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Countdown to GDPR – Beware of the new Data Protection Rules

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In about four months, on 25 May 2018, the European General Data Protection Regulation (GDPR) will enter into force. The new law will not only apply to European companies but also to Non-European companies acting on the EU market. Besides a number of new obligations and adapted requirements, the GDPR comes with a considerably strengthened system of sanctions. With our series “Countdown to GDPR” published in our upcoming B&B Bulletin issues, we want to provide an overview on the most relevant changes in the new law as a basis for a timely review of data protection compliance.

25 May 2018 is a date that should be marked in the calendar of all companies collecting and using personal data within the European Union. On this date the existing data protection rules in all EU Member States will be replaced by the new General Data Protection Regulation (Regulation (EU) 2016/679 – GDPR). The GDPR will apply to practically all acts of data processing taking place within the EU or aiming at EU subjects and therefore is of relevance for European Union as well as Non-European Union companies.

Companies are faced with a considerable need for adaption, and anyone who has not previously had data protection compliance on the agenda should do so by now at the latest. As the GDPR does not provide for a transitional period, all data processing operations must comply with the new law as of 25 May 2018.

In this article we will outline some important aspects and new provisions. In the next newsletter issues, under the heading “Countdown to GDPR”, we will focus on specific topics that should be considered and addressed by all companies before 25 May 2018.

New data protection law

The new data protection law is based on Regulation (EU) 2016/679 (General Data Protection Regulation, GDPR), which will be applied uniformly in all EU Member States from 25 May 2018.

What will remain? What will change?

Many of the data protection mechanisms and principles that are known from the existing data protection law will also apply under the GDPR. In particular, the basic principle that all use of personal data is prohibited unless covered either by the consent of the person concerned or by a specific statutory permission was adopted in the GDPR.

However, the new data protection law also entails a whole series of changes:

Territorial applicability

The GDPR is not only binding to entities based in the EU, but is also applicable to any non-European data processors where data of EU citizens is concerned and where data processing is related to the provision of goods or services or to the observation of the behavior of EU citizens. For example, a US-based company that collects and processes data of EU citizens (e.g. running an online-shop) will in future be subject to EU data protection legislation.

Accountability

As of the end of May 2018, companies will have an increased degree of accountability when handling personal data. Companies have a non-delegable liability for compliance with the GDPR. Their accountability, however, does not only include legal compliance but also obligatory documentation of compliance measures within the framework of a real accountability towards authorities. In the future, companies will have to keep directories of all data processing operations with legally prescribed information and, under certain conditions, carry out so-called data protection impact assessments (DPIA).

Processing on behalf of a Controller

A common constellation, especially in the digital environment, is that one company (controller) commissions another company (contractor) to process personal data in accordance with its instructions. The applications are diverse and include, for example, hosting contracts, IT maintenance contracts, HR services and payment services. Practically every company that works with external service providers faces the constellation of commissioned data processing.

Commissioned data processing will also be available under the GDPR and will even be available to contractors outside the EU. Although the principal of responsibility for compliance with data protection regulations will continue to lie primarily with the controller, the GDPR imposes an increased liability on the contractor, and also introduces the new concept of a joint liability which does not exist under the current law.

These changes thus affect the contractual relationship and therefore require reviewing and adjusting the existing contracts with external service providers such as hosting providers, payment providers etc.

Sanctions

The GDPR comes with a considerable strengthening of potential sanctions. Violations of the GDPR can result in fines of up to EUR 20 million or, in the case of companies, up to 4 % of the global annual turnover of the previous financial year. This is intended to encourage also large corporations to comply with data protection regulations and it is expected that data protection authorities will use their new instruments to make sure that industries comply with the regulations.

The time remaining

There are still about four months to go before the GDPR will take effect. This time should be used to review, adjust and document the internal data protection concepts and processes for compliance with the GDPR. Furthermore, existing contracts with external service providers and /or customers should be reviewed and adjusted if needed.

In view of the considerable increase in the risk of sanctions and /or warning notices from competitors, we strongly recommend commencing this review process immediately and to provide your company's data protection officers with the required resources for timely compliance measures.

If you have any legal questions on the subject of data protection, please contact our data protection team.



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Amendment of the telemedia act: Liability of WLAN operators will be further limited

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The German legislator makes a new attempt to limit the liability of WLAN operators. Time will show whether the new law will last in view of contrary EU law.

Previous attempts

In 2016 the German legislator already tried to reduce the legal risks for WLAN operators offering internet access to the public. However, the German legislator had not foreseen that, contrary to the Advocate General's recommendation, the European Court of Justice ruled against an exemption from liability for WLAN operators (CJEU, judgment of 15 September 2016, C-484-14 – McFadden / Sony Music Entertainment). In view of potentially violated intellectual property rights such exemptions from liability were considered to be contrary to EU law as long as the WLAN operators did not implement any security measures.

This year again, the German legislator reformed the telemedia act (Telemediengesetz – TMG) of 2016 in order to finally find a way – in conformity with EU law – of limiting liability of WLAN operators. The new law became effective on October 13, 2017.

What has changed?

Sec. 8 para. 1 sentence 2 TMG constitutes that WLAN operators are not held liable for damages if one of its users engages in illegal activity unless the WLAN operator voluntarily collaborates in committing unlawful acts. As can be seen from documents produced in the legislative process, the German legislator seemingly aimed to rule out the application of the so-called “Stoererhaftung” (breach of duty of care) to WLAN operators. In view of the CJEU decision *McFadden / Sony Music Entertainment*, Sec. 7 para. 4 sentence 1 TMG allows that WLAN operators can be obliged to block the usage of information if otherwise there is no possibility to stop an infringement of rights. Such blocking measures can be implemented by DNS-, IP- or URL-blocking or a limitation of data volume as set out in the legislative process. On the other hand, Sec. 8 para. 4 TMG forbids to obligate the WLAN operators to collect and save personal data of the users or request a password before granting access to the internet. Also, a WLAN operator cannot be forced to cease the WLAN service entirely. In addition to that, sec. 8 para. 1 sentence 2 TMG clarifies that WLAN operators do not need to reimburse costs of legal claims or written warnings caused by the users’ behavior. It is questionable whether this is in conformity with EU laws.

Conclusion

The amendment of the telemedia act results in many privileges for WLAN operators and lowers their risk of being held responsible for the users’ behavior. However, doubts remain as to whether the regulations are in conformity with EU laws. Especially, the Enforcement Directive (Directive 2004/48/EG) and the Copyright Directive (Directive 2001/29/EG) require that right holders do not need to bear the costs of legal proceedings against WLAN providers. It is rather likely, that in the near future, the CJEU will have to deal with the new amendments of the telemedia act which might possibly result in a new judgment “*McFadden Reloaded*”. This could entail another amendment of the telemedia act. Thus, the final word concerning the liability of WLAN operators under German law might yet not have been spoken.



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Implementation of the EU Trade Secret Directive – companies need to anticipate new developments

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The EU Trade Secret Directive (2016/943) must be implemented in national law. The publication of the draft bill by the German legislator is expected for the beginning of 2018. Companies active in Germany should already anticipate the new developments and take measures in order to ensure the protection of their trade secrets and other confidential information.

Current Situation

The German legislator is required to implement the EU Trade Secrets Directive in national law until 9 June 2018. The concept of the Directive significantly exceeds the current scope of legal protection of trade secrets in Germany (competition law and non-disclosure-agreements only). Most importantly, trade secrets under the Directive now enjoy legal protection comparable to the legal protection and enforcement of intellectual property rights. However, this might also cause difficulties as a trade secret may be even less concrete than intellectual property rights and the scope of protection remains uncertain, also for an infringer. At the same time, the EU Trade Secrets Directive increases the legal requirements of a protection of trade secrets by focusing on effective and reasonable steps to ensure secrecy. Therefore, companies in Germany should anticipate the new requirements of the Directive and check the secrecy measures they have in place.

It still remains to be seen exactly how the German legislator will implement the requirements of the Directive in German law. Due to the use of abstract legal terms in the Directive, the Member States will enjoy considerable leeway with regard to implementation. We are currently observing the legislative process and would like to point to the fact that statements from industry might still influence German implementation within the next months. Because of the parliamentary elections in September 2017, the draft bill is expected for the first half of 2018 providing only a short period for comments.

Definition of trade secrets and corresponding non-disclosure measures

The Trade Secrets Directive introduces an EU-wide definition of ‘trade secret’ (Art. 2 Nr. 2). Trade secret means information which is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question, which has commercial value because it is secret and has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret. Contrary to the current legal situation in Germany, the intention to keep the knowledge secret appears to be no longer sufficient. Instead, the Directive focuses on effective and reasonable steps to ensure secrecy.

As a consequence, the Directive – and therefore also the future national implementation – requires to comply with these regulations as the owner of the trade secret has to prove during infringement litigation that their claims are substantiated because non-disclosure measures had been taken in the past to protect confidential information. Therefore, companies should analyze existing non-disclosure agreements but also make sure that secrecy concepts and structures meet the standard of the Directive. In any case, contractual agreements should be concluded and effective measures should be taken such as implementing access restrictions to trade secrets and other confidential information.

Reverse Engineering

Under the existing law, reverse engineering (gathering information by dismantling and examining goods) was prohibited. The new regulations will change this. Reverse engineering will be permitted if the examined objects are acquired in a legal way or have been publicly made available. In the future, reverse engineering could only be prevented by contractual agreements. However, this does not keep those that legally acquire the respective object from a third person from using the method of reverse engineering. Consequently, reverse engineering will be something companies will have to – even more than already today – expect and deal with.

Conclusion

In view of the upcoming substantial changes of the German regulations regarding trade secrets and the possibly broad interpretation of the Trade Secret Directive to be implemented, companies may want to closely observe the legislative process and use the opportunity to influence the discussion by taking part in the legislative process via statements. We will gladly assist you in this matter.

Furthermore, companies should check whether their organizational and legal measures are sufficient to meet the new standards of protection of trade secrets. A lack of a “trade secret strategy” might lead to the loss of important rights.



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BGH on Internet test purchases

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Until now, whoever ran a B2B shop had to meet stringent requirements in order to not be required to meet all consumer protection regulations. The German Federal Court of Justice (BGH) has now allowed for a simple confirmation of the entrepreneur's property. This is a significant change of direction in German federal case law (BGH, judgment of May 11, 2017, file no. I ZR 60/16 – Test internet purchase).

The German Federal Court of Justice (BGH) recently made a very noteworthy decision on test internet purchases and the admissibility of consumer sale exclusions by simple terms and conditions. The decision is, at least in part, in contradiction with earlier decisions of German court of appeals, e.g. of the Higher Regional Court of Hamm (judgment of February 28, 2008, file no. 4 U 196/07).

Facts underlying the decision

The parties both trade accessories for machine tools and office equipment. The defendant had signed two cease and desist declarations with an obligation not to sell its products by mail order to consumers within the meaning of section 13 of the German Civil Code (BGB), unless the defendant complied with German consumer rights regulations such as information about revocation and return rights, as well as delivery and shipping costs. As a result, the defendant changed its online shop so that on each page the following remark was added: "Sale only to entrepreneurs, traders, freelancers and public institutions. No sale to consumers in the sense of section 13 BGB (German Civil Code)".

Within the framework of the order process, the following text was placed near the order button: "I hereby confirm that I have accepted the order as an entrepreneur and not as a consumer in the sense meaning of section 13 BGB (German Civil Code) and have taken note of the general terms and conditions."

On behalf of the plaintiff, a lawyer conducted a test purchase, by replacing the field "company" with "private" in the order data and using an e-mail address which included his first and last name. The order of the test buyer was then immediately confirmed.

The plaintiff claimed a sale to a consumer had taken place without the consumer being informed of his consumer rights and thus an infringement of the injunction signed by the defendant. As a result, the plaintiff made a claim for a contractual penalty in the amount of EUR 17.500.

The lower courts rejected this complaint. On the grounds of the above, the OLG Brandenburg stated that the lawyer commissioned by the plaintiff to buy the test was certainly not a consumer and therefore did not infringe the declaration of omission.

A lawyer who concludes a test purchase is not a consumer

The BGH initially confirmed this view.

“The Court of Appeals accepted the Court’s assessment that the objective of acquiring the envelopes in the defendant’s online shop was to verify, on behalf of the plaintiff, compliance with the obligations of the defendant in the declarations of the injunction of 19 and 28 September 2012.

The plaintiff had ordered the test sale by a lawyer. If a lawyer makes such a test purchase, the business is attributable to his professional sphere.”

A textual reference to a pure B2B shop is sufficient

The surprise of the BGH judgement comes afterwards. Previously the jurisprudence firmly affirmed that a textual reference to a pure B2B shop was not sufficient to exclude the application of consumer protection rules, so online retailers had to control and ensure that only commercial customers could order products in their shops. Former judgements of lower courts have repeatedly confirmed these requirements, e.g. the aforementioned decision of the OLG Hamm has demanded such a check. In the defendant’s shop every single website made reference to the exclusive sale to commercial customers only. Following the BGH argumentation, these references seem to be sufficient.

As an excerpt from the BGH judgement highlights:

“According to the findings of the Court of Appeals, the test purchaser has ignored the clear indication that the sale is only available to entrepreneurs, traders, freelancers and public institutions, not to consumers within the meaning of section 13 of the German Civil Code.

In addition, by triggering the order note he has confirmed that he is acting as an entrepreneur rather than as a consumer within the meaning of section 13 BGB (German Civil Code).

The test purchaser thus first produced the appearance of a commercial purpose in accordance with the objective situation and then entered the word ‘private’ in company name field of the order form, to change his commercial purpose to a private intention in a deliberate contradiction to his previous behavior.

Under those circumstances, the plaintiff cannot rely on the action of its lawyer as a test buyer. According to the jurisprudence of the Federal Court of Justice, anyone who wants to buy a product from an entrepreneur who is not willing to conclude a purchase with a consumer, cannot obtain consumer protection rights by untruthfully pretending to be a commercial customer.

If the contractual partner of an entrepreneur acts dishonestly in this respect, the later appeal to the fact that he is actually a consumer is denied to him in good faith. This legal concept also applies to a case in which the defendant’s test buyer confirms the defendant’s commercial activity in order to subsequently create, in contradiction, the appearance of a consumer business.
[...]

The lawyer as a test buyer has ignored the fact that the sale is only available to entrepreneurs, traders, freelancers and public institutions, and he has also expressly confirmed that he is carrying out the order as an entrepreneur.

The indication of an e-mail address denominated in first and last names is not a hint against a professional or a commercial purpose of an order. [...] The fact that the defendant carried out the order under these circumstances, despite contradictory information from the purchaser, does not, however, prevent it from claiming that this test purchase does not constitute an infringement of its obligations to act.”

Recommendations

The decision of the BGH makes it easier for numerous online merchants to restrict their shop to commercial customers. If one only wants to deal with commercial customers, one should:

1. displays this on each page in the web shop, and
2. have the customer affirm that the customer is a commercial customer by means of a checkbox in near proximity to the order button.

But, of course, the notification cannot be inserted to deliberately circumvent consumer protection regulations. In the future, there will certainly be delimitations. It also depends on whether the products offered in the shop are typically used by traders or by consumers.

In the end, however, to say it in the words of Mark Twain: “The man who does not read has no advantage over the man who cannot read.”

Conclusion

In sum, if an online retailer frequently points out to his customers that he concludes contracts with only commercial customers and a customer confirms his commercial purpose, then someone who is not a commercial customer placing an order without circumventing these requirements loses his protection rights.



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European Patent Office Revokes Broad Institute's CRISPR-Cas9 "Gene Editing" Patent

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The Opposition Division of the European Patent Office has revoked EP 2 771 468 B1, one of the fundamental CRISPR patents for lack of novelty, in essence due to formal irregularities in the priority claim. An appeal is pending.

CRISPR-Cas9 gene editing is the ground-breaking technology that has in the past 5 years tremendously transformed the field of molecular genetics, and will very likely revolutionize biomedical approaches in the future. The "CRISPR" or "gene editing" technology harnesses a bacterial defense mechanism which identifies and destroys foreign "harmful" DNA as a tool for the targeted manipulation of genomic DNA. Compared to other manipulation approaches gene editing does not leave any undesired traces or footprints in the edited genome and is easy to apply. Gene editing was developed and filed for a patent nearly at the same time by the University of California, Berkeley, and the Broad Institute of the Massachusetts Institute of Technology (MIT). Since then, both institutions bitterly fight over the control and dominance of the CRISPR patent landscape in the US and Europe.

Now, in a first instance decision, the European Patent Office (EPO) revoked Broad Institute's CRISPR Gene Editing Patent for a lack of novelty due to formal irregularities in the priority claim. What happened? The Broad institute originally filed a conglomerate of 12 US provisional applications in the name of the inventors disclosing their part of the CRISPR technology. These US provisional applications were then used as a basis for a priority claim in an International (PCT) application of the Broad Institute from which the later European CRISPR patent was derived (opposed European patent No. EP 2 771 468).

A valid priority claim in Europe requires that the applicant is able to demonstrate its right to priority, either through identity of applicants between the prior and subsequent applications, or by proving a transfer of the priority rights with assignment documentation. Remarkably, for the CRISPR patent, the patent owner could not provide evidence for the ownership of the priority rights for a significant number of originally filed US provisional applications. Their priority claim was rejected by the EPO resulting in a loss of the priority date and a subsequent novelty rejection. The patent was revoked during oral proceedings on January 17, 2018. However, the Broad Institute already filed a notice of appeal – so the struggle continues.

This prominent example demonstrates again the importance of a thorough and careful preparation of priority claims for Europe, in particular in cases with multiple priorities.



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New EPO Guidelines for Examination on the Patenting of Graphical User Interfaces

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The European Patent Office (EPO) has completely revised its Guidelines for Examination regarding “presentations of information” and “user interfaces” (EPO GL 2017, G – II, Sections 3.7 and 3.7.1). In large part, these substantial revisions are based on recent decisions by the EPO Boards of Appeal, in particular decision T 336/14, which we already analysed in detail in our B&B Bulletin of December 2016. Based on these recent decisions, the EPO has now more narrowly defined the circumstances in which features of a GUI are considered “technical features” and are, therefore, relevant for the assessment of the inventive step. Even though this topic is not completely settled in the case law of the Boards of Appeal, a general trend appears to emerge at the EPO.

Graphical User Interfaces (GUIs) have become our constant companions in many different areas: mobile telephones, distributed network communications, medical equipment and machines in industrial processes are only some of the many areas of use. Naturally, this has stimulated an increasing interest in patent protection for GUIs, which apparently urged the EPO to revise its Guidelines for Examination on this topic.

The long-established standard practice of the EPO requires that in order to be patented a claimed subject-matter must solve a technical problem with technical means in a way which is not obvious. According to Art. 52 (2) EPC and the established practice of the EPO, the presentation of information, aesthetic creations, programs for computers and business methods are, as such, not considered to be technical.

With regard to the patentability of GUIs, this meant and still means that features of a patent claim which relate to information which is displayed to a user via a GUI are analysed to determine if, in the context of the claimed subject-matter, they contribute to providing a technical effect. If they do not make such a technical contribution, they are not taken into account during the assessment of the inventive step, in accordance with the examination approach of the widely known COMVIK decision T 641/00 of the EPO, and hence cannot support the presence of an inventive step. In the revised Guidelines for Examination, the EPO emphasizes that, during the assessment of the inventive step, the examiner is supposed to assess the context of the claimed subject-matter, the task the user carries out and the actual purpose which is served by the particular presented information.

When looking at GUIs, a particularly relevant question is which are the criteria a GUI-related feature has to fulfil in order to be recognized as a “technical feature” that contributes to the technical effect of the claimed subject matter, so that it is to be taken into account when assessing the inventive step.

“Functional data” vs. “Cognitive data”

First of all, the EPO emphasizes again in the revised Guidelines for Examination that presentation of information in the sense of Article 52 (2) d) EPC is to be understood as the conveying of information to a user, i.e. cognitive data, and is to be distinguished from the technical representations of information directed to a technical system to process, store or transmit that information. Features of data encoding schemes, data structures and electronic communication represent “functional data” and are not regarded presentation of information as such.

Functional data is data which shows the inherent technical features of the underlying system in question, such as information for the synchronisation of coded picture lines (line numbers and addresses) for a corresponding reading apparatus (T 1194/97) or a television signal which reproduces information which shows the technical features of the television system (T 163/85).

Taking the Human by the Hand via the GUI

In the case of cognitive data, the revised Guidelines for Examination now clearly distinguish two sub-categories of presentation of information, namely (i) whether the relevant features concern “what” (which information) is presented, in other words the content of the information presented, and (ii) “how” (in which manner) the information is presented. However, the revised Guidelines for Examination emphasize also that a presentation of information does not extend to the technical means used for generating such presentation of information.

The decision T 336/14 (Gambro Lundia AB vs. Fresenius Medical Care Deutschland) addressed the question which role the nature or the content of the displayed information plays in the assessment of inventive step of the information presented using a GUI. As already analysed in detail in our B&B Bulletin of December 2016, in decision T 336/14, the Board of Appeal 3.5.05 applied a special examination procedure or testing scheme, whose essence was now incorporated in the revised Guidelines for Examination and should therefore be taken into account when prosecuting corresponding patent applications at the EPO.

The patent in question of T 336/14 concerned cognitive data and its content (i.e. the question of “what” is presented) and not “how” (i.e. in which manner) the information is being presented.

In the headnote of decision T 336/14, the Board of Appeal emphasised that when assessing inventive step of a claim which comprises a mix of technical and non-technical features, in which the cognitive information displayed on the GUI relate to “what” is presented rather than “how” the information is presented, it has to be analysed whether the GUI, together with the content presented, credibly assists the user in performing a technical task (related to “why” that content is presented) by means of a continued and/or guided human-machine interaction process.

In other words and as outlined in our B&B Bulletin of December 2016, according to the Board of Appeal 3.5.05, to answer the question of whether the displayed cognitive content is to be considered a technical feature, it must be assessed whether the information displayed to a user is “technical information” which credibly enables the user to properly operate the underlying technical system

and thus has a technical effect. It is particularly relevant to assess whether the displayed cognitive information contains an internal machine condition and prompts the user to interact with the machine in a continued or guided way to enable the proper functioning of the machine (T 336/14, reasons 1.2.4). The same Board of Appeal 3.5.05 made similar statement in the earlier decision T 407/11.

Following their decision T 336/14, the same Board of Appeal 3.5.05 took a similar position in decision T 1802/13 for an application related to “how”, i.e. in which manner, the information is being presented and not “what”, i.e. which information, is presented. In particular, the Board of Appeal decided in reasons 2.1.5 that, similar to the issue of “what” is presented as decided in T 336/14, regarding the technicality of the manner in which information is presented, the main issue to be established is whether the underlying GUI, together the manner in which cognitive content is presented, credibly assists the user in performing a technical task by means of a continued and guided human-machine interaction process (basically being related to the question “for what purpose” the information is presented).

In the recent past, both decisions have been referred to and confirmed by a few other Boards of Appeal and only in a limited number of decisions.

For example, the Board of Appeal 3.2.02 decided in T 690/11 that the criteria of T 336/14 would follow the established line of case law of the Boards of Appeal. In that particular case, the Board of Appeal 3.2.02 found that features of a GUI, the aim of which is that a user makes an entry and triggers an internal process of the system in question, and the GUI graphically displays the course of this process, has a technical character (T 690/11, No. 3).

In its decision T 2461/11 the Board of Appeal 3.4.03 referred to T 1802/11 and considered features relating to enlarging an image of a data setting on a display, maintaining the enlarged image and reducing the enlarged image in dependence of a sensed manipulation of the control by the user as credibly assisting the pilot in performing entry of manually-adjustable data settings in an aircraft cockpit and hence as technical features (T 2461/11, reasons 2.3.4).

The EPO completely revised the above-noted sections on the presentation of information and user interfaces in the Guidelines for Examination based on the two decisions T 336/14 and T 1802/13 only. The revised Guidelines for Examination now state that features defining a presentation of information (i.e. features related to “what” information or “how” information is presented) produces a technical effect if it credibly assists the user in performing a technical task by means of a continued and/or guided human-machine interaction process.

The revised Guidelines for Examination even go slightly beyond the literal statements made in these two decisions by stating that such a technical effect is considered credibly achieved if the assistance to the user in performing the technical task is objectively, reliably and causally linked to the feature. This would not be the case if the alleged effect depended on subjective interests or preferences of the user, wherein this latter statement has indeed been stated in several decisions by the Board of Appeal (e.g., T 336/14, T 1802/13, T 1143/06, T 1741/08, T 1670/07).

Fortunately, the EPO seems to agree in the revised Guidelines for Examination that the determination of the extent to which a particular presentation of information may be considered to credibly support the user in performing a technical task is difficult.

In view of this observation, the EPO provides an “advice” to the examiners according to which this determination may be simplified for the examiner during an assessment of inventive step by comparing the claimed subject-matter with the prior art first, thus allowing the determination to be limited to the distinguishing feature. Unfortunately, the EPO included a statement into this “advice” to the examiners according to which this comparison may reveal that the potential support for the performance of the technical task is already achieved in the prior art, with the alleged consequence that the distinguishing features would make no technical contribution.

This “advice” to the examiners in the revised Guidelines for Examination is at least vague and could be interpreted by the examiners as meaning that a distinguishing feature would “become” non-technical, if the technical effect provided by the distinguishing feature (considered in isolation) is already known from the prior art.

Such an interpretation would, however, violate general principles for the assessment of inventive step: Firstly, whether a claimed (distinguishing) feature is technical or not has to be assessed in context of the claimed subject-matter and without considering the prior art. Secondly, the objective technical problem does not have to be a new problem and can even be a mere alternative. That is, if the closest prior art already achieves the technical effect associated with the distinguishing feature, then the objective technical problem may have to be reformulated such that it is less ambitious, but this does not make the distinguishing feature less technical.

Consequently, this “advice” to the examiners in the revised Guidelines for Examination should be taken with care and should be clarified: To be clearly in line with the general principles for the assessment of inventive step, the Guidelines for Examination should be revised to state that the examiner may compare the claimed subject-matter with the prior art first, so as to limit the number of features the technical contribution of which must be analysed. However, once the distinguishing features are identified, the examiner needs to check for each distinguishing feature in consideration of its function in the context of the claimed subject-matter, and without considering the prior art, whether the distinguishing feature makes a technical contribution to solving a technical problem.

Representatives should closely monitor how the examiners use this “advice” in daily practice.

Following the above mentioned general criteria for the assessment whether a feature relating to presentation of information is technical or not and the above “advice” for the examiners, the revised Guidelines for Examination list several examples, largely based on decisions by the EPO Boards of Appeal, where a technical effect for such features was confirmed or denied.

Examples: “What should be presented?”

The revised Guidelines for Examination state that an internal state prevailing in a technical system is an operating mode, a condition or an event which is related to the internal functioning of the system, may dynamically change and is automatically detected. Its presentation typically prompts a user to interact with the system, for example to avoid the technical malfunctions. If the cognitive content of the information presented to the user relates to an internal state prevailing in a system and enables the user in properly operating this technical system, it has a technical effect according to the revised Guidelines for Examination.

It is not explicitly stated in the revised Guidelines for Examination, whether the mere presentation of such an internal state prevailing in a technical system is a technical feature. In this context, it is useful for the applicants and patent proprietors to know that a series of partly older but hitherto accepted decisions view a technical effect in the mere display of internal statuses of apparatuses (T 115/85, T 362/90, T 599/93 reasons 4, T 1073/06 reasons 5.4, T 756/06 reasons 13, T 1670/07 reasons 12, 13; T 528/07, reasons 5.2). However, the revised Guidelines for Examination now state that features defining user input are more likely to have a technical character than those solely concerning data output and display, because input requires compatibility with the predetermined protocol of the machine, whereas output may be largely dictated by the subjective preference of the user. This seems to imply that, in line with these partly older decisions, the mere presentation of such an internal status prevailing in a technical system could in principle still be considered technical, but with a lower probability. It is therefore advisable to not only include features in an application related to the mere presentation of an internal state prevailing in a technical system, but to also include features related to an interaction between a user and a GUI (e.g. initiating or responding to the presentation of the internal state), such that the combination of the presented information and the interaction with the user credibly assists the user in properly operating the underlying technical system.

The revised Guidelines for Examination further explicitly state that features which specify a mechanism enabling user input, such as entering text, making a selection or submitting a command, is normally considered to make a technical contribution. For example, providing in a GUI an alternative graphical shortcut allowing the user to directly set different processing conditions makes a technical contribution, which the revised Guidelines for Examination seem to have taken from the slightly older but hitherto accepted decision T 1188/04 by the Board of Appeal 3.5.01.

In a further example not discussed in the revised Guidelines for Examination, the Board of Appeal 3.5.05 found in T 407/11, related to a user calling a function in a data-processing electronic system and providing an error message to the user in response, that a technical effect can be seen if it is prevented in the data-processing electronic system that the function called up by the user is, due to his error, either not carried out at all by the system or in a way which is not wanted (T 407/11, reasons 2.1.4, 2.1.5).

The revised Guidelines for Examination also state that performance-oriented improvements to the detection of user input, such as allowing faster or more accurate gesture recognition or reducing the processing load of the device when performing the recognition, do make a technical contribution. However, where the actual achievement of effects (e.g. simplifying the user's actions or providing more user-convenient input functions) depends exclusively on subjective user abilities, such effects may not form the basis of an objective technical problem to be solved.

However, the revised Guidelines for Examination also state that static or predetermined information about technical properties or potential states of the machine, or specifications of the device operating instructions do not qualify as an internal state prevailing in the device. If the presentation of static or predetermined information merely has the effect of helping the user with the non-technical task preceding the technical task, it does not make a technical contribution. For example, the effect that the user is not required to know or memorize a sequence of buttons to be operated prior to configuring a device is not a technical effect, which is also taken from T 336/14.

The revised Guidelines for Examination also mention that information representing a state of a non-technical application run on a computer system, such as a casino game, a business process or an abstract simulation model, would constitute non-technical information exclusively aimed at the user for his subjective evaluation or non-technical decision-making and would not be directly linked to a technical task, even if ultimately states of processors or memories are modified, which seems to be taken from T 336/14, T 1073/06, T 1704/06 and T 528/07.

Examples: “How should it be presented?”

A feature in this sub-category of presentation of information specifies a form or arrangement in which, or a timing at which, information is conveyed to the user. The revised Guidelines for Examination state that features defining a visualization of information in a particular diagram or layout would normally not be considered to make a technical contribution, even if the diagram or layout arguably conveys information in a way which a viewer may intuitively regard as particularly appealing, lucid or logical.

Dealing with limited available screen space would be a part of designing presentations of information for human viewing and would therefore not be an indication of a technical effect per se, according to the revised Guidelines for Examination. For example, the general idea of giving an overview of the plurality of images and the limited display area or eliminating whitespace between the windowpanes would only be a matter of layout design and would not involve technical considerations. The EPO seems to base such statements on decisions like T 1562/11.

However, the revised Guidelines for Examination continue stating that features allowing the user to search and retrieve images stored in an image processing apparatus in a more efficient manner may involve technical considerations, which is taken from the slightly older but hitherto accepted decision T 643/00. Furthermore, features related to resolving conflicting technical requirements in

a video game may be technical, which is based on T 928/03. Also, the visual aid for the surgeon allowing the surgeon to position an implant more precisely is considered to provide a technical effect, according to the revised Guidelines for Examination.

The revised Guidelines for Examination also now address effects relying on human physiology. When the manner of presenting information produces in the mind of the user an effect which does not depend on psychological or other subjective factors but on biophysical parameters, which are based on human physiology and can be precisely defined, that effect would qualify as a technical effect. How close the confirmation and the denial of a technical effect is in this area, is shown by the following examples given in the revised Guidelines for Examination. Displaying a notification on one of a plurality of computer screens near the user's current visual focus of attention would have an effect that it is more or less guaranteed to be seen immediately compared to an arbitrary placement on one of the screens. In contrast, showing only urgent notifications compared to all notifications would, however, only be based on psychological factors and would therefore not make a technical contribution. Minimizing information overload and distraction would not be considered to qualify as a technical effect, which is taken from T 862/10. However, displaying a stream of images in which the parameters for delay and change in the content between successive images are computed on the basis of physical properties of human visual perception in order to achieve a smooth transition would be considered to make a technical contribution, which is based on T 509/07.

The revised Guidelines for Examination continue stating that, irrespective of whether the feature related to the presenting of information falls within the "what" or "how" sub-categories, the mere fact that mental activities are involved would not necessarily qualify the subject-matter non-technical, which is based on T 643/00. For example, the user may evaluate the present information in order to locate and objectively recognize a desired information. This mental evaluation may be considered an intermediate step steering a subsequent process and may therefore form an integral part of the solution to a technical problem. In particular, if the GUI provides a mechanism for inputting a selection which would not be possible if the information was not presented in the claimed particular manner, then a technical effect would be present. On the other hand, if the choice or layout of information presented is exclusively aimed at the human mind, in particular to help the user to take a non-technical decision, such as which product to buy based on a diagram showing properties of products, then no technical contribution would be made.

Conclusions

The EPO takes a revised view on "presentation of information" and "user interfaces" in the current version of the Guidelines for Examination. When assessing inventive step of a claim which comprises a feature in which cognitive information is conveyed to a user via a GUI, in the EPO's view it has to be analysed whether the GUI, together with the content presented or the manner of presentation, credibly assists the user in performing a technical task by means of a continued and/or guided human-machine interaction process, which is

related to “why” or “for what purpose” that information is presented. The revised Guidelines for Examination state that such a technical effect would be considered credibly achieved if the assistance to the user in performing the technical task is objectively, reliably and causally linked to the feature.

If the cognitive content of the information presented to the user relates to an internal state prevailing in a system and enables the user to properly operate this technical system, it has a technical effect. It appears that, in line with partly older but hitherto accepted decisions, the mere presentation of such an internal status prevailing in a technical system may in principle still be considered technical, but with a lower probability of success. It is therefore advisable to not only include features in an application related to the mere presentation of an internal state prevailing in a technical system, but to also include features related to an interaction between a user and a GUI, such that the combination of the presented information and the interaction with the user credibly assists the user in properly operating the underlying technical system.

As suspected in our earlier analysis in the December 2016 Bulletin, the more recent decisions of the Boards of Appeal 3.5.05 indicate a further tightening of the criteria applied by the EPO that cognitive information conveyed to a user must fulfil in order to be treated as a technical feature and relevant for the assessment of the inventive step.



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Spotlight

German Patent Case Law in English

Patent disputes are increasingly conducted in several international jurisdictions, and German courts are among the busiest and most renowned patent forums in the world. There is hence a growing need to bring German legal practice and German court decisions to the attention of an international audience. With this in mind, Prof. Dr. Heinz Goddar, partner at BOEHMERT & BOEHMERT, co-initiated the foundation of the “Arbeitskreis Patentgerichtswesen in Deutschland e.V.” (Work Group on Patent Judicature in Germany) to provide a translation of the most important decisions of the German patent courts.

The database is available at: www.patentdecisions.de

G 1/16 – To disclaim or not to disclaim

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With the referral G1/16 to the Enlarged Board of Appeal of the EPO, legal guidance is expected as to whether a person skilled in the art, taking into account the gold standard for amendments developed in G 2/10, would also consider the subject-matter remaining after the introduction of a non-disclosed disclaimer in a claim as explicitly or implicitly, but directly and unambiguously disclosed in the application as filed.

In drafting patent applications, a challenge faced by applicants and their representatives is to define the specific invention and yet to achieve as broad a generalization as possible so as to (i) cover future modifications of the invention and (ii) prevent competitors from easily circumventing the patented teaching.

After expiry of the priority year, amendments to the disclosure extending beyond the application as filed are not permitted as ruled by Article 123 (2) EPC in proceedings before the European Patent Office (EPO). Since the EPO was in existence, many decisions have been taken by the Technical Board of Appeals (TBoA) and the EPO's Enlarged Board of Appeal (EBoA) dealing with various types of changes.

A special type of amendment is the “non-disclosed disclaimer” that is used to exclude certain embodiments from a generically formulated claim by incorporation of a wording that is not originally disclosed in the application. Embodiments to be excluded may be derived, e.g., from European patent applications filed before the priority or filing dates of an application, but which were published after these dates (“Art. 54 (3) EPC” documents). Embodiments found in documents deemed “accidental” can also be excluded. Prior art is considered to be accidental, if it is so far removed from the technical field of the invention that a person skilled in the art would not have considered them when attempting to solve the technical problem underlying the invention. Non-disclosed disclaimers differ from “disclosed disclaimers” that are explicitly excluded by appropriate formulations present in the original application.

The EBoA, particularly in decisions G 1/03 and G 2/03 (hereinafter “G 1/03”), has dealt with the admissibility of non-disclosed disclaimers. General standards for the admissibility of amendments were last set out in decision G 2/10.

G 1/03

According to G 1/03, amendments may be made by means of non-disclosed disclaimers, e.g., to exclude embodiments found in Art. 54(3) EPC documents or in accidental disclosures. The validity of G 1/03 was often questioned after their publication, as discussed in the interlocutory decision underlying G 1/16.

G 2/10

The decision G 2/10 of the EBoA is generally recognized as a “gold standard” for the admissibility of amendments, even if the underlying case explicitly relates to the assessment of disclosed disclaimers. According to G 2/10, amendments may

be permissible if the person skilled in the art had recognized the subject-matter of the amended claim as being explicit or implicit but directly and unambiguously in the application as filed, taking into account the general technical knowledge.

Compatibility of G 2/10 and G 1/03

In the interlocutory decision (T 437/14) of TBoA 3.3.09, the EBoA was presented with legal questions aimed at reviewing the compatibility of decisions G 2/10 and G 1/03. This interlocutory decision forms the basis of the referral G 1/16. The TBoA seeks guidance as to whether a person skilled in the art, taking into account the gold standard developed in G 2/10, also considered the subject-matter which remained after the introduction of a non-disclosed disclaimer in a claim as explicitly or implicitly, but directly and unambiguously disclosed in the application as filed.

T 437/14

The case on which T 437/14 is based can be summarized as follows:

- In the disputed patent, two non-disclosed disclaimers were inserted in claim 1 due to disclosures in two prior art documents. With regard to admissibility, the patent proprietor referred to G 1/03. If the rulings adopted therein were to be applied on the admissibility of the disclaimers, this would be in the affirmative from the point of view of the referring Board.
- According to the Board, the admissibility would, however, be negative if the standards developed in G 2/10 were used. In T 437/14, the Board argues that the application of the gold standard developed in G2/10 results in the fact that a skilled person would never, as a matter of principle, neither explicitly nor implicitly, directly and unambiguously, find the subject-matter remaining after introduction of the non-disclosed disclaimer in the application as originally filed. This interpretation of Decision G 2/10 was even confirmed by the patentee in the proceedings (reason 8.1.2).

According to reason 7.5.2 of T 437/14, the EBoA noted in G 2/10 that the exemptions under G 1/03 do not alter the general definition of the requirements of Art. 123 (2) EPC.

In reason 7.5.3, it is also noted that the EBoA in G 2/10 had responded to a proposal of the President of the EPO in the examination of the then-decided legal questions. The latter suggested that, in cases where the subject-matter of the claim cannot be directly and unambiguously deduced from the application as filed, the admissibility of the disclaimers should nevertheless be made subject to the criteria laid down in G 1/03.

However, as stated in T 437/14, the EBoA in G 2/10 did not see any justification for this approach. According to reason 7.6 of T 437/14, these observations of the EBoA in G 2/10 ultimately signify that there is only one test for the assessment of whether an amendment, including a non-disclosed disclaimer, is in accordance with Art. 123 (2) EPC, i.e. the gold standard. The decisive criterion for the admissibility of non-disclosed disclaimers is therefore as to whether the person skilled in the

art, by taking into account the general technical knowledge, would consider the subject-matter remaining after introduction of the disclaimer as being explicitly or implicitly but directly and unambiguously disclosed in the application as originally filed (reason 7.7). The Board goes on to say that the standards developed by G 2/10 leave no room for the exceptions defined in G 1/03 (reason 7.8).

Finally, as the Board notes, the decision G 2/10 itself did not lead to the abolition of the exemptions made by G 1/03 after a comprehensive discussion of the latter decision and the applicability of the gold standard also to non-disclosed disclaimers.

In reason 9 of T 437/14, the case-law after the adoption of the G 2/10 is discussed. In this respect, it appeared that the Technical Boards of Appeal, in particular in the decisions T 2018/08 and T 1870/08, had developed modified interpretations of the gold standard, which require a legal review by the EBoA. In the light of this case-law, the referring Board submitted legal questions, which are likely to have fundamental significance for the future of non-disclosed disclaimers:

- (1) Is the standard referred to in G 2/10 for the allowability of disclosed disclaimers under Art. 123 (2) EPC, i.e. whether the skilled person would, using common general knowledge, regard the subject-matter remaining in the claim after the introduction of the disclaimer as explicitly or implicitly, but directly and unambiguously, disclosed in the application as filed, also to be applied to claims containing undisclosed disclaimers?
- (2) If the answer to the first question is yes, is G 1/03 set aside as regards the exceptions to undisclosed disclaimers defined in its answer 2.1?
- (3) If the answer to the second question is no, i.e. if the exceptions relating to undisclosed disclaimers defined in answer 2.1 of G 1/03 apply in addition to the gold standard, may this standard be modified in view of these exceptions?

Practical significance of G 1/16

- Applicants or proprietors who intend to include a non-disclosed disclaimer in the claims are well advised to have the procedure for the application or the patent concerned suspended until legal certainty is achieved by the rulings in G1/16.
- Applicants should pay more attention to the fact that patent applications are designed in such a way that generic claims are described by stepwise definitions of preferred individual features resulting in additional fallback possibilities, to have a basis for amendments excluding Art. 54 (3) EPC documents or “accidental disclosures” without having to resort to non-disclosed disclaimers.
- In cases where the exceptions listed in G 1/03 are relevant, divisional applications could be submitted, as it is not clear when and how the EBoA will decide in G 1/16.

Conclusion

The admissibility of amendments to patent documents remains a hot topic before the EPO. In view of the extremely strict interpretation regarding the admissibility of amendments, the importance of a well thought-out elaboration of patent documents cannot be emphasized highly enough.

In this respect, it is interesting that a number of Amicus Curiae letters were submitted in the meantime, pursuant to Art. 10 of the Rules of Procedure of the EBoA. These include the epi, FICPI and the AIPPI, all of whom are in favor of maintaining the rulings in G 1/03.

Therefore, there is still the hope that respective options remain after the issuance of G 1/16.



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Case Law: Infringement of German Patents by Supplying Goods outside of Germany

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With its judgement “Abdichtsystem”, the German Federal Court of Justice has recently specified its previous case-law concerning the infringement of German (national or EP) patents by the supply of goods outside of Germany, if these goods later on reach the German market. It also provides some practical guidance on how foreign suppliers are supposed to behave towards their foreign customers, if they want to limit their risk of being held responsible for patent infringement in Germany.

In its decision “Funkuhr I” (decision of February 26, 2002, ref. X ZR 36/01) the Federal Court of Justice had decided that, notwithstanding the general principle of territoriality, the supply of goods from a foreign supplier (i.e. a supplier located outside of Germany) to a foreign customer (i.e. a customer also located outside of Germany) may in fact constitute patent infringement in Germany, in case the customer later on supplies these goods to the German market. However, at that time, it remained rather unclear which exact legal preconditions need to be met for the foreign supplier’s liability, especially with regard to his awareness of and/or participation in selecting the final destination of the patent infringing goods.

The decision “Audiosignalcodierung” (Federal Court of Justice, Decision of February 3, 2015, ref. X ZR 69/13) confirmed and expanded on this case law, but again provided only little guidance going beyond the specifics of the case. Still, it was made clear that a foreign supplier’s existing knowledge of his customer’s intent to bring the supplied goods onto the German market would constitute a sufficient degree of wrongdoing, and would thereby make him liable. In this case, the supplier’s knowledge was determined because his foreign customer had expressly named an enterprise in Germany as its distributor for the relevant products on its website.

Content of the Decision “Abdichtsystem”

The recent decision “Abdichtsystem” (“sealing system”) contains, for the first time, comprehensive and much more general guidance on when a foreign supplier’s liability is to be assumed, and which criteria are to be observed in practice. Furthermore, the decision determines the scope of claims to be asserted in case of the foreign supplier’s liability.

According to the Federal Court of Justice, a foreign supplier’s liability is not to be assumed by and in itself (i.e. unless there are other relevant circumstances), if he rightfully considers his foreign customer’s supply to Germany as a possibility only, which would be the case in the following examples:

- (A) the foreign customer maintains general business relations to Germany only,
- (B) the foreign customer has supplied only similar, but not the same (i.e. patent infringing) goods to Germany before,
- (C) the foreign customer has attached to the goods an instruction manual that contains, among others, some instructions in German, if the foreign customer always uses multi-lingual manuals for its products.

According to the Federal Supreme Court, a foreign supplier’s liability is generally (i.e. unless there are other relevant circumstances) to be assumed if

- (A) the foreign supplier is aware of a previous or planned delivery of identical goods by the foreign customer to Germany,
- (B) the quantity of the supplied goods is of a volume that, based on experience, one would need to expect its geographically unlimited distribution, including Germany,
- (C) the mode of procurement by the foreign customer conspicuously correlates with its known patent infringing activities in Germany.

While being quite specific on these examples, the Federal Court of Justice has nevertheless stressed that the circumstances of the individual case are of importance and require individual assessment. Similarly, the aforesaid examples are mentioned not to be exhaustive.

In these named (or any other) circumstances where a foreign supplier has reason

to be suspicious, however, the foreign supplier is then required to apply special diligence, in order not to be held liable for patent infringement:

- Any foreign supplier having reason to be suspicious has to expressly inquire with the customer, whether he intends to supply the products concerned to the German market.
- The supplier needs to advise his customers that, if they do so, this constitutes a possible patent infringement.
- If thereupon the customer fails to warrant that he does not intend to supply to the German market, the supplier has to immediately discontinue supplying.

If he fails to do so, the foreign supplier may find himself being held liable for patent infringement in Germany, even if not being active on the German market.

Consequences of the Decision

For the first time, the Federal Court of Justice provides also some reasoning regarding the application and consequences of its decision. It holds that the above-mentioned examples are already to be examined within the framework of the injunctive relief, as they decide on the effective participation, i. e. the involvement in patent infringement as an independent perpetrator. Also, while in its decision “MP3-Player-Import” (Judgement of September 17, 2009, Xa ZR 2/08), the Federal Court of Justice had left open the question if further preconditions would need to apply for a claim for damages, it now affirms an unrestricted liability for damages in case of any such patent infringement. Finally, the Federal Court Of Justice clarifies that also the right of recall from the distribution channel and the right to destruction can be asserted in these cases.

Conclusion

In view of the judgement “Abdichtsystem”, the risk for foreign suppliers delivering to their foreign customers of being successfully sued for patent infringement in Germany has increased. At the same time, the Federal Court of Justice has established some reliable criteria which can reduce the above-mentioned risks by means of early consultation and precautionary measures.



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Update UPC: Further Delays and Obstacles

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More than 18 months after the UK voted for BREXIT, the start of the UPC system has now been severely affected by those further delays that most commentators had already expected shortly after the vote (see, for example, the B&B Bulletin special edition “the BREXIT and its consequences for IP rights”). In addition, Germany has now joined the UK in being the last and, possibly, final bottleneck for the UPC, as caused by some again quite surprising developments: time for a short update.

As a quick reminder, the coming into force of the Unitary Patent Court (UPC) system still requires ratification of the various international treaties (which, together, form the UPC system) by both the UK and Germany. As of today, while the system was supposed to finally enter into force in April 2017, both of these ratifications are still outstanding, and there is no clear indication as to when they will (and can) be provided. Let’s have a look at the different reasons:

Situation in the United Kingdom

Shortly after the BREXIT vote, many commentators expected the UK to entirely step away from the UPC system or, at least, to make it a substantial part of its negotiations with the EU. However, in the weeks and months following BREXIT, the UPC system found sufficient support on a political level (while, apparently, not being perceived as an EU institution), and the UK government seemed increasingly committed towards putting the system into force even prior to the UK leaving the EU. Thus, the UK proceeded with the ratification process, while still leaving some important details, including the supremacy of the European Court of Justice (ECJ), to its future negotiations with the EU.

In mid-2017, however, this process was again taken over by political developments. The start of the BREXIT negotiations, which many considered rather chaotic, the increasing time pressure and constraints created by the negotiations, and, in particular, the re-election process in the UK created additional obstacles, which have prevented the ratification process from being completed until today. As of now, there are still some formal acts that need to be processed by the newly formed parliaments in the United Kingdom, until the ratification can be considered finalized. It is currently being expected that this process will only be completed by mid 2018.

Situation in Germany

Immediately after the BREXIT vote, Germany, while continuing to be in firm support of the UPC system, suspended its ratification process, in order to duly evaluate the situation and not to pass on the task of finally putting the UPC system into force entirely to the UK. After the UK’s continued commitment towards the UPC system, however, the parliamentary process of ratification was resumed in Germany and was completed in due course before Germany’s general election

in October 2017. The only missing piece for final ratification by Germany was (and currently still is) the formal signature under the treaties by Germany's President. While the signature was already being prepared, however, yet another development took place which nobody had anticipated: A German individual, who turned out to be a Dusseldorf based patent lawyer, filed a constitutional complaint against Germany's participation in the UPC system with the German Federal Constitutional Court (FCC). The FCC then asked the President to suspend the signing process, pending its review and decision on this complaint.

The complaint, which in the meantime has been made available for review to some selected organizations, is mainly based on an asserted violation of the constitutional principle of democracy, both in relation to the parliamentary process, and in relation to several material aspects of the UPC system:

- In relation to the parliamentary process, the complaint refers to the circumstances surrounding the parliamentary vote and, in particular, the number of parliamentarians being present during the vote. Most commentators who have reviewed the complaint do not consider this issue as crucial, in particular as, from a practical point of view, the vote (which was unanimous) could be repeated at any time, as there seems to be a continued political will in Germany to put the UPC system into force.
- As regards the material aspects of the UPC system, however, commentators see more reason to be concerned. Here, the complaint points to issues as regards the democratic legitimization of several of the UPC institutions, as well as the alleged lack of independence of the UPC judges. These issues have been discussed already during the preparations of the UPC system, and do in fact give rise to some legal debate.
- In addition, the complaint alleges a non-compliance of the UPC system with European Union Law, which could lead the FCC to consider a referral to the ECJ. If such referral was being made, the expected delay would be even more significant.

The FCC has not yet provided any further indication on how and when they will progress in relation to this complaint. After receiving comments from legal organizations, they will need to decide whether to accept the complaint and open further proceedings, or to reject it. If the latter were the case, the ratification process in Germany could be resumed and completed rather swiftly. If the FCC, however, accepted the complaint and opened formal proceedings, the further process would again be severely delayed. In particular, if the FCC considered a referral to the ECJ, the delay is expected to extend beyond the end of the BREXIT negotiations, i.e. to after the UK leaving the EU. In this case, however, the original idea of the system being put into force prior to the UK leaving the EU would not be a possibility anymore and, most likely, there would be a need for further international treaties.

Conclusion

The long anticipated start of the UPC system has again taken some surprising turns, and is currently facing further delays and obstacles. Much depends now on the highest court in Germany, and the question how serious it will take the constitutional complaint. A significant further delay could in fact turn out to be more than just that, and could lead to the need for a further political process, the outcome of which would be impossible to foresee. On the other hand, and on a more optimistic note, if the complaint should be dismissed rather sooner than later, the political will, both in the UK and Germany, to put the UPC system into force still exists, and the preparations could be resumed at any time – with a starting date of the UPC system “sometime” in 2018.

We will of course provide a further update on these exciting developments in due course.



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Amendments to the German Trademark Act

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On 16 December 2015, Directive 2015/2436 of the European Parliament and the Council to harmonize the laws of the Member States relating to trade marks (the “Directive”) was adopted. The harmonization of the national trademark systems provided for in the Directive must be largely implemented into national law by the member states by 14 January 2019. In the meantime, the draft bill (subsequently also “MarkenG-E”) for the necessary amendments to the German Trademark Act has been submitted.

The main objective of the Directive is the balanced coexistence of European Union and national trademarks, which are to be strengthened in their respective autonomy and at the same time co-exist side by side. In addition, the Directive and its national implementation should also provide trademark owners with more effective mechanisms to combat product piracy.

It is not yet clear when the amendment to the Trademark Act, which is now available in the draft bill, will enter into force. However, there are indications that this will be the case even before the expiry of the transposition deadline of 14 January 2019.

The draft bill provides in particular for the following amendments to the Trademark Act, which are of special significance for trademark owners and applicants:

Elimination of the requirement of graphical representation of trademarks

Section 8 para. 1 MarkenG-E provides that the graphic representation of a trademark is no longer a prerequisite for protection in the future. It is sufficient (but also necessary) that the German Patent and Trademark Office (GPTO) and the public can “clearly and unambiguously determine” the subject matter of trademark protection. This means that, following the entry into force of the amendment to the law, it is also possible to apply for trade marks in particular for signs that are reproduced in audio or image file formats, such as acoustic signs or image sequences.

Extension of the catalogue of absolute grounds for refusal

The catalogue of absolute grounds for refusal is to be extended under the draft bill. The most important extension of this provision is that signs which include geographical indications of origin, indications of origin, traditional designations for wines, designations of traditional specialties or variety denominations can no longer be protected as trademarks, Section 8 Para 2 Nos. 9–12 MarkenG-E.

Trade names and company names as explicit trademark infringement

New Section 14 Para. 3 No. 5 MarkenG-E clarifies that the use of a protected trademark as a trade name or company name constitutes an infringement of a trademark if the trade name or company name is used for similar goods or services. In addition to the implementation of the requirements of the Directive, this amendment also corresponds to the approach that has been applied in German case law for many years with regard to the infringement of trademarks by trade names or company names.

Strengthened position of trademark owners in relation to infringing products in transit

The position of trademark owners is considerably strengthened by the new regulation provided for in Section 14a MarkenG-E. This explicitly extends the protection of trademarks to goods in transit, i. e., to potentially infringing goods originating from a third country and being destined for a market outside Germany. So far, legal options of trademark owners in Germany were limited and

they were ultimately referred to legal action in the country of origin or destination. In the case of clear trademark infringements (i.e. if the sign is used on the goods is identical or highly similar to the trademark) the new regulation provides for a two-stage procedure.

In the first stage, German customs authorities can detain the goods in question, even if they are not to be placed on the market in Germany but in another country. If the declarant does not object to the detention of the goods, they shall be destroyed under customs' supervision.

If the declarant objects, it is the declarant's burden to prove in court that the goods concerned are intended to be lawfully put onto the market in a third country (e.g. because the trademark owner does not have trademark protection in that country, the declarant is a licensee or owns an earlier trademark).

Improvement of the legal position of licensees

Under the current version of the Trademark Act, licensees are only permitted to take legal action against third parties for infringement of the licensed trademark if the trademark owner has consented to this. Section 30 Para. 3 clause 2 MarkenG-E provides that licensees may, even without the consent of the trademark owner, bring an action for infringement of the licensed trademark if the trademark owner has not brought an action for infringement within a reasonable period of time after the "formal request" by the licensee.

New Section 30 Para. 6 MarkenG-E provides for a registration of licenses in the GPTO's register.

Third party comments to trade mark applications

The amendment provided for in Section 37 Para. 6 MarkenG-E creates the right for individuals and legal entities as well as associations of manufacturers, producers, service providers, traders and consumers to file observations against trademarks of third parties at the GPTO in order to prevent these trademarks from being registered. This is likely to affect in particular those applications claiming protection for a term being common for a specialized public. However, the wording of the draft bill also makes it clear that there is no obligation on the GPTO to actually take into account the comments of third parties in the registration decision.

Extension of grounds for opposition

Under new Section 42 Para. 1 clause 2 MarkenG-E, proprietors of protected designations of origin or protected geographical indications may object to trademark registrations.

Introduction of an administrative procedure for the declaration of revocation or invalidity of trade marks

Sections 53 – 55 MarkenG-E provide for a significant change in the procedure for declaring revocation or invalidity of trademarks. So far, only requests for invalidation of a trademark due to absolute grounds (e. g. lack of distinctive character) could be filed in an administrative proceeding at the GPTO. Revocation requests based on lack of genuine use of a trademark or its invalidation due to relative grounds had to be brought in regular court proceedings which in many cases involved considerable time and expense.

Under the new regulations provided for in the draft bill all requests for invalidation or revocation of trademarks can be filed with the GPTO. The German proceedings thus are harmonized with the current proceedings for EU trademarks.

Third parties having been sued on the basis of a trademark against which proceedings for revocation or invalidation are pending at the GPTO may also join these proceedings.

Introduction of guarantee or certification marks

New Sections 106a – 106h MarkenG-E introduce a new type of trademark, namely the so-called “Gewährleistungsmarke” (guarantee or certification mark) into German trademark law. In contrast to the existing types of trade mark whose primary function is to identify the origin of a product or service from the trade mark owner (“origin function”), the function of the guarantee or certification mark is to have certain characteristics of the product marked with the guarantee or certification mark (“guarantee function”) guaranteed by an independent party, i.e. the proprietor of the guarantee or certification mark.

Apart from other filing requirements (such as the filing of a statute and further information on the scope of the warranty with the application), guarantee or certification marks can only be applied for by applicants who do not engage in any activity involving the supply or provision of goods or services for which there is a guarantee. This restriction is intended to ensure that the guarantee or certification mark functions as an independent identifier for certain product properties.



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No infringement of copyright protected product at (international) trade fair in Germany

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In a recent decision (file number I ZR 92/16), the German Federal Court of Justice ruled that the mere presentation of a product at a trade fair in Germany does not imply that the exhibitor specifically offers this product with the purpose to allow trade fair visitors to (later) purchase the product in the domestic market. Such deliberate advertising is not to be expected if the exhibitor clearly points out to the trade fair visitors that they cannot purchase or order the exhibited product because it reserves the right to make changes to the product.

The applicant is the legal successor of the licensee with the right to manufacture and distribute legless steel tubular chairs, following the example of a famous chair created in 1926, so called *Mart-Stam-Chair*.

The Defendant is a Polish company, which exhibited a similar chair model named “Zoo” in different versions at the international trade fair ORGATEC, Cologne, for trade professionals only, during the period from 21st to 25th October 2014, and depicted respective chairs in various advertising materials and product catalogs, however, with the notice that (i) the collection could only be ordered from 2015 on, and that (ii) the “Zoo” series is still in the development stage. Further, on the floor of the defendant’s exhibition stand, right next to the chairs, the notice “prototype” was located.

Against this background, the plaintiff handed over a warning letter at the trade fair on 21 October 2014, setting a deadline to provide a signed cease and desist declaration until 8 pm on the same day. Following this, the parties started arguing about the reimbursement of the cost regarding the preparation of the warning letter.

Decision

In the first-instance proceedings before the district court of Dusseldorf (judgment of 18 June 2015, file number 14 c O 184/14) the court issued a partial dismissal of the claim based on the consideration that the warning letter was legitimate regarding the distribution and bringing to public of the pictures of the chairs, but not with respect to the reproduction of pictures of the chairs (reason: the catalogues were printed in Poland and not in Germany) and also not regarding the offering and distribution of the chairs. The appeal before the Düsseldorf Higher Regional Court, (judgment of 19 April 2016, file number I-20 U 99/15) by the plaintiff was unsuccessful. With the further appeal, the plaintiff continues to pursue its claims for reimbursement of additional costs, but in the end without success.

The further appeal was rejected by the German Federal Court of Justice, basically confirming the reasoning of the Court of Appeal. While the chairs shown on the trade fair do fall within the scope of the chairs of the plaintiff which are protected by copyright, neither the fact that the chairs were shown on the trade fair nor the fact that they were depicted in catalogues were considered an infringement of the plaintiff's rights of distribution, which means the right to offer the original or copies of the work to the public or to bring it to the market, according to Sec. 17 German Copyright Law. Instead, due to the notice "prototype" it is clear that the chairs were not dedicated to be delivered to (German) customers. Therefore, the defendant did not advertise for the acquisition of the chairs still to be produced later. Further, it cannot be established that the chairs in their final design fall into the scope of protection of the *Mart-Stam-chair*.

With reference to the earlier *Keksstangen* decision (GRUR 2015, 603 par. 21), the Federal Court of Justice stated that there is no empirical premise that the presentation of a product at an national trade fair should always encourage visitors to purchase this product in the domestic market. Thus, there is a regular lack of targeted advertising for the purchase of the exhibited product, if not a ready-for-sale product, but only a prototype or a design study is exhibited in order to test the reactions of the market to a product that is still in the development stage (BGH, GRUR 2015, 603 ff. Par. 22 – *Keksstangen*). This applies in particular to international fairs, which also serve to establish business relations between foreign parties without domestic reference.

As a result, the Federal Court of Justice concluded that the Court of Appeals, without error of law, assumed that the exhibition of the chair model "Zoo" at the trade fair did not constitute a risk of first infringement of the exclusive right of the owner of the copyright to distribute the *Mart-Stam-Chair*.

Conclusions

Already back in 2010 the Federal Court of Justice ruled in the *Pralinenform II* decision (22 April 2010, file number I ZR 17/05 – a trademark infringement case) that like in the above mentioned *Keksstangen* decision (a case regarding infringement of the Act against Unfair Competition) the mere presentation of a product at a German trade fair cannot automatically be considered an offer of these products or a putting of these products on the German market. With the above mentioned decision the Federal Court of Justice now extends those reflections to copyright cases and confirms that even in the case of a product presentation in Germany, an initial risk of copyright infringement (and, possibly, other legal violations) may not be accepted, even if the exhibited product falls within the scope of a copyrighted work. This applies, in particular, to an international trade fair, which is characterized by the fact that exhibitors from various countries are addressing domestic and foreign customers. This decision is in line with the above mentioned earlier decisions, which as a result seem to indicate a trend to a more restrictive assessment of intellectual property infringements on trade fairs. However, while the Federal Court of Justice until now has not issued a corresponding judgment in a patent infringement case, according to settled case law of the Higher Regional Courts the presentation of a product

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at a domestic trade fair constitutes an offer within the meaning of Sec. 9(2) No. 1 German Patent Act, unless the trade fair is a mere performance show. It remains to be seen whether the Federal Court of Justice will expand the above considerations also to corresponding patent infringement cases.

Nevertheless, it shall be noted that also in the above mentioned case regarding the *Mart-Stam-Chair* the infringement claim was legitimate as regards the distribution (*Verbreiten*) and bringing to public (*Öffentlich-Zugänglichmachen*) of the pictures of the chairs in catalogues. Thus, exhibitors and right holders participating in German trade fairs in the future should carefully consider the above, in particular the exhibitor should avoid to hand out or present on the exhibition stand catalogues and advertisement material containing the respective potential infringing product, while in contrast, the right holder should specifically look for respective materials because he might not be able to claim infringement due to the mere exhibition of the product itself.



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