INTRA-GROUP DATA TRANSFER AGREEMENTS: THE 10 CS

IPT INSIGHTS

AUSTRALIA FURTHER REFINES LAW ON DATABASE PROTECTION

SEEKING UTILITY MODEL PATENTS IN CHINA

FRANCHISING AND IP JOINED AT THE HIP, ALL OVER THE WORLD

WEBINAR SERIES: CLOUD COMPUTING
Welcome to the first edition of 'Intellectual Property and Technology News – Asia Pacific'.

As many of you will know, DLA Piper fully integrated with DLA Phillips Fox on 1 May 2011. As a result of this landmark merger, DLA Piper now has more than 65 IPT lawyers based across 11 offices and 5 countries in the Asia Pacific region. The integration was driven by demand from you, our valued clients, and there is now no other international law firm that can rival our geographic spread in Asia Pacific, or indeed globally.

As the largest fully-integrated team of IP and Technology specialists in the region, we are able to offer you a service that goes far beyond legal advice. You may have attended one or more of our Emerging Markets webinars, more details can be found on page 14, or perhaps you have read our latest piece of thought leadership, Shifting Landscapes: The online challenges to traditional business models. These are just two examples of the many ways that DLA Piper delivers market related insights from a legal perspective. If there are any topics you would like to see covered in a future issue of ‘Intellectual Property and Technology News – Asia Pacific’ or discussed in a future webinar, do please contact either of us.

In this issue our feature article looks at Data Transfer Agreements, the subject of our recent webinar, and one that will impact upon many of you. If you would like a recording of our thoughts on this topic then do please email us. We also look at many other IP and Technology related matters in this edition as well as introducing you to one of our new partners, Yan Zhao, an IP specialist based in Shanghai.

The second half of 2011 promises to be an exciting time in the IPT arena, and we look forward to sharing our thoughts and views with you in upcoming issues of ‘Intellectual Property and Technology News – Asia Pacific’. With that, we hope you thoroughly enjoy this issue, and we welcome your comments and suggestions.

Best regards

Matthew and Anthony

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If you would like further advice, please contact Matthew Glynn or Anthony Willis using the details above.

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TECHNOLOGY & SOURCING

JAPAN, JUNE 2011

POWER SHORTAGES DISRUPT JAPAN’S SUPPLY CHAIN

Japan’s supply chains continue to face power shortages following the earthquakes last March. Power shortages have caused many operations to close down or operate at less than capacity. While the situation has improved since March, businesses continue to report delays and concerns regarding the availability of supplies. Businesses are now seeking assurances from suppliers regarding their ability to weather the current power shortages, including anticipated shortages during the summer months. Smaller second and third tier providers are under significant pressure as credit tightens.

INTERINTELlectual PROPERTY

HONG KONG, FEBRUARY 2011

REWARD SCHEME TO COMBAT COPYING AND DISTRIBUTION OFFENCE

On 16 February 2011, the Hong Kong government introduced the Reward Scheme to Combat Copying and Distribution Offence. The scheme, which is administered by Hong Kong Customs, encourages the public to report copyright crimes by providing cash rewards for information that leads to an arrest and/or criminal conviction for copyright offenses.

MALAYSIA, FEBRUARY 2011

EXPEDITED PATENT EXAMINATION IN MALAYSIA

On 15 February 2011, the Intellectual Property Corporation of Malaysia introduced regulations to allow for expedited examination of patent applications. The regulations are intended to reduce the backlog of pending applications by accelerating the allowance and issuance of patents. The expedited examination process is only applicable to Paris Convention or non-PCT patent applications.

CHINA, JUNE 2011

IPR EXCHANGE OPENS IN TIANJIN

A pilot intellectual property right (IPR) exchange was recently established in Tianjin. The exchange allows investors to buy shares in the IPR of small and medium-sized enterprises (SMEs) to ease their financial woes.

Institutes and individuals will use the exchange to buy and sell IPR shares, much as they would in a normal fund market. Publicly traded IPRs are expected to come from China’s emerging industries, including the cultural sectors. The Tianjin Binhai Intellectual Property Exchange International, operated by the government-backed Northern Technology Exchange Market and the Tianjin IPR Service Center, is the first of its kind in China and is considered to be a “financial innovation” by the Tianjin municipal government.

AUSTRALIA, JUNE 2011

HIGH COURT WILL HEAR GROUND BREAKING ISP COPYRIGHT CASE

The film industry’s litigation against Australian ISP, iNet, could be heard in the High Court as early as August. The litigation tests the claim whether ISPs should be liable for authorising copyright after failing to act on infringement notices. The case is a world first.

The plaintiffs, a consortium including US film producers, appealed a Federal Court decision, which rejected the plaintiff’s case on the grounds that the notices had insufficient evidence of infringement. The Federal Court suggested that the notices should also have included:

“A reimbursement and indemnity by the plaintiffs for iNet’s costs and liability in investigating infringements and terminating accounts; or information about how the “evidence” of infringement in the notice letters was collected — this could include a “verification on oath” as to the truth of that information.”

SINGAPORE, MAY 2011

DATA PROTECTION LAW SET FOR ENACTMENT

After five years of review, Singapore is now ready for its own data protection law. In February, the Singapore government announced its plans to put forth the nation’s first data protection law, which will protect “personal data against unauthorised use and disclosure for profit.”

Although still in early stages, the proposed law is expected to (1) require data users to obtain consent for the disclosure of personal data and (2) establish a Data Protection Council as the country’s data privacy watchdog. There are also speculations that the proposed law could contain provisions requiring data users to notify their data subjects of data breaches – an onerous requirement which was debated but abandoned in the United Kingdom in 2008.

The proposed law is expected to be introduced in the Singaporean parliament by 2012.

KOREA, MAY 2011

NEW DATA PRIVACY LAW IMPLEMENTED

Korea is only a few months away from having its very own data privacy law. The Personal Information Protection Act (PIPA), the country’s first comprehensive data protection law, was enacted on 29 March 2011 and will take effect on 30 September 2011. Once in force, the legislation will obligate data users to obtain informed consent from their data subjects in respect of the collection, use and disclosure of their personal data. The PIPA will also impose restrictions to the extent to which individuals may be requested for their personal data and provide for class-action mediation and litigation in respect of personal data related disputes.
TELECOMS

CHINA, APRIL 2011

NEW GUIDELINES FOR ONLINE THIRD-PARTY PAYMENT SERVICE PROVIDERS

In April 2011, the Chinese Ministry of Commerce (MOFCOM) published its long awaited guidelines for e-commerce third party payment service providers in a bid to regulate this rapidly developing business to consumer industry.

The guidelines aim to create “fair, honest and safe” online transaction platforms by spelling out the obligations of business users, consumers and third party payment service providers. The guidelines cover key issues such as the confidentiality of transaction data, retention of transaction records, provision of backup systems and fair competition.

HONG KONG, MARCH 2011

TVB SHAREHOLDING CHANGE APPROVED

In March 2011, the Hong Kong Broadcasting Authority approved a change in shareholding structure of Television Broadcasts Limited (TVB), whereby TVB’s 103 year old founder and chairman Run Run Shaw sold 26 percent of the voting shares of TVB to a consortium comprised of Charles Chan, the chairperson of ITC Corporation, Cher Wang, the founder and chairperson of HTC Corporation, and Providence Equity Partners, a global private equity firm.

The approval indicates that regulators are satisfied that, upon completion of the sale, management and control of TVB will continue to be exercised from Hong Kong, and that TVB’s domestic free television programme service will continue to be aimed primarily at the Hong Kong market.

LIFE SCIENCES

INDIA, JANUARY 2011

FOREIGN TAKEOVERS OF INDIAN PHARMACEUTICAL COMPANIES

The Indian government is considering whether to impose restrictions on foreign ownership of domestic pharmaceutical businesses. The restrictions could require foreign companies to obtain government approval prior to seeking more than a 49 percent share in any Indian pharmaceutical company. A large number of high profile foreign takeovers has led to concerns that foreign ownership will lead to higher prices, making generic drugs inaccessible to India’s poor.

CHINA & HONG KONG, JANUARY 2011

HARBOR BIOSCIENCES WILL HAVE ITS DRUGS DEVELOPED BY A LARGE CHINESE STATE-OWNED PHARMA COMPANY

Harbor BioSciences, Inc, a leader in the development of adrenal steroid hormones, announced that it has licensed the research and development rights for three of its products, exclusively in China and Hong Kong, to the China State Institute of Pharmaceutical Industry (CSIPI). Harbor BioSciences, Inc retains rights to these products in the US and the rest of the world.

CSIPI sells generic drugs and traditional Chinese medicines in China and Hong Kong. Harbor BioSciences, Inc believes this is the first agreement of its kind between a western drug company and a state owned Chinese drug developer. CSIPI will finance all of the product development in China and will supply the licensed products to Harbor BioSciences, Inc for use in its clinical studies and sales outside China.

INDIA, MARCH 2011

DISPUTES OVER PHARMACEUTICAL DATA EXCLUSIVITY STALLS INDIA-EU FREE TRADE NEGOTIATIONS

The subject of pharmaceutical data exclusivity continues to hold up free trade negotiations between India and the European Union. Data exclusivity relates to the technical data provided by innovator companies to state regulators to prove the safety and usefulness of their products.

Without data exclusivity, other companies can use that technical data to obtain regulatory licenses to produce cheaper “bio-equivalent” drugs. The European Union argues that data exclusivity is essential for further investment in India. Opponents argue that it keeps cheaper pharmaceutical options out of the market.

AUSTRALIA, FEBRUARY 2011

ADVISORY COUNCIL ON INTELLECTUAL PROPERTY (ACIP) CONTINUES GENE PATENT DEBATE

ACIP released its final report on Patentable Subject Matter, which rejected calls to exclude gene patents from the Patents Act. ACIP argued that specific exclusions could stymie growth in new technologies. ACIP also stated that access issues with beneficial technologies were best addressed through government programs such as the Pharmaceutical Benefits Scheme or Medicare (ie subsidised health care), rather than the patent law.

ACIP’s report will significantly inform the gene patent debate in Australia, which is currently being considered in the Australian Parliament through the Patent Amendment (Human Genes and Biological Materials) Bill 2010 and by the Federal Court in the litigation challenging Myriad Genetic’s breast cancer susceptibility gene patents.
In expressing the material a personal assessment was made by Mr Campbell of what information was valuable to the customer.

In expressing the material a personal assessment was made by Mr Campbell as to the greatest utility of the form of the information.

3 The arrangement of the chart in columns by Mr Campbell was a result of intellectual effort.

A comparison of the judicial findings in Dynamic Supplies and other recent cases provides useful clarification of where the line will be drawn by the Courts in respect of what will, and what will not, constitute sufficient ‘intellectual effort’ to satisfy the requirement of originality for the purposes of copyright subsistence in compilation works.

In Telstra v Phone Directories it was found that the work of arranging the information in the Yellow Pages and White Pages directories was done primarily by computer programs rather than human authors. There was found to be insufficient work by human contributors involving intellectual effort directed at producing original expression or arrangement of the information for copyright to subsist in Telstra’s directories.

In Acohs Pty Ltd v Ucorp Pty Ltd1 the layout, presentation and appearance of the Material Safety Data Sheets (MSDS) which were transcribed from existing MSDS were not original compilations because transcribers did not make any original contribution and the layout, presentation and appearance of the MSDS were controlled by a computer program.

In Primary Health Care v Commissioner of Taxation1 the prescriptions and health summaries of patients were not substantial enough to qualify as original literary works and the relevant skill, labour and effort was directed towards patient diagnosis rather than the expression of those ideas.

The reasons for finding this were:

1 The selection of material was a personal assessment made by Mr Campbell of what information was valuable to the customer.

2 In expressing the material a personal assessment was made by Mr Campbell as to the greatest utility of the form of the information.

The key messages to take home from Dynamic Supplies and the other recent cases are that:

- There is a fine line in determining whether copyright will subsist in a compilation as an original literary work.
- A close assessment must be made about how a compilation has been created and by whom, and whether any ‘intellectual effort’ has been undertaken.
- Where the expression of the work involves some automated process then the work might not be protected by copyright.

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INTRA-GROUP DATA TRANSFER AGREEMENTS: THE 10 Cs

By Arthur Cheuk and Britta Hinzpeter

DO I HAVE DATA TRANSFER AGREEMENTS IN PLACE?
If YOU ARE PART OF A MULTINATIONAL ORGANISATION, AND YOUR ANSWER IS “NO”, YOU COULD BE CLOSER TO BREACHING DATA PRIVACY LAWS THAN YOU THINK.

Organisations with a multi-jurisdictional presence are generally no stranger to data transfers. For data management and cost-saving purposes, many of them store their business and HR data on centralised servers in designated countries. Subject to their individual group structure, most organisations share databases, and subsidiaries transfer personal data from one entity to another, as part of their global business operations. All these activities, to the extent that they involve personal data, are more or less heavily regulated by various data privacy laws depending on the jurisdictions involved. Hence, while this intra-organisation convergence of information may be essential from a business perspective, and as a cost-efficient way of handling data, it may come with a large price tag for those who do not have the appropriate legal structure necessary to regulate it. For one, there is the risk of lack of control and organisational transparency which could result in the contravention of data privacy legislation. Given the severe consequences for such breaches, it is a price no multinational organisation can afford to pay.

So how can your organisation manage intra-group data transfers and a centralised data storage arrangement, while at the same time avoid the pitfalls inherent in performing data transfers? Answer: implement intra-organisational data transfer agreements (DTAs).
WHAT IS A DTA?
Intra-organisational DTAs are contracts between separate legal entities of a group company regulating how personal data is transferred, accessed, processed, used and maintained within an organisation. While their content will vary according to the specific needs of the organisation, they typically contain the following key features:

**Description of data transfer**
This identifies the categories of the personal data transferred including their sensitivity level, the data subjects concerned (for example employees or customers), the data recipients, the data flows, the purpose(s) of the transfer and the method by which the transfer is performed.

**Principles for data processing and maintenance**
These set out the general principles to which the data recipient must abide. Examples include limitation of the processing purposes, insurance of data quality and proportionality, transparency in collection, data security requirements, limitations of onward transfers and confidentiality obligations.

**Obligations of data recipients and indemnity**
In addition to compliance with the processing and maintenance principles, data recipients may be required to register themselves as data controllers/data processors with local authorities, implement specific staff training and transfer protocols, provide the transferors with facilities and files for auditing purposes and generally comply with the data privacy laws in specific jurisdictions. Data recipients may also be required to indemnify the data transferor against liabilities arising from the former’s handling of the data.

WHY DO I NEED A DTA?
There are many reasons for a multinational organisation to establish a DTA-backed data transfer arrangement. The most common one, obviously, is compliance with data protection laws. However, there are also a plethora of incentives for your organisation to implement such an arrangement. We can summarise these incentives into what we call “the 10 Cs”.

“there is the risk of lack of control and organisational transparency which could result in the contravention of data privacy legislation”
In terms of data transfer, DTAs are the glue which holds the entities in an organisation in place and keep them in check in terms of data handling. Their importance is accentuated in the case of multinational organisations, where the absence of physical proximity greatly reduces your visibility and therefore confidence over how data is being accessed, used or processed overseas. The more jurisdictions your organisation covers, the greater the risks.

Hence, for global corporations, DTA backed data transfer regimes are not a luxury, they are absolutely essential. As the 10 Cs illustrate, DTAs are more than mere tools to achieve compliance. If properly implemented, DTAs can dramatically boost data transfer efficiency and enhance corporate competitiveness.

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MASTER SERVICES AGREEMENTS: TECHNOLOGY PROCUREMENT MADE EASY

By Stephanie Wong

Technology procurement is high on the agenda for any business wishing to stay competitive. Master Services Agreements (MSAs) can be an excellent tool for efficient and cost effective implementation and management of technology procurements. This article outlines the main features and benefits of MSAs and recommends how an MSA can be implemented successfully.

The use of MSAs is a major trend in technology procurement. High profile procurement transactions using MSAs include Ericsson’s partnership with China Mobile for the supply of GSM network equipment and related services covering 19 regions in China (valued at US$1 billion); the global tie-up between Huawei and Vodafone for the provision of UMTS technologies; and the agreement between Etisalat and Nokia under which handsets are supplied to Etisalat’s subsidiaries across the Middle East, Asia and Africa.

WHAT ARE THE BENEFITS OF MSAs?

Single Negotiation Efficiency

In contrast to parties negotiating one-off contracts for numerous transactions, an MSA enables the parties to conduct multiple procurements on the same set of pre-agreed MSA terms.

“A well-drafted template MSA is an excellent starting point for contract negotiations on various technology procurements.”

Easy Contract Administration

Contract administration is made easier as all procurements will be subject to the same MSA terms, with special commercial and legal terms reflected in the respective call-off agreements.

WHAT PRECISELY ARE MSAs?

An MSA involves a customer and supplier entering into an “umbrella” framework agreement which sets out the legal terms upon which the customer (and often its group or associated companies) is able to procure goods and/or services from the supplier during the course of the MSA.

Individual procurements, often referred to as “call-offs”, “call-off agreements” or “local agreements”, are executed under the framework MSA. Typically, a call-off incorporates the MSA terms (which apply across all call-offs) by reference, and contains the commercial and special legal terms specific to the individual procurement. A call-off normally forms a separate binding contract between the respective parties. Alternatively, each call-off may exist as a schedule or annexure to the MSA.

As contractual terms and conditions (and in some cases even commercial pricing) are negotiated at the outset of an MSA relationship, the parties do not need to revisit such terms and conditions on each and every occasion that goods and/or services are purchased during the lifetime of the MSA. This “upfront” agreement can save parties considerable costs in relation to management time, administration and external legal advice over the lifetime of the MSA.

MSAs are particularly well suited for telecommunications procurements, which often involve repeated procurements of similar types of technology and hardware (i.e. networks, handsets etc), a small and specialised supplier community and consolidation of operators.

Consistent Risk Profile

Often subsidiaries within the same corporate group might negotiate varying terms in separate contracts with the same supplier. By consolidating a corporate group’s purchasing and bargaining power through an MSA, customers are able to agree satisfactory terms to be used across its organisation for the purchase of goods and/or services.

Many corporate groups have in-house template MSAs incorporating all of the group’s mandatory corporate legal terms and policies. A well-drafted template MSA is an excellent starting point for contract negotiations on various technology procurements.

After working on a number of procurements under the same MSA, a contract manager will be familiar with the MSA terms and will be able to focus on the commercial and special legal terms of a procurement by referring to the particular call-off agreement.

Long Term Relationship

MSAs provide parties with the opportunity to build long-term successful relationships. Customers and suppliers who enter into MSAs have a better opportunity to understand each other’s businesses, which may lead to a greater understanding of service requirements and foster a closer working relationship – the very cornerstone of success in business. Also, suppliers are able to concentrate solely on the quality of service rather than expend time and energy on repetitive legal and commercial negotiations for each transaction.
Continuous Improvement

Given their essentially long-term view, MSAs allow parties the opportunity to plan strategically for continuous improvement and technology “refresh”. The exchange of information and ideas between parties is often less guarded under MSAs than in one-off commercial transactions. MSAs encourage suppliers to continually innovate in order to meet customers’ changing demands and requirements.

Preferable Commercial Terms

Depending on the type of transaction, customers can often obtain preferable supplier terms based on the proven long-term commitment shown in entering into an MSA with a supplier. It is not uncommon for a customer to extract “most favourable customer” status which might provide the customer with the supplier’s best prices for a certain product within a given territory or area.

WHAT ISSUES SHOULD YOU BE AWARE OF?

Despite the multitude of advantages which MSAs can deliver, parties need to be mindful of the inherent risks in entering into such long-term contractual arrangements. The complexity of MSAs can often be overlooked by parties at the time of inception. Detailed below are some common risk areas which require careful consideration.

Call-off Process

Parties should focus closely upon the mechanics of how they interact in finalising a call-off agreement. A customer may wish for the supplier to be obligated to provide the actual goods and/or services upon request, whereas the supplier may only want to be obligated to provide a specific “work proposal” to be agreed between the parties. Such issues will need to be carefully considered prior to entering into an MSA agreement.

Upfront Agreement

Parties should seek, as far as possible, to agree all essential legal terms at the inception of the MSA. The greater the amount of detail which is required to be finalised at the time of an individual “call-off”, the less beneficial the MSA will be to the parties. Further, leaving critical areas for discussion at the call-off stage may only prove to exacerbate costs and increase the likelihood of a failed relationship after the MSA agreement has been signed.

Goverance

MSAs often require significant governance and contract management activities which need to be managed by all parties to the arrangement. For example, a parent company should seek to disseminate information on an MSA they have entered into to their operations/subsidiaries. Key personnel need to be educated as to the scope of the MSA and how it is to be used. Governance provisions are a critical element in any MSA and can often take the form of regular review meetings between the parties to assess the current status of the MSA and identify any improvements which could be made, either contractually or operationally.

Legal Provisions

Given the overarching and long-term nature of an MSA, it is important that its legal provisions be subject to close scrutiny. Key legal issues such as priority and interaction between MSA and call-off documentation, termination, liability and dispute resolution require input from specialist legal advisers. For example, will individual “call-off” contracts automatically terminate upon the main MSA relationship ending? Are cross-termination rights applicable? How should the liability provisions between different call-offs and the MSA interact? How are disputes under the MSA to be handled? Such issues are transaction specific and will need careful consideration by the parties.

Where a template MSA is concerned, its legal provisions will have repercussions across all procurement contracts drafted based on the template. An organisation can significantly reduce its procurement legal risks by seeking early legal advice on the template MSA.

RECOMMENDATIONS FOR A SUCCESSFUL MSA

In summary, parties should be guided by the following high-level principles for creating successful MSAs.

■ Focus on ensuring the mechanics of an MSA arrangement are clear and understandable to both parties; and

■ Ensure as far as possible that at all key terms and conditions for future call-off contracts are agreed at the inception of the MSA; and

■ Educate all levels of the business on the benefits of the MSA and how it should be utilised in practice; and

■ Obtain specialist legal advice in relation to the overarching MSA agreement to ensure that individual call-off contracts do not require revisiting by legal and/or commercial advisers; and

■ Ensure the beneficiaries of the MSA are identified specifically (e.g. specific subsidiaries of a company).

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SEEKING UTILITY MODEL PATENTS IN CHINA

By Yan Zhao

Much has been written about the Chint vs. Schneider case, in which a Chinese court awarded the largest ever amount of damages for a patent infringement lawsuit in China. The fact that this well-reported case was built upon a Chinese utility model patent certainly has aroused great interest in China’s utility model patent system, especially among foreign entities. In fact, many overseas practitioners now actively promote obtaining utility model patents in China. In 2010, there was a 30 percent increase on the previous year in terms of the number of utility model patent applications filed by foreign entities in China. Nevertheless, due to differences in patent drafting and certain specific issues with respect to Chinese utility model patents, careful review of the application may be required if the application is based upon an earlier foreign patent application.

UTILITY MODEL VS. INVENTION PATENT

There are two types of utility patents in China, namely, invention patents and utility model patents. Under the Chinese patent law, a utility model patent means new technical solutions proposed for the shape or structure of a product, or a combination thereof, which are fit for practical use. There are certain restrictions on a PRC utility model patent as compared to an invention patent. For example, a utility model patent has a relatively short protection period of 10 years, as compared to the 20 year term for an invention. Another example is that processes and composition of matter may not be the subject of a utility model patent, but may be the subject of an invention patent.

The most attractive factor in favor of utility model patents is that they are generally issued much quicker than invention patents. This is because utility model patents undergo formal examination but do not undergo substantive examination. Even though this may result in a higher likelihood of staying the infringement proceeding (if the infringement action is based upon a utility model patent), time wise, a utility model patent may still offer a quicker patent protection as compared to an invention patent.

Furthermore, by their nature, utility model patents are expected to have a lower patentability standard (i.e. inventiveness), than invention patents.

A SECOND LOOK AT THE PRC UTILITY MODEL PATENT

Nevertheless, due to the lack of substantive examination, PRC utility model patents may encounter some unexpected hurdles.

Many practitioners assume that the formal examination of utility model patents is limited to purely formal matters, such as submission of power of attorney and priority documents. While this is generally the case for invention patents, for utility model patents, formal examination can be rather strict. In particular, the examiner may examine a few issues that would be considered during the substantive examination phase for an invention patent, such as clarity and lack of support. For example, one common issue for a utility model patent based on an earlier foreign application relates to the functional language set out in the claims. Bearing in mind that a PRC utility model patent only protects the shape and/or structure of a product, some patent examiners would consider functional language to relate to the product’s functions, but not to its shape or structure. Official objections on such grounds would inevitably result in significant delays in the issuance of a utility model patent.

Another potential risk comes from the fact that the patentability of a utility model patent is not tested until its validity has been challenged. However, at the invalidation stage, the patent owner may make only very limited, if any, amendments to the claims to overcome the patentability challenges. This limitation certainly makes utility model patents more vulnerable to invalidation attacks, despite the fact that a relatively low inventiveness standard applies to utility model patents.

CONCLUSION

In many ways, the PRC utility model patent scheme can be beneficial to parties seeking patent protection in China. However, careful review of the application should be undertaken prior to filing to ensure that the application conforms to local practice and to confirm that the claims are well structured and crafted in anticipation of possible future invalidation challenges.

Partner Yan Zhao, based in Shanghai, specialises in patent prosecution and litigation work as well as other general IP work. He is admitted as a lawyer in China and New York and as a patent attorney in China and Singapore. You can reach him at yan.zhao@dlapiper.com
Australia could be the first country to enact a plain packaging law for tobacco products.

In April 2011, the government released the Tobacco Plain Packaging Bill (Exposure Draft), which requires tobacco products to be sold in plain packaging. With the bill gaining the support of the opposition party, it is expected to be in force as early as 2012.

Opposition to the Bill has, unsurprisingly, come from the tobacco companies. They have indicated that they will fight the plain packaging bill relying upon a number arguments. The tobacco companies state that the Bill is a breach of the Constitution as plain packaging breaches the Commonwealth’s acquisition powers. They also state that it is a breach of Trade Related Aspects of Intellectual Property Rights (“TRIPS”) as plain packaging breaches Australia’s obligations to protect trade marks under the WTO TRIPS. Finally, they claim that it is a breach of the Agreement on the Protection and Promotion of Investments with Hong Kong (Hong Kong Agreement) as plain packaging “deprives” Hong Kong investors, for example Philip Morris Asia, of their investments, thereby breaching the agreement.

The government has vowed to continue with the reform, noting that none of the above arguments are likely to succeed. While this may be prove true of the Constitutional and TRIPS arguments, the situation is less certain under the Hong Kong Agreement.

BACKGROUND

In 2005, the World Health Organisation’s Framework Convention for Tobacco Control (“WHO Convention”) came into force. Article 13 of the WHO Convention requires members to develop bans on tobacco advertising and the guidelines to Article 13 suggest the introduction of plain packaging laws. Australia has required tobacco packaging to include prominent graphic health warnings on cigarette packets since 2006, going so far as to include images of diseased organs. It is not the first country to consider the move to plain packaging with the United Kingdom, France, New Zealand and Belgium all having touched up on the issue but the consensus is that they are watching developments in Australia before formulating their own strategies.

Looking at each counter argument in a little more detail:

BREACH OF THE CONSTITUTION

Section 51(xxxi) of the Constitution allows the Commonwealth to acquire “property on just terms from any State or person for any purpose in respect of which the Parliament has power to make laws”. The tobacco companies argue that, by prohibiting use of trade marks on tobacco packaging, the Commonwealth has “acquired” property on unjust terms – ie without compensation. However, as stated above, this argument is unlikely to succeed as the High Court precedents suggest the Commonwealth is not actually “acquiring” any property, in that it is not receiving any direct property or legal interest in return.

BREACH OF TRIPS

Article 20 of TRIPS states that “the use of a trade mark in the course of trade shall not be unjustifiably encumbered by special requirements”. Tobacco companies, along with countries such as Japan and the Dominican Republic, argue that plain packaging breaches Article 20.

As a counterargument, plain packaging supporters highlight that Article 8 of TRIPS also allows countries to enact measures “necessary for public health”, provided they are consistent with the rest of TRIPS. Moreover, WTO judicial precedents suggest that Article 8 could be successfully used to defend plain packaging. In particular, it has been held that the identification of health objectives and the extent to which a nation wishes to pursue them, is a matter for individual nations.

BREACH OF THE AGREEMENT FOR THE PROTECTION AND PROMOTION OF INVESTMENTS WITH HONG KONG

Under the Agreement, a party must not expropriate the other party’s investors of their investments (including IP rights) without compensation. Philip Morris Asia has indicated that it will use this provision to claim billions in compensation.

Under international law, it is well established that “property has been expropriated when the effect of the measures taken by [a State] has been to deprive the owner of...access to the benefit and economic use of his property”.

Under this argument, unlike that concerning TRIPS, there is no public health exception readily available. Similarly, Philip Morris does not have to prove that the Australian Government obtained any property or legal rights as a result of the expropriation.

This final agreement therefore provides the clearest course of action for tobacco companies, although proving monetary loss could be difficult.

One option for the Australian government is to pay compensation in order to save the legislation. This would in effect weigh the public health cost of tobacco against the perceived savings from plain packaging.

SUMMARY

The tobacco companies’ arguments against plain packaging under the Australian Constitution or TRIPS are unlikely to succeed. Relying upon Australia’s Agreement for the Protection and Promotion of Investments appears to provide a more “hopeful” avenue for tobacco companies to pursue, although the Australian government could still preserve the legislation by paying compensation.

Another factor to consider is the questionable value of tobacco trade marks in Australia given the government’s extensive efforts to restrict cigarette advertising, not least through the use of prominent graphic health warnings.

Who stands to gain the most from the implementation of plain packaging in Australia? Potentially, it is the countries, such as those mentioned earlier, who will monitor how matters develop in Australia. In summary, you could argue the real value of the tobacco industry’s fight against plain packaging will be reaped by those countries considering implementing the same and using Australia as a test case.

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By Courtney Macintosh
The interplay between Franchise and Distribution lawyers and IP lawyers is often overlooked. But the connection between the two areas of practice is pervasive.

Take the simple but frequently overlooked reality that at the heart of every franchise is a trademark. When a franchise lawyer is asked by a client to assist in creating or expanding a franchising program, the threshold question is likely to be: “Is your trademark protected?” But that's just the beginning. Issues like trade dress, confidentiality, privacy of information, consumer protection, advertising and the use of social media are increasingly top-of-mind to franchisors. Thus, Franchise and Distribution lawyers and IP lawyers often are working side by side, needing not only to apply legal principles, but also to learn client goals.

Only a relatively small number of lawyers in the world are familiar with the statutes and regulations determining whether a particular transaction will be treated as a “franchise” and the legal ramifications that entails. But whether or not the technical definition is met, the bulk of legal issues which will need to be addressed by the “distribution” practitioner remain, and there will likely be need for the skills of other intellectual property practitioners.

A recurring theme in the statutory scheme of franchising regulation is its breadth: so-called franchise laws sweep in distribution arrangements which no one – neither the seller nor the buyer, nor their respective lawyers – knew or planned to be treated as “franchise” issues.

Franchising regulation in the United States is now in its fifth decade and is sufficiently developed that most companies and lawyers are at least aware of its existence. Not so outside the US. Beginning slowly, but picking up speed in the 1990s with new legislative proposals now being introduced with disconcerting frequency, franchise laws exist in more than 20 jurisdictions outside the US. To make the life of the lawyer more interesting, these laws are not uniform and are sometimes rife with ambiguity. Indeed, some do not even use the word “franchise.” Some laws are modeled on US disclosure laws. Others impose restrictions on the contractual relationship between the parties. Some do both. Some dictate a form of registration with a governmental agency, in some cases requiring approval of aspects of the relationship. And, unlike the typical US franchise regulation, some spell out, as a prerequisite, conditions for the franchisor (e.g., length of time in business or operation of owned outlets) or the franchisee (e.g., native origin).

The map accompanying this article is a guide to global franchise laws. Because legislation is being adopted speedily, we urge companies to consider franchise and distribution issues early in their cross-border expansion planning to avoid an unwelcome and costly surprise.

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In our IPT Webinar on 1 June 2011, Matthew Glynn and Edward Chatterton took an in-depth look at the advantages and risks associated with cloud computing. Their discussion examined the legal framework for cloud computing as well as strategies for adopting cloud computing. Here we offer readers a brief overview of the main issues discussed during the Webinar:

**CLOUD COMPUTING ADVANTAGES**

Cloud computing, which is generally understood as a model for enabling on-demand network access to an elastic pool of shared computing resources that can be rapidly provisioned and released with minimal service provider interaction, has various advantages and offers exceptional opportunities to a business:

**Focus on core business**
Running your infrastructure is likely not your primary skill set. Cloud computing allows you to turn that infrastructure over to experts so that you can focus on your core business.

**Lower costs, dynamic scalability and flexibility**
Cloud computing involves a paradigm shift from Capex to Opex which brings about major cost savings and greater flexibility and availability.

**On-demand provisioning/“Green credentials”**
Cloud computing enables you to get more computing power almost immediately which increases your “green credentials” as you are using only what you need.

**Stronger software version control**
You can update the software simply by changing the software that you are accessing in the cloud.

**Reduce software piracy**
Everything is much more controlled in the cloud and you can get an uptime guarantee of up to 99.9999 percent in some cases.

**CLOUD COMPUTING STRATEGY**

Cloud computing strategies are evolving and each organisation has different needs but certain best practices have come together:

- **Find a test case**
  Test the waters and do not just jump into this whole hog.

- **Understand the cloud infrastructure and the risks**
  Enhance regular auditing and monitoring.

- **Ownership of information is key**
  Ensure that you own your information and understand that how your data is going to be handled.

- **Avoid cloud platform proliferation**
  Focus on one perhaps two cloud service platforms.

- **Understand the role (and lack of standards)**
  Form a committee with cross department collaboration to manage risks and develop short form cloud service provider assessment forms and standard templates of contractual safeguards, data ownership and use limitations.

**THE DELTA IS (POtentially) ENORMous, BRIDGING THE GAP**

Customers such as banks, retail and telecommunications companies generally have a standard agreement developed to look after their position to reduce risks through a comprehensive set of terms and schedules. Cloud vendors are, however, at the other end of the telescope and the difference between the two is enormous. In Cloud vendor contracts, it is normal that warranties are given by the customers instead of service providers, and that service providers have a right to suspend the service – which is almost unheard of in traditional outsourcing contracts. To bridge the gap, you should analyse the available cloud provider terms in the market and try to derive core themes and standard practices from these. At the other end of the spectrum, you should also analyse your standard terms in order to derive your hub terms, your redline and your key concepts and be prepared to potentially discuss, negotiate, or agree a middle ground with the Cloud service provider.

“Everybody loves talking about cloud computing, but everyone is scared to do it.” Marco Kerschen, Polo Ralph Lauren (DLA Piper Shifting Landscapes: The online challenges to traditional business models. Visit www.dlapipershiftinglandscapes.com”
Yan holds degrees in Electrical Engineering (1995) and Law (1996) from Peking University and an LL.M. with a concentration in Intellectual Property Law from The George Washington University Law School (1999). Yan has more than 13 years of experience advising on IP and technology issues in Asia, and has worked in private practice with a number of international firms and as an in-house counsel with a major high-tech company.

Yan has designed patent enforcement and litigation strategies for various multinational companies with respect to their patent disputes in China. He has also represented these companies in enforcing their patent rights in China or defending such companies in patent infringement assertions based on various PRC patents in a broad range of technology sectors. He has drafted and prosecuted patent applications in different jurisdictions including China, the United States and Singapore, with particular emphasis in the telecommunication, semiconductor, computer and software industries, and has extensive experience managing world-wide patent portfolios for both domestic and multinational companies. Further, Yan advises domestic clients on international patent filing and prosecution strategies as well as patent litigation proceedings in foreign jurisdictions.

Yan advises on, manages, coordinates and attends to trademark enforcements as well as domain name disputes in China and has experience managing global trademark portfolios.

Yan also advises on cross border technology transfer and licensing in various technology fields.

Outside of the office, Yan enjoys travelling, golfing, and spending time with his wife, Dan Qing, and his three-year-old daughter, A Zuo.

“Yan advises domestic clients on international patent filing and prosecution strategies as well as patent litigation proceedings in foreign jurisdictions.”
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We like to think we are #1 because we put our clients first.

Thank you for your continued trust in us.

When it comes to our clients, everything matters.