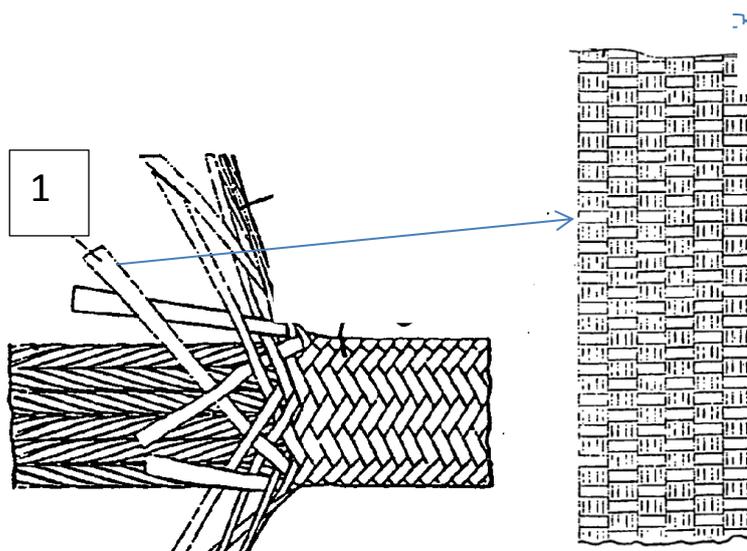


NIP Case 2014

The Danish company Tougkvas A/S produces and develops fabrics for various ropes and cords that need to tolerate wearing and hard strain, e.g. when towing heavy objects over long distances. The company also produces fabrics for ropes used in mountain climbing, for which the CEO, Rasmus Repschlager, developed a keen interest when he studied in France. These ropes contain a core and a protecting sheathing around the core. The sheathing is made of ribbons woven together (see left figure below). The sheathing must be hard and dense so it can protect the core from sharp objects (such as sharp cliff edges and rocks) and prevent various contaminants (such as sand) from penetrating the sheathing and damaging the core. At the same time, the sheathing must maintain a satisfactory flexibility and “smoothness”.

In early 2012, Rasmus Repschlager undertook various experiments with the aim of improving the *ribbons* used to braid the sheathing. He experienced both with various fibres and various ways of braiding the fibers together. In May he concluded that polyester fibres were preferable. He also discovered that the sheathing would be particularly strong when the fibres in each ribbon (1) were in parallel, woven together with transverse threads. The right figure shows the pattern of such a ribbon.



Rasmus Repschlager immediately saw a commercial potential for his new invention, and instructed a patent attorney to file a patent application. The application was submitted to the Danish Patent and Trademark Office on 5 June 2012. The application described the invention as follows:

“The main object of the invention is to provide ropes with a solid and wear resistant sheathing for demanding application purposes, both at sea and at land. In particular it is an object to create a sheathing with a surface so dense that the penetration of contaminants, such as sand, or the risk of hooking a foreign body (such as sharp rocks) is considerably reduced.

According to the invention, the sheathing should be made of ribbons of substantially parallel fibres woven together with transverse threads. If the thread should burst, the

construction of the sheathing will prevent it from loosening. Polyester fibres are very useful. “

Claim 1 of the application read:

“Rope, comprising a core of parallel or braided core strings, and a braided sheathing of sheathing elements **characterized in that** in that the sheathing elements (1) are ribbons of substantially parallel polyester fibres woven together with transverse threads. “

The patent application also contained a description on how the ropes could be produced.

On 4 June 2013, Tougkvas A/S filed an international application in accordance with the rules of the PCT treaty. The subsequent International Search Report revealed no prior art that could put novelty or inventive step into serious question.

In order to start mass production, Tougkvas A/S would have to install new machinery. This would take at least 3 months and cost 500.000 Euros. Rasmus Repschlager therefore approached a US company that already had the necessary machinery installed, Rope Twist, Inc, and asked if they could produce the ropes for Tougkvas A/S. If the US company could start production and promise delivery by mid January 2014, Tougkvas A/S could bid for a contract of delivery to one of Europe’s biggest producers of climbing gear, the Swedish company Hagfjäll.

Negotiations between Tougkvas A/S and Rope Twist, Inc started in October 2013. At that time none of Tougkvas’ patent applications had been made public. Before entering the negotiations, the parties entered into a mutual Non Disclosure Agreement (NDA), which is enclosed.

At the time of the negotiations, Rasmus Repschlager also discovered that the well know fabric *nylon* (polyamide) worked well in the ribbons, as an alternative to polyester. He mentioned this in his talks with Rope Twist, Inc.

On 5 December 2013, A/S Tougkvas’ Danish patent application became publicly available according to Section 22 of the Danish Patent Act. On 20 December, Rope Twist, Inc informed that it had decided to pursue other priorities for the moment, and the negotiations ended without any agreement. Tougkvas A/S understood that it had no chances in bidding for the contract with Hagfjäll, but as the market nevertheless seemed promising, they decided to build a production line with the necessary new machinery. The Company filed a trade mark application for the phrase MOUNTAIN SAFE with the Danish Patent and Trademark Office early in late December 2013. An application for international registration under the Madrid Protocol was filed soon afterwards. The trademarks were registered in all Nordic countries approximately at the same time – June-August 2014.

A/S Tougkvas decided not to follow up the PCT application with an application to the European Patent Office, but with national applications in some important countries, among others Norway, Sweden and Finland.

In March 2014, Tougkvas A/S learnt that the contract of delivery to Hagfjäll had gone to – Rope Twist, Inc. The contract had been signed on 1 January and deliveries started on 15

January. Rope Twist produced the rope material exactly as described in Tougkvas' patent, with the exception that nylon fibres were used instead of polyester. The US company had never informed about its contacts with Hagfjäll. Rope Twist, Inc marketed its new rope on the Internet, with the text "Rope Twist technology makes mountaineering safe". The webpage informed about Rope Twist', Inc history, company address, staff and products, and contained a lot of breathtaking climbing fotos. Tougkvas A/S was not mentioned. However, Tougkvas A/S discovered that Rope Twist, Inc had used Google's referencing service "AdWords" and registered "mountain safe" and "tougkvas" as key words, so that customers entering these words as search terms in the Google search engine would receive a link to Rope Twist's webpages under the heading "sponsored links".

Rasmus Repschlager was upset. In order to be sure that the patent covered also the rope sheathings of nylon made by Rope Twist, Inc , he instructed his patent attorney to write to the relevant patent offices that "polyester" should be deleted from claim 1. He subsequently wrote to Rope Twist, Inc. and demanded that the company immediately stopped every marketing of its rope. He claimed that Rope Twist had acted in breach of the confidentiality agreement, and Tougkvas' trade mark rights. He also demanded that Rope Twist, Inc paid 100.000 Euros for lost profit due to the lost contract with Hagfjäll, and 300.000 Euros as "fair compensation" for the headstart Rope Twist had got by misusing Tougkvas' confidential information. Repschlager did not argue that nylon was comprised by the term "polyester" in the patent, neither literally nor under the doctrine of equivalents, however, any new future sale would violate the patents when granted.

Rope Twist, Inc acknowledged that Tougkvas would probably have got the contract with Hagfjäll if Rope Twist hadn't got it, and that this would have given them a profit of 100.000 Euros. However, Rope Twist denied to have done anything unlawful in negotiating this contract. After the publication of Tougkvas' patent application, the relevant information was no longer confidential. The claim for "fair compensation" had no basis whatsoever. Rope Twist claimed that the amendments to the patents and patent applications were invalid and would not past the examiners' scrutiny. They also disputed the validity of the trade mark MOUNTAIN SAFE. In any case nothing on their website, nor the use of search terms in Google adwords, was unlawful.

The parties agreed to refer the dispute to arbitration according to the Rules of the International Chamber of Commerce. The place of arbitration would be Oslo and the language of the proceedings English. The parties also agreed that the Tribunal shall make a preliminary assessment of whether the MOUNTAIN SAFE trademark is valid, and whether the amendments to the Danish patent and Swedish, Norwegian and Finnish patent applications are lawful. The parties further agreed that the Trade Mark Directive (2008/95/EC) and common Nordic rules on contract law, unfair competition law and patentability shall be applied by the tribunal.

In the proceedings, A/S Tougkvas is the claimant and Rope Twist, Inc the defendant. The request for arbitration has been filed, and the tribunal appointed. The tribunal has requested the claimant to submit the statement of claim no later than 6 October 2013. And the respondents to submit the defence no later than 3 November 2013

Exhibit 1: Non Disclosure Agreement between Tougkvas A/S and Rope Twist, Inc.