



# B&B Bulletin

## January 2019

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## Inventive Plants and Animals can be patented after all!

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The Board of Appeal of the European Patent Office declared Rule 28 (2) EPC void. The Rule was introduced last year to prevent patenting of plants and animals resulting from processes involving breeding steps. However, such exclusion was not justified under the European Patent Convention according to the Board.

On December 5, 2018, the Board of Appeal in case T 1063/18 reviewed a decision of an Examining Division of the European Patent Office (EPO) refusing grant of a patent directed to pepper plants. The claimed invention pertained to sweet pepper plants having increased color and size and which resulted from a smart-breeding process involving steps of crossing and selection. During examination of the application the Examining Division refused product claims to sweet pepper plants as being excluded from patentability under Rule 28(2) of the European Patent Convention (EPC), which was newly introduced in 2017.

The patenting of plants and animals, and breeding processes of plants and animals, have been the subject of many court cases at the EPO until today. In Article 53b EPC, substantive European patent law excludes from patentability all inventions that are directed to essentially biological processes for the production of plants or animals. The exclusion of Article 53b EPC was extensively analysed and interpreted by the highest judicial instance of the EPO in the infamous “tomato and broccoli I” cases (G 2/07, G2/08), in which the Enlarged Board of Appeal (EBoA) used an unusually broad interpretation of the exclusion to prohibit patenting of any process involving crossing and selection of genomes independent of other technical steps. Subsequently, in “tomatoes and broccoli II” (G 2/12, G 2/13) the EBoA however clarified that the broad exclusion under Article 53b EPC is applicable only for process claims. In other words, patent protection is still available for the plants or animals as such produced with such methods, provided they comply with all other requirements of patentability.

In the wake of tomatoes/broccoli II, many interested parties were unsatisfied with the implications, and lobbying and political engagement apparently led the European Commission to retroactively interpret the Biotech Directive, the blueprint for the European biotech patent law, to allegedly exclude patentability of such plants and animals. Under such pressure the EPO last year introduced a new Rule 28(2) EPC explicitly excluding patentability in respect of plants or animals exclusively obtained by means of an essentially biological process. From then on, applicants of such technologies at the EPO had to ensure to carve out any claims to their inventive plants and animals to avoid refusal of their application. Often the introduction of a disclaimer of plants and animals was used.

In the case now decided, the applicant did not follow this procedure and instead appealed a decision to refuse a patent to pepper plants under new Rule 28(2) EPC. Interestingly the Board of Appeal came to the conclusion that the introduction of the new rule by the EPO was in clear conflict with Article 53b EPC as interpreted

extensively by the EBoA in the tomato and broccoli I and II cases, and that therefore the Rule is null and void. Under tomato and broccoli II the EBoA explicitly saw no problems with claims to plants and animals under Article 53b EPC. Since articles of the European patent convention prevail in case of a conflict with a rule, patents can be granted in respect of plants or animals exclusively obtained by means of an essentially biological process. Rule 28(2) EPC obviously was introduced in contradiction of the original convention – a fiasco for the administrative council of the EPO.

## Conclusion

The decision is not only positive for applicants involved with plant and animal technologies, but also a positive signal for all users of the European patent system. The decision ensures legal predictability of the European patent system and underlines independence of the Boards of Appeal. Political turnarounds cannot be easily formed into new rules without proper legislative procedure. If there is a public interest to exclude patentability of plants and animals, only a diplomatic conference can change substantive European patent law (the Convention) and this will rightly involve democratically legitimized parliaments of the member states.

## How to deal with this now

There are also practical implications of the decision: it is highly advisable in all pending examination procedures to remove from claim sets any disclaimers of plants and animals that were introduced to circumvent the exclusion of Rule 28(2) EPC. Claim your inventive plant and animal technologies!



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## The EPO is making another attempt at Deferred Examination

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The EPO launched a new online user consultation on the possibility of allowing more flexibility in the timing of the examination process by offering means to postpone the examination of European patent applications. This new user consultation was to be seen in context of the “Early Certainty” initiative and the previously initiated and stopped attempt to implement “User-Driven Early Certainty”, which was supposed to allow applicants to postpone the start of substantive examination by a maximum of 3 years. The primary objective of this new user consultation was to receive the views of all stakeholders on the advantages and drawbacks of a postponed examination scheme in the European patent grant procedure. The new user consultation shows that the EPO is currently planning to make another attempt at implementing deferred examination.

Since the launch of the “Early Certainty” initiative in 2014, the EPO has been advertising that the office has significantly reduced the length of the patent grant procedure. The still to achieve goal of this initiative is to reduce the average time for examining an application to 12 months. While some stakeholders have generally welcomed the faster processing of applications, as it provides information on the outcome of examination at an earlier stage, other stakeholders have argued that there are various instances at which applicants might need more time before the grant of a patent, for example, to adapt the claims to the parallel development of corresponding products or to determine the final choice of countries in which the patent is to be validated.

In the present EPO system, examination of EP-direct applications must be requested and the examination fee must be paid within 6 months of the publication of the search report and examination of Euro-PCT applications must be requested and the examination fee must be paid, in most circumstances, on entry to the European regional phase. Under this current system, the applicant has only a few means to start examination at the EPO earlier, such as by requesting early processing under Article 23(2) or 40(2) PCT, or to accelerate examination proceedings, such as by filing a PACE request or by waiving the Communications under Rules 161, 70/70a EPC. However, the applicant has otherwise no control over when examination begins. This is entirely dependent on when the EPO takes up the application for examination.

### User-Driven Early Certainty (UDEC)

For the above reasons, the EPO presented again a proposal for deferred examination in autumn 2017, which was finally called “User-Driven Early Certainty (UDEC)” (initially: “Early Certainty with Flexibility”). UDEC was planned to allow applicants to postpone the start of substantive examination by a maximum of three years.

Deferred examination systems have been available in multiple countries, including all other IP5 Offices. One prominent example is also the German system

where an applicant has a period of seven years from the date of filing in which to request examination and pay the examination fee. This has turned out to be attractive for applicants, who would like to make strategic decisions in context of the grant of a patent at a later stage. Such deferred examination even provides advantages for global patent strategies, because some applicants file a German national phase patent application in parallel to a Euro-PCT application and do initially not request examination for the German patent application to see how the European patent application turns out. That is, the German national phase patent application can serve as a sort of “back-up” for the case that the European patent application does not get granted with the desired scope and the applicant can “activate” the German patent application whenever desired within these 7 years. The German patent community has made good experiences with its deferred examination system and has thus been supporting deferred examination at the EPO.

The basic idea of UDEC was that an application, whether EP-direct or Euro-PCT, would proceed as so far up to the payment of the examination fee. Thus, as usual, the (S)EESR would be produced and the applicant would have to file a response to the ESOP. The applicant would also have to pay the examination fee according to the present rules of the EPC.

The new part would have started with the payment of the examination fee by the applicant. At this stage, the applicant could file a request to postpone examination for up to three years. The applicant would have been able to lift the postponement on request. Apart from the examination fee, no other fee would have been required. The new part of UDEC also included the option for a third party to file substantiated, non-anonymous (but with strawman filings being possible), third party observations. The effect of doing so would have been to lift the postponement of the examination of the application. No fee would have been required for lifting the postponement.

UDEC was also considered to provide advantages for the EPO. For example, the EPO could avoid the examination of applications in which applicants lost interest during the deferment. The overall expected effect of UDEC was that it could reduce, or at least more evenly distribute, the existing backlog. Moreover, as there were no fees involved in the proposal, the EPO considered that it could have been introduced as a change in practice with no need for a change of any rules.

However, there are also disadvantages for third parties. The period of legal uncertainty would be extended by several years. If third party observations needed to be filed, such as in context of FTOs, to lift the deferment, it may be necessary to carry out costly prior art searches and evaluate the results so that sufficiently substantiated observations can be filed.

The EPO held a user consultation for interested parties, including epi, at which the proposal for UEDC was discussed. Some parties were overall in favour and some were completely against the proposal. The content of the proposal was changed in response to user comments but maintained to be differed from the three year postponement from filing that the other IP5 Offices offer.

After controversial discussions in various official groups, which mainly went against the proposal, the proposal was not presented to the next meeting of the Administrative Council (AC) and was not pursued further by the EPO.

## New User Consultation

In November 2018, the EPO launched a new online user consultation to again assess the interest of the stakeholders in increased flexibility in the timing of the examination process. This new online consultation remained open for everyone until 11 January 2019 and some members of this law firm also submitted their comments.

By this new user consultation, stakeholders could submit their answers to a variety of questions regarding the following topics:

1. Need for more flexibility in the timing of examination
2. Possible features of a deferred examination system
3. Mechanism for third-party activation of deferred examination
4. Office activation mechanism in a deferred examination scheme

## Office-Driven Examination Control (ODEC)?

Overall, it appears that a careful balancing of the various interests of the applicants, the parties and the EPO could lead to a system of deferred examination at the EPO. On the one hand, it is argued that as long as the EPO continues to provide an EESR including an ESOP and the applicant is obliged to file a response to the ESOP and pay the examination fee, the applicants as well as third parties would have a reasonable basis to estimate what might happen during deferred examination proceedings. On the other hand, it is evident that the argumentation provided by the EPO in the ESOP is not carved in stone and unforeseeable claim amendments can of course be performed by using features from the description, so that there of course remains a certain degree of uncertainty about the outcome of the examination proceedings, which is immanent to deferred examination.

The new user consultation shows that the EPO is currently planning to make another attempt at implementing deferred examination. As such a potential upcoming system would be proposed by the EPO, the term “Office-Driven Examination Control” (ODEC) was already suggested. It remains to be seen whether the new user consultation will lead to a new initiative by the EPO and whether such a new initiative will have higher chances to be approved by the stakeholders in the various EPC member states as it was the case for UDEC.

Deferred examination would allow for an increased flexibility for the grant proceedings at the EPO and more means to shape the global patent strategy for corporations. We will certainly look out for upcoming legal changes in context of deferred examination and will advise our clients accordingly.



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## Caution when referring to Industrial Property Rights! The indication “Patent Pending” may be misleading.

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In a recent decision, the Higher Regional Court of Munich ruled that the advertising statement “Patent Pending” can be misunderstood in Germany and is therefore be regarded as unfair competition (file no.: 6 U 3973/16). This also applies if the advertiser or associated third party is the holder of a patent application. German trade circles could infer from the English indication “pending” that there exists a patent in the sense of a granted patent.

### Background

It is well known that the patent examination proceedings can take a long time and that there is often a need for the applicant to draw attention to a special technical position of the product in relation to other products on the market before the patent is actually granted. This is all the more true since the applicant does not have to be unprotected until the patent is granted, but can be awarded appropriate compensation for the unauthorized use of the published invention pursuant to Sec. 33 German Patent Act. However, this requires that the user of the invention is acting in knowledge of the application, so that for this reason, too, the applicant has an interest in referring potential users of his invention to the disclosed patent application with a respective note.

However, caution is always required when using foreign-language information in the context of product marketing. Under German Unfair Competition Law, misleading commercial practices are inadmissible. In the case of advertising statements which can be understood in different ways, a misleading commercial practice is to be assumed already if a relevant part of the target public understands the statement in a way which does not correspond to the actual circumstances.

The advertising statement “Patent Pending” is widely used in English-speaking business to point out that no patent has yet been granted for an advertised product or parts thereof, but that such a patent has been applied for. From this practice, however, it must not be concluded hastily that also the German consumer understands the term in the same way.

### Decision

This was the case in the decision made by the Higher Regional Court of Munich: The product packaging of an interdental cleaner contained the reference “Patent Pending” and a corresponding patent had been applied for but not yet granted. The court stated that the products marketed by the advertising company were aimed at the general public. However, only that part of the addressed public which has a detailed and in-depth knowledge of the English language or is already familiar with the subject of advertising with references to Industrial Property Rights would correctly understand the indication “patent pending” as

an indication of a “only” pending patent application. This should however not be assumed for the wide mass of German consumers. “Patent pending” is not a term used in colloquial English. According to the court, a substantial part of the German public would be at risk of being misled, since the term “patent pending” is likely to be considered as to have the same meaning as the term “granted” patent. When stating “patent pending”, the German consumer will simply assume that a “patent” already exists which is described in more detail by the further foreign-language word “pending”.

## Conclusion

The decision did not come as a surprise. Already in 1996, the Higher Regional Court of Düsseldorf had ruled in a similar case that the abbreviated statement “pat. pend.” is not correctly understood by German trade circles and can therefore be misleading. The ruling of the Higher Regional Court of Munich thus serves as a reminder that German consumers may not be expected to have in-depth knowledge of foreign languages and that there may be a liability risk in the case of advertising with foreign-language information. This applies in particular if the product advertising is directed at the general and thus broad public. If, on the other hand, the advertising is aimed exclusively at the specialist public who are familiar with English terms, this may be different. A less strict standard may apply in the case of a professional public.



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# Implementation of the EU Trade Secrets Directive – German Government Draft Published

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The EU Trade Secrets Directive must be implemented into national law. Following the much-discussed draft by the Federal Ministry of Justice and Consumer Protection, the legislator has now published the government draft. Although many questions remain unanswered, German companies can now better prepare for the implementation of the EU Trade Secrets Directive.

The EU Trade Secrets Directive must be implemented into national law. After the draft bill of the German Federal Ministry of Justice and Consumer Protection has met with a divided and partly very critical response from industry, academia and legal experts, the legislator has published a revised government draft which at least in regard to some aspects has taken up the criticism. Although many questions remain unanswered, German companies can now better prepare for the implementation of the EU Trade Secrets Directive.

## Concept of “reasonable confidentiality measures” still unclear

The German legislator has refrained from further defining the concept of “reasonable confidentiality measures” contained in the Directive. The concept of “reasonable confidentiality measures” is of central importance, since information can only constitute a trade secret if it is the subject of “reasonable confidentiality measures”. Ultimately, the legislator’s decision not to legally define such measures is understandable: the Directive already makes it clear that the circumstances of the individual case must determine which confidentiality measures are reasonable in each case.

This case-by-case assessment has advantages and disadvantages for companies. For trade secrets that have a comparatively low value, only comparatively minor confidentiality measures are required. A disadvantage of the case-by-case evaluation is that in practice it will hardly be possible to determine individual secrecy measures for each (potential) trade secret within a company. In addition, the reasonableness of confidentiality measures will have to take into account not only the value of a trade secret, but also other factors such as the individuality of the trade secret and the effort involved in creating the trade secret.

Consequently, in the explanatory notes of the government draft, the legislator also states that the specific types of confidentiality measures depend on the type of trade secret in question and the specific circumstances of its use. According to the legislator, both physical access restrictions and precautions as well as contractual security mechanisms can be considered. It is not necessary to mark each piece of confidential information separately, but measures can in principle be taken for certain categories of information (see below) or specified by general internal guidelines and instructions or also in employment contracts. In assessing the adequacy of the protective measures, particular consideration may be given to the

value of the trade secret and its development costs, the nature of the information, its importance to the enterprise, the size of the enterprise, the confidentiality measures customary in the enterprise and contractual arrangements agreed with employees and business partners.

## **Categorization of Trade Secrets Recommended**

There are two possible solutions for companies to avoid having to determine individual secrecy measures for each trade secret: First, it is possible to apply to all trade secrets those confidentiality measures that are reasonable to the most valuable trade secret. However, this can lead to unnecessary effort and may slow down the work processes with regard to less valuable trade secrets. It therefore seems more advantageous to us, after analysing the existing trade secrets in a company, to develop several categories with regard to the value and need for protection of trade secrets and to develop and establish reasonable confidentiality measures for each category.

## **Safeguarding of Trade Secrets During Litigation**

Of particular interest to companies are also the possibilities provided in the government draft for the protection of trade secrets in court proceedings. In this respect, the government's draft contains both good and rather disappointing provisions. For example, at the request of a party, the court may classify information as requiring complete or partial secrecy. However, such information nevertheless comes to the knowledge of the other party, its lawyers and, if necessary, witnesses and experts involved in the proceedings. It would be desirable if the legislator were to provide for more effective measures here to achieve the secrecy of information requiring secrecy in the trial.

While the draft bill provided for an administrative fine of only up to EUR 1,000.00, for litigation parties using or disclosing information classified as confidential by the court, the legislator has meanwhile corrected this and provided for a much more appropriate (however in our view still insufficient) fine framework of up to EUR 100,000.00. A negative aspect of the procedural provisions is that the company whose secret know-how was infringed has to sue where the infringer has his place of jurisdiction. According to the government draft, it is unfortunately not possible to bring an action before any court or before a court in whose district the infringing act occurred. This is to the advantage of the infringer and to the disadvantage of the injured party.

On the positive side, there is a provision for a kind of pre-procedure in which the infringed party, whose trade secrets have been obtained or disclosed, can apply for procedural secrecy measures before service of an action on the opposing party in proceedings on the merits. This possibility should in any case be used to ensure the protection of the trade secrets at issue. Strangely enough, the possibility of such prior proceedings is not provided for the infringed party in preliminary injunction proceedings. It is to be hoped that the legislator will change this.

Fortunately, the legislator in the Government draft has now extended the infringed party's right to information including the "path" taken by the trade secret after their unauthorised disclosure.

## Conclusion

With the Government draft for the implementation of the Trade Secrets Directive, the legislator has taken up some of the aspects discussed in the context of the publication of the Ministerial Draft and has modified the Ministerial Draft as shown above. Nevertheless, many questions still remain unanswered, so that in many aspects the Government draft is unsatisfactory for trade secret holders. It remains to be seen how the Government draft on the protection of trade secrets will be discussed, especially in German parliament.

As of today, it is expected that this law will come into force in winter / spring 2019.

We will continue to monitor the legislative process. Companies operating in Germany should start now at the latest to develop secrecy concepts and to develop and implement classification systems for trade secrets and the corresponding secrecy measures in order not to lose valuable know-how rights when the law comes into force.



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## General Data Protection Regulation (GDPR) – Transparency obligations for companies

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The GDPR introduced new and in some cases deviating regulations with regard to data protection information obligations. In particular, companies should review their data protection declarations and consent procedures in order to avoid fines and official objections. Becoming GDPR compliant can certainly be seen as an opportunity to eliminate previous flaws with regard to transparency in data processing and ensuring the effectiveness of existing declarations of consent.

Transparency in the handling of personal data is an integral part of data protection. Data subjects should always have the opportunity to understand who is processing which data, when and for what purpose. Accordingly, data protection law contains a large number of transparency obligations designed to ensure transparency in data processing.

## Duty to provide information when collecting data

The GDPR contains an extensive catalogue of provisions requiring the controller to inform potential data subjects on the scope of data processing, which are reflected in Articles 13 and 14 of the GDPR. In addition, Article 12 GDPR contains specific provisions on the form in which the information must be provided, namely in a precise, transparent, comprehensible and easily accessible form in clear and simple language.

Art. 13 and Art. 14 GDPR list obligatory information, which must be communicated to the data subject. It is of particular relevance that according to Art. 14 GDPR, the data subject must also be informed if the data is not collected directly from the data subject but from another source, e.g. from the Internet or via a lead provider. Although Art. 14 allows for a number of narrow exceptions to this principle, these will normally not be relevant, in particular for the collection of personal data for commercial purposes.

## Further information and disclosure obligations

In addition to Art. 13 and Art. 14 GDPR, the GDPR contains further transparency obligations, some of which go beyond the previously applicable obligations. According to Art. 15 GDPR, for example, the data controller must provide the data subject with comprehensive information on the data stored and processed in relation to this data subject. Insofar as a controller invokes a legitimate interest, the data subject must be informed of his right to object pursuant to Art. 21 para. 4 GDPR.

## Consent under the GDPR

Of particular importance is the transparency of data processing also in connection with obtaining consent for data processing, which is often overlooked by the responsible controller. Compliance with the transparency rules and information obligations is particularly important in this context, as a lack of transparency can, in case of doubt, lead to the ineffectiveness of the consent and thus to the illegitimacy of the data processing carried out on the basis of the consent as a whole.

Particularly when obtaining consent through pre-formulated texts, it must be ensured that the type, purpose and scope of data processing is made clear from the text of the consent in plain, intelligible and simple language in order to ensure that the consent is “informed” and therefore valid. In addition, the data subject must be made aware of his or her right to revoke consent at any time. Finally, consent must be given actively so that implicit acceptance of the declaration is not an option.

Of practical relevance is the question of the extent to which consents obtained in the past, i.e. before 25 May 2018, continue to be valid under the GDPR. It follows from recital 171 of the GDPR that existing consents remain effective provided that their nature corresponds to the conditions of the GDPR. Accordingly, the association of the German supervisory authorities for data protection

(Düsseldorfer Kreis) also regards previously effective consents as still valid, at least in principle, if they were obtained in accordance with the requirements of the old version of the German Data Protection Act (“BDSG”). However, this does not apply to the consent of minors who had not yet reached the age of sixteen when the consent was granted, because under the GDPR, minors under the age of sixteen cannot grant consent without the consent of their legal guardians.

Against the background of the increased liability for data protection violations under the GDPR, we recommend, that existing consents be critically re-examined in any case as to their compatibility with the requirements of the GDPR. In this respect, it should also be borne in mind that the willingness of affected customers to give their consent in connection with the conversion to the GDPR is likely to be significantly increased. Accordingly, the switch to the GDPR should also be seen as an opportunity to “improve” the data protection consents and to avoid legal risks for the future.

## Conclusion

The GDPR introduces new and in some cases deviating requirements with regard to transparency obligations. In particular, companies should review their privacy policies and consent procedures in order to prevent future fines and official objections. In this context, the conversion to the GDPR can well be seen as an opportunity to eliminate previous flaws with regard to transparency in data processing and ensuring the effectiveness of existing declarations of consent.



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# Commentary on the Scope and Application of The Portability Regulation (Regulation (EU) 2017/1128)

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Since 1 April 2018, the Portability Regulation (Regulation (EU) 2017/1128) prohibits geo-blocking of online content within the European Union. An Open Access commentary on the Scope and Application of the Portability Regulation co-authored by Sebastian Engels and Jan Bernd Nordemann provides useful guidance on the requirements of the Portability Regulation for all actors in the digital content economy.

Since 1 April 2018, the Portability Regulation prohibits geo-blocking of online content within the European Union. The regulation regulates the unrestricted access to (paid) subscribed online content of all European citizens, regardless of where they are present in EU territory. The presence must be “temporary”. Providers of fee-based online content are then obliged to guarantee their subscribers cross-border portability. A limitation of the access or the demand of additional fees is prohibited. The Portability Regulation does not apply directly to offers that are not or not directly liable to payment, such as media libraries. It is rather voluntary for these providers. Furthermore, the Portability Regulation also includes rules to minimize the user’s personal data collected in order to identify the Member State.

As a useful guidance on the requirements of the Portability Regulation for all actors in the digital content economy an Open Access commentary on the scope and application of the Portability Regulation co-authored by Sebastian Engels and Jan Bernd Nordemann has been published in *JIPITEC – Journal of Intellectual Property, Information Technology and E-Commerce Law*.

The commentary can be freely accessed via the following link:

<https://www.jipitec.eu/issues/jipitec-9-2-2018/4728>



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# Are preventive duties on hosting service providers in line with EU law? Some comments from a legal perspective on Art. 13 Draft DSM Directive and “upload filters”

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The debate on Art. 13 Draft DSM Directive has gained speed, after the Commission’s initial 2016 proposal was supplemented by the Council’s proposal of May 25, 2018, and after the European Parliament’s JURI Committee on June 20, 2018 also voted on an own proposal for Art. 13 Draft DSM Directive. The plenary vote is due in July 2018. While the language of the proposals by the Commission, Council and Parliament offer differences, all three proposals seem to share the common standpoint that active role hosting providers should have a duty to prevent the availability of unauthorized copyright content.

The contrasting view by some politicians, e.g. MEP Ms. Reda create the impression that such a duty, including by means of applying Automatic Content Recognition technologies would be something new and not already part of the existing EU law. A look from a legal standpoint shows that this impression would not be correct. Rather, so far EU law and the respective case law has allowed the imposition of a duty to prevent the availability of unauthorized copyright content for hosting providers under certain requirements. This includes neutral non-active hosting providers.

## Duties of care for passive hosting providers

Art. 15 E-Commerce Directive (ECD) provides for a prohibition on imposing general monitoring duties upon internet providers. This is in particular true for passive hosting providers, which may – due to their non-active role – rely on the liability privileges of Art. 14 ECD. The CJEU understood Art. 14 as applying only to mere technical, automatic and passive operators providing data processing services to their customers (CJEU of 23 March 2010, joined cases C-236/08 to C-238/08 para. 114 – Google and Google France; CJEU of 12 July 2011, C-324/09 para. 113 – L’Oréal/eBay).

Art. 15 ECD plays an important role in particular in determining the scope of injunction claims, which remain applicable even if Art. 14 ECD applies. In contrast to Arts 12 to 14 ECD, Art. 15 ECD applies to injunction claims, in particular to injunction claims which are raised pursuant to Art. 8(3) Copyright Directive in the field of copyright, and pursuant to Art. 11 third sentence Enforcement Directive for other IP rights. Pursuant to Art. 8(3) Copyright Directive and Art. 11 third sentence Enforcement Directive, right holders can ask providers to take measures to prevent future rights infringements. The Articles do not proscribe or prohibit any measure to achieve the goal.host

In this regard, Art. 15 ECD helps to balance the fundamental rights at stake by the internet provider, its users and the right holders (CJEU of 14 April 2011, C-70/10, para. 69 et seq. – *Scarlet/SABAM*; CJEU of 16 February 2012, C-360/10, para. 39 et seq. – *SABAM/Netlog*; CJEU of 15 September 2016, C-484/14, para. 87 – *McFadden/Sony Music*). For example, the CJEU has found that an injunction imposed on a hosting provider requiring it to install a filtering system obliging the hosting provider to actively monitor all the data relating to all of its service users, in order to prevent any future infringement of intellectual property rights is incompatible with Art. 15 ECD (CJEU of 16 February 2012, C-360/10, para. 38 et seq. – *SABAM/Netlog*).

But as Art. 15 ECD is an open provision which requires a careful balancing of rights, it does not stand in the way of more specific monitoring duties, in particular by hosting providers. For example, file hosters have been obliged by German and Italian courts to apply word filters, after having been notified about a specific title of a copyright work, made available without authorization by a user. This interpretation of Art. 15 seems convincing. As the filtering is confined to a specific title, it is not in conflict with the prohibition of general monitoring duties by internet providers. Recital 47 ECD in particular mentions that “monitoring obligations in a specific case” are not prohibited by Art. 15 ECD.

Nevertheless, a clear delineation between prohibited general monitoring obligations and allowed specific monitoring obligations has not yet been established, in the absence of relevant CJEU case law. Confusingly, the French Federal Supreme Court (Cour de Cassation) has rejected stay down obligations for hosting providers as conflicting with the prohibition of general monitoring duties (Cour de Cassation Arrêt no. 831, 11-13.669, 12 July 2012 – *Google France/Bach films*; Cour de Cassation Arrêt no. 828 of 12 July 2012 – *Google France/Bach films*).

It does not seem convincing to maintain that stay down and a duty to prevent the availability of specific works are always stopped by the prohibition of general monitoring duties pursuant to Art. 15 ECD. In the end, it is a question of the technical solution used by the provider. For example, if the measures relate only to files of a certain type and thus only prevent the availability of such files, one cannot talk of general monitoring. If one would apply Art. 15 ECD in all cases that involve any processing of data, no room would be left for specific monitoring duties. What also speaks in favour of the freedom to establish specific monitoring duties to ensure prevention of infringements, is the recognition of a balancing of rights by the CJEU specifically for Art. 15 ECD. If any and all prevention duties for hosting providers were prohibited by Art. 15 ECD, this would preclude any kind of duties of care for hosting providers and would reduce the duties of hosting providers to a mere takedown. Such mere takedown duties would not be in line with EU law.

Rather, the CJEU has in several cases recognised prevention duties of hosting providers (CJEU of 12 July 2011, C-324/09 para. 131 – *L’Oréal/eBay*; CJEU of 16 February 2012, C-360/10 para. 29 – *SABAM/Netlog*). In particular for hosting providers after they were notified of a clear rights infringement, Art. 8 (3) Copyright Directive establishes duties beyond mere takedown, also for stay down and for prevention of similar clear rights infringements of the same kind. This

is at least the established case law of the German Federal Supreme Court. In its L'Oréal/eBay decision, the CJEU confirmed the German case law for the sister provision Art. 11 3rd sentence Enforcement Directive. According to the court, the prevention duty included the duty to ensure that an online market place takes measures “which contribute, not only to bringing to an end infringements of these rights by users of the market place, but also to preventing further infringements of that kind”. (CJEU of 12 July 2011, C-324/09 paras. 127, 128 to 134 – L'Oréal/eBay). In particular, according to the German case law, such (specific) prevention duties by hosting providers can include the application of word filters with regard to the works notified to the provider.

In the case of unjustified notices, it should also be noted that here too EU law already provides for a solution. E.g. for access providers the CJEU has confirmed a right of action for internet users where they face an unjustified blocking of information through website blocking (CJEU of 27 March 2014, C-314/12 para. 57 – UPC Telekabel Wien). This decision concerned Art. 8 (3) Copyright Directive and more specifically the weighing of the fundamental rights at stake. Art. 8 (3) also applies to hosting providers. As a consequence, and also in the case of unjustified blocking of information by hosting providers already under the existing regime of Art. 8 (3) Copyright Directive, the rules provide for a right of action for the uploader.

As a result, reasonable and specific duties to prevent the availability of copyright works for neutral and passive hosting service providers seem possible under the current regime.

## The case of active hosting providers

That said, prevention duties (which may include upload filtering for specific content) for active hosting providers should not fall behind this current status of law for passive providers. Rather, it logically follows from CJEU case law that active hosting providers deserve even a stricter liability regime than neutral hosters.

CJEU Ziggo/Brein (“The PirateBay”) concerned a website blocking claim raised against a Dutch access provider under Art. 8(3) Copyright Directive. In this context, the CJEU analysed the website The Pirate Bay, which is an online index for digital content, facilitating peer-to-peer file sharing among users of the BitTorrent protocol. The court held it to be a sufficient intervention in a communication that The PirateBay offered an index classifying the works under different categories, based on the type of works, genre and popularity, and the operators of The PirateBay checking that the work has been placed in the appropriate category. Also, the operators deleted obsolete or false Torrent files and actively filtered some content (CJEU of 14 June 2017, C-610/15, para. 38 – Ziggo/Brein).

The role of The Pirate Bay as a platform to connect users of the BitTorrent protocol for infringing activity was evaluated by the CJEU as primary liability for communication to the public. Moreover, it appears that the criteria for primary liability (as established by the CJEU in The Pirate Bay) for communication to the public run parallel with the requirements for an “active role”, which excludes hosting providers from the liability privilege of Art. 14 ECD. This would also

guarantee a sound interface without gaps between the EU liability rule for communication to the public and the liability privilege of Art. 14 ECD.

Therefore, according to the CJEU case law, active hosting service providers are, due to their very nature, under a stricter, primary, copyright liability through their (active or deliberate) intervention in the making available of works on their platform. It follows that in order to avoid liability, active hosting service providers must take effective measures to prevent the unauthorised availability of works on the services. It would be a bizarre conclusion that primarily liable service providers would have lesser duties than those already applied to passive hosting service providers (see above).

It may be of interest in this respect that the German Federal Supreme Court (BGH) has also applied the requirements for filtering duties for providers which are within Art. 15 ECD to providers outside it. According to the opinion of the BGH, search engines are not within the reach of Art. 15 ECD. But the prohibition to impose general filtering obligations upon them applies. Nevertheless, specific filtering duties may be imposed on search engines. In particular, after a notification by the right holder, work specific word filtering duties and also work specific audiovisual filtering duties (if proportionate) may be imposed on the search engine (BGH of September 21, 2017, file no. I ZR 11/16: “Vorschaubilder III” (“Thumbnails III”).

It would therefore appear perfectly feasible and within the framework of the existing EU law to impose more extensive duties to prevent the availability of copyright content on active hosting service providers, subject to a careful balancing of legitimate interests and rights. Active hosting providers with an in principle legal business model may in particular face specific filtering duties. Depending on the business model, such filtering duties may be extended. For example a borderline business model attracting infringements could face more general filtering duties.

### **Result: A duty to prevent the availability of protected works is a necessary part of copyright liability law**

CJEU and national case law show that reasonable duties of care for hosting service providers, including the duty to prevent the availability of copyright works, are an integral part of copyright liability already. They have been applied for years without “breaking the internet”. But such “preventive” duties have to be applied with a differentiated approach:

- Duties of Passive hosting providers should be assessed against Art 15 of the ECD, and in particular the prohibition against “general” monitoring.
- Active hosting service providers fall under a stricter regime. But the scope of duties depends on the legitimate interests at stake. For some active role hosters specific monitoring will apply, but in other cases they must do more. One example would be services deploying a business model based on the unauthorized availability of copyrighted works uploaded by their users. In order to avoid copyright liability such services should take effective measures to prevent the availability of works on their services.

Copyright

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