcome.

Richard Toon

Law Group on LinkedIn!

Just a reminder to our readers that the Law Group has set up a group on LinkedIn, simply titled the "Royal Society of Chemistry Law Group".

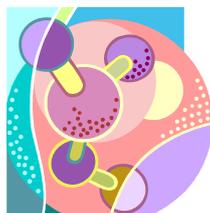
Membership of the LinkedIn group is restricted to Law Group members. To join, simply look up the group in the LinkedIn group directory and request to join. Members in the LinkedIn group

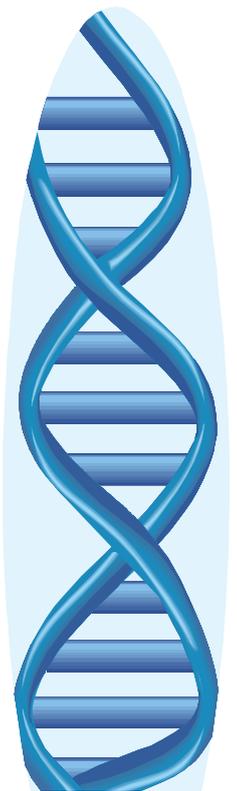
will then be able to contact each other and set up discussions.

Membership of the LinkedIn group is entirely optional and all newsletters and other Law Group communications to members will continue to be sent by email and post in the usual way. Nevertheless, if you wish to discuss a topic or ask general questions on legal mat-

ters, this LinkedIn Group will be an ideal forum. Many thanks to Graham Burnett-Hall for setting this up.

Alex Rogers





The First-to-invent system-a historical perspective.

Before independence from England, patent law in the United States was governed by English law. The practice of granting special privileges was adopted by the colonial governments in North America. For example, in 1641, the Colonial Government of Massachusetts granted, by special act, a patent for the development of a slate mine. Once independent from England, the US was free to establish its own legal system and laws. As a result, the United States Constitution was drawn up. Clause 8 of Section 8 of Article 1 of the Constitution is worded as follows:

“...[to] ..promote the progress of scienceby securing for limited times to...inventors the rights to their respective ... discoveries.”

The first US Patent Act was enacted by way of a bill that passed into law on 10th April 1790. The Act, entitled, ‘An Act to promote the progress of useful arts’, was just seven sections long and provided the Secretary of State, the Secretary of War and the Attorney General with the power to grant patents. Patents could be granted for a period of 14 years, the same term provided for in the English Statute of Monopolies, 1623. It departed from the English system of registration in that it used an examination.¹ Inventions were also required to be sufficiently useful and important.¹ The procedure for obtaining a

patent required an application to be filed containing a description and, if appropriate, a model of the invention.² The US was the only country that required this. This practice continued for some considerable time until 1880.

Initially, all patents were examined by Thomas Jefferson, as Secretary of State.³ However, the number of applications soon exhausted the resources available to Jefferson and his staff.⁴ As a result, the Patent Act of 1790 was repealed and replaced by a new Act in 1793.⁵ The new Act dispensed with the need for any form of examination for applications. Under the new, streamlined procedure, inventors simply filed a short description of their invention, drawings and mode, if required, and paid a fee.⁶ The patent was then granted. Issues of validity were left to the courts.³ Thus, the development of the patent law in the US, lay firmly in the judicial construction of the statutory standards.⁷ The Patent Act of 1793, also set out the definition of what constituted a patentable invention. Section 1 of the Act provided that a patent could be granted for:

“Any new and useful art, machine, manufacture or composition of matter and any new and useful improvement on any art, machine, manufacture or composition of matter”.

This definition, considered to be largely the work of Jefferson,⁶ remains sub-

stantially unchanged to the present day in section 23 USC 101. The Patent Act of 1836 provided for the setting up of a Patent Office with patent examiners to carry out substantive examinations of all applications. This new Act established the system and procedures for examinations which remain in place in the US today. It required patent applications to be examined for novelty. The duration of a patent was extended to 17 years in 1861 and to 20 years in 1994.

American laws employed the language of the English statute in granting patents to the “first and true inventor”. Nevertheless, unlike in England, the phrase was used literally, to grant patents for inventions that were original in the world, not simply within the US borders.

The Patent Act 1952 introduced the significant requirement that, in order to be patentable, inventions needed to be both novel and non-obvious. This represents the foundation of the US patent system today and is now known as USC Title 35-Patents.

The American patent system is based on the presumption that social welfare coincided with the individual welfare of the inventors. After independence, a conscious effort was made to create a uniquely American system.



The First-to-invent system-a historical perspective

The view that patents were “sacred” and regarded as just recompense for inventive ingenuity is reflected in early US patent history. The system remained true to the belief that the defence of rights in patented inventions was important in fostering industrial and economic development. However, ultimately, the US judiciary through time, has come to recognise that enforcement and protection of all property

rights involves a trade off between individual monopoly benefits and social welfare.

References

Devaiah, V, “A History of Patent Law”, <http://www.alllawforum.org/PUBLICATIONS/documents.2004-12-18.0853561257>, at p. 40.

Devaiah, V, “A History of Patent Law”, <http://www.alllawforum.org/PUBLICATIONS/documents.2004-12-18.0853561257>, at p. 41.

Zorina Khan B., (2002) “Intellectual property and economic development: Lessons from American and European History”, Study Paper 1a, Commission on Intellectual Property Rights, www.iprcommission.org/papers/pdfs/study_papers/sp1a_Khan_study.pdf at p.10.

Devaiah, V, “A History of Patent Law”, <http://www.alllawforum.org/PUBLICATIONS/documents.2004-12-18.0853561257>, at p. 42.

1 Stat. 318 (1793)

www.ladas.com/patents/USPatentHistory.html

Devaiah, V, “A History of Patent Law”, <http://www.alllawforum.org/PUBLICATIONS/documents.2004-12-18.0853561257>, at p. 40.

Richard Toon

The “inescapable trap’

Amendments made to the claims during an examination may contain subject matter that extends beyond that disclosed in the application as filed. In the normal course of events, such amendments are objected to by the Examining Division as being contrary to *Article 123(2) EPC*. Alternatively, an amendment may introduce a limiting feature into the claims, such that the scope of the protection is

narrowed, which is permitted.

During opposition proceedings, the patentee may amend the claims of the patent as long as such amendments result from the grounds of opposition and remain within the original scope. In the case of subject matter not disclosed in the application as filed (ground (c) of *Article 100, EPC*) amendments to the claims to

remove the added feature would overcome the reason for the opposition. However, such an amendment is forbidden by virtue of *Article 123(3) EPC*. Hence, the patentee is caught in an inescapable position of invalidity.

Richard Toon



TV & Radio Interviews

I would like to inform our members that Michael Edenborough, QC, recently gave a series of interviews on the case of *Interflora v Marks & Spencers (C-323/09)*. The series consisted of interviews with the BBC Breakfast show with Simon Jack, with BBC Radio 5 Live with Andy Verity and with BBC Radio 4, on You and Yours, with Peter White (13th October 2010). He discussed the issue of Google Adwords, and whether it is fair for competitors to use other traders’ trade marks

He has also recently been on BBC Radio 5 Live, with Dominic Laurie, discussing the *Company Names Tribunal* (18th October) which concerns the issue of new companies adopting names that are similar to established companies.

Michael Edenborough was made a Queen’s Counsel in this year’s appointments.

BUSINESS TORTS UPHELD ON APPEAL AGAINST US CHEMICAL SOCIETY: LESSONS LEARNED

In what appears to be the first reported appellate case involving claims of business torts against a government chartered scientific society, the Court of Appeals (CA) for the Tenth District of Ohio, issued its decision on 15 June 2010 affirming all counts of the trial court's decision against the American Chemical Society (ACS) in its ongoing litigation against Leadscope (*Am. Chem. Soc. v. Leadscope*, 2010-Ohio-2725). ACS estimates its present liability to Leadscope for this judgment at approximately \$40M. On 27th October 2010, the Ohio Supreme Court agreed to hear an appeal of the Ohio CA opinion and ordered the parties to submit briefs. In the meantime, the Ohio CA decision provides behavioral guidance for learned societies that engage in business activity.

Background:

In 2002, ACS sued Leadscope and three of its principals for misappropriation of IP. Leadscope is an Ohio-based chemical informatics company founded in 1997 by the three named principals. The three Leadscope principals were former ACS employees who had worked at Chemical Abstracts Services (CAS) on a chemical informatics product similar to the one launched by Leadscope. Leadscope counter-claimed for various business torts. In 2008 after an 8-week trial, a jury turned in a verdict finding against ACS and for

Leadscope. Both compensatory and punitive damages were awarded. The court denied ACS's motion for judgment notwithstanding the verdict (JNOV) and later granted attorney's fees to Leadscope. ACS then posted a security bond and appealed the denial of JNOV.

While reviewing this case, the Ohio CA viewed Leadscope as being "a provider of specialized research software" (¶ 2) and ACS as being "a non-profit organization that provides information services to chemists . . ." (¶ 3) The implication is that these two organizations could potentially compete with one another. Presumably, the CA came to this view of ACS by considering its alleged behavior and not its Congressional charter, which directs ACS to encourage the advancement of chemistry.

Holdings:

The business torts alleged by Leadscope included unfair competition, defamation, and tortious interference with business relations. All three torts were affirmed by the CA. The CA also affirmed the punitive damages awarded to Leadscope and the trial court's refusal to order a new trial due to alleged irregularities in the proceedings.

The unfair competition claim was based, in part, on a theory that ACS en-

gaged in malicious litigation against Leadscope. The CA held that the appropriate standard for the malicious litigation theory was a "bad faith standard" and that, in conformance with this standard:

"The trial court properly instructed the jury that litigation not founded in good faith, but brought for the purpose of harassing and injuring a rival who was producing and selling the same commodities, could support Leadscope's unfair competition claim." (¶ 31) and

"Much of the evidence supported Leadscope's claims that ACS's unfair competition was rooted in its alleged desire to suppress, by any means necessary, Leadscope as a new software competitor. To that end, Leadscope presented testimony regarding the ill-will of Chemical Abstracts' president Massie toward the new company and his former employees, as well as his direct and indirect actions to inhibit their commercial potential" (¶ 32)

The defamation claim against ACS was based upon two statements. The first statement appeared in a memorandum sent by ACS to all its staff and included the remark that "ACS filed a legal complaint against Leadscope and its founders 'who sought and received a patent for technology indistinguishable from a project on which they worked while employees of the Society's Chemical Abstract Service in the mid-1990s.'" (¶ 47)



BUSINESS TORTS UPHELD ON APPEAL AGAINST US CHEMICAL SOCIETY: LESSONS LEARNED (CONT.)

The CA reviewed the defamation claim using a “per se” standard requiring that “the allegedly defamatory statement must . . . import a charge of an indictable offense involving moral turpitude or infamous punishment . . .” (¶ 49) In conformance with this “per se” standard, the CA held that there was sufficient evidence for a jury to find that Leadscope had been defamed:

“Leadscope and the individual defendants urged the jury to consider the published statements as accusing the individual defendants of theft; if so taken, they unambiguously accused co-defendants of criminal behavior and are libelous per se. *Gosdon* at 207.” (¶ 58)

and

“Here, the course of events leading up to litigation, and the alleged defamatory statements released in connection with the beginning of that litigation, are sufficient evidence upon which the jury could find by clear and convincing evidence that ACS published the statements in the memorandum and the Business First article with actual malice. In the context of ACS's other activity, both published statements suggest ACS's inferable intent to suppress a com-

petitor by any means necessary. They thus both lend substantial credence to contentions that the statements were made with reckless disregard for their probable veracity and allow the jury to conclude the veracity of the statements was irrelevant to ACS compared to the inferable purpose of harming Leadscope's reputation and undermining its financing process.” (¶ 61)

The claim for tortious interference was based on allegations that ACS interfered with Leadscope's financing. The CA held, in part, that this claim was supported by the trial evidence, including an admission made in a threat letter sent by ACS to Leadscope and testimony regarding contact by ACS with a potential Leadscope investor.

In its appeal, ACS did not dispute the award of punitive damages, but did dispute the amount. ACS considered the amount excessive. In its review of the punitive damages, the CA focused on the reprehensibility of ACS's conduct and the financial vulnerability of Leadscope.

“Although the present case undisputedly presents economic rather than physical harm, cases involving economic injury nonetheless may warrant an award of substantial punitive damages when the harm is committed ‘intentionally through affirmative acts of misconduct or when the party is financially vulnerable.’ *Gore*, . . . The evidence supporting the extended course of tortious conduct ACS undertook, in conjunction with

the evident financial vulnerability of Leadscope at the time, falls under two of the indicia of reprehensibility enumerated in *Gore*. The jury having concluded that ACS intended in various ways to harm the business prospects and reputation of Leadscope and the individual Leadscope principals, an award of punitive damages was warranted under *Gore*, *State Farm*, and their progeny.” (¶ 75)

At the request of ACS, the CA also reviewed the trial court's refusal to order a new trial because of allegedly objectionable statements made by Leadscope counsel:

“Most of the allegedly objectionable statements and mischaracterizations of evidence in this case occurred during Leadscope's closing argument.

They include implications the evidence supported president Massie's knowledge that his misappropriation claims were groundless, as well as allegations ACS's initial negotiations were done in bad faith and were a sham whose sole purpose was extortion.” (¶ 95)

The CA held that there was no error:

(continued on page 7)

BUSINESS TORTS UPHELD ON APPEAL AGAINST US CHEMICAL SOCIETY: LESSONS LEARNED (CONT.)

“Counsel traditionally is afforded great latitude in closing argument. *Pang v. Minch* (1990) . . . The evidentiary inferences and characterizations suggested to the jury were based on facts and testimony properly in the record . . .” (¶ 96)

Lessons for Learned Societies:

The Leadscope case appears to be the first reported appellate case involving claims of business torts against a government chartered scientific society. Although it is a US case and its specific holdings would not be precedent in the UK, the Ohio court’s failure to afford any privileged status to a government chartered scientific society could translate to the UK.

ACS was reorganized in

1938 when it received a Congressional charter under Title 36 of the US Code. Its Congressional charter requires ACS to “encourage in the broadest and most liberal manner the advancement of chemistry in all its branches . . .” After granting approximately 91 Congressional charters between 1791 and 1992, US Congress discontinued the practice, in part, because of questions regarding a lack of congressional oversight. With its Leadscope decisions, the Ohio courts seem to have stepped into the breach and provided judicial oversight.

Without commenting on the merits of the Leadscope case, its various holdings suggest guidelines that learned societies may want to follow when engaging in business activity. Judicial standards for government chartered learned societies that engage in business

activity seem to be the same as for commercial entities. Government charters are ignored; behavior is everything. The rule seems to be that, to the extent that a learned society engages in business activity, it will be subject to the usual judicial standards for commercial entities.

Don Lewis, Lewis Kohn and Fitzwilliam LLP



IP Snippets

Surrender of the ‘Grace Period’ in the US

The Senate S.515 patent reform bill has, as one its elements, the surrender of the Grace Period (source: ipfrontline).

Zero-term SPCs

SPCs are granted under the European legislation (codified by Regulation number 469/2009/EC for patents covering pharmaceutical products for human use. The ECJ has been requested to decide on zero-term SPCs (source www.mondaq.com).

Fast-track procedure

launched.

The IPO introduced a new fast-track procedure for approving international patent applications in May. This is expected to cut waiting times by more than a year (source nds.coi.gov.uk).

New British Standard: BS 8538 Specification for the provision of services relating to intellectual property rights.

The BSI was calling for comments on the draft Standard form for BS 8538. The new Standard

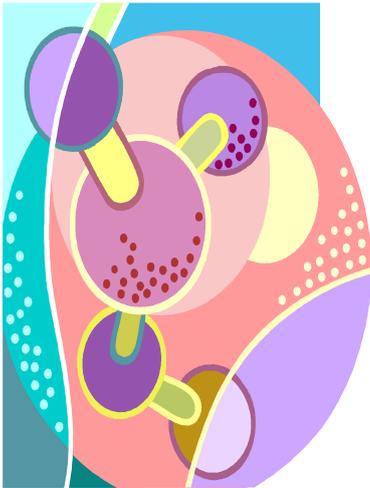
in the making sets out a robust, but adaptable, process for the ethical provision of services to originators. This is in response to the substantial number of organisations offering services to originators and developers of ideas and, in some cases, false representation of intellectual property promotion services whereby the originator and developer of the idea are enticed into disclosing the idea before securing the intellectual property rights



Find us on online:

www.rsc.org/law

We will be posting details of future events on the web. You can also find handouts from past seminars on our webpage.



This newsletter was produced by Richard Toon and Alex Rogers. They would like to thank Haseltine Lake for use of its facilities and materials in producing this newsletter and for covering the cost of postage.

If you would like to include short articles that may be of interest to Law Group members, please let Alex know (see above for contact details). We aim to send the next issue out in early 2011.

Richard and Alex would like to thank everyone for their contributions to this issue. The views of individuals contained in this newsletter are not necessarily those of the Law Group or of the RSC.

Federal Circuit confirms the written description requirement for patent applications.

The Federal Circuit recently handed down an “en banc” decision holding that the written description requirement is distinct from the enablement requirement.

This is summed up in s.112 of the US patent statute as follows:

The specification shall contain a written description of the invention, and of the manner and process of making and using

it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same [35 U.S.C 112].

The Federal Circuit’s en banc decision found the asserted patent claims were invalid due to a lack of written description [on appeal, *Ariad Pharmaceuticals, Inc. v. Eli Lilly and Co.*, 560 F.3d, 1366 (Fed. Cir. 2009)] Source:www.mondaq.com].

Australian Patent Office proposes fees increase

The APO has issued a proposal to increase certain official fees with effect from the 1st August 2010. Most fee increases are insignificant. However, a new fee has been proposed which will apply where the applicant adds post-acceptance claims. This will amount to AU\$100 per claim in excess of 20. Source . www.mondaq.com

Richard Toon

AGM The RSC Law Group AGM will take place on 16th November 2010 from 11:30 am until 1:00 pm at the RSC, Burlington House, London. All present committee members, with the exception of Jannette Mole who will be standing down, have expressed their willingness to continue to serve on the committee for the next year. Nevertheless, nominations are open and solicited for new committee members. Candidates for committee positions should present themselves at the beginning of the AGM or, alternatively, should submit their nomination to the secretary (Graham Burnett-Hall - gburnett-hall@marks-clerk.com) or any other committee member prior to the AGM. Candidates' nominations must be supported by at least two other members of the Law Group. Where a candidate has not already secured the support of at least two other members, and wishes the committee to consider whether to request committee members to support his or her candidacy, this should be made clear by the candidate when his or her nomination is submitted.

In the event that the number of candidates exceeds the number of vacancies on the committee an election will be held. The candidates will be invited to submit a short statement in support of their application. The names of all candidates standing for election and any supporting statements will then be communicated to members with the deadline for voting and date on which the announcement of the result of the ballot will be made. Candidates duly elected to the committee will be deemed to have started their term of office from the date of the AGM.

The Law Group’s current committee has the following members:

Chair – Dr. Don Lewis, US patent attorney at the Californian firm, Lewis Kohn & Fitzwilliam (dlewis@lewisjohn.com)

Secretary – Graham Burnett-Hall, solicitor at Marks & Clerk Solicitors (gburnett-hall@marks-clerk.com)

Treasurer – Dr. Tony Chalk, patent attorney at Harrison Goddard Foote (tchalk@hgfp.com)

Programme Chair – Stuart Jackson, solicitor at Kempner Robinson (jackson@kempnerandpartners.com)

Publicity Chair – Alex Rogers, patent attorney at Haseltine Lake (arogers@haseltinelake.com)

General members:

Dr. Michael Edenborough, QC, barrister at Serle Court (MEdenborough@SerleCourt.co.uk),

Jannette Mole, IP scientist at AstraZeneca (jannette.mole@astrazeneca.com),

Dr. Richard Toon, University Enterprise Business Manager (rctoon@hotmail.com)

Dr. Howard Rosenberg, Scientific Advisor, Frommer, Lawrence and Haug, LLP (hrosenberg@flhlaw.com)