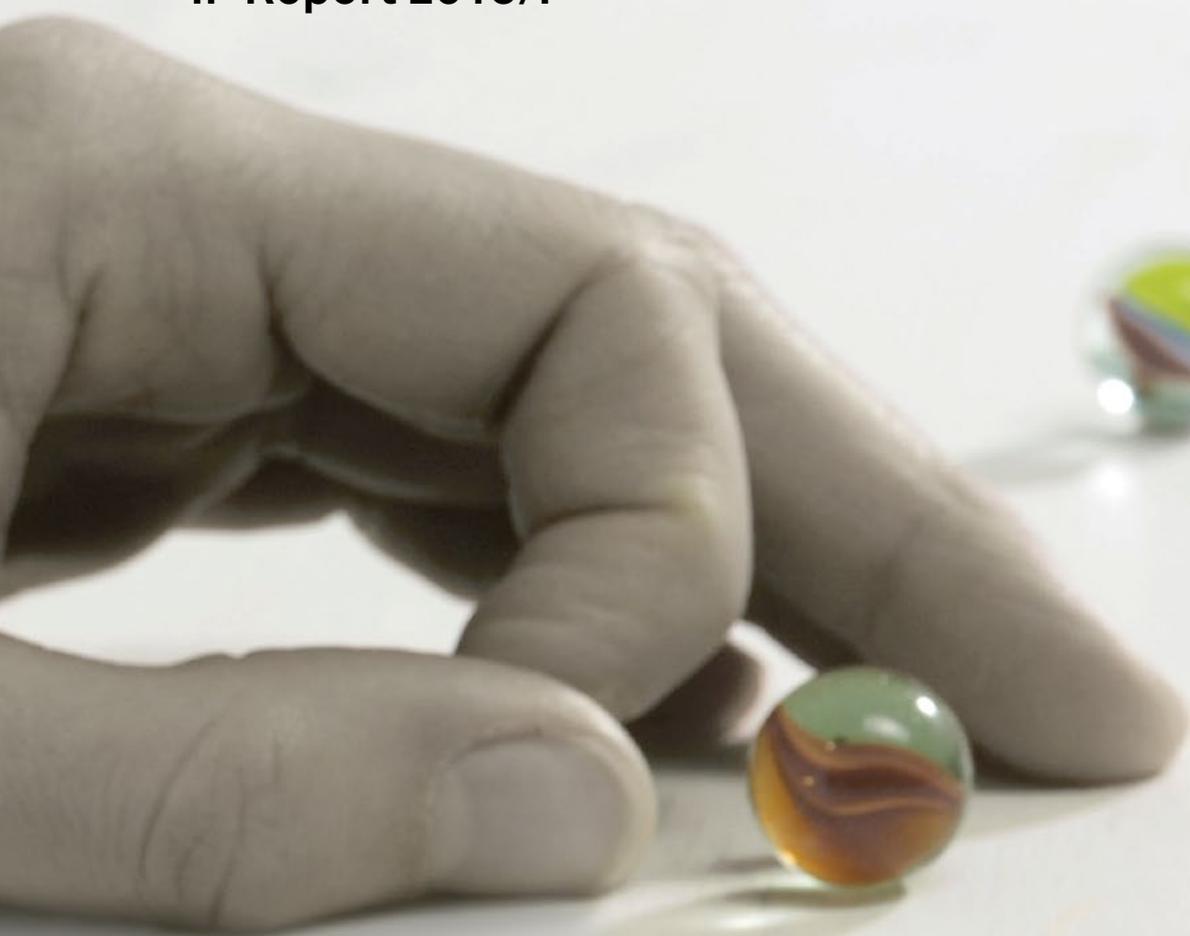




IP Report 2013/I

**BARDEHLE
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Patent Law

- 3 1. German Federal Supreme Court on infringement by equivalent means with respect to “less advantageous” embodiments and claim construction (decision of July 17, 2012 – Case X ZR 113/11 – Palettenbehälter III/Pallet Container III)
- 6 2. German Federal Supreme Court on calculating damages based on infringer’s profits in case of patent infringement (decision of July 24, 2012 – Case X ZR 51/11 – Flaschenträger/Bottle Carrier)
- 8 3. German Federal Supreme Court on assessment of inventive step (decision of September 25, 2012 – Case X ZR 10/10 – Kniehebelklemmvorrichtung/Toggle-Lever Clamping Device)
- 10 4. European Patent Office (Enlarged Board of Appeal) on scope of right to be heard in appeal proceedings (decision of October 2, 2012 – Case R 19/11 – Litens v Schaeffler et al.)

Trademark Law

- 12 5. Court of Justice of the European Union: Territorial coverage as an element in judging “genuine use” of a Community trademark (decision of December 19, 2012 – Case C-149/11 – Leno Merken BV v Hagelkruis Beheer BV – ONEL/OMEL)
- 16 6. Court of Justice of the European Union: Registration of later conflicting trademark as Community trademark no defence to infringement (decision of February 21, 2013 – Case C-561/11 – Fédération Cynologique Internationale v Federación Canina Internacional de Perros de Pura Raza – FCI)
- 18 7. Alicante Appeal Court: No immunity by virtue of trademark registration (decision of November 29, 2012 – BOSS v B055)
- 20 8. German Federal Patent Court: Requirements for the cancellation of a trademark due to absolute grounds – absence of distinctiveness at time of registration (decision of February 16, 2012 – 30 W (pat) 32/11 – Smartbook)
- 22 9. Cologne District Court: Use of a chocolate product comprising the shape of a bear wrapped in a golden foil infringes word mark “GOLDBÄREN” (decision of December 18, 2012 – Case 33 O 803/11 – Goldbären/Golden bears)

1. German Federal Supreme Court on infringement by equivalent means with respect to “less advantageous” embodiments and claim construction (decision of July 17, 2012 – Case X ZR 113/11 – Palettenbehälter III/Pallet Container III)

Reported by Dr. Thomas Gniadek and Diana Fichtner, LL.M.

A non-literal realization of a patent claim is only considered as having an “equal effect” under the “doctrine of equivalence” if not only the overall effect of the claimed invention in general is achieved by the non-literal (modified) means but also the desired specific effect of the claimed feature which is substituted by the modified means. If – as a result of claim construction – the patent claim does impose certain minimum requirements regarding quality or quantity, the non-fulfillment of these requirements by the modified means prevents an “equal effect”, irrespective of the realization of all other technical effects of the patented invention by the modified means. Therefore, in such cases, there is also no equivalent infringement in view of a so-called “less advantageous” embodiment.

In the case at hand, the plaintiff is the exclusive licensee of the European Patent EP 0 370 307 (in the following “patent-in-suit”) with respect to a pallet container. The subject-matter of device claim 1 is a pallet container comprising a flat pallet, an interchangeable inner container of plastics material and an outer cage surrounding the inner container and formed of a grid structure with vertical and horizontal metal grid rods. Pallet containers of this kind are typically used for the storage and transport of liquids. It is the object of the claimed invention to provide for a more stable, lighter and easier-to-manufacture solution than pallet containers known in the prior art. This is to be achieved by means of a specific structure of the outer cage according to claim 1. The plaintiff filed an infringement suit on the basis of claim 1 of the patent-in-suit against two defendants who allegedly offered “reconditioned” pallet containers,

i.e. they replaced the used inner containers of pallet containers initially brought on the market by the plaintiff by new inner containers. The complaint was rejected by the District Court and the Appeal Court, however, based on a different legal reasoning. The Munich District Court did not find infringement relying on the doctrine of exhaustion (*cf.* the contrary findings of the German Federal Supreme Court in Palettenbehälter II/Pallet Container II, *cf.* IP Report 2012/IV), whereas the Munich Appeal Court dismissed the appeal for lack of equivalent infringement as such.

In the appeal proceedings before the Munich Appeal Court, it was undisputed that the attacked containers do not literally realize both the feature of claim 1 regarding the position of horizontal grid rods against the outer wall of the inner container and the feature of claim 1 regarding the inner and outer tangential planes of horizontal and vertical grid rods.

With respect to infringement under the doctrine of equivalence and taking into account both the alleged general effects of the claimed invention and the specific description of a preferred embodiment in the specification of the patent-in-suit, the Munich Appeal Court concluded that it is the specific technical function of the two aforesaid features to avoid a so-called “climbing” of neighboring pallet containers during transport. As the grid rods of the attacked containers – at least temporarily – do not avoid such “climbing”, the Munich Appeal Court did not assume that the modified means have an “equal effect” and, thus, did not find equivalent infringement. According to the Munich Appeal Court, the desired effect of the two aforesaid features is to also avoid only temporary forces on the grid rods.



Thomas Gniadek



Diana Fichtner

The German Federal Supreme Court ultimately upheld these findings regarding an “equal effect” with three main arguments:

First, it accepted the Munich Appeal Court’s approach to examine, in a first step, the general meaning of the claim as a whole and, in a second step, the specific effects of the features not realized in a literal sense but allegedly substituted by the modified means of the attacked embodiment having “equal effect”.

Second, the German Federal Supreme Court confirmed that the technical effect/problem of the patent claim must be examined by assessing the actual contribution of the invention to the prior art – irrespective of the object of the invention named in the patent specification. When determining an individual feature’s effect, the technical effect of both the individual feature and the claim features must be assessed in their entirety. In this regard, passages in the specification expressly referring to a technical problem as well as other passages in the specification relating to further effects are relevant.

Third, the German Federal Supreme Court outlined that “equal effect” must be achieved

not only regarding the overall effect of the invention in general but also with respect to the desired specific effect of the feature which is realized and substituted by the modified means. The presence of a so-called “less advantageous” embodiment, *i.e.* where the specific effect of a technical feature is not achieved to its full extent, does not lead to a more “generous” assessment. In such cases, it must be examined whether this minor effect is still covered by the invention. However, if the interpretation of the claim leads to certain minimum requirements of a technical effect as to its quality or quantity, modified means which do not fulfill these minimum requirements cannot be considered as “equally effective”, even if all other technical effects of the patented solution are realized in general.

Thus, the German Federal Supreme Court upheld the Munich Appeal Court’s decision. The Court however left it undecided whether an equal effect might still be assumed if only minor disadvantages compared to the technical effect drawn from the interpretation of the claim exist, as this was not sufficiently demonstrated in the course of the proceedings.

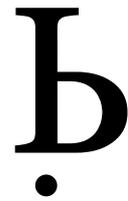
Remarks

According to established German case law, a patent infringement under the doctrine of equivalence exists if three requirements are fulfilled: (1) the modified *i.e.* non-literal means have an objectively equal effect compared to the means named in the patent claim, (2) the modified means are obvious to a person skilled in the art at the priority date and (3) the solution of the technical problem with modified means by the attacked embodiment is in such degree orientated towards the teaching claimed in the patent-in-suit that the person skilled in the art

considers the modified means as being equivalent to the solution claimed in the patent-in-suit.

While earlier case law (“Okklusionsvorrichtung”/ “Occlusion Device”, GRUR 2011, 701; *cf.* English translation in IIC 2011, 851) imposed strict standards on the third aforesaid requirement, the case at hand concerns the first requirement. In this regard, also strict standards are applied.

The decision at hand is in line with the German Federal Supreme Court’s earlier decision.



“Crimpwerkzeug IV” (*cf.* GRUR 2011, 313) on “equal effect”. With its present decision, the Court specifies that the specific technical effect of an individual feature may include certain requirements as to quality and quantity which may follow from an interpretation of the claim and the specification of the patent-in-suit as a whole. These minimum requirements may lead to the result that an “equal effect” cannot be established – even in view of the presence of a so-called “less advantageous” embodiment.

In the future, more attention needs to be drawn to the establishment of an “equal effect”. The common argument that a “less advantageous” embodiment exists which infringes that claimed invention will be less relevant. Nonetheless, there remains some room for arguing an infringing “less advantageous” embodiment in cases in which the modified means have only minor or marginal disadvantages compared to the desired technical effect of the claimed feature and invention.

2. German Federal Supreme Court on calculating damages based on infringer's profits in case of patent infringement (decision of July 24, 2012 – Case X ZR 51/11 – Flaschen-träger/Bottle Carrier)

Reported by Adrian Kleinheyer

According to established case law, when seeking damages a right holder can choose whether to pursue recovery of lost profits or to claim compensation based on either a reasonable license fee (license analogy) or the infringer's profits. Infringer's profits however can only be subject to compensation to the extent that they are caused by the infringement.

As a rule, according to the German Federal Supreme Court, profits are regularly also based on further factors besides the mere infringement of the intellectual property right, such as a price advantage of the infringing product, technical features of the infringing product beyond the protected feature, the infringer's customer access or company image, etc. Hence, only a percentage share of the infringer's profits can be attributed to the infringement. In case of dispute, this share must be assessed by the court.

This issue of causality between the infringement and the profits made by the infringer is not new.

Some years ago, the I. Senate of the German Federal Supreme Court, being competent to decide in matters of non-technical IP rights and unfair competition law, decided in proceedings related to the infringement of the copyright in a work of applied art that, even in case of an identical imitation, it cannot be assumed *per se* that the infringer's profits are entirely based on the act of infringement (decision of May 19, 2009 – Case I ZR 98/06 – Tripp-Trapp-Stuhl/Tripp Trapp Chair). In the case at hand, the X. Senate (competent for disputes regarding technical IP rights) relied on the I. Senate's opinion and confirmed the previous instance's finding to estimate the share of the infringer's profits based on patent infringement at 50 %. To double-check this figure, the Court held that the specific amount would largely correspond to what the right holder would likely obtain by way of license analogy. Since both calculation methods aim at calculating compensation for one and the same infringement, the Court found it logical and therefore desirable that they lead to similar results.



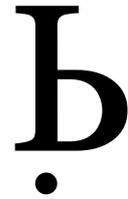
Adrian Kleinheyer

Remarks

On first sight, the Court's decision continues the existing case law. On second sight, however, the decision reflects the discussion in the IP field whether different methods of calculating damages could actually lead to completely different results, *i.e.* differing damage awards, or whether they should yield at least similar results. The Federal Supreme Court shows a clear tendency in the latter direction, by applying and allowing the license analogy as a control instrument for

estimating the infringer's profits based on the patent infringement. However, the court does not require the lower courts to apply such verification in every case.

According to the German legislator and settled case-law, independent from any financial loss, every infringement of an intellectual property right causes a damage subject to compensation, because the right holder in any case gets



disturbed in exercising his right autonomously. While it is one and the same damage the right holder suffered, he can choose among three different methods to calculate its compensation. The question is, however, to which extent the results of these methods should be allowed to vary. Regarding the case at hand: Why should the share of profits based on the infringement of an IP right be set too high, if a license to use that right costs much less? And, *vice versa*: Why should a reasonable license fee (by way of analogy) be set low, if the profits made by the unauthorized use of the intellectual property right in question were very high? There is

obviously some economic connection between these two methods of calculating compensation for the same damage, at least when both the share of the infringer's profits based on the infringement and the reasonable license by way of analogy are estimated *ex post*. Under these premises, a reasonable license would need to be distinguished from a usual license negotiated *ex ante*. This was, however, not clearly spelled out by the courts to date.

The next decisions of the Federal Supreme Court down this alley are expected to be of great interest.

3. German Federal Supreme Court on assessment of inventive step (decision of September 25, 2012 – Case X ZR 10/10 – Kniehebelklemmvorrichtung/Toggle-Lever Clamping Device)

Reported by Johannes Heselberger and Michael Kobler

A claimed subject-matter lacks inventive step if a person skilled in the art would have reason to consider the relevant distinguishing features regardless of whether the person skilled in art would actually realize such a product because of specific and recognizable disadvantages of the considered construction.

The plaintiff filed a nullity complaint against the German part of EP 0 862 970 B1 concerning a fluid driven toggle-lever clamping device (“contested patent”). A clamping device as described by the contested patent is used for clamping a workpiece by means of a rotatable arm. According to claim 1 of the contested patent, a toggle link mechanism is used to redirect the linear motion of a piston rod into a rotational motion of the arm. In the clamping state of the rotatable arm, a roller provided at the end of the piston rod engages a detachable reaction force-receiving plate inserted into the body of the clamping device. This construction serves to avoid backlash, so that the arm may be rotated in a stable manner and, thus, to avoid a decrease in clamping force.

The Federal Patent Court revoked the contested patent for lack of inventive step of the distinguishing features with regard to the closest prior art. The defendant filed an appeal with the Federal Supreme Court requesting that the nullity complaint against his patent was dismissed. As an auxiliary measure, the defendant requested that the contested patent was upheld in a restricted form. For this auxiliary request, the defendant added certain features to the independent claim 1, in particular, that the toggle link mechanism included a pair of rollers engag-

ing with a pair of reaction force-receiving plates in a pair-wise manner, the plates being inserted into a pair of recesses in the body of the device.

The Federal Supreme Court confirmed the Federal Patent Court’s judgment that the contested patent was invalid for lack of inventiveness and dismissed the defendant’s main request. With regard to the auxiliary request, the Federal Supreme Court found that the features added by the defendant were obvious to a person skilled in the art. Therefore, also the restricted form of the contested patent was declared invalid.

During the oral hearing, the court-appointed expert stated that the construction in accordance with the additional features (pair-wise arrangement of rollers, plates and recesses) would cause a technically disadvantageous “double fit” and that this would also make the assembly of the device more complex and expensive. Therefore, in the opinion of the expert, a person skilled in the art might have had reason to refrain from such construction, although it was obvious as such, and prefer a single force-receiving plate for the two rollers.

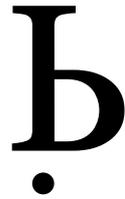
However, the Federal Supreme Court held that these technical and economic disadvantages alone did not make the distinguishing features of the claimed subject-matter non-obvious. According to the Court’s reasoning, a claimed subject-matter lacks inventive step, when a person skilled in the art would have reason to consider the relevant distinguishing features regardless of whether he would actually realize such a product because of specific and recognizable disadvantages of the considered construction.



Johannes Heselberger



Michael Kobler



Remarks

This decision shows that the Federal Supreme Court applies a strictly hypothetical approach with regard to the assessment of inventive step. The latter is missing, if the claimed subject-matter was obvious, which means it could have been realized by the person skilled in the art without inventive skill. Here, the patent owner cannot argue successfully that the claimed subject-matter was not obvious – no matter whether it forms part of the “original” claim or was added later – because a person skilled in the art “would” not realize it in practice for good reasons. However, there are no indications that the Federal Supreme Court wanted

to make a difference over the so-called “could-would-approach” applied in some cases by the European Patent Office in evaluating the inventive step of subject-matter over the prior art. The latter requires that the solution under discussion “would”, not only “could” have been considered for solving the problem underlying the (alleged) invention in view of foreseeable technical advantages. Also there, disadvantages, which to some extent always form the flip-side of advantages, will not turn a solution which the person skilled “would” consider into one which he merely “could”, but would not consider.

4. European Patent Office: Scope of the right to be heard in appeal proceedings – Enlarged Board of Appeal approves decision based on interpretation of state of the art not discussed with the parties (decision of October 2, 2012, Case R 19/11 – Litens v Schaeffler et al.)

Reported by Dr. Rudolf Teschemacher

The right to be heard requires that decisions may only be based on grounds or evidence on which the parties have had an opportunity to present their comments. The Enlarged Board of Appeal states that a Board of Appeal is not obliged to discuss with the parties its interpretation of the prior art which is different from the interpretation of all parties.

The petition was directed against the Technical Board's of Appeal decision dismissing the appeals and thereby confirming the rejection of the four oppositions by the Opposition Division. The patent had been *inter alia* attacked on the basis of a document D3 on the grounds of lack of novelty and lack of inventive step.

The ground for the petition was that a fundamental violation of the petitioner's right to be heard had occurred in the appeal proceedings. According to the petitioner, the Technical Board of Appeal had adopted in its decision an interpretation of D3 which did neither correspond to the interpretation suggested by the parties nor had it been addressed by the Board during the written or oral proceedings. It was an unforeseen and unforeseeable reinterpretation of the document which had only become apparent upon receipt of the final decision. If the petitioner had been given an opportunity to comment on the Board's interpretation, he would have explained why it was technically incoherent, linguistically wrong, in contradiction with the context in suit and sufficiently bizarre that there was no way that it could have been anticipated.

The Enlarged Board of Appeal (EBA) rejects the petition as clearly unallowable. The EBA notes that the petitioner did not dispute that the content of document D3 had been thoroughly discussed, both during the written procedure and in the oral proceedings so that its right to be heard in this respect had not been violated. The EBA points to its consistent case law clearly demonstrating that parties are not entitled to advance indications of the reasons for a decision before it is taken. This principle is then extrapolated by the EBA: If it applied to the reasons for a decision generally, it must apply equally to an interpretation of a passage in the state of the art forming only part of such reasons. Thus, there could be no denial of the right to be heard if a Board of Appeal, after hearing all parties in *inter partes* proceedings, subsequently reached its own conclusion which is then recorded in its written decision.

The EBA continues in stating that the requirement of complete neutrality in *inter partes* proceedings would be breached if a board, after having dispatched a communication expressing its preliminary and non-binding opinion, at oral proceedings informed a party of a possible different interpretation of a passage in a prior art document discussed at length at said oral proceedings, even if that interpretation differed from those suggested by the parties. Hence, the petitioner's arguments were not successful. It was enough for the EBA to find that the new considerations were not unrelated to the discussions arising in the proceedings in question.



Rudolf Teschemacher

Remarks

It seems that the criteria for the right to be heard developed by the EBA in review proceedings differ somewhat from the standards which the Boards of Appeal apply to the course of conduct to be expected from the departments of first instance. In the present context, the headnote of decision T 435/07 of September 10, 2012, rendered in grant proceedings, is illustrative:

“The grounds on which a decision is based must be communicated to the applicants in such a way that they are put in the position to defend their rights. It is not sufficient to raise an objection without giving the factual details on which this objection is based and then leave it to the applicants to formulate the counterarguments. An objection against the grant of a patent must be raised in such a way that the applicants are able to understand its factual basis and to react accordingly without having to guess first what the examining division might have had in mind.”

In the case underlying petition R 19/11, it is difficult to imagine how the opponent could have properly defended his rights. The problem with decision R 19/11 is that the EBA applies the reasonable and even self-explanatory principle that a party has no right to know the decision to be taken including its reasons in advance to a quite different situation. The interpretation of the state of the art given by the Board appears in the Reasons of the decision but it does not belong to the legal conclusions drawn by the Board. Rather, it is part of the factual basis of the decision. The question how the person skilled in the art interprets a piece of information in the prior art at the relevant date is a question of fact, and the parties should have a right to comment on the relevant facts before the Board comes to its conclusions, in order to avoid an interpretation which might be wrong because not all relevant facts were on the table.

5. Court of Justice of the European Union: Territorial coverage as an element in judging “genuine use” of Community trademark (decision of December 19, 2012 – Case C-149/11 – Leno Merken BV v Hagelkruis Beheer BV – ONEL/OMEL)

Reported by Professor Dr. Alexander von Mühlendahl, J.D., LL.M.

Among the widely debated issues concerning the elements necessary to establish “genuine use” of a Community trademark (CTM), the question whether use in one Member State is or may be sufficient is or was probably the most controversial. It was expected that the Court of Justice would provide clarity and guidance when, early in 2011, the Dutch Court of Appeal in The Hague referred a series of questions to the Court of Justice revolving around that issue. The Court finally rendered its judgment in the final days of 2012.

In an opposition case before the BENELUX IP Office (BOIP), the applicant (trademark OMEL) had challenged the genuine use of the earlier CTM (ONEL). It was agreed that use had been made of ONEL, registered for services in cl. 35, 41, and 42, in The Netherlands but not beyond. The opposition was dismissed, the BOIP considering that use in The Netherlands in that case was not sufficient. The applicant appealed to the Appeal Court in The Hague, and that court referred the following questions to the ECJ:

1. Must Article 15 (1) of [Regulation No 207/2009] be interpreted as meaning that use of a Community trademark within the borders of a single Member State is sufficient to constitute genuine use of that trademark, given that, had it been a national trademark, such use would have been regarded as genuine use in that Member State (cf. Joint Statement No 10 regarding Article 15 of [Regulation No 40/94] and the Opposition Guidelines of the OHIM)?

2. If Question 1 is answered in the negative, can the use of a Community trademark within a single Member State as described above never

be regarded as “genuine use” in the Community as referred to in Article 15 (1) of [Regulation No 207/2009]?

3. If the use of a Community trademark within a single Member State can never be regarded as genuine use in the Community, what requirements apply – in addition to the other factors – in respect of the territorial scope of the use of a Community trademark when assessing genuine use in the Community?

4. Or else – as an alternative to the above – must Article 15 of [Regulation No 207/2009] be interpreted as meaning that the assessment of genuine use in the Community should be carried out wholly in the abstract, without reference to the borders of the territory of the individual Member States (and that, for example, market share (product markets/geographic markets) should be taken as the point of reference)?

The Court considered all the questions together, referred to its earlier case law regarding genuine use, and stated that the territorial scope of use “is not a separate condition for genuine use but one of the factors determining genuine use, which must be included in the overall analysis and examined at the same time as other such factors.” (para. 36 of the judgment).

In reaching its conclusion the Court emphasised the nature of CTMs as being unitary in character and instruments for the internal market, which precludes making genuine use dependent on any consideration of the boundaries between Member States (emphasis added):

42 The purpose of the system of Community trademarks is thus – as can be seen from recital



Alexander von Mühlendahl

2 to Regulation No 207/2009 – to offer on the internal market conditions which are similar to those obtaining in a national market. In that context, if it were held that particular significance should be given, in the framework of the Community arrangements for trademarks, to the territories of the Member States, that would frustrate the objectives described in paragraph 40 of this judgment and would be detrimental to the unitary character of the Community trademark.

43 Admittedly, a systematic examination of Regulation No 207/2009 reveals that reference is made in the wording of certain of its provisions to the territory of one or more Member States. It should be noted, however, that such references are made particularly in relation to national trademarks, in the provisions relating to jurisdiction and procedure in legal actions relating to Community trademarks and in the rules dealing with international registration, whilst the phrase ‘in the Community’ is generally used in connection with the rights conferred by the Community trademark.

44 It follows from the foregoing considerations that the territorial borders of the Member States should be disregarded in the assessment of ‘genuine use in the Community’ within the meaning of Article 15(1) of Regulation No 207/2009.

The Court then turned to a number of additional arguments:

50 Whilst there is admittedly some justification for thinking that a Community trademark should – because it enjoys more extensive territorial protection than a national trademark – be used in a larger area than the territory of a single Member State in order for the use to be regarded as ‘genuine use’, it cannot be ruled out that, in certain circumstances, the market for the goods or services for which a Community trademark has been registered is in fact restricted to the territory of a single Member State. In such a case, use of the Community trademark on that territory might satisfy the conditions both for genuine

use of a Community trademark and for genuine use of a national trademark. (...)

52 Some of the interested persons to have submitted observations to the Court also maintain that, even if the borders of the Member States within the internal market are disregarded, the condition of genuine use of a Community trademark requires that the trademark should be used in a substantial part of the Community, which may correspond to the territory of a Member State. They argue that such a condition follows, by analogy, from Case C 375/97 General Motors [1999] ECR I 5421, paragraph 28, Case C 328/06 Nieto Nuño [2007] ECR I 10093, paragraph 17, and Case C 301/07 PAGO International [2009] ECR I 9429, paragraph 27).

53 That argument cannot be accepted. First, the cases in question concern the interpretation of provisions relating to the extended protection conferred on trademarks that have a reputation or are well known in the Community or in the Member State in which they have been registered. However, the requirement for genuine use, which could result in an opposition being rejected or even in the trademark being revoked, as provided for in particular in Article 51 of Regulation No 207/2009, pursues a different objective from those provisions.

54 Second, whilst it is reasonable to expect that a Community trademark should be used in a larger area than a national mark, it is not necessary that the mark should be used in an extensive geographic area for the use to be deemed genuine, since such a qualification will depend on the characteristics of the product or service concerned on the corresponding market (*cf.*, by analogy, with regard to the scale of the use, Ansul, paragraph 39).

The Court finally also rejected a *de minimis* rule:

55 Since the assessment of whether the use of the trademark is genuine is carried out by reference to all the facts and circumstances relevant to

establishing whether the commercial exploitation of the mark serves to create or maintain market shares for the goods or services for which it was registered, it is impossible to determine *a priori*, and in the abstract, what territorial scope should be chosen in order to determine whether the use of the mark is genuine or not. A *de minimis* rule, which would not allow the national court to appraise all the circumstances of the dispute before it, cannot therefore be laid down (*cf.*, by analogy, the order in *La Mer Technology*, paragraphs 25 and 27, and the judgment in *Sunrider v OHIM*, paragraphs 72 and 77).

The Court in the end answered the questions as follows:

Article 15 (1) of Regulation No 207/2009 of 26 February 2009 on the Community trademark must be interpreted as meaning that the territori-

al borders of the Member States should be disregarded in the assessment of whether a trademark has been put to ‘genuine use in the Community’ within the meaning of that provision.

A Community trademark is put to ‘genuine use’ within the meaning of Article 15 (1) of Regulation No 207/2009 when it is used in accordance with its essential function and for the purpose of maintaining or creating market share within the European Community for the goods or services covered by it. It is for the referring court to assess whether the conditions are met in the main proceedings, taking account of all the relevant facts and circumstances, including the characteristics of the market concerned, the nature of the goods or services protected by the trademark and the territorial extent and the scale of the use as well as its frequency and regularity.

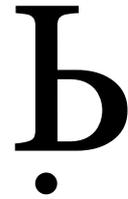
Remarks

The case had caught the attention of the trademark community like no other case in recent years. Seven governments (and, as usual, the Commission) had submitted observations, again without parallel in recent years. The views of interested organisations differed also.

The outcome is not surprising. It was never realistic to expect that the Court would adopt a rule according to which genuine use would require use in more than one Member State, or that use in one Member State would always be sufficient. The Court once again, as it did on many other occasions, adopted an “all circumstances” rule. The ball is now back on the playing field of national authorities (in infringement cases and oppositions or cancellations based on CTMs), and of OHIM. They will have to grapple with the somewhat obscure analysis of the Court: *No per*

se rule, no relevance of national boundaries, but still consideration of the markets involved, and thus also the territorial scope of the markets and the scope of use. I would add as an element the question of time. Use immediately subsequent to the expiry of the initial grace period must be seen in a somewhat different light than use long after that initial period.

There is one particular phrase in the judgment which will continue to “plague” parties, namely the statement that limited territorial use may be sufficient where the market for the goods or services is limited: “ (...) it cannot be ruled out that, in certain circumstances, the market for the goods or services for which a Community trademark has been registered is in fact restricted to the territory of a single Member State. In such a case, use of the Community trademark on that



territory might satisfy the conditions both for genuine use of a Community trademark and for genuine use of a national trademark” (para. 50). That sentence should however be taken with some caution before being generalized, because it merely applies to the argument that the territorial scope of use should “by the nature of the marks” be larger for CTMs than for national marks.

The issue of territorial scope of use is unlikely to reach the Court again by way of a reference, but individual cases reaching the Court via the General Court may well arise. I assume that the Court will then defer to the General Court and consider the issue of genuine use a question of fact. In the end this will give the General Court the central role in determining the contours of genuine use, including the issue of its territorial scope.

6. Court of Justice of the European Union: Registration of later conflicting trademark as Community trademark no defence to infringement (decision of February 21, 2013 – Case C-561/11 – Fédération Cynologique Internationale v Federación Canina Internacional de Perros de Pura Raza – FCI)

Reported by Professor Dr. Alexander von Mühlendahl, J.D., LL.M.

Until very recently, under Spanish law the proprietor of a later registered trademark had a complete defence (unless in bad faith) against an infringement action brought on the basis of an earlier trademark until the later registration was invalidated. The Court of Justice, having dealt with the same issue arising under design law almost exactly one year earlier, in Case C-488/10 – Celaya, was again presented by the same court – the first-instance CTM court in Alicante – with the same question, this time under trademark law.

In an infringement action pending before the Juzgado de lo Mercantil nº1 de Alicante y nº1 de Marca Comunitaria, the court decided to stay the proceedings and referred to the ECJ, for a preliminary ruling, the following question:

In proceedings for infringement of the exclusive right conferred by a Community trade mark, does the right to prevent the use thereof by third parties in the course of trade provided

for in Article 9 (1) of [the Regulation] extend to any third party who uses a sign that involves a likelihood of confusion (because it is similar to the Community trade mark and the services or goods are similar) or, on the contrary, is the third party who uses that sign (capable of being confused) which has been registered in its name as a Community trade mark excluded until such time as that subsequent trade mark registration has been declared invalid?

The Court followed its ruling in the Celaya case and concluded as follows:

Article 9 (1) of Council Regulation (EC) No 207/2009 of February 26, 2009 on the Community trade mark must be interpreted as meaning that the exclusive right of the proprietor of a Community trade mark to prohibit all third parties from using, in the course of trade, signs identical with or similar to its trade mark extends to a third-party proprietor of a later registered Community trade mark, without the need for that latter mark to have been declared invalid beforehand.

Remarks

For a report on the Celaya case, we refer to BAR-DEHLE PAGENBERG IP Report 2012/I.

It is not surprising that the Court in the FCI case adopts the same analysis and reaches the same conclusion as it did in the Celaya case as regards

conflicting designs decided almost exactly one year earlier.

The judgment and the question referred are based on the assumption that the defendant was proprietor of a later CTM registration. It would



appear only logical to assume that the reply would have been exactly the same if the proprietor had relied on an earlier national registration of a conflicting mark.

As appears in some detail from the judgment, as well as from the Opinion of the Advocate General Mengozzi (November 15, 2012) (who had also been the Advocate General in the “Celaya” case), under Spanish law the proprietor of a later registered trademark had a complete defense to an infringement action until this later mark was declared invalid. In the meantime, the Spanish Supreme Court has abandoned its own case law and now takes an intermediate position, namely that a claimant may combine infringement claims with claims for a declaration of invalidity and obtain relief *ex tunc*. For more details we refer to the Remarks in this issue by Xavier Fàbrega on the BOSS decision of the second-instance Alicante CTM Court. Even this intermedi-

ate approach is at odds with the Court of Justice judgments in “Celaya” and “FCI”.

It should be pointed out that under the current UK Trade Marks Act, any registered trademark is deemed not to infringe any other (earlier) registered trademark (*cf.* Section 11 (1): “A registered trade mark is not infringed by the use of another registered trade mark in relation to goods or services for which the latter is registered (but *cf.* Section 47 [6] [effect of declaration of invalidity of registration]).”) That provision now is clearly beyond the scope of the Trade-mark Directive, whose Article 5, governing the rights conferred, is substantially the same as Article 9 CTMR. Proprietors of later registered U.K. trademarks certainly cannot rely on their registration as a defense to an infringement action brought on the basis of earlier CTMs, but it should also be clear that such defense is not available either in purely national conflicts.

7. Alicante Appeal Court: No immunity by virtue of trademark registration (decision of November 29, 2012 – BOSS v B055)

Reported by Xavier Fàbrega Sabaté

The Alicante Appeal Court has issued a ruling rejecting the case law doctrine according to which a trademark is deemed as not infringed if the infringer has used a trademark (similar to the allegedly infringed one) registered in his name.

Hugo Boss Trademark Management GmbH & Co. KG (hereinafter Hugo Boss) filed a lawsuit for infringement of the trademark BOSS against the importer and seller of goods identified with the sign B055, which had been registered as a Spanish trademark by the defendant. In the lawsuit, Hugo Boss also requested the trademark registration B055 to be invalidated and asked for an interim injunction.

On June 27, 2011, the Community Trademark Court No. 2 of Alicante granted the interim injunction requested by Hugo Boss. The defendant appealed this decision, arguing that the use of the sign B055 was covered by a trademark registration. Consequently, he was not infringing the trademark BOSS, but using his own trademark B055.

Until recently, this argument was successful in Spain. Article 34 (1) of the Trademark Law 17/2011 confers on the owner of a registered trademark “the exclusive right to use it in the course of trade”. On the basis of this “exclusive right to use”, the Spanish courts have applied a line of case-law known as “immunity by virtue of registration”, according to which there is no unlawful act as long as the alleged infringer is using his own registered trademark. Thus, the use of a registered trademark does not amount

to infringement of an earlier trademark (no matter how similar both signs are), unless the later trademark is declared invalid. Moreover, the owner of the later trademark may only be found liable for damages if the court deems that said trademark had been filed in bad faith.

This jurisprudential doctrine was altered by the Supreme Court in two decisions rendered on April 4, 2012 and June 29, 2012, according to which the cumulative filing of an infringement action and an invalidity action allowed the competent court to declare the invalidity of the defensive trademark retroactively, thus finding that the defendant never had any exclusive right to use the trademark registered in his name. Therefore, it is not necessary to prove that the later trademark had been filed in bad faith in order to claim damages from the infringer.

In its ruling of November 29, 2012, the Alicante Appeal Court follows the new doctrine of the Spanish Supreme Court and rejects the defendant’s argument that the registration of B055 provides protection against any claim of infringement. According to the Court, Hugo Boss correctly brought a joint infringement and invalidity action seeking the cancellation of the trademark B055. Consequently, if the invalidity action is successful, the contested trademark will be declared invalid *ex tunc*, and the import and selling by the defendant of goods bearing the sign B055 will no longer be covered by any exclusive rights.



Xavier Fàbrega Sabaté

Remarks

This decision follows not only the most recent doctrine of the Spanish Supreme Court, but also the Opinion rendered by the Advocate General Mengozzi of the European Court of Justice on November 15, 2012 (in Case C-561/11 *Fédération Cynologique Internationale v Federación Canina Internacional de Perros de Pura Raza*), following a reference for a preliminary ruling from the first-instance Community Trademark Court No 1 of Alicante. The court requested a ruling whether, in the case of dispute between the owners of two registered trademarks, an infringement action must be preceded by an invalidity action against the later trademark.

In the words of the Advocate General, the problem underlying this question is “a matter of lively debate among Spanish legal commentators and in Spanish case law”, and he expressly referred to the line of case law known as “immunity by virtue of registration”, whereby the fact that a trademark has been registered protects its owner against infringement proceedings.

In the meantime, the Court of Justice delivered its judgment in the case (on February 21, 2013). For more details, see the Report by Alexander von Mühlendahl earlier in this issue.

The ruling of the Alicante Appeal Court confirms the reversal (initiated by the Supreme Court) of the previous line of case-law, and deprives potential infringers of the shield conferred by the registration of a trademark similar to the infringed one. However, this ruling does not entirely follow the ECJ judgment which does not sanction that the claimant must also obtain a declaration of invalidity of the later registered trademark in order to find infringement. The Alicante Appeal Court still requests the cumulative filing, with the main infringement action, of an invalidity action against the later registered trademark. Anyway, this ruling will surely have a positive impact on trademark owners as it finally puts an end to the “insurance” against infringement claims and liability for damages as previously conferred by a trademark registration.

8. German Federal Patent Court: Requirements for the cancellation of a trademark due to absolute grounds – absence of distinctiveness at time of registration (decision of February 16, 2012 – 30 W (pat) 32/11 – Smartbook)

Reported by Karin Costescu

The German Federal Patent Court rejected a cancellation request of a U.S. company against the German trademark “smartbook” of Smartbook AG stating that a registered trademark can only be declared invalid on grounds of lack of distinctiveness and descriptiveness (Section 8 [2] No 1 – 3 German Trademark Act) if it can be established beyond any doubt that these grounds existed at the relevant times, i.e. both at the date of registration of the trademark and at the date of the decision about the cancellation request. If such an assessment is not possible, the trademark must remain registered, in particular in marginal or doubtful cases.

Smartbook AG is the owner of the German trademark no 305 05 515 “smartbook” (word mark), filed on February 01, 2005 and registered on May 31, 2005, covering a large list of goods in classes 07, 09 and 14, *inter alia* computer, notebooks and laptops.

Since the year 2009, Smartbook AG and a U.S. company argue about the mark “smartbook”. The U.S. company requested the cancellation of the trademark “smartbook” and the slogan “smartbook for smart people” of Smartbook AG.

The German Patent and Trademark Office (GPTO) accepted the cancellation request of the trademark “smartbook” in 2011, considering that, at the time of registration, the mark was descriptive and devoid of distinctiveness. According to the GPTO, the term “smart” had become a synonym for “device-related intelligence”, and “-book” was introduced by the

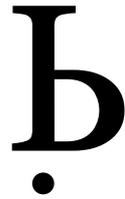
term “notebook” for portable computers. Consequently, the composite term “smartbook” would simply refer to “a portable computer with device-related intelligence”. Smartbook AG appealed to the Federal Patent Court and obtained the rejection of the cancellation request.

In essence, the Federal Patent Court emphasized that the finding of absolute grounds after a mark has been registered – in the present case lack of distinctiveness and descriptiveness – is subject to strict conditions. Furthermore, the absolute grounds of Section 8 (2) No 1–3 of the German Trademark Act are based on the specific interests of the competitors – contrary to other absolute grounds, such as the exclusion of misleading marks or marks which are contrary to morality, which are expressions of the public interest. Consequently, as the present mark “smartbook” had been used unchallenged for around four years (*i.e.* the time between registration of the trademark “smartbook” in May 2005 and filing of the cancellation request in December 2009), the Federal Patent Court was of the opinion that such a long period is a clear indication that the relevant interests of the competitors were not affected.

As regards the inherent distinctiveness of the mark “smartbook”, the Federal Patent Court ruled that the mark had neither a direct meaning in relation to the goods in question at the time of registration in May 2005, nor was a future descriptive use of the composite mark “smartbook” foreseeable. According to the generous standards established by the German Federal Supreme Court, even a little degree of distinctiveness of a mark is sufficient to overcome the absolute bar of protection.



Karin Costescu



Only in case an average consumer perceives the mark in question immediately and without any further thinking as an obvious descriptive indication in relation to the goods and services concerned, the mark lacks any distinctive character. The mere theoretical possibility that the mark in question could convey a statement of

facts is not sufficient to deny the distinctiveness of the mark.

The appeal to the German Federal Supreme Court has been granted and already filed (Case I ZB 57/12).

Remarks

The decision is noteworthy because it underlines the difficulties in obtaining cancellation of marks which, under present understanding, clearly appear to lack distinctive character or are descriptive, but where it is difficult if not impossible to obtain a clear picture of customer perceptions at the time of registration. Thus, it can be assumed that the relevant consumers today would associate the term “smartbook” with an “intelligent” portable computer, particularly in light of the common terms smartphone, notebook, netbook etc. The cancellation request failed, however, because of the difficulty of establishing the presence of absolute grounds at the time of registration, and any doubts in this regard were resolved in favor of the trademark proprietor. As the case has been appealed to

the German Federal Supreme Court, it will be interesting to see whether the approach of the Federal Patent Court, which is actually in line with previous Supreme Court case law, will be upheld.

Registration of “smartbook”, it should be pointed out, does not mean that any use of “smart” or “book” or a combination of these terms would automatically result in a finding of infringement. As an additional remark in this context it should be mentioned that the Office of Harmonization (OHIM) has recently accepted the Community trademark application “ULTRABOOK” (word mark) of the company Intel, filed on May 31, 2011 and published on September 12, 2011, covering various computer goods in class 09.

9. Cologne District Court: Use of a chocolate product comprising the shape of a bear wrapped in a golden foil infringes word mark “GOLDBÄREN” (decision of December 18, 2012 – Case 33 O 803/11 – Goldbären/Golden bears)

Reported by Dr. Philippe Kutschke

The claimant Haribo, the German producer of the famous fruit gums “Goldbären”, challenged the distribution of Chocoladenfabriken Lindt & Sprüngli’s chocolate bear wrapped in a golden foil, comprising Lindt’s company name and logo as well as the designation “TEDDY”. The defendant is a famous chocolate producer, known throughout the IP community for its – so far (in Germany) unsuccessful, and (in Austria) successful – attempts to challenge distribution of a competitor’s chocolate bunny allegedly infringing Lindt’s trademark rights in the shape of the “GOLDEN BUNNY” (reported previously in IP Reports 2012/II, 2011/I, 2008/II and 2006/I).



The Cologne District Court found that there was a serious risk that use of the challenged Teddy will lead to dilution of the claimant’s well-known word mark “Goldbären” (“golden bears”). In the absence of precedents regarding this very particular constellation, the Cologne District Court applied case law regarding infringement of a word mark by use of a figurative sign. According thereto, a figurative sign is sufficiently similar to a word mark in

terms of trademark infringement if the subjects not only coincide in a broader sense, but if the word mark is the obvious, easy and exhaustive designation referring to the particular figurative sign. This is only the case if the embodied connotation is very memorable and characteristic. Taking into account that trademark law per se does not provide protection of a motif itself (*e.g.*, a “bear”), the standards for this test have to be applied very strictly.

Lindt argued that the shape of the accused product was merely decorative and, thus, would not be perceived by consumers “as a trademark”, *i.e.*, as a sign designating the origin of the product. This was all the more true since there are various other chocolate bears on the market wrapped in golden foil, some of them even comprising a red ribbon. Also, the accused bear comprises the name of the defendant and the name of the product on the front side, *i.e.*, “Lindt TEDDY”. Further to that, a market survey conducted by the defendant demonstrated that already after the first year on the market more than 50% of the consumers were aware of the “Lindt TEDDY”, whereas only 5.9% would associate it with the plaintiff’s product.

Despite all these arguments of the defendant the Court found that consumers would obviously refer to Lindt’s chocolate teddy by using the term “Goldbären”, because the TEDDY was the logical continuation of the defendant’s other, even more famous product – the golden bunny. Consequently, consumers would use a similar designation – “golden bear” instead of “golden bunny”. The latter was also the reason for consumers to perceive the shape of Lindt’s TEDDY “as a trademark”. Further to that, the accused



Philippe Kutschke



chocolate Teddy comprises a red ribbon, which was also true for the claimant's "golden bear" (depicted above); the shape of Lindt's TEDDY was assessed to be highly similar to the bear-shape of the claimant's fruit gum. As regards similar third party products, the Court found that the defendant had failed to present relevant facts to an adequate extent of use of these products (*e.g.*, sales figures, etc.). Finally, the Court found that use of the accused teddy constitutes

unfair business practice, arguing that the sign-in-suit enjoys a high degree of distinctiveness, the conflicting goods (fruit gums v chocolate products) are highly similar and the defendant could have easily chosen a different bear-shape that was not similar to the plaintiff's product and figurative (!) trademark comprising a bear. Consequently, the Court found that Lindt's TEDDY was likely to lead to dilution of the distinctiveness of the word mark "Goldbären".

Remarks

According to the information available on the Internet, the parties agreed to pursue the case up to the Federal Supreme Court. It will be interesting to see whether the District Court's decision will be confirmed by the higher instances. Although it appears to be conceivable to apply the principles regarding infringement of a word mark by use of a figurative sign to the use of a 3D mark, in the present constellation it is doubtful whether the prerequisites established by the case law are fulfilled: Does "golden bears" really explain the accused product obviously, easily and exhaustively? And how about the standard test in infringement proceedings regarding complex signs – does the shape really have an independent, distinctive role in the accused product? The Cologne District Court did not even mention this test.

The Federal Supreme Court recently denied sufficient similarity in terms of trademark infringement between two conflicting signs, although both signs consisted of the stylized letter "b", because consumers clearly differentiated be-

tween the signs, the one referring to the clothing brand "Bogner", the other one referring to the toy brand "Barby". The same could be true in the present case: Even if consumers referred to the accused Teddy as "golden bear", they would not be reminded of the claimant's brands. Rather, the term "golden bear" in this context was used descriptively and not "as a trademark".

In view of comprehensive case law rejecting claims based on 3D trademarks, 3D trademark holders may get the impression that it is impossible to successfully enforce 3D trademarks, whereas one may easily infringe a third party's word marks or figurative trademarks by use of a certain product shape. A recent decision of the Hamburg District Court gives hope: In this case, the producer of the famous "Capri Sonne" fruit drinks successfully enforced its 3D trademark rights against a competitor using a very similar shape for its fruit juice packaging (decision dated October 16, 2012, 416 HKO 87/12). However, we will have to wait for the decisions of the higher instances to bring more certainty.



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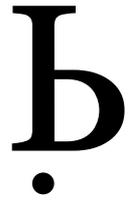
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