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Preu Bohlig operating with new team in Hamburg since 01 July 2017

Since 01 July 2017, Preu Bohlig's Hamburg office is operating with a new team and a strengthened patent law department. This important patent location will gain in importance with the future Hamburg Local Court of the UPC.



Our new partner, Daniel Hoppe, who joined Preu Bohlig from Harte-Bavendamm law office, is managing the Hamburg office which has been relocated to Neuer Wall. His long-time associate, Christian Holtz, as well as a research associate accompanied him. Daniel Hoppe's team has expertise especially in patent and utility model law, employee invention law and in the protection of business secrets. His technical focus is IT/software, electronics and mechanical engineering.

With the new team, Preu Bohlig is clearly gearing the Hamburg office to patent law. The existing trademark and press law practice at the Hamburg office will be managed by Preu Bohlig through Dr. Torben Düsing who will cooperate closely with the Hamburg office from Düsseldorf. This structure also fits well with the cross-team and cross-office approach, which was intensified across all offices at Preu Bohlig. Prof. Dr. Christian Donle, Partner at Preu Bohlig's Berlin office, says: *"In Hamburg, we have the opportunity not only to attract highly regarded and valued colleagues, but also to simultaneously take off with a young and motivated team that integrates and works closely together with our other offices. This is a true stroke of luck for Preu Bohlig!"* Daniel Hoppe says: *"Leading the Hamburg office of a renowned law office such as Preu Bohlig is an especially exciting challenge for us. In this manner, we can offer our clients*

quite tangible additional possibilities. With the patent law expertise at all offices, we now have significantly more punch." With 15 attorneys practicing in patent law, Preu Bohlig is one of the nation's largest practices in patent infringement proceedings.



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“Punitive damages” under industrial property law?

In its judgment of 25 January 2017, the ECJ decided that Article 13 of Directive 2004/48/EC of the European Parliament and the Council does not conflict with a provision of the Polish Copyright Act, which provides that the holder of an infringed right may demand a lump-sum indemnity equal to twice the appropriate usage fee as damages, without proof of causality. The decision is reprinted, e.g., in GRUR Int. 2017, pp. 264 et seq.



This judgment raises the question of whether the path to claims for “punitive damages” – which exist under American law – is now open in Germany.

In the German understanding of the law, a damages claim must meet the following requirements: There must be an act of infringement, a loss actually suffered and causality between the act of infringement and the loss. Compensation may only be demanded for a loss that is causally connected to the act of infringement. The injured party bears the burden of presentation and proof of the act of infringement, the occurrence of the loss and causality. If the injured party fails to prove causality, he/she receives no compensation for the loss.

Therefore, punitive damages – without proof of causality – is an alien concept to German lawyers. In general, there is no “infringer surcharge” in German law (settled case law; cf. only BGH [German Federal Court of Justice] GRUR 1980, pp. 841 et seq. – Tolbutamid). A likely exception: With photographs, failure to credit the author results in a 100% surcharge on the usual user fee (cf. e.g. Dreier/Schulze, regarding § 13 UrhG [German Copyright Act], marginal no. 35 with additional notes).

There are special difficulties in determining damages in the field of industrial property law. For example, how does the holder of an infringed industrial property right prove a loss when he/she is economically successful and his profits are steadily increasing? And, if his profits decline, how does he/she prove that this is due to the infringement of his industrial property rights?

In view of these difficulties, there are three well-known ways of calculating damages in the field of industrial property rights: compensation for lost profits, payment of a reasonable (or “fictitious” or “customary”) licence fee, and surrender of the infringer’s profit. These three types of calculation were recognised practices in German case law for decades before they were incorporated into the industrial property rights and copyright statutes, effective as of 01 September 2008.

The versions of §§ 139 (2) PatG [Patent Act], 24 (2) GebrMG [Utility Model Act], 14 (6) MarkG [Trademark Act], 42 (2) DesignG [Design Act] and 97 (2) UrhG in effect as of 01 September 2008 read as follows:

“Whosoever acts with malicious intent or negligence shall be obligated to compensate the infringed party for the damage suffered. The profit which the infringer has made through the infringement of the right may also be taken into account when assessing the compensation. The compensation claim may also be calculated on the basis of the amount which the infringer should have paid as a suitable remuneration if he/she had obtained authorisation to use the invention.”

These statutory provisions are based on Article 13 of Directive 2004/48/EC (the so-called Enforcement Directive), which was mentioned at the outset and whose section on damages reads as follows:

“When the judicial authorities set damages, they shall proceed as follows:

a) they shall take into account all appropriate aspects, such as the negative economic consequences, including the lost profits which the injured party has suffered, and the unfair profits made by the infringer and, in appropriate cases, elements other than purely economic factors, such as intangible losses suffered by the rights holder, or

b) as an alternative, they may, in appropriate cases, set the damages as a lump-sum on the basis of elements such as the least amount of royalties or fees which the infringer would have had to pay if the infringer had obtained authorisation to use the intellectual property rights in question.”

The word “least” in the Enforcement Directive, which has been underscored by the undersigned, is not included in the German law provisions reproduced above. Nevertheless, Article 13 of the Enforcement Directive, including the word “least”, must clearly be taken into account in determining damages (cf. in this regard, Meier-Beck, Schadenskompensation bei der Verletzung gewerblicher Schutzrechte nach dem Durchsetzungsgesetz, WRP 2012, pp. 503 et seq.).

Moreover, it has long been recognised in German case law that the advantages that the infringer has as compared to an honest licensee must be offset in determining damages under industrial property law (BGH GRUR 2000, 685 et seq., 3 b) – Formunwirksamer Lizenzvertrag).

Thus, for example, in the “Teigportioniervorrichtung” decision, the Regional Court of Düsseldorf increased the basic licence rate by 0.5% from 5% to 5.5% because the infringer – contrary to an honest licensee – is not required to tolerate a review of his books (cf. LG [Regional Court of] Düsseldorf GRUR 2000, pp. 309 et seq. – Teigportioniervorrichtung). In the same decision, the Regional Court of Düsseldorf increased the basic licence rate by an additional 0.5% to a final 6% because the infringer is not required to pay licence fees for a non-protectable invention. An honest licensee may generally not demand a refund of the licence fees he/she has paid if the industrial property right is nullified during the term of the licence agreement (see, in particular, ECJ GRUR 2016, 917 et seq. – Lizenzzahlung trotz Nichtigkeit des Patents). The infringer does not bear this risk. If the industrial property right is nullified during the trial and before the judgment is issued, he/she does not have to make any payments. If he/she has paid damages based on a court judgment, and the industrial property right is subsequently nullified, he/she may demand a refund of the payments made – and can even do so after the judgment is final and binding, by way of a restitution action under § 580 No. 6 ZPO [German Code of Civil Procedure].

In determining damages in accordance with the licence analogy in its “Gülleausbringung” decision, the Regional Court of Munich I also took into account the peculiarities that distinguish a judicially established infringement situation from the usual situation between reasonable parties in the initiation of a licence agreement, such as clarification of the legal validity of the industrial property right by the owner, clarification of the use of the patent by the infringer, mistrust of the accuracy of the information supplied by the infringer, and increased risk of default for the patent holder. Moreover, the Regional Court of Munich I included in its deliberations the additional costs and time which the holder of the industrial property right

must expend to enforce his/her claims against the infringer in multi-year litigation. These special circumstances have led the Regional Court of München I to increase the basic licence rate by 66% (Regional Court of München I, 2013 Reports, pp. 275 et seq. – Gülleausbringung).

With respect to the other circumstances that may be taken into account to increase the licence fee, reference is made to the remarks made in Kühnen, Handbuch der Patentverletzung, 9th edition, I. Schadenersatz, marginal nos. 111 et seq.

Therefore, the infringer must often pay a higher licence rate than an honest licensee as damages.

The undersigned's conclusion: In determining damages in the field of industrial property rights, there are already de facto "punitive damages" under German law, even if we do not call them that. The judgment of the ECJ dated 25 January 2017 offers the injured party assistance in arguing that the basic licence rate should be increased by up to 100%.



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Leaders League 2017 – Patent Litigation

Preu Bohligh & Partner is among the leading law firms in the "Patent Litigation" category (1 – Leading)



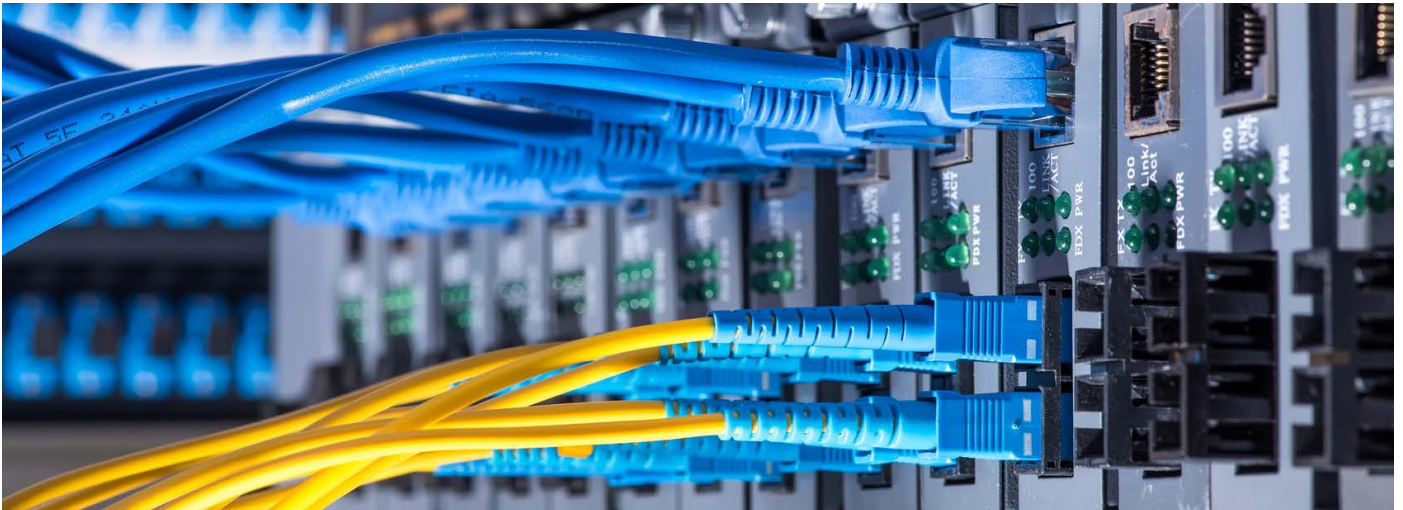
Leaders League 2017 – Trademark Litigation

Preu Bohligh & Partner is listed in the "Trademark Litigation" category (2 – Excellent)



Be Prepared: The GDPR will change how companies handle customer data

In times of advancing digitisation and an economy interlinked by state-of-the-art information and communication technology, data are the “raw material of the 21st century” – and this is not just the opinion of the German Government. The European General Data Protection Regulation (GDPR – Regulation (EU) 2016/679 dated 27 April 2016), adopted in April 2016, provides a new basis how companies must handle personal data and requires important changes in handling customer data. Companies should be prepared for this. There may be a need for action in many areas of customer data management and dialogue marketing under data protection law.



1. To date data protection law requirements relating to customer data have primarily been governed by the provisions of the German Federal Data Protection Act [Bundesdatenschutzgesetz, BDSG] and §§ 11 et seq. of the Telemedia Act [Telemediengesetz, TMG]. This will change fundamentally when the GDPR takes effect as of 25 May 2018. Large segments of the BDSG and the aforementioned provisions of the TMG will be invalidated. The GDPR will then directly apply in EU Member States. In addition, the leeway accorded to national legislators will be restricted to certain limited areas expressly identified in the GDPR. German legislators have made use of this leeway in the “Act to adapt data protection law to Regulation (EU) 2016/679 and implement Directive (EU) 2016/680” (Data Protection Adaptation and Implementation Act) dated 30 June 2017, promulgated on 05 July 2017 in the 2017 Federal Law Gazette, Part 1, No. 44, on pp. 2097 et seq.

It should be noted that the GDPR contains no specific provisions regarding the online industry, e.g. regarding the permissibility of cookies, provisions for social media services, etc. For these purposes, the European Commission has developed the proposed new ePrivacy Regulation ((ePR) - cf. 2017/0003 (COD)), which contains significantly stricter rules for the use of cookies, inter alia (cf. Art. 8 (1) ePR). The EU Commission intends for the new ePR to take effect as of 25 May 2018, together with the GDPR. It is unclear whether this can be accomplished since the legislative procedure for the ePR is still ongoing.

2. The new Regulation does not relate to all data, but only to personal data. According to the new definition in Art. 4 No. 1 GDPR, “personal data” means “... any information relating to an identified or identifiable individual person ...; an identifiable individual person

is one who can be identified, directly or indirectly, in particular, by reference to an identifier, such as a name, an identification number, location data, an on-line identifier or one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that individual person”.

Determining when data refer to an identified or identifiable person can be very complex. The key question is whose capabilities and means are relevant in ascertaining whether there is a reference to a person, e.g. those of the processing unit (relative reference to a person) or the entire knowledge of the world (absolute reference to a person). The GDPR takes no clear position. In any case, according to the recitals to Art. 26 Sentence 3 GDPR, the effort needed for the identification must be considered to this determination.

Considering the case law of the ECJ, which recently decided that dynamic IP addresses also constitute personal data (judgment dated 19 October 2016, Case No. C-582/14), the fact that the processor has “legal means” enabling him to identify the person behind the IP address should, in principle, be sufficient to establish a reference to a person. This information can be obtained from the Internet access provider in limited circumstances. To this extent, it can be assumed that there has been an expansion of the definition of “personal data” and thus of the area to which the GDPR applies.

3. Under Art. 6 (1) Sentence 1 GDPR, the existing prohibition under data protection law continues to apply. The processing of personal data is only permissible with the data subject’s consent or by virtue of a specific statutory authorisation. The criteria in Art. 6 (1), particularly Art. 6 (1) (f) GDPR – which address the processing of customer personal data, *inter alia* – are of central importance here.

In practice, the data subject’s consent to the processing of his or her personal data remains important, as in the past. Under Art. 6 (1) (a), such consent is to be given “for one or more specific purposes”. In view of the widespread current practice of drafting

pre-set, standardised consent forms – which are still subject to review under the standards codified in the laws governing General Terms – EU legislators have sought to strengthen the substantive requirements for consent in the interest of protecting the data subject. Recital 32 of the GDPR states that “...consent should be given by a clear affirmative act establishing a freely given, specific, informed and unambiguous indication of the data subject’s agreement to the processing of personal data relating to him or her, such as by a written statement, including by electronic means, or an oral statement”. As before, this can be accomplished, *inter alia*, by an opt-in by the data subject or by “selecting technical settings”, e.g. on the Internet browser. There is no longer any space for opt-out solutions, which have been tolerated in German case law in special scenarios.

According to the aforementioned GDPR recital, if the processing is to serve multiple purposes, consent must be given for all such purposes. The term “consent” is defined in Art. 4 No. 11 GDPR: “Consent of the data subject means any freely given, specific, informed and unambiguous indication of the data subject’s wishes by which he/she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her”. Under Art. 7 GDPR, the controller must, as before, be able to prove that consent was given. If the text of the declaration also concerns other matters, the text of the consent must “be presented in an intelligible and easily accessible form, using clear and plain language”, Art. 7 (2) GDPR.

According to GDPR, Art. 7 (3), any consent given under data protection law must be revocable, and the data subject must be advised of this in advance. These significant changes regarding the form of consent under data protection law should induce companies to carefully review and adapt existing standardised consent forms.

4. A key goal of the GDPR is to significantly strengthen the rights of data subjects, Art. 12 *et seq.* GDPR. This includes providing the data subject with

information relevant to data protection “in a precise, transparent, intelligible and easily accessible form, using clear and plain language ...”, which may present a substantial challenge – not only to lawyers.

The catalogue of information to be provided when collecting personal data, cf. Arts. 13 and 14 GDPR, is significantly expanded. In addition, data subjects are given the right to receive a copy of the personal data used for data processing, Art. 15 (3) GDPR.

According to Art. 16 GDPR, data subjects shall have the right to demand that “controllers”, cf. the definition in Art. 4 No. 7 GDPR, correct inaccurate data or supplement incomplete data. In addition, there is the so-called “right to be forgotten”, which was already recognised in the case law of the ECJ and has now been codified in Art. 17 GDPR. Under Art. 17 GDPR, this right to have information deleted applies, inter alia, if personal data is no longer needed for the intended purposes, if consent is revoked, or in cases of unlawful processing, etc. If personal data subject to deletion have been made public, controllers must take reasonable measures, considering available technologies and cost, to inform third parties that the data subject has requested the deletion of links to this data and copies thereof.

Conversely, under Art. 17 (3) GDPR, there are certain exclusion criteria in favour of the controller with respect to claims seeking deletion of information, e.g. when preservation of the data is necessary to meet one of controller's legal obligations, e.g. a contractual obligation, or to assert legal claims.

Art. 20 GDPR (data portability) creates another new right for data subjects. Under this Article, data subjects may ask controllers to furnish them with the personal data they have provided in a “structured, commonly used and machine-readable format”. This is primarily aimed at user profiles in social networks or e-mail accounts. However, this right can also relate to customer accounts at companies, including any related personal data, such as that contained in e-mails or photos.

5. The GDPR will permanently change the way companies handle “data protection” in the vast majority of cases, since the new Regulation entails a whole new series of obligations for companies. These are contained, in particular, in Art. 24 et seq. GDPR. The content and scope of companies' obligations in handling personal data, which are to a considerable extent new, are outlined by the extensive catalogue of processing principles, which is contained in Art. 5 GDPR. These principles include lawfulness, fair processing, transparency, limited purpose, data minimisation, accuracy, storage limitation, integrity, confidentiality and accountability.

Companies must take suitable technical and organisational measures to ensure that they can process personal data in accordance with the GDPR, cf. Art. 24 (1) GDPR.

Technical data protection under Art. 25 GDPR means, inter alia, developing internal strategies and measures to ensure compliance with data protection principles through technology (data protection by design) and privacy-enhancing system settings (data protection by default). This can include keeping the processing of personal data to a minimum and quickly pseudonymising such data.

For example, if a company is using software to manage customer data, and the system does not allow for such data protection principles, such as data minimisation, to be effectively implemented, then, once the GDPR takes effect and after a transition phase, the company may consider the matter and conclude that it must either appropriately modify the existing IT system or install a new system that conforms to data protection law.

Technical measures to ensure security during the processing of personal data, which are currently covered by §§ 9 BDSG, inter alia, are also being stepped up and will now be covered by Art. 32 GDPR, inter alia. The company's duty to report data protection violations, cf. Art. 33 GDPR, is being stepped up, and controllers are being required to perform documen-

ted data protection impact analyses when the processing of personal data, particularly with the use of new technologies, is likely to result in a high risk to the rights and freedoms of individual persons due to the nature, scope, circumstances and purposes of the processing; cf. Art. 33 GDPR. This could play a role in credit profiling cases, for example.

The extensive new obligations placed on companies by the GDPR will necessitate the introduction of data protection management systems in companies, which, inter alia, must include a data protection organisation with appropriate responsibilities, a revised role for data protection officers, lists of processing activities, contract management, a procedure for the aforementioned data protection impact analyses and processes for protecting the rights of data subjects.

Unlike in the past when the competent authorities often punished detected data protection violations with minor sanctions, in the future, after the GDPR takes effect, a permanent, strengthened fine and sanction system will be applied. This system will enable the imposition of very high fines and is intended to raise the consciousness of controllers. This may, in addition, create reason to quickly review and adapt company processes in areas relevant to data protection and bring them into compliance with the new Regulation, which takes effect by the end of May 2018. Be prepared!



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There was a recent update regarding employee invention regulations in Japan, and certain related amendments were implemented last April. The following will briefly introduce the amendment and describe the “procedural approach” adopted in the law through recent case law.



This newsletter article focuses on requirement (iii) reasonableness of compensation to be paid to the employee and the procedure conducted by the company to determine the reasonable amount of compensation.

a. Instead of providing a precise calculation method set forth in the law (i.e., the German approach which applies the calculation method under the Directive issued by the Federal Minister of Labour (*Richtlinien für die Vergütung von Arbeitnehmererfindungen im privaten Dienst*)), Japanese law looks at the reasonableness of a company's procedure in determining the calculation of compensation. This "procedural approach" first became effective in the 2005 amendment of the Japanese Patent Act and remains unchanged after the amendments in 2016. Article 35(5) of the Japanese Patent Act provides three steps with regard to the procedure:

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Consultation and disclosure can be conducted with all employees at one time before an invention is created and the opportunity to be heard is supposed to be done with each individual employee who has created the invention. As a matter of formality, the consulted calculation method is mostly provided in the company's internal rules which are disclosed to the employee.

If such procedure is deemed as unreasonable, the payment of compensation must be reconsidered by the court and the appropriate amount to be paid will be determined by taking into account all of the relevant facts of the case (e.g., revenue amount in relation to products using the patent, the patent's contribution to such revenue, contribution to create such patented invention by the company and the employee, etc.). Unfortunately, this broad standard, as well as subsequent case law on this issue, did not provide companies with foreseeability, and therefore, it became more imperative that companies take adequate measures to ensure that the payment of compensation procedure is reasonable.

b. The 2016 amendment attempted to improve the foreseeability of the compensation procedure through the issuance of governmental guidelines (Art. 35(6) of the Japanese Patent Act, similar to Art. 11 of ArbEG), which provide examples of the reasonable (or unreasonable) compensation procedures. Although such reasonableness will be examined in consideration of every relevant fact, these guidelines, which are supported by statutes, should be followed when drafting internal procedures and deciding actual compensation amounts. Based on the guidelines, the following are key "due process" type criteria in the reasonableness of the procedure:

(i) existence of "sufficient and substantial discussions with the employee,"

(ii) which would be accomplished by "guaranteeing the opportunity to participate in deciding the compensation amount,"

(iii) and "having a sincere attitude towards the employee's opinion during the discussions".

c. The IP High Court (IPHC) recently reviewed the reasonableness of a compensation procedure and determined that the procedure was unreasonable based on different criteria that did not follow the guidelines. Since the chief judge of the divisional court of the IPHC is now the chief judge of the entire IPHC which has a significant role of creating case law in the IP area, it is likely that this case will have a certain influence when interpreting the amended Japanese Patent Act and guidelines.

In the case (the "Nomura Securities" case), the plaintiff who made the invention was an employee hired as a marketing staff in the company. There was an employee invention rule ("Invention Rule") in the company which was effective before and during his employment. The plaintiff claimed after being dismissed by the company that the payment of compensation under the Invention Rule was unreasonable and an appropriate amount should be determined by the court. The plaintiff claimed that with regard to the compensation procedure, the company did not perform any of the three steps in accordance with the Japanese Patent Act.

The court held that regarding the first consultation step, the Invention Rule was not discussed with employees before and after the plaintiff was employed. It was insufficient to have the newly-hired employee "check" the Invention Rule, but a discussion in person or an explanation with the employee's acknowledgment could be deemed as reasonable consultation step. Note that the guidelines also mention that explanation of the calculation method followed by Q&As (instead of an acknowledgment) made to inventor employees who joined the company after the internal rules have been established, could be considered a reasonable consultation step, especially in cases where consultation was made sufficiently with the other employees when establishing the internal rules.

For the disclosure requirement, the court found that there was insufficient evidence of the company's disclosure of its calculation method to employees and the plaintiff. The disclosed rule of the company only mentioned that the company will pay compensation to the employee for each of following cases: (1) when an employee invention transferred to the company is filed for patent prosecution, (2)

where the company is granted a patent for the employee invention, or (3) where the company exploited the employee invention and gained monetary interest. Payment of compensation would be determined by a procedure that will be separately set forth. Consistent with the guidelines, a company should let the employee, as an inventor, recognize that there is an internal rule with a calculation method which he/she is able to check.

There was also no opportunity for the plaintiff to be heard, and the company did not establish an internal system to allow employees to discuss or oppose a company's decision. The court requested such an opportunity while the plaintiff argued that the invention right transferred to the company and that no discussion was possible regarding the compensation amount. The guidelines also recommend that companies request an opinion from the employee in cases where the employee doesn't provide his/her own opinion.

3. When handling the employee invention issues, foreign companies tend to spend less time and cost to determine the appropriate compensation amount for employee inventions through discussions with employees. However, given the 2016 amendments and recent case law in Japan, a company should engage in discussions with employees to ensure that their compensation procedure is reasonable, or otherwise, they may face unexpected legal and other costs.



GUEST COMMENTARY

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Managing IP 2017

Patent contentious (Tier 2) & Trade Mark contentious (Tier 2)
„Preu Bohlig & Partner is listed in Tier 2“

Comments on the German Law on Employee Inventions

Even though it has been a while since the last amendment to the German Law on Employee Inventions [Arbeitnehmererfindungsgesetz, ArbEG], many companies have not yet realised that a paradigm shift took place on 01 October 2009, when the amended law came into force. Previously, the employer was obliged to actively claim the service invention within four months after the notification of the invention in order to transfer the associated rights to the business. Now, for all inventions made since 01 October 2009, after four months the declaration of the employer claiming the invention is deemed. Therefore, the employer no longer needs to take any action if it wishes to get hold of the rights in the invention. It is rather necessary to actively reject the claiming of the rights if the employer is not interested in the invention.



This amendment facilitates the discussion around ownership of service inventions in favour of the employer in many cases. At the same time, in practice, the number of cases increases in which an employee receives reasonable compensation for the claimed invention (even if the invention is claimed by a deemed declaration). Therefore, the question of a fair compensation agreement is still an important topic in Germany.

In this respect, German law is a bit more employer-friendly than Japanese law. As a starting point, the reasonable amount of compensation is to be established through an agreement between the employer and the employee. However, if the parties cannot reach an agreement, the employer has the right to determine an amount of compensation that it regards as reasonable. After such a determination by

the employer, the employee is merely able to object to the determination in writing or by e-mail within two months. Otherwise, the determination becomes binding (unless it is unfair).

German law provides guidelines for calculating reasonable compensation (cf. § 11 ArbEG). These guidelines are non-binding but are frequently utilised in practice, and the Arbitration Board at the German Patent and Trademark Office often uses them when preparing its settlement proposals. In the last 10 years, standardised company compensation systems have become very relevant, and their transparency creates industrial peace. Lump-sum compensation schemes are often equally popular with employees and employers, i.e. where the employee receives a lump-sum payment when certain levels are reached, such as making the notification of an invention, filing

a patent application or receiving the notice of grant of a patent. Regardless of how a compensation model is designed in business practice, one should always ensure that it is tailored to the situation in the individual company. In particular, the compensation system may not unreasonably disadvantage the employee inventor as compared to the compensation guidelines. There is no "German standard model", and what suits one company may be wrong for another. However, in contrast to Japanese law, the German legal system is more accommodating in that a company compensation system need not be discussed individually with each employee, but may, for example, be made to apply directly to each employee – including new ones – by company practice or even by operating agreement.

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Christian Kau is listed as
„Best Lawyer in Technology Law“

Brexit: What is the “Great Repeal Bill” and how will it work?

On 13 July 2017, the British government introduced the European Union (Withdrawal) Bill 2017-19 (Withdrawal Bill), informally referred to as the Great Repeal Bill or Repeal Bill, to Parliament and published its Explanatory Notes. The aim of the bill is to repeal the European Communities Act 1972 and thus end the supremacy of EU law in the United Kingdom. At the same time, all existing EU law will be transposed into domestic legislation.

Background

In March 2017 the British government published a white paper (a government report giving information or proposals on an issue) in which it was established how it plans to execute the legal transition of the UK being a member of the European Union to a post-Brexit status of non-membership. There are fears that after the UK leaves the EU, scheduled on 29 March 2019, there will be a “black hole” in the UK statute book. As there are thousands of pieces of EU-related legislation in force, it is impossible to substitute all existing EU legislation within two years. As soon as the UK leaves the EU, all EU rules, directives and regulations would not be applicable anymore. The Withdrawal Bill intends to avoid such a scenario and ensure a smooth transition on the day after Brexit.

What will it do?

The three central functions of the Withdrawal Bill are:

1. **Repeal the European Communities Act 1972**, a legislation which provides legal authority for EU law to have effect as national law in the UK. After Brexit, this will no longer be the case.
2. **Convert all EU laws into UK law.** Thousands of European laws, directives and regulations are to be turned into UK law, so that they will continue to apply after Brexit.
3. **Create powers to make secondary legislation.** Ministers are given temporary powers to amend EU laws by way of secondary legislation in the wake of Brexit.

EU Law and jurisdiction of Court of Justice of the European Union

The Withdrawal Bill will end the supremacy of EU law in UK law on “exit day”, a term used in the bill, but yet to be determined. After Brexit, newly passed laws do not have

to be compatible with laws passed in Brussels anymore. In addition, a breach of the general principles of EU law can no longer be actioned before court on or after exit day. The Withdrawal Bill intends to create a “snapshot” of EU law including EU-derived domestic legislation, EU legislation and treaties as well as the judgements of the Court of Justice of the European Union (CJEU) that apply immediately before Brexit. However, the Charter of Fundamental Rights is excluded from this process. This body of retained EU law will apply immediately after the UK has left the EU until it is modified by domestic legislation enacted by Parliament. Whilst the supremacy of EU law will not apply on or after exit day to legislation or CJEU decisions made after exit day, it will, however, be treated as applying to the interpretation, disapplication or revocation of any such enactment or rule of law passed before exit day. A retained EU regulation would, for example, take precedence over pre-exit domestic legislation that is inconsistent with it.

On or after exit day, retained EU case law will have the same binding status in domestic courts and tribunals as existing decisions of the Supreme Court or High Court of Justiciary (HCJ) in Scotland. A court must interpret the validity, meaning or effect of retained EU law in accordance with retained case law and „retained general principles of EU law“ so far as relevant and so far as that EU law has not been modified on or after exit day (clause 6(3) of the Withdrawal Bill).

A court or tribunal may also have regard to “anything done...by the European Court, another EU entity or the EU” on or after exit day if it considers it appropriate to do so (clause 6(2) of the Withdrawal Bill).

After Brexit, a UK court or tribunal will not be bound by any principles or decisions of the CJEU established on or after exit day, however, nor can it refer any matter to the CJEU. The Supreme Court and the HCJ will no longer be bound by any retained EU case law (clause 6(4)(a) of Withdra-

wal Bill). If the Supreme Court or HCJ wish to depart from retained EU case law, however, then they must apply the same test as they ordinarily would in deciding whether to depart from their own precedents. This gives pre-exit CJEU case law the same binding and precedent status as cases determined by the Supreme Court and HCJ.

Delegated powers

There are believed to be 12,000 EU regulations in force, while the British Parliament has passed 7,900 statutory instruments implementing other EU legislation and 186 acts which incorporate a degree of EU influence. There are technical issues with the conversion of this EU law into UK law. Many EU laws have references to EU institutions in which the UK will no longer participate after Brexit, or mention EU law itself which will not be part of the UK legal system after Brexit.

The Withdrawal Bill empowers ministers to make regulations to prevent, remedy or mitigate, as a result of the UK's withdrawal any failure of retained EU law to operate effectively or any other deficiency of retained EU law (Clause 7(1) of Withdrawal Bill).

It also specifies that regulations under clause 7 may make any provision that could be made by an Act of Parliament. This includes amendments to primary legislation.

The Withdrawal Bill suggests that regulations under clause 7 may not be made more than two years after exit day and powers under the regulations will expire at that point in any event. Furthermore, regulations under clause 7 are subject to the negative resolution procedure, meaning that they will automatically become law without debate unless there is an objection from either House of Parliament. The regulations are also subject to annulment if they are not laid before and approved by both Houses of Parliament.

However, the Withdrawal Bill also provides for ministers to make regulations under clause 7(1) without the scrutiny of either House of Parliament, and avoiding either resolution procedure, where, in their opinion, there is „reason of urgency“. A regulation made on urgent grounds will only endure for one month unless it receives Parliamentary approval in the meantime.

As well as the power to make corrective secondary legislation, the Withdrawal Bill enables ministers to make regulations as they consider appropriate as a consequence of the Withdrawal Bill. This does not include a power to amend primary legislation.

Will Parliament vote on it?

Yes, Parliament will vote on the Withdrawal Bill in the normal process. The first reading by the Secretary of State for Exiting the European Union, David Davis, was on 13 July 2017. It is anticipated that the second reading will not be until after the House of Commons returns from its summer recess at the beginning of September 2017. Given the initial reaction to the Withdrawal Bill, Members of Parliament are expected to scrutinise it over a number of days, with amendments put forward and voted on. A vote is not expected until October.

What do the critics say?

The Withdrawal Bill was met with considerable political controversy. The two main criticisms are described below:

Henry VIII clauses

Critics of the bill, including the main opposition parties, claim that it will give the British government too many powers and call the relevant section “Henry VIII clauses”, which refers to the Statute of Proclamation 1539 allowing Henry VIII to legislate by proclamation. The Withdrawal Bill provides that ministers can use the delegated power according to their consideration, so that it is up to them to decide when a retained EU law is “deficient” and if there are “urgent circumstances”. This might not always be a straightforward question. As a consequence, some institutions and commentators claim that the powers provided in the Withdrawal Bill would enable the British government to legislate without the approval of Parliament in an unprecedented breadth of legal areas, handing ministers „sweeping powers“ to make hasty, ill thought-out legislation.

The British government has attempted to reassure critics by the inclusion of provisions into the Withdrawal Bill making such measures time limited and subject to a certain control by Parliament. Furthermore it is worth considering that delegated legislation is amenable to judicial review,

allowing the means to check and challenge questionable secondary legislation.

Allocation of powers taken back from EU

Some of the EU laws are in areas that are controlled by the devolved administrations (Scotland, Wales and Northern Ireland) - so the question arises if these areas become part of Westminster law, or if they will be added to the statute book in Scotland, Wales and Northern Ireland once taken back from Brussels.

The Scottish government claims that Westminster was planning a “power grab” with the Withdrawal Bill by refusing to hand over all responsibilities currently exercised by the EU in devolved policy areas such as fisheries and agriculture. So far it's not entirely clear how the transition will work, although the British government says it will work closely with the devolved administrations. It also predicts the repeal process will result in „a significant increase in the decision-making power of each devolved administration“, as powers in devolved areas are repatriated from Brussels, and ministers have confirmed the devolved administrations will be asked to consent to the bill. However, this does not amount to a veto.

Summary

Even though the Withdrawal Bill is met with political controversy, the core effects of its initial form are very likely to receive Royal Assent. With the Withdrawal Bill, the supremacy of EU law in the UK will end upon exit day, however, it is interesting to note that an initially substantial body of retained EU law will still be subject to the (historic) legal supremacy of the EU and the court decisions of the CJEU, until the law will be amended on or after exit day. The main aim of the Withdrawal Bill is that the British Parliament will be able to change the body of law without having to adhere to the supremacy of EU law. It remains to be seen how quickly the retained EU law will be amended on and after Brexit, most likely this is going to be a very gradual process. The “black hole” scenario will certainly be avoided.



GUEST COMMENTARY

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Chambers Europe 2017

Preu Bohlig & Partner is among the „Leading Firms“ in the category **“Intellectual Property: Patent Litigation”** (Band 2):

What the team is known for: „Solid patent litigation practice with praiseworthy experience, representing large national corporations in patent infringement and nullity proceedings (...) Sector specialisms include automotives, electronics and telecommunications.“

Strengths: (Quotes mainly from clients) „I am very enthusiastic about the technical understanding of the lawyers. They maintain their quality“

Notable practitioners: Sources say of Andreas Haberl: „It is really surprising how intensively he goes into the technical details of a case, which makes clients very fond of him. Although he is not a technician, he is very impressive.“ His expertise lies in patent infringement and validity proceedings, where he regularly represents Siemens, including in parallel nullity actions.

Significant clients: Hewlett Packard, humediQ, Volkswagen, Broadcom, GE Oil & Gas

The right to injunctive relief includes an obligation to recall products, including in preliminary injunction proceedings

In its “Recall of Rescue Products” decision (GRUR 2017, 208 et seq.), which was issued in the main proceedings, the German Federal Court of Justice found that a cease-and-desist obligation includes an obligation to recall products. This leaves open the question of whether the obligation also applies if the right to injunctive relief is only affirmed in preliminary injunction proceedings¹. However, a final clarification of this legal question is in sight, since there is another proceeding pending before the German Federal Court of Justice, which concerns recall claims in preliminary injunction proceedings (Case No.: I ZB 96/16). Nevertheless, in the meantime, companies should adapt their litigation procedures to reflect this case law.



In 2013, the Higher Regional Court of Munich, in main proceedings, ordered a supplier of Bach flower products to refrain from advertising and/or selling products labelled as spirits under the name “Rescue Drops” and/or “Rescue Night Spray” in the ordinary course of business. The demand, which was also made before the court of first instance, that the defendant should – within two weeks after service of the judgment – retract the allegation that its “Original Bach Flowers” are marketable in Germany without being approved as pharmaceutical products and/or registered, was no longer part of the appeal proceedings. Since the supplier’s products continued to be available in pharmacies, the creditors petitioned the Court to impose an administrative fine. The Regional Court denied the motion for the imposition of an administrative penalty. However, the appellate court found that the restraining order had been violated: The supplier had not recalled products that had already been delivered – as is required.

The German Federal Court of Justice sustained the decision of the appellate court. The court that conducts

enforcement proceedings must determine what practices are covered by the restraining order through interpretation of the writ of execution. The obligation to refrain from an act that constitutes a continuing violation is generally interpreted to include taking all possible and reasonable actions to eliminate the violation², if this is the only way to enforce compliance with the restraining order³. It is irrelevant which substantive legal claims the creditor has⁴. It is also not objectionable that the question whether the particular measure to eliminate the violation was proportionate was first examined in enforcement proceedings if the debtor did not address this in the regular proceedings⁵.

The German Federal Court of Justice further found that the obligation to eliminate the violation also encompasses the conduct of third parties. To be sure, the party against whom the injunction is directed is generally not responsible for the independent actions of third parties. However, it is required to exert influence on third parties whose actions are of economic benefit to him, if he/she can seriously expect violations on their part and has the

legal and actual ability to influence the conduct of such third parties. In this case, the German Federal Court of Justice affirmed the debtor's obligation to recall products already delivered to pharmacies, since the risk that the products in question would again be placed on the market continues as long as the products delivered by the debtor are available in pharmacies.

However, it is problematical that preliminary injunctions are frequently issued as court order without the participation of the respondent. In these cases, it is not possible to assert grounds that may make interpretation of the right to injunctive relief as including a recall obligation seem unreasonable or disproportionate before the preliminary injunction is issued. For this reason, there is no examination of the proportionality of the remedy, which the German Federal Court of Justice considers necessary.

In addition, a recall always has the nature of a sanction and damage-mitigation measure⁶. However, claims for damages and recall claims are generally dismissed

if they are expressly asserted in preliminary injunction proceedings, since the main issue may not be anticipated in proceedings for provisional legal protection.

Moreover, a recall has special economic effects in the pharmaceutical industry. For example, our general experience has been that the initial market-entry phase for a pharmaceutical decisively determines its economic success. Losses in this phase are generally not made up thereafter and cannot be adequately compensated under a claim for damages pursuant to § 945 ZPO [German Code of Civil Procedure]. It is also common experience that once pharmaceuticals are no longer prescribed by physicians due to a stop-sale order or recall, they will not be prescribed by them in the further course of their practice. The punitive nature of such a restraining order is evident as is the fact that the main issue is anticipated in preliminary injunction proceedings⁷, contrary to § 938 ZPO.



Legal 500 Deutschland 2017

Regulatory law – Healthcare sector (Top Tier:)

“The Preu Bohlig team, under the outstanding leadership of Practice Head Peter von Czettritz in Munich, advises manufacturers of pharmaceuticals and medical devices on matters of approval and certification, contract law and sales, as well as trademark and competition law issues. A highlight was the successful representation of Stada against the Federal Institute for Drugs and Medical Devices (BfArM) in appeal proceedings regarding Grippostad C and drug names in the context of umbrella brands. The team also advises Kohlpharma on a risk management plan for parallel imports and represents the client in several opposition proceedings and court actions against the BfArM. In the area of drug advertising law, the team represents Hexal in lawsuits against a competitor for its advertising of an asthma preparation and defends Stada against a complaint filed by the German Centre for Protection against Unfair Competition regarding a customer magazine.”

Leading names: Peter von Czettritz

Nevertheless: For the time being, it is necessary to adjust to the broadening interpretation of the right to injunctive relief to include recalls. This will result in an increase in submissions of protective briefs, since this is the only way to ensure a hearing before a court – before the issuance of a preliminary injunction – on the reasons why a recall of delivered products is disproportionate. This decision of the German Federal Court of Justice will also result in an increase in the assertion of damages claims under § 945 ZPO, since, when unjustified preliminary injunctions are issued, companies will use this regulation to attempt to recover the losses they have incurred (at least in part).



Dr. Stephanie Thewes

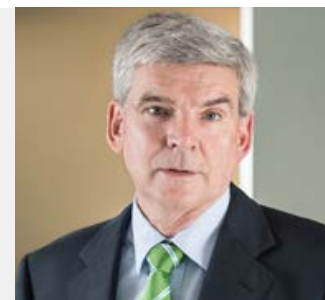
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- 1) Cf. Czettritz/Thewes, PharmR 2017, 92 et seq., for details.
- 2) GRUR 2017, 208, 210 marginal no. 24 referring to BGH GRUR 2016, 720 marginal no. 34 – Hot Sox.
- 3) GRUR 2017, 208, 210 marginal no. 26.
- 4) GRUR 2017, 208, 210 marginal no. 22, referring to BGH GRUR 2015, 1248 marginal no. 20 - 23.
- 5) OLG [Higher Regional Court of] Hamburg, PharmR 2003, 171.
- 6) OLG Düsseldorf, judgment dated 12 April 2016 - I-20 U 48/15, marginal no. 70, according to juris; Teplitzky, Wettbewerbsrechtliche Ansprüche und Verfahren, 10th ed. 2011, Chap. 22, marginal no. 1
- 7) Zöller/Vollkommer, ZPO, 31st ed. 2016, § 938, marginal no. 3



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Abgrenzungsvereinbarungen im Markenrecht; Akademie Heidelberg	21 September 2017, Cologne, Hotel im Wasserturm	Jürgen Schneider, Dr. Volkmar Bonn (Siemens AG)
Das neue Einheitspatent	26 September 2017, University of Mannheim	Andreas Haberl, Konstantin Schallmoser
Gewerblicher Rechtsschutz in Japan	10 October 2017, Düsseldorf, Industrie-Club, Elberfelder Straße 6	Dr. Axel Oldekop, Dr. Christian Kau, Andreas Haberl, Felix Einsel (Sonderhoff & Einsel), Kengo Sakai (Sonderhoff & Einsel)
Patentverletzung: Angriff und Verteidigung, FORUM Praxisseminar	18-19 October 2017, Hannover	Andreas Haberl, Dr. Benjamin Schröer, Hogan Lovells International LLP
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Wie könnte eine zukünftige Rechtsprechung zur Äquivalenz unter dem UPC aussehen?	03 November 2017, Basel, Novotel Basel-City	Andreas Haberl, Konstantin Schallmoser
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