

IP Report

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1. German Federal Patent Court rules that a nullity action against the German part of a European patent is not admissible even if the nullity action is based on grounds of revocation which cannot be raised in the parallel opposition proceedings pending against the European patent (“Torasemid”/“Torasemide” – 3 Ni 7/06 [EU]).

According to Section 81 (2) German Patent Act, a nullity action against the German part of a European patent is inadmissible as long as parallel opposition proceedings against the European patent are pending (“Principle of Subsidiarity”). Attorneys of the law firm Bardehle Pagenberg successfully represented the patentee in its claim that this legal provision also applies if an invalidation ground is raised in the nullity action which cannot even be raised in the parallel opposition proceedings. The appeal is currently pending before the Federal Supreme Court.

In the decided case, the patentee had limited the German part of a European patent after grant by means of a limitation request, which is a unique possibility in Germany in order to limit a patent in *ex parte* proceedings (Section 64 German Patent Act). An alleged infringer lodged an opposition against the European patent as well as a parallel nullity action against its German part. The nullity action was based on the argument that the feature which has been used to limit the German part of the European patent lacks disclosure in the application documents as originally filed.

The plaintiff argued that a nullity action is admissible in spite of the pending opposition proceedings (contrary to Section 81 [2] German Patent Act), because the ground of lacking original disclosure only applies to the (limited) German patent, but not to the European patent which allegedly does not contain the respective feature. Therefore, the danger of contradicting decisions is excluded. Further, there is a need for parallel nullity proceedings: The claim amendment resulted in the scope of protection “coming closer” to the alleged infringing embodiment. However, due to the opposition proceedings a nullity action is blocked for a time period of up to five years if Section 81 (2) German

Patent Act is applied. As a result, it is allegedly a misuse of rights and a violation of the constitutional right to be heard if the patentee relies on Section 81 (2) German Patent Act due to tactical considerations.

The German Federal Patent Court did not follow this argumentation of the nullity plaintiff. The court noted that the Federal Supreme Court stated in the decision “Strahlungssteuerung”/“Radiation control” (BGH, GRUR 2005, 967) that Section 81 (2) German Patent Act rules out nullity actions which are solely based on grounds of revocation already brought forward in the parallel European opposition. It further noted that Section 81 (2) German Patent Act does not open any latitude of judgement. The principle of subsidiarity should in principle exclude nullity decisions by German patent courts before the validity and scope of the patent have been clarified by the European Patent Office.

The sole decision of the case law that ruled to the contrary (“Schlauchbeutel”/“Hose bag” (BPatG, GRUR 2002, 1045) was not considered to be applicable. This decision of the Federal Patent Court concerned a case in which the German part of a European patent was obviously not valid, because regardless of the outcome of the European proceedings the patent would have to be revoked for lack of novelty *vis-à-vis* a priorfiled non-published national application which was in all aspects identical to the entire disclosure of the European patent. In addition, the case was not brought before the Federal Supreme Court and it is doubtful whether or not it would have followed the lower instance.

Furthermore in the present case, the plaintiff failed with its argumentation that the application of Section 81 (2) German Patent Act would constitute a violation of the right to be heard according to Article 19 (4) of the Constitutional Law of the Federal Republic of Germany. With referral to a decision of the Federal Constitutional Court (BVerfG Mitt. 2006, 313) the Court pointed out that even the long duration of European Opposition cases of three to five years and hence the long time until a nullity action can be lodged in Germany did not constitute a violation of the constitutional right to be heard.



An appeal to the ruling is pending before the Federal Supreme Court. After its decision “Strahlungssteuerung”/“Radiation control”, the court now has the opportunity to further clarify the principle of subsidiarity of Section 81 (2) of the German Patent Act. However, being contra legem, it seems to be certain that the scope of exemption from Section 81 (2) will in any case be extremely small.

Reported by Dr. Wolfgang Bublak

2. German Federal Patent Court decided on the morality of deriving cells (3 Ni 42/04 – Greenpeace v Oliver Brüstle) from human embryonic stem (ES) cells

On December 5, 2006 the Federal Patent Court decided to uphold in amended form a patent containing claims directed to neural precursor cells derived from ES cells, subject to the limitation that cells are excluded which are derived from ES cells prepared from human embryos. Cells derived from human ES cells prepared from other sources such as human oocytes or human embryonic germ cells were, however, found to be patentable.

The German patent DE 1975864 C1 contained claims directed to neural precursor cells derived from embryonic stem (ES) cells and methods for producing the neural precursor cells. The claims did not mention the use of embryos for producing the ES cells. The patent was granted on April 29, 1999. Greenpeace filed a nullity action before the German Federal Patent Court for partial revocation of the German patent insofar as the claims comprised neural precursor cells derived from human ES cells.

The nullity action was exclusively based on the ground that the subject matter claimed would not comply with the morality requirement of Section 2 (2) No. 1 in combination with Section 2 (2) No. 3 German Patent Act. Greenpeace alleged that the practice of the invention insofar as it related to neural precursor cells derived from human ES cells would inevitably require the destruction of human embryos, the latter being considered to be immoral.

According to the patent specification, the ES cells include human ES cells. It further defines several possibilities for obtaining the ES cells useful in the invention, e.g. the ES cells could be obtained from oocytes after transplantation of the cell nucleus, the ES cells could be obtained from embryonic germ (EG) cells, or from embryos. Alternatively, established ES cell lines could be used. Thus, the preparation of human ES cells did not inevitably require the destruction of human embryos since according to the patent specification alternative sources for human ES cells did exist.

The Federal Patent Court decided to uphold the German patent in a limited form in which cells were excluded which are derived from ES cells prepared from human embryos. This could be interpreted as also excluding human ES cell lines prepared from human embryos. It is interesting to note that the Federal Patent Court in its decision retroactively applied the exemption clause of Section 2 (2) No. 3 German Patent Act, which only entered into force on February 28, 2005 while the patent was filed in 1997 and granted in 1999.

The amended patent still encompasses cells derived from human ES cells which are not prepared from human embryos but from different sources such as from human oocytes after nucleus transplantation or from human EG cells. It is interesting to note that the above mentioned method of nucleus transplantation into oocytes is widely known as the method by which the first clone sheep “Dolly” was generated.

In summary, the exemption from patentability is limited to where the generation of the ES cells involves a human embryo. Cells derived from human ES cells generated by other methods are not excluded from patentability. The first instance decision of the Federal Patent Court is subject to appeal to the Federal Supreme Court.

Reported by Dr. Thomas Friede



3. European Court of Justice: Transit of goods through the territory of a European Union Member State where a trademark is protected does not amount to infringement (Case C-281/05 – Montex v Diesel)

On 9 November 2006 the European Court of Justice decided the case of Montex v. Diesel, C-Case 281/05, referred to it by the German Federal Supreme Court. Montex, having the right to use DIESEL in Ireland, had sought to import jeans made in Poland to Ireland. The container was held up at the German-Polish frontier. When the transit company opposed the seizure, Diesel, proprietor of the DIESEL trademark in Germany, brought an infringement action against Montex. The case reached the German Federal Supreme Court, which referred the following questions to the ECJ:

“(1) Does a registered trademark grant its proprietor the right to prohibit the transit of goods with the sign?

(2) If the answer is in the affirmative: may a particular assessment be based on the fact that the sign enjoys no protection in the country of destination?

(3) If the answer to (1) is in the affirmative and irrespective of the answer to (2), is a distinction to be drawn according to whether the article whose destination is a Member State comes from a Member State, an associated State or a third country? Is it relevant in this regard whether the article has been produced in the country of origin lawfully or in infringement of a right to a sign existing there held by the trademark proprietor?”

The ECJ ruled as follows:

“1. Article 5 (1) and (3) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks is to be interpreted as meaning that the proprietor of a trademark can prohibit the transit through a Member State in which that mark is protected (the Federal Republic of Germany in the present case) of goods bearing the trademark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected (Ireland in the present case), only if those goods are subject to the act of a third

party while they are placed under the external transit procedure which necessarily entails their being put on the market in that Member State of transit.

2. It is in that regard, in principle, irrelevant whether goods whose destination is a Member State come from an associated State or a third country, or whether those goods have been manufactured in the country of origin lawfully or in infringement of the existing trademark rights of the proprietor in that country.”

The judgment is based on the argument that mere transit cannot interfere with the main function of a trademark (which is to indicate commercial origin of the goods), because the goods will never be presented to the domestic public. The ECJ relies heavily on its judgment of 18 October 2005 in Case C-405/03, Class International (Aquafresh), where the court had held that the presence of infringing goods in a customs free zone for purposes of re-export to a third country without any activity which would lead to a transfer of the goods into free intra-Community circulation does not amount to trademark infringement. The ECJ also cites its earlier decision in Case C-115/02, Rioglass & Transremar, which had come to the same conclusion regarding transit of infringing goods through France from Spain to Poland.

Many had hoped that the ECJ would be able to clarify a potential conflict with two earlier ECJ decisions (Case C-60/02, X, involving i.a. ROLEX watches, and Case C-383/98, Polo Lauren) holding that transit of pirated goods even without the goods having entered the intra-Community commerce is in violation of the EU's customs seizure regulation, now found in Council Regulation (EC) No. 1383/2003. At the time when this case arose, customs seizure was governed by Council Regulation (EC) No. 3295/1994. The ECJ explains the obvious differences in approach as follows:

“37 In that regard, the Court notes that Article 1 of Regulation No 3295/94 lays down, first, the conditions under which the customs authorities are to take action where goods suspected of being counterfeit goods are, in particular, found in the course of checks on goods under customs supervision within the meaning of Article 37 of the Customs Code, placed



under a suspensive procedure within the meaning of Article 84(1)(a) of that Code, re-exported subject to notification or placed in a free zone or free warehouse under Article 166 thereof.

38 Second, Article 1 of Regulation No 3295/94 lays down the measures which can be taken by the competent customs authorities with regard to those goods.

39 Third, the second and third recitals of that regulation, reproduced in paragraph 4 above, refer expressly to the marketing of counterfeit goods or the placing of such goods on the market, and to the need to prohibit the release of such goods for free circulation in the Community.

40 It follows that none of the provisions of Regulation No 3295/94 introduces a new criterion for the purposes of ascertaining the existence of an infringement of trademark law or to determine whether there is a use of the mark liable to be prohibited because it infringes that law.”

This attempt at reconciling the earlier judgments is not convincing. It should be recalled that when customs seize infringing goods and the importer contests the action, the right holder must bring an infringement action within a very short time thereafter. However, if the right holder cannot succeed with such an action, because the presence in a country prior to customs clearance does not constitute infringement, the enforcement of trademark rights against goods in transit is made practically impossible.

A solution, if any, will now have to come from the legislature.

Reported by
Dr. Alexander v. Mühlendahl

4. Court of First Instance: Registration refused for “map&guide” (Case T-483/04); likelihood of confusion: Case T-172/05 – NOMAFOAM/ARMAFOAM, Case T-483/04–GALZIN/CALSYN, Case T-13/05 – RODA/ODA, Case T-278/04 – YUPI/YUKI, and Case T-43/05 – BROTHERS (figurative)/ BROTHERS by CAMPER (figurative); no likelihood of confusion: Case T-499/04 – STENINGE KERAMIK/STENINGE SLOTT, and joined Cases T-350/04, T-351/04 and T-352/04 – BIT and other “Bit” marks/ BUD and other Anheuser-Busch “BUD” marks

Absolute grounds of refusal

In its judgment of 10 October 2006 in Case T-483/04, the CFI confirmed the rejection of “map&guide” for computer software in cl. 9 and development of computer software in cl. 42 on the ground that computer programs include those that provide the access to the content, namely guides and maps.

Likelihood of confusion

In its judgment of 10 October 2006 in Case T-172/05, the CFI confirmed the existence of a likelihood of confusion in a case confronting NOMAFOAM and ARMAFOAM for identical goods. The presence of FOAM as descriptive in English for the products was irrelevant because of the protection of the earlier mark NOMAFOAM in the European Community which included territories where English was not known or understood.

In its judgment of 17 October 2006 in Case T-483/04, the CFI overruled a Board of Appeal decision, which is a rare occurrence. The Board had decided that there was no conflict between the earlier French mark GALZIN and the later CTM application CALSYN. The case is interesting for the CFI’s analysis of the conflicting goods – pharmaceuticals – and for the approach to similarity of the marks, which in the CFI’s opinion are very close, particularly phonetically.

In its judgment of 25 October 2006 in Case T-13/05, the CFI confirmed a decision which had upheld a likelihood of confusion in a case confronting the marks RODA and ODA, both for wines.

In another – rare – judgment reversing the Board of Appeal, the CFI in its decision of



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16 November 2006 in Case T-278/04, concluded, as had OHIM's Opposition Division, that YUPI and YUKI were too close to coexist for identical goods. The CFI dealt with but dismissed the argument that YUPI had a specific meaning in Spanish (the same as the English "yuppie") because of the weakness of the evidence and the visual and phonetic closeness of the two marks.

In its judgment of 30 November 2006 in Case T-43/05, the CFI confirmed a decision rejecting a CTM application for "Brothers by Camper" on the basis of an earlier Swedish mark "Brothers", both for shoes.

The conflicting marks were the following:

Earlier mark



Contested CTM application



No likelihood of confusion

In another judgment of 17 October 2006 in Case T-499/04, the CFI confirmed a decision which held that the earlier Swedish mark STENINGE KERAMIK could not prevent registration of the later mark STENINGE SLOTT, for ceramic goods and for glass ware, respectively. STENINGE was perceived as a geographic name whose presence in itself was not sufficient for a finding of likelihood of confusion.

Two days later, on 19 October 2006, in its judgment in joined Cases T-350, 351, and 352/04, the CFI found no conflict between a series of German marks consisting of or containing BIT for beer and three applications filed by Anheuser-Busch consisting of or containing the word BUD. The CFI confirmed that the conflicting marks BIT and BUD were different on the whole, in spite of slight visual and phonetic similarities. The judgment is of more than passing interest because it conflicts directly with an earlier decision of the German Federal Supreme Court which had held that the "American Bud" figurative mark (the second mark in the list

below) infringed BIT. The CFI did not enter into an analysis of how and why the earlier German case was different, relying instead on the oft-repeated statement that national court decisions are not binding, and seeking to differentiate the cases by pointing to the global assessment undertaken by the Board.

The conflicting marks were the following:

Earlier marks

Word mark BIT and the figurative marks

Bit

Bitte ein Bit!



Bitburger *Bitte ein Bit*

Contested CTM applications

Word mark BUD and the figurative marks



Reported by
Dr. Alexander von Mühlendahl



5. German Federal Supreme Court strengthens position of 3D mark owners by establishing new standards for the assessment of the 3D mark's overall impression (I ZR 37/04 – Goldhase)

In a recent case concerning the infringement of the chocolate manufacturer Lindt's "Goldhase" (chocolate Easter bunny) protected by a three-dimensional Community trademark (3D CTM), the Federal Supreme Court found that the shape and color must be considered when assessing the similarity of signs, because elements of increased distinctiveness have a relevant meaning for the overall impression. Consequently, the figurative overall impression of the 3D CTM was not primarily dominated by the word element "Lindt GOLDHASE".

Lindt's law suit was based on the 3D CTM No. 001698885 registered with OHIM on July 6, 2001. The CTM consists of a sitting chocolate bunny coated in golden foil with a red necklace tied in a bow with a small bell and featuring the imprint "Lindt GOLDHASE". The defendant's product also consists of a sitting chocolate bunny likewise coated in golden foil with an imprinted brownish/reddish bow and the inscription "RIEGELEIN CONFISERIE".

The first two instances, the Frankfurt District Court and the Frankfurt Appeal Court, had dismissed Lindt's action. Both courts held that there was no likelihood of confusion between the Lindt chocolate bunny registered as a CTM and the chocolate bunny of the defendant Riegelein. The CTM was found to be primarily dominated by the word element "Lindt GOLDHASE" and, secondly, by the red necklace tied in a bow with a small bell. The Riegelein chocolate bunny showing the word element "RIEGELEIN CONFISERIE" and bearing an imprinted brownish/reddish bow instead of the red necklace with a small bell was found to create such a wide distance between the decisive sign elements that a likelihood of confusion was excluded in spite of identity of goods and increased distinctiveness of the CTM.

This assessment of the overall impression was successfully contested. The Federal Supreme Court found that the figurative overall impression of the CTM was not primarily dominated by the word element

"Lindt GOLDHASE". According to experience with figurative marks containing a word element, the relevant public will focus on the word element rather than on the figurative element. However, this was only applicable to the contested 3D get-up of the mark if the further elements of the get-up besides the word element did not have any significant importance. The red necklace tied in a bow with a small bell was found to dominate the sign as well. Furthermore, the high distinctiveness of the shape and color of the CTM as demonstrated by a consumer poll had also to be taken into account. Therefore, shape and color must also be considered when assessing similarity of signs, because elements that could claim increased distinctiveness had a relevant meaning for the overall impression.

With the case being referred back to the Frankfurt Appeal Court, it remains a matter of interest whether the Appeal Court will come to a result in favor of Lindt when applying the standards established by the Federal Supreme Court. It is noteworthy – and may also have an impact on the Frankfurt proceedings in terms of a possible suspension – that the Vienna Commercial Court in a non-final decision declared the Lindt CTM invalid only two months before the German Federal Supreme Court's decision (an application for a declaration of invalidity of said CTM was filed with OHIM as early as 2005 but has not yet been decided).

Reported by Thomas Huber

6. German Federal Supreme Court prohibits amendment of abstract combined color trademark by adopting a language which brings the two claimed colors into a fixed relation to each other (I ZB 86/05 – yellow/green)

The trademark application for the colors yellow and green in the abstract was originally rejected by the Federal Patent Court for not being capable of functioning as a trademark. The application contained two representations of the colors green and yellow in a square format next to each other on the application form, and a description stating that the mark consisted of the combination of the colors green and yellow. The colors were further defined by pantone numbers. Moreover,



the description said the two colors could be used in any kind of composition. The Federal Supreme Court on appeal decided that the mark was capable of being a trademark, and remanded the case to the Federal Patent Court. In the meantime, the European Court of Justice had established specific criteria to be met by a color combination trademark in the Heidelberger Bauchemie decision (C-49/02). In its second decision the Federal Patent Court again rejected the trademark application, although the applicant had added an amendment to the description stating that the two colors were combined in a 1:1 proportion. It considered the amendment by the additional language of the description as inadmissible. The Federal Supreme Court upheld the decision on appeal.

Reported by Peter J. A. Munzinger

7. German Federal Supreme Court holds meta-tags to be use of a designation (I ZR 183/03 – Impuls)

According to the Federal Supreme Court's latest ruling on meta-tags, the use of a third party's designation in the course of business as a hidden search term (meta-tag) is considered to be a use of a designation. If this designation is used to direct the internet user to a website of the user of the meta-tag, it refers – even if this is not realised by the internet user – to the advertising company and its offers (I ZR 183/03).

In such a case, a likelihood of confusion can already be derived – depending on the similarity of the business – from the fact that the search request in a search engine is followed by, among the search results, a hint to the website of the user of the meta-tag.

With the present decision, the Federal Supreme Court has put an end to the ongoing discussion amongst several courts of appeal and the academic literature in Germany whether or not to consider the use of a meta-tag as a use of a trademark that can lead to a likelihood of confusion.

The Federal Supreme Court is of the opinion that the use of a meta-tag containing a protected designation is a use of a desi-

gnation since (and if) the search engine includes the meta-tag in the scope of its search. The decisive factor is not the visibility on the website but the influence of the meta-tag on the search result by which the user is directed to the related website. Accordingly, the meta-tag is used to direct the internet user to the advertising company and its offers.

The likelihood of confusion must be derived from the fact that the internet user is directed to a website with similar services/products to the one the meta-tag refers to, which leads to the risk that the internet user will confuse the offer with that of the company the meta-tag refers to and accordingly will take a closer look at it. This is already sufficient to establish a likelihood of confusion, according to the court.

This decision is highly appreciated by German practitioners since it provides a clear path on the bumpy road of applying “offline” trademark law to internet issues without giving too much room for exceptions.

Reported by Dietrich Beier

8. Office for Harmonization in the Internal Market: First decision of a Board of Appeal in a Community design matter (R 1001/2005-3 – Pepsico v Grupo Promer Mon-Graphic)

With numerous decisions of the Invalidity Divisions on Community design registrations having been published, the first decision in appeal proceedings was expected with high interest. On October 27, 2006, the Third Board of Appeal annulled a decision of the Invalidity Division that had declared three registered Community designs invalid on the grounds that they conflicted with a prior design, as provided in Article 25 (1) lit d Community Design Regulation (CDR).

Said provision states that a Community design may be declared invalid if it “is in conflict with a prior design which has been made available to the public after the date of filing of the application or, if a priority is claimed, the date of priority of the Community design, and which is protected from a date prior to the said date by a registered Community design or an



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application for such a design, or a registered design right of a Member State, or by an application for such a right”.

Firstly, the Board of Appeal took the opportunity to clarify the meaning of the term “in conflict with”, which is not defined in Article 25 (1) lit d CDR. It upheld the view of the Invalidity Division that a conflict arises when the two designs produce the same overall impression on the informed user. It follows that a conflict exists when the earlier design, if it had been made available to the public before the filing date (or priority date) of the later design, would have deprived the later design of novelty within the meaning of Article 5 CDR or individual character within the meaning of Article 6 CDR.

Secondly and consequently, the core question is whether the conflicting designs produce the same overall impression on the informed user. In answering that question the degree of freedom of the designer in developing the junior design has to be taken into account. The smaller the freedom of the designer, the more (possibly minimal) differences will suffice to create a different overall impression.

In the case at hand, the Board of Appeal took a different view to that of the Invalidity Division on the degree of the freedom of the designer in the area of promotional items intended for young children. Given the limited freedom of the designer in developing the junior design, the differences in the profile of the two designs were held sufficient to establish a different overall impression on the informed user. Therefore, the Community designs were eligible for registration.

Reported by Florian Traub

9. Office for Harmonization in the Internal Market (Invalidity Division) on the relationship between a prior trademark registration and a junior registered Community design (ICD 000002426 – Schwan-STABILO v Ningbo Beifa Group)

On application by the owner of the prior German trademark registration No. 300 45470.8 (in the following: “the TM”) the Invalidity Division declared the junior registered Community design No. 000352 315-0007 (hereinafter: “the RCD”) invalid according to Article 25 (1) lit e of the Community Design Regulation (CDR). This provision states that a Community design is to be declared invalid “if a distinctive sign is used in a subsequent design, and the Community law or the law of the Member State governing that sign confers on the right holder of the sign the right to prohibit such use”.

Following Article 25 (1) lit e CDR, the key to solving the conflict between a prior TM and a junior RCD is, as a rule, provided by the principles of trademark law (not design law), namely (1) whether the design of the RCD is identical with or similar to the prior TM, (2) whether the use of the RCD relates to identical or similar goods for which the prior TM is protected, (3) whether, if the signs and the goods are not identical, there is a likelihood of confusion, and (4) whether the use of the RCD is a use in the course of trade.

The TM of the present decision consists of a three-dimensional sign and was registered in December 2000 for goods of class 16. In the RCD, the indication of products reads “instruments for writing”.

The Invalidity Division held that the RCD made use of the TM by incorporating a sign into the RCD which is similar to the three-dimensional shape of the TM. According to the decision, the goods covered by the trademark and the design are identical. Consequently, the owner of the prior TM has the right to prohibit the use of the RCD on the grounds of a likelihood of confusion.

While the Invalidity Division compared the conflicting signs correctly, the reasoning of the Invalidity Division when comparing the goods involved leaves many questions unanswered: Firstly, the decision is



too short and cursory and gives no explanation why the use of the RCD was meant to relate to the goods for which the prior TM is protected. In this respect, it would not be sufficient to refer to the indication of products of the RCD: The design protection is granted for the appearance of the graphic elements as such and is entirely unrelated to the products in respect of which the design is registered. Secondly, in view of the fact that the earlier TM had been registered for more than five years, the interesting question arises whether non-use could have been raised as a defence in the invalidity action. The CDR does not provide a clear regulation for such a “collateral” attack on the earlier right. It appears to be arguable that the applicant is given the same defence as the defendant in infringement proceedings (cf. Article 95 [3] CTMR). In this case, the applicant could claim that the rights of the proprietor of the prior trademark could be revoked for lack of use. Otherwise, a Community design owner wishing to challenge the validity of the earlier trademark has to bring an invalidity action before the OHIM or – where applicable – a trademark court or the national trademark office as the case may be.

The interesting legal relationship between a prior trademark registration and a junior Community design and vice versa still awaits further clarification.

Reported by Florian Traub

10. German Federal Supreme Court overrules ban on social sponsoring (I ZR 33/04 and I ZR 97/04 – Rainforest Project)

In the “Rainforest Project” case, the Federal Supreme Court ruled on the admissibility of so-called “social sponsoring” under the German Act against Unfair Competition. The defendant, a brewery, was sued for having promised in an advertisement campaign to effectively protect, by using the World Wide Fund for Nature (WWF), one square kilometer of the rainforest for each purchase of a crate of beer. The Federal Supreme Court held that, in general, the consumer only expected the company to promptly perform some kind of sponsoring of significant magnitude, given that the company had not pro-

mised any detailed efforts as to the extent and manner of the sponsoring.

The Federal Supreme Court had to decide on actions filed by what are known as “Unfair Competition Associations” concerning the assessment of two advertising campaigns under German unfair competition law, inter alia intensively broadcasted on television in the years 2002 and 2003 and comprising the promise of the famous brewery Krombacher to effectively protect one square kilometer of the rainforest for each purchase of a crate of beer by using the World Wide Fund for Nature (WWF). The claimants considered this advertisement to be unfair competition, claiming lack of transparency, since it did not contain any information concerning the way the protection was ensured. Furthermore, they considered the two campaigns as misleading advertising, suspecting that the defendant would donate only a small amount of money, so that an effective protection of the rainforest was de facto not achievable.

Two lower instances had prohibited the contested advertisements broadcasted in 2002. Another comparable campaign was also forbidden in 2003. The legal appeals lodged by the sued brewery, however, were successful in both proceedings and led to the revocation of the appealed judgments, with the proceedings being referred back to the lower instance.

The Federal Supreme Court held that it is, in principle, permitted to combine social sponsoring with the selling of products. Insofar, there was, in general, no duty to inform consumers about the way or the amount of support granted for the benefit of the rainforest. With the recodification of the German Act against Unfair Competition, the legislator explicitly voted against a general rule of transparency. Thus, an obligation to provide clarification could only be assumed if otherwise there was a likelihood of an unfair influence on the consumer by misleading the consumer about the offer’s real value, particularly about the incentive’s value.

However, in the present case such an obligation, according to the Federal Supreme Court, was to be denied. If an entrepreneur promised to support a certain ecological project, the additional



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incentive for the consumer was to support such social projects by buying the products in question. If the company had not promised any detailed efforts as to the extent and manner of the social sponsoring, the consumer only expected the company to promptly engage in some kind of sponsoring which was not so marginal in scope that promoting such sponsoring was not justified.

Therefore, according to the Federal Supreme Court, the contested advertising campaigns could only be deemed as unfair or misleading advertising if – as alleged by the claimants – the defendant brewery had promised more support of the rainforest project in its campaigns than it had actually afforded, thereby deceiving the legitimate expectations of the consumers in a relevant way. Since the lower instances failed to assess the facts in this respect, both cases were remanded to them.

Reported by Dr. Henning Hartwig

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