
German Federal Court of Justice: Right of prior use under design law based on preparatory acts pursuant to the German Design Act (DesignG) requires acts in Germany (Judgment dated June 29, 2017, docket no. I ZR 9/16 – Bettgestell)

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The German design manufacturer e15 Design und Distributions GmbH (e15) is the proprietor of German Design No. 40205830-0007 (design-in-suit), which was applied for on July 15, 2002 and published on November 25, 2002 and relates to a bed frame. e15 filed an action in Germany against a distribution company which is part of the IKEA group; the action is directed against the distribution of two bed frames which, in the view of e15, infringe its rights in the design-in-suit. The defendant stated as a defense that already prior to the application of the design-in-suit, it had performed preparatory acts aimed at internationally distributing one of the attacked bed frames and that it was therefore entitled to a right of prior use in the two bed frames. The court of first instance and the court of appeal confirmed a right of prior use and dismissed the action. The German Federal Court of Justice, however, has set aside the appeal judgment and referred the matter back to the court of appeal for a fresh hearing and decision. In the view of the German Federal Court of Justice, the judgment was to be set aside as the assumptions of the court of appeal did not establish a right of prior use of the Defendant.

The core issue of the present proceedings is the right of prior use, which is only rarely discussed in design case law. According to Sec. 41

German Design Act, the proprietor of a design cannot successfully enforce its rights against a defendant who already prior to the application/priority date of the design-in-suit commenced use of a design which creates the same overall impression as the design-in-suit. Further to that, however, Sec. 41 (1) alternative 2 German Design Act also provides the possibility that a right of prior use may arise from preparatory acts of use. Art. 22 (1) alternative 2 CDR contains a provision with the same content.

Trade is generally conducted on an international level nowadays. What is of fundamental importance in this respect are the findings of the German Federal Court of Justice regarding the question whether a right of prior use arising from preparatory acts requires acts in Germany or whether preparatory acts outside Germany are sufficient if they relate to subsequent use in Germany. In accordance with the opinion widespread in design law literature and in patent case law, the German Federal Court of Justice arrives at the conclusion that only (preparatory) acts in Germany can establish a right of prior use. The Court states that this is already suggested by the wording of Sec. 41 German Design Act and that this conclusion was also commanded by statutory reasons and the system of standards, because otherwise a right of prior use based on preparatory acts could be acquired more easily than a right of prior use based on actual acts of use. In this respect, it is in fact undisputed (up to now) that a right of prior use based on actual acts of use requires acts in Germany.

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The purpose of this provision would speak in favor of this conclusion as well. Reasons of Union law which would demand a different conclusion (especially the principle of free movement of goods pursuant to Art. 34, 36 TFEU) would not oppose this conclusion.

As regards the requirements for the right of prior use based on genuine preparatory acts apart from that, the German Federal Court of Justice with the present decision confirms the prior case law, which relates to patent law in large parts. According to this, a right of prior use based on preparatory acts is created by serious and effective preparations of use. This refers to preparatory acts of any kind which are directed at using the design and reliably demonstrate the serious willingness to commence use soon. This includes, inter alia, finalizing a draft and creating design drawings, prototyping and negotiations or serious preliminary talks with potential customers. However, acts which prepare future use that is still uncertain and are supposed to provide clarity first of all whether the design will be used on a commercial basis in Germany are not sufficient. In this respect, considering the operational circumstances in their entirety is decisive in the individual case.

The decision is reassuring for companies invoking a right of prior use in so far as the German Federal Court of Justice – assuming that preparatory acts worthy of protection were performed – does not limit the right of prior use to the specific product which was the subject of the preparatory acts. Instead, a right of prior use also covers any products which prove to be a further development of the product from which the right of prior use arises, unless these products make use of the design features protected (by the respective design-in-suit) to a greater extent than the product covered by the preparatory acts and thus lead to a farther-reaching

interference with the scope of protection of the design-in-suit. In the present case, the German Federal Court of Justice arrives at the conclusion that a further bed frame of the Defendant, the headboard of which has a slightly different height than the one of the bed frame covered by the preparatory acts, does not create a different overall impression than the latter and would therefore also be covered by a right of prior use of the Defendant (if the Defendant has a right of prior use in the original bed frame).

A further considerable aspect of the decision relates to claiming an exhibition priority, as the Plaintiff had already exhibited the design on January 14, 2002 for the first time on the Cologne Furniture Fair. However, the Plaintiff only invoked the exhibition priority in the course of the appeal proceedings – i.e. on October 29, 2013. According to the current legal situation, this would have been too late, because pursuant to Sec. 15 (4) German Design Act, the exhibition priority has to be claimed within 16 months after the first exhibition (which would have been May 14, 2003 in the present case). Here, however, an effective priority claim is not governed by the German Design Act, which only entered into effect on January 1, 2014, and not by the old version of the former German Design Act (GeschmMG), which entered into effect on June 1, 2004. Instead, the Act for the Protection of Inventions, Designs and Trademarks at Exhibitions (Gesetz betreffend den Schutz von Erfindungen, Mustern, Warenzeichen auf Ausstellungen) of March 18, 1904, which was effective until May 31, 2004, is applicable in the present case. This Act, however, specifically did not provide a time limit for claiming the priority; therefore, the priority might have been effectively claimed here. Now it is for the court of appeal to examine whether this is actually the case.

The judgment ends with almost six pages of guidance for the court of appeal, where the German Federal Court of Justice also makes statements on further problem areas of the

present case, including the question of validity of the design-in-suit, potential annex claims of the Plaintiff and reimbursability of warning notice expenses.

Remarks

The present judgment is very readable for several reasons and its clarifications are basically satisfying. At the same time, it reinforces the significance of the double-track system of IP rights in the European Union (national IP rights along with EU-wide IP rights) and should thus give enterprises a reason to review their current IP right strategies.

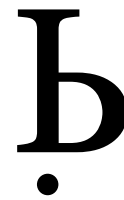
First of all, it is satisfying that the German Federal Court of Justice does not content itself with setting aside the judgment and referring it back, but that it additionally provides specific and very detailed guidance to the court of appeal for the further review of the case. As far as the German Federal Court of Justice supposedly «only» confirms the prior case law regarding the right of prior use, this is commendable as well because the major part of the prior case law has not been rendered on design law but on patent law.

The statements of the German Federal Court of Justice on the exhibition priority claimed by the design-in-suit due to first-time exhibition of a bed frame corresponding to the design-in-suit on the International Furniture Fair in Cologne in 2002 are helpful as well. What is relevant for design proprietors in this respect is that the strict 16-month period for claiming the exhibition priority pursuant to Sec. 15 (4) German Design Act – which was also provided in Sec. 15 former German Design Act – does not apply to

old designs which were applied for or registered before June 1, 2004. Consequently, due to the six months priority deadline, the claimable priority has to refer to an exhibition of a design before December 1, 2003 on an admitted exhibition. This exhibition priority, referring to an exhibition before December 1, 2003, will probably still be possible to be claimed without a particular deadline (also in infringement proceedings), provided that the design application has been filed within the six months priority deadline. Therefore, the old provisions on the exhibition priority – measured by the maximum 25-year term of protection for designs – can still be relevant until 2029.

The opinion of the German Federal Court of Justice that a right of prior use requires preparatory acts in Germany does not seem mandatory. In particular, the centralized organization of international corporations which is customary nowadays has not been taken into account.

Nevertheless, the German Federal Court of Justice did not consider it necessary to present the case to the European Court of Justice because there was no question of interpretation of Union law relevant for the decision. In fact, Directive 98/71/EC on the Legal Protection of Designs and Models does not contain any provisions on the right of prior use; therefore, the question whether a limitation of the right



of prior use provided in German design law actually cannot violate Union law also remains unanswered. Unfortunately, the German Federal Court of Justice does not mention at this point of the decision that Union law could at least be affected to the extent that the limitation of the right of prior use due to a German design could restrict the principle of free movement of goods pursuant to Art. 34, 36 TFEU. These provisions are expressly mentioned in the decision, but at another point. Moreover, the German Federal Court of Justice only carries out a very brief, incidental examination and refers to national commentary literature on patent law for supporting its view. However, at least in this respect, patent law, which is still purely national, cannot be compared with the trademark and designs

laws, which are codified in Union law at least in their basic principles. In the light of trademark case law, the conclusion of the German Federal Court of Justice at least does not seem beyond doubt, because according to such case law, the proprietorship to a – foreign – national trademark in a Member State of the European Union already confers the right to use a trademark symbol throughout the EU, including Germany.

The question now arises for foreign enterprises whether or how they should involve their German subsidiaries and branch offices more strongly in preparatory acts of use in Germany in order not to lose defense arguments in Germany, at least in case that these undertakings wish to rely on German designs.