

IP Report

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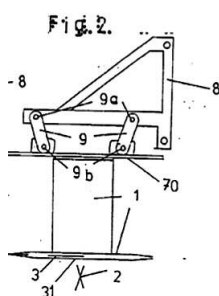
Patent Law	Page
1. German Federal Supreme Court: On the interpretation of the contents of application documents (Decision of July 8, 2008 – Case XZB 13/06 – Momentanpol II/Instantaneous Center of Rotation)	2
2. German Federal Supreme Court confirms narrow interpretation of exclusion of methods from protection by utility models (Decision of July 29, 2008 – Case X ZB 23/07 – Telekommunikationsanordnung/Telecommunication arrangement)	3
3. European Patent Office proposes amendments of the Implementing Regulations to the EPC in order to restrict the “misuse of divisional applications”. In addition new rules are proposed in connection with the initiative “Raising the Bar”	3
4. European Patent Office: President of EPO refers four questions with respect to computer implemented inventions to Enlarged Board of Appeal (Referral of October 22, 2008 – Case G 3/08) ...	6
5. Düsseldorf Appeal Court rules that damages for patent infringement according to the “profits made by the infringer” are only those profits which are directly related to the infringement (Decision of June 2, 2005 – Case 2 U 39/03 – Verletzergewinn/Profits made by the infringer)	8
6. Düsseldorf Appeal Court dismisses preliminary injunction against sales and distribution of drugs containing “Olanzapine” (Decision of August 25, 2008 – Case I-2 W 43/08 – Olanzapine IV)	9
7. Düsseldorf District Court dismisses preliminary injunction against sales and distribution of drugs containing “Olanzapine” (Decision of August 12, 2008 – Case 4 b O 100/08 – Olanzapine III)	10
8. A draft bill of the “Act to simplify and modernize the patent law” of May 30, 2008 is on the legislative agenda	11
Trademark Law	
9. European Court of Justice: What constitutes the “link” between marks in the case of conflict between marks with a reputation (Judgment of November 27, 2008 – Case C-252/07 – Intel Corporation Inc. v. CPM United Kingdom Ltd., INTEL v. INTEL MARK)	12
10. European Court of Justice: Use of a mark for services of a charitable institution and not-for-profit may constitute genuine use (Judgment of December 9, 2008 – Case C-447/07 – Verein Radetzky-Orden v. Bundesvereinigung Kameradschaft “Feldmarschall Radetzky”)	15
11. European Court of Justice: Likelihood of confusion when two Community trade marks are involved (Judgment of December 11, 2008 – Case C-57/08 P – Gateway, Inc. v. OHIM – Fujitsu Siemens Computer GmbH)	16
12. German Federal Supreme Court on the requirements of protection against misappropriation (Decision of June 26, 2008 – Case I ZR 170/05 – ICON)	17
Design Law	
13. German Federal Supreme Court rendered first decision on substantive Community design law (Decision of October 9, 2008 – Case I ZR 126/06 – Gebäckpresse/Press for Bakery Products)	18
Plant Variety Law	
14. European Court of Justice (Court of First Instance): First decision on application proceedings of a Community plant variety right (Decision of November 19, 2008 – Case T-187/06 – Schröder v Community Plant Variety Office)	19



1. German Federal Supreme Court: On the interpretation of the contents of application documents (Decision of July 8, 2008 – Case X ZB 13/06 – Momentanpol II / Instantaneous Center of Rotation)

For the determination of the disclosure content of the application documents the same rules apply as for the interpretation of the expressions used in a patent claim and the technical teaching thereof.

The German Federal Supreme Court had to decide on the question of interpretation of the contents of application documents. In the decided case the German patent DE 38 35 367 was successfully attacked with an opposition before the German Federal Patent Court. The Patent Court decided that the patent included an unallowed amendment introduced during examination. The feature in question was introduced to the granted main claim and reads: “the pivot axis of the mowing unit extends through an instantaneous center of rotation arranged beneath the working plane”. The original disclosure of this feature which can be found in several passages of the original application documents, however, reads as follows: “the pivot axis [of the mowing unit] extends through an instantaneous center of rotation arranged beneath the support surface of the mowing unit”.



The Patent Court interpreted the originally disclosed feature as being limited to embodiments in which the center of rotation (M) is not only arranged vertically underneath the moving unit (11) but also horizontally. In other words: the center of rotation (M) shown in the figures might be moved horizontally to the left and to the right but not substantially further than the outermost edges of the mowing unit. An unlimited horizontal arrangement of the

center of rotation (M) is not shown in any of the figures nor disclosed in the original application documents.

The German Federal Supreme Court overruled the decision of the Federal Patent Court. According to the reasoning of the Supreme Court, when interpreting terms used in the description of a patent or patent application, the skilled person will always try to find an interpretation which is (technically) sensible in the given context. In the decided case, there is no technical reason why the position of the center of rotation should be limited by the outermost edges of the mowing unit, i.e. the support surface of the unit. Considering the application documents as a whole, one cannot find any indication for such a limited interpretation. According to the Supreme Court, the correct interpretation of the term “beneath” thus shows that, in the context of the originally filed application documents, the term has to be understood as exclusively directed to the vertical dimension. The Supreme Court further pointed out that also in the general linguistic usage of the term „beneath“ the same may describe only a vertical position without any further limitations regarding the horizontal dimension.

It is common practice in Germany that patent claims are interpreted on the basis of a so-called function-oriented interpretation, i.e. the meaning is interpreted in the light of the technical function taking into account the teaching of the whole patent documents. With the present decision, the Federal Supreme Court emphasizes that similar rules also apply for the interpretation of the contents of the originally filed documents when addressing the question whether features introduced to the claims are originally disclosed or not. It is worth noting that this decision is limited to German proceedings and that the EPO in general applies substantially stricter rules with regard to the disclosure of amendments introduced to the claims.

Reported by Joachim Mader





2. German Federal Supreme Court confirms narrow interpretation of exclusion of methods from protection by utility models (Decision of July 29, 2008 – Case X ZB 23/07 – Telekommunikationsanordnung/Telecommunication arrangement)

Following decisions X ZB 7/03 (Arzneimittelgebrauchsmuster/Pharmaceutical utility model) and X ZB 9/03 (Signalfolge/Sequence of signals), the German Federal Supreme Court has now confirmed in a further decision that the exclusion of methods in Art. 2 (3) of the German utility model act has to be interpreted narrowly and concerns only mere working or production methods. In the present case, the Federal Patent Court had refused a claim directed to a telecommunication arrangement for the transmission of data [...] comprising means for establishing a connection between an end terminal and a server [...], means for transmitting data from the server to the end terminal, means for repeatedly checking [...] the presence of a control signal, means for switching in case a control signal is present [...], means for switching back in case a corresponding further control signal is present [...]. The Federal Patent Court argued that such a claim would essentially relate to a process of transmitting data between an end terminal and a server, and would define a timely sequence of steps for transmitting the data. Thus, the wording of the claim, although written as a product claim, would define a method which is excluded from protection by a German utility model.

The Federal Supreme Court did not follow this opinion and confirmed that it was the intention of the legislator to only exclude mere methods from utility model protection, because they could not be presented in a concrete way (e.g. through figures or diagrams) and, thus, would not be suitable for an un-examined protection right. In its earlier decision X ZB 7/03 (Arzneimittelgebrauchsmuster/Pharmaceutical utility model) the Federal Supreme Court had already ruled that Art. 2 (3) of the German utility model act does not prevent the registration of a utility model for the use of known substances within the framework of a medical indication. In decision X ZB 9/03 (Signalfolge/Sequence of signals) the Federal

Supreme Court had found that an invention which does not have the embodiment of a concrete substrate is not necessarily to be classified as a method. Thus, a claim directed to a sequence of signals representing a program to be run on a computer was allowed to be protected by a German utility model.

Reported by Johannes Lang



3. EPO proposes amendments of the Implementing Regulations to the EPC in order to restrict the “misuse of divisional applications”. In addition new Rules are proposed in connection with the initiative “Raising the Bar”.

1. The users of the European patent system may get into difficulties when trying to keep pace with the changes of the system. Hardly one year ago, the EPC 2000 entered into force. In the meantime, the amounts of the fees have been increased. In addition, an amended fee structure has been adopted which will enter into force on April 1, 2009. Amendments to the Implementing Regulations related to the new fee structure and numerous further amendments were decided upon by the Administrative Council on October 21, 2008 (see OJ EPO 2008, 513).

2. In addition, the EPO has taken the Enlarged Board’s of Appeal decision on divisional applications (G 1/05 and G 1/06, see IP-Report 2007/III, p. 3) as an invitation to propose amendments to the Implementing Regulations, restricting the possibilities of filing divisional applications. In 2001, the EPO was of the opinion that the applicant’s approval of the text was an inappropriate early date for limiting the applicant’s right to file a divisional application. Thus, on proposal of the Office, the Administrative Council introduced the rule that a divisional application may be filed related to any pending



application. Today the EPO proposes to introduce limitations much stricter than those applicable up to 2001.

It is proposed to fix two time limits for filing a divisional application. A first time limit of 24 months would be triggered by the first communication of the Examining Division. In case of a sequence of divisional applications, the time limit would start from the communication in the earliest application. A second time limit of 24 months would be triggered by a non-unity objection in the earlier application.

The EPO puts much emphasis on an alleged misuse of divisional applications. It is true that under the present system subject-matter may be kept pending in a series of divisional applications during the possible term of a European patent. This was already stated by the Enlarged Board of Appeal. However, the Enlarged Board of Appeal also suggested, as a first remedy, administrative measures such as giving priority to divisional applications and speedily deciding co-pending divisional applications. Only in case such measures turned out to be inadequate, the Enlarged Board noted that it would be for the legislator to consider where there were abuses and what the remedy could be.

The EPO does not report on any administrative measures it had taken and what their result was. Nor has the EPO investigated the extent of the alleged misuse of divisional applications. The mere data on divisional application are neither impressive nor informative. 5% of European applications are said to be divisional applications, 7% of the 5% (i.e. 0.35 of European applications) are divisional applications from divisional applications, and divisional applications of further generations are 1% of the 5% (i.e. 0.05 of European applications).

Filing a divisional application is quite often not a deliberate choice of the applicant but a need arising from the course of the grant proceedings. For example, it happens quite often these days that an applicant is not given the opportunity to file further amendments in order to claim subject-matter which has turned out to have a chance to be considered allowable by the Examining Division. In this situation, his only choice is to proceed with a divisional application. Without an investi-

gation where the abuse is, the need for a change has not been established and the proper remedy cannot be found.

In any case, the proposed solution seems to neglect essential interests of the applicant. The applicant has made the complete disclosure in his application available to the public. He deserves a fair chance to obtain adequate protection for his full disclosure. It is a quite common situation that an applicant needs an enforceable patent as soon as possible and is thus interested in a speedy grant. If certain subject-matter remains contested as to its allowability, it is legitimate for the applicant to take an early grant for uncontested but limited claims and to prosecute the remaining broader subject-matter in a divisional application, perhaps eventually taking recourse to appeal proceedings. This legitimate course of action would be jeopardized by the fixed time limit proposed by the EPO, since the applicant can never be sure what he gets in the end before he has the decision to grant in his hands. Even a positive opinion in a first communication is in no way binding for the Examining Division, and often the first communication is restricted to formal matters and does not contain any statement related to the substance of the case at all.

As to the second time limit triggered by a non-unity objection, it has to be noted that an almost identical situation for the applicant exists if the Examining Division objects under Rule 137(4) EPC to an amendment alleged to involve unsearched subject-matter not forming a single general inventive concept with the originally claimed invention. However, this case is not covered by the second time limit.

An unforeseen outcome of the proposal may be that the number of divisional applications will increase since applicants may feel compelled to file divisional applications as a precautionary measure if the decision to grant has not been taken within two years after the first communication. This may increase the fees collected by the EPO but certainly not decrease its workload.

If the EPO's only concern is the possibility of filing divisional applications again and again after a negative result of sub-



stantive examination in the earliest application, it is difficult to see why the EPO does not propose to limit successive divisional applications. Such an approach seems to be foreshadowed in G 1/05 and 1/06 in which the Enlarged Board of Appeal stated that Article 76 (1) EPC is not explicitly worded to cover divisional applications of divisional applications, nor can it be said to forbid them. If the Convention itself is silent on this question, the legislator of the Implementing Regulations is free to foresee appropriate restrictions.

3. Whereas restrictions for divisional applications have been discussed since G 1/05 and G 1/06 were handed down, a new group of amendments was recently proposed under the heading “raising the bar”. They are said to aim at improving the quality of incoming patent applications (in particular, to incite applicants to respect the European form of drafting patent applications) and streamlining the grant proceedings.

The proposals relate to

- a) restricting the search where an application contains multiple independent claims in at least one category;
- b) making a response by the applicant to the search opinion obligatory;
- c) clarifying the subject-matter to be searched if a patent application does not comply with the EPC to such an extent that it is impossible to carry out a meaningful search;
- d) requiring a clear identification of the basis in the original disclosure of amendments made during grant proceedings.

Without going into the details, the essence of the proposals is the amplification of the BEST-system (Bringing Examination and Search Together). At present, the essential aspect of BEST is that, as a rule, the examiner establishing the search report is also the first examiner in substantive examination and that the search report is accompanied by an opinion on whether the claimed invention satisfies the formal and substantive requirements of the Convention. The amendments addressed in a), b) and c) bring further elements of substantive examination into the stage of the search. In particular, non acting in reply to invitations at the search stage results in substantive procedural restrictions in substantive examina-

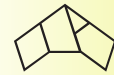
tion and even to the fiction of withdrawal. For example, the only possibility for the applicant under proposed Rule 137 (2) to amend the application of his own volition, i.e. without the consent of the Examining Division, is in reply to an invitation at the search stage. A possible scenario under the proposed system may be that the applicant having not acted at the search stage may get, as the first action of the Examining Division, the refusal of the application.

Whereas amplification of the BEST-system may increase the efficiency of the Office, it is doubtful whether it is in agreement with the present structure of the EPC. In accordance with Article 94 EPC, the application is not examined until a request to this effect has been made by the applicant. In the organisational structure of the Convention, the search is the basis but not part of the examination. Whereas a dialogue between the Examining Division is foreseen in Article 94 (3) EPC, such dialogue is neither foreseen at the search stage (cf. Article 92 EPC) nor does the Search division belong to the departments of the EPO entitled to render decisions. Therefore, losses of rights as a result of inactivity of the applicant at the search stage seem to be in contradiction to the Convention.

“Raising the bar” by imposing procedural restrictions on the applicant is a concept contrary to the tradition of the EPO which was characterized by the attempt to bring procedural requirements in line with the interests of the users. The key to better patent applications is not procedural hardship but the substantive standards applied by the Patent Office. The application policy of the users may be expected to be influenced by rational considerations. On a cost benefit analysis, applicants file applications for subject-matter for which they have a good chance to obtain a patent. Hence, thorough examination is the most promising means to improve the quality of applications.



Reported by Dr. Rudolf
Teschemacher



4. EPO President refers four questions with respect to computer implemented inventions to Enlarged Board of Appeal Referral of October 22, 2008 – Case G 3/08

On October 22, 2008 the President of the European Patent Office, in accordance with Article 112 (1) (b) EPC, referred four questions relating to the patentability of computer implemented inventions to the Enlarged Board of Appeal of the EPO:

Question 1:

Can a computer program only be excluded as a computer program as such if it is explicitly claimed as a computer program?

Question 2:

(A) Can a claim in the area of computer programs avoid exclusion under Article 52(2) (C) and (3) merely by explicitly mentioning the use of a computer or a computer-readable data storage medium?

(B) If Question 2 (A) is answered in the negative, is a further technical effect necessary to avoid exclusion, said effect going beyond those effects inherent in the use of a computer or data storage medium to respectively execute or store a computer program?

Question 3:

(A) Must a claimed feature cause a technical effect on a physical entity in the real world in order to contribute to the technical character of the claim?

(B) If Question 3 (A) is answered in the positive, is it sufficient that the physical entity be an unspecified computer?

(C) If Question 3 (A) is answered in the negative, can features contribute to the technical character of the claim if the only effects to which they contribute are independent of any particular hardware that may be used?

Question 4:

(A) Does the activity of programming a computer necessarily involve technical considerations?

(B) If Question 4 (A) is answered in the positive, do all features resulting from programming thus contribute to the technical character of a claim?

(C) If Question 4 (A) is answered in the negative, can features resulting from programming contribute to the technical character of a claim only when they con-

tribute to a further technical effect when the program is executed?

As a reason for this somewhat surprising referral, the President of the EPO, Mrs. Alison Brimelow, indicates that there were concerns by national courts, in particular the UK courts, and the public “that some decisions of the boards of appeal have given too restrictive an interpretation of the breadth of the exclusion” from patentability of programs for computers as such provided in Article 52(2) and (3) EPC. In fact, in October 2006, the UK Court of Appeal under Lord Justice Jacob had asked in the *Aerotel* case the then President of the EPO, Mr. Alain Pompidou, to refer questions to the Enlarged Board of Appeal which had been declined by the EPO at the time. In the opinion of the UK Court of Appeal, Article 52 (2) EPC is not expressed as an exception to patentability which would have to be interpreted restrictively, but as independent positive categories of things which are not to be regarded as inventions and which have to be regarded individually. This opinion has been confirmed by the UK Court of Appeal in its recent *Symbian* decision of October 8, 2008.

Although the four questions now referred to the Enlarged Board of Appeal are completely different from the questions proposed by the UK Court of Appeal in *Aerotel*, they seem, however, to be inspired by the same approach that the provision in Article 52 (2) EPC that programs for computers shall not be regarded as inventions has to be interpreted in a broader sense.

In contrast to that, the Board of Appeal 3.5.1 handling most of the computer implemented inventions at the EPO, as a result of a continuous development of its case law, has found in T1173/87 (Computer program product/IBM; reasons 5.3) that the provision of Article 52(3) EPC (“as such”) does not allow for a broad interpretation of the scope of the exclusion of Article 52(2) EPC. As a consequence, in its recent decisions the Board generally found that any method using technical means (i.e. a computer) is an invention within the meaning of Article 52(1) EPC. Only in the following step, when assessing novelty and inventive step, it is then examined which features make a technical contribution to the invention and, further, if these features are



novel and inventive. If there is a technical contribution, the specific claim format is less relevant so that even claims directed to a computer program are permissible and can be granted. In essence, the examination of computer implemented inventions at the EPO is under the current practice directed to the technical substance of an invention rather than the specific claim format.

The President's referral does not address the relation between the assessment of the technical character of claimed subject-matter and the assessment of inventive step. Under the established case law, the technical character has to be assessed without considering the available state of the art. As a result of this, concrete products and methods employing specified technical means are considered to have technical character. Thus, computer implemented inventions involving a mix of technical and non-technical features may easily pass the hurdle of Article 52 (2) EPC. By contrast, when assessing inventive step, features of a claim not contributing to the technical character have to be separated from the technical features. The non-technical features may play a role for the definition of the objective technical problem. However, if the technical implementation of the problem is obvious, there is no inventive step.

Article 112 (1) (b) EPC stipulates that the President of the European Patent Office may refer a point of law to the Enlarged Board of Appeal where two Boards of Appeal have given different decisions on that question. However, the decisions cited by the President in her referral were all made by the same Board of Appeal 3.5.1 although in different compositions of its members and under two succeeding chairmen. The earliest decision referred to dates from as early as 1989 (T 163/85), whereas the latest decision dates from 2006 (T 424/03), thus covering a very long period of evolution of interpretation of the EPC by the Board of Appeal. The very first question to be answered by the Enlarged Board of Appeal will certainly be the general question if a sequence of developing decisions of one Board of Appeal, although made in different compositions of the Board, can be seen as different decisions of two Boards of Appeal as required for a referral by Article 112 (1) (b) EPC. This point is particularly

relevant in situations in which a Board of Appeal has overruled its previous case law (see e.g. T 258/03 – Auction method/HITACHI, Reasons pt. 4). There is only one decision of the Enlarged Board of Appeal (G4/98) dealing with deviating decisions of one Board of Appeal. However, it concerned two decisions of the Legal Board of Appeal, and there is only one Legal Board of Appeal anyway.

Another important question for the applicants will be how the EPO will handle pending applications and, in particular, the question whether an Examining or Opposition division can stay the further examination of a computer implemented invention until the Enlarged Board of Appeal has rendered its decision. In 2006, when cases G 1/05 and G 1/06 relating to divisional applications were pending before the Enlarged Board of Appeal, the President of the EPO had issued a notification which has since been introduced into the Guidelines for Examination in the EPO (Part E, Chapter VII, 3.), stating that where a referral to the Enlarged Board of Appeal is pending and the outcome of examination or opposition proceedings depends entirely on the decision of the Enlarged Board of Appeal, the proceedings will be stayed upon request of at least one of the parties. Where the proceedings are not stayed, they will be decided according to existing practice. Since the answer to at least one of the above cited four questions referred to the Enlarged Board of Appeal will certainly always influence the outcome of pending examination or opposition proceedings relating to computer implemented inventions, it can be expected that opponents in particular might frequently request a stay of the proceedings. Whether such requests are successful may depend on the question of inventive step on the merits of the individual case. If the Opposition Division would not acknowledge inventive step anyway, there was no need to allow the opponent's request to stay the proceedings, because of the question whether Article 52 (2) EPC would also exclude the grant of a patent. Even if technical character is assumed in the patentee's favour, the final outcome would be in the opponent's favour.

Reported by
Johannes Lang, Dr Hans Wegner,
Dr Rudolf Teschemacher



5. In a decision of 2005 that was published only recently, the Court of Appeal of Düsseldorf ruled that damages for patent infringement calculated according to the “profits made by the infringer” with an infringing product are only those profits which are directly related to the infringement (Decision of June 2, 2005 – Case 2 U 39/03 – Verletzergewinn/Profits made by the infringer).

The profits in the above mentioned sense are usually only a percentage (here: 20%) of the profits made with the infringing product, unless an entirely new product is created, because patents usually only improve details of a known product. The decision further clarifies which costs can be deducted from the turnover in order to obtain the “profits made by the infringer” in the sense of German patent law.

The defendant is a producer of lifting and tipping devices for emptying containers, in particular dustbins. It has already been established that these devices infringe the patent of the plaintiff. The parties are now litigating the amount of damages to be disbursed by the defendant which are related to the infringement. The plaintiff claims, with reference to the famous Federal Supreme Court decision “Share of Overheads” (“Gemeinkostenanteil”), a certain amount of damages as “profits made by the infringer” which corresponds to the turnover made with the infringing goods reduced only by those costs for manufacturing and marketing which are directly and exclusively caused in connection with the infringing product, whereas the defendant wants to deduct as many costs as possible in order to reduce the “profits made by the infringer”. The parties are in dispute on whether the defendant provided sufficient evidence that these costs are not overhead costs.

The Court of Appeal confirmed that only those parts of the profits can be accorded to the plaintiff which were directly and exclusively caused in connection with the infringing product. According to the Court, the decision Share of Overheads did not change this principle. Accordingly, the patent holder has to establish in court this connection by proving that the infringing company made its profits because it used the patent.

Furthermore, the Court of Appeal held that the decision Share of Overheads (Gemeinkostenanteil) of the Federal Supreme Court of 2000 is to be applied in the present case, and thereby confirmed the corresponding practice of lower patent courts which regularly apply the legal reasoning of Share of Overheads in the field of patent law. According to this decision, costs which incur anyway during production are not taken into consideration when it comes to quantifying the damages, because these costs are not directly linked to the illegal use of the teaching of the patent. According to the Federal Supreme Court, this is legally presumed for all overhead costs. Thus, the turnover made with the infringing goods is reduced only by those costs for manufacturing and marketing which are directly and exclusively caused in connection with the infringing product. All other costs are excluded from deduction. The Federal Supreme Court asserted that the legal presumption can be rebutted by the defendant by detailed statements of fact.

The Court of Appeal confirms that the defendant can rebut the legal presumption that overhead costs incur anyway and has to bring forward detailed statements of fact which show convincingly that certain costs are linked to certain infringing products. The Court applies the rules of Share of Overheads to the present case. The details the Court took into consideration for its estimation cannot be reported here, but it rejected the assertions of the defendant altogether as too superficial and insufficient to prove any further deductible costs.

The present decision clearly shows that the portion of the profits which is attributed to infringing acts, unless an entirely new product is created, is less than 100% and cannot be exactly calculated or “proven”. Even if a connection between profit and infringement is established, the court will still estimate according to its own discretion. This is due to the fact that it usually cannot be proven that a buyer has purchased the infringing product only because it offers the advantages of the invention. This is especially true for products which are based on several patents. In such cases, the estimation by the courts of the percentage of the profits made due to the use of the invention comes close to a result of damages that



approximates the damages which would be attributed if calculated on the basis of “reasonable royalties”.

As Share of Overheads made it much more attractive to siphon profits from the infringer and as courts subsequently were prepared to award big portions of the profits made, patent holders began to increasingly claim damages on the grounds of “profits made by the infringer”. Beforehand, the concerned owners of patents rarely claimed profits and almost always sued for damages based on a virtual reasonable royalty. After Share of Overheads, courts sometimes awarded high damages. Often, the attributed amounts considerably topped the amount the plaintiff would have obtained by claiming reasonable royalties. As the present decision shows, this development is now obviously being pushed back again by the courts by emphasizing and also tightening the requirements as to what the plaintiff must prove in order to establish a connection between portions of profits and infringing acts.

Reported by Clemens Rübel and
Christian Steudtner



6. In a pharmaceutical case, the Court of Appeal of Düsseldorf dismissed a preliminary injunction against sales and distribution of drugs containing the active ingredient “Olanzapine”. (Decision of August 25, 2008 – Case I-2 W 43/08 – Olanzapine IV).

The Court ruled against the patent holder in favour of a producer of generic medicinal products on the basis that the preliminary injunction was not “urgent”, thus confirming that even under Art. 9 of the newly imposed “Enforcement Directive” the requirement of urgency in German injunctive proceedings must be fulfilled.

In order to prevent the defendants from marketing drugs containing Olanzapine, the plaintiff filed an action for a preliminary injunction with the District Court Düsseldorf, setting forth that the Enforcement Directive (Directive on the enforcement of intellectual property rights, 2004/48/EC) in its Art. 9 barred national courts from considering the requirement of “urgency” in injunctive proceedings, because it does not mention this requirement. The defendant argued that the plaintiff waited too long with requesting the preliminary injunction, showing thereby that the case was not urgent.

The action was rejected by the District Court of Düsseldorf for the reason that the Court had doubts regarding the validity of the patent-in-suit. The plaintiff instantly filed an appeal against this decision. The appeal was dismissed by the Court of Appeal of Düsseldorf.

The Court of Appeal held that the Enforcement Directive does not demand that preliminary injunctions are granted by German Courts in case urgency must be negated, i. e. that the plaintiff has waited too long before filing for the injunction. According to the principle of proportionality as laid down in Art. 3 Para 3 of the Directive, and the objective function of the preliminary injunction, i. e. to restrain infringing activity on a temporary basis as fast as possible until the court can make a final decision after trial, the requirement of urgency cannot be abandoned. Furthermore, the Court of Appeal also stated that the European Commission during the legislative process had empha-



sized that preliminary injunctions provided in Art. 9 Directive are of major importance exactly because of the interest of the rights holder to act quickly. Besides, without the requirement of urgency, no discretionary element for distinguishing the proceedings of preliminary injunction from normal proceedings on the merits would exist anymore.

The assumption that preliminary injunctions require “urgency” is laid down in German Civil Procedure and is confirmed by unanimous approval in German legal doctrine and jurisprudence. It would represent a considerable change in German injunctive proceeding law if this requirement was abandoned. The legally well-founded decision by the Court of Appeal of Düsseldorf shows why this must not be done. The Court thereby clarifies one important question of many that arise with the implementation of the Enforcement Directive. Especially the reasoning of the Court that preliminary injunctions are essentially made for cases calling for urgent action strongly speaks against the leaving out of the element of urgency as it represents the whole function of quickly issued court orders temporarily replacing permanent injunctions.

Reported by Christian Steudtner and Clemens Rübél

7. District Court Düsseldorf dismissed a preliminary injunction against the sales and distribution of drugs containing the active ingredient “Olanzapine”. (Decision of of August 12, 2008 – Case 4 b O 100/08 – Olanzapine III).

In contrast to a preceding well-known decision of the Appeal Court Düsseldorf, the District Court ruled against the patent holder in favour of a producer of generic medicinal products on the basis of a patent which had been nullified by the Federal Patent Court due to lack of novelty over the prior art in a non-final decision beforehand.

The plaintiff claimed that although the patent was nullified by the Federal Patent Court, the District Court had to grant the preliminary injunction. According to the plaintiff, the decision by the Federal Patent Court is a not final a decision, it is evidently wrong and, therefore, very likely to be revoked in next instance by the Federal Supreme Court.

The defendant argued that the preliminary injunction must not be granted, because the patent was nullified by the Federal Patent Court. According to the defendant, the decision by the Federal Patent Court was correct because novelty and inventive step had to be denied. The District Court has to abide by this decision and cannot put its own considerations in the place of those made by experts of the Federal Patent Court. Besides, the defendant claimed that the weighing up of the harms suffered by both parties showed that the interest of the defendant outweighed the interest of the plaintiff since the latter, in contrast to the defendant, does not face irreparable damages .

Although on May 29, 2008 the Court of Appeal of Düsseldorf in a case of the plaintiff against another party had issued a decision concerning exactly the same subject-matter and the same legal question, and having granted a preliminary injunction to the plaintiff despite a decision by the Federal Patent Court nullifying the patent-in-suit (see our IP Report 2008/III on “Olanzapine II”), the District Court came to the conclusion that this decision of the Court of Appeal of Düsseldorf could not be applied in the present case. According to the District Court, the latter does not put aside the principle that in case a patent is nullified preliminary injunctions should not to be granted.

In the framework of the German “split system”, infringement courts regularly invoked a legal assumption in favour of the defendant, thus preventing enforceable decisions on the basis of a patent in case the latter had been revoked in the first instance by the European Patent Office or the Federal Patent Court. Main proceedings were stayed until a final decision regarding the validity was rendered. Requests for preliminary injunctions were rejected due to reasonable doubts regarding legal validity.



The present decision of the District Court confirms the latter principle which German courts always apply when dealing with preliminary injunctions in patent subject-matter, and thereby reinforces the traditional view towards the German “split system” in patent court proceedings. It does not follow the courageous decision by the Court of Appeal Düsseldorf (Olanzapine II) and adheres to the conventional rule in injunctive proceedings which bars courts from ordering preliminary injunctions if the subject-matter requires a complex analysis of technical expert opinions. In doing this, the District Court does not take the easy way out but considers various aspects of the decision of the Federal Patent Court nullifying the patent-in-suit and substantiates its considerations correspondingly. The District Court Düsseldorf confirms the opinion of the Appeal Court Düsseldorf in its decision of May 29, 2008 as far as it came to the conclusion that the asserted prior art is not novelty destroying to the patent-in-suit so that the nullifying decision of the Federal Patent Court is evidently erroneous in its reasoning. However, it cannot exclude that the result, the nullification of the patent-in-suit, will not be maintained by the Federal Supreme Court due to lack of inventive step of the patent-in-suit over the prior art.

Ultimately, the District Court Düsseldorf decides that existing doubts on the legal validity of the patent are too strong for granting the request for a preliminary injunction, also in view of the small market share of the defendant with Olanzapine and the fact that the Federal Supreme Court will decide surprisingly early on the appeal on the nullity decision of the Federal Supreme Court, with the consequence that a final nullity decision will probably be rendered soon, before the expiry of the patent. The plaintiff therefore still obtains effective protection of his rights in a main action.

Reported by Christian Steudtner and Clemens Rübél

8. The draft bill (prepared by department of the German Ministry of Justice) of the “Act to simplify and modernize the patent law” of May 30, 2008 is on the legislative agenda. The German Association of Industrial Property and Copyright Law (GRUR) has taken position in its opinion of August 8, 2008, published in GRUR 2008 p. 881/882.

The main aim of the draft is a reform of patent invalidity litigation. Particularly the long duration of the appeal procedure is endangering the effectiveness of the German patent system. The time for proceedings to be instigated before the Federal Supreme Court takes four years and more, and there is a great backlog of unclosed cases.

The German procedure of patent nullity is characterized by three features: The Federal Patent Court has the exclusive jurisdiction to declare null and void or to limit a patent valid in Germany. The only appeal instance lies with the Federal Supreme Court which decides on facts *and* law which is exceptional in itself. The chambers of the Federal Patent Court are made up of technical and legal members. The draft intends to adapt the legal procedure of the second instance to the common character of the Federal Supreme Court as the last instance, deciding only on questions of law. The draft however proposes special rules of the review proceedings. They are taking into account the particular situation of controlling questions of technical matter and especially the relevant state of the art – and, therefore, of the fictitious person skilled in the art.

Other instruments introduced to accelerate the proceedings in both instances include preparation of the oral proceedings by a notice of the Federal Patent Court regarding the relevant issues to deal with, and fixing a period of time in which the parties have to file requests or amendments or submit pleadings. The Court has the discretion to refuse any attacking or defending submissions of the parties, as well as amendments of the claims, or of submissions of amended text of the patent by the defendant if such submissions are filed after the final date of the period determined by the Federal Patent Court. In a similar way, amend-



ments are restricted before the Federal Supreme Court. The overall intent is to limit the usually troublesome use of late submissions and, particularly, late requests of amending the claims of the patent.

The ex officio principle of the whole procedure was not changed. GRUR, in its opinion, recommended cancelling this maxim.

Inter alia the draft further proposes to partly cancel the duty of a party domiciled outside Germany (in the EU or the EEA) to provide for a person authorized to accept service in Germany (in procedure before the Patent and Trademark Office or the Federal Patent Court – details are here omitted); and to cancel the need of a patentee to file an action of infringement established on several patents related to the case, the so-called maxim of concentration of actions.

An important further amendment relates to the field of employee's inventions: The employee's invention is claimed automatically by the employer if he is not declaring the release of the invention in favor of the employee within the prescribed time limit.

Reported by Dr Dieter Stauder



9. European Court of Justice: What constitutes the “link” between marks in the case of conflict between marks with a reputation – Conditions for protection: unfair detriment to distinctiveness (Judgment of 27 November 2008 (First Chamber) – Case C-252/07, Intel Corporation Inc. v. CPM United Kingdom Ltd. – INTEL v. INTEL MARK)

The judgment resulted from a reference made by the Court of Appeal for England and Wales in an action initiated by Intel Corp. against CPM, seeking cancellation of CPM's INTEL MARK mark registered for services in cl. 35 on the basis of Intel's earlier INTEL marks protected for dissimilar goods. Intel claimed to be entitled to such cancellation, because the INTEL marks were marks with a reputation and CPM's mark, if used, would unfairly take advantage of and be detrimental to the distinctiveness and reputation of the INTEL marks.

The referring court sought answers to the conditions under which the “link” between the conflicting marks could be found to exist, as well as for the conditions required for protection to apply under the aspect of detriment to distinctiveness.

The questions, rather complicated (as has been the case in earlier references from the same court), were the following:

- (1) For the purposes of Article 4(4)(a) of the [Directive], where:
 - (a) the earlier mark has a huge reputation for certain specific types of goods or services,
 - (b) those goods or services are dissimilar or dissimilar to a substantial degree to the goods or services of the later mark,
 - (c) the earlier mark is unique in respect of any goods or services,
 - (d) the earlier mark would be brought to mind by the average consumer when he or she encounters the later mark used for the services of the later mark,are those facts sufficient in themselves to establish (i) “a link” within the meaning of paragraphs 29 and 30 of [Adidas-Salomon and Adidas Benelux], and/or (ii) unfair advantage and/or detriment within the meaning of that Article?
- (2) If no, what factors is the national court to take into account in deciding whether such is sufficient? Specifically, in the



global appreciation to determine whether there is a “link”, what significance is to be attached to the goods or services in the specification of the later mark?

(3) In the context of Article 4(4)(a) [of the Directive], what is required in order to satisfy the condition of detriment to distinctive character? Specifically, (i) does the earlier mark have to be unique, (ii) is a first conflicting use sufficient to establish detriment to distinctive character and (iii) does the element of detriment to distinctive character of the earlier mark require an effect on the economic behaviour of the consumer?

Before analysing and answering the questions, the Court made a series of general statements about the protection of reputation marks, which sound indeed reasonable:

[26] Article 4(4)(a) of the Directive establishes, for the benefit of trade marks with a reputation, a wider form of protection than that provided for in Article 4(1). The specific condition of that protection consists of a use of the later mark without due cause which takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the earlier mark (see, to that effect, in respect of Article 5(2) of the Directive, *Marca Mode*, paragraph 36; *Adidas-Salomon and Adidas Benelux*, paragraph 27, and *Case C-102/07 adidas and adidas Benelux* [2008] ECR I-0000, paragraph 40).

[27] The types of injury against which Article 4(4)(a) of the Directive ensures such protection for the benefit of trade marks with a reputation are, first, detriment to the distinctive character of the earlier mark, secondly, detriment to the repute of that mark and, thirdly, unfair advantage taken of the distinctive character or the repute of that mark.

[28] Just one of those three types of injury suffices for that provision to apply.

[29] As regards, in particular, detriment to the distinctive character of the earlier mark, also referred to as ‘dilution’, ‘whittling away’ or ‘blurring’, such detriment is caused when that mark’s ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably

the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so.

[30] The types of injury referred to in Article 4(4)(a) of the Directive, where they occur, are the consequence of a certain degree of similarity between the earlier and later marks, by virtue of which the relevant section of the public makes a connection between those two marks, that is to say, establishes a link between them even though it does not confuse them (see, in relation to Article 5(2) of the Directive, *General Motors*, paragraph 23; *Adidas-Salomon and Adidas Benelux*, paragraph 29, and *adidas and adidas Benelux*, paragraph 41).

[31] In the absence of such a link in the mind of the public, the use of the later mark is not likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier mark.

[32] However, the existence of such a link is not sufficient, in itself, to establish that there is one of the types of injury referred to in Article 4(4)(a) of the Directive, which constitute, as was stated in paragraph 26 of this judgment, the specific condition of the protection of trade marks with a reputation laid down by that provision.

The relevant public

[33] The public to be taken into account in order to determine whether registration of the later mark may be declared invalid pursuant to Article 4(4)(a) of the Directive varies depending on the type of injury alleged by the proprietor of the earlier trade mark.

[34] First, both a trade mark’s distinctiveness and its reputation must be assessed, first, by reference to the perception of the relevant public, which consists of average consumers of the goods or services for which that mark is registered, who are reasonably well informed and reasonably observant and circumspect (as regards distinctive character, see *Case C-363/99 Koninklijke KPN Nederland* [2004] ECR I-1619, paragraph 34; as regards reputation, see, to that effect, *General Motors*, paragraph 24).

[35] Accordingly, the existence of injury consisting of detriment to the distinctive character or the repute of the earlier mark must be assessed by reference to average consumers of the goods and services for which that mark is registered, who are reasonably well informed and reasonably



observant and circumspect.

[36] Secondly, as regards injury consisting of unfair advantage taken of the distinctive character or the repute of the earlier mark, in so far as what is prohibited is the drawing of benefit from that mark by the proprietor of the later mark, the existence of such injury must be assessed by reference to average consumers of the goods or services for which the later mark is registered, who are reasonably well informed and reasonably observant and circumspect.

Proof

[37] In order to benefit from the protection introduced by Article 4(4)(a) of the Directive, the proprietor of the earlier mark must adduce proof that the use of the later mark 'would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark'.

[38] The proprietor of the earlier trade mark is not required, for that purpose, to demonstrate actual and present injury to its mark for the purposes of Article 4(4)(a) of the Directive. When it is foreseeable that such injury will ensue from the use which the proprietor of the later mark may be led to make of its mark, the proprietor of the earlier mark cannot be required to wait for it actually to occur in order to be able to prohibit that use. The proprietor of the earlier mark must, however, prove that there is a serious risk that such an injury will occur in the future.

[39] When the proprietor of the earlier mark has shown that there is either actual and present injury to its mark for the purposes of Article 4(4)(a) of the Directive or, failing that, a serious risk that such injury will occur in the future, it is for the proprietor of the later mark to establish that there is due cause for the use of that mark.

Among the interesting aspects of this analysis is, first, that the Court distinguishes between the relevant public, which with regard to detriment to distinctiveness or reputation is the public to which the earlier mark is addressed, while with regard to the taking advantage of the distinctiveness and reputation it is the public to which the later mark is addressed (these may indeed be different) and, second, that the claimant must prove either actual injury or a serious risk

that injury to the earlier mark will occur.

The Court analysed the questions referred first under the aspect of the "link", giving the following answers:

[62] The answer to point (i) of Question 1 and to Question 2 must therefore be that Article 4(4)(a) of the Directive must be interpreted as meaning that whether there is a link, within the meaning of Adidas-Salomon and Adidas Benelux, between the earlier mark with a reputation and the later mark must be assessed globally, taking into account all factors relevant to the circumstances of the case.

[63] The fact that for the average consumer, who is reasonably well informed and reasonably observant and circumspect, the later mark calls the earlier mark with a reputation to mind is tantamount to the existence of such a link, within the meaning of Adidas-Salomon and Adidas Benelux, between the conflicting marks.

[64] The fact that:

- the earlier mark has a huge reputation for certain specific types of goods or services, and
 - those goods or services and the goods or services for which the later mark is registered are dissimilar or dissimilar to a substantial degree, and
 - the earlier mark is unique in respect of any goods or services,
- does not necessarily imply that there is a link, within the meaning of Adidas-Salomon and Adidas Benelux, between the conflicting marks.

The Court then turned to the conditions of protection against detriment to distinctiveness, giving the following answers:

[79] The answer to point (ii) of Question 1 and to Question 3 must therefore be that Article 4(4)(a) of the Directive is to be interpreted as meaning that whether a use of the later mark takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the earlier mark, must be assessed globally, taking into account all factors relevant to the circumstances of the case.

[80] The fact that:

- the earlier mark has a huge reputation for certain specific types of goods or services, and
- those goods or services and the goods or services for which the later mark is registered are dissimilar or dissimilar to a



substantial degree, and

- the earlier mark is unique in respect of any goods or services, and
- for the average consumer, who is reasonably well informed and reasonably observant and circumspect, the later mark calls the earlier mark to mind, is not sufficient to establish that the use of the later mark takes or would take unfair advantage of, or is or would be detrimental to, the distinctive character or the repute of the earlier mark, within the meaning of Article 4(4)(a) of the Directive. [81] Article 4(4)(a) of the Directive must be interpreted as meaning that:
 - the use of the later mark may be detrimental to the distinctive character of the earlier mark with a reputation even if that mark is not unique;
 - a first use of the later mark may suffice to be detrimental to the distinctive character of the earlier mark;
 - proof that the use of the later mark is or would be detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future.

The judgment contains a helpful series of statements relating to the circumstances to be taken into account when seeking to establish the required “link”, as well as the circumstances relevant for finding detriment.

Commentators may argue and disagree about whether the judgment actually favours Intel or CPM. In view of the declared reluctance of the referring court to accept the broad scope of protection that the Directive allows for marks with a reputation, it may well be that in the end Intel may not succeed. Let’s wait and see (or read).

Reported by
Dr. Alexander von Mühlendahl

10. European Court of Justice: Use of a mark for services of a charitable institution and not-for-profit may constitute genuine use (Judgment of 9 December 2008 (Grand Chamber) – Case C-447/07 – Verein Radetzky-Orden v. Bundesvereinigung Kameradschaft “Feldmarschall Radetzky”)

The judgment resulted from a reference made by the Austrian Supreme Patent and Trade Mark Senate in a case between the Verein Radetzky-Orden and the Bundesvereinigung Kameradschaft “Feldmarschall Radetzky”. The latter organization’s activities are described as follows:

The BKFR is dedicated, on the one hand, to the preservation of military traditions, such as memorial services for those who have fallen in combat, remembrance services, military reunions and the upkeep of war memorials and, on the other, to charitable work, such as the collection of gifts in cash or in kind and their distribution to the needy.

The applicant requested cancellation of the latter’s marks registered for services in cl. 37, 41, and 45 on grounds of non-use, claiming that use for not-for-profit services did not constitute genuine use within the meaning of Article 12 of the Trade Marks Directive. The question referred was the following:

Is Article 12(1) of [the Directive] to be construed as meaning that a trade mark is put to (genuine) use to distinguish goods and services of one undertaking from those of other undertakings in the case where a non-profit-making association uses the trade mark in announcements for events, on business papers and on advertising material and that trade mark is used by the association’s members when collecting and distributing donations inasmuch as those members wear badges featuring that trade mark?

In a rather concise and accordingly short judgment, the Court concluded that the not-for-profit character of the use does not constitute an obstacle to considering the use to be genuine:

[16] With regard to the question whether a non-profit-making association, carrying on activities such as those described in



paragraphs 7 and 9 of the present judgment, may be regarded as making genuine use of a trade mark within the meaning of Ansul, it should be pointed out that the fact that goods or services are offered on a non-profit-making basis is not decisive.

[17] The fact that a charitable association does not seek to make profit does not mean that its objective cannot be to create and, later, to preserve an outlet for its goods or services.

[18] In addition, as the Radetzky-Orden admitted in its written observations submitted to the Court, paid welfare services exist. In modern society, various types of non-profit-making associations have sprung up which, at first sight, offer their services free but which, in reality, are financed through subsidies or receive payment in various forms.

[19] It cannot be ruled out, therefore, that trade marks registered by a non-profit-making association may have a *raison d'être*, in that they protect the association against the possible use in business of identical or similar signs by third persons.

[20] As long as the association in question uses the marks of which it is the proprietor to identify and promote the goods or services for which they were registered, it is making an actual use of them which constitutes 'genuine use' within the meaning of Article 12(1) of the Directive.

[21] Where non-profit-making associations register as trade marks signs which they use to identify their goods or their services, they cannot be accused of not making actual use of those marks when in fact they use them for those goods or services.

The judgment is a welcome addition to the growing case-law on the meaning of "genuine use" in European trade mark law.

Reported by Dr. Alexander von Mühlendahl



11. European Court of Justice: Likelihood of confusion when two Community trade marks are involved – Opposition based on earlier GATEWAY marks against ACTIVY Media Gateway rejected (Judgment of December 11, 2008 (Fifth Chamber) – Case C-57/08 P – Gateway, Inc. v. OHIM – Fujitsu Siemens Computer GmbH)

Fujitsu Siemens applied to register "ACTIVY Media Gateway" as a Community trade mark for various goods and services in cl. 9, 35, 38, 42. The registration was opposed by Gateway on the basis of a number of national and Community marks consisting of or containing "GATEWAY". The opposition remained unsuccessful in all instances, also finally in a judgment of the ECJ. Gateway's arguments, based on the ECJ's Medion judgment, aka LIFE /THOMSON LIFE, and on the wide-spread reputation of GATEWAY, remained unsuccessful:

[49] In paragraph 48 of the judgment under appeal, the Court of First Instance found, in the context of the global assessment of the likelihood of confusion, first, as regards the distinctive character of the element 'gateway' in the mark applied for, that that element is descriptive and, secondly, that the element 'activy' is dominant in the mark at issue. That constitutes an assessment of a factual nature which, in the absence of a distortion of the facts, is not subject to review by the Court, for the reasons stated in paragraph 38 of this judgment.

[50] As is also apparent from paragraph 43 of this judgment, Gateway does not claim that there has been any distortion of the facts with regard to the descriptive and dominant nature of those elements of the mark applied for.

[51] In paragraph 49 of the judgment under appeal, the Court of First Instance added, referring to Medion, that, even assuming that the 'gateway' element had an independent distinctive role in the mark at issue, Gateway had not proved that there was a likelihood of confusion between the signs at issue.

[52] According to the principle of interdependence noted in particular in paragraph 45 of this judgment, one of the cumulative conditions which must be satisfied in order to prove that there is a likelihood of confusion within the meaning of Article 8(1)(b) of Regulation No 40/94 is the



similarity or identity of the signs.

[53] Although it is true, as is stated in paragraph 32 of Medion, that the finding that there is a likelihood of confusion should not be subject to the condition that the overall impression produced by the composite sign be dominated by the part of it which is represented by the earlier mark, it must, on the other hand, be pointed out that the signs in the present case are not similar or identical.

[54] Therefore, given that, according to paragraph 51 of the judgment under appeal, there is no likelihood of confusion in the present case, the Court of First Instance did not fail to have regard to that paragraph of Medion. It follows that the third part of the first plea must be rejected as unfounded.

[55] Fourthly, as regards the taking into account of the renown of the earlier marks in assessing the similarities of the signs at issue, it must be pointed out that, having found, in paragraph 48 of the judgment under appeal, first, that the dominant element of the mark applied for is the word 'activy' and, secondly, that the descriptive element of that mark is the word 'gateway' – which constitutes, as was stated in paragraph 49 of this judgment, an assessment of a factual nature – the Court of First Instance carried out an analysis in which it took account, in particular, of the distinctive and dominant elements of the marks at issue.

[56] Since the assessment of the similarities of the signs at issue led the Court of First Instance to the conclusion that the marks at issue are different, the Court was fully entitled to find, in paragraph 51 of the judgment under appeal, that it was not necessary to make apparent the degree of renown of the earlier marks which it took into consideration in that assessment.

[57] Likewise, since the signs at issue are not similar or identical, Gateway is not justified in claiming that the Court of First Instance failed to have regard to SABEL and Canon.

The ECJ judgment is once again a lesson that this court will confirm lower court judgments that actually or purportedly follow the correct legal rules, whatever the actual factual situation may be or may have been.

Reported by
Dr. Alexander von Mühlendahl

12. German Federal Supreme Court on the requirements of protection against misappropriation (Decision of June 26, 2008 – Case I ZR 170/05 – ICON)

In general, the German law against misappropriation (on the grounds of unfair competition law), is an effective tool against copying, especially in support of “classic” design and copyright law. Now, Germany’s Federal Supreme Court has clarified that such protection against misappropriation does not apply, by way of an exception, if the outer appearance of the accused product results from an independent work of creation by a designer who was not aware of the original.

In the case at hand, the defendant was accused for offering the below table in Germany



which was nearly identical to a table sold by the claimant in Germany before the defendant’s table came on the market. The defendant argued that he had created the design of the accused table independently, without knowing the claimant’s alleged original and even prior to it entering the German market.

The Federal Supreme Court, for the very first time, decided that “copying” in terms of Section 4 No. 9 Act against Unfair Competition requires that the designer of the attacked design must have been aware of the original when producing the copy. If the designer (bearing the related burden of proof) can demonstrate that he did not know the original when creating his own design, the owner of the original cannot claim rights (for cease-and-desist, information, damages, etc.) provided by the German law against misappropriation.

In light of this new case law, much depends on whether the defendant can claim to be the designer of the contested



design. Otherwise the Supreme Court's case law will not apply, given that the Court explicitly and repeatedly focused on the defendant's role and function as the attacked product's designer (not: distributor, dealer, etc.). Consequently, only the designer, not any other third party appears to be entitled to rely on that defence, with the further consequence that the designer of the contested design must distribute the product himself and cannot employ the organisation and skills of others for the marketing.

These consequences under national unfair competition law appear to differ from Article 19 (2) Sentence 2 Community Designs Regulation (CDR), pursuant to which the contested use of an unregistered Community design "shall not be deemed to result from copying the protected design if it results from an independent work of creation by a designer who may be reasonably thought not to be familiar with the design made available to the public by the holder." Although there is no decision on this point so far by any Community design court, it appears to make sense to extend the consequences of meeting the requirements of Article 19 (2) Sentence 2 CDR also to customers, licensees etc. of the designer of the contested product. In other words: If the product can be traced back to the designer who created it independently, no subsequent act of use can be prohibited.

Reported by Dr. Henning Hartwig



13. German Federal Supreme Court renders its first decision on substantive Community design law (Decision of October 9, 2008 – Case I ZR 126/06 – Gebäckpresse/Press for Bakery Products)

On October 9, 2008, Germany's Federal Supreme Court decided its first case on substantive Community design law. The Court stated that protection by way of an unregistered Community design can only be acquired if the design was first made available to the public within the geographical territory of the European Community.

The claimant, a Hong Kong based company manufacturing household products including a press for bakery products, filed, inter alia, a design application published May 8, 2002 with the Chinese Patent Office related to a specific press for bakery products. The claimant started selling the corresponding products in June 2002 to customers in the UK. During 2003, the defendant tried but failed to negotiate an agreement with the claimant regarding the distribution of the underlying product. Since the parties did not come to an agreement, the defendant started selling the below press for bakery products manufactured by another company which was accused by the claimant to be nearly identical to his own press for a bakery product.



The claimant mainly argued that the contested press was an infringement of his rights conferred by an unregistered Community design. While the Hamburg District Court allowed the claim, it was rejected by the Hamburg Appeal Court.

On further appeal, the Court confirmed that the claim for cease and desist was invalid, because – even if the claimant obtained an unregistered Community design in 2002 – the term of protection of three years had expired in 2005. Apart from that, since further claims, such as for damages, were asserted as well, the Court had to decide whether an unregistered Community design right had been established in the past.



The Court held that the first disclosure of the design, i.e., the publication of the Chinese design application, did not meet the requirements of Article 11 Community Design Regulation (CDR). This provision grants protection for an unregistered Community design as from the date on which the design was first made available to the public within the Community which is presumed if it has been published, exhibited, used in trade or otherwise disclosed in such a way that, in the normal course of business, these events could reasonably have become known to the circles specialised in the sector concerned, operating within the Community.

The Court found the wording of the provision above to be unclear: Must this act of disclosure have occurred within the geographical territory of the Community or is the potential knowledge of the circles specialised operating within the Community sufficient? Notwithstanding this, with the amendment of the provision of Article 110 (5) 2nd Sentence CDR, the law clarifies the interpretation of Article 11 CDR in favour of the first alternative so that the act of disclosure must have happened geographically within the territory of the Community.

The claimant also argued that his press was first made available to the public by delivering it to the territory of the UK in June 2002 and, therefore, that this act should have established unregistered Community design rights. However, the Court rejected this argument, finding the press not having been new on that date due to the prior publication of the Chinese design application. In fact, and contrary to Article 11 CDR, there is no territorial restriction as regards the disclosure of novelty-destroying prior art pursuant to Article 7 CDR. The Chinese market is monitored by the domestic sectors of household articles, and official publications of registered IP rights can or could have become known. Furthermore, the CDR does not grant a one year grace period for own disclosures of unregistered Community designs as it does for registered Community designs.

As a result, only companies and designers presenting their designs within the territory of the Community for the very first time, e.g., on a fair, may acquire unregistered Community design rights. This first

– and final – decision of a last instance court in proceedings on the merits as regards the requirements of acquiring unregistered Community design rights should put an end to the controversial discussions which, while already calming down in Germany, appear to continue in other jurisdictions, particularly in the UK: An act of disclosure outside the territory of the European Community cannot establish an unregistered Community design right whereas the very same act can be novelty-destroying.

Reported by Thomas Huber

14. European Court of Justice (Court of First Instance): First decision on application proceedings of a Community plant variety right (Decision of November 19, 2008 – Case T-187/06 – Schröder v Community Plant Variety Office)

For the first time, the Court of First Instance (CFI) has ruled on the requirements for granting a Community plant variety right. The Court confirmed the rejection of the application by the Board of Appeal of the Community Plant Variety Office (CPVO) due to lack of distinctness of the candidate variety compared to a reference variety. The Court also stated that the appraisal of determining distinctness leaves a wide discretion due to the scientific and technical complexity which is subject to a limited scope of legal review.

The claimant filed a Community plant variety right application pursuant to Regulation No. 2100/94 on Community plant variety rights (Regulation No. 2100/94) with the CPVO for his candidate variety called SUMCOL 01 which belongs to the species *Plectranthus ornatus*. An example of this species is depicted below:



The claimant indicated in his application that the candidate variety had already been marketed within but not outside the European Union under the name “Verpiss Dich” (‘Piss Off’; which refers to its effect to keep off cats and dogs). The technical examination pursuant to Article 55 (1) Regulation No 2100/94 was conducted by Germany’s Federal Plant Variety Office (FPVO) (“Bundessortenamt”) upon request of the CPVO.

Competitors opposed the grant of the right arguing that the candidate variety was not a new plant variety but a wild variety originating in South Africa which had been marketed for years there as well as in Germany. As marketing the reference variety in Germany was not proven and the candidate variety was not distinct from the reference variety, the FPVO concluded that the examination needs to be retaken in the following year. For this purpose, the examiner asked the curator of the Kirstenbosch Botanical Gardens in South Africa to provide cuttings or seeds for use as reference varieties against which the candidate variety could be examined and to tell whether they were available on the market in South Africa. The curator confirmed that the species to which the candidate variety belonged was commonly grown, still used a lot and sold by nurseries in South Africa, and provided the FPVO with cuttings from his private garden. The CPVO rejected the claimant’s application for lack of distinctness in the light of the reference variety from South Africa following the final report of FPVO.

Against this decision the claimant appealed to CPVO’s Board of Appeal. The Board came to the conclusion that the evidence at hand was sufficient and refused the appeal against the former decision rejecting his application, determining that the candidate variety could not be

clearly distinguished from the reference variety of South Africa.

The claimant challenged the decision of Board of Appeal by various pleas. According to the first plea, the claimant alleged an infringement of Article 7 (1) and (2) Regulation No. 2100/94 concerning the criterion of distinctness, one of the key requirements for granting a Community plant variety right (the other requirements being uniformity, stability and novelty). Interestingly, before dealing with the aforementioned plea, the CFI started with “preliminary considerations as to the scope of the Court’s powers of judicial review”. This part of the present decision is most remarkable, because it defines to which extent decisions of the CPVO and its Board of Appeal will be examined by the CFI in the future.

The CFI stated that its own long-year case law established in other fields of Community law where a Community authority has to make complex assessments (e.g., in agricultural law regarding emergency measures and monetary compensation as well as officials law regarding promotion of officials), may be transposed to cases in which the administrative decision is the result of complex appraisals in other scientific domains, such as botany or genetics.

According to this case law, Community authorities enjoy a wide measure of discretion, the exercise of which is subject to limited judicial review in the course of which the Community judicature may not substitute its assessment of the facts for the assessment made by the authority concerned. The judicial review is restricted to examining the accuracy of the findings of fact and law, and to verifying, in particular, that the action taken by the authority is not vitiated by a manifest error or misuse of powers and that it did not exceed the bounds of its discretion.

Therefore, the CFI found that the appraisal of the distinctness of a plant variety as ruled by Article 7 (1) Regulation No. 2100/94 – i.e., whether it is clearly distinguishable by reference to the expression of the characteristics that results from a particular genotype or combination of genotypes, from any other variety whose existence is a matter of common knowledge – is of a scientific and techni-



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cal complexity such as to justify a limit to the scope of judicial review. Contrary, the appraisal of whether another variety is a matter of common knowledge pursuant to Article 7 (2) Regulation 2100/94 is not subject of a limited scope of judicial review, because it does not require expertise or special technical knowledge.

Applying these principles to the present case, the CFI rejected the plea for infringement of Article 7 (1) Regulation No. 2100/94 (after having discussed the arguments brought forward by the claimant concerning alleged mistakes in the examination proceedings as well as the plea for infringement of Article 7 [2] Regulation No. 2100/94), because the facts and evidence, in particular the statements of the curator whose genuine expertise on the reference variety was confirmed by the South African Ministry of Agriculture, was held to be sufficient to assess common knowledge of the reference variety.

Also the other pleas of the claimant that claimed infringement of procedural provisions, e.g., prohibition of decisions by surprise, summons to the hearing and exceeded time-limit, were rejected by the CFI and, therefore, the action was dismissed in its entirety.

Furthermore, it is noteworthy that the CFI did not allow any new evidence of other reference varieties presented by the CPVO that were not part of the examination proceedings.

As a result, the limited scope of judicial review established by the CFI for the granting procedure of a Community plant variety right makes it difficult for applicants to challenge a negative decision of the CPVO, respectively its Board of Appeal, by challenging the result of the technical examination. Hence, applicants are well advised to present all favourable arguments and evidence already in the examination proceedings.

Reported by Thomas Huber



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Galileiplatz 1, 81679 München
Tel. +49 (0)89 92805-0
Fax: +49 (0)89 92805-444
www.bardehle.com

Editor:
Dr. Henning Hartwig

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