

IP CASE LAW 2009

Selected decisions of

The European Court of Justice

The European Patent Office

The German Federal Supreme Court

The German Federal Patent Court

Summarized and commented by members of

BARDEHLE PAGENBERG

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Preface

“And the Oscar® goes to ...” – while we hopefully will never have to vote on any “best” judges or attorneys who make up the court room drama of an IP lawsuit, we can certainly find “landmark” decisions that become instantly famous but only in retrospect develop into case law of principal importance.

Here are some choices from the European Court of Justice. We “vote” for them because they are clear-cut and unambiguous. The European Court of Justice has found some particularly resounding words, deciding that taking unfair advantage of the distinctive character or the repute of a mark with a reputation already occurs where a third party seeks, by the use of a sign similar to a mark, to “ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark (...).”

The above quote is from *L'Oréal v Bellure*. A “smell-alike” is a typically nebulous phenomenon in need of legal clarity. A smell-alike perfume, taking into account that olfactory trademarks practically do not exist, has in the past apparently been assumed as less infringing on the original mark than a look-alike or sound-alike. Not to speak of a feel-alike. Clear.

Or take *Google v Louis Vuitton*: Do paid-for “adwords” if popping up with the internet search results next to famous marks constitute unlawful trademark infringement or lawful comparative advertising? What are we having here? Not a film, but a real problem happening in the virtual world. Two powerful companies are clashing – one of them representing the new ubiquitous availability of information, the other a prestigious modern-day “giant” French producer of luxury items defending its IP. It is a virtual reality in need of clarity.

In *Brüstle v Greenpeace*, the German Federal Supreme Court referred a question to the Court of Justice of the European Union about the patentability of human embryonic stem cells, and, among other difficult questions, essentially asks: At what stage of development is an embryo defined an embryo?

There is a theory that the further we venture into the unknown, the narrower the scope of interpretation – i.e., finding compromise, defining socially workable solutions – will become. This is why we need clear decisions from the courts.

As we all know, it is necessary that these questions are sincerely addressed and ultimately resolved; they are essential for trade to function, for research to advance, for fairness in practice to endure.

Our authors and colleagues have again been listening very closely to the heartbeat of the European Patent Office and the European and German courts, and some have come quite close to explaining the “code”. My very special thanks (but no Oscars®!) go to all the contributors in this year's edition that was again compiled from the “BARDEHLE PAGENBERG IP Report” that can be viewed and downloaded at www.bardehle.com!

Dr. Henning Hartwig, Editor

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European Court of Justice

Makro v Diesel

European Court of Justice: Exhaustion of trademark rights – placing on the market – unequivocal consent (decision of October 15, 2009 – Case C-324/08 – Makro Zelfbedieningsgroothandel CV v Diesel SpA)

Diesel SpA granted a license for Spain, Portugal and for marketing DIESEL products. The licensee granted an exclusive sublicense for certain goods which permitted the sub-licensee to produce goods for purpose of market testing. The sub-licensee granted yet a further license to a company to make shoes, bags and belts with the DIESEL mark. These were sold in Spain without any prior express agreement by Diesel or its licensee. Such shoes first marketed in Spain reached The Netherlands where they were sold by Makro. Diesel brought an infringement action which was successful in first and second instance. The Hoge Raad (Supreme Court) of The Netherlands, in view of Makro's claim that exhaustion of rights precluded the action, referred the following questions to the ECJ:

1. In the case where goods bearing a trademark proprietor's mark have first been placed on the market within the EEA, but not by him or with his express consent, must the same criteria be applied in determining whether this has occurred with the (implied) consent of the trademark proprietor, within the meaning of Article 7 (1) of Directive 89/104, as are applied in the case where such goods have previously been placed on the market outside the EEA by the trademark proprietor or with his consent?

2. If the answer to Question 1 is in the negative, what criteria – whether or not derived (in part) from the decision of the Court of Justice in Case C-9/93 IHT Internationale Heiztechnik and Danzinger [1994] ECR I-2789 – must be applied in the first case referred to in that question in order to determine whether the trademark proprietor has given (implied) consent within the meaning of the First Directive relating to trademarks?

The ECJ, deciding without an Opinion by the Advocate General, analysed its case law on exhaustion. The determinative point is whether the goods were placed on the market in the European Economic Area with the consent of the proprietor; consent can be express or implied, but must be unequivocal. The ECJ concluded as follows:

Pure Digital

Article 7 (1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks, as amended by the Agreement on the European Economic Area of 2 May 1992, must be interpreted as meaning that the consent of the proprietor of a trademark to the marketing of goods bearing that mark carried out directly in the European Economic Area by a third party who has no economic link to that proprietor may be implied, in so far as such consent is to be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market in that area which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his exclusive rights.

Remarks:

The case demonstrates the risks involved in vertical distribution and manufacturing arrangements combined with trademark licenses when the respective rights and obligations are not clearly defined. While Diesel may in the end “win” the case, it has taken an enormous effort to get there: the case started already in 1999!

Reported by Dr. Alexander von Mühlendahl, LL.M.

European Court of Justice: Protection of marks on the basis of acquired distinctiveness – secondary meaning – relevant point in time (decision of June 11, 2009 – Case C-542/07 P – Imagination Technologies Ltd v OHIM – PURE DIGITAL)

An application for registration of PURE DIGITAL for goods and services in classes 9 and 38 was refused by OHIM and its Board of appeals, and also by the CFI (decision of September 20, 2007 – Case T-461/04). Imagination Technologies sought review by the ECJ, limited to a single issue of law, namely the relevant date for determining whether a mark was registrable on the basis of acquired distinctiveness (secondary meaning). Imagination Technologies claimed that, while the mark may have been descriptive on the application date, it had thereafter acquired distinctiveness.

The ECJ concluded that the relevant point in time is the filing date. In its comprehensive decision, the ECJ examined the wording, the context, as well as the legislative history and the parallel provision in the Trademarks Directive.

Remarks:

We should like to point out that a similar issue – namely the question whether in a cancellation action relating to a mark which, according to the claimant, had become non distinctive between the filing date and the registration date, the distinctiveness must be judged only as of the filing date or also as of the registration date – is pending before the ECJ in Case C-332/09 P – OHIM v Frosch Touristik (“Flugbörse”).

Reported by Dr. Alexander von Mühlendahl, LL.M.

Bud

European Court of Justice: Conflict between geographical indication and trademark – protection of geographical indications pursuant to bilateral agreements – relationship of national protection to Community protection for designations of origin and geographical indications for foodstuffs and agricultural products (decision of September 8, 2009 – Case C-478/07 – Budejovický Budvar, n.p. v Rudolf Ammersin GmbH BUD – AMERICAN BUD II)

The battle between the Czech company Budejovický Budvar, located in Budvar (formerly Budweis), and the American Anheuser-Busch company, located in St. Louis, Missouri, over the use of BUDWEISER or the shorter BUD is far from over:

In Austria, the Czech company is suing a distributor of AMERICAN BUD on the basis of BUD being protected in Austria as a geographical indication protected pursuant to a bilateral agreement originally entered into between Czechoslovakia and Austria and since continued between the Czech Republic and Austria. In a previous reference involving the same case, the ECJ had concluded that the protection was in principle legitimate (decision of November 18, 2003 in Case C-216/01). The case had gone from the first instance to the Austrian Supreme Court and back, and the first instance court (Handelsgericht Wien) decided to ask the ECJ for an interpretation of its first judgment and for an answer to the question whether the Community-wide protection under Regulation (EC) No 510/2006 was exhaustive and preempted any protection available under national law or bilateral agreements between Member States.

The ECJ gave the following answers:

1. It follows from paragraph 101 of the decision of 18 November 2003 in Case C-216/01 – Budejovický Budvar that:

– in order to determine whether a designation can be considered to constitute a simple and indirect indication of geographical provenance, protection of which under the bilateral instruments at issue is capable of being justified on the basis of the criteria laid down in Article 30 EC, the national court must ascertain whether, according to factual circumstances and perceptions prevailing in the Czech Republic, that designation, even if it is not in itself a geographical name, is at least capable of informing the

consumer that the product bearing that indication comes from a particular place or region of that Member State;

– the national court must, in addition, ascertain, once again in the light of factual circumstances and perceptions prevailing in the Czech Republic, whether, as stated in paragraph 99 of that judgment, the designation at issue in the main proceedings has not, either at the time of the entry into force of the bilateral instruments at issue in the main proceedings or subsequently, become generic in that Member State, the Court of Justice of the European Communities having already held, in paragraphs 99 and 100 of that judgment, that the aim of the system of protection introduced by those instruments falls within the sphere of the protection of industrial and commercial property within the meaning of Article 30 EC;

– in the absence of any Community provision in that regard, it is for the national court to decide, in accordance with its own national law, whether a consumer survey should be commissioned for the purpose of clarifying the factual circumstances and perceptions prevailing in the Czech Republic in order to ascertain whether the designation ‘Bud’ at issue in the main proceedings can be classified as a simple and indirect indication of geographical provenance and has not become generic in that Member State. It is also in the light of that national law that the national court, if it finds it necessary to commission a consumer survey, must determine, for the purposes of making the necessary assessments, the percentage of consumers that would be sufficiently significant; and

– Article 30 EC does not lay down specific requirements as to the quality and the duration of the use made of a designation in the Member State of origin for its protection to be justified in the light of that article. Whether such requirements apply in the context of the dispute in the main proceedings must be determined by the national court in the light of the applicable national law, in particular the system of protection laid down by the bilateral instruments at issue in the main proceedings.

2. The Community system of protection laid down by Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs is exhaustive in nature, with the result that that regulation precludes the application of a system of protection laid down by agreements between two Member States, such as the bilateral instruments at issue in the main proceedings, which confers on a designation, which

Google v Louis Vuitton

is recognised under the law of a Member State as constituting a designation of origin, protection in another Member State where that protection is actually claimed, despite the fact that no application for registration of that designation of origin has been made in accordance with that regulation.

Remarks:

The consequences seem to be the following: If BUD is found to be a “qualified” geographical indication in principle protectible under Regulation (EC) No 510/2006, national protection under the bilateral agreement or any other national rules cannot be granted. This follows from No 2 of the answers. What remains open, it seems, is whether, in any event, the use as a misleading indication can or even must be prohibited. If it is found that BUD as a beer designation is a “simple” geographical indication, the court must establish whether BUD is recognised as such by the Czech public, in accordance with the answers given by the ECJ. If yes, the use of AMERICAN BUD may be prohibited, if no, the case would end.

The case is now back in the hands of the Handelsgericht Wien.

Reported by Dr. Alexander von Mühlendahl, LL.M.



European Court of Justice: Trademark infringement through sale and purchase of “adwords” (Opinion of Advocate General Poiares Maduro of September 22, 2009; Joined Cases C-236, 237 & 238/2008, Google France v Louis Vuitton Malletier; Google France v Viaticum et al; Google France v CNRRH et al.)

The question of trademark and other IP rights infringement through activity on the Internet occupies the courts and the legal profession throughout the world. One of the most contentious questions is whether Google, or other search engine operators, or their customers commit trademark infringement when they sell or purchase so-called “adwords”, which allow the purchasers of such “adwords” to place (paid) advertising next to natural search results appearing when a word identical with or similar to the “adword” is entered in the search bar.

The highest courts in France, Germany, Austria and The Netherlands, as well as the High Court in England have referred questions to the ECJ seeking an answer to the questions arising in this regard. The first series of cases confronting Google and trademark proprietors in France was referred by the French Cour de cassation. These cases were argued before the ECJ in March 2009.

On September 22, 2009, the Advocate General Poiares Maduro presented his conclusions (“Opinion”). In his opinion, neither Google as provider nor the purchasers of “adwords” are liable for trademark infringement, regardless of the reputation of the marks involved, which in this case include the world-famous “LOUIS VUITTON” marks. The results of his analysis are summarised as follows:

1. The selection by an economic operator, by means of an agreement on paid internet referencing, of a keyword which will trigger, in the event of a request using that word, the display of a link proposing connection to a site operated by that economic operator for the purposes of offering for sale goods or services, and which reproduces or imitates a trademark registered by a third party and covering identical or similar goods, without the authorisation of the proprietor of that trademark, does not constitute in itself an infringement of the exclusive right guaranteed to the latter under Article 5 of First Council Directive 89/104/EEC of 21 December 1988

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to approximate the laws of the Member States relating to trademarks.

2. Article 5 (1) (a) and (b) of Directive 89/104 and Article 9 (1) (a) and (b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark must be interpreted as meaning that a trademark proprietor may not prevent the provider of a paid referencing service from making available to advertisers keywords which reproduce or imitate registered trademarks or from arranging under the referencing agreement for advertising links to sites to be created and favourably displayed, on the basis of those keywords.

3. In the event that the trademarks have a reputation, the trademark proprietor may not oppose such use under Article 5 (2) of Directive 89/104 and Article 9 (1) (c) of Regulation No 40/94.

4. The provider of the paid referencing service cannot be regarded as providing an information society service consisting in the storage of information provided by the recipient of the service within the meaning of Article 14 of Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market ("Directive on electronic commerce").

The injunction issued by the French courts on the basis of an unfair competition claim is not affected by the reference. The Advocate General also points out that any liability of Google or of the purchasers of "adwords" under a theory of contributory infringement is for the national court to decide. Also, whether announcements placed by purchasers of "adwords" constitute an infringement is not part of these three references.

We should expect a decision by the ECJ in the first half of 2010.

The other cases pending before the ECJ are the reference from Austria, C-278/08 (BergSpechte), The Netherlands, C-558/08 (Portakabin), from Germany, Case C-91/09 (bananabay), and from the UK, Cases C-323/09 (Interflora) and C-324/09 (L'Oréal).

Reported by Dr. Alexander von Mühlendahl, LL.M.

European Court of Justice: Protection of Community trademarks with reputation – territorial extent of reputation (decision of October 6, 2009 – Case C-301/07 – PAGO International GmbH v Tirolmilch eingetragene Genossenschaft mbH – PAGO)

PAGO, an Austrian company, is proprietor of a Community trademark representing a green glass bottle, a glass, and the word PAGO. The mark is widely used and well-established in Austria. PAGO sought to prohibit Tirolmilch, also an Austrian company, from using a similar bottle for a milk-based drink. The Austrian Supreme Court confirmed a finding of absence of likelihood of confusion, but considered to issue the requested injunction on the basis of the reputation of the earlier mark. In view of the fact that reputation could only be shown to exist in Austria, the Austrian Supreme Court referred the following questions to the ECJ for a preliminary ruling:



1. Is a Community trademark protected in the whole Community as a "trademark with a reputation" for the purposes of Article 9 (1) (c) of Council Regulation (EC) No 40/94 of 20 December 1993 if it has a "reputation" only in one Member State?

2. If the answer to the first question is in the negative: is a mark which has a "reputation" only in one Member State protected in that Member State under Article 9 (1) (c) of Regulation (EC) No 40/94, so that a prohibition limited to that Member State may be issued?

The Advocate General Sharpston, in her Opinion of April 30, 2009, had concluded that the requirement of reputation "in the Community" is not met when the reputation exists only in a single Member State.

In its eagerly awaited decision, rendered on October 6, 2009, the ECJ came out strongly in favour of the Community trademark: For a Community trademark to have reputation "in the Community", reputation in a substantial part of the Community is sufficient, and Austria, under the circumstances of the case, suffices:

(27) Territorially, the condition as to reputation must be considered to be fulfilled when the Community trademark has a reputation in a substantial part of the territory of the Community (see, by way of analogy, General Motors, paragraph 28).

Golden Easter Bunny

(28) It should be noted that the Court has already ruled that, with regard to a Benelux trademark, it is sufficient, for the purposes of Article 5 (2) of the directive, that it has a reputation in a substantial part of the Benelux territory, which part may consist of a part of one of the Benelux countries (General Motors, paragraph 29).

(29) As the present case concerns a Community trademark with a reputation throughout the territory of a Member State, namely Austria, the view may be taken, regard being had to the circumstances of the main proceedings, that the territorial requirement imposed by Article 9 (1) (c) of the regulation is satisfied.

(30) The answer to the first question referred is therefore that Article 9 (1) (c) of the regulation must be interpreted as meaning that, in order to benefit from the protection afforded in that provision, a Community trademark must be known by a significant part of the public concerned by the products or services covered by that trademark, in a substantial part of the territory of the Community, and that, in view of the facts of the main proceedings, the territory of the Member State in question may be considered to constitute a substantial part of the territory of the Community.

Remarks:

The decision comes as a relief, after the disappointing conclusions of the Advocate General, because it confirms the understanding that a Community trademark must be treated less favourably than a national mark. If reputation extending beyond the territory of a Member State had been required, obtaining and maintaining national marks would have been necessary in many situations. The ECJ did not deal with, or even mention, the issue whether in a case with limited reputation relief must necessarily be granted EU wide, covering parts of the EU where the earlier mark has no reputation.

Reported by Dr. Alexander von Mühlendahl, LL.M.

European Court of Justice: Bad faith applications (decision of June 11, 2009 – Case C-529/07 – Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth – Golden Easter Bunny)

Lindt & Sprüngli are proprietors of a three-dimensional Community trademark of a chocolate Easter bunny wrapped in gold foil with some markings and a band around its neck (see p. 23).

They brought an infringement action in Austria against a local company, Franz Hauswirth GmbH, which was marketing an Easter bunny in gold foil (see p. 23).

Hauswirth defended itself, *inter alia*, by claiming that Lindt & Sprüngli had filed their mark in bad faith because they knew of the prior marketing by Hauswirth and had obtained the mark to secure an unjustified exclusivity on the Austrian market.

The Austrian Supreme Court, where the case had arrived again after it had confirmed a preliminary injunction against Hauswirth, referred the following questions to the ECJ:

1. Is Article 51 (1) (b) of ... Regulation (EC) No 40/94 ... to be interpreted as meaning that an applicant for a Community trademark is to be regarded as acting in bad faith where he knows, at the time of his application, that a competitor in (at least) one Member State is using the same sign, or one so similar as to be capable of being confused with it, for the same or similar goods or services, and he applies for the trademark in order to be able to prevent that competitor from continuing to use the sign?

2. If the first question is answered in the negative:

Is the applicant to be regarded as acting in bad faith if he applies for the trademark in order to be able to prevent a competitor from continuing to use the sign, where, at the time he files his application, he knows or must know that by using an identical or similar sign for the same goods or services, or goods or services which are so similar as to be capable of being confused, the competitor has already acquired a 'valuable right' ('wertvollen Besitzstand')?

3. If either the first or the second question is answered in the affirmative:

Is bad faith excluded if the applicant's sign has already obtained a reputation with the public and is therefore protected under competition law?

The ECJ analysed the situation in some detail and concluded with the following answer:

"In order to determine whether the applicant is acting in bad faith within the meaning of Article 51 (1) (b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark, the national court must take into consideration all the relevant factors specific to the particular case which pertained at the time of filing the application for registration of the sign as a Community trademark, in particular:

- the fact that the applicant knows or must know that a third party is using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought;
- the applicant's intention to prevent that third party from continuing to use such a sign; and
- the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought.

Remarks:

The ECJ missed a great opportunity to develop rules helpful in deciding bad-faith allegations.

For example, the Court could have stated explicitly that mere knowledge of a prior user does not constitute bad faith, a principle well established in most national jurisdictions. Instead, we have the rather enigmatic pronouncement that such knowledge may be one of the elements, and even a "must have known" is added. The Court could also have stated that the intention to prevent others from using identical or similar marks by suing for trademark infringement is, in itself, not bad faith. It seems natural to assume that a trademark proprietor will use his mark to prevent infringements.

The third element in the Court's answer – "the degree of legal protection" – also leaves many questions unanswered. If the trademark applicant is aware of a prior user and a "degree" of protection which does not amount to an earlier exclusive right, why would such knowledge constitute bad faith leading to the

cancellation of a trademark with effect erga omnes? When an earlier sign already enjoys protection in a Member State as a trade name or unregistered trademark, or under passing off, its proprietor will prevail over the later trademark registration and does not need the "help" of a bad faith claim. When the earlier sign does not enjoy such protection, i.e. is not an "earlier" right, but there has been substantial use, the proper remedy would seem to be to provide for the right to continue such use, rather than for the cancellation of the later mark on grounds of bad faith.

A significant element mentioned in the body of the decision, but not included in the answer, is the degree of reputation enjoyed by the sign at a time prior to the trademark application. Converting protection as an unregistered trademark into a registered trademark, on the basis of secondary meaning or otherwise, is accepted practice in many jurisdictions and is certainly an argument in favour of the trademark proprietor. The case is now back before the Austrian courts.

Reported by Dr. Alexander von Mühlendahl, LL.M.



L'Oréal v Bellure

European Court of Justice: Comparative advertising and trademark infringement – “smell-alike” perfumes (decision of June 18, 2009 – Case C-487/07 – L'Oréal SA v Bellure NV)

L'Oréal and other companies in the same group, Lancôme parfums et beauté and Laboratoire Garnier, brought trademark infringement suits in the United Kingdom against Bellure and a number of other companies specializing in the marketing of “smell-alike” perfumes. They are sold with comparison lists linking the smell-alike to the original, and in get-ups and with marks that evoke the originals. The first instance court (High Court) had granted most of the claims. The case reached the Court of Appeal for England and Wales which, after extensive arguments, referred a series of questions to the ECJ seeking to clarify the interpretation of the Misleading and Comparative Advertising Directive, of the Trademarks Directive, and of the interplay between the two:

1. Where a trader, in an advertisement for his own goods or services, uses a registered trademark owned by a competitor for the purpose of comparing the characteristics (and in particular the smell) of goods marketed by him with the characteristics (and in particular the smell) of the goods marketed by the competitor under that mark in such a way that it does not cause confusion or otherwise jeopardise the essential function of the trademark as an indication of origin, does his use fall within either (a) or (b) of Article 5 (1) of Directive 89/104?
 - a) it does not cause any likelihood of confusion of any sort; and
 - b) it does not affect the sale of the products under the well-known registered mark; and
 - c) it does not jeopardise the essential function of the registered trademark as a guarantee of origin and does not harm the reputation of that mark, whether by tarnishment of its image or dilution or in any other way; and
2. Where a trader in the course of trade uses (particularly in a comparison list) a well-known registered trademark for the purpose of indicating a characteristic of his own product (particularly its smell) in such a way that:
 - a) it does not cause any likelihood of confusion of any sort; and
 - b) it does not affect the sale of the products under the well-known registered mark; and
 - c) it does not jeopardise the essential function of the registered trademark as a guarantee of origin and does not harm the reputation of that mark, whether by tarnishment of its image or dilution or in any other way; and

d) it plays a significant role in the promotion of the trader's product, does that use fall within Article 5 (1) (a) of Directive 89/104?

3. In the context of Article 3a (1) (g) of Directive 84/450, what is the meaning of “take unfair advantage of” and in particular, where a trader in a comparison list compares his product with a product under a well-known trademark, does he thereby take unfair advantage of the reputation of the well-known mark?

4. In the context of Article 3a (1) (h) of the said directive, what is the meaning of “present[ing] goods or services as imitations or replicas” and in particular does this expression cover the case where, without in any way causing confusion or deception, a party merely truthfully says that his product has a major characteristic (smell) like that of a well-known product which is protected by a trademark?

5. Where a trader uses a sign which is similar to a registered trademark which has a reputation, and that sign is not confusingly similar to the trademark, in such a way that:

- a) the essential function of the registered trademark of providing a guarantee of origin is not impaired or put at risk;
- b) there is no tarnishing or blurring of the registered trademark or its reputation or any risk of either of these;
- c) the trademark owner's sales are not impaired; and
- d) the trademark owner is not deprived of any of the reward for promotion, maintenance or enhancement of his trademark;
- e) but the trader gets a commercial advantage from the use of his sign by reason of its similarity to the registered mark, does that use amount to the taking of an “unfair advantage” of the reputation of the registered mark within the meaning of Article 5 (2) of Directive 89/104?

It appeared from the questions and the Court's reference ruling that the Court of Appeal considered the practice essentially acceptable. The ECJ disagreed and ruled as follows:

1. Article 5 (2) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks must be interpreted as meaning that the taking of unfair advantage of the distinctive character

or the repute of a mark, within the meaning of that provision, does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of that mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image.

2. Article 5 (1) (a) of Directive 89/104 must be interpreted as meaning that the proprietor of a registered trademark is entitled to prevent the use by a third party, in a comparative advertisement which does not satisfy all the conditions, laid down in Article 3a (1) of Council Directive 84/450/EEC of 10 September 1984 concerning misleading and comparative advertising, as amended by Directive 97/55/EC of the European Parliament and of the Council of 6 October 1997, under which comparative advertising is permitted, of a sign identical with that mark in relation to goods or services which are identical with those for which that mark was registered, even where such use is not capable of jeopardising the essential function of the mark, which is to indicate the origin of the goods or services, provided that such use affects or is liable to affect one of the other functions of the mark.

3. Article 3a (1) of Directive 84/450, as amended by Directive 97/55, must be interpreted as meaning that an advertiser who states explicitly or implicitly in comparative advertising that the product marketed by him is an imitation of a product bearing a well-known trademark presents 'goods or services as imitations or replicas' within the meaning of Article 3a (1) (h). The advantage gained by the advertiser as a result of such unlawful comparative advertising must be considered to be an advantage taken unfairly of the reputation of that mark within the meaning of Article 3a (1) (g).

Remarks:

The ruling and many of the broad statements found in the decision come as a surprise. The ECJ's rather indifferent approach to trademark protection in some earlier cases had led many to believe that the Court might follow the referring court's inclinations.

The opposite is true:

- Trademarks are protected not only against likelihood of confusion as to origin (when the marks are merely similar), but also against interference with the advertising, communication and investment function (when the marks are identical or the earlier mark has a reputation).
- The marketing of smell-alike perfumes with comparison lists ("smells like ...") constitutes unlawful comparative advertising with "imitations and replicas".
- Where unlawful comparative advertising makes use of another's trademark, remedies are not limited to unfair competition remedies (which, at least in the UK, do not include civil actions), but the trademark proprietor may sue for trademark infringement.

A breath of "fresh air" from Luxembourg.

Reported by Dr. Alexander von Mühlendahl, LL.M.

Bayerisches Bier

European Court of Justice: Protection of geographical indications – coexistence of geographical indications and trademarks (decision of July 2, 2009 – Case C-343/07 – Bavaria NV v Bayerischer Brauerbund e.V. – Bayerisches Bier)

European Community legislation grants protection to geographical indications in situations where the link between product and territory is direct (“designations of origin”) and also where the link is based on tradition and reputation, even though the product may be produced elsewhere with the same qualities and characteristics (“geographical indications”). As regards the conflict between protected indications or designations and trademarks, the Community rules provide for co-existence in case of validly registered earlier trademarks.

When the special protection was first introduced in 1992 (Regulation (EEC) No 2081/92), Member States had a period of six months to notify their designations and indications to the European Commission. Germany included the geographical indication “Bayerisches Bier” (Bavarian Beer). Bavarian beer enjoys its reputation and fame not as the result of particular geological or geographical conditions prevailing in Bavaria, but as the result of tradition and skill. The protection was disputed because of the existence of the trademark “BAVARIA”, protected in a number of European countries for the Dutch brewing company Bavaria NV, but finally granted by Regulation (EEC) No 1347/2001.

Thereafter the Bayerische Brauerbund, an organisation of Bavarian brewing companies, proceeded against Bavaria NV to obtain cancellation of the BAVARIA trademark and cessation of its use.

In Italy, the first instance court granted the relief sought. The Torino appeals court, having doubts about the validity of the protection granted to “Bayerisches Bier” referred the following questions to the ECJ:

1. Is Council Regulation (EC) No 1347/2001 ... invalid, possibly as a consequence of the invalidity of other acts, in light of the following:

Breach of general principles

– the invalidity of Article 1 (1) of Regulation (EEC) No 2081/92, read in conjunction with Annex I thereto, in so far as it permits



the registration of geographical indications relating to “beer”, which is an alcoholic beverage listed (wrongly) in that Annex as one of the “foodstuffs” referred to in Article 1 (1), but which is not one of the “agricultural products” listed in Annex I to the EC Treaty and referred to in Article 32 (formerly Article 38) and Article 37 (formerly Article 43) thereof, which the Council took as the legal basis for its competence to adopt Regulation (EEC) No 2081/92;

– the invalidity of Article 17 of Regulation (EEC) No 2081/92 in so far as it provides for an accelerated registration procedure under which the rights of interested parties are substantially limited and impaired, in so far as it makes no provision for a right of opposition, in clear breach of the principles of transparency and legal certainty, as is evident in particular from the complexity of the procedure for registering “Bayerisches Bier”, the [PGI] at issue, which took more than seven years from 1994 to 2001, and from the express acknowledgment to that effect in recital 13 in the preamble to Regulation (EC) No 692/2003, Article 15 of which repealed – for those reasons – Article 17 of Regulation (EEC) No 2081/92;

Failure to comply with procedural requirements

– the failure of the indication “Bayerisches Bier” to satisfy the conditions laid down in Article 17 of Regulation (EEC) No 2081/92 for eligibility for registration in accordance with the simplified procedure provided for therein, in that, at the time when the application for registration was submitted, that indication was not a “legally protected name” in Germany, nor had it been “established by usage” there;

– the fact that the question whether the preconditions had been met for registration of the indication “Bayerisches Bier” was not given due consideration either by the German Government before submitting the application or by the Commission itself after receiving that application, contrary to the requirements established by the case-law of the Court of Justice (Case C – 269/99 – Carl Kühne and Others [2001] ECR I 9517);

– the fact that the application for registration of the indication “Bayerisches Bier” was not submitted in good time by the German Government in accordance with Article 17 (1) of Regulation (EEC) No 2081/92 (six months after the date of entry into force of the Regulation, which took place on 24 July 1993), it being also the case that the subject-matter of the application initially submitted by the applicant company envisaged eight varying indications – with a reservation as

to the possibility of later variations of an unspecified nature – which did not coalesce to form the current single indication “Bayerisches Bier” until well after the deadline on 24 January 1994;

Failure to comply with substantive requirements

– failure of the indication “Bayerisches Bier” to satisfy the substantive requirements laid down in Article 2 (2) (b) of Regulation (EEC) No 2081/92 for registration as a [PGI], given the generic nature of that indication, which has historically designated beer produced in accordance with a particular method of production which originated during the nineteenth century in Bavaria, whence it spread throughout Europe and the rest of the world (the method known as “the Bavarian method”, based on bottom-fermentation), and which even today in a number of European languages (Danish, Swedish, Finnish) is used as a generic term for beer and which, in any case, can at most identify, solely and generically, from among the numerous varieties of beer in existence any type of “beer produced in the German Land of Bavaria”, there being no “direct link” (Case C – 312/98 – Warsteiner Brauerei [2000] ECR I 9187) between a specific quality, reputation or other characteristic of the product (beer) and its specific geographical origin (Bavaria), nor evidence that this is one of the “exceptional cases” required under Article 2 (2) (b) of Regulation (EEC) No 2081/92 in order for it to be permissible to register a geographical indication containing the name of a country;

– the fact that, as emerges from the preceding paragraph, the indication “Bayerisches Bier” is a “generic” indication, and as such ineligible for registration pursuant to Articles 3 (1) and 17 (2) of Regulation (EEC) No 2081/92;

– the fact that registration of the indication “Bayerisches Bier” should have been refused pursuant to Article 14 (3) of Regulation (EEC) No 2081/92, since, in the light of the “reputation and renown” of the Bavaria marks and “the length of time [they have] been used”, registration was “liable to mislead the consumer as to the true identity of the product”?

2. In the alternative, if Question 1 is held inadmissible or unfounded, should ... Regulation (EC) No 1347/2001 ... be construed as meaning that recognition of the [PGI] “Bayerisches Bier” is to have no adverse effects on the validity or usability of pre-existing marks of third parties in which the word “Bavaria” appears?

The ECJ gave the following answers:

1. Consideration of the first question asked by the referring court has not disclosed any factor liable to affect the validity of Council Regulation (EC) No 1347/2001 of 28 June 2001 supplementing the Annex to Commission Regulation (EC) No 1107/96 on the registration of geographical indications and designations of origin under the procedure laid down in Article 17 of Council Regulation (EEC) No 2081/92.

2. Regulation No 1347/2001 must be interpreted as having no adverse effects on the validity and the possibility of using, in one of the situations referred to in Article 13 of Council Regulation (EEC) No 2081/92 of 14 July 1992 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, pre-existing trademarks of third parties in which the word ‘Bavaria’ appears and which were registered in good faith before the date on which the application for registration of the protected geographical indication ‘Bayerisches Bier’ was lodged, provided that those marks are not affected by the grounds for invalidity or revocation as provided for by Article 3 (1) (c) and (g) and Article 12 (2) (b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks.

The case will now go back to the Italian courts to determine whether the trademark BAVARIA was indeed validly registered originally. A similar case has made its way through the German courts. When it reached the Federal Supreme Court (Bundesgerichtshof), that court also referred questions to the ECJ which the ECJ still has to deal with.

Reported by Dr. Alexander von Mühlendahl, LL.M.

Davidoff

European Court of Justice: Community trademarks and Madrid marks extended to the European Community enjoy equal protection under the customs seizure rules (decision of July 2, 2009 – Case C-302/08 – Zino Davidoff SA v Bundesfinanzdirektion Südost – Davidoff)

When Davidoff sought to obtain European-wide protection under the customs rules for border seizure of goods suspected of infringing 12 marks registered under the Madrid Protocol and extended to the European Community, the local German customs authority refused, arguing that the term “Community trademark” in the customs rules did not include Madrid Protocol marks extended to the European Community. Davidoff appealed to the German Finance Court, which referred the following question to the ECJ.

“In the light of the accession of the Community to the [Protocol], is Article 5 (4) of Regulation (EC) No 1383/2003 to be interpreted as meaning that, despite the use of the term “Community trademark”, marks with international registrations within the meaning of Article 146 et seq. of Regulation (EC) No 40/94, are also covered?”

The ECJ answered as follows:

Article 5 (4) of Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, read in the light of Article 146 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark, as amended by Council Regulation (EC) No 1992/2003 of 27 October 2003, is to be interpreted as allowing the holder of an internationally registered trademark to secure action by the customs authorities of one or more other Member States, besides that of the Member State in which it is lodged, just like the proprietor of a Community trademark.

Remark

The answer is straightforward, and what is surprising is that the customs authority and the German court had any doubts in this regard.

Reported by Dr. Alexander von Mühlendahl, LL.M.

Maple Leaf

European Court of Justice: Protection of state symbols against “heraldic imitations” – Protection under European law includes use of state symbols for services (decision of July 16, 2009 – Joined Cases C-202 & 208/08 P – American Clothing Associates NV v OHIM and OHIM v American Clothing Associates NV – Maple Leaf)

American Clothing had sought registration of the following mark for a series of goods and services in cl. 18, 25, and 40:

OHIM had refused the application because of a conflict with the Canadian state emblem which consists of a Maple Leaf.

American Clothing appealed to the Court of First Instance. In its decision of February 28, 2009, the CFI rejected the appeal as far as the goods were concerned, but concluded as far as the services were concerned that Article 6ter of the Paris Convention did not apply because that provision was limited to goods. Both American Clothing and OHIM appealed.

The ECJ accepted the conclusions of the CFI that the contested CTM application constituted, as far as the maple leaf was concerned, a heraldic imitation within the meaning of Article 6ter of the Paris Convention, and the addition of the letters did not avoid the prohibition of registration. As far as the services are concerned, the ECJ annulled the decision of the CFI and rejected American Clothing’s appeal against OHIM’s decision. It based its decision on the finding that the Paris Convention provided only for minimum protection and that the European legislator had extended the prohibitions beyond goods also to services.

Reported by Dr. Alexander von Mühlendahl, LL.M.



Bild digital / ZVS v DPMA

European Court of Justice: Equality of treatment – Consistency of Office decisions – Taking into account prior practice – (decision of February 12, 2009 – Joined Cases C-39/08 and C-43/08 – Bild digital GmbH & Co. KG & ZVS Zeitungsvertrieb Stuttgart GmbH v Deutsches Patent-und Markenamt – Volks.Handy, SCHWABENPOST)

Trademark proprietors everywhere are confronted with the issue of inconsistencies in the practice of trademark offices: some marks are accepted, while others, of the same applicant, are rejected although the factual situation is the same and the law has not changed; or marks are rejected even though the same or similar marks have previously been accepted for other applicants. When a group of cases falling within these fact patterns reached the German Bundespatentgericht (Federal Patent Court) on review from the German Patent and Trademark Office, that court referred a series of questions to the ECJ seeking to clarify whether (as one would hope) consistency and equality of treatment were inherent obligations in the examination for absolute grounds of refusal.

The first case – C-39/08 – involved the marks “Volks.Handy”, “Volks.Camcorder”, and “Volks.Credit” (“Volk” meaning “people”), which had been refused even though similarly composed marks of the same applicant had been accepted earlier. The second case – C-43/08 – involved the mark “SCHWABENPOST” (“Schwaben” being a region in Germany) which had been refused even though the German office had previously accepted marks composed with “Post” for other applicants.

In Case C-39/08, the Court referred the following questions to the ECJ:

1. Does Article 3 of Directive 89/104/EEC of 21 December 1988 which seeks to secure equality of opportunity in matters of competition, require that identical or similar applications be treated in the same way?
2. If the answer is ‘yes’, is the national court required to investigate specific indications of unequal treatment which distorts competition and, in so doing, to take account, in its analysis, of earlier decisions of the competent authority in similar cases?

3. If the answer is ‘yes’, is the national court required to take account of the prohibition of discrimination having the effect of distorting competition when interpreting and applying Article 3 of Directive 89/104 if it has established discrimination of that nature?

4. If Questions 1 to 3 are answered in the negative, in order to prevent distortion of competition, must it be possible under national legislation for the national authority to be placed under an obligation to initiate, of its own motion, an action for the annulment of trademarks which have previously been wrongly registered?

The first question in Case C-43/08 was as follows:

1. Does Article 3 of Directive 89/104/EEC of 21 December 1988 require equal treatment, with regard to the registration of trademarks, of applicants in competition with one another in order to safeguard equality of opportunity in matters of competition?

Questions 2, 3, and 4 were the same as in the earlier case.

Rather surprisingly, the ECJ considered the case as an exceedingly simple one, and disposed of it by Order (rather than by Judgment), without an oral hearing and without an Opinion by the Advocate General. The Order was published only in German (language of the proceeding) and in French, which makes it inaccessible for those not familiar with these languages. The Court began by repeating the often stated principle that decisions involving registrability involve the exercise of “circumscribed” powers, where the authorities do not have any discretion.

Consequently, earlier decisions of the same or of other authorities cannot “bind” these authorities in future cases. The Court also referred to its earlier decisions dealing with the effect of earlier decisions taken in other jurisdictions on similar marks (they should not be taken into account) and identical marks (they may be taken into account, but are not binding), and concluded that these principles apply also in proceedings before the same authority. The Court rejected the “equality of treatment” argument by stating that this principle must be brought in harmony with the principle that no person may rely on legally erroneous earlier administrative decisions. The Court’s answer thus was as follows (our translation):

The competent authority of a Member State having to decide

NASDAQ

on a trademark application is not obliged to disregard the grounds of refusal listed in Article 3 (1) (b) and (c) of Directive 89/104 and accept the application because the sign the registration of which is requested is formed in an identical or comparable manner as a sign the registration of which as a trademark the authority has already accepted and that relates to identical or similar goods or services.

The fourth question was not answered because the Court considered it a merely hypothetical question without relevance for the pending proceedings.

Remarks:

The outcome may not come as a great surprise, but is a great disappointment for those who had hoped that the Court would undertake a somewhat more thorough analysis of the underlying legal issues, which go to the heart of what is called the “legality” of administrative activity.

A glimmer of hope remains, however. The Court added a phrase in para. 17 of its decision, which is likely to be cited often by applicants (our translation):

“The national authority competent for the registration must indeed, in the context of the examination of such an application, take into account the decisions taken on similar applications, to the extent that it disposes of information in this regard, and place special attention on the question whether a decision must be taken in the same sense or not, but is nevertheless in no way bound by such decisions.”

For our readers who understand German, we add this paragraph with its original wording:

“Die für die Eintragung zuständige nationale Behörde muss zwar im Rahmen der Prüfung einer solchen Anmeldung, soweit sie in dieser Hinsicht über Informationen verfügt, die zu ähnlichen Anmeldungen ergangenen Entscheidungen berücksichtigen und besonderes Augenmerk auf die Frage richten, ob im gleichen Sinne zu entscheiden ist oder nicht, doch ist sie keinesfalls an diese Entscheidungen gebunden.”

It remains to be seen how the national authorities (or OHIM, the European Trademark Office) will react when this message is invoked.

Reported by Dr. Alexander von Mühlendahl, LL.M.



European Court of Justice: Taking unfair advantage of a mark with a reputation – Relevant public – Use for goods or services (decision of March 12, 2009 – Case C-320/07 P – Antartica Srl v OHIM – The Nasdaq Stock Market, Inc. – NASDAQ/nasdaq)

The Nasdaq Stock Market, proprietor of the Community trademark NASDAQ registered for goods and services in classes 9, 16, 35, 36, 38 and 42, brought an opposition against the registration of a figurative mark, (reproduced to the left) applied for goods in classes 9, 12, 14, 25, and 28. The ground for the opposition was that the use of the mark applied for would take unfair advantage of the reputation of the mark NASDAQ, well established for the services made available by the opponent. The Opposition Division had dismissed the opposition, but the Board had accepted it, finding that the reputation and detriment to NASDAQ had been established. The Court of First Instance had confirmed that decision (decision of May 10, 2007 in Case T-47/06).

In its further appeal to the ECJ, Antartica argued that NASDAQ had failed to show “use” of its mark in the Community, because the services were made available free of charge, and that requirements for protection pursuant to Article 8 (5) CTMR had not been shown, because the CFI had based itself on a wrong interpretation of the relevant public to be taken into account. The ECJ dismissed the appeal.

As regards the issue of “use”, the ECJ held that the fact that the services were not “sold” was not relevant:

(29) It is sufficient to note in that respect that, even if part of the services for which the earlier mark is registered are offered by The Nasdaq Stock Market free of charge, that does not of itself mean that that commercial company will not seek, by such use of its trademark, to create or maintain an outlet for those services in the Community, as against the services of other undertakings.

(30) As the Court of First Instance held in paragraph 45 of the judgment under appeal, the Nasdaq indices refer to the stock exchange price quotation and financial services provided by The Nasdaq Stock Market, covered by the earlier mark and in respect of which it was registered.

Christian Dior

As regards the relevant public, the Court held that the relevant public, for the purpose of finding “taking advantage of the reputation”, is the public to which the later mark is addressed.

The NASDAQ decision is another example of the possibility of making use of the “unfair advantage” branch of the protection of marks with a reputation.

It did not necessarily help Antartica that it had argued, before the Board, that the reason for the adoption of its mark was that the mark constituted an abbreviation of “Nuovi Articoli Sportivi Di Alta Qualità”.

Reported by Dr. Alexander von Mühlendahl, LL.M.

European Court of Justice: Sale of luxury goods via unauthorised channels constitutes breach of quality-related conditions in a license agreement prohibiting such sale – No exhaustion of rights – (decision of April 23, 2009 – Case C-59/08 – Copad SA v Christian Dior couture SA – Christian Dior)

Dior had concluded (in 2000) a trademark licence agreement with Société industrielle lingerie (SIL) in respect of the manufacture and distribution of luxury corsetry goods bearing the Christian Dior trademark, which is owned by Dior. This agreement included the following clause: “ . . . in order to maintain the repute and prestige of the trademark the licensee agrees not to sell to wholesalers, buyers’ collectives, discount stores, mail order companies, door-to-door sales companies or companies selling within private houses without prior written agreement from the licensor, and must make all necessary provision to ensure that that rule is complied with by its distributors or retailers”. When SIL faced economic difficulties, it asked Dior for permission to market the goods outside the selective distribution channels; Dior refused. SIL nevertheless sold goods to Copad, a company operating discount stores.

The trademark infringement suit brought by Dior against SIL and Copad resulted in a dismissal at first instance. The Paris Cour d’appel found in favour of Dior because the sales from SIL to Copad had not exhausted Dior’s trademark rights. The sale by SIL did not, however, constitute trademark infringement because there was no breach of quality conditions in the license agreement. Both parties appealed.

The Cour de cassation (the French Supreme Court) referred the following questions to the ECJ:

1. Must Article 8 (2) of Directive 89/104 be interpreted as meaning that the proprietor of a trademark can invoke the rights conferred by that trademark against a licensee who contravenes a provision in the licence agreement prohibiting, on grounds of the trademark’s prestige, sale to discount stores?
2. Must Article 7 (1) of that Directive be interpreted as meaning that a licensee who puts goods bearing a trademark on the market in the EEA in disregard of a provision of the licence

agreement prohibiting, on grounds of the trademark's prestige, sale to discount stores, does so without the consent of the trademark proprietor?

3. If not, can the proprietor invoke such a provision to oppose further commercialisation of the goods, on the basis of Article 7 (2) of Directive 89/104?

The ECJ held as follows:

1. Article 8 (2) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks, as amended by the Agreement on the European Economic Area of 2 May 1992, is to be interpreted as meaning that the proprietor of a trademark can invoke the rights conferred by that trademark against a licensee who contravenes a provision in a licence agreement prohibiting, on grounds of the trademark's prestige, sales to discount stores of goods such as the ones at issue in the main proceedings, provided it has been established that that contravention, by reason of the situation prevailing in the case in the main proceedings, damages the allure and prestigious image which bestows on those goods an aura of luxury.

2. Article 7 (1) of Directive 89/104, as amended by the Agreement on the European Economic Area, is to be interpreted as meaning that a licensee who puts goods bearing a trademark on the market in disregard of a provision in a licence agreement does so without the consent of the proprietor of the trademark where it is established that the provision in question is included in those listed in Article 8 (2) of that Directive.

3. Where a licensee puts luxury goods on the market in contravention of a provision in a licence agreement but must nevertheless be considered to have done so with the consent of the proprietor of the trademark, the proprietor of the trademark can rely on such a provision to oppose a resale of those goods on the basis of Article 7 (2) of Directive 89/104, as amended by the Agreement on the European Economic Area, only if it can be established that, taking into account the particular circumstances of the case, such resale damages the reputation of the trademark.

The ECJ decision must come as a relief for all brand owners utilising selective distribution, particularly those in the luxury brand category:

The sale by licensees in contravention of the limited distribution clause constitutes trademark infringement provided it is established that such sales can damage the reputation ("allure and prestigious image") of the mark.

The unauthorised distributor – in our case Copad, the discount store – commits trademark infringement and cannot rely on exhaustion where such resale damages the reputation of the mark.

Reported by Dr. Alexander von Mühlendahl, LL.M.

Christian Dior
PARIS

Waterford

European Court of Justice: Likelihood of confusion – Similarity of goods – Distortion of facts (decision of May 7, 2009 – Case C-398/07 P – Waterford Wedgwood plc v OHIM – Assembled Investments [Proprietary] Ltd – WATERFORD/WATERFORD STELLENBOSCH)

Waterford Wedgwood, based on its famous WATERFORD mark, protected and used *inter alia* for crystal glass ware, among which wine glasses, had opposed the following mark, which sought protection for wine:

Waterford having based the opposition both on likelihood of confusion, essentially because of the complementarity of wine and wine glasses, and on reputation, had been unsuccessful before OHIM's Opposition Division, but succeeded with the likelihood of confusion argument before the Board. The Court of First Instance had annulled that decision, finding an absence of similarity of the goods (decision of June 12, 2007 in Case T-105/05).

In its further appeal to the ECJ, Waterford (represented by our firm) had argued that the CFI had failed to apply the proper legal criteria for determining similarity between goods, and had arrived at its conclusions about the perception of the public without any evidence to support these findings. The ECJ dismissed the appeal.

As regards the legal criteria, the ECJ did not enter into the arguments presented by Waterford, namely that a finding of similarity of goods must be made by asking the question whether the relevant public, assuming the marks were identical and the earlier mark was very well known, would assume an origin of the goods from the same or economically related undertakings. The ECJ merely concluded that the CFI had properly applied the so-called Canon criteria:

(35) It must be noted that the Court of First Instance, in paragraphs 30 to 35 of the judgment under appeal, carried out a detailed assessment of the similarity of the goods in question on the basis of the factors mentioned in paragraph 23 of the judgment in Canon. However, it cannot be alleged that the Court of First Instance did not take into account the distinctiveness of the earlier trademark when carrying out that assessment, since the strong reputation of that trademark relied on by Waterford Wedgwood can only offset a low degree of similarity of goods for the purpose of assessing

the likelihood of confusion, and cannot make up for the total absence of similarity. Since the Court of First Instance found, in paragraph 35 of the judgment under appeal, that the goods in question were not similar, one of the conditions necessary in order to establish a likelihood of confusion was lacking (see, to that effect, Canon, paragraph 22) and therefore, the Court of First Instance was right to hold that there was no such likelihood.

Remarks:

Unfortunately, the Court has missed an opportunity to clarify the legal standard applicable to a finding of similarity of goods or services.

As regards the claim of “distortion”, based on the absence of any element of proof regarding the perception of the public, the Court confirmed the CFI's conclusions by employing the traditional distinction between findings of fact and points of law.

It seems that the ECJ missed the central point of the appeal: When the CFI annuls a Board decision which was based on a factual assessment of customer perception, it would seem obvious that the CFI cannot simply substitute its own perception of what customers may think or perceive without indicating the factual basis for such a finding.

Reported by Dr. Alexander von Mühlendahl, LL.M.

Silberquelle

European Court of Justice: Use of a mark for goods given away for free together with unrelated goods is not “genuine use” (decision of January 15, 2009 – Case C-495/07 – Silberquelle GmbH v Maselli-Strickmode GmbH)

Silberquelle requested cancellation on grounds of non-use of Maselli’s Austrian WELLNESS mark, registered for nonalcoholic beverages. Maselli did actually apply the mark to such goods and distributed them, but as free gifts (“Zugaben”) together with its principal goods, clothing. The question therefore was whether the use of the mark for beverages given away free was “genuine”. The case reached the Austrian Oberster Patent- und Markensenat, which is competent to review Austrian Patent Office decisions, which referred the following question to the ECJ:

Are Articles 10 (1) and 12 (1) of Directive 89/104 to be interpreted as meaning that a trademark is being put to genuine use if it is used for goods (here: alcoholfree drinks) which the proprietor of the trademark gives, free of charge, to purchasers of his other goods (here: textiles) after conclusion of the purchase contract?

The Court’s answer is given in the following five paragraphs:

(17) It is settled case-law that ‘genuine use’ within the meaning of the Directive must be understood to denote actual use, consistent with the essential function of a trademark, which is to guarantee the identity of the origin of goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin (Case C-40/01 Ansul [2003] ECR I-2439, paragraphs 35 and 36, and Case C-442/07 Verein Radetzky-Orden [2008] ECR I-0000, paragraph 13).

(18) It follows from that concept of ‘genuine use’ that the protection that the mark confers and the consequences of registering it in terms of enforceability vis-à-vis third parties cannot continue to operate if the mark loses its commercial *raison d’être*, which is to create or preserve an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods or services of other undertakings (Ansul, paragraph 37, and Verein Radetzky-Orden, paragraph 14).

19) As the Commission submitted in its observations to the Court and as the Advocate General stated in points 45 and

55 of his Opinion, it is essential, in the light of the number of marks that are registered and the conflicts that are likely to arise between them, to maintain the rights conferred by a mark for a given class of goods or services only where that mark has been used on the market for goods or services belonging to that class.

(20) For the reasons set out in points 48 and 56 of that Opinion, that condition is not fulfilled where promotional items are handed out as a reward for the purchase of other goods and to encourage the sale of the latter.

(21) In such a situation, those items are not at all distributed with the aim of penetrating the market for goods in the same class. Under those circumstances, affixing the mark to those items does not contribute to creating an outlet for those items or to distinguishing, in the interest of the customer, those items from the goods of other undertakings.”

The main argument, which repeats those presented by Advocate General Ruiz-Jarabo Colomer in his conclusions of 18 November 2008, is that the goods are not marketed with the aim of “market penetration”. This is a somewhat surprising argument as under previous case law the “market penetration” was not one of the points of relevance, the focus rather having been on the participation in the stream of commerce and trade, even if only (quantitatively) marginally. If one does apply a “market penetration” analysis, it would seem that whether the goods are given as a “Zugabe” (literally: “added gift”) or sold, they are part of the market for mineral water. Obviously, the “gratuitousness” of the water bottles does not mean that they are actually “free”, as a simple analysis of the underlying transaction shows. Maselli is not in the business of a free distributor of free mineral water. The cost of the mineral water, which as distributed is likely to fulfil real needs of real customers, is part of the cost of the business it is operating.

The Silberquelle decision cannot satisfy. It puts into jeopardy – more so: invalidates – all marks that have in the past been used for promotional items which are not sold separately, but are either give-aways (“Zugaben”), or are distributed for advertising purposes, or as a part of doing business. Be it an automobile company that affixes its mark to pens or pencils, a bank that hands out calendars, or a hotel that provides its guests with soap and shampoo, they are all unable to maintain trademark rights for such goods, which will allow third parties to appropriate such marks for their own benefit.

Reported by Dr. Alexander von Mühlendahl, LL.M.

Obelix v Mobilix

European Court of Justice: Likelihood of confusion – “Obelix” v “Mobilix” (decision of December 18, 2008 – Case C-16/06P – Les Éditions Albert René Sàrl v OHIM)

Les Éditions Albert René are proprietors of the intellectual property rights relating to the famous “Asterix and Obelix” series of cartoon books and films. Similarly they are proprietors of numerous national and Community trademarks consisting of “Asterix”, “Obelix” and names of other figures in the series, whose fame in Europe exceeds that of many well-known Disney characters.

Les Éditions Albert René have been incapable of preventing the registration of similar marks on two occasions. The first one involved an opposition based on “Asterix” against a figurative mark “OStarix”, judged by the Court of First Instance to be dissimilar (decision of the CFI of October 22, 2003, Case T-311/01). The second one was an opposition based on “Obelix”, registered as a CTM for goods and services in many classes, against “Mobilix” for partially identical and partially similar goods and services. OHIM’s Opposition Division had rejected the opposition, but was reversed on appeal, the Board of Appeal considering that the marks were similar and that, at least for some of the goods and services, there was likelihood of confusion. Les Éditions Albert René appealed, seeking refusal of the opposed mark also for the remaining goods and services, because the Board had not properly evaluated all the aspects of the case, notably the high degree of distinctiveness and fame of the “Obelix” mark. Surprisingly, the CFI confirmed the Board’s decision (the other party not having made an appearance), and in so doing went beyond the (uncontested) Board’s finding that the conflicting marks were similar, concluding instead that the marks were absolutely dissimilar.

The ECJ, in its decision of December 18, 2008, taken some two years after the appeal had been filed and more than one year after the Opinion of the Advocate General, confirmed, rejecting all the legal grounds raised in the appeal in a lengthy decision.

The argument that the CFI was not entitled to conclude that the marks were dissimilar, because the Board had held the marks to be similar, and that this had not been contested before the CFI, was rejected by the ECJ, as was the argument that the CFI had committed legal as well as factual errors in

the comparison of the goods and services. The ECJ also refused to entertain any argument directed against the so-called “neutralisation” or “counteraction” theory (according to which any existing visual or phonetic similarity may be “neutralized” by a conceptual difference) by considering the corresponding findings of the CFI to be factual in nature.

The ECJ decision is a further demonstration of the extreme difficulties faced by parties having lost before the CFI. The refusal to review findings by applying the theory that they are “factual” contrasts sharply with the approaches in national jurisdictions, where at least the principles or rules used to determine trademark conflicts are considered to be “legal” in nature and thus subject to review, as are the ultimate conclusions, such as a finding of (or absence of) likelihood of confusion.

Reported by Dr. Alexander von Mühlendahl, LL.M.



TDK

European Court of Justice: Proof of reputation and detriment to reputation – “serious likelihood” of detriment means a non-hypothetical risk (decision of December 12, 2008 – Case C-197/07 P – Aktieselskabet af 21. November 2001 v OHIM – TDK KK)

The first dilution case to reach the ECJ from OHIM was decided surprisingly by Order of the court, i.e. without a hearing and without an opinion by the Advocate General, a curious similarity with the first opposition case to reach the ECJ which was also decided by Order (in 2004).

TDK had based an opposition on a large number of “TDK” word marks and its well-known logo, registered in cl. 9, against an application of “TDK” filed for goods in cl. 25.

The opposition succeeded on the basis of Article 8 (5) CTMR, the anti-dilution provision in European trademark law. OHIM’s opposition division and its Board of Appeal found that TDK had established both reputation and detriment. An appeal against that decision remained unsuccessful (decision of the CFI of 6 February 2007, Case T-477/04) and now the ECJ rejected the further appeal (which is available only on points of law).

The ECJ order may have found its position alongside similar orders, as a further example of the difficulty of successfully attacking CFI decisions, and not merited any particular attention. The decision, however, remains noteworthy as the first anti-dilution appeal having reached the Court.

In addition, the decision is remarkable because it seems to clarify a difficulty arising from the ECJ’s Intel decision, rendered merely two weeks earlier, by a different Chamber (the First Chamber) – (decision of November 27, 2008 in Case C-252/07 – Intel Corp. v CPM United Kingdom Ltd – see IP Report 2008/V). In the Intel decision, the ECJ had concluded that in order to show detriment to the distinctiveness of the earlier mark with a reputation, the claimant must prove a “change in the economic behaviour” of the customers of the proprietor of the earlier mark, or a “serious likelihood” of such change. The notion of “change of economic behaviour” as a condition for finding detriment to distinctiveness is a novel concept, and we have little if any indication of what a claimant has to show. As regards the “serious likelihood” however, the TDK Order throws some light on this. The Court has the following to say:

(22) With regard to the appellant’s argument concerning the standard of proof required of the existence of unfair advantage taken of the repute of the earlier mark, it must be noted that it is not necessary to demonstrate actual and present injury to an earlier mark; it is sufficient that evidence be produced enabling it to be concluded *prima facie* that there is a risk, which is not hypothetical, of unfair advantage or detriment in the future (see, by analogy, concerning the provisions of Article 4 [4] [a] of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade-marks [OJ 1989 L 40, p. 1], Case C-252/07 – Intel Corporation [2008] ECR I-0000, paragraph 38).”

A claimant will therefore have to show a “risk” of future detriment which is not merely hypothetical. That is certainly somewhat more palatable than an unidentified “serious likelihood”.

Anti-dilution litigation in Europe will continue to be difficult and complex, with the relevant criteria being developed on a case-by-case basis, but the heavy burden signalled by the “serious likelihood” criterion on Intel seems now to have become substantially lighter.

Reported by Dr. Alexander von Mühlendahl, LL.M.



Glass Surface

European Court of Justice: on inherent and acquired distinctiveness – Glass surface (decision of October 18, 2008 – Case C-513/07 P – AGC Flat Glass Europe SA v OHIM)

The issue of whether the representation of a glass surface to be applied *inter alia* to shower dividers (see illustration below) is registrable as a Community trademark, as being inherently distinctive or with acquired distinctiveness, has reached the ECJ a second time, and again the application failed.

In the first round, involving CTM 811 281, the applicant Glaverbel (now AGC Flat Glass Europe) insisted on inherent distinctiveness, even after the CFI had annulled a Board decision for infringement of the right of defense because the Board had invoked reasons for refusing a claim of acquired distinctiveness to which the applicant was not given an opportunity to reply (decision of October 9, 2002 – Case T-36/01 Glaverbel v OHIM). The ECJ rejected Glaverbel's appeal as manifestly unfounded (decision of June 24, 2004, Case C-445/02 P Glaverbel SA v OHIM).

The new CTM application, 3 183 068, filed on 27 May 2003, i.e. even before the ECJ Order, being practically indistinguishable from the first one, was similarly refused by the Examiner and by the Board (decision of March 1, 2006 – Case R-986/2004-4). The CFI confirmed (decision of September 12, 2007 – Case T-141/06 – Glaverbel v OHIM). The CFI decision, rather straightforward in most respects, had solicited some comment because some observers understood it to hold that in order to obtain protection on the basis of acquired distinctiveness (Article 7 [3] CTMR), the applicant had to demonstrate acquired distinctiveness in every single Member State. In any event, the appeal to the ECJ was based, *inter alia*, on an erroneous interpretation of Article 7 (3) CTMR. Thus, the outcome was expected to throw some light on this issue.

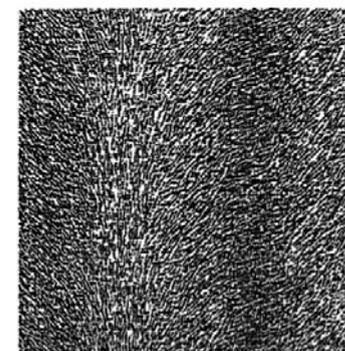
In its decision of October 17, 2008, in Case C-513/07 P, the Court dismissed the appeal without reaching the issue, finding that the appellant had not presented any evidence with regard to ultimate consumers as part of the relevant public, and stated (at para. 40) “that there is no need to examine the second limb of the single plea in law, alleging an incorrect assessment of the territory to be considered”.

Thus, the issue of where acquired distinctiveness must be shown in cases of inherently non-distinctive marks is still open. It seems generally accepted that marks which are descriptive

in a particular language must have acquired distinctiveness in the territory where that language is spoken (or at least understood). The logic of this approach would require a non-distinctive mark to show acquired distinctiveness in (all of) the territories where distinctiveness is absent, which may in fact be everywhere in the Community. However, since the public interest underlying Article 7 (1) (c) CTMR – the “descriptiveness” rejection – is different from the interest underlying Article 7 (1) (b) CTMR – the “lack of distinctiveness” rejection, the first being in the interest of competitors, the second inextricably linked to the function of indicating commercial origin, the results need not necessarily be the same in both cases.

It seems reasonable that a mark should be accepted for registration where an applicant can show acquired distinctiveness in a substantial part of the Community – like in three of the five major markets of the Community (Central Europe, Northern Europe, Eastern Europe, Western Europe, Southern Europe). Hopefully, OHIM and the courts will follow this approach soon. If not, the promise of Community-wide protection for inherently non-distinctive marks would be far from reality.

Reported by Dr. Alexander von Mühlendahl, LL.M.



FEIA v Cul de Sac

European Court of Justice: First decision on reference for a preliminary ruling in Community design matters – ownership of design right in cases of commissioned works (decision of July 2, 2009 – Case C-32/08 – FEIA v Cul de Sac Espacio Creativo SL, Acierta Product & Position SA)

On July 2, 2009, the European Court of Justice decided on the very first reference for a preliminary ruling related to the Community design regime, ruling that Article 14 (3) Community Design Regulation (CDR) does not apply to Community designs that have been produced as a result of a commission. Further: In circumstances such as those of the main proceedings, Article 14 (1) CDR must be interpreted as meaning that the right to the Community design vests in the designer, unless it has been assigned by way of contract to his successor in title.

The reference for a preliminary ruling under Article 234 EC came from the Juzgado de lo Mercantil nº 1 de Alicante y nº 1 de Marca Comunitaria (Spain) and related to the interpretation of Article 14 (1) and (3) CDR. Article 14 CDR, entitled “Right to the Community design”, provides in paragraphs 1 and 3:

1. The right to the Community design shall vest in the designer or his successor in title. (...)

3. However, where a design is developed by an employee in the execution of his duties or following the instructions given by his employer, the right to the Community design shall vest in the employer, unless otherwise agreed or specified under national law.

In the absence of any further guidance as to the specific meaning and scope of these provisions, the Spanish Court referred the following questions to the ECJ:

1. Must Article 14 (3) CDR be interpreted as referring only to Community designs developed in the context of an employment relationship where the designer is bound by a contract governed by employment law whose provisions are such that the designer works under the direction and in the employ of another? or

2. Must the terms “employee” and “employer” in Article 14 (3) CDR be interpreted broadly so as to include situations other than employment relationships, such as a relationship where,

in accordance with a civil/commercial contract (and therefore one which does not provide that an individual habitually works under the direction and in the employ of another), an individual (designer) undertakes to execute a design for another individual for a settled price and, as a result, it is understood that the design belongs to the person who commissioned it, unless the contract stipulates otherwise?

3. In the event that the answer to the second question is in the negative, on the ground that the production of designs within an employment relationship and the production of designs within a nonemployment relationship constitute different factual situations:

a) Is it necessary to apply the general rule in Article 14 (1) CDR and, consequently, must the designs be construed as belonging to the designer, unless the parties stipulate otherwise in the contract? Or

b) Must the Community design court rely on national law governing designs in accordance with Article 88 (2) CDR?

4. In the event that national law is to be relied on, is it possible to apply national law where it places on an equal footing (as Spanish law does) designs produced in the context of an employment relationship (the designs belong to the employer, unless it has been agreed otherwise) and designs produced as a result of a commission (the designs belong to the party who commissioned them, unless it has been agreed otherwise)?

5. In the event that the answer to the fourth question is in the affirmative, would such a solution (the designs belong to the party who commissioned them, unless it has been agreed otherwise) conflict with the negative answer to the second question?”

The ECJ, in preparing the first answer and looking at the wording of Article 14 (1) and Article 14 (3) CDR, refused to interpret the terms “employer” and “employee” broadly in order to apply the provisions also to commissioned designs. Legislative history showed that when drafting Article 14 (3) CDR, it was decided to use the term “employer” to refer to the proprietor of the Community design developed in the context of an employment relationship rather than the much broader term “principal”. As regards the term “employee”, the Court pointed to the fact that in Article 14 (3) CDR the Community legislature did not decide to use the much broader term “agent” to refer to the person who develops a design. Accordingly, said the Court, the term “employee” refers to the

person who works under the instructions of his “employer” when developing a Community design in the context of an employment relationship.

As regards the part of Article 14 (3) CDR, stating “unless otherwise agreed or specified under national law”, the Court concluded that this enables the parties to an employment contract to designate “the employee” as the proprietor of the design, and gives the Member States the option of stipulating in their national legislation that the “employee” is to be the proprietor of a Community design, provided that in both those cases the design has been developed in the context of an employment relationship. Consequently, the Community legislature intended to define the special system set out in Article 14 (3) CDR by reference to a specific type of contractual relationship, namely that of an employment relationship, which precludes the application of Article 14 (3) CDR to other contractual relationships, such as that relating to a Community design that has been produced as a result of a commission.

In the light of all the above considerations, the answer to the first and second questions was that Article 14 (3) CDR does not apply to a Community design that has been produced as a result of a commission.

Prior to the second answer, the Court ruled that the terms “designer” and “successor in title” (Article 14 CDR), making no express reference to the law of the Member States for the purpose of determining its meaning and scope, must normally be given an autonomous and uniform interpretation throughout the Community, having regard to the context of the provision and the objective pursued by the legislation in question. If those terms were to be interpreted differently in the various Member States, the same circumstances could mean that in some Member States the right to the Community design belongs to the designer and in others to his successor in title. In that case, the protection afforded to the Community designs would not be uniform throughout the entire territory of the Community.

Consequently, and pursuant to Article 1 (3) CDR, a design is not to be transferred, save in respect of the whole Community, unless otherwise provided in the regulation. As regards the transfer of the right to a Community design from the designer to his successor in title within the meaning of Article 14 (1) CDR, the possibility of such a transfer is implicit from the wording of that article, according to the Court, and includes contractual assignment.

However, according to the Court, it is for the national court to ascertain the contents of such a contract, and to determine in this regard whether the right to the unregistered Community design has in fact been transferred from the designer to his successor in title. In particular, this does not preclude the national court from applying the law on contracts in order to determine who owns the right to the unregistered Community design, in accordance with Article 14 (1) CDR. In the light of the answer to part a) of the third question, the Court deemed it neither necessary to answer part b) of that question, nor the fourth or fifth questions.

Reported by Dr. Henning Hartwig

European Patent Office

Dosage Regimen

European Patent Office (Enlarged Board of Appeal) tackles backlog on pending referrals – oral proceedings held in three cases within two weeks in November 2009 (Case G 2/08 – Dosage regimen/KOS, Case G 1/07 – Treatment by surgery/MEDI-PHYSICS and Case G 4/08 – Language of the Proceedings/MERIAL)

The function of the Enlarged Board of Appeal (EBA) is to develop the law with a view to ensuring the uniform application of the European Patent Convention. To this end questions of law may be referred to the EBA either by a Board of Appeal when such a question arises in a pending case or by the President of the EPO outside a pending case when a divergence in the case law of the Boards of Appeal has arisen. So far the EBA has disposed of 80 cases and at present 7 cases are pending. A pending referral may delay many pending cases since a staying of the proceedings is possible if the answer to a question put to the EBA is relevant for a decision to be taken. Thus, it is important for the smooth functioning of the system that questions of general importance are speedily answered. In order to relieve the situation, the EBA made an unprecedented effort by appointing oral proceedings in three cases within two weeks.

G 2/08 The first of these oral proceedings were held on November 5, 2009 in case G 2/08. The point of law referred by Technical Board of Appeal 3.3.02 in decision T 1319/04 (OJ EPO 2009, 36) concerns the following question: What is a further medical use within the meaning of Article 54 (5) in the version of the EPC 2000, and in particular, can a new dosage regimen create novelty for the use of a known medicament in the treatment of a particular illness which was also known? As a first point it was discussed whether the change from the Swiss type claim allowed under previous practice following G 5/83 – Second medical indication/EISA I (OJ EPO 1985, 64) to the purpose-bound product claim in accordance with Article 54 (5) EPC 2000 was only a change in claim format or amounted to a substantive change. The applicant was of the opinion that there was no substantive change since already under previous case law following G 5/83 Swiss type claims had not been restricted to the treatment of further illnesses. Rather, new forms of administration or the treatment of further groups of patients had been considered as novel and as a

proper basis for a Swiss type claim. The representative of the President of the EPO stated that both claim formats were treated as equivalent in first instance proceedings and were allowed in parallel. Mentioning an *amicus curiae* brief, the Chairman expressed doubts whether both claim formats were equivalent. There was not only the difference in the categories “use” and “product” but also a difference in the features. Whereas a Swiss type claim was directed to the manufacture of a medicament, this was not the case for a purpose-bound product claim. Hence, a physician not producing the medicament himself may violate a purpose-bound product claim but not a Swiss type claim (see, however, Article 64 [2] EPC). This led to the discussion of the relation between, on the one hand, the exclusion of medical treatment from patent protection in Article 53 (c) EPC keeping medical activities free from restraint and, on the other hand, the protection of further medical uses restricting such activities. It was argued that this was not a problem specific to Article 54 (5) EPC since the physician was also subject to the effects of a patent protecting a substance as such having a pharmaceutical effect, or protecting a first medical use.

As to the interpretation of the words “for any specific use” in a medical method in Article 54 (5), the applicant submitted that the provision did not allow to treat differently any different features characterizing a use. In accordance with acknowledged practice, a different mode of administration was sufficient to establish novelty. There was no reason to deny this for the instruction to give a certain dosage. The President’s representative added that the same had to apply for the time and the frequency of the application. Both of them submitted that it was not necessary to rely on an effect caused by the dosage regimen in order to establish novelty. This prompted the Chairman to the question whether the mere instruction “give it once a week” might be a mere mental step, and in the following discussion a parallel was drawn to the protection of further nonmedical uses as acknowledged in G 2/88 and G 6/88 (OJ EPO 1990, 93 and 114). According to these decisions, a claim to a use of a known compound for a particular purpose based on a new technical effect described in the patent should be interpreted as including that effect as a functional technical feature.

As a further comment, the applicant submitted that acknowledging a dosage regimen as a feature appropriate for establishing novelty would be an important step towards harmonization of substantive patent law in Europe. In particular, he referred to the decision of the English Court of

Appeal *Actavis v Merck* ([2008] EWCA Civ 444) following in this respect the decision of the Board of Appeal of the EPO T 1020/03 (OJ EPO 2007, 204 – Method of administration of IGF1/GENENTECH). Also the German Federal Supreme Court had not excluded dosage regimens from protection in *Carvedilol II* (38 IIC 479 [2007]). As to the national law, the Chairman added the information that Switzerland, when adapting its national law to the EPC 2000, had introduced the purpose-bound product protection for further medical uses into Article 7d of the Patent Act, with the proviso that the use is only destined for manufacturing a product for medical purposes.

As to the availability of Swiss type claims in the future, the discussion revealed no legal interest in having this claim format allowed in parallel to the claim format foreseen in Article 54 (5) EPC, after the legal situation will be clarified by the EBA’s decision to be taken in G 2/08. Oral proceedings in G 1/07 were held on November 11, 2009. Whereas the EBA decides only on points of law and not on the application or patent underlying the referral, the facts of this case are illustrative for the legal questions put to the EBA. The application relates to an imaging method (MRI) for pulmonary and cardiac vasculature using a specific gas that is administered to the patient. The gas is inhaled, but can also be injected directly into a region of the heart. According to the description, the claimed method provides real-time feedback during surgery to verify success of the treatment. The application had been refused under Article 52 (4) EPC 1973 as a diagnostic method practised on the human body and as a surgical method.

In the light of G 1/04 (OJ EPO 2006, 334 – Diagnostic methods), the referring Board held in its decision (T 992/03, OJ EPO 2007, 557 – Treatment by surgery/MEDI-PHYSICS) that the claimed subject-matter was not excluded from patentability as a diagnostic method. Whereas the method resulted in an image, constitutive steps for a diagnostic method were lacking, i.e. comparing retrieved data with standard values, finding any significant deviations, and attributing such deviation to a particular clinical picture. Hence, all referred questions are related to the exclusion of surgical methods from patentability. At the outset of the discussion before the EBA, it was clarified that under the transitional regime Article 53 (c) EPC 2000 applied to the application. As a general point, it was discussed how exclusions from patentability should be interpreted in light of the Vienna Convention on the Interpretation of Treaties, and the Chairman drew attention to the fact that the EBA had noted in G 1/04 (*supra*) that the frequently cited principle,

according to which exclusion clauses from patentability were to be construed in a restrictive manner, did not apply without exception. The President's representative added that the principle of narrow interpretation could only be a starting point. When it came to the interpretation of a specific exclusion, the purpose and object of that exclusion had to be primarily taken into consideration.

Coming closer to the referred questions, it was discussed whether one surgical step in a multi-step process was sufficient for the exclusion to apply. The applicant argued that it was against the ordinary meaning of the wording of Article 53 (c) EPC if one single surgical step which possibly was of no importance for the real invention, could "spoil" the whole process and exclude it from protection. The President's representative confirmed the strict approach of the departments of first instance, following T 182/90 (OJ EPO 1994, 641 – Blood flow/SEE-SHELL), that one surgical step was sufficient for the exclusion to apply. She made a comparison with Article 52 (2) EPC and argued that surgical methods were not excluded as such but in general.

The discussion continued with the question whether a surgical method implied that there was a functional link with the body or whether a method which was only concerned with the internal operation of a machine could be considered as a surgical method (see T 245/87, OJ EPO 1989, 171 – Flow measurement/SIEMENS). The President's representative submitted that a functional link was not required if a surgical step was a necessary feature of the invention. It was necessary and sufficient to look at the nature of the intervention. According to the ordinary meaning of the words, cosmetic surgery was within the scope of the exclusion. The contrary position was taken by the applicant who argued that only interventions for restoring health, physical integrity or physical well-being should be considered as surgical treatment, in particular relying on an obiter dictum in G 1/04 (supra, Reasons 6.2.1). Pointing to the legal history of the provision, he argued that treatment by surgery was added to Article 52 (4) EPC 1973 only for the purpose of adapting the provision to the parallel provision in Rule 39 PCT. It had not been the intention to change the scope of the exclusion by this amendment.

As to the degree of the physical intervention, the applicant argued that according to G 1/04 a specific type and intensity of an intervention was not required for a medical treatment; any differentiation in this respect would be extremely difficult to apply and result in legal uncertainty. The President's

representative explained that the present practice of the examining and opposition divisions considered any irreversible destruction of cells or tissue as surgery. It could, however, be considered to exclude non-significant interventions from the exclusion. Relevant criteria might be the degree of invasiveness, the health risk implied by the intervention, the destruction of cells or tissue, the pain involved and the necessity of a sterile environment.

G 4/08

The last of the three oral proceedings took place in case G 4/08 on November 16, 2009. The Legal Board of Appeal had referred the question to the EBA whether an applicant having filed an international application in an official language of the EPO was entitled, when entering the regional phase, to file a translation into another official language of the EPO (J 8/07, OJ EPO 2009, 216 – Language of the proceedings/MERIAL). In the case underlying the referral, the international application had been filed in French, and the English representative appointed for the regional phase filed a translation of the international application in English, requesting that English should be the language of the proceedings before the EPO. The examining division rejected the request, stating that in accordance with Article 14 (3), 158 (3) EPC 1973 the language of the proceedings was French. In the oral proceedings before the EBA, the applicant submitted that there was no change of the language of the proceedings. Article 14 (3) EPC did not apply to international applications. By filing the translation when entering the regional phase, he had determined the language of the proceedings for the first time. This was in accordance with the provisions of the PCT and also with Article 158 (2), Rule 107 (1) (a) EPC 1973 (see now Article 153 [4], Rule 159 [1] [a] EPC 2000) since the application had been supplied to the EPO in one of its official languages. The provision did not exclude the filing of a translation which was not obligatory.

For the first time in the oral proceedings, the applicant pointed to Legal Advice 10/92 (OJ EPO 1992, 692, pt. V) relating to the consolidation of a European application and a Euro-PCT-application filed in parallel at a time when not all EPC Contracting States were also PCT Contracting States. According to this legal advice, the filing of a translation into another official language of the EPO was possible even if the international application had been published in an official language of the EPO. This showed that the language of the international application did not finally determine the language of proceedings before the EPO. The representative of the President took the position that the applicant could derive nothing from Legal 10/92

Data Selection System

which was concerned with a very specific case and could not be generalized for other situations. Furthermore, although not formally cancelled, the Advice was outdated, since for many years all Contracting States to the EPC had also been PCT Contracting States. Finally, the language of publication could not be equated to the language of filing and, different from the referred question, Legal Advice 10/92 was concerned with an application filed in a language which was not an official language of the EPO. Two further questions put to the EBA related to the applicant's auxiliary request. He had requested that the departments of the EPO should use English in written proceedings instead of the language of the proceedings, if the filing of a translation was not allowed. The applicant and the President's representative referred to their written submissions. The applicant had based his case mainly on J 18/90 (OJ EPO, 1992, 511) stating that in written proceedings and in its decision the EPO may also use an official language other than the language of the proceedings, provided that all parties to the proceedings have given their agreement. Nevertheless, the Chairman asked whether such a practice would boil down to reviving the original Rule 3 EPC 1973 providing for the change of the language of the proceedings which the legislator had cancelled in 1990 for good reasons, and giving in exchange the parties the possibility to use any of the official languages in their submissions. The applicant replied that J 18/90 and many decisions following the principle stated therein were a sufficient legal basis for continuing this practice.

In all three cases the decision will be – as usual in proceedings before the EBA – given in writing. The cases have in common that the EBA's composition comprises a member who will retire at the end of February. Therefore, there is a good reason to hope that the decisions will be available at that time.

Reported by Dr. Rudolf Teschemacher

European Patent Office (Board of Appeal 3.5.01) confirms case law on Graphical User Interfaces and rejects the more liberal views expressed by a different Board (decision of April 1, 2009 – Case T 1143/06 – Data selection system)

The invention discussed in decision T 1143/06 relates to a system and method for accessing data files in a computer-based database. The utility of such a system depends on the speed and accuracy with which selected data can be accessed in the database. The ability to identify patterns in large quantities of data can be of significant commercial benefit, for example, for an organisation that generates a large quantity of customer-related data such as the call databases of large telecommunications companies which contain valuable hidden information regarding groups of customers who have similar usage patterns. By identifying customers according to such patterns customer information can be obtained and customer profiles can be developed. However, a problem associated with such large databases is that it can be extremely difficult to identify hidden patterns in the data, because a detailed understanding of complex mathematical logic and knowledge of the database structure is required before a user can define the appropriate search parameter and statements to investigate possible patterns in the data. In addition, the selected data can be difficult to interpret when presented to the user.

As a solution to these problems, the invention allows each of the data files to be represented visually as an element moving on a display. As an example of the invention, the description explains that the sort parameters are allocated at respective points on the circumference of a circle shown on the display. Each sort parameter is distinguished from the others by a different colour or shape. Each of the customer files is then represented as an element in an initial position in the centre of the circle and then moved upon a user command from the initial position towards the sort parameter points on the circumference of the circle. Patterns in the data are then readily recognisable for the viewer since each element moves in accordance with the relevance of the sort statements to the data file it represents. In this way differences between respective data files can be observed on the display as relative movements between the respective elements. By way of analogy, the point on the circumference of the circle representing the sort param-

eters can be considered as magnets attracting the elements representing the customer files according to values determined for the respective customer files in relation to the respective sort statements. An element representing a customer file that is strongly associated with one of the sort statements will appear to be strongly attracted to the sort parameter point on the circumference of the circle associated with that sort statement. Thus, hidden patterns in the data are easily identified by observing groups of elements moving in a similar way. These groups of elements can then be selected by the viewer/user so that respective data files can be accessed and analysed.

There was no doubt that the method of claim 1 was an invention within the meaning of Article 52 (1) EPC because it is performed by means of a data storage system including a display and a computer. However, the invention differed only from the prior art in that the speed of movement of respective elements is determined, causing the elements to move relative to one another. The examining division had found that this feature did not have a technical effect. Because the invention is concerned with the visualisation of data files, Article 52 (2) (d) EPC excluding presentations of information from patentability, was relevant. According to the jurisprudence of the Boards of Appeal of the EPO, and as summarized in decision T 154/04 – Estimating sales activity/DUNS LICENSING ASSOCIATES, only a technical feature can establish novelty and inventive step. A non-technical claim feature is a feature which does not interact with the technical features to produce a technical effect.

Starting from these established rules, the Board examined the question whether the only feature of the claim differing from the prior art, - i.e. the movement of the elements symbolising the data files over the screen which is intended to convey information – additionally has a technical effect or not. Because the used system for searching and retrieving data files in a database was known in the prior art, according to the Board the objective problem to be solved by the invention was presenting information about data files to a user of such a known system in such a manner that he can easily evaluate it. Thus, the problem to be solved was not a purely technical one. In the Board's view, the user's evaluation of the information displayed is a mental act which is, at least in part, subjective and the system response is entirely dependent on the selection of a data file by the user following his evaluation. However, this system response was already known in the prior art. Therefore, the Board found that there was no direct technical effect caused by the only feature of the claim differing from the prior art (T 1143/06 – reasons 3.8) and rejected the application because of lack of inventive step.

The Board also rejected the view of another Board expressed in T 49/04 "Text processor/WALKER" which it criticised as not being representative for the jurisprudence of the boards of the EPO developed over the last twenty years. In that decision the deciding Board had stated that "a feature which relates to the manner how the 'cognitive content' such as images is conveyed to the user can very well be considered as contributing to a technical solution to a technical problem". The problem to be solved by this invention was "to improve the text presentation, i.e. readability, on a display." The deciding Board in T 49/04 obviously regarded presentations of information on a screen, in contrast to presentations on paper, as ipso facto technical. But this view was seen in T 1143/06 as lacking support in Article 52 (2) (d) EPC which contains no reference to any particular media. It would also not be logical to regard a screen as technical, but not paper (T 1143/06 – reasons 5.2). Therefore the deciding Board in T 1143/06 held that, contrary to the statements made in T 49/04, a feature which relates to the manner how cognitive content is conveyed to the user on a screen normally does not contribute to a technical solution to a technical problem. An exception would only be given if the manner of presentation can be shown to have a credible technical effect.

The Board also discussed decision T 643/00 "Searching image data/CANON" and confirmed its view that, in general, the arrangement of menu items on the screen is not a technical aspect of a menu-driven control system if it is not exceptionally determined by technical considerations (see also T 244/00). Of interest is also the Board's view in its preliminary opinion issued with the summons to the oral proceedings of the appeal with regard to the relevant skilled person. Assuming that the skilled person was a person skilled in computer sciences or an informatician, it was noted that informatics was an interdisciplinary field involving social and cultural aspects. With respect to the discussed invention, it seemed to the Board that the study of human perception, an area of psychology, must have played an important role. However, in the Board's view, a psychologist was not a technically skilled person and his particular field of knowledge could not be decisive for patentability.

T 1143/06 is a further decision in a row of decisions confirming a rather strict approach with respect to Graphical User Interfaces and rejecting the more liberal approach in T 49/04, stating that through a physical arrangement of a text on a screen cognitive content is conveyed to the reader which can be considered as contributing to a technical solution to a technical problem.

Reported by Johannes Lang

Petition for Review

European Patent Office: Enlarged Board of Appeal allows the first petition for review (decision of July 22, 2009 – Case R 7/09)

The primary ground on which petitions for review have been based so far is a fundamental violation of a party's right to be heard. In R 7/09, the Enlarged Board of Appeal accepted that such a violation occurred because the patentee had not been given the opportunity to comment on the opponent's statement of grounds of appeal before the patent was revoked in written proceedings.

In the case underlying the petition for review, the opponent filed a notice of appeal against the decision of the Opposition Division rejecting the opposition. The patentee was duly informed of the appeal by the Registrar of the Technical Board of Appeal. The opponent filed his statement of grounds of appeal in due time. As prescribed by Rule 100 (1) in conjunction with Rule 79 (1) EPC, the Registrar prepared a communication addressed to the patentee's representative annexing a copy of the statement of grounds of appeal and giving the opportunity to comment within a time limit of 4 months. In the absence of any submissions from the proprietor and as the opponent had asked for oral proceedings only as an auxiliary request, the Board revoked the patent in written proceedings.

The patentee filed a petition for review, submitting that he had never received the communication transmitting a copy of the statement of grounds of appeal. In absence of this information, he had made no submissions or request for oral proceedings. In consequence, he had not been given the right to be heard in the appeal proceedings.

The Enlarged Board of Appeal inquired ex officio about the notification of the above communication and was informed by the EPO's mailroom that no record of dispatch could be located. Thereupon, the Board in its composition with three members, competent for unanimous decisions rejecting the petition as clearly inadmissible or unallowable, submitted the case to the Board in its full composition with five members. The parties were informed accordingly and made no further substantive submissions.

In its decision, the Board noted that the EPO was not able to establish delivery of the critical communication within the meaning of Rule 126 (2) EPC and in the absence of any

evidence to the contrary, the statement setting out the grounds of appeal must be considered not to have been communicated to the patentee as prescribed. There was also no indication whatsoever that the patentee actually learned about the statement of the grounds of appeal in any other way, e.g. by a courtesy copy from the opponent or by file inspection.

It was true that the statement of the grounds was readily available to the public by way of electronic file inspection. However, this opportunity had no bearing on the right of parties to proceedings before the EPO to be individually and specifically informed by the Office as prescribed in the EPC. The parties had no duty to monitor the proceedings themselves by regularly inspecting the electronic file.

The Enlarged Board of Appeal concludes that the patentee had no opportunity at all to comment on the grounds for the decision under review which objectively came as a total surprise to him, both as to its timing and its content. This qualified as a fundamental violation of Article 113 EPC pursuant to Article 112a (2) (c) EPC, so that the decision under review was set aside and the proceedings before the Technical Board of Appeal were re-opened for a new decision in substance to be taken. Reimbursement of the fee for the petition for review was ordered.

The further question of whether the failure of notification would equally qualify as a fundamental violation of the right to be heard if the patentee had learned about the communication in another way was expressly left undecided.

Since the entering into force of Article 112a EPC on December 13, 2007, 25 petitions for review have been filed and 17 cases have been settled. This has to be seen in relation to some 1800 cases settled by the Technical Boards of Appeal and the Legal Board of Appeal in 2008. R 7/09 is the first case in which the petition was successful. In a number of cases, the Enlarged Board of Appeal held the petition inadmissible on the ground that the petitioner had not properly objected to the alleged fundamental procedural defect in the proceedings before the Board of Appeal in accordance with the strict standard developed by the Enlarged Board in interpreting Rule 106 EPC. This was not a question in case R 7/09 because the procedural violation had not become apparent to the patentee until he received the decision revoking the patent.

Reported by Dr. Rudolf Teschemacher

Double Patenting

Technical Board of Appeal 3.3.07 of the EPO declares the principle of prohibition of double patenting applicable under the European Patent Convention – a double patenting objection can be raised where the subject-matter of a granted claim is encompassed by a claim submitted in a divisional application (decision of July 3, 2007 – Case T 307/03 – ARCO/ double patenting, OJ EPO 2009, 422).

In its decision G 1/05 (OJ EPO 2008, 271) the Enlarged Board of Appeal accepted that the principle of double patenting exists on the basis that an applicant has no legitimate interest in proceedings leading to the grant of a second patent for the same subject-matter if he already possesses one granted patent therefor. According to decision T 307/03 the principle also applies to situations in which the claims are not identical.

By the decision under appeal, the application had been refused on the ground of lack of novelty. In appeal proceedings, the appellant submitted two sets of claims as main and auxiliary requests. Claim 1 of the main request corresponded exactly to the subject-matter of claim 3 when dependent on claim 1 of the patent granted on the parent application. Claim 1 of the auxiliary request contained some amendments in the terminology and, according to the appellant, it differed in substance from claim 3 of the granted patent only in that one component of the claimed composition was defined in a broader manner as a water-soluble alcohol instead of a water-soluble aliphatic alcohol. Both requests were not allowed into the proceedings.

As to the main request the Board refers in its reasoning to decision G 1/05 and expressly deviates from decision T 587/98 (OJ EPO 2000, 497) which had concluded that there was no basis in the EPC prohibiting “conflicting claims”. The Board relied on Article 60 EPC from which the decision deduces the fundamental principle of prohibition of double patenting. For this reason alone, the Board concluded that the main request was not allowable.

In respect of the auxiliary request, the Board stated that claim 1 would be re-patenting the subject-matter of claim 3 of the granted patent and seeking protection for additional subject-matter, namely where the water-soluble alcohol is not aliphatic. According to the Board, the double patenting objection can be raised where subject-matter of the granted claim is encompassed by the subject-matter of the claim that

was put forward later. The Board did not regard the extent of double patenting as de minimis, considering that the subject-matter which would be double patented was the preferred embodiment of the application.

To avoid the objection of double patenting the appellants would have had to confine the claimed subject-matter to subject-matter not already patented in the patent granted on the parent application.

Remarks:

The decision has raised serious concerns among the users of the European patent system. So far it has been common practice that in parallel applications embodiments may be claimed which would be drafted in the same application as an independent claim and a claim depending on it. In other words, it was possible to claim a generic and a more specific embodiment. There may be many situations in which such a course of action seems appropriate. For example, it may not seem plausible to the Examining Division that the effects ascribed to the invention are achieved over the whole range claimed. The applicant may react in trying his case in appeal proceedings or to establish test reports for a number of alternatives which are representative for the whole range claimed in order to convince the Examining Division that the objection is not justified.

Both approaches imply a considerable delay of the grant proceedings. An applicant in a competitive market who has to face imminent uses of the invention has a vital interest in getting the patent as soon as possible. Therefore, he may be tempted to take the patent in a limited form that can be immediately enforced. This is, however, no reason to deny him the possibility of obtaining protection for the more general teaching by filing a divisional application. In such a situation, the recommendation in T 307/03 that the broader claim should be pursued in the parent application is not very helpful.

The decision contains the further rather vague recommendation that the objection of double protection may be overcome if the subject-matter in the divisional application is confined to subject-matter not already patented in the patent granted on the parent application. Considering the strict standard for amendments applied by the EPO, it may, as a rule, be quite difficult to find an acceptable basis for positive features delimiting the claims in the divisional application from the claims in the granted patent. The decision does not indicate whether the

Bread Improver

Board would accept a negative delimitation in the form of a disclaimer containing the features of the respective claim of the granted patent.

Even if a disclaimer was accepted the question would remain: cui bono? To whose harm was the previous practice and were are the positive effects of the new approach? So far, the applicant, after having obtained broader protection by the patent granted on the divisional application, had no longer any interest in maintaining the patent granted on the parent application. In future two patents have to be maintained for full protection, and the existence of two patents and the delimitation in the claims of the second patent do certainly not improve the clarity of the situation for the competitor. In infringement proceedings, the scope of protection of two patents instead of one may have to be determined. In summary, the basic question which may be asked on the basis of the Enlarged Board's of Appeal considerations in G 1/05 - may there be a legitimate interest in pursuing claims of different scope in parallel proceedings - is not answered by the Board's reference to Art. 60 EPC, a provision totally unrelated to substantive requirements of patentability or formal requirements of an application. Reconsideration of the matter by another Board of Appeal may be a hope for the applicants and legal security might be achieved by a referral to the Enlarged Board of Appeal.

Reported by Dr. Rudolf Teschemacher

European Patent Office (Technical Board of Appeal 3.3.02): Selection - inadmissible amendment (decision of January 13, 2009 – Case T 1374/07 – Bread improver – not foreseen for publication).

A selection of two components from one list is equivalent to a twofold selection from two identical lists.

The determination of the disclosure contained in a document calls for particular care if the document contains a general teaching which may cover a number of specific embodiments. Such an assessment has to be made not only when the prior art for establishing novelty and inventive step is examined, but also when the admissibility of an amendment is at stake. In accordance with Article 123 (2) EPC, an amended European patent application may not contain anything which is not directly and unambiguously derivable from the application as originally filed.

In the reported case, the patent was granted with the following main claim: "Bread improver in the form of a powder, characterised in that it is made of agglomerated particles having a mean particle size of at least 250 m, said particles being made of at least fat and enzymes."

The patent was opposed, *inter alia* on the grounds of added subject-matter under Article 123 (2) EPC. The Opposition Division held that there was no direct and non-ambiguous disclosure in the application as originally filed for the feature „made of at least fat and enzymes“, which was added in claim 1 during the examination procedure. Thus, it revoked the patent.

In its appeal, the patentee submitted that the case law relating to a selection from two lists, referred to by the Opposition Division in its decision, was not applicable in the present case because that case law related to the assessment of novelty and not to inadmissible broadening. It also argued that the selection of two members (fat and enzymes) was made within not two lists but only a single list. Finally, it pointed out that, according to the case law, the two lists forming the basis of a selection had to have „a certain length“ to be applicable.

The Board of Appeal, examining the basis for the amendment, considered two passages in the description, the first listing fat and enzymes among eight well known ingredients of bread

New Time Limits

improvers, and the second stating “that the improver according to the invention can further comprise one or more ingredients selected from the group” of the said eight ingredients “and/or a mixture thereof”. According to the Board, this disclosure did not suggest that the bread improver must advantageously be made of at least fat and enzymes. The expression „and/or a mixture thereof“ at the end of the list could not be seen as a basis for the combination of „at least fat and enzymes“, because this expression covered not only the combination of two ingredients (28 combinations of two ingredients being possible) but also the combinations of three ingredients, the combinations or four ingredients, etc.

In addition, the Board noted that it appeared from the original claims that enzymes were an optional ingredient and proteins an essential ingredient. The deletion of proteins also constituted an infringement of Article 123 (2) EPC.

The Board did not agree with the appellant’s main lines of argument that the well-established case law – that a selection from two lists of a certain length is novel – is not applicable for several reasons. The Board referred to clear case law stating that the so-called „novelty test“ could be applied when determining whether an amendment is originally disclosed or not, at least where the amendment is made by way of addition. A selection of two components from one list was in fact equivalent to a twofold selection from two identical lists. As to the length of the list, the Board stated that the situation in the case cited by the appellant was very much comparable with the case under appeal, which amounted to a twofold selection from eight members.

Remarks:

The reported case shows that the concept of disclosure applied by the EPO has its merits not only for the applicant when selection inventions are at stake. The other side of the coin is that the applicant is limited in creating fall-back positions during prosecution. Combinations of features cannot be made arbitrarily in the course of examination but should be specifically disclosed in the application as filed.

Reported by Dr. Rudolf Teschemacher

European Patent Office: Administrative Council adopts amendments to the Implementing Regulations imposing restrictions for filing divisional applications. New time limits will enter into force on April 1, 2010. Transitional provisions imply retrospective effect (decision of the Administrative Council of March 25, 2009 – CA/D 2/09, OJ EPO 2009, 296).

In IP Report 2008/V, a proposal from the EPO was reported according to which the filing of divisional applications should be restricted to narrow time limits. In the meantime, the proposal was discussed in the Administrative Council’s Patent Law Committee and in the Administrative Council itself. Representatives of the interested circles raised strong objections against the proposal, arguing that for an applicant it is essential to know what he can expect to be granted in a pending application before he can take a sound decision which subject-matter remains to be prosecuted in a divisional application. All objections remained in vain. On March 25, 2009, the Administrative Council adopted the amendments as proposed by the Office. Even a proposal from interested circles to give the Examining Division the discretion to allow an amendment outside the strict time limits was rejected.

The new regime under Rule 36 EPC as amended will be the following. The distinction between an obligatory division caused by an objection to non-unity and a voluntary division made on the applicant’s own volition, a distinction deleted from Rule 25 EPC 1973 as early as 1988 because it had created difficulties, is reintroduced into the EPC. In case of a nonunity objection, the applicant has to file a divisional application within 24 months, the time limit running from the communication raising the objection. A voluntary divisional application may also be filed within 24 months, the time limit running from the first communication of the Examining Division. In case of a sequence of divisional applications, it is the first communication in the first parent application triggering the time limit for all successive divisional applications.

Remarks:

In future, a cautious applicant will have to take into account that the outcome of grant proceedings may be less than he had expected and may be less than he thinks is justified.

If grant proceedings have not come to an end before the lapse of two years after the first communication, he has to file a divisional application in order to keep his options open. Only in case of an objection to non-unity may a divisional application be filed later. This will entail an increase in divisional applications filed as precautionary measure, in particular if the backlog in examination and, consequently, pendency times continue to increase.

At least two points are unclear under Rule 36 EPC as amended:

1. Will the situation be treated as an obligatory division if the divisional application is caused by an objection of the Examining Division under Rule 137 (4) EPC to a shifting to unsearched matter not forming a single general inventive concept with the originally claimed invention? This situation is at least not expressly covered by the wording of amended Rule 36 (1) (a) EPC.

2. What is a first communication? Any communication from the Examining Division falls under the wording of the amended Rule. Does even a communication not dealing with the substance of the case trigger the time limit of 24 months?

Whereas these situations may be dealt with in the Guidelines, it would have been preferable that the Rule itself makes clear what the applicant may expect.

The watching of the new time limits may involve some difficulties for the applicant or his representative. An applicant dealing with a communication raising an objection to non-unity is immediately aware of the need to react and to come to a decision whether or not to proceed with part of the subject-matter of the application in the framework of a divisional application. The situation is quite different in a case where no such objection has been raised. The substance of the communication does not give any reason to think of the possibility or the need to file a divisional application. Neither does the form of the communication warn the applicant that it might trigger a time limit for filing a divisional application. At present, all communications under Article 94 (3), Rule 71 (1) EPC have the same format. A communication of the Examining Division does not tell its reader that it is a first communication in an earliest application within the meaning of Rule 36 (1) (a) EPC. The procedural situation can only be assessed when looking into the file or into several files, as the case may be. What can the applicant do in order not to miss the time limit for filing a divisional application in such a situation?

Time limits which have to be observed during the processing of an application have to be entered in an appropriate system for monitoring time limits. In an office dealing with numerous applications, a reliable system for monitoring time limits requires that the time limit to be observed is entered into the system immediately after a communication is received in the office. Any delay in this respect implies the danger that mistakes happen and an entering into the system during or after the dealing with the communication is overlooked. The EPO has been made aware of the fact that applicants have no proper basis for creating routine processes for watching time limits under Rule 36 (1) (a) EPC. It is to be hoped that the layout of the EPO's communications will be modified in a manner which shows, at least, that a communication is a first communication or indicates that it triggers the time limit for filing a divisional application. Only such information enables the applicant to monitor the time limit in a reliable manner.

Still more difficulties exist for a transitional period. Although Rule 36 (1) EPC as amended does not enter into force until April 1, 2010, time limits under the new provision are already running. The new provision applies to pending applications, and under the transitional provision the applicant is given at least 6 months for filing a divisional application if the time limit of 24 months has lapsed before or is running on April 1, 2010. This may be illustrated by the following example: A first communication was issued in May 2008. It triggers the time limit of 24 months lapsing in May 2010. This time limit is extended by the transitional provision until October 1, 2010. The transitional regime means for an applicant that he has to make a systematic check through all his pending files which have not yet been entered into a system monitoring the time limit under Rule 36 (1) (a) EPC. In order to reduce this effort, such a system should be established as quickly as possible.

The new regime for filing divisional applications and other changes in EP grant proceedings were introduced by the EPO under the brand "raising the bar". The unsuspecting observer would expect under this heading measures aiming at raising the quality of examination, for example, by better training and applying less pressure on examiners in terms of targets. However, what the users of the European patent system have actually been facing for some years are more and more procedural restrictions on the applicant, as the restriction of the number of independent claims introduced in 2002, the increasing use of declarations of non-search or partial search reports in connection with the prohibition to claim subject-matter not covered by the search report or the restriction to

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one voluntary amendment announced in the EPO's annual report 2008 as a "highlight".

Substantive examination should give the applicant a fair chance to obtain the best result in grant proceedings in exchange for his investment in innovation and in the cost of grant proceedings. It requires a dialogue between the EPO and the applicant. Procedural restrictions frustrating too often applicants' legitimate expectations for formal reasons may deter from filing and damage the patent system as a whole. A small but illustrative example that procedural measures provoke unwelcome consequences is the raise in claims' fees which entailed an apparently unforeseen drop in the revenue of claims fees and consequential budgetary problems.

Reported by Dr. Rudolf Teschemacher

European Patent Office: Postponement of oral proceedings – Notice from the EPO dated December 18, 2008, OJ EPO 2009, 68 – Technical Board of Appeal 3.5.01, (decision of May 28, 2008 – Case T 1102/03 Online trading system/ CITYBANK).

In the first two decades of operation of the EPO, coping with the dates for oral proceedings was not a problem for the parties to the proceedings. The examiners' clerk or the registry of the Board of Appeal agreed a suitable date with the parties before the parties were summoned. In 2000 a much more rigid system was introduced (see the notice in OJ EPO 2000, 456). Since then, the dates for oral proceedings have been fixed without contacting the parties before, and appointed oral proceedings have not been postponed at the request of a party unless the party concerned advanced serious reasons justifying the fixing of a new date. A list of reasons is contained in the above notice, giving examples which may be considered by the EPO as justifying a postponement. Experience showed that Examining and Opposition Divisions adhered rather strictly to this list, in other words, if the party was able to substantiate a reason contained in the list, oral proceedings were postponed, if another reason was given, as a rule the date was maintained.

Quite often the users of the European patent system complained about the restricted possibilities of having oral proceedings postponed. The rather narrow approach often applied by Examining and Opposition Divisions may be illustrated by a recent case in which the Opposition Division appointed oral proceedings for two related cases in two consecutive weeks. The representative of the proprietor requested to appoint oral proceedings on two consecutive days in either of the weeks, because the party from the USA wanted to be present and was interested in keeping the necessary business trip as short as possible.

The request was refused on an EPO form without indicating any reason. Only a further enquiry brought to light a reason which was that the Division wanted to treat the cases independently from each other. This was certainly not a good reason for the US party and whether it was a good reason for the EPO may be doubted. In any case, a party whose

reasoned request for postponement is rejected deserves a reasoned reaction.

Eventually the interested circles repeating their wishes were successful and the EPO made a few concessions without changing the system in general, with the exception that in *ex parte* proceedings the Examining Division may contact the party in advance in order to arrange for a date. In the new notice published in the January issue of the Official Journal, the exemplary list of serious reasons which may justify a postponement was somewhat broadened. It now includes

- oral proceedings for the preceding or following day at the same place, or for the two preceding or two following days at a different place,
- business trips which have been firmly booked before the summons,
- holidays scheduled, but still not booked, which cannot be rescheduled, e.g. because of school holidays.

The EPO will continue to summon parties for oral proceedings on Fridays and Mondays. However, circumstances permitting, the EPO promises to be flexible where it has been requested that the starting time be postponed in order to enable the party to travel on the same day. The passage in the previous notice that every request for fixing another date should contain a statement why another representative cannot substitute the representative prevented from attending has been deleted.

Nothing has changed in respect of the important question whether postponement is justified if a duly represented party itself or a person foreseen to assist in the oral proceedings is prevented from being present at the date fixed for oral proceedings. There are some decisions concluding that illness of a party or of the inventor is not a sufficient reason for postponement. In such a situation, the requester should be able to establish that the presence of the respective person may have a decisive impact on the outcome of the case.

The revised notice applies only to first instance proceedings. For the Boards of Appeal, the notice in OJ EPO 2007, special edition 3, H.1, continues to apply with the effect that the parties cannot formally rely on the revised criteria for postponement to be applied by Examining and Opposition Divisions. However, it has to be mentioned that the Boards of Appeal have, for the most part, decided on requests for postponements in a more flexible way, considering all circumstances of the individual case without slavishly sticking to the examples given in the notices.

Case T 1102/03 shows that this approach may, in an individual case, also turn out to entail a negative result for the requestor. In that case, oral proceedings had been fixed for two days in the week before Christmas. In reply, the proprietor's representative requested that the oral proceedings be postponed because he had firmly booked a Christmas vacation of approximately one month in Switzerland before receiving the summons, and no colleague in his office could take over the case.

The Board informed the parties that it considered the organisational burden of postponing the oral proceedings to be greater than the requesting representative's burden of postponing or interrupting a holiday booked to a destination within Europe. Nevertheless, the Board was prepared to postpone the oral proceedings to a date in April if all the parties agreed. Whereas the proprietor's representative agreed to the alternative date, several opponents did not agree and, therefore, the Board maintained the original date for the oral proceedings.

In the oral proceedings, the proprietor was represented by another representative from the same law firm who repeated the request for postponement. Since the request was not allowed, he raised an objection under Rule 106 in conjunction with Articles 112a and 113 (1) EPC, submitting that the proprietor's right to be heard was violated. The representative had relied on the notice in OJ EPO 2000 to advise the proprietor that a postponement would be possible.

According to the proprietor, the Board's approach not to follow the notice but to require the respondents' explicit consent to a postponement was unusual and effectively infringed the proprietor's right to a careful preparation. By the time the Board had confirmed the initial date for oral proceedings, only a short period was left for preparing a submission within due time.

In its reasons for refusal of the request for postponing the oral proceedings, the Board points to Article 15 (2) of the Rules of Procedure of the Boards of Appeal according to which a change of date for oral proceedings may exceptionally be allowed at the Board's discretion. Examples of circumstances that can be taken into account when exercising this discretion were given in the notice in OJ EPO 2000 (confirmed by the notice in OJ EPO 2007). The notice mentioned prebooked holidays as an exemplary reason for requesting a change of the date for oral proceedings. On the other hand, the notice referred to organisational problems and procedural economy as important criteria to be considered in exercising the discretion when a decision on postponement had to be taken. In the Board's view, however, while holidays were a possible

valid basis for a request, it was not necessarily a sufficient reason for postponement. All circumstances of the case and all the criteria referred to in the notice had to be taken into account. The case presented circumstances (eleven parties and an extended Board of Appeal involved, one of the largest available rooms necessary for two days) which entailed a special organisational burden. It would have been difficult to make substitute arrangements within a reasonable period.

The Board concluded that the effort of postponing the oral proceedings until a date might have been found that would have suited the numerous parties, the members of the extended Board and the facility management of the European Patent Office would have outweighed the effort of postponing or interrupting one representative's holiday booked to a destination within Europe. A strict standard had to be applied, because all parties had to be treated equally and a liberal approach might have given rise to a series of postponements. As long as a request for postponement of oral proceedings had not been granted, the requesting party could not simply assume that its request would be granted. The party had to consider the possibility of a refusal of the request and had to prepare the case accordingly to minimise the risk of time pressure.

The decision shows that a reason listed in the EPO's notice which may justify a postponement is only one of the possible factors to be considered when taking the discretionary decision on the request for postponement. Such a reason cannot be a guarantee that the request will actually be allowed.

Whereas the proprietor raised an objection under Rule 106 in conjunction with Article 112a EPC in the oral proceedings, a corresponding petition for review on the ground of a substantial procedural violation of the party's right to be heard pursuant to Art 112a (2) (c) EPC has not been filed.

Reported by Dr. Rudolf Teschemacher

Brüstle v Greenpeace

German Federal Supreme Court refers questions on the interpretation of the Biotech Directive to the ECJ (decision of November 11, 2009 – Case Xa ZR 58/07 – Brüstle v Greenpeace)

The German patent No. DE 197 56 864 C1 (patent proprietor: Professor Oliver Brüstle) comprises claims on neural precursor cells derived from embryonic stem cells (ES), and a method for the production of the neural precursor cells. According to the patent description, ES cells comprise human ES cells. They are obtainable by removing embryonic stem cells from the blastocyst, which is a stage of development of the human embryo. According to the prevailing opinion, ES cells cannot develop into a complete individual but are able to form certain types of tissue only under selected conditions. The claims do not comprise the feature of using embryos for the production of ES cells.

The patent was granted on April 29, 1999. Greenpeace filed a nullity action of this German patent with the Federal Patent Court, as far as the claims comprise neural precursor cells derived from human ES cells.

The nullity action is based exclusively on the reasons of offence against ordre public or morality. Section 2, paragraph 2 No.3 of PatG (German Patent Act) in the version of February 28, 2005, regulates that no patents shall be granted for the use of human embryos for industrial or commercial purposes. The regulation of Section 2, paragraph 2 No. 3 of PatG (German Patent Act) is identical with Article 6, paragraph 2 of the European Directive 98/44 on the legal protection of biotechnological inventions, which has been implemented into national law. On December 5, 2006, the Federal Patent Court decided to maintain the patent in an amended version excluding neural precursor cells derived from ES cells produced on their part from human embryos. The patent proprietor filed an appeal against this decision with the German Federal Supreme Court. Oral proceedings were held on November 12, 2009. As a result of these oral proceedings, the Court stayed the proceedings and will submit questions on the interpretation of the Biotech Directive to the European Court of Justice. From the press release dated November 12, 2009 of the Federal Supreme Court the following questions may be attained:

1. Is a stem cell obtained from the blastocyst to be considered as an embryo, even though it does no longer have the capacity as such to develop into a human individual?

Wet Cleaning II

2. Is the blastocyst to be considered as an embryo within the meaning of the law?
3. If the answer to Question 2 is in the affirmative, is the use of embryos within the meaning of the law already the case, if obtaining the stem cells to be used according to the invention necessarily implies “use” of blastocysts?
4. Is any commercial (i.e. non-private) use within the meaning of the Patent Act a “use for industrial or commercial purposes”? In particular, is any use for research purposes or for therapeutic purposes a “commercial” use within the meaning of the Article 6 of the Directive?

Questions 1 and 2 refer to the interpretation of the term „embryo“; in particular, to whether a cell (stem cell) removed from a development stage of the fertilized egg cell (blastocyst) or the blastocyst as such are to be considered to be an embryo. The EU Directive does not comprise any definition of the term „embryo“. Therefore, the ECJ will have to determine how to construe this term. According to Section 8 ESchG (German Embryo Protection Act), the definition of an embryo is the fertilized egg starting from the point in time of the fusion of the nuclei, and any totipotent cell removed from there. Thus, an ES cell that is not able to develop into a complete individual is not an embryo, according to German Law,

Question 3, which is dependent on the reply to question 2, refers to the interpretation as to whether the explanation in the patent specification that ES cells are produced by using blastocysts already leads to an exclusion from patentability. Therefore, the question is directed at whether only the claim is to be considered or the patent as well.

Question 4 refers to the determination of the purpose “for industrial or commercial purposes” and to whether this purpose can also be fulfilled by therapeutic use. Recital No. 42 of the Directive explains that the use of embryos for therapeutic or diagnostic purposes for the benefit of the embryo used is not excluded from patentability.

Therefore, the Federal Supreme Court asks whether, according to the Directive, not only the use of embryos for therapeutic or diagnostic purposes for the benefit of the embryo is to be considered as being patentable but also for other benefits such as the benefit of a patient. Only after a preliminary decision of the ECJ, which may be expected in one to two years, the Federal Supreme Court will decide about the German appeal proceedings which have been stayed until then.

Reported by Dr. Thomas Friede

German Federal Supreme Court on the requirements for termination of an exclusive patent license agreement by the licensor (decision of March 26, 2009 – Case Xa ZR 1/08 – Nassreinigung II / Wet cleaning II).

A licensee’s failure to exploit an exclusive patent license can justify termination of the license agreement by the licensor, even if there is no breach of contract or default by the licensee. From an objective licensor’s perspective, however, there must be no prospect of an improvement in the situation in the near future, particularly if further circumstances are given that serve to undermine the licensor’s confidence in his contract partner.

In the case in question, the licensor granted an exclusive license in several patents and patent applications to the licensee with agreement dated December 12, 1995, for a period of fourteen years. Under the license, the licensee was permitted to manufacture and distribute devices and to use methods for wet-cleaning gases on a worldwide basis. The licensee sold several installations using the licensed method which, however, did not work properly in practice. The cause of the malfunction was in dispute between the parties. On October 14, 1998, without informing the licensor, the licensee obtained liens from third parties on the licensed IP rights and applied for registration as the new owner of one of the licensed patents. Later, the licensee refused to engage in a related project, made payments to the licensor only via third parties, failed to fulfil promises to pay the patent attorney of the licensor and laid off several employees. On November 8, 1999, the licensor sent a letter of termination to the licensee. In 2001, an insolvency procedure was opened with regard to the assets and property of the licensee. In first and second instance, the agreement was found to be not terminated. Upon legal appeal, the German Federal Supreme Court lifted both instance decisions and declared the agreement to be terminated with effect from the termination letter of Nov. 8, 1999.

With this decision, the German Federal Supreme Court accepted the exceptional right of the licensor to terminate the exclusive license agreement without notice for a compelling reason, taking into account the circumstances of the case in hand and by weighing the respective interests of both parties (Section 314 German Civil Code). Summarizing, and without assuming any breach of contract or default by the licensee,

Printing Press Temperature Control

the Federal Supreme Court essentially based its decision on four factors: the licensee's failed attempts to exploit the exclusive license, the duration of this period of failure (almost three years), the prospect that the licensee would not be able to exploit the exclusive license in future (due to a lack of financial means to do so), and further circumstances serving to undermine the licensor's confidence in his contract partner (in particular the secret attempt by the licensee to obtain ownership of a licensed patent).

Remarks:

In summary, this decision certainly facilitates the licensor's ability to terminate an exclusive license agreement for a compelling reason, in contrast to prior decisions by the instance courts, even if there is no breach of contract or default by the licensee. It opens up this option in particular if the licensee has failed to successfully exploit the exclusive license and in all likelihood will fail to do so in future, thus in cases in which the licensor is and in all likelihood will be hindered from commercially exploiting his patent monopoly.

Reported by Jörg Wahl

German Federal Supreme Court on the admissibility of amendments in the claim wording (decision of April 21, 2009 – Case X ZR 153/04 – Druckmaschinentemperierungssystem II / Printing press temperature control system II)

The Federal Supreme Court ruled that the subject matter of a patent does not extend beyond the content of the application as filed if terms are used in the claims that are not literally used in the application text but are summarizing words for longer descriptions in the application as filed.

The present decision relates to a German patent on a printing press temperature control system. The printing devices in a printing press need to be cooled during use. According to the patent-in-suit, this can be done in three different ways: By blowing cold air onto the rotating printing plate, by liquid cooling of the colour application rolls, and by applying cold wetting liquid to the surface of the printing plate. The patent-in-suit claims the possibility to selectively use or to combine these different cooling methods in a favourable and easy way.

The patent-in-suit is a divisional application of a former European patent application. In the patent-in-suit and in particular in its claims, terms are used which are not explicitly disclosed in said European patent application. However, these terms are summarizing keywords of some elements of the claimed temperature control system such as "wetting water application device", "cold water cooling device" and "refrigeration generator".

In the present case, the Federal Supreme Court held that keywords which summarize longer parts of the description of the application as filed do not extend beyond the content of the application as filed and are thus admissible.

While this finding appears to be a slight deviation from the former – usually very strict – approach of the Federal Supreme Court (and likewise the GPTO and the EPO) for support of claim amendments in the application as filed (clear and unambiguous disclosure), it should not be overestimated. Rather, it seems to be based on an exceptional situation in the individual case at hand. According to the Federal Supreme Court's reasoning, it was decisive that the terms used in the specification of the application as filed can be definitely, consistently and conclusively associated with the summarizing keywords in such way that no omissions or additions are given. This will

Security System

mean, in the light of the decision of Federal Supreme Court, that for the person skilled in the art it must be clear which explicitly disclosed features are meant by the summarizing keywords. There must be a clear-cut association of the explicitly disclosed features and the summarizing keywords. Cases in which a structure designated by the summarizing keyword' may contain a non-defined group of features are not admissible. In the light of this reasoning, it appears to be unlikely that a mere generalization of a term of the application as filed would be accepted by the Federal Supreme Court as admissible.

Remarks:

Therefore, the present decision may apply in individual – rather exceptional – cases to obtain a more favourable claim wording. However, on a regular basis, it will not disburden the applicant/patentee from the need to identify explicit support in the application as filed for desired amendments. Thus, it is clearly recommendable to provide already in the application text hierarchically structured terms for features or groups of features in order to be able to use such terms if appropriate.

Reported by Alexander Wunsch

German Federal Supreme Court on insufficient disclosure as a ground for revocation (decision of April 30, 2009 – Case Xa ZR 156/04 – Sicherheitssystem/Security system)

The earlier case law of the Federal Supreme Court for the German examination procedure that a patentable invention has to be unambiguously identifiable can not be directly applied on the revocation ground of insufficient disclosure concerning the German national part of a European patent.

In the decided case, claim 1 of a granted European patent was attacked in a German post-grant nullity procedure – among other reasons – for alleged insufficiency of disclosure. The contested claim related to a security system such as an airbag or a seat-belt pretensioner. Beyond standard components such as a trigger sensor with a certain response time, a computing unit and an output unit for activating the airbag or the seat-belt pretensioner, the claimed system included a blocking unit, which unlocks the output unit only after a “release of locking” time has elapsed, which is shorter than the response time of the trigger sensor. The idea behind the invention was that during the “release of locking” time additional checks could be performed to verify whether there was indeed an accident and therefore a reason to activate the airbag or the seat-belt pretensioner, or whether there was only a malfunction of the computing unit. As a result, the airbag or the seat-belt pretensioner are only activated if both the response time of the trigger sensor and the “release of locking” time have elapsed.

The Federal Patent Court had revoked the patent since it considered it not to be clear from the description of the attacked patent whether the “release of locking” time started to run in parallel with the response time of the trigger sensor or only after the response time had elapsed. Both interpretations, one of which was argued by plaintiff, the other by defendant, seemed technically plausible. Accordingly, it was impossible to unambiguously identify the invention. Referring to earlier decisions of the Federal Supreme Court (for example Case X ZB 9/70 “Trioxan”), the Federal Patent Court therefore revoked the patent for insufficient disclosure.

In the second instance appeal proceedings in front of the Federal Supreme Court the claim was amended by the clarification that the “release of locking” time followed the response time, i.e. the patentee unambiguously limited the claim to one of the alternatives discussed during the first instance proceedings.

Airbag Triggering Control

Nevertheless, in the reported decision the Federal Supreme Court took the opportunity to expressly rebut the reasoning applied by the Federal Patent Court in first instance. First of all, the Federal Supreme Court criticized that the Federal Patent Court had not fulfilled its obligation to interpret the meaning of the claim independently from the arguments of the parties. Simply noting a contradiction between two plausible claim interpretations was not deemed sufficient. Moreover, the Federal Supreme Court considered the earlier decisions cited by the Federal Patent Court not to be applicable in the present case. The cited decisions issued prior to a major revision of the Patent Act in 1978 and, more importantly, did not relate to post-grant revocation procedures for the national part of a European patent but rather to the national German examination procedure. With respect to the revocation of the national part of a granted European patent, Art. 138 EPC provided the admissible grounds of revocation. A lack of clarity, i.e. a violation of Art. 84 EPC, by itself was not an admissible ground. Only if lack of clarity or lack of information to identify the invention made it impossible for the person skilled in the art to perform the invention could the patent be revoked for insufficient disclosure. However, this was not already the case if there was more than one possibility to interpret the claim. On the contrary, in such a case the correct claim interpretation had to be selected in a first step, and only then it was to be verified whether the patent sufficiently disclosed the invention based on the selected interpretation.

Remarks:

The reported decision will be helpful for defending patents against the ground of insufficient disclosure in German nullity procedures. As in a European opposition procedure, also in national German postgrant opposition a lack of clarity of a granted claim is not an admissible revocation ground, even if it is "hidden" as an allegedly insufficient disclosure of the claimed invention. In many cases, plaintiffs point to some contradiction in the description – which can probably be found in any patent – to argue that the invention is insufficiently disclosed and can therefore not be performed. Such a line of argument, however, should no longer be successful when attacking a patent in Germany. Only if there is no way at all of interpreting the claim in such a manner that it leads to a teaching which can be performed on the basis of the information in the description will insufficient disclosure succeed as a ground for revocation.

Reported by Dr. Hans Wegner

German Federal Supreme Court on the assessment of inventive step in view of common expert knowledge of the person skilled in the art (decision of April 30, 2009 – Case Xa ZR 56/05 – Airbag-Auslösesteuerung/Airbag triggering control)

The fact alone that a technical subject matter is common expert knowledge does not prove that it was obvious for the person skilled in the art to use this knowledge to solve a particular technical problem.

In the present nullity appeal case, the Federal Supreme Court had to decide on the validity of the German part of a European patent relating to retaining means in a safety system for vehicle occupants, e.g. an airbag. The patent was upheld by the German Federal Patent Court on the basis of an amended set of claims. Plaintiff and appellant had attacked the patent-in-suit *inter alia* for lack of inventive step. The plaintiff argued in the appeal proceedings that the only feature which was not known from a respective written prior art document submitted in the appeal proceedings would be rendered obvious by the common expert knowledge.

The feature in question concerned the determination of a threshold value for triggering the retaining means, e.g. the airbag, and relied on an integrated acceleration signal (speed signal), according to the patent in dispute. The written prior art disclosed a somewhat complex solution for such determination based on a different value, namely an exponential mean value of the acceleration signal.

The German Federal Supreme Court rejected the appeal and took the view that the person skilled in the art had no reason to modify or to replace the complicated and complex system for comparing thresholds, according to the written prior art document. The small effort which was required for the modification from the mathematical point of view – and which was also confirmed by the court appointed expert – did not qualify to provide a sufficient hint or motivation to guide the person skilled in the art to the patented solution. Also, the principally possible usage of an integrated acceleration signal (speed signal) belonging to the common expert knowledge would not be sufficient to prove that it was obvious for the person skilled in the art to use this speed signal in the context of the solution according to the written prior art which, on the contrary, does not rely on this signal. In this context, the Federal Supreme Court expressly held that the fact alone that

Safety Device

a technical subject matter is common expert knowledge does not prove that it was obvious for the person skilled in the art to use this knowledge to solve a particular technical problem. Rather a sufficient motivation of the person skilled in the art to use this knowledge must be shown. In the present case, neither the plaintiff nor the court appointed expert were able to identify such motivation.

Remarks:

The present decision is fully in line with the prevailing case law of the Federal Supreme Court and the European Patent Office, and confirms the established requirement that a motivation to combine certain written prior art sources must be shown to prove the obviousness of a combined solution. The “new” aspect of this decision is the explicit finding that a motivation is also required with respect to a combination of a written prior art document with common expert knowledge. In practice, this clearly strengthens the position of the patentee. Thus it is recommendable for nullity plaintiffs to put particular emphasis and effort in arguing the indispensable motivation to combine certain prior art.

Reported by Dr. Niels Malkomes

German Federal Supreme Court on the requirements for the obviousness of an invention (decision of April 30, 2009 – Case Xa ZR 92/05 – Betrieb einer Sicherheitseinrichtung/ Operation of a safety device)

The Federal Supreme Court ruled that a particular approach of a person skilled in the art to solve a specific technical problem, if different from the usual approach to the solution, can in general only be considered as rendered obvious if initiatives, suggestions, hints or other reasons are given which go beyond the mere recognizability of the technical problem.

The present decision relates to a German patent on a method for operating a safety device for vehicle occupants. The related safety device was attacked in a German nullity procedure. Such safety devices comprise air bags, belt pretensioners or the like, being actuated by pyrotechnic gas generators which are triggered by electric trigger means that heat up and start the pyrotechnic reaction. In case of a car accident, it may not be ensured that enough electric energy is provided by the board electrics. Therefore, the prior art suggested to use an auxiliary energy storage device (capacitor) for an independent electric energy supply. However, in some cases, the auxiliary storage device was already discharged after triggering the first pyrotechnic gas generator, because the trigger means had a shortcut or nonpredictable resistance values and thus drew too much electric energy after the explosion. This caused the discharge of the auxiliary storage device and the triggering of further gas generators failed. In order to solve this problem, claim 1 of the patent-in-suit suggests a new method for operating a safety device by measuring the amount of energy supplied to the electric trigger means and by cutting off the energy supply to previously activated trigger means after a certain energy limit is reached. From the closest prior art document it was already known to insert a fuse into the line of the trigger means which breaks the electric connection when the trigger means produces a shortcut after release. The fuse allows for sufficient electric current to safely activate the trigger means, however, it cuts off the connection if the electric current exceeds a predetermined limit.

Prior to the present nullity procedure, the patent-in-suit was already attacked in opposition proceedings in which the subject matter of claim 1 was considered to be inventive over the closest prior art: the possibility to measure the amount of energy supplied to the trigger means would be a different

approach than breaking a fuse at a predetermined current level. By this new approach low currents of previous releases could be measured which continuously lead to a discharge of the energy storage device.

In the first instance of the present case, the Federal Patent Court arrived at a different conclusion and revoked claim 1 of the patent-in-suit for lack of inventive step over the closest prior art: the known values for the melting time and melting current of the fuse of the prior art allow to draw a conclusion as to the amount of energy provided to the trigger means until the fuse melts. If the person skilled in the art wanted to improve this system and wanted to additionally take into account a discharge by low currents, a motivation would be given to measure the energy provided to the trigger means. When knowing the underlying problem, it would be the general knowledge of the person skilled in the art that measuring the energy leads to comparably better results. Therefore, it would be obvious after actuation of each trigger means to measure the energy fed to the trigger means and to cut off the energy supply to the previously actuated trigger means after a certain energy limit value is reached.

In contrast, the Federal Supreme Court assumed an inventive step in the present decision, lifted the decision of the Federal Patent Court, and rejected the nullity complaint. According to the Federal Supreme Court, the release point of a fuse did not depend on the energy supplied, but on the amplitude of the triggering current. Since this triggering current depended only on the characteristic of the fuse, there was no motivation for the person skilled in the art to measure the energy supplied to the trigger means. In contrast, the patent-in-suit prevented that the energy stored in the storage device is discharged up to a critical state, and thus it did no longer need a fuse. Notably, it was not relevant for the Federal Supreme Court that the court expert considered the approach of the patent-in-suit as almost mandatory if the person skilled in the art analyses the prior art with respect to the limited amount of stored energy, since the court expert could not provide any examples for such a change in the approach. According to the Federal Supreme Court, the person skilled in the art, in general, would follow the most appropriate approach.

However, experience shows that the technical development does not necessarily follow such approaches which – in a retrospective view – are technically appropriate or more or less mandatory. Therefore, initiatives, suggestions, hints or other reasons must be given to render an approach obvious that is

different to the commonly used approach to solve a certain problem. The mere recognizability of the technical problem is insofar not sufficient.

Further, the Federal Supreme Court confirmed the so-called “one way street” case law, according to which there is no inventive step if there is only one way that leads automatically from the problem to the claimed solution. Such a situation was not given in the present case since there were alternative approaches in the prior art that led to comparable results with different measures.

Finally, the Federal Supreme Court has confirmed – like in a series of similar decisions – the established prerequisites for denying inventive step, requiring a clear motivation of the person skilled in the art to assume the obviousness of a new technical solution which was usually solved by a different approach. Mere knowledge of the underlying problem and further considerations based on the general knowledge of the person skilled in the art are not sufficient to assume such motivation. Thereby the Federal Supreme Court moved a step towards the so-called “could-would” approach of the European Patent Office, also requiring a clear motivation for the person skilled in the art to combine prior art in order to render a combined solution obvious. Thus, to be successful in German or European validity proceedings, an obviousness-attack should present in detail the motivation of the person skilled in the art to arrive at the patented solution, preferably based on as many examples in the prior art as available leading in the direction of the patented solution and leaving established paths.

Reported by Alexander Wunsch

Control Device

German Federal Supreme Court on the patentability of computer-related inventions (decision of January 20, 2009 – Case X ZB 22/07 – Steuerungseinrichtung für Untersuchungsmodalitäten/Control device for examining modalities)

Patentability is not to be decided by the result of weighing technical and nontechnical elements. It is decisive whether the teaching – considered as a whole – serves to solve a concrete technical problem that goes beyond data processing.

The decision clarifies the criteria to be applied in examining computer-related inventions and corrects the restrictive practice of the Federal Patent Court on computer-related inventions.

The patent application at issue relates to a “Method for processing medical data”, wherein information on symptoms and diagnosis is entered into a program which selects and issues information for examination modalities from a data base. Corresponding protocols on examination and measurements are read out from the data base and transferred to a device used in the examination to display the protocols and/or to control the examination modality (e.g. the resolution of images in a computer tomograph). The Federal Supreme Court quotes in this respect long-standing German and European case law, namely BGH “Antiskid system” of 1980, BGH “Diving computer” of 1992 and EPO Board of Appeals T 28/86 “x-ray” apparatus of 1987.

The Federal Patent Court rejected the application under Section 1 (1) German Patent Act for lacking technical character if considered as a whole, and assessed according to what is in the fore: the teaching of the invention could not be realized without the aspects of selecting and deciding which correspond to the mental activities of the physician, and the remaining technical elements (transmission of digital protocols) were not deemed sufficient as a basis for a patentable invention.

The Federal Supreme Court reversed this decision and stated that the technical character as a prerequisite for the patentability of a computer program or a computer-based method is established just because the processing, storing and transmitting of data by means of a technical device is involved. In a claim with a mixture of technical and non-technical features, the technical character must not be negated as a result of weighing. The Federal Supreme

Court recalled that the former “core theory”, on which the Federal Patent Court had based its decision, was expressly abandoned in the 1992 Supreme Court decision “Diving Computer”. Whether combinations of technical and non-technical features (which are excluded as such) are patentable is to be decided solely on the presence of inventive activity.

In addition to the requirement of a technical character, a patent application with a computer program or a computer-implemented method must contain features which solve a concrete technical problem with technical means to overcome the exclusion of a “computer program as such” in Section 1 (3) Patent Act. (The Federal Supreme Court refers in this context to its former decisions BGH “Search for faulty strings” of 2001 and BGH “Electronic Payments” of 2004.) Nontechnical features are only considered to the extent that they contribute to the solution of the technical problem with technical means. A teaching of this kind is only patentable if the solution of the concrete technical problem is novel and based on inventive activity.

The case was remanded back to the Federal Patent Court which will now have to analyze whether the teaching of the application is novel and based on inventive activity; the Federal Supreme Court further suggested to examine whether the application discloses a technical teaching that goes beyond the non-technical aspects of collecting, storing, evaluating and using data in transforming these data and whether this teaching has patentable merits.

The decision of the Federal Supreme Court gives a concise and clear summary of the German law in the field of computer-implemented inventions. The recitation of technical elements in the claims suffices to establish the technical character (“technicality”) of the invention; for computer-implemented inventions, however, it is necessary to demonstrate, in addition, that the claim comprises controlling features that solve a concrete technical problem with technical means (i.e. the program interacting with the computer or other technical components). The computer-implemented invention is only patentable if this solution is found to be novel and based on inventive activity in the examination on the merits of the invention. This approach is in line with the case law of the Boards of Appeal in the European Patent Office (as stated e.g. in T 258/03 “Auction method/HI-TACHI” and T 641/00 “Two identities/COMVIK”).

The decision removes some ambiguities in the former case law of the Federal Supreme Court which – although requiring

Road Construction Machine

that the technical character be assessed for the claim as a whole – put the emphasis on the “coining features”, i.e. those that determine its character. This apparently led the Federal Patent Court to its restrictive practice in the field of computer-implemented inventions. That practice had already been criticized in the decision “Electronic Payments” of 2004.

The future discussion on granting patents for computer-implemented inventions will now focus on the issue of how to construe the term “concrete technical problem” in the presence of non-technical features and the contribution of the latter to inventive activity.

Reported by Fritz Teufel

German Federal Supreme Court on the interpretation of an unclear feature of a patent claim in infringement analysis (decision of March 31, 2009 – Case X ZR 95/05 – Straßenbaumaschine / Road construction Machine)

A patent infringement complaint may not be rejected on the grounds that a feature of the asserted patent claims seems to be unclear in its technical meaning. A lack of clarity may only give reason to limit the feature to the narrowest reasonable meaning.

In the decided case, the plaintiff asserted against the defendant claims for the infringement of a European patent relating to a road construction device. The defendant contested the alleged infringement by arguing that one of the features of the asserted patent claim which relates to the location of the operator’s stand of the road construction device would not be realized. According to said feature, the operator’s stand must be located “in the area of the rear supporting rollers”.

The District Court essentially followed the plaintiff’s requests and assumed a literal infringement of the asserted patent claim after having ordered and considered a written court expert’s opinion. The defendant filed an appeal against this decision.

The Court of Appeals ordered the first instance court expert to provide a supplementary court expert opinion for the appeal instance and heard the court expert also in an oral hearing. On this basis, the Court of Appeals rejected the plaintiff’s infringement complaint and lifted the first instance decision. The Court of Appeals reasoned this decision as follows: Despite ordering a written court expert’s opinion and hearing the court expert in an oral hearing, it was not possible to establish what the feature stipulating that the operator’s stand must be located “in the area of the rear supporting rollers” actually means. The court expert would not have been able to define this feature. Therefore, it could not be established whether the operator’s stand of the attacked embodiment being located slightly in front of the rear supporting rollers would be “in the area of the rear supporting rollers” or not.

With the reported decision, the Federal Supreme Court considered this reasoning to be based on fundamental legal defects and thus lifted the appeal decision by referring the case back to the Court of Appeals for the following reasons: The rejection of the complaint for remaining doubts with

respect to the meaning of the disputed claim feature by the Court of Appeals indicated that – according to the Court of Appeals’ opinion – said meaning would be a question of facts and not a question of law. Such understanding neglected, however, that the granted patent claim and its subject matter have a normative character and must therefore be determined as a question of law. Consequently, the question of how a feature of a patent claim has to be understood cannot remain unanswered by the infringement court.

The infringement court is responsible and obliged to answer any question of law, even if the applicable law is unclear or if its interpretation is difficult. The infringement court must thus determine the meaning of the patent claim and of its features in such way that the result appears to be technically meaningful from the point of view of a person skilled in the art, in view of the patent specification and under consideration of the description and the drawings. This rule was based on the experience of life that persons skilled in the art typically intend to read a patent with a meaningful content. Therefore, any (remaining) lack of clarity of the claim feature may only give reason to limit the meaning of said feature down to the narrowest reasonable meaning, if otherwise no sufficient legal certainty for third parties may be safeguarded.

The approach of the Court of Appeals would in essence lead to the refusal of patent protection in cases of “unclear” features. This was not in conformity with the binding and existing legal situation that the grant of a patent attributes rights to the patentee which the infringement judge must reflect as long as the corresponding patent claim is not revoked or declared to be invalid. As a side note, the Federal Supreme Court further presents in the reported decision its understanding of the meaning of the disputed claim feature by expressly citing and explaining passages from the specification of the asserted patent, thereby suggesting to the Court of Appeals a possibly meaningful and with respect to the principle of legal certainty sufficient interpretation.

In summary, the Federal Supreme Court emphasizes – like in a series of similar preceding decisions – the supportive (but not authoritative) role of the court expert and the responsibility of the infringement court as to the interpretation of a patent claim and of its individual features. The “new” – but in view of this case law rather self-evident – aspect of the present decision is the confirmation that lack of clarity of a patent claim is not a valid argument for alleged infringers to use as a defense. However, more specifically and more importantly, the Federal

Supreme Court found, in addition, that a lack of clarity may give reason to substantially limit the respective feature to the narrowest reasonable meaning.

This means in practice that applicants are well advised to draft patents, and in particular patent claims for Germany, as clearly as reasonably possible. At least in Germany, the opposite concept of a noncommittal determination of the protected teaching entails significant risks, namely that the scope of protection is substantially limited by the infringement court and thus unsuitable to allow for any intended “fishing expedition” for litigation purposes. Further, unclear patent claims may facilitate an easy and potentially successful design-around.

Reported by Dr. Tilman Müller-Stoy

Orange Book Standard

German Federal Supreme Court on anti-trust defense in litigation involving standard-essential patents, (decision of May 6, 2009 – Case KZR 39/06 – Orange Book Standard)

The German Federal Supreme Court ruled that a defendant in a patent infringement suit may successfully raise an anti-trust defense against the issue of an injunction where the asserted patent is standard-essential and the defendant has tried to obtain a license to the patent under reasonable conditions.

A defendant may under European and German anti-trust law have a right to a license to a patent which the defendant cannot avoid infringing if he wants to use a standardized technology. In the case before the Federal Supreme Court, the asserted patents covered the Orange Book standard for writable CDs developed by plaintiffs Philips and by Sony. The Court said that the plaintiff's denial to grant a license may be an abuse of market power conferred on him by the standard-essential patent, and unduly discriminate against or obstruct the defendant.

In this decision, the Federal Supreme Court confirmed for the first time the existence of the so-called anti-trust defense against the issue of an injunction in a patent infringement case. The court emphasized that the prerequisites for the defense include that the defendant has made a license offer under reasonable conditions and that the plaintiff's rejection of the offer was unlawful under anti-trust law. While these elements had already been mentioned by lower instance courts like the Karlsruhe and Dusseldorf courts of appeal, the Federal Supreme Court added, as a further prerequisite, that the defendant regularly pay or at least deposit for the plaintiff the royalties due under his reasonable license offer. In this case, defendants Master & More, SK Kassetten, Global Digital Disks had not deposited the 3% royalties which in their opinion were owed, and therefore the court dismissed the appeal without having to decide whether Philips had abused its market power.

In a dictum, the court noted that the defendant often does not know the amount up to which a royalty rate may still be considered as reasonable. The court said that the defendant, therefore, may make an offer to take a license without specifying the license fees and leave it to the plaintiff to determine, at his discretion, a reasonable amount. At the same time, the defendant must deposit for the plaintiff an amount that is certain to cover any fees the plaintiff can reasonably demand.

Once the plaintiff has quoted an amount, the defendant may ask the court in a later proceeding to reassess the amount determined by the plaintiff.

Despite the introduction of the additional requirement for the defendant to deposit reasonable license fees, the decision of the Federal Supreme Court is likely to strengthen the defendant's position. Under the available case law of the lower instance courts, the defendant could avoid the issue of an injunction only if he had made a license offer that was so high that, by asking for more, the plaintiff would have violated anti-trust law. To be on the safe side, the defendant's offer had to go to the limit or beyond of what can be regarded as reasonable.

Under the new rules set by the Federal Supreme Court, it seems that the defendant may apply the following procedure to avoid the issue of an injunction in the case of a standard-essential patent: (1) Defendant makes an offer to take a license under reasonable conditions, without specifying the fees; (2) defendant deposits an amount that at least covers any fees the plaintiff can reasonably demand; (3) plaintiff determines the fees; (4) defendant may ask the court to assess whether the amount set by the plaintiff is reasonable.

Reported by Dr. Christof Karl, LL.M.

Doxorubicin-Sulfate

German Federal Supreme Court: Confirmation of the Court's strict stance on Supplementary Protective Certificates (SPCs), (decision of October 14, 2008 – Case X ZB 4/08 – Doxorubicin-sulfate)

The German Federal Supreme Court has maintained and strengthened its restrictive interpretation of the scope of pharmaceutical products being eligible for patent life-time extension under Regulation (EEC) No 1768/92.

The present case concerned an appeal to the decision of the German Federal Patent Court to refuse an SPC application for a liposomal formulation of doxorubicin-sulfate. The Court reasoned that the applicant's market authorization for said formulation had not been the first authorization, pursuant to Article 3 (d) of Regulation (EEC) No 1768/92/EEC. Article 3 (d) stipulates that the applicant's authorization has to be the first market authorization as a "medicinal product".

A "medicinal product" is defined in the Regulation as any substance or combination of substances presented for treating or preventing disease in human or animal beings. In a series of decisions, the European Court of Justice (ECJ) ruled that a "medicinal product" is the active pharmaceutical ingredient itself, or a combination of active ingredients, regardless of any indication, use in human or animal therapy, formulation, or the presence of a different salt or prodrug form. For doxorubicin, there had been an earlier market authorization for the active ingredient in its hydrochloride salt form.

In the appeal proceedings, the applicant argued that doxorubicin-sulfate had improved potency, better pharmacological properties and reduced toxicity in comparison to doxorubicin-hydrochloride and, thus, constitutes a new product. However, despite these advantages, the Federal Supreme Court dismissed the appeal and ruled that doxorubicin-sulfate cannot be considered as a new medicinal product since the active ingredient ("doxorubicine") is the same.

This decision is the latest of a series of decisions demonstrating that the German Federal Supreme Court is in agreement with the European Court of Justice in its very restrictive interpretation of Regulation (EEC) No 1768/92. A request for referral to the ECJ was denied since the Federal Supreme Court saw no need for clarification of the points of law in question. Consequently, it has to be expected that in future cases ap-

plicants will not be able to rely on any type of secondary arguments such as improved activity, reduced toxicity, new dosage forms, new applications and the like to overcome the objection that an earlier market authorization had already been issued for the same active ingredient.

Reported by Markus Coehn

Olanzapin

German Federal Supreme Court: Landmark decision as first step in harmonizing the German position on disclosure and novelty with the EPO (decision of December 16, 2008 – Case X ZR 89/07 – Olanzapin).

The decision of the German Federal Patent Court to revoke the patent covering Eli Lilly's patent on Olanzapin (see IP Report 2007/III) on the basis of lack of novelty was reversed in a spectacular and ground-breaking decision of the Federal Supreme Court.

For many years, German patent courts have developed a very broad concept of disclosure which contradicts the more "photographic" approach of the European Patent Office. In particular, in the chemical field, the decision "Fluoran" barred applicants from validly claiming so-called selection inventions from a general chemical formula. According to this decision, each and every compound falling under a general formula is disclosed to the public, provided that the skilled person is actually capable of preparing the compound concerned. At least in this respect, the German case law is the diametrical opposite of the position of the EPO and most other European countries.

These disparities and the relative isolation of the German position within Europe were highlighted at a conference of European patent judges in Venice last summer. Thus, it was not entirely surprising that the Federal Supreme Court took the opportunity of the present case to amend its position.

Two aspects of the decision are particularly noteworthy:

1. Interpretation of a prior art document

In a first aspect, the Federal Supreme Court addressed the rather "broad" concept of disclosure which contradicts the more "photographic" approach of the EPO. A good example of what is to be understood by this "broader" concept of disclosure can be found in the reported decision in which the Federal Supreme Court had to decide on a decision of the first instance having revoked the patent in suit due to a lack of novelty. In this first instance decision, it was reasoned that a prior art document discloses the not explicitly mentioned compound Olanzapin, since the skilled person could readily derive it by extrapolating the explicit disclosure in light of the experimental results reported in said prior art document.

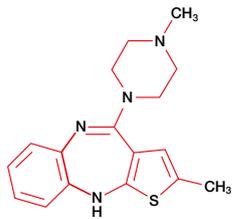
The basis for such a type of reasoning is the Federal Supreme Court's decision „Elektrische Steckverbindung“/“Electric plug-in connection” stipulating that the disclosure of a prior art document, when interpreted as a whole and in its technical context, is not limited to the literal wording but also encompasses information that is readily apparent to the skilled person upon careful study of the document. This concept of reading a disclosure “as a whole” and “in its technical context” has sometimes – as in the present case – been used as leverage to broaden the disclosure in order to also include, at least partially, equivalents and/or the result of further considerations of the skilled person on the basis of his/her knowledge of the general technical background.

In an effort to harmonize with the case law of the EPO, the Federal Supreme Court has now put an end to such practices. The Senate has clarified that, in the context of the above-cited decision “Electric plug-in connection”, the skilled person, on the basis of his/her background knowledge, will only “read into” a document the additional information which is essentially required to carry out the claimed teaching. The Court further stressed that this does not extend to equivalents or any technical information going beyond of what is strictly necessary to carry out the invention.

2. Disclosure of general chemical formula

The Federal Supreme Court has also taken the opportunity to substantially alter its jurisprudence with respect to the disclosure of general chemical formulae. According to the Federal Supreme Court's decision “Fluoran”, each and every compound falling under a general chemical formula is disclosed to the public, provided that the skilled person is actually capable of preparing the compound concerned. In the reported decision, the Federal Supreme Court stated that it will no longer adhere to this decision and that a general formula in principle does not disclose the individual compounds falling in its scope. According to the decision, a general chemical formula may disclose an individual compound falling under its scope only if the skilled person “reads” that compound “into” the general formula according to the (now very restrictive) principles of the above-discussed decision “Electric plug-in connection”. As an example, the Court mentions a general formula “into” which the skilled person “reads” an individual compound as the common embodiment of said formula which is readily apparent to the skilled person as at least also “meant” when reading the general formula. As further guidance on how to interpret the disclosure of chemical formulae, the Federal Supreme Court

Garlic Sausages



states that it sees its (new) jurisprudence “essentially in accord” with the case law of the EPO in this respect.

Both of the above-discussed aspects demonstrate the intention of the Federal Supreme Court to harmonize its position with the EPO with respect to novelty. However, it remains to be seen to what extent the Federal Supreme Court is willing to follow the EPO’s lead. It is noteworthy that substantial discrepancies remain, for example with respect to the interpretation of the disclosure of numerical ranges where, according to German practice, each and every value within a numerical range is considered to be disclosed. However, at least for chemical formulae, it is to be expected that the EPO’s practice will be applied in Germany. As one consequence, selection inventions on basis of general chemical formulae should now be patentable in Germany. Patent practitioners should also note that these new principles of disclosure will most likely be also applied in other aspects of German patent law such as support of amendments in the original disclosure or when claiming priority.

A commentary on this decision will be published in GRUR by attorneys of this law firm. An English translation of both the decision and the commentary can be provided upon request.

Reported by Dr. Wolfgang Bublak and Markus Coehn



German Federal Supreme Court: Differences between manufacturer’s brands and private labels under German passing-off law (decision of April 2, 2009 – Case I ZR 144/06 – Knoblauchwürste/Garlic Sausages)

Since the German Federal Supreme Court’s decision “Viennetta” from 2000, infringers were allowed to use deviating designations on similar packaging to avoid consumer confusion under German unfair competition law (“passing-off”). Eight years later, the same Court got the long-awaited opportunity to provide further clarification.

The claimant, selling meat and sausage products in Germany, including Turkish style garlic sausages under the mark “EMRE” and the umbrella brand “EGETÜRK”, sued the defendant for distributing garlic sausages packed in similar wrappings under the mark “NAMLI”, as shown below:

Different from the Cologne District Court and the Cologne Appeal Court, the German Supreme Court dismissed the action and denied sufficient likelihood of confusion for relevant part of the public.

At first, the Court confirmed that indirect confusion as to origin may occur if consumers perceived the imitation as the original being sold under a sub-brand, or if consumers assumed a business or organisational link between both companies. Such indirect confusion as to origin, however, may be avoided if the imitation shows a deviating manufacturer’s brand. The Court then clarified that, different from manufacturer’s brands, private labels, rather common nowadays in the food trade sector, per se would not help avoiding indirect confusion as to origin. However, as a pre-condition, private labels were perceived as such only if they refer to a specific retailer.

In the case at hand, however, the defendant was able to demonstrate that his sub-brand was not perceived as a private label but as a manufacturer’s brand. In particular, held the Supreme Court, the defendant had not argued, contrary to the finding of the Cologne Appeal Court, that “NAMLI” was perceived as a private label. Therefore, the Cologne Appeal Court’s verdict was overturned.

Furthermore, since all facts had been disclosed, the Federal Supreme Court did not remand the case to the Cologne

WM-Trademarks

Appeal Court, but decided conclusively, including a (rather rare) full assessment of the (denied) similarity of the wrappings.

Remarks:

From a practitioner's point of view, the Court's further clarification of the impact on labels under national passing-off law is very welcome. Since using a manufacturer's brand (instead of private labels) may help the defendant to argue non-infringement, the defendant bears the burden of proof to show that he is trading under a manufacturer's brand, not under a private label. *Vice versa*, the claimant may demonstrate that the defendant's mark is perceived as a private label. In case of discount retailers it may be easy to show that different or even non-similar goods are sold under an identical mark (potentially even registered in the name of the retailer) without any further indication of the producer ("produced for XY") so that the corresponding mark is perceived as a private label. In other cases, such as the present one, where the defendant is not acting as a discount retailer, things may become much more complicated. Therefore, further guidance from German courts, in particular on the onus of proof, would be very much welcomed.

Reported by Dr. Henning Hartwig



German Federal Supreme Court rejects claims of FIFA against Ferrero's trademark registrations, including "WM", "2010" and "South Africa" (decision of November 12, 2009 – Case I ZR 183/07 – WM-Marken/WM-trademarks).

On November 12, 2009, the German Federal Supreme Court rejected a cancellation action filed by FIFA against various trademark registrations of Ferrero, which referred to both the soccer world championship 2006 in Germany and 2010 in South Africa (FIFA World Cup). The Court held that making use of the signs "WM", "2010" and "South Africa" in Ferrero's trademarks neither amounts to a trademark infringement, nor to unfair competition. Therefore, FIFA can not ask Ferrero to agree to cancellation of the contested trademarks.

The claimant, the Fédération Internationale de Football Association (FIFA) from Switzerland, is the organizer of the soccer world championships since 1930. FIFA owns numerous trademarks referring to the soccer event, *inter alia* word marks "WM 2006", "WM 2010" and "South Africa 2010" (CTM application "WM 2014" is pending). However, the German word mark "Fußball WM 2006" ("soccer world championships 2006") had already been invalidated by the Supreme Court in 2006, the Court having found this mark to be devoid of distinctiveness. The abbreviation "WM" is commonly used in German-speaking countries as a synonym for "Weltmeisterschaft" ("world championships").

The defendant, the German company Ferrero, produces and distributes chocolate products. Since many years, once soccer world championships are approaching, such chocolate products are sold together with stickers showing the teams and players participating in the championships. It was only in 2006 that FIFA obtained a preliminary injunction against Ferrero for using the slogan "Unser DFB-Team Deutschland" ("our German soccer team"), which, however, was later overruled by the Hamburg Appeal Court.

In the present case, FIFA claimed cancellation of Ferrero's trademark registrations, including terms and figures referring the soccer world championships. These trademarks had been registered for various goods, *inter alia* for chocolates and printed materials. FIFA based its claims on trademark rights, title rights (related to "WM 2010", "GERMANY 2006" and "SOUTH AFRICA 2010") and rights deriving from the German

Thermoroll

Act against Unfair Competition. Whereas the first instance, the Hamburg District Court, found the trademark registrations of Ferrero to constitute an act of unfair competition, the Hamburg Appeal Court overruled this decision. The German Federal Supreme Court now finally confirmed the decision of the Appeal Court.

The Supreme Court found that there was no likelihood of confusion between FIFA's earlier marks and/or title rights, on the one hand, and Ferrero's trademark registrations, on the other hand. Furthermore, the Court found that Ferrero's trademark registrations did not amount to any unfair competition, because the trademarks do not make consumers believe that Ferrero is an official sponsor of the world championships organized by FIFA. Finally, according to the Federal Supreme Court, Ferrero does not unduly prevent FIFA from franchising the world championships. FIFA's right to exclusively exploit this event, said the Court, does not necessarily mean that FIFA can prevent other companies from referring to the world championships by any means. Consequently, the Court dismissed FIFA's action in its entirety.

Remarks:

It is favourable that the Federal Supreme Court decided on the matter well before the next soccer world championships starting in June 2010. Although the decision concerned trademark registrations, it appears to be allowed to refer to sports events under specific circumstances. The decision will be welcomed by those companies who wish to refer to the event, but might be afraid to be confronted with warning letters and preliminary injunctions. Nonetheless, one has to bear in mind that the defendant had to appeal the underlying first instance decision before prevailing in the appeal stage. Therefore, it is likely that FIFA will continue claiming exclusive rights in the terms "Weltmeisterschaft", "Fußball Weltmeisterschaft" and the abbreviation "WM" until the Federal Supreme Court renders a decision generally denying such claims.

Reported by Philippe Kutschke

German Federal Supreme Court on using the ® symbol without the user being the owner or licensee of the corresponding trademark (decision of February 26, 2009 – Case I ZR 219/06 – Thermoroll)

The German Federal Supreme Court has ruled that the practice of using the ® symbol in advertising by a person or entity other than the owner of the corresponding registered trademark or without any other entitlement to use it, e.g. as a licensee, is a significantly misleading – and thus unfair – commercial practice, which is prohibited. An exception to this rule can be made, according to the court, if the advertiser is entitled to use a trademark that is similar to the sign used in connection with ® and the use of such sign constitutes genuine use of the mark under Section 26 (3) Trademark Act.

The claimant, a licensee of the German trademark registration "Termorol" for curtains, was using the sign "Thermoroll®" for curtains (roller blinds) in advertising. However, this use was unauthorised until February 16, 2006. When the defendant sued for information and damages, the German Federal Supreme Court held as follows:

The use of the "Thermoroll®" sign suggests to the relevant public both that there exists a registered trademark of exactly this appearance and that the advertiser is entitled to use this trademark in the corresponding advertisement. Since the claimant was not entitled to use the "Thermoroll" trademark until 16 February 2006, use of the "Thermoroll®" sign was held to be misleading. The fact that the claimant was the authorised licensee of the "Termorol" registered trademark (for curtains) did not affect the judgment of misleading use. Due to the phonetic and conceptual differences between "Termorol" and "Thermoroll" – the two words are pronounced differently, and the prefix "Therm" in particular is associated by the relevant public with heat –, using "Termorol" did not constitute genuine use of "Thermoroll". Thus, the relevant public does not relate "Thermoroll®" to the claimant's trademark "Termorol", and the advertising is misleading.

Since it is likely to cause the average consumer to make a buying decision that he/she would not otherwise have taken, this type of deception of the relevant public is also deemed a relevant criterion under Section 5 Act against Unfair Competition, i.e., its relevance does not need to be further examined by the

court. Because the claimant itself attached great importance to the “Thermoroll®” sign and was well aware of the difference between the two signs, it is obvious that the claimant expected its use of “Thermoroll®” to have a beneficial effect on consumers. Against this background and due to the fact that the purpose of prohibiting misleading commercial practices is to prevent competitors from using false information in the course of their business, a competitor using the ® symbol without being entitled to use the corresponding registered trademark is acting in a misleading manner and is thus in breach of Section 5 Act against Unfair Competition.

Remarks:

This decision is a welcome clarification: Under the re-codified German Act against Unfair Competition, any competitor adding the ® symbol to a sign in advertising without being the authorised licensee or owner of the registered trademark is misleading the public to a relevant extent. Related comments in legal literature arguing that making reference to a registered trademark in advertising is of little importance to the relevant public do not prevail in leading case law.

Reported by Verena Wintergerst, LL.M.

Ivadal

German Federal Supreme Court on circumstances demonstrating filing of a trademark application in bad faith (decision of April 2, 2009 – Case I ZB 8/06 – Ivadal).

The German Federal Supreme Court has now ruled in three cancellation proceedings on absolute grounds for refusal, namely bad faith on the part of the applicant (Case I ZB 8/06 – Ivadal; Case I ZB 5/08 – Flixotide; Case I ZB 9/06 – Cordarone), all of them concerning trademark applications filed by the same company. The Court clarified the circumstances under which the filing of a trademark application by a trademark agency constitutes bad faith according to Section 8 (2) No. 10 Trademark Act. In all three cases the Court – in contrast to the German Federal Patent Court – confirmed bad faith on the part of the applicant and remitted the cases to the German Federal Patent Court for reconsideration.

The trademark applicant, a company specializing in licensing trademarks, had filed various German trademark applications covering “pharmaceutical products, in particular medicines for human purposes”. The trademark applications concerned designations which are currently used by pharmaceutical companies for their products outside Germany. However, in the German market, the pharmaceutical companies themselves distribute these products under different product names and thus did not file German trademark applications for the foreign product names. Notwithstanding this, German distributors of these pharmaceutical products offer the imported products of the pharmaceutical companies in Germany under the names used by the pharmaceutical companies outside Germany.

The Court held that if because of the business area of a trademark owner genuine use of the trademark involved only comes into consideration by way of licensing or transferring the trademark, a trademark application may have been filed in bad faith, if it is likely that the trademark owner will use unlawful means to persuade third parties to obtain a license from him. The Court stated that such unlawfulness may arise not where the licensee or purchaser of the trademark is a large, undefined group of companies, but where it is a specific company interested in obtaining a license. In the latter case, the fear for such companies is that the trademark owner would prevent them from using the trademark that they had been able to use freely before the trademark application was filed.

UHU

The relevant date for determining bad faith is the date of the trademark application. However, the Court held that the date of the trademark application means the date of the decision regarding the eligibility of the trademark for registration.

Further, the Court held that in cancellation proceedings on absolute grounds for refusal (Section 50 German Trademark Act) bad faith does not have to be obvious, as opposed to application proceedings. On the contrary, all relevant circumstances of the case must be thoroughly examined.

Remarks:

This decision will be welcomed by companies that have missed to file German trademark applications for their international and/or foreign trademarks, and which are now facing trademark registrations from third parties for identical designations covering identical goods and/or services. The decision demonstrates that the German Federal Supreme Court does indeed consider the overall situation of a trademark holder's rights, including rights acquired in countries outside Germany. Furthermore, the Court's finding that the relevant date for determining bad faith is the date of the decision on the trademark application (this could be a decision by the PTO, the German Federal Patent Court or the Federal Supreme Court) is likely to help these companies in respect of the generally onerous proof of bad faith, because it allows consideration of a longer period.

Reported by Philippe Kutschke

German Federal Supreme Court on the preconditions a colour combination has to fulfil for claiming trademark protection acquired by use (secondary meaning) (decision of February 19, 2009 – Case I ZR 195/06 – UHU)

On February 19, 2009, the Federal Supreme Court decided that a sign claiming trademark protection due to secondary meaning according to Section 4 (2) Trademark Act, does not have to be capable of being represented graphically according to Section 8 (1) Trademark Act. However, both the systematic arrangement and the proportions of the colours included in the trademark must be clearly and unambiguously identified.



The claimant, a manufacturer and distributor of glues under the trademark "UHU", sued the defendant for distributing identical goods under the label "PERFECT", using the colours yellow, black, red (and white) – similar to the "UHU" colours – for the glue's collapsible tube and the packaging, as shown to the left.



The claimant asserted claims allegedly conferred by a German colour trademark right acquired for glues through use (secondary meaning) in any combination of the colours yellow and black, if – as requested by the claimant – the proportion of the yellow colour goes beyond the black colour's proportion. The claimant's range of glues (tubes and packaging) is mainly in the colours yellow and black, with the yellow colour prevailing. However, there are also get-ups offered by the claimant using – additionally – the colours white, red, blue and/or green, as exemplarily shown to the left.

The Federal Supreme Court decided that the claimant's colour combination yellow/black shall not be granted trademark protection due to secondary meaning according to Section 4 (2) Trademark Act, although the claimant was market leader in the years 1987 through 2003, keeping a corresponding market share between 72% and 89% in the field of "all-purpose glues" and a market share between 41% and 50% in the field of "superglues".

Indeed, the Court held that any kind of trademark acquired through use – including such as the underlying colour combination seeking trademark protection – is not covered by Section 8 (1) Trademark Act (stating that signs which are not capable of being represented graphically are excluded from registration and thus from trademark protection as such). According to the Court, this requirement of graphical repre-

Halzband

sentation is merely linked to registration as such, where a graphical representation is necessary for a trademark to be displayed on the register and to express its scope of protection to the public. Thus, the Court concluded that the existence of a mark acquired through use cannot be denied solely for not being capable of being represented graphically.

However, independent of the aforesaid, a colour combination claiming trademark protection due to secondary meaning as a mark acquired through use must – first – meet the general criteria of signs of which a trademark may consist (Section 3 Trademark Act) and – second – must have acquired secondary meaning. In this respect, the Court held that the underlying colour combination described as “yellow and black, while the proportion of the yellow colour exceeds the black colour’s proportion” is no protected subject matter of trademark law, since the concrete colour combination does not meet the criteria of the principle of clarity and definiteness.

Even signs seeking trademark protection without registration by claiming secondary meaning must be defined unambiguously, since secondary meaning always corresponds to a concrete sign, rather than to abstract single elements. Thus, it would have been the claimant’s task to concretely describe the systematic arrangement of the colours (e.g., regarding the background colours and the colours of the printed words) and the proportion of the respective colours included in the sign. Merely naming two colours that can be used in any arrangement and combination, even with other colours – does not suffice for acquiring trademark protection by secondary meaning.

Reported by Verena Wintergerst, LL.M.

German Federal Supreme Court: Owners of an eBay account can be held directly liable for IP infringement caused by misuse of such account if access information has not been kept safe (decision of March 11, 2009 – Case I ZR 114/06 – Halzband/Necklace)

The German Federal Supreme Court established a new concept of liability related to IP infringements caused by users of online market places: Users of internet accounts are obliged to keep the access information safe. If they do not comply with this obligation and, as a consequence, another person uses the account for offers infringing IP rights without the account owner’s consent, the latter is directly liable for such infringements.

In the past, the Federal Supreme Court had based the liability related to infringing offers placed by users of online services on the German legal concept of “Störerhaftung”, in the sense of a contributory liability. Recently, German courts tend to give up this concept and establish a new concept of liability making access providers liable once they do not comply with their obligation to monitor and/or prevent infringements (see IP Report 2009/II). In the “Halzband” case, the Federal Supreme Court establishes a third concept of liability – the obligation to keep access information safe.

In this case, Cartier claimed trademark infringement and unfair competition practices against the defendant, an eBay user on whose account an imitation of a Cartier collar (“Halzband”) was offered. The offer indicated that the imitation was originally made by Cartier (“simwol fon Cartier”). As this offer was not placed by the defendant but by his wife (who had used the account without the defendant’s knowledge), the key issue of the decision was whether the defendant could be held liable for offers placed by his wife – even if he had no knowledge and did not participate in the infringement.

The Court emphasizes that safekeeping of access information is of outstanding importance, as the public, in particular the owners of IP rights, need to know which (natural) person acted under the alias name or user name so that this person can be identified and made liable. As the defendant did not comply with this obligation of safekeeping, the Federal Supreme Court held that he is directly liable for the infringement of third parties’ intellectual property rights caused by the use of his account.

OSTSEE-POST

Remarks:

The “Halzband” decision demonstrates, again, that German case law is much in favour of the rights owners when infringements occur on internet platforms. In particular, the decision imposes strict safekeeping requirements for internet users. As a consequence, internet users are not likely to succeed in proceedings before German courts arguing and pretending that “someone else” used their alias name and account. Therefore, rights owners are protected by German case law. They can rely on having at least the owner of the account to be held responsible – even if the account owner can provide evidence of not having placed or published the infringing material. In this case, users are still liable under the third concept of liability – a violation of safekeeping obligations.

Reported by Pascal Böhner

German Federal Supreme Court holds that the trademarks “POST” and “OP OSTSEE-POST”/“OSTSEE-POST” are dissimilar (decision of April 2, 2009 – Case I ZR 78/06 – OSTSEE-POST/Post of the Baltic Sea).

Further to its earlier “CITYPOST”-decision (reported in IP-Report 2008/IV), the German Federal Supreme Court now rendered four new decisions in infringement proceedings initiated by the Deutsche Post AG against its competitors for use of the designation “POST”, namely as regards the use of “RegioPost” (Case I ZR 209/06), “Regionalpost Delmenhorst” (Case I ZR 111/06), “Turbo P.O.S.T.” (Case I ZR 110/06) and “OSTSEE-POST” (Case I ZR 78/06). In all four cases the Court denied claims of the Deutsche Post AG.

In “OSTSEE-POST” the Court held that a trademark holder’s monopoly for the production of goods or for rendering certain services – a monopoly which the Deutsche Post AG and its predecessor, the Deutsche Bundespost, had for many years in respect of delivery services – does not per se negatively influence the degree of distinctiveness of a trademark. Notwithstanding this, a monopoly may lead to the relevant public’s perception of the sign not as a trademark, but as a descriptive term. The earlier decision had not made any assessment on this point, and thus the question remained unanswered.

In any event, a monopoly has to be considered when assessing whether use of the sign by third parties happens “without justifying reason” – in the sense of an eligible interest – as provided in Section 23 No. 2 (use of descriptive signs) and in Section 14 (2) No. 3 (protection of wellknown trademarks) Trademark Act. In light of the liberalization of the German post market, the Court found that the competitors have an eligible interest in using the term “POST” insofar as it is used in combination with other terms to create a clear distance to the claimant’s signs, and as far as they do not use the term, in combination with other trademarks of the claimant (post horn, colour yellow).

Although a survey conducted by Deutsche Post AG demonstrated that more than 80% of the German consumers believe that the term “POST” refers to the Deutsche Post AG, the Court decided that the word mark “POST”, owned by the Deutsche Post AG, does not have a high degree of distinctiveness, arguing that the term “POST” was clearly descriptive in

respect of the goods and services in question. However, the Court clarified that trademarks that acquired distinctiveness, in general, have an average degree of distinctiveness. Only under specific circumstances was a low degree of distinctiveness discerned. As the earlier decision had not made any comment on this point, the Court assumed an average degree of distinctiveness of the word mark “POST”.

The Court confirmed the Appeal Court’s assessment that the signs in dispute were dissimilar and therefore the claims based on the claimant’s trademarks and/or company name were deemed unfounded. This is particularly interesting, because according to German and European trademark principles, the fact that an older trademark as a whole is part of a younger trademark, may lead to likelihood of confusion between the signs (see “THOMSON LIFE”). The Court clarified that this principle was only applicable if the earlier mark – without necessarily dominating the overall impression of the composite sign – has an independent position in the composite sign, and if the earlier mark is perceived by the relevant public as a distinctive part of the composite sign. The Court held that the term “POST”, being clearly descriptive for delivery services, is not a distinctive part of the contested signs “OP OSTSEE-POST” and “OSTSEE-POST”. The same is true for the series of trademarks of the claimant including the term “POST”.

Finally, the Court stated that claims based on the Trademark Act, on the one side, and claims based on the Act against Unfair Competition, on the other side, in general, concern two separate matters in dispute. In the subject case, the claimant introduced claims based on Section 5 (2) Act against Unfair Competition for the first time in proceedings before the Federal Supreme Court. Consequently, the Court – being exclusively an instance for review of the appeal decision on legal aspects – held that it was not entitled to assess whether claims may derive from provisions that have not been discussed in the lower instances.

Remarks:

The Court’s most recent case law is of utmost importance for competitors of the Deutsche Post AG as it clarifies that – independent from the final outcome in the cancellation proceedings concerning the word mark “POST” – companies providing delivery services, also referred to as postal services, generally are entitled to use the designation “POST” as part of their trademarks and company names. The decision also clarifies that a monopoly on providing certain services has

to be considered when determining likelihood of confusion between two signs. However, the Court held that competitors who use the term “POST” together with other trademarks of the Deutsche Post AG (e.g. post horn and/or the colour yellow), may not rely on an eligible interest in use of the term “POST”. In this respect, it remains unclear whether use of the designation “POST” in combination with a post horn, but without the colour yellow, would be considered to cause likelihood of confusion or unfair business practice. Given that the German trademark law generally denies protection of a motive per se (e.g. the depiction of a post horn), one should believe that postal services can be promoted with a post horn. However, the subject decision hints at the opposite direction.

Reported by Philippe Kutschke

DAX

German Federal Supreme Court: Frankfurt Stock exchange loses against Commerzbank when asserting claims related to “DAX” (decision of April 30, 2009 – Case I ZR 42/07 – DAX)

The claimant, Commerzbank, is a German bank that, *inter alia*, trades in warrants. The defendant, Deutsche Börse AG, operates the Frankfurt Stock Exchange and provides – under private law – services in respect of commercial exploitation of indexes and rates. Furthermore, the defendant is the owner of the German word marks “DAX” and “DivDAX”, both registered, *inter alia*, for “quotation of stock exchange prices; determination, including computation, of a share index” in class 36.

In 2001 the defendant and the claimant concluded a licence agreement concerning the use the word mark “DAX” in respect of emitting warrants. After the claimant terminated the licence agreement in 2006, disputes arose between the parties about whether the claimant was entitled to use the trademarks “DAX” and “DivDAX”. Whereas the claimant in the litigation proceedings requested to assess that it was entitled to freely use the defendant’s trademarks, the defendant filed a counterclaim, basically asking for injunctive relief concerning use of the trademarks “DAX” and “DivDAX” and asking for payment of licence fees in the amount of over one million Euros for use of the trademark “DAX”. The Frankfurt District Court rejected the complaint and admitted the defendant’s counterclaim. The claimant’s appeal to the Frankfurt Appeal Court was successful concerning use of the trademark “DAX”, but not concerning use of the trademark “DivDAX”.

The Federal Supreme Court confirmed the Appeal Court’s decision in respect of the trademark “DAX” and ruled that the claimant was entitled to use “DAX” in respect of the aforementioned services.

The Court held that using “DAX” as a reference was not an act of taking unfair advantage of the trademark DAX’s reputation and, therefore, does not violate Section 4 No. 9 (b) Act against Unfair Competition. The Court based its decision on the fact that the reputation of the DAX trademark is attributed to considerations in respect of the most important companies as listed on the German stock exchange, their performance and the conditions of the specific warrants as well as the emitting bank’s soundness – but not on the services provided by the

defendant in this respect, i.e. using a mathematical term. In respect of the defendant’s alleged violation of its trademark rights in the designation “DAX”, the Court held that the way the claimant used the trademark was descriptive and therefore authorized by Section 23 No 2 German Trademark Act. According to Section 23 No 2 German Trademark Act, third parties may use a trademark to explain the nature of their services, unless such use is not immoral. The Supreme Court held that use of the trademark was not immoral, because the “DAX” represents the most important stocks on the German financial market and that the specific way the claimant used the trademark (“[...] referring to the DAX”) was adequate.

Consequently, the Court rejected the defendant’s counterclaim for injunctive relief in respect of the designation “DAX”. Whether or not the Court upheld the Frankfurt Appeal Court’s decision concerning payment of the licence fee and injunctive relief, disclosure and compensation in respect of the claimant’s use of the defendant’s other trademark “DivDAX” remains unclear at this point, the decision not having been published up to the date of publication of this newsletter.

Reported by Philippe Kutschke

bananabay

German Federal Supreme Court decides on “Adwordising” (decision of January 22, 2009 – Cases I ZR 125/07 – bananabay, I ZR 139/07 – PCB-POOL and I ZR 30/07 – Beta Layout GmbH).

After years of uncertainty whether the use of a competitor’s trademark or company name as an Adword constitutes a trademark infringing act, the question was brought to the Federal Supreme Court in three separate cases. Given that the claims in the first case were based on registered trademark rights and that the core question of the case was whether use of a trademark as an Adword had to be considered as use “as a trademark”, the Court stayed proceedings and forwarded the case to the European Court of Justice (ECJ) for preliminary ruling. However, in the other two proceedings the German Federal Supreme Court rendered decisions on the merits.

Today companies have endless possibilities to make internet users find their internet sites. Since the general operating principle of internet search engines is using the most popular designations referred to by internet users searching for certain products and/or services, – be it on the website of the company itself or for reference purposes on (commercial) search engines’ websites – it is crucial for most companies to be found quickly and directly in the internet. In this respect, companies do not only make use of descriptive words for the goods and services provided, but also of third parties’ – mostly competitor’s – trademarks and company names. Apparently, these competitors try to prevent use by third parties of their trademarks and company names.

The starting point of the discussion on the subject was the Supreme Court decision “Impuls” in 2006 (see IP-Report 2006/VI). There, the Court held that use of a third party’s trademark as a meta-tag can amount to trademark infringement. However, the question remained whether this was also true for use of a trademark for other forms of contextual internet advertising, e.g., use as an Adword or keyword.

The Supreme Court’s decisions were preceded by years of inconsistent decisions with respect to that question. Whereas some courts held that the principles concerning meta-tags, as stipulated in the “Impuls” decision, equally apply for use of a trademark as an Adword or keyword, other courts differentiated in a more sophisticated manner whether the results were recognizable as advertisements or not.

The three cases at hand have in common that the use of the Adword did not have any impact on the general search results of the search engine, but on the advertisements appearing in a separate box next to the search results under the headline “sponsored links”. The advertisements themselves did not refer to the trademarks or the trademark owners, but strictly to the third party’s undertaking.

The claimant in the first case is the owner of the trademark “bananabay”. Claimant and defendant both offered adult entertainment articles. The defendant used the designation “bananabay” as an Adword. Given that the opposing products and the opposing signs were identical, the core question to decide on trademark infringement was whether use of a trademark as an Adword constitutes use of the sign “as a trademark”, i.e., use of the sign to distinguish the products originating from one company from those originating from another company.

The German Federal Supreme Court stayed the proceedings and referred the case to the ECJ for a preliminary ruling, because the claimant’s claims were based on its registered German trademark rights. Consequently, the question whether use of a trademark as an Adword has to be considered as use of the sign “as a trademark” – and, therefore, constitutes a case of trademark infringement – has to be considered in light of the harmonized European Trademark Law, namely Article 5 Trademark Directive.

In the second case, the claimant based its claims on the registered trademark “PCBPOOL”. Claimant and defendant both sold printed circuit boards. The defendant had used the sign “PCB” – which is commonly known among IT experts as an abbreviation for “printed circuit board” – as an Adword. Thus, the defendant’s advertisements also appeared in the separate box of the search engine (“sponsored links”) when internet users searched for the designation “PCBPOOL” instead of merely “PCB”. The Court held that use of a descriptive designation as an Adword is admissible and not an act of trademark infringement. Given that the Court denied an act of trademark infringement because the designation in question was descriptive, the question whether use as an Adword has to be considered as use “as a trademark” was not decisive. Consequently, the Court did not address the ECJ in this case.

In the third case (the claimant of the second and the third case being identical), the claimant asserted claims related to its company name “Beta Layout GmbH”. The defendant used the designation “Beta Layout” as an Adword. The Supreme

Metrobus

Court held that use of a company name as an Adword does not constitute an act of trademark infringement, because there was no likelihood of confusion amongst the relevant public. Internet users are not deemed to think that advertisements appearing under the headline “sponsored links” in a separate box originate from the claimant or demonstrate any business relationship between claimant and defendant. The law on rights deriving from a company name is not harmonized in the EU. Thus, a preliminary ruling of the ECJ did not come into consideration in this case.

In Germany, as a rule, the principles concerning use of a trademark, on the one hand, and use of a company name, on the other hand, are rather similar. Thus, it appears to be likely that the Federal Supreme Court, in general, intends to deny use of a trademark as an Adword to be a trademark infringement if (1) the advertisement itself does not refer to the trademark and/or its holder, and if (2) the advertisement appears clearly separate from the general search results. If the ECJ will decide differently from the Supreme Court’s case law, the Court probably will have to reconsider its position on company names. If the ECJ finds use of a trademark as an Adword to be an infringing act, it will be interesting to follow later decisions of German District and/or Appeal Courts on both trademarks and company names.

Reported by Philippe Kutschke

German Federal Supreme Court denies claims of “METRO” against public transport companies in Berlin, Hamburg and Munich for using the designation “METROBUS” (decision of February 5, 2009 – Case I ZR 167/07 – HVV Metrobus, I ZR 174/06 – BVG Metrobus and I ZR 186/06 – MVG Metrobus).

The claimant, belonging to the well known Düsseldorf based Metro group of companies, is owner of the German and Community trademark registrations “METRO” and “METRORAPID”, particularly registered for services in the field of transport facilities and travel arrangements. Furthermore, the claimant exercised the rights of Metro AG in its company name.

The three defendants run the public transport in the three cities: Berlin (Berlin public transport, abbr.: BVG), Hamburg (Hamburg public transport, abbr.: HVV) and Munich (Munich public transport, abbr.: MVG) and use the denotation “METRO-BUS” for particular bus lines connecting underground stations to the other public transport systems. The three public transport companies have registered the denotation “METRO-BUS” in connection with an abbreviation referring to their respective company (e.g., “BVB Metrobus”, “HVV Metrobus” and “MVG Metrobus”) with the German Patent and Trademark Office.

The claimant challenged both, the defendants’ use of the denotation “METROBUS” as such and in connection with the respective combinations of letters “BVG”, “HVV” or “MVG” referring to the respective public transport company name as an infringement of his trademark rights.

Bringing the proceedings to an end after some five years, the Federal Supreme Court denied any claims of the claimant as regards the defendants’ use of the denotation “METROBUS” in connection with transport services in the field of public transport. Insofar, the court ruled in line with the courts of lower instances (i.e., the Berlin, Hamburg and Munich Appeal Courts) that there does not exist any likelihood of confusion between the claimant’s signs with the compound “METRO” and the denotation “METROBUS” used in the field of public transport. This ruling was based on the – convincing – grounds that the relevant public does not divide the denotation “METROBUS” into its compounds “METRO” and “BUS”, thus making no association between the denotation “METROBUS” for a bus line, on the one hand, and the Metro group of companies on the other hand. For this reason, the court also denied any claims based on “METRO” as a trademark and a company name

airdsl

having a reputation in Germany in relation to the use of “METROBUS” in the service sector of the public transport.

However, as far as the defendants have registered their trademarks for goods and services which do not relate to transport services (e.g., calendars or magazines), the Federal Supreme Court upheld the decisions made in Metro’s favour or – as far as the court of lower instances denied such claims – overruled their decisions and remanded the cases for the purpose of further clarification to the Berlin, Hamburg and Munich Appeal Courts, respectively. Thus, the ruling could allay Metro’s concerns that the public transport companies might use expressions like “Metrocard” for goods such as tickets.

Reported by Verena Wintergerst, LL.M.

German Federal Supreme Court: on the protection of domain names as titles of works or business designations (decision of May 14, 2009 – Case I ZR 231/06 – airdsl)

The Federal Supreme Court ruled that the protection of a domain name as a title of a work comes generally only in existence once the work, which can be reached via the domain name (the website), is largely completed and is being used. Also, the earlier start of protection of titles of work by an announcement of the intended use requires the use occurring within due time and an announcement in a customary matter (and not on the party’s website). Finally, the Court held that a domain name is used as a trademark even if the user accessing the domain is automatically forwarded to another website with a different domain name.

The claimant, owner of the German trademark registration “airdsl” (word mark) registered, *inter alia*, for “telecommunications” sued the defendant for offering dsl (“digital subscriber line”) services under the domain names “airdsl.de” and “air-dsl.de” (in the following: “airdsl.de”). The defendant’s domain names were registered in 1998. However, although the use of the domain names for telecommunication services was – allegedly – announced in August 2002 (or earlier), the website connected with the domain names was first operated by the defendant in early 2003.

Furthermore, the defendant, owner of the earlier German trademark registration



registered, *inter alia*, for “online services” filed a counterclaim suing the claimant for cease-and-desist, rendering of information and damages regarding the use of the mark “air-dsl”. Although the defendant could rely on earlier trademark rights in



as well as rights derived from the (registered and used) domain name “airdsl.de”, the claimant prevailed while the defendant’s counterclaim was rejected by the court. The Court ruled that there is no likelihood of confusion between the defendant’s earlier device mark



Focus Online

and the claimant's later word mark "air-dsl", although the respective services are identical. Insofar, the Court found that when comparing the overall impression of the conflicting signs, the signs would show only marginal acoustic and visual similarity.

Furthermore, the defendant's earlier domain name registration "airdsl.de" did not lead to any prior rights in relation to the claimant's trademark "air-dsl". The Court confirmed again that rights derived from a business designation and/or a title of work can only be claimed from the date of first use, if not – available only for titles of works – an earlier protection by a respective announcement of the title was properly established which was not the case. Since the defendant started to use its website under the domain name "airdsl.de" only in early 2003, the claimant prevailed on the basis of his prior rights resulting from its trademark registration filed in August 2002.

The same applies to the defendant claiming prior rights resulting from an announcement posted on its website, allegedly in August 2002 or earlier, by which an upcoming website under the domain name "airdsl.de" was announced. The Court held that, for being in the position to rely on a predated protection of a title of work, such work does not only have to be published in due time after its announcement, but the announcement must also take place in a manner that is common in the respective sector of industry. The latter was denied by the Court, since announcing an upcoming use of a particular domain name only on its own website does not suffice to claim a predated protection for this title of work.

Finally, the claimant prevailed as the defendant's domain name "airdsl.de" was used as a trademark although the user accessing the domain name "airdsl.de" was automatically forwarded to another website with a different domain name (however, offering the respective telecommunication services).

Remarks:

The decision is a welcome confirmation of established case law developed on the basis of accepted "offline" trademark law as regards the priority of designation rights and the requirements for use rights, such as business designations, to come into existence.

Reported by Verena Wintergerst, LL.M.

German Federal Supreme Court on whether the lessor of a domain name is liable for statements to be found on the lessee's website (decision of June 30, 2009 – Case VI ZR 210/08 – Focus Online)

On June 30, 2009, the Federal Supreme Court ruled that the lessor of a domain name is not generally obliged to monitor the content of the domain in order to prevent infringements of third parties' (personality) rights. Such monitoring obligations apply only where the lessor has tangible indications that such act of infringement occurred or is likely to occur in the future.

In the present case, injunctive relief was claimed as certain false statements about the claimant violating its personality rights were published on a website owned by the defendant. The defendant, however, did not provide the information on the website itself, but this website was hosted by an affiliated company using the website and providing information services on it on the basis of a leasing agreement with the defendant.

The Federal Supreme Court held that the fact that the defendant was the owner and lessor of the domain at issue could not establish its liability for infringing statements. In line with the various prior decisions regarding the liability of online auction platforms (see IP Reports 2009/III and 2009/II), the Court found that the owner of the website is only liable where it is required to monitor the website and its particular content and where the owner does not comply with these requirements.

In this case, the Court held that such monitoring obligations do not apply due to the fact that the extent of such monitoring obligations is per se limited to "reasonable efforts". Since the lessor has neither the opportunity nor the contractual right to examine the content published on the website (in contrast to, e.g., the editor of a magazine) a general obligation to monitor the website would impose unreasonable requirements. Therefore, the obligation to monitor is limited to those cases where the lessor has actual knowledge, received upon respective notice, of (possibly) infringing acts. If this is the case, the obligation is per se limited, but the lessor is obliged to prevent the (possible) infringement he has been made aware of. If the lessor fails to comply with these obligations, he is liable as a contributory infringer ("Störer").

Lemon Symphony

Remarks:

These findings of the Supreme Court correspond to the case law regarding online auction platforms. However, the decision shows another aspect: The standards regarding liability for third party infringements as established by the case law do not only apply in the usual cases related to internet or service providers. The decision rather shows that the requirements set out by the Federal Supreme Court have to be complied with in all cases where one party contributes to possible infringements of third parties' rights by providing a platform or service where infringing acts might be committed. This does not only involve internet platforms but also, as shown in this case, leasing agreements, and could possibly be applied also to other forms of licensing agreements.

Reported by Pascal Böhner



German Federal Supreme Court: First decision on the scope of protection of a Community plant variety right (decision of April 23, 2009 – Case Xa ZR 14/07 – Lemon Symphony)

For the very first time, the German Federal Supreme Court has ruled on the scope of rights of the holder of a Community plant variety right. The Court held that the requirement of authorization of the rights holder pursuant to Article 13 (2) Community Plant Variety Regulation does not only encompass material of the protected variety which congruently fulfils the characteristics of the expression defined, but also material which fulfils some of the characteristics of the expression within variations that have to be tolerated (“extent of tolerance”).

The claimant is holder of a Community plant variety right for the variety “Lemon Symphony” of the species *Osteospermum ecklonis* which was registered with the Community Plant Variety Office (CPVO) in 1999 (Variety No 4282). An example of this variety is depicted to the left.

The defendant distributes plants of the same species under the designation “Summerdaisy’s Alexander” for which also an application for a Community plant variety right was sought in 2001 (variety denomination “SUMOST 01”).

Both the first and second instance found that the plants distributed by the defendant infringe the Community plant variety right granted for “Lemon Symphony”. This finding was confirmed by the present decision.

Apart from the question of infringement, it is notable that this case is closely connected to not less than four proceedings before the CPVO initiated by the applicant of SUMOST 01, all having an impact on the present decision and, therefore, being discussed by the Federal Supreme Court. These proceedings are related to (1) the application for SUMOST 01, (2) the decision of the CPVO to adapt the official variety description of “Lemon Symphony”, (3) cancellation as well as (4) nullity proceedings of the Community plant variety right granted for “Lemon Symphony”. All four proceedings were decided against the applicant of “SUMOST 01” and confirmed by CPVO’s Board of Appeal, i.e., the application of “SUMOST 01” was rejected, the adaptation of the description of “Lemon Symphony” was upheld and the Community plant variety right for “Lemon Symphony” was neither cancelled nor declared void (the four decisions were appealed and are currently pending before the Court of First Instance; see also IP-Report 2008/V).

The Supreme Court held that the official description of a Community plant variety right is equivalent to the claims of a patent, and in its current state has to be applied by the infringement court. In this context (and maybe surprising in particular for those familiar with patent law), it has to be noted that such a description is worded by the CPVO without any participation of the applicant.

As regards the question of infringement, the Federal Supreme Court confirmed the established case law of the lower instances that a variety right does not only protect to the “extent of identity”, but also to the “extent of tolerance”. Furthermore, the Supreme Court expressly held that this principle of Community plant variety law is also applicable for national German plant variety rights. Notably, and contrary to European trademark and design law, the national plant variety law of the various Member States in Europe is not yet harmonized. And: The Court was convinced that this interpretation is *acte clair* and, therefore, a reference to the ECJ for a preliminary ruling was not required.

Finally, the Federal Supreme Court rejected the request to stay its proceedings because of the above-mentioned proceedings before the European Courts. The Court found that the discretion provided in Article 106 (2) Community Plant Variety Regulation has to be interpreted in that a stay of proceedings requires cancellation or declaration of nullity of the variety right through the European Courts to be likely.

Remarks:

This well-reasoned decision is welcome, because it clarifies an important issue of Community and German plant variety right law. The result that a plant variety right is not only protected against indent, but also similar infringements is well in line with other IP rights. Furthermore, the present decision demonstrates that the complicated system of co-work between national and EU administrative bodies as well as national and EU courts is working well. The current result is also consistent from a logical point of view, because a variety that is held to infringe a variety right, on the one hand, can not be granted protection on the other.

Reported by Thomas Huber

German Federal Patent Court

Crash Sensor

German Federal Patent Court on the admissibility of a nullity action while a further nullity procedure is still pending on appeal with the German Federal Supreme Court (decision of February 13, 2008 – Case 4 Ni 58/06 [EU] – “Crash sensor”)

A nullity plaintiff whose nullity action was rejected in the first instance and who discovers novelty destroying prior art (only) in the appeal instance, will find himself in the uncomfortable situation that the attacked patent is not patentable in view of this prior art, but that a respective decision of the German Federal Supreme Court will still take several years, due to the usual duration of the appeal proceedings according to the current practice. Furthermore, this means that the attacked patent stays in force and is also fully enforceable during this period.

This applies all the more, since a stay of a (parallel) infringement procedure or a stay of the enforceability of a first instance infringement injunction is very exceptional, according to the permanent practice of the German infringement courts. In the described scenario, the (generally low) likelihood of such stay is even more reduced, since a first instance validity decision exists with which the attacked patent was fully upheld. Therefore, the question arises whether the nullity plaintiff can arrange for the filing of a second nullity action which is based on the discovered novelty destroying prior art and which will thus typically be decided in first instance within one to one and a half years.

Generally, a second nullity action is admissible even if first nullity proceedings are pending on appeal. However, exceptionally, such second nullity action is deemed to be inadmissible if the second nullity plaintiff acts as a “straw man” of the first nullity plaintiff and is not able to show an own interest in the requested invalidation of the patent in dispute.

In the present case, relating to a patent on a method for triggering a crash sensor within an automotive security system, such own interest of the second nullity plaintiff was at the centre of the discussion: in fact, the second nullity plaintiff was a formerly affiliated company of the first nullity plaintiff. Further, the same natural persons were acting for both nullity plaintiffs in both proceedings. Finally, the pleadings of both nullity plaintiffs were essentially identical. Therefore, the patentee argued that the second nullity action was filed by a “straw man” of the first nullity plaintiff, and that the second nullity action would

thus be inadmissible. Legally, the patentee raised the objection of *lis alibi pendens*, i.e. the objection that this suit is pending elsewhere.

The Federal Patent Court did not follow this argumentation of the patentee and revoked the patent in dispute in the second nullity proceedings on the basis of the newly discovered prior art reference for the following reasons: the second nullity action was admissible, since – in general – everybody has the right to bring a nullity action against an existing patent. Inadmissibility could only be imaginable if the second nullity plaintiff would in fact be a “straw man” of the first nullity plaintiff, i.e. act on behalf of the first nullity plaintiff without an own interest in the requested invalidation of the attacked patent. More specifically, the Federal Patent Court pointed out that an own (justified) interest would exist, at least, in a case in which the patentee has expressly made the allegation that the second nullity plaintiff itself is liable for infringement of the attacked patent. Such situation was assumed by the Federal Patent Court, since the patentee had expressly stated in one of his briefs in the second nullity procedure that the second nullity plaintiff would be liable for patent infringement and that a patent infringement action will soon be filed against him.

In view of this reasoning, the present decision is fully in line with earlier similar decisions, in particular of the Federal Supreme Court, also assuming the required own interest if the patentee had asserted infringement claims against the second nullity plaintiff. As a result, the old rule may be addressed and highlighted as a general recommendation along the proverb “a shut mouth catches no flies”. However, without knowing the details of the decided case, it cannot be judged whether it was meaningful or even necessary for the patentee to make the infringement allegation in writing in the second nullity proceedings. In any event, it should be expected that – similarly – a formal warning letter for patent infringement outside the nullity procedure can equally be sufficient to create the required own interest of the second nullity plaintiff, wherein it is at least doubtful whether a simple patent notice letter without expressly asserting infringement would be found to have the same consequence. Finally, it should be noted that the significance of the present decision may diminish in the future, since the German Federal Supreme Court established a second senate on January 1, 2009 which is specialized in and competent for nullity appeal proceedings. Thus, there is at least some hope that the existing backlog of cases will quickly be reduced and, likewise, the average duration of nullity appeal proceedings.

Reported by Dr. Tilman Müller-Stoy

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