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New consumer protection regulation for digital products

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With the Digital Content and Digital Services Directive (EU Directive 2019/770), the EU is further expanding the European Digital Single Market, facilitating the consumer access to digital products. The outspoken goal of the EU was to ensure a balance between a high level of consumer protection while promoting the competitiveness of businesses. Nevertheless, the contractual design of the provision of digital content must be adapted in some fundamental points due to the new legal framework that has been in force in Germany since 01 January 2022.

1. Relevant provisions and scope of application

The new legal framework for the provision of digital products in Germany came with several amendments to the German Civil Code (BGB). Nevertheless the following overview will focus on the new regulations in Sections 327 et seq. BGB, which have an essential impact on the design of Terms & Conditions in B2C-relations.

Those regulations apply to all consumer contracts on the provision of digital content or digital services (digital products) in payment of a price. A major change is that the new legal regulations shall also apply if the consumer provides personal data as payment, unless the personal data is exclusively processed for the purpose of supplying the digital content or digital service or for complying with legal requirements. As free digital content is often provided with the specific goal to harness the collected personal data of users beyond the extent which is necessary for supplying the digital product itself, this expansion of the scope of application means many use cases like free Consumer Apps, etc., which have been previously rather unregulated are now subject to a stricter consumer protection regulation in Germany.

2. Obligation to provide the digital product

If the Sections 327 et seq. BGB apply, the trader is under a contractual obligation to provide the digital product. If the trader fails to provide the product, the consumer can terminate the contract, claim damages or claim reimbursement of futile expenses. In the event of a lack of conformity or defective performance, the consumer shall be entitled to have the digital content or digital service brought into conformity, to receive a proportionate reduction in the price, or to terminate the contract. The consumer may further demand damages or reimbursement of futile expenses. In particular for digital products offered “free of charge” and for which the consumer only “pays” with personal data, this means a paradigm change compared to the former regulations, which left the trader greater leeway to change or withdraw the product and which also offered a more lenient regulation in case of product defects.

3. Obligation to update the digital product

Another controversial topic has been regulated in Section 327f BGB, stipulating that the trader must ensure that the consumer is provided with updates necessary for the digital product to remain in conformity with the contractual conditions and that the consumer is informed about these updates accordingly. These mandatory updates explicitly include security updates. The obligation to update the digital product applies as long as the digital product is made available and can therefore even go beyond the general warranty obligations. The trader is even liable for product defects if he has provided an update but the consumer has not installed it, either because the trader has not sufficiently informed the consumer about the availability of the update and the consequences of failing to install it, or because the failure to install was due to defective installation instructions.

4. Modification of the digital product

A particularly challenging provision can be found in the new Section 327r BGB, which implements Article 19 of the Digital Content Directive. Where the contract provides that the digital content is to be supplied to the consumer over a period of time, the trader may modify the digital content beyond what is necessary to maintain the digital content in conformity, only if

- (1) the contract allows, and provides a valid reason for, such a modification,
- (2) such a modification is made without additional cost to the consumer and
- (3) the consumer is informed in a clear and comprehensible manner of the modification.

If these requirements are not met, the consumer has the right to terminate the contract. However, Recital No. 77 of the Digital Content Directive explicitly states that, if the modified digital content is no longer in conformity with the subjective and the objective requirements for conformity, the consumer shall also be able to demand cure, to reduce the price as well as to demand damages or reimbursement of futile expenses.

Pursuant to Recital No. 75 of the Digital Content Directive valid reasons to modify the digital product could encompass cases where the modification is necessary to adapt the digital content to a new technical environment or to an increased number of users or for other important operational reasons.

In particular with free apps, it is not uncommon to change the catalogue of features during the runtime of the app, sometimes maybe expanding the features, but often also removing features which prove to be impractical or not economically viable. However, according to the examples given in Recital No. 75 of the Digital Content Directive, neither the practicality nor the economic viability should be valid reasons to remove features from the app. If the removal of such features proves to be a defect, the user could theoretically demand the app to be restored to the previous version.

5. Consequences for contract design

The new regulations significantly tighten the legal obligations for the provision of digital products, especially in those cases, where the product is provided free of charge and access is only paid by the consumers data. The former legal framework did not explicitly recognize personal data as a valid mean of payment and therefore did not oblige the trader who received the data to perform for it in return. With the new regulatory framework, the trader's performance obligations are now very similar to those of a normal purchase or rental contract. Since the legal requirements can hardly be altered by contract according to Section 327s BGB, the new regulations require a redesign of most existing contracts. Even more than in the past, it will be important to define the scope of performance carefully in order not to expose oneself to supplementary performance obligations and to reserve the right to make changes at a later date. Also, the trader is imposed with additional information requirements which need to be complied with in order to avoid cease and desist letters from competitors.

Should you have any questions regarding the new regulatory framework, we will be happy to offer our support.



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The Unitary Patent system on the home straight

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Over the past months, the European Unitary Patent system has been taking shape, and it is expected that the system will become operational in late 2022 or early 2023. It's time to prepare.

The Unitary Patent system will comprise a new European patent with unitary effect in all participating EU member states (currently all EU member states except for Spain, Poland, and Croatia), and a new Unified Patent Court (UPC) to rule on these Unitary Patents, but ultimately also on all (conventional) European bundle patents granted by the European Patent Office. The system will provide, for the first time in history, a quasi-EU wide patent right.

For many years, the Unitary Patent system has progressed two steps forward, one step back. But after many setbacks, it now appears much more likely than not that the system will become operational in the near future. Despite Brexit, the political determination to move ahead with the project remained strong, and the preparations took up speed after the German constitutional court dismissed two constitutional complaints against the project in June 2021. In January 2022, Austria became the 13th member state to participate in the provisional application of the UPC Agreement, which triggered the entry clause of the Provisional Application Period. During the Provisional Application Period, the Court is being set up, including the IT system and the sophisticated electronic Case Management System. In parallel, interviews are taking place for the selection of the judges.

As soon as the Administrative Committee has signaled that the Court is operational, Germany will deposit its instrument of ratification with the Council of the European Union. This step will mark the start of the so-called “sunrise period”. During this period, patent owners will already be able to opt-out their existing patents from the Court, to avoid being trapped in the new system by commencing litigation. The Court will then start operating three to four months later, possibly in the first quarter of 2023.

The European Patent Office (EPO) has meanwhile implemented some transitional measures with a view to supporting users in an early uptake of the Unitary Patent. During the “sunrise period”, users will already be able to file their request for unitary protection for all patent applications for which the EPO has issued a communication regarding the intention to grant, and the EPO will inform applicants filing requests about formal deficiencies in their requests at an early stage. Moreover, during the “sunrise period”, the patent applicants will be given the opportunity to request a delay in issuing the decision to grant for all European patent applications for which an intention to grant communication has already been dispatched but not yet approved by the applicant. This will make a European patent eligible for Unitary Patent protection that would otherwise have been granted before the start of the new system.

Should you request unitary protection for your newly granted patents? Should you opt out your existing patents? It’s a tough decision that depends on many factors. [Find here an overview of the new system](#) and of the preparations that you should make already now to get your patent portfolio ready for the UPC.

In case of any questions relating to the Unitary Patent System or the preparations that you may want to make, [please contact our UPC-Team](#).



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CJEU on preliminary injunctions in Germany – change in court practice required?

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Upon submission of the Munich Regional Court (see our [June 2021 article](#) ) , the Court of Justice of the European Union (CJEU) has ruled on German court practice regarding preliminary injunctions in cases of patent infringement where the validity of the patent in question has not already been confirmed in opposition or nullity proceedings. While the CJEU ruling seems to favor patent proprietors, it remains to be seen whether the ruling in fact leads to a change in practice by the German courts.

The CJEU, in its judgment of April 28, 2022 (Case C-44/21), has ruled that a court practice denying *in principle* interim measures for infringement of patents in case the validity of the patent in question has not (yet) been confirmed in first instance opposition or nullity proceedings **is incompatible with European law**. Furthermore, national case law that is incompatible with this ruling must not be applied by the competent courts.

The Munich Regional Court was prompted to submit the matter to the CJEU upon the Munich Higher Regional Court adopting a practice already applied by other German courts handling the majority of patent infringement cases in Germany. According to this practice, preliminary injunctions in patent infringement proceedings are regularly refused by the courts if the validity of the patent in conflict has not already been challenged without success at least in first instance proceedings. This practice has led to criticism, as patent proprietors saw themselves unable to attain a preliminary injunction against an infringing party when the validity of their patent had not previously been attacked – a factor outside the proprietor’s direct control.

It is to be noted, however, that both the development and the current practice in this regard vary between different courts.

Düsseldorf jurisdiction

According to the case law of the Düsseldorf courts, a preliminary injunction in patent cases can only be issued if both the question of patent infringement and the validity of the right to injunctive relief can be answered clearly in favor of the proprietor.

According to this case law, a sufficiently certain legal existence of the right to injunctive relief can generally only be assumed if it has already survived opposition or nullity proceedings in the first instance (Düsseldorf Higher Regional Court, judgment of May 29, 2008 – 2 W 47/07; Düsseldorf Higher Regional Court, judgment of April 29, 2010 – 2 U 126/09).

Therefore, in order for a preliminary injunction to be issued on the basis of a patent, a positive decision on the validity of the patent must already exist.

However, this requirement may be waived in exceptional cases. Such an exceptional case exists, for example, if the party accused of infringing the patent has already participated in the granting procedure with their own objections, so that the granting of the patent is factually equivalent to the decision in a two-sided opposition procedure. Another example is the case where the patent relied upon is generally recognized as eligible for protection, e.g. due to the existence of well-known licensees. If objections to the legal validity of the patent prove to be groundless even on summary examination, or if there are exceptional circumstances which make it unreasonable for the owner of the patent to wait for the outcome of the opposition or nullity proceedings, this is also considered an exceptional case (Düsseldorf Higher Regional Court, judgment of April 29, 2010 – 2 U 126/09).

Karlsruhe jurisdiction

The Higher Regional Court in Karlsruhe agrees with the Higher Regional Court of Düsseldorf regarding this issue, applying the same standards (cf. e.g. Karlsruhe Higher Regional Court, judgment of September 23, 2015 – 6 U 52/15)

Munich jurisdiction

The case law of the Higher Regional Court of Munich regarding this issue has recently changed.

According to the previous practice of this court, it was not necessary for the patent to have survived first instance opposition or nullity proceedings for the issuance of a preliminary injunction in patent matters. A high probability, i.e. sufficient certainty, of legal validity of the patent was considered sufficient for granting an injunction (Munich Higher Regional Court, judgment of July 26, 2012 – 6 U 1260; Munich Higher Regional Court, judgment of May 18, 2017 – 6 U 3039/16). The court based this practice on the fact that interim legal protection arising from a granted patent would otherwise be factually excluded for a certain period of time.

In this previous practice, prospects of success of an appeal against the patent were included in the required weighing of interests. In this context, remaining doubts about the legal status of the patent usually led to the rejection of the request for an injunction. Thus, the interest of the alleged infringer in not being sued on the basis of an IP right without a certain validity in summary proceedings, which limit the possibilities for knowledge and defense, were preserved. An assessment was to be made of the prospects of success of legal validity proceedings in the specific case in dispute. (Munich Higher Regional Court, judgment of, July 26, 2012 – 6 U 1260/12)

However, this view was overturned by the higher regional court of Munich in its decision of December 12, 2019 (6 U 4009/19). In this decision, the court, in a deviation from its previous practice and following the Higher Regional Courts of Düsseldorf and Karlsruhe, assumed that the issuance of a preliminary injunction based on a patent or a utility model can only be considered if both the question of patent infringement and the validity of the right to injunctive relief can be clearly affirmed in favor of the applicant.

If there are no exceptional circumstances which sufficiently prove the validity of the injunction right (patent or utility model), it would be reasonable for the applicant to assert his claims in main proceedings and for the defendant, on the other hand, not to be exposed to the risk that the validity is assessed incorrectly by the infringement courts in infringement proceedings. The patent proprietor's interest in enforcing his property right was found to be sufficiently satisfied by the possibility of raising injunctive claims in main proceedings. This is considered to be justified by the fact that it is not the task of the infringement court to anticipate the outcome of proceedings on the validity of rights by way of a summary decision made in proceedings for interim legal protection. In this regard, it is noted that proceedings for interim relief are not geared towards a decision on the validity and proceedings on the validity usually conclude at a considerably later time.

Perspective

In view of the exceptions explained above that were already applied by the courts to the general rule of “no interim measures without previous confirmation of the patent in opposition or nullity proceedings”, some courts have already hinted that they saw no need to adapt current practice, since interim measures were not denied “in principle”.

In his comment (GRUR 2021, 466) on the order for reference of the Munich Regional Court (21 O 16782/20), Dr. Thomas Kühnen, Presiding Judge at the Düsseldorf Higher Regional Court, states that in his view the principles developed by the case law of the higher courts represent a balanced approach that takes into account the interests of both sides. According to such assessment, the risk of an unjustified injunction was only accepted where necessary in view of the legal interest of the patent proprietor because his legal action could not be postponed, but the risk was avoided where no immediate intervention was required or the potential damages were so serious that they could not be reasonably accepted in an overall assessment.

It therefore remains to be seen whether the CJEU judgement will in fact lead to a change in court practice.



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