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Patent

Go German Patents! – Special rules allowing double patenting and parallel enforcement for the Unitary Patent System and national patents in Germany

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With the rise of the Unitary Patent Court (UPC) and the Unitary Patent – a single European Patent for the European Union – the German implementing regulations of international patent law were recently amended. If the UPC system will come into force at the end of 2017 or at the beginning of 2018, the new German patent system will offer new strategic options for patent proprietors to protect and enforce their patent rights in Europe and Germany in parallel.

In Germany, the relationship between the German Patent Act (Patentgesetz, PatG) and the European Patent Convention (EPC), the Patent Cooperation Treaty (PCT), and (then) also the Unitary Patent System (UP) is controlled by the „Gesetz über internationale Patentübereinkommen vom 21. Juni 1976 (BGBl. 1976 II S. 649), das zuletzt durch Artikel 19 der Verordnung vom 31. August 2015 (BGBl. I S. 1474) geändert worden ist" (IntPatÜG).

In preparation of the German ratification of the Unitary Patent Court Agreement (UPCA) – a system for EU wide patent litigation – the UP is implemented into German law by two new bills (see Drucksache 18/11137 and Drucksache 18/8827) which recently passed the German Federal Counsel after previously being approved by the parliament. One of the bills will substantially amend the IntPatÜG.

Currently, the IntPatÜG explicitly excludes double protection of the same invention by a German and European Patent of the same priority (Art. II, § 8 IntPatÜG). The German part of the European patent upon expiry of the opposition period or opposition proceedings dominates the granted German national patent, and renders the latter permanently lapsed in scope of the granted European patent.

Regarding enforcement of European patents, the EPC refers to national law (Art. 64(3) EPC). Of note, the German Patent Act further requires to combine infringement proceedings based on the same infringing action(s), if different patents are infringed (§ 145 PatG).

With the Unitary Patent System on the rise, the amendments to the IntPatÜG and the German Patent Act seem to create new and quite interesting strategic options for patentees in Europe and Germany.

According to the new rule double protection of a European patent and a German national patent will be possible if the UPC system comes into force, unless the applicant or proprietor of the European patent has opted out from UPC jurisdiction (Article 83(3) UPCA). If opted-out, the previous rules prohibiting

double protection continue to apply. If the German patent application is not yet granted, the exclusion of double protection can be avoided by withdrawal of the opt-out, thus entry into the UPC system with the European patent ("opt-in" – Article 83(4) UPCA).

Thus, if the patentee does not opt out, he *has the choice to either enforce* his German national patent or his European patent or both (although not against the same defendant). It will therefore become attractive to file *both* a European patent application and a national German patent application in parallel, for example by entering in parallel the European and national German phase from an international application under the PCT.

Even if patentees intend to initially opt-out their European patents in the first years of the UPC, for example to first observe the operation of the new court system, it may be advantageous to have a parallel German patent application pending. The grant of a German patent application can be efficiently delayed because examination of German patent applications must not be requested up to 7 years after filing. If at a later time the European patentee then decides to opt-in the UPC system with the European patent, a subsequently granted German patent will not fall under the exclusion of double patenting. Having a parallel German patent application pending therefore maintains at least the option for the patentee to have later parallel European and German patents.

Furthermore, new §18 IntPatÜG installs a double litigation estoppel. The defendant of an infringement action based on a German patent granted for an invention, for which the same inventor has already been granted a European or Unitary patent can object to the filing of the infringement action based on the German patent if he has already been sued based on the parallel European / Unitary patent. Just like with the "old" double-protection rules of the German and "classical" European patent, a broader German scope would still be enforceable. According to new §18(2) IntPatÜG the German court may then decide to reject the German lawsuit as inadmissible or to stay the proceedings until conclusion of the UPC proceedings.

A significant change is that a true parallel enforcement is possible in Germany, even if the European or Unitary patent has been lost (and this actually relates to one of the main threats of the Unitary System for a patentee), the proprietor of the German patent will still be able to enforce the patent in Germany. Moreover, the estoppel objection only applies in regard to the same parties, i.e. not for proprietor and licensee. A strawman could be contrary to good faith.

Importantly, the above rules do not apply to preliminary injunction proceedings. If the Unitary System would be slow or not patentee friendly, the parallel German patent could be used in Germany as a quick relieve of infringement situations, e.g. against generic competitors. Therefore, parallel German and UPC enforcement is possible for interim proceedings.

Interestingly, §16 IntPatÜG regulates that Unitary patents are like national patents when it comes to compulsory licenses, which in turn will only be effective in Germany.

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In summary, if the Unitary Patent System will come into force, it seems strongly advisable to consider filing both European and parallel German national patents, in particular since the costs for a national German patent – when compared with the size and importance of the German market in the EU – are comparatively low.

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Patent

Overview: The German case law on standard-essential patents after Huawei ./. ZTE

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Standard-essential patents controlling the access to key technologies have been the subject of debate for several years. In the landmark decision Huawei vs. ZTE, the European Court of Justice (ECJ) established criteria regarding the enforcement of such standard-essential patents. In the case law of the lower German courts, it now becomes apparent how these criteria will be applied in practice.

Standards play a key role in modern technologies such as telecommunication, as they enable the widespread use of such technologies. Patents on mandatory parts of a standard, so-called standard-essential patents, are a double-edged issue. On the one hand, most key technologies are not possible without innovation and investment in research and development and thus inconceivable without patent protection. On the other hand, such patents can prevent the desired and intended widespread use of the technology and especially block the creation of new and innovative products using this technology.

It has not only been the German courts, but also courts worldwide which have been concerned with this conflict, in particular in the field of telecommunication. In terms of economy, users of the technology, being dependent on licences on standard-essential patents, have a weak bargaining position in licence negotiations, particularly if large portfolios are involved. If an agreement cannot be reached, they run the risk of patent enforcement and, consequently, of being excluded from the market before long. On the other hand, certain players in the market have developed a behaviour pattern of consistently ignoring patents, expecting that the patent proprietor cannot or will not enforce his rights, at least not in the short term. Legally speaking, this leads to the question as to when a patent proprietor

abuses his market-dominant position by enforcing a standard-essential patent and when he is merely pursuing his legitimate interests.

Considering this situation, the European Court of Justice (ECJ) decided in its decision C-170 / 13 (European Court of Justice C-170 / 13 – Huawei Technologies Co. Ltd ./. ZTE Corp. et al., decision of July 16, 2015, OJ C. 302, 2, German version corrected with decision of December 15, 2015) that the proprietor of a patent essential to a standard established by a standardisation body, which has given an irrevocable undertaking to that body to grant a licence to third parties on fair, reasonable and non-discriminatory ('FRAND') terms, does not abuse its dominant position by bringing an action for infringement seeking an injunction prohibiting the infringement of its patent or seeking the recall of products,

- if, prior to bringing that action,
  - it has, first, notified the alleged infringer of the infringement complained about by designating that patent and specifying the way in which it has been allegedly infringed,
  - and, second, after the alleged infringer has expressed its willingness to conclude a licensing agreement on FRAND terms, presented to that infringer a specific, written offer for a licence on such terms, specifying, in particular, the royalty and the way in which it is to be calculated, and
- where the alleged infringer continues to use the patent in question, the alleged infringer has not diligently responded to that offer, in accordance with recognised commercial practices in the field and in good faith, this being a matter which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics.

Following the decision by the ECJ, the German lower courts have dealt several times with the question of how these criteria are to be applied, in particular in cases where a lawsuit was already pending before the decision by the ECJ was handed down. There appears to be widespread agreement that the ECJ decision is effective *ex tunc* and that the criteria of the ECJ are to be retroactively applied to those cases which were already pending at the time of the decision (Court of Appeal Karlsruhe 6 U 55 / 16, decision of May 31, 2016, No. 25, Court of Appeal Düsseldorf 15 U 66 / 15, decision of November 17, 2016, No. 4). This immediately raises the question of whether the notice of infringement, which was required by the ECJ, but not required under German case law so far can be considered to have already taken place by virtue of the complaint or whether this notice can still be made in a pending lawsuit. The 15th Civil Division of the Court of Appeal Düsseldorf and the 6th Civil Division of the Court of Appeal Karlsruhe are – with different reasons – of the preliminary opinion, that this should be possible. The Court of Appeal Düsseldorf holds that an omission of the obligations of the plaintiff cannot lead to a final loss of rights, and the words "prior to bringing the action" in the ECJ decision are not necessarily to be taken literally (Court of Appeal Düsseldorf 15 U 36 / 16, decision of May 9, 2016, No. 36 und 37, more decidedly in 15 U 66 / 15, decision of November 17, 2016, No. 9), whereas the Court of Appeal Karlsruhe distinguished between the questions of an abuse by bringing a lawsuit and of an abuse by continuing the lawsuit (Court of Appeal Karlsruhe 6 U 55 / 16, decision of May 31, 2016, No. 27). In contrast, the 7th Civil Division of the District Court Mannheim is of the opinion that the intention and the purpose of the ECJ decision

is to make sure that the negotiations with a party willing to take a licence take place without the pressure of a pending lawsuit and, accordingly, the licence offer has to happen prior to taking the matter to court (Court of Appeal Mannheim 7 O 209 / 15, decision of July 1, 2016, No. 119, 7 O 19 / 16, decision of November 17, 2016, No. 86). In this context it should be noted that in the corrected German version of its decision the ECJ made it clear that both the notice of infringement and the licence offer by the plaintiff are to take place prior to bringing the action.

The question when an offer meets to the FRAND criteria and how this can be evaluated in civil proceedings has gained particular relevance. The Court of Appeal Düsseldorf already decided at the beginning of last year (Court of Appeal Düsseldorf 15 U 65 / 15, decision of January 13, 2016) that the obligations of the defendant set out in the ECJ decision only apply if the patent proprietor has previously fulfilled his obligations. Accordingly, it is irrelevant whether the offer of a defendant willing to take a licence meets the FRAND criteria, if it cannot be found that a licence at FRAND terms was offered by the patent proprietor. The Court of Appeal Karlsruhe essentially agreed (Court of Appeal Karlsruhe 6 U 55 / 16, decision of May 31, 2016) and in particular emphasised that the finding is not sufficient that the offer of the patent proprietor was not evidently contrary to FRAND (as was held in the first instance, see District Court Mannheim 7 O 96 / 14, decision of March 4, 2016). Accordingly, one may ask what the patent proprietor must submit in order to be on the safe side with regard to a possible allegation of abuse.

In a recent guidance order to the parties (Court of Appeal Düsseldorf 15 U 66 / 15 Sisvel vs. Haier, Guidance Order of November 17, 2016), the 15th Civil Division of the Court of Appeal Düsseldorf has put forward its preliminary viewpoint on this issue in detail.

It emphasises once more that the principles of the Huawei ./. ZTE decision only apply if the patent proprietor has a market-dominant position. This has to be proven by the defendant. The court also assumes that a FRAND declaration submitted to the standardization body will only be submitted in case of a market-dominant position and only applies in this case.

The court did not make high demands on the notice of infringement. It is sufficient if the patent number and the specific act the defendant is accused of are specified.

Similarly, in order to establish the willingness of the defendant to take a licence, it is sufficient if he declares that he wishes to take a licence at FRAND conditions. Much stricter requirements apply for a finding that the defendant in reality does not intend to take a license and only pro forma professes the contrary. The non-willingness to take a license can only be assumed, if one can conclude from the behaviour of the defendant to a serious and final refusal to take a licence.

In contrast, the court placed high demands on the offer to licence by the plaintiff and on the information he has to provide. In this regard, the court is of the opinion that it should not only be assessed whether the offer contains all the terms normally included in a licence in the sector in question and that the offer is evidently not contrary to FRAND. Rather, it has to be established to the satisfaction of the court that the licence offer indeed meets the FRAND criteria and, in particular, that the patent proprietor has offered the potential licensee a licence at conditions comparable to other licensees, or, in case of unequal treatment, that

there are good reasons for such unequal treatment. The patent proprietor has to make concrete submissions on all factors which have an impact on the offered licence fee and based on which it can be assessed that the offer in question is neither discriminating nor exploitive.

To this end, according to the preliminary viewpoint of the court, details on the nature and scope of previous licensing activities must be submitted, if the defendant disputes in a substantiated manner that the conditions offered to him meet the FRAND criteria. Especially, in this case at least the significant existing licensees are to be named as well as the conditions which were agreed with them, possibly under an order of confidentiality of the court. If the offer is compared to other licence programmes, it must be explained that – and why – the portfolio of the patent proprietor / plaintiff is comparable to the portfolios of said other licence programmes both in terms of quality and scope.

When offering a portfolio licence, it has to be set out in detail that the patents of the portfolio are actually used by the defendant, e.g. by means of claim charts. If a list of representative patents (so-called proud list) is presented, it has to be clearly explained why these patents were selected. In case the IP portfolio in certain countries is different from that in others and a uniform licence fee is proposed for all countries, it must be submitted in a substantiated matter that such a provision is common in freely negotiated licencing agreements or is in line with the FRAND criteria for other reasons. A revision clause (which is open for both parties) needs to be included in the offered licensing agreement in order to account for any changes in the IP portfolio. Likewise, the court requires a revision clause preventing that the user of the patent(s) will be excessively burdened in case of further legitimate licence demands.

Conclusion

Generally, one has to bear in mind that the case law and the legal discussions on the implications of the Huawei ./. ZTE decision are still developing and no final conclusions have been reached. The aforementioned decisions of the Courts of Appeal Düsseldorf and Karlsruhe were made during the course of execution proceedings or by way of a guidance order and do not prejudice the respective final decisions. Subsequently to the above-mentioned guidance order the Court of Appeal Düsseldorf has meanwhile rendered a final decision denying an injunction to the plaintiff (Court of Appeal Düsseldorf 15 U 66 / 15 Sisvel vs. Haier, decision of March 30, 2017), the reasons of which are not yet public, but otherwise no final decisions by an appeal court have been reported. A decision of the German Federal Court of Justice (Bundesgerichtshof) is not to be expected for some years.

Nevertheless and with all due reservations, it would seem that a paradigm change is emerging. There seems to be widespread agreement that the ECJ decision has not only established a catalogue of formalities which, if applicable, have to be worked off in the infringement proceedings, but that the criteria established by the ECJ imply requirements as to the content both of the plaintiff's licence offer and of the submissions in the infringement proceedings, which makes higher demands on the plaintiff and ultimately shifts the burden of proof compared to the status quo ante. Whereas it was previously up to the defendant to prove that the offer of the patent proprietor evidently does not meet the FRAND criteria, it is now, as a rule, up to the plaintiff to prove that his offer is neither exploitative nor discriminatory. In this

regard the issue is not whether the licence fee which was requested by the patent proprietor is adequate from an economic point of view (The resolution of this issue by a court is regularly considered as problematic, see District Court Mannheim 7 O 66 / 15, decision of January 29, 2016, No. 55). Rather, the court will make a legal assessment of the offer by the plaintiff, especially under aspects of antitrust law, whether it can be considered fair and in particular non-discriminatory in view of the usual licencing practice within the field of business and the specific licencing practice of the patent proprietor.

If independent information on the usual conditions and conventions in the respective field is not available, the patentee / plaintiff has to make comprehensive submissions on existing licensing agreements and, in consequence, disclose his licencing policy. This is not necessarily in his interest and may also contravene contractual agreements. Thus, some patent proprietors may resort to other jurisdictions or to alternative dispute resolution. The order of confidentiality considered by the Court of Appeal Düsseldorf, in principle offers a framework, still to be worked out in detail by the courts (A concrete order was issued recently by the 2nd Civil Division of the Court of Appeal Düsseldorf, see Court of Appeal Düsseldorf 2 U 31 / 16, decision of January 17, 2017), for discussing confidential issues. It will, however, not be possible to keep information secret from the defendant which is relevant for the decision by the court. This is not only a direct consequence of the constitutional right to be heard. For reasons of fairness one has to grant the defendant the right to information which is not available to him and which allow him, independently of the assertions of the patent proprietor, to make his own assessment whether the offer of the plaintiff meets the FRAND criteria.

If it gets generally accepted that the court has to find that the plaintiff's offer conforms with FRAND in order to grant an injunction or to order a recall of goods, which appears to be the current view of the Court of Appeal Düsseldorf, a further difficulty will arise for the plaintiff. Namely, he needs to explain to the court in a comprehensible way why his offer is fair and non-discriminatory. If he does not succeed in doing so, his claim to an injunction will be rejected. The fact that licensing agreements are frequently difficult to compare and such comparison may sometimes be impossible without involving an expert, works to his disadvantage. This can make the enforcement of the claim to an injunction more difficult and sometimes even impossible.

The trend of the German courts is currently going towards a more generous handling of the formal requirements, but also towards a thorough review of the substance of the case. This is to be welcomed in the interests of both sides. It, however, remains to be seen whether the far-reaching requirements which the Court of Appeal Düsseldorf has now established will be maintained in future decisions. In any case, however, patent proprietors pursuing a transparent licencing policy will be at an advantage, especially if their licensing policy can be explained in a consistent and coherent manner.

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Patent

G1 / 15 – the antidote against "poisonous priority"

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In its latest decision, G1 / 15, the enlarged Board of Appeal of the European Patent Office ended the possibility of "poisonous priority". According to this decision, under the EPC, entitlement to partial priority may not be refused for a claim encompassing alternative subject-matter by virtue of one or more generic expressions or otherwise (generic "OR"-claim), provided that said alternative subject-matter has been disclosed for the first time, directly, or at least implicitly, unambiguously and in an enabling manner in the priority document. No other substantive conditions or limitation apply in this respect.

According to the European Patent Convention (EPC), the applicant of a European patent application may claim priority of a former application disclosing the same invention (Art. 87 EPC). In addition, Art. 88(2) EPC stipulates that multiple priorities may be claimed for any one claim. Furthermore, it is laid down in Art. 88(3) EPC that if one or more priorities are claimed in respect of a European patent application, the right of priority shall cover only those elements of the European patent application which are included in the application(s) whose priority is / are claimed. That is, Art. 88(3) EPC confirms that a claim of a European patent application may cover subject matter going beyond what was disclosed in a priority application, and may then only be partially entitled to priority. Such a claim may thus in principle be split according to subject-matter having different effective dates.

These rules did not cause any major problems as long as different domains have explicitly been mentioned as alternatives (for example by a wording such as "device characterized by having element 1 or element 2"). However, some technical Boards of Appeal denied the validity of the partial priority when the subject-matters forming partial priority domains were not addressed explicitly in the claim, but were only conceptually identifiable within the scope of a generic claim term by reference to a narrower disclosure found in the priority application and merely encompassed within the scope of a broader generic claim term employed in the later filing that claims priority. A very typical example for such a situation is the broadening of a chemical formula or of a numerical range. Such a generic "or"-claim encompasses, without spelling them out, alternative subject-matters having all the features of the claim.

In the decision underlying the present case, T 557 / 13, granted claim 1 encompassed a generalization of a more specific disclosure of the priority application. Although the patent met the requirements as to original disclosure, it did not enjoy the priority date of the parent application, which thus, was prior art under Art. 54(3) EPC. Consequently, the subject-matter of claim 1 as granted lacked novelty (under Art. 54(3) EPC) in view of the very specific embodiment of one of the examples disclosed identically in the parent application and in the priority document. The embodiment described in the parent application was held to be "entitled to the claimed priority date", whereas granted claim 1 (of the divisional

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application) was held to be "only entitled to the filing date of the parent application". Similar decisions have been made in the past in comparable situations (see, for example, T 1127 / 00, T 2311 / 09, T 184 / 06 or T 1443 / 05). With the present decision, G1 / 15 a respective danger is now adverted for the future.

Conclusion

Partial priority may no longer be refused for a claim encompassing alternative subject-matter by virtue of generic expressions if the priority document discloses part of the subject-matter in a way that could be novelty destroying. In such a case, the claim is conceptually divided into two parts, the first corresponding to the subject-matter directly and unambiguously disclosed in the priority document (for which partial priority is validly claimed), and the remainder not enjoying this priority.

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Copyright

Reform of copyright contract law enters into force

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On 1 March 2017, the reform of German copyright contract law took effect. The reform brings along new challenges, in particular, new claims to information and accountability as well as new provisions regarding the granting of exclusive rights. Specific changes regarding the remake right are of particular interest for the film industry.

Why another reform?

The (previous) reform of copyright contract law in 2002 fundamentally revised German copyright law in the interests of strengthening the rights of authors. It introduced the claim for "reasonable remuneration" (§ 32 German Copyright Act, "GCA") of authors and performing artists. In addition, the instrument of "common remuneration rules" (§ 36 GCA) was created. This has made it possible for associations representing authors and performing artists to establish agreements on appropriate branch specific adequate fees with user-associations.

From the legislature's viewpoint, the 2002 reform failed to strengthen authors' rights.

From the legislature's viewpoint, the 2002 reform failed to strengthen authors' rights. In particular, the legislature identified a "disrupted contractual parity" as problematic. As a result, creatives were still required to partly enter into contract terms, wherein they transferred the exclusive rights to a work for an unreasonable one-time payment ("total buy-outs"). In particular, self-employed authors and performing artists lacked the necessary market and negotiating power to actually enforce their right to reasonable remuneration. Consequently, authors and performing artists were receiving unreasonably low remuneration. Against this background, the legislature sought to strengthen the protection of authors and performing artists with the current reform.

It goes without saying that the above mentioned assumptions were highly controversial during the legislative process. Publishers, producers, etc. have repeatedly pointed out that the principle of participation does not necessarily work in the creative's favor. Authors and performing artists often prefer a (final) one-off payment immediately after they deliver their contribution rather than a participation solution in which they depend on the success or failure of production. It should, however, be noted that the copyright industries were not able to assert their objections in the legislative process.

An overview of the most important changes

The legislative reform entails an increase of legal provisions at the expense of copyright industries. To the extent that the amendments to the law were designed by the legislature as mandatory rules, they can only be waived or attenuated in favor of collective agreements within the meaning of Art. 36 GCA. This entails joint remuneration provisions between associations of creatives and users. Some industries do not have representative associations. The German Federal Court (BGH) recently decided that collective agreements with non-representative associations only have a limited scope (BGH GRUR 2016, 1296 – GVR Tageszeitung III). Thereby the tightened legal rules are not yet alterable by mutual consent in these industries. On the contrary, they are unremittingly obligatory.

New claims to information and accountability – Articles 32d, 32e of the new German Copyright Act (GCA new)

One of the main changes is the introduction of two new claims to information.

The new *§ 32d GCA new* implements an author's claim to information and accountability against his contractual partner. This extends to the scope of the use of the work and the income derived from it. Accordingly, an author who has licensed or assigned his right to another against payment of a fee can *annually* request information and accountability on the extent of the use of the work and the income and benefits derived from it.

This request for information applies to all cases of transfers and assignments of rights of use, even in the case of fixed fees. Previously, contractual partners were not required to provide information in case of a fixed remuneration, according to rulings of the German Federal Court.

Corresponding to the wording of the introduced claim, the duty to provide information and accountability refers to such information that is normally already available to the contractual partner “within the scope of the proper course of business”.

The statute provides some exceptions from the duty to provide information. For instance, authors or performing artists will not benefit from the new claim when their contribution to the respective work, production or service was minor (i.e. of “subordinate importance”). According to the statute, a contribution is “subordinate” especially “if it has little influence on the overall impression of a work”. For instance, it is not part of the representative content of a work. According to the grounds of the draft bill (decision of the 6th Committee on Legal Affairs and Consumer Protection), the concept of “subordinated contribution” does not entail a qualitative evaluation. As examples of “subordinate contributions”, the draft mentions a minor text contribution by a journalist or the appearance of extras in a film. The exact criteria of a “subordinate contribution” and when this is exceeded will have to be defined by case law. Another exemption to these claims is established for authors of computer programs (§ 69a (5) GCA new). Referring to the industry’s high demand for employees, the legislature is less worried about the contractual parity between creators and their contractual partners in the software industry than in other creative industries. Finally, the claim to information is precluded if its disclosure would be disproportionate for the contractual partner. This may be the case if the provision of the information appears unacceptable to the contracting party, if there is an opposing legal obligation, if the assertion of the claim is a misuse of rights, or if justified interests in the confidentiality are impaired.

The new claim to information in § 32d GCA new is compulsory in that deviating agreements detrimental to the interests of the author (or performing artist) can only be made within the framework of joint remuneration rules or collective agreements.

According to § 32e GCA new, third parties that substantially determine the exploitation in the licensing chain are also obliged to provide the respective information. An example of this would be broadcasting companies in the case of commissioned productions. The same applies to third parties who enter into the licensing chain in the “bestseller case” of § 32a GCA. Thus, § 32e GCA new widens the scope of those subject to these obligations to include businesses in the licensing chain that have no direct contractual relationship with the author.

Practical Note

Companies must be in a position to annually provide authors and performing artists with the relevant information and account for the extent of their use and their income. It is therefore advisable to review the internal processes for the provision of information (accounting, software, etc.) and, if necessary, to adjust these respectively.

Infringements of joint remuneration rules (§§ 36b, 36c GCA new)

Further amendments concern the instrument of common remuneration rules between associations of authors and associations of users.

Associations of authors or users can demand default against companies which do not comply with the applicable common remuneration rules.

Particular mention should be made of § 36b GCA new, which provides injunctive relief for violations of common remuneration rules. Accordingly, associations of authors or users can demand default against companies which do not comply with the applicable common remuneration rules. They start by filing a representative action. This action is not only open to authors' associations which are parties to corresponding remuneration rules, but also to associations of users and individual users.

The newly created § 36c GCA new regulates the individual contractual penalties in case of an infringement of the common remuneration rules. Under this provision, the author may require his contractual partner to agree to an amendment of the contract by which the user deviates from a common remuneration rule to the detriment of the author. Thus, § 36c GCA new provides for a new claim to adjust a contract when companies deviate from the joint remuneration rules which apply to them.

The right to further exploitation after ten years (§ 40a GCA new)

The newly implemented § 40a GCA new provides the author with the possibility to exploit his work in further ways after the expiration of ten years. This rule applies to authors who have granted an exclusive right of use for a period of more than ten years against a lump sum payment. The right of the first entitled user continues for the remaining duration of use as a non-exclusive license. Therefore, he can continue with the current use but cannot continue such use on an exclusive basis. The original contractual partner must therefore accept and expect that the author can grant a third party a corresponding non-exclusive exploitation right. Thus, as of the 11th year, the exploitation of the work is no longer exclusive.

The new provision also allows contracting parties to agree to extend the exclusive rights to the entire duration of the contract at the earliest after five years. § 40a GCA new is also a compulsory provision. Differing agreements to the detriment of the copyright holder are only permissible in the form of collective remuneration rules or collective agreements.

Nevertheless, § 40a GCA new also contains some exceptions. The right to further use after ten years is not valid if the work in question is "only a subordinate contribution", a computer program or a work of architecture. § 40a GCA new is also inapplicable to movie rights. Additionally, § 40a GCA new is also inapplicable when an artist gives consent granting rights concerning a work intended as a trademark (or other mark) or design.

Practical Note

A clause stipulating that the work created by the artist is intended to be a trademark (or other mark) or as a design must now be expressly included in contracts with brand designers, logo designers and product designers etc. Otherwise, the exclusivity ends after ten years and the author can otherwise exploit the work in question.

The new provision makes it impossible to grant unlimited rights to producers.

Changes to the remake right (§ 88 GCA new)

The reform also strengthens the position of authors in the area of film remakes. It grants the author the right to have his work re-filmed after ten years. This is a compulsory rule. Deviation is only possible in the form of an agreement based on a common remuneration rule. The new provision makes it impossible to grant unlimited rights to producers. However, it should be pointed out that the provision only refers to “real re-filming”, not to prequels or sequels. Producers can continue to enjoy exclusive rights of use for such subsequent films if the agreement is properly designed.

Remuneration of the performing artist for later known types of use (§ 79b GCA new)

§ 79b GCA new regulates the remuneration of (granted) rights of use for unknown ways of use. It complies with § 32c GCA, so that the performer is entitled to a separate reasonable remuneration if the contractual partner, who acquired the rights to unknown uses, takes up a new kind of use, if such use was unknown at the time the contract was concluded. If the right of use is transferred to a third party, the claim of the performing artist shall be subject to a separate reasonable remuneration against the third party as soon as the latter takes up the new type of use.

Entry into force on 1 March 2017

The new copyright contract law in principle only applies to contracts concluded after it went into force, (i.e. after 1 March 2017). Exceptions to this rule apply only for the right of recall due to non-exercise. In that case the new legal situation is applied to the old contracts, but only when circumstances arose one year after the entry into force.

Conclusion

Companies should examine their internal processes, and whether they are able to fulfill the annual claim to information now available to authors and performing artists. In addition, the new right to other exploitation after ten years (§ 40a GCA new) must be taken into account when drafting copyright licensing agreements. Where proper contractual arrangements have been reached, rights of use can be granted exclusively for more than ten years. In particular, an unlimited license, (i.e. unlimited in time), is still possible for works which are to be used as trademarks or for design when such purpose of the license is stated in the license agreement. In sum, the new copyright law brings along a number of challenges for companies using and exploiting copyrights and related rights. These challenges should be manageable by re-evaluating internal processes regarding information and accounting duties and diligently drafting new agreements.

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Copyright

CJEU Filmspeler: Landmark ruling on streaming and preparatory acts to copyright infringements

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CJEU Filmspeler is a ground-breaking copyright decision in many ways. By qualifying the distribution of technical devices (intended to make streaming of copyright infringing content possible) as a making available of works to the public, the CJEU has once again shown that it interprets exploitation rights broadly and from an economical point of view. Furthermore, the CJEU has clarified that streaming on structurally copyright infringing websites is a copyright infringement itself. CJEU Filmspeler is a good decision for rights holders and could even become a game-changer with respect to enforcement of copyrights.

CJEU *Filmspeler* (ECLI:EU:C:2017:300, judgment dated 26 April 2017, Case C-527/15 – Stichting Brein [Filmspeler]) is a groundbreaking decision in many ways. It concerned the distribution of a multimedia player (sold as "*Filmspeler*", Dutch for "film player") in the Netherlands enabling its users to stream copyright infringing content on their TVs and the question of whether individuals streaming clearly copyright infringing content violates copyright by doing so.

Preparatory acts to copyright infringements can be copyright infringements themselves

First, the CJEU has ruled that the mere distribution of technical devices enabling the user of the technical device to stream copyright infringing content itself violates of the right of making works available to the public. This means that preparatory acts alone can constitute copyright infringement, if they are aimed at enabling copyright infringement. Also, the CJEU has confirmed earlier decisions according to which statutory copyright provisions have to be interpreted broadly and rather from an economic than from a technical or formal point of view to ensure a high level of copyright protection.

Streaming is illegal reproduction and therefore a copyright infringement

Second, the CJEU ruled that streaming of clearly copyright infringing content violates the author's right of reproduction in his or her respective work. No legal exception for reproduction through streaming applies. By this, the priorly prevailing opinion in Germany considering mere streaming of illegal content to be legal is clearly overruled.

CJEU Filmspeler could have wide-reaching consequences on liability for copyright infringements in general

Furthermore, CJEU *Filmspeler* could have great influence on the general classification of acts contributing to copyright infringements. The German Federal Supreme Court (BGH) differentiates between perpetrators, (persons who directly perform the infringing act), aiders (persons willfully contributing to the infringing act) and abettors (persons abetting others to commit infringing acts) and "Stoerer" (persons causally contributing to the infringing act without doing this (necessarily) willfully), who unlike perpetrators, aiders and abettors are not liable for damages. This differentiation may be inconsistent with CJEU *Filmspeler*. It appears that the CJEU considers every person who is willfully (and substantially) contributing to copyright infringing acts to be a perpetrator. It remains to be seen if the German Federal Supreme Court will react to CJEU *Filmspeler*. Until now, the BGH has been of the opinion that the classification of persons contributing to copyright infringements as perpetrators, aiders, abettors or "Stoerer" is not regulated by EU law and can therefore freely be determined by German courts. However, this opinion seems difficult to reconcile with CJEU *Filmspeler*.

CJEU Filmspeler could favour website blocking through access providers

Lastly, CJEU *Filmspeler* may substantially affect future website blocking cases against access providers. So far, the BGH opines that it is unreasonable to require access providers to take any blocking measures if the rights holder cannot prove that he has taken sufficient actions against the operators of the structurally copyright infringing website to be blocked and the hosting provider of that website (BGH, GRUR 2016, 268 n. 82 et seq., – Stoerer-Liability of the Access Provider). This factual subsidiarity requirement of the BGH can (partly) be justified on the grounds that access providers have no contractual relationship to the perpetrators and are therefore "far away" from the infringement. The BGH did not consider copyright infringements by users through streaming in its decision.

Since streaming is a copyright violation (by reproduction) under CJEU *Filmspeler*, the BGH will now have to consider copyright infringement by users through streaming. This will put access providers much "closer" to infringing copyrights. Furthermore, since access providers are contractual partners of the individuals streaming, they may be infringing copyrights by simply providing internet access. Consequently, the factual subsidiarity requirement of the BGH could fall in cases against access providers or at least be limited to requiring them to prove that sufficient action has been taken to hold the operators of the structurally copyright infringing website liable.

Conclusion

By qualifying the distribution of technical devices (intended to make streaming of copyright infringing content possible) as a making available to the public, the CJEU has again shown that it interprets the making available right broadly from an economical point of view, as opposed to a less technical or formal one. Furthermore, the CJEU has clarified that streaming on structurally copyright

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infringing websites itself constitutes copyright infringement. Even though the decision gives answers to important questions, it also raises a number of new legal questions. In sum, however, CJEU *Filmspeler* can be regarded a good decision for rights holders and may even become a game-changer with respect to copyright enforcement.

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Copyright

The German Federal Supreme Court rules on World of Warcraft

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Computer games are becoming more and more important, not only in everyday life but also in legal theory. The German Federal Supreme Court (BGH) has now issued a decision on the online game World of Warcraft (I ZR 25 / 15 – World of Warcraft I). In this decision, the Court addressed questions regarding the interaction between software copyright, copyright contract law and general contract law.

The decision is to be interpreted against the background of the SAS decision of the Court of Justice of the European Union (C-406 / 10 – SAS Institute Inc. / World Programming Ltd), as well as the Half Life decision of the Federal Supreme Court (BGH, MMR 2010, 771 – Half Life 2) and the series of decisions regarding so-called used software (the UsedSoft cases) (C-128 / 11 – UsedSoft / Oracle; BGH, GRUR 2011, 418 – Used Soft; BGH, GRUR 2014, 264 – Used Soft II; BGH, GRUR 2015, 772 – Used Soft III). Finally, Germany has a robust law with regard to general terms and conditions which has to be interwoven into this set of legal questions and which has a significant impact on the dogmas of copyright contract law.

The issue in dispute addressed in this decision relates to typical online games, in addition to the game Diablo (one of the most well-known) and the computer game World of Warcraft. Such games sometimes achieve more revenue than a Hollywood film. As with all computer games, they comprise – in addition to the software controlling the game – what the Federal Supreme Court has termed game data, i.e. graphics, music and text, but also – as expressed by the Federal Supreme Court – “film sequences” and “models”. These types of games are always operated with so-called EULAs (end user licence agreements). In the case in question, the EULA for the computer game World of Warcraft contains the phrases that rights

of use granted would be “revocable” and “not transferable” and also an express ban on pursuing a commercial purpose with the game. The EULA for the computer game Diablo also contained an express ban on the use of so-called bots. Bots are themselves computer programs; their purpose is to enable automation with which the player can further develop his game character simply and without time-consuming and – as the Federal Supreme Court puts it – “playfully charming” actions. They are widely distributed in online games. In the case at issue, the defendant operated bots of this kind.

The only issue in dispute was the unauthorised duplication of the computer games. The claims before the Federal Supreme Court only concerned copyright law. Claims of a contractual nature had in the meantime been referred to another court.

In accordance with the implementation of representative action and with regard to issues of the abuse of legal rights due to various other pending proceedings, which are not of interest here, the Federal Supreme Court first addressed an important topic in practice, the definition of the writ of summons in disputes regarding computer programs and other technical subjects. The Federal Supreme Court emphasised that a writ of summons is only adequately defined within the meaning of § 253 of the German Code of Civil Procedure if it uses general terms to describe the action to be prohibited. Nevertheless, it is a prerequisite that the meaning of the terms used not be in doubt, with the result that the scope of the claim and decision is certain (I ZR 25 / 15, marginal number 29 – World of Warcraft I). This aspect of jurisprudence, which up to now has fundamentally applied to questions of competition law, can now also be used in copyright law, as designations such as the name of the software and (also in detail) a restriction “for commercial purposes” are adequately defined within the meaning of the case law of the Federal Supreme Court (I ZR 25 / 15, marginal number 30ff. – World of Warcraft I).

After this procedural recital, the Federal Supreme Court next addressed the object of protection in the dispute, namely the computer game. It is at this point that we already start to see the unanswered questions that the decision generates. The Federal Supreme Court started its discussion regarding the object of protection by saying that it is talking about the “client software” for the online games “World of Warcraft” and “Diablo 3”. It then goes on to state that this software consists of not only a computer program, but also of audiovisual game data. Even this formulation is imprecise as it is not the client software that consists of a computer program and game data, rather the computer game itself consists of the computer program controlling it and the game data that enables the game result. It is true that the Federal Supreme Court differentiates between the components of a computer game, i.e. the text and the music among other things, and argues that these components can be protected by copyright “or participate in the originality of the overall work and enjoy copyright protection together with the latter” (I ZR 25 / 15, marginal number 34 – World of Warcraft I with reference to CJEU, C-355 / 12, marginal note 23 – Nintendo / PC-Box and 9net and BGH, GRUR 2013, 1035, marginal note 20 – Videogame / Consoles I amongst others). Unfortunately, however, the Federal Supreme Court does not continue with this statement. Although it recognises that a computer game represents an overall whole unit consisting of several components relevant under copyright law, it does not address the question as to whether separate complete work protection applies to this overall whole unit or whether each of the parts enjoys individual protection. This

would have been important to clarify the question as to whether the separate respective copyright standards apply for each of these components of the overall whole or whether – as supported by Bullinger and the authors – one must decide on certain issues under copyright law and one cannot cumulatively use all the feasible applicable copyright law standards (Bullinger / Czychowski, GRUR 2011, 19, 22–24). It is too simplistic for the Federal Supreme Court to refer in this respect to the CJEU's Nintendo decision; this had not recognised the importance of the question and is not immediately relevant in this case (I ZR 25 / 15, marginal number 34 – World of Warcraft I with reference to CJEU, C-355 / 12, marginal note 23 – Nintendo / PC-Box and 9net).

The fact that the Federal Supreme Court is not consistent in this respect is also evident from its arguments with respect to the intrusions into the rights of the computer game manufacturer. It identifies the latter as duplication rights and does not quote either § 16 or § 69c (1) of the UrhG (German Copyright Act), but instead talks about a "duplication of the client software" in accordance with §§ 69c (1), 15 (1), of the UrhG (I ZR 25 / 15, marginal number 36 – World of Warcraft I). It therefore cumulatively uses general rights of use under copyright law with the special duplication right for computer programs, without differentiating which right is to be applied to which component of the computer game.

The Federal Supreme Court quite rightly makes clear in this context that the mere display on the screen of works contained in the client software does not represent independent duplication, which is completely in line with existing case law up to this point and with overwhelming opinion in the literature (I ZR 25 / 15, marginal number 38 – World of Warcraft I).

A dogmatic but fully correct position is then taken by the Federal Supreme Court as to whether there is a justification for the manufacture of automation software and the use thereof, if not in the licence agreement (cf. under Clause 3 in this respect), then from § 69d (3) of the UrhG. It outlines the scope of § 69d (3) of the UrhG, which has only been the subject of a few decisions, and states that § 69d (3) of the UrhG only covers forms of program analysis that are not connected with an intrusion on the program code (I ZR 25 / 15, marginal number 57 – World of Warcraft I). This can be readily agreed with – in particular the Federal Supreme Court makes clear that invoking § 69d (3) of the UrhG does not require access to the source code and certainly does not grant this (I ZR 25 / 15, marginal number 61 – World of Warcraft I).

The Federal Supreme Court thus goes so far as permitting duplications via § 69d (3) of the UrhG that go far beyond the actual objective of § 69d (3) of the UrhG, namely to enable interoperability. The Federal Supreme Court compares the current case with the CJEU case SAS Institute (I ZR 25 / 15, marginal number 61 – World of Warcraft I). In this case, the CJEU determined that functionalities of computer programs cannot be part of protection under copyright law. The Federal Supreme Court applies this idea: not only is the development of alternative software permitted, but also the development of additional software. This goes a long way, but appears to be correct according to the provisions of the Software Directive. These can be clearly recognised in recitals 10 and 15, to the effect that it wants to promote the interoperability and interaction between independently created computer programs. Even though the Federal Supreme Court does not mention this, the argument must be accepted.

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The Federal Supreme Court also takes from this decision that, in the current case, the manufacture of automation bots in accordance with § 69d (3) of the UrhG would actually be permissible even though commercial use had been banned under the licence agreement (as general terms and conditions, although not included) (I ZR 25 / 15, marginal number 63 – World of Warcraft I). It is clear at this point that the plaintiff has achieved a pyrrhic victory, as the Federal Supreme Court is basically of the opinion that the development of bots in accordance with § 69d (3) of the UrhG is permissible – a very broad view.

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Unfair Competition

Recall obligation always part of injunctive relief?

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In a recent unfair competition case, the Federal Supreme Court (BGH) ruled that injunctive relief prohibiting product distribution and / or advertisement may also implicate an obligation to actively recall these products from customers or other third parties.

On 29 September 2016, in a case where off-the-shelf products created a continued disturbance, the BGH ruled that the obligation to cease and desist includes the obligation a recall obligation, to the extent possible and reasonable, when necessary to eliminate the continued disturbance.

Plaintiff had obtained an injunction based on unfair competition law (UWG, German Act against unfair competition) against the marketing and distribution of alcoholic beverages using the signs “RESCUE DROPS” and / or “RESCUE NIGHT SPRAY”. The Appeal Court and the BGH, however, found that the Defendant failed to comply with the injunction by not recalling products that had been sold to retailers – primarily pharmacies.

Literally, a cease and desist order does not include a recall obligation. In view of the BGH it is however irrelevant for the interpretation of the cease and desist order whether the Plaintiff is entitled to a respective recall claim or not. With reference to and in continuation of inter alia the Hot Sox decision (court reference

I ZR 109 / 14), the BGH held that a cease and desist order usually includes a recall obligation concerning the products already delivered to eliminate the continued disturbance. As a result, any future cease and desist order in Germany includes a recall obligation to the extent reasonable and necessary.

By that decision, the BGH actually abolishes the difference between the right to claim for disposal and the right to claim for cease and desist which is intended by the provision of Section 8(1) UWG. To resolve this inconsistency, the BGH consequently transferred the principle of proportionality which is essentially only applicable to the disposal claim and the cease and desist claim.

Previously, when there was a continued disturbance, German courts were split on whether injunctive relief was terminated when an infringement action had been terminated. Thus, the recent clarification of the BGH is very welcome. The decision follows the trend in recent case law to impose additional obligations on infringers. For example, in 2015, the Appeal Court of Dusseldorf ruled that a defendant who had made infringing acts on the internet (advertising), was not only required to delete the content and make sure it could not be found on popular search engines, but also required to ensure that the disputable advertising was deleted from the cache of popular search engines, (cf. Appeal Court of Dusseldorf, judgment of 3 September 2015, ref. I-15 U 119 / 14).

Practical Note

Going forward, the following rule will apply: If the unfair distribution and / or the unfair advertising of a product has been prohibited, the infringer must, to a reasonable extent, recall products that have been distributed to customers to ensure those products are not further distributed.

Now, the infringer not only has to take affirmative actions to cease and desist, including but not limited to recalling products while bearing its cost, but also has to disclose its respective injunction to customers and third parties involved in the distribution chain, which can damage the infringer's image on the relevant market. We recommend a thorough documentation of everything that has been done to fulfill the recall obligation, such as deleting the cache on popular search engines, in order to have presentable evidence in case the plaintiff files an application for an administrative fine or an enforcement action of a contractual penalty.

Additionally, the extent to which the above-mentioned recall obligation applies to the corresponding claims for injunctive relief in German trade mark and copyright law is unclear. The respective recall provisions and their specific requirements risk circumvention as they are based on the implementation of the Enforcement Directive into German law.

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