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New administrative invalidation proceedings in German trademark law as of May 2020

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As part of the implementation of the EU trademark law reform as of 1 May 2020 German trademark registrations might be challenged in full administrative invalidation procedures due to earlier rights as well as for revocation. This mirrors already existing proceedings on the level of the EU Trademark Regulation. It offers a further, rather cost economic option next to the respective action before the civil courts and broadens the strategic considerations in trademark conflicts. German trademark registrations are likely to be far more under attack, namely directly before the German PTO.

New options for objections to registered trademarks in Germany: administrative invalidation and revocation proceedings as of 01 May 2020

The German Trademark Law Modernization Act (MaMoG) essentially came into force on January 14, 2019. It implemented the EU trademark law reform, technically EU Directive 2015/2436 into the German Trademark Act (see [B&B Bulletin article of 15 January 2019](#) ). With a delay – but largely within the term for implementation-, namely as of 1 May 2020, a highly practice-relevant core aspect of the implementation will come into force: namely a full administrative invalidation procedure due to earlier rights as well as a full revocation procedure, extending the competence of the German Patent and Trade Mark Office (German PTO).

Extended range of attacks against trademark registrations

As a result of the new provisions, a new option is given for attacking registered trademarks: apart from exclusively bringing an actions before the civil courts, older rights (relative grounds for invalidity) and revocation due to lack of genuine use can also be completely invoked at an administrative level before the German PTO.

Thus, applicants might save costs in terms of procedural economy as well as to make use of the professional competence of the registration authority. The MaMoG now offers the full trias to have registered trademarks cancelled in purely administrative proceedings – not only as until now on the basis of absolute grounds for invalidity (lack of registrability) but also for revocation (not only as formal preliminary proceedings) and due to conflicting earlier rights. Thus, the German trademark law is adapted to the systematics on the level of the European Trade Mark Regulation.

New administrative invalidation proceedings due to conflicting earlier rights

The proprietor of one or more earlier rights (within the meaning of Sections 9 to 13 of the German Trade Mark Act, i.e. on a broader basis than in opposition proceedings, for example also due to rights to names, copyright or design rights) can now for the first time obtain a declaration of invalidity and cancellation of a registered German trade mark in proceedings before the German PTO. The same applies to the withdrawal of protection of a part of an International Registration which designates Germany.

From a practical point of view, the following must be observed:

- The adversarial part of the proceedings will only be carried out if the owner of the registered trade mark objects to the declaration of invalidity within two months of notification of the application for the declaration of invalidity; otherwise, the German PTO will declare the trade mark invalid and cancel it with effect ab initio (*ex tunc*).
- Relationship to opposition proceedings: official invalidity proceedings are admissible despite pending opposition proceedings, even on the basis of the same earlier right.
- In contrast to opposition proceedings, in invalidity proceedings, the “moving period of use” continues to exist; therefore, if the grace period for use expires during the invalidity proceedings, proof of use of the earlier mark during the five years preceding the decision must be provided, if the proprietor of the challenged mark objects.

Full revocation proceedings before the German PTO

Upon request, the registration of a trade mark is revoked and cancelled, primarily if it has not been used within a period of five years. In the absence of an opposition, the trademark is cancelled – normally with effect for the future (*ex-nunc*). However, if the trademark owner objects within two months after notification of the application for revocation, the adversarial part of the proceedings will, as new provision, be continued before the German PTO – upon payment of a follow-up fee by the applicant.

Consequently, the applicant – in contrast to the previous law – is no longer obliged to pursue his application before the civil courts in an action for revocation.

Special procedural aspects for both options

- Alternative but not cumulative option: Civil law action and corresponding requests for invalidity or for revocation before the German PTO exclude each other for the same subject matter in dispute.
- An appeal against the decision of the German PTO may be filed with the Federal Patent Court.

- Already the written request for invalidation or revocation must be substantiated and evidence must be indicated (unlike for filing an opposition).
- Hearings shall be held in official proceedings at the request of one of the parties or if deemed relevant.
- Upon request, the providing of a security for the costs of the proceedings may be required from an applicant outside the EU/EEA.

Increased need for consultancy – far-reaching strategic decisions

Especially for owners of older rights, the options for taking action against younger trademarks increase. The strategic considerations – also relevant for negotiations on an amicable settlement – are complex. Only the following aspects can be touched upon:

Lower cost threshold for administrative proceedings, but no reimbursement

The proceedings before the German PTO are far less expensive than the corresponding legal action before the civil courts. This aspect alone will increase the number of attacks on registered trademarks for revocation and invalidation based on earlier conflicting rights on an administrative level. On the other hand and unlike in case of a successful lawsuit, there is normally no reimbursement of costs in the relevant administrative proceedings.

Reduced burden of proof concerning genuine use in administrative proceedings

An affidavit continues to be accepted as main element of the formally increased threshold to prove (instead of the showing of a plausibility) genuine use of a trademark – at least before the German PTO – in administrative proceedings. In contrast, the stricter full proof applies in legal proceedings.

Provocation of the administrative revocation proceedings in case of opposition

As is the case at the level of European Union trade marks, an owner of earlier trade mark(s) will have to consider more in detail the consequences of the filing of an opposition. Should his prior trademark have fallen out of the grace period of non-use, it might not only become subject to the plea of non-use in the context of the opposition proceedings. There is now the much more far reaching threat of total loss of such prior mark via the inexpensive counter-attack in an official revocation procedure.

All in all, the new low-cost administrative trademark cancellation procedures, while maintaining the corresponding legal action, lead to expanded strategic options, a corresponding need for advice and certainly to an increase in attacks on registered trademarks.



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International jurisdiction for infringement of an EU trade mark by advertising on the Internet

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With its judgment in Case C-172/18 (AMS Neve Ltd and Others v Heritage Audio SL and Others), the Court of Justice of the European Union (CJEU) significantly strengthened the legal position of EU trade mark owners. In the case of an infringement of an EU trade mark on the Internet, also courts of the Member State, in which consumers or traders to whom the infringing advertising and offers for sale are directed are located, have jurisdiction. Often, this now allows the owner of an EU trade mark to take legal action in his home country against infringements on the Internet. At least with respect to Germany, this means that the legal situation is changing considerably.

In the underlying facts of the case, the plaintiffs, who come from the United Kingdom, had sued for infringement of their EU trade mark in connection with the advertising and sale of audio equipment via the Internet in England. The defendants were domiciled in Spain and sold their products via their online shop operated from there. The Court of First Instance had dismissed the action due to the lack of international jurisdiction of the English court. The Court of Appeal decided to suspend the proceedings. Inter alia, it referred the following question to the CJEU for a preliminary ruling: “In circumstances where an undertaking is established and domiciled in Member State A and has taken steps in that territory to advertise and offer for sale goods under a sign identical to an EU trade mark on a website targeted at traders and consumers in Member State B: Does an EU trade mark court in Member State B have jurisdiction to hear a claim for infringement of the EU trade mark in respect of the advertisement and offer for sale of the goods in that territory?”

In principle, the CJEU has answered this question in the affirmative. According to the Court, an infringing act is in principle committed in the territory where the consumers or traders, to whom the advertising and offers for sale are directed, are located. Courts of that Member State therefore have international jurisdiction. It is irrelevant whether the operator of the website is established in another Member State of the European Union and has placed the trade mark infringing offer on the Internet from there. It is also irrelevant whether the server is located in another territory or whether the goods which are the subject of advertising and offer for sale are located in another territory. In the opinion of the CJEU, any other view would entail the risk of circumventing the tort jurisdiction laid down in Article 125 (5) of the European Union Trade Mark Regulation (EUTMR), which would ultimately undermine the effectiveness of the European trade mark law.

The CJEU's decision deserves approval in every respect. With its ruling, the CJEU provides clarity and strengthens the position of EU trade mark owners. The enforcement of rights will be made considerably easier. The ruling de facto revises the "Parfümmarken" decision of the German Federal Supreme Court (BGH) from 2017, which was strongly criticized in Germany. At the time, the BGH had taken the completely opposite view in a very similar case. In the case of cross-border offers on the Internet, the BGH had considered the place where the process of publishing the infringing content was initiated to be decisive. By its interpretation, the German Federal Supreme Court had de facto abolished Art. 125 (5) EUTMR. From now on, this will no longer be able to endure, and German courts will have to follow the outlined guidelines of the CJEU.



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Use of trademarks for reseller websites

It is settled case law that the use of a trademark in a domain name can constitute a "use as a trademark". The Federal Court of Justice has now further defined the legal constraints for a use of such domain names by (re)sellers and thereby strengthened the rights of owners of well-known trademarks.

It is well established that the use of a trademark in a domain name that refers to a website offering goods or services covered by the trademark generally constitutes a trademark infringement.

It has, however, been a matter of dispute whether and to what extent sellers or resellers of branded goods are entitled to use domain names containing the trademark for their websites and online shops. The German Federal Supreme Court has now defined the criteria for the admissibility of such use in relation to well-known trademarks in more detail, thereby strengthening the rights of the owners of well-known trademarks (BGH, judgement of June 28, 2018 - I ZR 236/16 - keine-vorwerk-vertretung).

In the case in question, the proprietor of an online shop for used Vorwerk vacuum cleaners as well as spare parts and accessories for Vorwerk products from various manufacturers had operated an online shop under the domain name keine-vorwerk-vertretung.de. The owner of the well-known trademark Vorwerk took action against this practice based on an alleged trademark infringement. The operator of the online shop referred in the first place to the fact that he was entitled to use the trademark pursuant to the exemption in Section 23 Para. 1 No. 3 German Trade Mark Act, since he used the trademark for the purpose of identifying the goods offered on the website as those of the owner of the trademark or as an indication of the intended purpose of the goods as accessories or spare parts for Vorwerk products. Furthermore, he argued that his right to use the trademark in the domain name followed from Section 24 German Trade Mark Act as the trademark rights of the trademark owner had been exhausted with regard to the used goods offered on the website.

The Federal Court of Justice followed the online shop operator's line of argument to the extent that it confirmed that the use of a well-known trademark in the domain name of a reseller who – in addition to the trademarked goods – also sells compatible products of other manufacturers, represents an indication of the intended purpose of the goods within the meaning of Section 23 No. 3 German Trade Mark Act. At the same time, however, the court found that there were more adequate alternatives available for the reseller to indicate the compatibility of his products. The use of the trademark in the domain name was furthermore found to be contrary to moral standards because it also serves to draw the attention of potential customers to the range of goods offered under the domain. The trademark was thus used in the domain name for advertising purposes exceeding the incidental advertising effect associated with the necessary indication of the intended use of the products. Accordingly, the use in question was not found to be privileged pursuant to Section 23 para. 2 German Trade Mark Act and constitutes a trademark infringement.

Since the court of appeal had not provided sufficient reasoning in relation to the possible exhaustion of the plaintiff's rights in the trademark, the case was referred back to the lower instance court. The Federal Court of Justice, however, indicated that by using a well-known trademark in a domain name, the reseller illegitimately exploits the advertising effect resulting from the trademark's reputation for promoting his online shop. The owner of the well-known trademark is thus entitled to prohibit the use of the trademark notwithstanding the principle of exhaustion.

Even though the judgment concerns a well-known trademark, it contains general considerations defining legal limitations to the use of trademarks in domain names. According to the considerations of the Federal Court of Justice, the use of a trademark as part of a domain name is more than a mere indication of the

compatibility of one's own products with the trademarked goods. Rather, it has a considerable advertising effect which surpasses the usual advertising effect associated with the necessary indication of the intended use. Though it remains to be seen how this decision will be received by the lower instance courts, resellers will probably find it more difficult in the future to justify the use of a trademark as part of the domain name without a prior permission by the trademark owner.



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Back to the higher threshold? – The CJEU decision Cofemel

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Of all things, the notion of “a work” is not legally defined in any of the many EU directives on copyright, even though the term appears repeatedly in these directives. However, in recent years the European Court of Justice (CJEU) seems to have discovered this term for itself as an “autonomous concept of Union law” which must be interpreted and applied uniformly throughout the Union. For German jurisprudence, the Cofemel decision of the CJEU might result in concluding a full circle, as it points back into the direction the BGH once came from with its theory of a higher threshold for copyright protection in matters of applied art.

The European Concept of the (Copyright Protected) Work Continues to Take Shape: The CJEU decision C-683/17 – Cofemel

Of all things, the notion of “a work” is not legally defined in any of the many EU directives on copyright, even though the term appears repeatedly in these directives, as in Article 3(1) and Article 4(1) of the InfoSoc Directive (2001/29/EC). However, in recent years the European Court of Justice (CJEU) seems to have discovered this term for itself and sees it as an “autonomous concept of Union law” which must be interpreted and applied uniformly throughout the Union (para. 29 of the judgment C-683/17 – *Cofemel*).

The Path toward a European Concept of “Work”

So far, it had always been borderline phenomena for the CJEU to assess, so that it basically worked its way from the edge to the middle of the concept. The first judgment on this subject, *C-5/08 – Infopaq*, of 2009, concerned the protectability of an 11-word extract from a protected work (which the CJEU affirmed). In Case *C-145/10 – Painer*, of 2011, the CJEU then for the first time dealt in more detail with the concept of the scope of creative freedom, namely on the subject of portrait photography. This requirement of originality, whereby an author expresses his creative abilities in an independent manner by making free and creative choices, was then further elaborated in Case *C-604/10 – Football DataCo*. Such originality be always excluded where technical considerations, rules or constraints determine a design, which leave no room for artistic freedom.

Case *C310/17 – Levola Hengelo* – of 2018 dealt with the interesting question of whether the taste of a cheese could enjoy copyright protection. The protectability ultimately failed because in the case of the taste of a foodstuff, unlike, for example, a literary, pictorial, cinematic or musical work, identification is essentially based on taste sensations and experiences which are subjective and changeable. Here, the CJEU lacked the intersubjective concretizability of the object of protection. Nevertheless, the CJEU did not refrain from briefly summarizing the creative requirements for a work in this case. Accordingly, two conditions must be fulfilled cumulatively:

“First, the subject matter concerned must be original in the sense that it is the author’s own intellectual creation (...). (para. 36)

Secondly, only something which is the expression of the author’s own intellectual creation may be classified as a ‘work’ within the meaning of Directive 2001/29 (...).” (para. 37)

Does the BGH’s “Geburtstagszug” judgement collide with the Cofemel decision of the CJEU?

In its decision in Case *C-683/17 – Cofemel* of 12 September 2019, the CJEU is building on the basis outlined above. It concerns clothing models, i.e. the field of applied arts. For decades, in Germany a higher threshold for copyright protection used to be applied to such works in order to prevent competing copyright and design protection. Under the pressure of the European development of design law, the Federal Court of Justice (BGH) gave up this special path as early as 2014 in its decision *I ZR 143/12 – Geburtstagszug* (GRUR 2014, 175). The CJEU now expressly confirms this in para. 45 of the *Cofemel* decision. The principle of a cumulative protection as a design, on the one hand, and as copyright protected work, on the other, applies.

In the aforementioned decision, the BGH concluded its remarks in para. 41 as follows:

“Even though no higher requirements are to be placed on the level of originality of a work of applied art than in the case of works of art that are free of purpose, it must be taken into account, when assessing whether such a work achieves the level of design/originality required for copyright protection, that

the aesthetic effect of the design can only justify copyright protection if it is not due to the intended purpose of use but is based on an artistic achievement (...). An author's own intellectual creation presupposes that there is a scope for creative freedom and that it is used by the author to express his or her creative spirit in an original way (...) Furthermore, it must be noted that a low level of originality, although it constitutes copyright protection, leads to a correspondingly narrow scope of protection of the work in question."

The CJEU now seems to contradict this in its Cofemel decision. According to the CJEU in para. 55 of the judgment, the fact that designs such as the clothing designs at issue generate, over and above their practical purpose, a specific and aesthetically significant visual effect is not such as to justify those designs being classified as "works" within the meaning of Directive 2001/29. That reflects the "anti-subjective" argument put forward in the Levola decision on the taste of cheese.

Pursuant to the CJEU, the decisive factor is rather solely the above-mentioned definition of the autonomous concept of a work under Union law with its two cumulatively required elements, namely "own intellectual creation" and "creative work not determined exclusively by specifications or technology" (para. 29 to 31 of the judgment).

The future irrelevance of an aesthetic effect as a requirement for protection does not mean, however, that the cited position of the BGH would have to be revised, for it too was already based on the CJEU's new concept of work. That the aesthetic effect of an object justifies protection does not seem to be postulated by the BGH – despite the misleading expression in the quoted passage. It mentions the aesthetic effect rather in the sense that it is the desired consequence of the individual exercising of artistic freedom (resembling the CJEU position in para. 54 of its decision).

In para. 35 of the ruling, the CJEU then says something else which at first glance seems to contradict the position of the BGH: if an object fulfils the requirements of the autonomous concept of a work, the scope of this protection does not depend on the degree of creative freedom of its author and is therefore, even in the case of an object with little freedom of design, not less than the protection which is granted to all works covered by the Directive. Had not the BGH ruled that a low level of creative freedom meant a correspondingly narrow scope of protection?

Here too, however, the BGH had already taken the boundary line drawn by the CJEU into account, since it does not reduce the material scope of protection, but merely emphasizes that in an area in which a lot is predetermined, i.e. in which individuality has only a limited scope within the specifications, all others working according to the same specifications will also achieve similar results.

Thus the creator of a four-wheeled pram – as the BGH and CJEU are to be understood in the same way – may not prohibit other creators from designing four-wheeled prams, provided that their four-wheeled prams stand out from each other as individual designs.

The remaining question is about the level of expression of creative freedom required for a design to be qualified for copyright protection in view of the parallel EU design protection. The CJEU expresses itself somewhat sibylline here when it

says in para. 50f.: “For its part, the protection attached to copyright, the duration of which is significantly greater, is reserved to subject matter that merits being classified as works. For these reasons (...) the grant of protection, under copyright, to subject matter that is protected as a design must not have the consequence that the respective objectives and effectiveness of those two forms of protection are undermined.” From that it follows that, although the protection of registered designs and the protection as copyrighted works may, under EU law, be granted cumulatively to the same subject matter, that concurrent protection can be envisaged only in certain situations.

One conclusion to be drawn from this could be that no too low requirements must be placed on the concept of “one’s own intellectual creation” in order to prevent design protection from being completely overlapped by copyright protection. This question, which is enormously important for practice, will almost certainly occupy the national courts and eventually lead up to the CJEU once again.

Outlook

So far, in view of the open wording of § 2 German Copyright Act (UrhG), the concept of a copyright protectable work has not led to any conflict between European case law and German statutory law. Yet the development of European case law has more than once forced the BGH to revise the interpretation of law that had often been established for decades.

For the BGH, the *Cofemel* decision of the CJEU might result in concluding a full circle, as it points back into the direction the BGH once came from with its theory of a higher threshold for copyright protection in matters of applied art.



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Federal Court of Justice Redefines the Requirements for an Injunction in SEP Litigation in its Decision *Sisvel ./.* Haier (KZR 36/17)

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Injunctions in relation to standard essential patents continue to be a hot topic and prove to be challenging for courts and parties alike. After a series of lower court decisions, the Federal Court of Justice has now rendered its first decision on this issue after the European Court of Justice having rendered its decision *Huawei ./.* ZTE, which sets new standards for the assessment of whether a patent owner is entitled to an injunction.

The question under which conditions the owner of a standard essential patent (SEP) that has made a FRAND declaration is entitled to an injunction is an ongoing issue that is still occupying the courts. In the decision C 170/13 (*Huawei vs. ZTE*) of July 16, 2015 the European Court of Justice defined conditions under which an owner of a standard essential patent does not abuse its dominant position in the meaning of Art. 102 TFEU, requesting a clear notification of the infringement issue by the patent owner, the declaration of willingness to conclude a licensing agreement by the alleged infringer and, consequently, a FRAND offer by the patent owner to which the infringer has to make a diligent response. In the decision 15 U 66/15 (*Sisvel vs. Haier*) of March 30, 2017, the Court of Appeal Düsseldorf had raised the requirement that in order to be entitled to an injunction the owner has to establish that its offer was indeed FRAND. In consequence, the patentee needed to disclose its licensing policy at least to an extent that enabled the court to assess this issue. In appeal, the Federal Court of Justice (*Bundesgerichtshof*) has now reversed this decision and held, judging from remarks of the presiding judge in oral proceedings, that the owner of an SEP is entitled to an injunction if the alleged infringer does not seriously and unconditionally show its willingness to take a FRAND license. The reasons of this decision are not yet available, but already at this point in time it can be foretold that it will make a significant change in Germany's court practice regarding FRAND cases.

It needs to be recollected that the Federal Court of Justice traditionally took fairly restrictive stance on issues related to standard essential patents, in particular in the so-called *Orange Book* decision KZR 39/06 of 2009, basically putting the burden of proof on the defendant that it is a willing licensee and seriously sought to obtain a FRAND license and that it is therefore entitled to a license for reasons of competition law, as an exception to the general provision of German law that the patentee is entitled to an injunction as of right. In the practice of the lower courts this basically meant that an injunction was granted, unless it could be established that the offer of the patentee was obviously not FRAND. Remaining doubts in this regard were to the detriment of the defendant. This strict position was mitigated by the decision C 170/15 (*Huawei vs. ZTE*) by the European Court of Justice in 2015, which called for a balanced approach and established obligations both for the patent owner and the alleged infringer. As the decision by the Court

of Appeal Düsseldorf focused on the obligation of the patentee to establish that its offer is indeed FRAND, the decision by the Federal Court of Justice is not exactly surprising. The interesting issue is which points of the reasoning of the Court of Appeal were overturned and which requirements regarding the behavior of the defendant were established. Depending, the new decision by the Federal Court of Justice could mean a return to the earlier practice of the German courts in the wake of the Orange Book decision, which, according to personal statements of judges of the Federal Court of Justice, is in line with the ECJ decision Huawei vs. ZTE, or just a correction where the Court of Appeal may have gone too far. This will become more clear when the reasoning of the new decision by the Federal Court of Justice has been handed down, which will be duly reported in this Bulletin.



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Additional defence options for patent infringers and faster nullity proceedings

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The German Federal Ministry of Justice presented its long-awaited draft for the reform of the German Patent Act in mid-January. In particular, the draft provides for a new and controversially discussed hardship clause for injunctive relief, as well as measures to accelerate the patent nullity proceedings and to interlock them better with the patent infringement proceedings.

Reform of the right to injunctive relief

The injunctive relief is considered the sharpest sword in German patent infringement proceedings. If an infringement court, at the request of the patentee, has found a patent infringement, it not only orders the infringer to pay damages for past infringing acts, but also rules that the infringing product must be taken off the market and the infringing process may no longer be carried out.

This mandatory injunction is increasingly criticised by parts of the industry. The automotive industry and their suppliers in particular see a risk of abuse in cases in which the patent-infringing product is only a small and relatively cheap component of a complex product (for example a mobile phone chip installed in a car), but in which the injunctive relief ultimately affects the entire product. In such scenarios, the threat of injunctive relief means that the patent holder often has to grudgingly accept exorbitant license fees in order to avoid a production standstill and the enormous costs involved.

However, even today in Germany the right to injunctive relief is not completely automatic and without limits. Many such case constellations, especially in the practically important field of telecommunications and networks, concern standard-essential patents (SEPs), for which the patentee has usually committed himself to the standard-setting organisation to offer licences on fair, reasonable and non-discriminatory terms (so-called FRAND conditions) to any interested party, and for which, according to the case law of the European Court of Justice, the patentee can only enforce a claim for injunctive relief if he proves to the infringement court that he has made a FRAND licence offer to the infringer in advance, but that this offer was refused.

Furthermore, in its “Wärmetauscher” (“Heat Exchanger”) decision of May 2016 which also concerned a case from the automotive industry, the Federal Court of Justice (case reference BGH X ZR 114/13) stated that the infringer of a patent can be granted a grace period in exceptional cases, if immediate enforcement of the injunctive relief constitutes an unjustified hardship due to special circumstances of the case.

So far, however, there has not been a single case where the courts have seen room for such a hardship provision. Even though the BGH had provided for the possibility of such an exception in the “Wärmetauscher” case, it then, too, denied it for the specific case.

With the reform of the Patent Act now proposed, the principles formulated by the BGH would be enshrined in law. Accordingly, the injunctive relief would be excluded to the extent that its enforcement “is disproportionate because, due to special circumstances taking into account the interest of the patent proprietor and the infringer and the precepts of good faith, it constitutes a hardship not justified by the exclusive right”. However, the proposed rule is more far-reaching than the “Wärmetauscher” decision in that it is not limited to the granting of a grace period, but may also allow for a longer-term or even permanent exclusion of an injunction.

The proponents of the reform point out that also other countries have restrictions on the right to injunctive relief and, for example, in the USA the right to injunctive relief is granted only exceptionally. The sceptics reply that this is comparing apples and oranges. In the USA, it is not the injunctive relief that can have a serious effect on the infringer, but the legal costs and damages that are many times higher than in Germany. In contrast, the damages imposed in Germany are hardly more than what the infringer would normally have had to pay the patent owner if he had taken a license from the outset. In this constellation, the damages alone do not deter the patent infringer, and hence the injunctive relief is of utmost importance. The explanatory memorandum to the draft also emphasises the exceptional character of the hardship provision.

Reform of the patent nullity proceedings

Another important and far less controversial innovation in the draft concerns the streamlining of the patent nullity proceedings in order to better synchronise them with the patent infringement proceedings.

In German patent infringement proceedings, the alleged patent infringer can only defend himself by stating that he does not infringe the patent, for example because his product differs from the patented solution or he is entitled to use the invention. If, however, he wants to claim that the patent was wrongly granted, for example that it is not novel or not inventive over the prior art, he has to challenge the patent in separate nullity proceedings before the German Federal Patent Court, a completely different forum. These patent nullity proceedings are, by nature, already started with a delay compared to the infringement proceedings, and then usually progress even more slowly. As a result, the alleged infringer often finds himself in the unfortunate situation that the infringement court has already recognized the patent infringement before the Federal Patent Court decides on the validity of the patent many months later. Even the preliminary judicial opinion of the Federal Patent Court, which the legislator had introduced with a previous reform in 2009, often comes too late in practice. In the meantime, under the pressure of the threatening injunctive relief, the patent infringer might have been forced to agree with the patent owner on a high license payment, even though the patent would ultimately have turned out to be not legally valid.

In order to remedy this unfortunate “injunction gap”, the draft stipulates that in future the patent proprietor must present his defence arguments against the nullity action within two, in exceptional cases at the latest three months after service of the nullity action, and that the Federal Patent Court will issue its preliminary opinion at the latest six months after service of the nullity action. In typical case constellations, these time limits should result in the infringement court receiving the preliminary opinion of the Federal Patent Court prior to its decision on the patent infringement, so that the infringement court can stay its proceedings on the basis of the preliminary opinion until the final decision in the patent nullity proceedings in case of doubts about the validity of the patent.

This reform approach is promising and could interlock the patent nullity proceedings with the patent infringement proceedings much better than before. Its success, however, will depend to a large extent on the Federal Patent Court being able to prepare its preliminary opinions quickly and in reliable quality. It may become necessary to increase the staff of the Federal Patent Court for this purpose.

Other changes proposed

The draft contains some other important innovations. For example, the entry of an application under the Patent Cooperation Treaty (PCT) into the German national phase will in future have a time limit of 31 months from the priority date instead of 30 months, in line with the regulation at the European Patent Office. In addition, it shall become easier for the purchaser of a patent to take over an ongoing opposition procedure. In order to do so, according to the draft, he will in future only have to register in the patent register as the new owner.

The draft is now open to public discussion before it will be converted into a draft bill and the legislative procedure will begin. A number of important players from industry, research institutions and private practice have already submitted their

observations on the draft (available from the Ministry's website https://www.bmjv.de/SharedDocs/Gesetzgebungsverfahren/DE/PatMoG_2.html ) , which attests to the great interest the public takes in these reforms.

We will keep you informed about the further progress.



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Three-year statutory limitation period in patent ownership disputes

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To date, it has been disputed in the literature whether a statutory limitation period of only three years or of 30 years applies to claims for the assignment of a patent application filed by an applicant not entitled to the invention. Munich Regional Court (Landgericht München I) is the first German court to determine a limitation period of only three years, which could have a significant impact on the strategic approach to alleged co-inventors.

If a patent application is filed by an applicant not entitled to the invention, the correct owner (usually the inventor or co-inventor) has a valid claim for assignment of the application or the granted patents (claim for patent ownership).

The statutory limitation period applicable to claims for patent ownership has rarely been a decisive factor in legal practice, since both Section 8 German Patent Act, governing ownership claims to national patents, as well as the corresponding provisions governing ownership claims to European patents, provide for a specific limitation period of only two years from the date of the publication of the grant of protection for the respective patent. Upon expiration of this two-year period, claims for ownership to the patent can only be asserted if the correct owner can prove that the applicant, who was not entitled to the invention, was acting in bad faith at the time of the grant of protection.

It has been disputed in literature whether the claims for patent ownership are further subject to a 30-year limitation period applicable for ownership claims in property law or the regular three-year statutory limitation period, regardless of the date of the grant of the patent. By the decision of the Munich Regional Court (Landgericht München I) of November 21, 2018 (21 O 11279/17) a German court has for the first time taken a position on this question.

In its decision, the Munich Regional Court examines at length the arguments in

favour of the applicability of the 30-year statutory limitation period and comes to the conclusion that only the regular three-year limitation period applies. Although the court's arguments are well-founded, it remains to be seen how other courts, especially higher courts, position themselves in this matter.

The decision of the Munich Regional Court is of considerable strategic relevance for legal practice. Based on the judgment, grossly negligent lack of knowledge of the circumstances giving rise to an ownership claim is sufficient for the limitation period to commence. However, the court did not explicitly state whether grossly negligent lack of knowledge on the part of the entitled party can always be assumed from the time of publication of the patent application. Had it been the case, a patent vindication claim raised later than three years after the date of publication of a patent application could in theory be objected to by raising the statutory limitation argument. In any case, as soon as the entitled party learns about the patent application one way or another, the courts could likely assume that the limitation period has commenced.

Following the decision of the Regional Court Munich it is therefore recommendable for inventors to put a stronger focus to potential patent applications by non-entitled parties and, if necessary, to consider taking immediate legal steps. Respectively, it is advisable for applicants to consider informing any potential (co-)inventors of a successful application in due time, even if their role as (co-)inventors is not recognized, in order to unequivocally initiate the three-year statutory limitation period.



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The decision of the German Constitutional Court on the Unitary Patent Court

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After what at least felt like a long wait, the 2nd Senate of the German Constitutional Court (BVerfG) has now dealt with the constitutional appeal against the act for the implementation of the UPC in Germany (EPGÜ-ZustG). In a nutshell, the BVerfG sees it as one function of the EPGÜ-ZustG to transfer national sovereign rights to the UPC. This, the Court ruled, requires a two-thirds majority in parliament, in accordance with Article 23.1 of the German Constitution. Since only 35 members of parliament participated in the vote, the Court declared the EPGÜ-ZustG null and void.

Before a more detailed analysis of the reasons for the decision, it should be noted that the BVerfG has not examined the EPGÜ-ZustG in full, since the nullity thereof already resulted from only one reason (the one discussed here). There is also a dissenting opinion of three justices, the decision was made with 5: 3 votes. It should further be noted that the constitutional appeals about inadequate legal protection at the European Patent Office against decisions of the Boards of Appeal were not dealt with in the decision. These complaints are still pending before the BVerfG.

The other acts of the European regulatory package on patent law, the core of which is the introduction of a European patent with uniform effect as a new property right at the level of the European Union, had not been attacked either.

Regarding the underlying history of the EPGÜ-ZustG, the Bundestag unanimously adopted the draft approval act (BTDrucks 18/11137) on March 10, 2017 in its third reading. Around 35 MPs were present. The quorum was not determined, nor did the President of the Bundestag determine that the Act had been passed by a qualified majority. The Federal Chancellor's accompanying letter to the proposed text contained the note: "Sovereign rights are transferred in accordance with Article 23 paragraph 1 sentence 2 of the German Constitution". The Bundesrat then unanimously approved the law at its meeting on March 31, 2017. The draft law was initially classified as particularly urgent in accordance with Article 76 paragraph 2 sentence 4 of the German Constitution in order to complete the ratification process as quickly as possible "so that the European Patent Court can start its work in early 2017."

Contrary to several opinions as filed by invited parties, including one of the Federal Chamber of Attorneys at Law, the BVerfG ultimately decided that the constitutional complaint of March 31, 2017 was admissible insofar as it complained about a violation of fundamental rights resulting from a violation of the requirement of a qualified majority for voting on the EPGÜ-ZustG. For the rest of the arguments, the complaint was viewed as inadmissible.

The decision held that the Act interferes directly with the legal sphere of the individual (appellant), and that the appellant had sufficiently substantiated a possible violation of Article 38.1 sentence 1 of the German Constitution. In particular, he conclusively asserted that the required 2/3 majority of Article 79.2 in conjunction with Article 23.1 sentence 3 of the German Constitution had not been met in the present case.

The appeal was regarded inadmissible to the extent as argued that the EPGÜ-ZustG would violate the constitutional identity because the legal status of judges would be insufficiently regulated under the rule of law (regarded as "not sufficiently substantiated"), that fundamental rights interventions by the Unitary Patent Court would not be sufficiently legitimated by law (reimbursable costs were regarded as "reasonable and appropriate"), and that the UPC agreement itself would violate EU law (reference to "Principle of European law friendliness of the Constitution" – Article 23 German Constitution).

The appeal was then justified to the extent that it was admissible. The Court argued that since the EPGÜ-ZustG relates to the transfer of new responsibilities to the European Union and/or the establishment of new intergovernmental institutions, this would go beyond existing authorizations, and should therefore

be made dependent on a correct and full (parliamentary) two-thirds majority.

This would not be different in view of an effective “unanimous” adoption of the draft law as mentioned in the minutes of the Bundestag, and the transmission to the Bundesrat. The German Bundestag had therefore not effectively passed the EPGÜ-ZustG.

The dissenting opinion argued that the new and expanded “formal transfer control” as established by the present decision could ultimately lead to the political process in the context of European integration not being made possible and secured, but being narrowed and hindered. The scope of protection of Article 38.1 sentence 1 of the German Constitution in the context of European integration would completely lose its contours. The appeal at issue was therefore to be dismissed as inadmissible in full.

As a remedy, there would be opportunities for a constitutional appeal after the entry of the law in force, for example within the framework of national enforcement. In these proceedings, the formal unconstitutionality of the Consent Act could also be criticized. A relevant specific fundamental rights concern would then be the right “filter”.

Now, the easy access to the Federal Constitutional Court using the formal transfer control argument would prompt the German Bundestag and the Bundesrat to strive for a two-thirds majority for almost every transfer of powers within the scope of Article 23.1 of the German Constitution, just to be on the “safe side” and thus not to be exposed to the risks of the formal transfer control.

Commentary

It remains to be seen whether the new and expanded “formal transfer control” as supposedly established by the decision will ultimately result in a series of narrowing and hindrance of political processes (among other things) in the context of European integration, as feared by the dissenting opinion. Nevertheless, the flawed transfer argument was sufficient for the nullity of the present EPGÜ-ZustG.

In the end, the BVerfG gave the legislator a formal slap in the face for taking short cuts in enacting constitutionally relevant laws. In this regard, it may well be that the urgent lobbying of the “interested parties” ultimately backfired. When a bill is passed in the Bundestag at around 1 a.m. (as this was), it is likely that only a few parliamentarians are present.

Even if some want to see the decision as merely a “technical difficulty”, which could be simply “repaired” by a new vote, the law has been declared null and void (and not only the appeal was upheld). Thus, right now there is nothing left that could form the basis for a vote.

It can also be assumed that the implementation of the UPC – even in an amended “continental form” – is ruled out due to BREXIT and the announcements of the British government. This will lead to the fact that the EPGÜ-ZustG, together with the other components of the patent package, will probably continue to only live in the commentary literature for the time being, similar to the Community Patent Convention (GPatG).

Finally, the BVerfG has not fully reviewed the EPGÜ-ZustG under constitutional law, i.e. outside of the formal transfer control. The BVerfG has, for example, viewed the argument regarding the legal status of the judges at the UPC as merely insufficiently substantiated, which could also be seen as strategic behavior regarding complaints about inadequate legal protection at the European Patent Office against decisions of the Boards of Appeal (see above).



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It's only human ...

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The European Patent Office has ruled at first instance that inventors are necessarily human beings. Two applications in which the patent applicant had designated an artificial intelligence as inventor were rejected.

The two applications EP 3 563 896 A1 and EP 3 564 144 A1 were filed by the same applicant in autumn 2018. The first application concerns techniques for attracting increased human attention by means of special signal sequences, the second application concerns food and beverage packaging with fractal side wall profiles. The applicant, a natural person from St. Charles, MO, USA, initially omitted an indication of the inventor. However, naming the inventor is mandatory under Art. 81 of the European Patent Convention (EPC). Under Rule 19(1) EPC, the designation must contain the surname, first name and full address of the inventor. If these details are not provided despite a request from the European Patent Office, the application will be rejected under Rule 60(1) EPC.

For both applications, the applicant stated upon request by the European Patent Office that the inventor was an AI machine called DABUS. He had acquired the right to the respective invention as legal successor, since he was the owner of DABUS. He applied to register DABUS as inventor.

Following oral proceedings on 25 November 2019, the European Patent Office has now decided to reject both applications for failure to comply with the formal requirements. In the two Decisions dated 27 January 2020 (which are identical in substance), the European Patent Office argues that the designation of an inventor is a mandatory requirement, and failure to comply must inevitably lead to the rejection of the application. Moreover, only natural persons, i.e. human beings, could be inventors. This is clear from the European Patent Convention, which only knows natural and legal persons, whereas an AI machine as a thing cannot be a bearer of rights and obligations. The legislative documents for the EPC also

assumed that only humans can be considered as inventors. (In the 1960s and 1970s, however, this assumption was possibly more justifiable than it is today.) In addition, the Decisions point out that the other major patent offices in the USA, China, Japan and Korea, as well as national courts in a variety of jurisdictions, also assume that inventors can only be human beings.

In its Decisions – possibly disappointing for the applicant – the European Patent Office did not deal at all with the alleged contributions made by the AI machine DABUS to the two inventions applied for, and whether human beings who could and should have been named as inventors also contributed to these inventions. Furthermore, the Decisions do not give any clues as to who should have been named as the human inventor, provided that the AI machine had actually made a contribution to the invention. In any case, many experts doubt whether the currently available AI systems can be more than tools in the hands of human inventors, and that they are even capable of making creative contributions to a problem solution that would justify speaking of an inventorship.

In response to the applicant's argument that the naming of the inventor must be factually correct and that the naming of a human being in the present case would only have concealed the true identity of the inventor DABUS, the European Patent Office states in the two Decisions that the naming of the inventor is merely a formal requirement and that the Patent Office cannot and may not check the correctness of the content of the naming according to Rule 19(2) EPC. In the European patent system, the national courts are responsible for this.

Although the Decisions are well-reasoned, they remain unsatisfactory on this point. It is one thing not to check the content of the contributions of the named inventors for accuracy, but it is quite another to reject an inventor's naming which is assumed to be factually correct on purely formal grounds.

An Appeal against the rejection of the applications is possible. However, it is likely that in the European Patent System the national courts are ultimately the more appropriate forum to hear and decide whether an artificial intelligence has made substantive contributions to an invention and, if so, who is to be designated as the inventor. According to the current legal situation, only natural persons can be named as inventors, as emphasized by the EPO Decisions. In the AI context, the programmer of the AI, the person who provided the training data or the person who then interprets the results of the AI are natural candidates.

Discussions are in flux, and no generally accepted solutions have yet been established. In practice, it is therefore important to contractually determine at an early stage of the AI project, and with the involvement of all parties concerned who is to be entitled to the rights to the invention.

We will continue to keep you regularly informed about IP law developments in the exciting field of artificial intelligence.



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