



January Newsletter

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News

Preu Bohlig & Partner Continues to expand its IP Department in Dusseldorf with the Addition of Dr. Torben Düsing 02

Intellectual Property

Unified Patent Court Expected Surprisingly Set to Open 03

Patent Law: FRAND still a Current Topic 05

New Rules for Revocation Proceedings: Take Care when Presenting Alternative Motions 08

Liability for Password-Protected WLANs? 13

Trademark Law: Sparkassen Group Red 15

New Disclosure Requirements, New Litigation Risks 17

Awards

Leaders League – Patent Litigation 07

FOCUS Spezial 12

Leaders League – Trademark Litigation 16

Events and Seminars

First Preu Breakfast in Dusseldorf 20

Current Lectures and Seminars 21

Would you like to receive our newsletter 22

Our Locations 23

Preu Bohlig & Partner Continues to expand its IP Department in Dusseldorf with the Addition of Dr. Torben Düsing

Dr. Torben Düsing, an attorney specialized in trademark, competition and patent law, has joined Preu Bohlig & Partner on 1 January 2017

Dr. Torben Düsing, another experienced intellectual property law specialist has joined the firm. He has earned a reputation primarily in trademark, design unfair and competition law. With the entry of Dr. Torben Düsing, the Dusseldorf office also adds media law expertise to its portfolio.

Preu Bohlig & Partner's Dusseldorf team was restructured in early 2016, and was strengthened by Dr. Christian Kau, a patent law specialist. This was accompanied by a closer integration of the firm's various offices and the conduct of larger-scale cases, particularly patent infringement cases, by inter-office teams. Prof. Dr. Christian Donle, a partner in Preu Bohlig & Partner's Berlin office, says: „Dusseldorf continues to be a very important location for us, and we intend to further expand our Dusseldorf office. We are very pleased to have added an experienced and rising colleague in Dr. Torben Düsing, who will complement our range of advisory services, particularly in the so-called soft IP.“ With 32 attorneys, 28 of whom specialize in intellectual property law, Preu Bohlig & Partner is among the largest IP practices in Germany.

Preu Bohlig & Partner is a law firm. With offices in Munich, Berlin, Dusseldorf and Hamburg, as well as Paris, and with partnerships with well-known international firms, Preu Bohlig & Partner provides legal advice for national and multinational companies and institutions in the various aspects of business law. The firm specializes in intellectual property law, competition and copyright law, pharmaceutical law, press and media law and commercial and corporate law.



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Unified Patent Court Expected to Begin Operating in December 2017; Opt-Out Requests Possible as of September 2017

Following the United Kingdom's vote to exit the EU on 23 June 2016, almost all observers expected that the launch of the Unified Patent Court system would be delayed substantially. After all, the Agreement on a Unified Patent Court cannot take effect unless it is ratified by the United Kingdom (Article 89). It seemed extremely unlikely to everyone involved, from a political viewpoint, that the United Kingdom would quickly ratify the Agreement despite its vote to exit the EU.

But on 28 November 2016, the British government announced its intention to ratify the Agreement on a Unified Patent Court as soon as possible, an announcement which was coupled with the statement that it does not consider the Unified Patent Court to be an EU institution. The United Kingdom then proceeded to sign the Protocol on Privileges and Immunities of the Unified Patent Court on 14 December 2016. The entry into effect of this Protocol represents another mandatory precondition for the court to operate. The Protocol must be approved by the United Kingdom, France, Germany and Luxembourg (as the country of residence for the court of appeal). Germany has already initiated the legislative process in this regard. The British State Secretary responsible for the UPC, Mr. Jo Johnson, confirmed in mid-January that the UK intends to ratify the Agreement on a Unified Patent Court in the near future. The UK is expected to ratify the Agreement in April.

Once the UK and Germany deposit the ratification instruments for the Agreement on a Unified Patent Court, the requirements for entry into force will be met and the Unified Patent Court will begin to operate on the first day of the fourth month after the instruments are deposited. The present timetable calls for the Protocol to take effect as early as May 2017 based on the provisional application of the institutional provisions of the Agreement. The Protocol creates the Unified Patent Court as a legal entity and enables election of the necessary committees, the selection and appointment of judges and other personnel, the adoption of a budget and rules of procedure, the leasing of space for the court and the creation of a registrar's office, which will be responsible e.g. for accepting opt-out declarations. These declarations can be submitted even

before the court system begins to operate, likely as of September 2017. Affected patents will be treated as if the opt-out had been submitted on the first day that the Agreement on a Unified Patent Court took effect.

The British government considers the legal hurdles created by the UK's announcement of its withdrawal from the EU to be part of the overall package which is to be negotiated in connection with its exit from the EU. That the United Kingdom is subject to EU law, in patent law at least, and that it is required to submit to the decisions of the European Court of Justice insofar as that court has jurisdiction in questions of patent law, is directly evident from Articles 21-23 of the Agreement on a Unified Patent Court, so that an additional treaty provision is not required. However, arrangements need to be made with regard to the UK's participation in the court system established by the Regulation on jurisdiction and enforcement of judgments in civil and commercial matters (Regulation 1215/2012) and in the protective scope of European unitary patents. The relevant EU Regulations, Nos. 1257/2012 and 1260/2012, represent EU law. They cannot simply be applied to the United Kingdom as before once the UK withdraws from the EU. However, the two Regulations represent a „special agreement“ in accordance with Article 142 of the European Patent Convention (see Article 1(2) of Regulation 1257/2012), so that a possible solution might be extending the scope of European unitary patents to the United Kingdom using Article 142 of the European Patent Convention.

If additions need to be made to the Agreement on a Unified Patent Court itself, these can be negotiated directly between the EU and the United Kingdom. The

Agreement can then be amended through Article 87 of the Agreement in order to bring it into harmony with EU law. This would not require additional ratification by the member states.

Everyone involved expects the legal problems to be resolved and the obstacles to the new court system to be removed. Austria, Belgium, France, Portugal, Luxembourg, Sweden, Malta, Finland, Denmark, the Netherlands and Bulgaria have already deposited their ratification instruments. Italy and Slovenia have completed the legislative process in that regard and their ratifications should follow in the coming weeks. In other countries, including Lithuania and Latvia, the legislative process is also far enough advanced that those countries are expected to take part in the system from the beginning. Germany itself is expected to ratify the Agreement before the end of its legislative session. Accordingly, 17-20 countries will likely ratify the Agreement before the court begins to operate.

2017 will therefore be the key year for the transition to the unified patent court system. As usual, Preu Bohlig will provide expert, timely, detailed and comprehensive advice to ensure that you are prepared for the new court system. To this end, we will be holding seminars in Berlin, Dusseldorf and Munich beginning in the first half of 2017. If you are interested in taking part, you can submit your non-binding registration at eu-patent@preubohlig.de or anf@preubohlig.de.

Once you do so, we will notify you immediately as to the specific times and locations of the seminars. In addition, you can read about all new developments on our website, www.preubohlig.de.



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Patent Law: FRAND still a Current Topic

The German courts are continuing to include the ECJ's decision on the FRAND defense (ECJ, Judgment of 16 July 2015, Case No. 170/13, Huawei vs. ZTE) in their case law. Both the Dusseldorf and the Karlsruhe Courts of Appeal absorbed the ECJ's ruling in recent months and implemented it in pending infringement proceedings. Although the courts are gradually beginning to develop a joint understanding in key questions, a few aspects are still in dispute.

The procedure established by the ECJ around one and a half years ago for the notification of infringement and the offer and counter-offer of licenses on FRAND terms (discussed in detail in the Preu Bohlig & Partner October 2015 newsletter) is being implemented by the German courts in pending patent infringement proceedings. Since the decision, the courts have been engaged in clarifying individual questions based on the guidelines established by the ECJ. Some initial district court rulings were unbalanced to the detriment of patent users: while patent holders were given the opportunity to fulfil certain conditions for FRAND terms subsequently, patent users were not afforded this opportunity. The Dusseldorf Court of Appeal rectified this situation in two January 2016 rulings (Case Nos. I-15 U 65/15 and I-15 U 66/15) to ensure a balanced distribution of obligations between patent holders and users (cf. the Preu Bohlig & Partner April 2016 newsletter).

In their recent decisions, the Courts of Appeal in Dusseldorf and Karlsruhe address the question of when and to what extent the SEP holder (the plaintiff) and the patent user (the defendant) are required to meet their obligations under the ECJ's decision in Huawei vs. ZTE. The rulings by the courts in Dusseldorf (Orders of 9 May 2016, Case Nos. 35/16 and I-15 U 36/16) and Karlsruhe (Orders of 31 May 2016, Case No. 6 U 55/16 and of 29 August 2016, Case No. 6 U 57/16) deal with injunction motions in „transitional cases,“ i.e. cases that were pending at the time of the ECJ's ruling. Although these decisions were made in summary proceedings, the level of detail in the grounds to these rulings is indicative

of the importance which courts presently attach to the FRAND issue. However, the fundamental considerations cited by the courts suggest that they will proceed along the lines indicated below in future patent infringement proceedings. The position taken by the courts will certainly have a great impact on the course of action taken by SEP holders in the future prior to taking legal action:

- While the ECJ's ruling states that notification (“alert”) of the patent infringement should be given to the patent user before filing the action, it may be sufficient to notify the patent user by filing the patent infringement action itself. Although such a „premature“ legal action represents a violation of antitrust law on the part of the plaintiff, measures can be taken in the course of the proceedings which can, in principle, eliminate the risks to the licensing market arising from such violation of the law. Moreover, if there is no way to remedy the violation, the consequence would be for the plaintiff to withdraw the complaint and refile, so that the patent user would not gain anything in that regard.
- According to the ECJ, the SEP holder's offer to enter into a license agreement must also be made before an action is filed so that the contractual negotiations can be conducted without the immediate pressure of litigation. However, the Courts of Appeal endorse the view that the SEP holder may offer a license even while litigation is pending. As a reason they point out e.g. that, if the situation were reversed, an order to

cease and desist can hardly be issued against the defendant if the latter were to accept the license offer or issue a counter-offer on FRAND terms while the proceedings are pending. In view of the fact that the proceedings tend to take a long time, with approximately one year elapsing between the filing of the complaint and issuance of the judgment, the courts found that there is enough time for the defendant to comply with its obligations. However, the 7th Civil Division of the Mannheim District Court has a different view on this matter, adhering more closely to the standards established by the ECJ. In its opinion, further negotiations should take place in the period between withdrawal of the complaint and the filing of a new complaint with the object of concluding a license agreement, unencumbered by the pressure of pending litigation (Judgment of 1 July 2016, Case No. 7 O 209/15).

- Nevertheless, SEP holders and patent users are sometimes held to unequal standards. While SEP holders can comply with their obligations at any time after the complaint is filed, patent users are required to make their counter-offers „immediately“ in order to eliminate delaying tactics. Specifically, the Dusseldorf Court of Appeal ruled that a response time of 5 months was too long for the defendant, despite the fact that the latter was compelled to deal with the pending infringement action at the same time. As a result, the defendant may be under double pressure dealing with the license negotiations and patent litigation simultaneously.
- Finally, the extent of the claim to render accounts is also a topic of debate. In his handbook, Dr. Kühnen (Presiding Judge in the Dusseldorf Court of Appeal) expressed the view that SEP holders who fail to meet their obligations to conclude a license agreement conforming to the FRAND terms are entitled only to a damage claim in the amount of the FRAND license. Accordingly, the associated claim to render accounts is also limited to the information which is necessary for cal-

culating such FRAND license fee. However, while the Karlsruhe Court of Appeal is sympathetic to this view, it now rejects any substantive restrictions on the claim to render accounts. It argues that no such restriction can be derived from the law and that one cannot rule out the possibility that other disclosures (e.g. supply and demand prices) will also be necessary for the determination of a FRAND royalty. It is conceivable that patent users facing an infringement action who argue that damages must be limited accordingly will not succeed until the proceedings to determine the amount of the damages.

As a different topic, the Mannheim and Karlsruhe courts are currently engaged in a substantive discussion as to whether the SEP holder's license offer is subject to full judicial review with regard to its conformance to FRAND terms. In the past, district courts in particular have avoided entering into the commercial aspects of the dispute between the SEP holder and the patent user. These courts have routinely limited themselves to checking for manifest errors, i.e. examining whether the SEP holder's offer represents a clear violation of antitrust laws. The Karlsruhe Court of Appeal turns this practice on its head, as its Order of 8 September 2016 (Case No. 6 U 58/16) confirms the view which was expressed in its Order of 31 May 2016 (Case No. 6 U 55/16) to the effect that the court adjudicating the infringement case is required to subject the license offer to a full substantive review with regard to its compliance with the FRAND criteria. However, the Karlsruhe Court of Appeal grants the SEP holder a certain (in some cases generous) amount of discretion when it comes to assessing the FRAND criteria. The result of this approach seems to be that the courts would not examine the specific terms of the offer for compliance with FRAND terms after all. Rather, they would (only) conduct a review as to whether the offer crosses the line with regard to antitrust law.



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Leaders League 2016: Patent Litigation

Preu Bohlig & Partner listed in the „Patent Litigation“ category (1 – leading)



New Rules for Revocation Proceedings: Take Care when Presenting Alternative Motions

The rules for revocation proceedings have been reformed by the rulings of the Federal Supreme Court so as to more closely approximate an adversarial procedure, imposing duties upon the parties to expedite the proceedings. This applies not just for the plaintiff's factual argumentation with respect to prior art and patentability, but also to the presentation of alternative motions by the patent holder for a narrower defense of the patent. The Federal Supreme Court's ruling on the admissibility of alternative motions in the second instance, GRUR 2016, 365 (telecommunication line) and the recently published „Windscreen II“ decision (Judgment of 21 June 2016, Case No. X ZR 41/14) should therefore be introduced as part of a larger systematic context.

1. In accordance with § 87 of the Patent Act, revocation proceedings before the Federal Patent Court are to be governed by the principle of ex officio investigation. As we know, the Federal Supreme Court has limited the scope of this principle and impose extensive duties upon the parties to expedite the proceedings (Federal Supreme Court, GRUR 2013, 1272; „crank arm“):

a) In particular, the plaintiff is required to detail the specific contribution which components of which citation from the prior art supposedly makes to the alleged lack of patentability. This specified argumentation represents a means for the plaintiff to challenge the patent (Federal Supreme Court, GRUR 2013, 1272, „crank arm“; Federal Supreme Court, GRUR 2012, 1236, „vehicle alternator“).

b) By the same token, it is incumbent upon the patent holder, as a means of defense, to present arguments concerning the disclosed content of documents in the prior art which demonstrate a technological development deviating from the invention (Federal Supreme Court, GRUR 2013, 1272, crank arm). From this, one can derive by way of interpretation and interpolation that the patent holder is obligated to present a narrower defense which supports the patentability of its patent, although it is the task of the plaintiff to show that patentability is lacking. In the event sub-claims are included in the alternative claim, this burden of argumentation placed upon the patent holder means that, in accordance with consistent practice, if the principal claim is found to be non-patentable, the patent as a whole is revoked along with the summary if the patent

holder fails to present argumentation concerning the patentability of the sub-claims, and if such arguments are not otherwise evident (cf. Federal Supreme Court, GRUR 2012, 149, sensor assembly).

c) The duty of the parties to expedite the proceedings is specified in particular fashion by references from the Federal Patent Court in accordance with § 83 of the Patent Act. In that case, the Federal Patent Court refers the parties to the aspects which are likely to be of material importance for its ruling or which would help focus the hearing on the material questions. If the parties fail to respond to the references from the Federal Patent Court, e.g. if the plaintiff fails to cite any further prior art within the period set by the court or the patent holder fails to announce alternative motions for a narrower defense of the patent within the period set, any such arguments which are presented after the period expires may be dismissed by the Federal Patent Court, exercising its due discretion, i.e. disregarded in the court's decision in the matter.

d) But an early reference from the Federal Patent Court does more than just specify the duties of the parties to expedite the proceedings in the first-instance proceedings. As we will attempt to show below, the reference order from the court and the response of the patent holder to this order in the first instance also have a fundamental impact in determining the question as to whether alternative motions are admissible in the second instance.

2. On this point, we should begin by briefly sketching out the rules for the admissibility of new argumentation in the second instance:

a) The Federal Supreme Court is only required to consider in its ruling arguments from the parties for or against the validity of the patent which are first presented in the second instance in accordance with the rules set down in §§ 117 of the Patent Act and 529 and 531 of the Civil Procedure Code; in particular, Section 531(1) No. 3 of the Civil Procedure Code states that arguments for or against revoking the patent may be dismissed by the Federal Supreme Court if the failure of the parties to present those arguments in the first instance is attributable to the negligence of the party in question.

b) The admissibility of alternative motions for narrower defense which are first presented in the second instance is determined in accordance with § 116(2) of the Patent Act. That statute states that defenses of a modified version of the patent are only admissible if the opposing party consents or if the modified version is pertinent, and if the amended motions are based on circumstances which the Federal Supreme Court is required to take into account in its ruling in accordance with §§ 117 of the Patent Act and 529 and 531 of the Civil Procedure Code.

c) That a separate rule is required for the admissibility of alternative motions is evident from the nature of the matter: the narrowing of the patent claim is essentially a defense of the patent „as such,“ which cannot be dismissed in accordance with §§ 117 of the Patent Act and 529 and 531 of the Civil Procedure Code, since those statutes only relate to „means of defense.“ The „double review“ called for in those statutes, of the pertinence of the motion as well as the admissibility of the underlying argumentation, is reflected in § 533 of the Civil Procedure Code: in that case as well, a modification of the complaint in the second instance is only admissible if the opposing party consents, or if the modification is pertinent and is based on circumstances on which the appellate court is required to base its ruling in accordance with §§ 529 and 531 of the Civil Procedure Code.

3. Only relatively few rulings have been made with regard to the admissibility of alternative motions first presented in the second instance:

a) In its „rolling stock“ ruling (GRUR 2013, 912), the Federal Supreme Court found that the narrowed defense of a patent which is first asserted on appeal is generally admissible in accordance with § 116(2) of the Patent Act if the modified version of the patent asserted by the defendant takes into account the legal view of the Federal Supreme Court on interpretation of the patent which deviates from the assessment of the court of first instance, so that the subject of the patent is limited to the subject which was evident from the issued version of the patent, in the view of the patent court.

b) In another case (GRUR 2014, 2016: analog-digital converters), the Federal Supreme Court ruled that new alternative motions first presented in the second instance are admissible if, in its reference in accordance with § 83 of the Patent Act, the Federal Patent Court merely cites specific arguments by the plaintiff for revocation of the patent, and therefore generally gives no cause for the defendant, aside from alternative motions in response to the reference given by the court, to present additional alternative motions as a precautionary measure with regard to arguments by the plaintiff which are not addressed by the patent court in its reference or which the court considered unpromising.

4. In the telecommunications line case (GRUR 2016, 365), the Federal Patent Court stated in its reference order that the disputed patent was likely not inventive. Nevertheless, the patent holder failed to present alternative motions at the hearing. Moreover, the patent holder failed to present argumentation in the first instance with regard to the inventive content of the sub-claims (Marginal Nos. 26 and 28). The defendant then presented alternative motions for the first time in the second instance which combined Claim 1 of the issued patent with the sub-claims. The Federal Supreme Court refused to allow these alternative motions. As grounds for this decision, it cited the following:

a) In view of its duty to expedite the proceedings, the reference from the Federal Patent Court should have induced the defendant to present amended alternative claims in defense of the patent while the proceedings before the Federal Patent Court were still ongoing (Marginal No. 26). The Federal Supreme Court stressed in this regard that a ruling in the matter could not yet be rendered if the alternative motions were allowed, so that the matter would either have to be referred back to the Federal Patent Court in accordance with § 119 of the Patent Act or the Federal Supreme Court would have had to solicit expert testimony, so that it was incumbent upon the defendant, within the bounds of its duty to expedite the proceedings, to present its alternative motions in the first instance, to the patent court, whose members are familiar with the technical questions involved (Marginal No. 26).

b) The Federal Supreme Court also stated that the question as to whether the presentation of alternative motions combining the primary claim with the subclaims demonstrate inventive content represents a new defense for the patent holder, since no such arguments were presented in the first instance (Marginal Nos. 27 and 28). This court found that this new defense is to be dismissed in accordance with §§ 117 of the Patent Act and 529 and 531(2) Sentence 1 No. 3 of the Civil Procedure Code since the defendant's failure to assert this argument before the patent court can be attributed to its own negligence. In other words, the alternative motions are to be dismissed because the defendant failed to meet its duty to expedite the proceedings in the first instance, as specified by the reference order.

5. The Federal Supreme Court had never explained the definition of „pertinence“ in accordance with § 116(2) of the Patent Act. But this term was the subject of the court's ruling in the „Windscreen II“ case:

a) In that case, the Federal Patent Court issued a reference order expressing the preliminary assessment that the patent was patentable only in the version stated in the alternative motion which had already been presented by the defendant. The defendant respon-

ded by presenting the alternative motion as its new primary motion (Marginal No. 40). The plaintiff, for its part, took the reference from the Federal Patent Court as an opportunity to present extensive new argumentation and introduce additional prior art into the proceedings. The Federal Supreme Court ruled that this new argumentation gave no cause for the defendant to present further alternative motions as a precautionary measure since the Federal Patent Court issued no further reference orders prior to the hearing (Marginal No. 41). It was not until the hearing that the Federal Patent Court stated that, based on the plaintiff's new argumentation, it no longer adhered to its preliminary assessment stated in the reference order, to the effect that the patent was patentable in the form of the new principal motion (Marginal No. 42). This is consistent with the procedure of the Federal Patent Court which has been approved by the Federal Supreme Court: even in cases where the plaintiff presents extensive new prior art in response to an unfavorable reference order, and therefore creates a „new case“, the court does not issue another written reference order (Federal Supreme Court, GRUR 2013, 1174, mixer attachment). In other words, the parties do not find out until the hearing whether the Federal Patent Court considers the patent to be patentable in light of the newly presented prior art.

b) The Federal Supreme Court states in its „Windscreen II“ ruling that such a reference given by the court at the hearing gives cause to the patent holder to formulate and present alternative motions at the hearing (Marginal No. 42). The defendant did, in fact, do so. However, those alternative motions were not identical with the alternative motions formulated in the appellate instance (Marginal No. 42). This raises the question as to whether the alternative motions which are first presented in the second instance with this specific formulation are pertinent in accordance with § 116(2) of the Patent Act.

c) With regard to the question of pertinence, it is typically stated that new motions are pertinent if the subject matter of the proceedings up to that point can be evaluated in an efficient manner even with a decision

on the new motions, and if allowing the alternative motions would avoid new proceedings (cf. Keukenschrijver, *Patentnichtigkeitsverfahren*, 6th ed., Marginal No. 459, p. 258). This definition of pertinence is clearly shaped by the question as to whether a modification or extension of the complaint in the second instance is admissible. But this definition of pertinence is only partially applicable for the narrowed defense of patents through alternative motions, since the most certain way of avoiding additional revocation proceedings would be to refuse to allow the alternative motions and revoke the patent entirely.

d) Accordingly, the Federal Supreme Court has chosen another approach for assessing pertinence. It states that the question as to the form in which a limited defense of the patent through alternative motions is admissible involves complex considerations in view of the admissibility of such a defense and its prospects of success. This circumstance typically opposes the conclusion that the patent holder is to be blamed for neglecting its duty to expedite the proceedings due to its failure to finalize these considerations during the hearing before the Federal Patent Court (Marginal No. 42). The Federal Supreme Court also associates the question of pertinence with the substantive quality of the references given by the court at the hearing, which should come as no surprise when one considers that the references from the Federal Patent Court are designed to specify the parties' duty to expedite the proceedings (see above, No. 1 c)). The Federal Supreme Court states that a party cannot be held to have neglected its duty to expedite the proceedings if, as in the case at hand, it is not evident from the record of the hearing whether the Federal Patent Court has made clear the specific considerations which moved the court to alter the preliminary assessment given in its written reference order, so that it was not immediately evident to the patent holder in what way it would be expedient to narrow its defense so as to respond to the court's concerns (Marginal No. 43).

e) The association of procedural negligence with the question of pertinence may be surprising at first glance since the consideration of new motions in ac-

cordance with § 116(2) of the Patent Act clearly distinguishes between pertinence as a precondition of admissibility and the admissibility of the underlying argumentation in accordance with §§ 117 of the Patent Act and 529 and 531 of the Civil Procedure Code, which e.g. can be disregarded if the party's failure to present this argumentation in the first instance was procedurally negligent (for this double review, see above, No. 2 c)). The purpose here is not to consider whether there may conceivably be cases in which alternative motions might be pertinent despite violation of the duty to expedite the proceedings. In any case, the association of the duty to expedite the proceedings with the criterion of pertinence appears to be driven by the desire to subject the double review as to the admissibility of new motions from the patent holder to a single assessment.

6. In addition, two conclusions are to be drawn with regard to the conduct of revocation proceedings:

a) If the plaintiff presents extensive new prior art following a reference order from the Federal Patent Court which favors the patent holder, the patent holder needs to be prepared for all eventualities and have alternative motions ready at the hearing. Specifically, if the Federal Patent Court, based on the new argumentation, finds that the disputed patent is not patentable after all and enters an indication to this effect into the record at the hearing, the duty to expedite the proceedings requires the defendant to respond by presenting alternative motions at the hearing.

b) The reference by the Federal Supreme Court to the entry into the record of this further reference at the hearing cuts both ways: the more specific the references given by the Federal Patent Court which are entered into the record at the hearing, the more extensive is the defendant's duty to expedite the proceedings, i.e. the greater its duty to incorporate these references in its argumentation and formulate alternative motions accordingly. Obviously, this work cannot be performed without preparation. Accordingly, patent holders and their attorneys would be well-advised to carefully consider the lines of attack in the plaintiff's new argu-

mentation before the hearing so as to investigate all possible lines of retreat for alternative motions and the formulation of such motions as soon as possible in advance. This is all the more necessary since each attorney representing clients in revocation proceedings is required to take the safest course for his or her client.



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FOCUS Magazine Special Edition: Preu Bohlig & Partner named „top business law firm“ once again in 2016

In FOCUS magazine's special issue devoted to „Germany's Top Lawyers“ (the October/November 2016 issue), Preu Bohlig & Partner will once again be recognized as a „top business law firm“ in 2016 in the „patent law“ and „trademark law“ categories.

The list of Germany's top business law firms was compiled for FOCUS by the Hamburg Statistical Institute based on a survey of attorneys from business law firms and the legal departments of companies in 24 segments. Selection was based on the frequency of colleague recommendations; each participant could recommend one or more colleagues in his or her own area but outside his or her own firm.

Liability for Password-Protected WLANs?

On 20 August 2014, the Federal Cabinet adopted the digital agenda for the promotion of digital reform in the Federal Republic of Germany. Part of this agenda was to afford providers of WLAN internet access the same liability privileges as access providers in order to create an incentive for the enabling of free and open WLAN access in the public space, e.g. at airports and in hotels and cafés, given that the number of public hotspots in Germany continues to be much too low relative to other countries.

The issue acquired additional currency due to a court ruling. Almost simultaneously with the adoption of this resolution by the Federal Cabinet, the District Court of Munich I issued a request for preliminary ruling to the ECJ in the case of Sony Music Entertainment Germany GmbH vs. Tobias McFadden seeking clarification as to the question of the liability of operators of public WLANs at the European level.

The District Court's request for a preliminary ruling was based on a typical everyday situation: the plaintiff, Tobias McFadden, operates a WLAN belong to his business which was not password-protected. This internet access was used to offer the download of a copyrighted musical work of Sony Music Entertainment Germany GmbH in an online exchange. Sony sent McFadden a cease-and-desist letter alleging copyright infringement and McFadden responded by filing suit and asking the court to find that Sony is not entitled to any claims in copyright law. Sony then filed a counterclaim seeking desistance, damages and payment of costs.

The District Court of Munich I ruled that the plaintiff did not commit the infringement independently and therefore ruled out liability as a perpetrator. However, it was inclined to affirm liability as an accessory based on the principles established in the Federal Supreme Court's „Sommer unseres Lebens“ ruling, since McFadden operated the WLAN without security measures of any kind. The District Court of Munich I therefore sought guidance from the ECJ as to whether a business owner who operates a free and public WLAN in the course of its business activities is to be seen as a service provider, therefore benefiting from the liability privilege established in Article 12(1) of Directive 2000/31/EC. In a separate question for referral to the ECJ, the court sought clarification as to whether the term „service provider“ implies an economic activity.

On 15 September 2016, the ECJ issues its judgment in the matter of Sony vs. McFadden. The ECJ found that the liability privileges established in Article 12(1) of the Directive on electronic commerce apply to commercial WLAN operators which offer their network to the public free of charge insofar as this service represents an advertising measure for the goods and services offered by the provider. It further ruled that the provision of access to a WLAN network is to be assumed if the network can be accessed by means of a technical, automatic and passive process ensuring transmission of the necessary information.

The ECJ takes the view that, provided the three requirements mentioned in Article 12(1) of the Directive on electronic commerce are met, i.e. if

- the provider does not initiate the transmission;
- the provider does not select the receiver of the transmission; and
- the provider does not select or modify the information contained in the transmission;

the provider cannot be held liable for damages resulting from the infringing use of its communication network by third parties. The ECJ also rules out the possibility that third parties can be held liable for the costs of giving formal notice and court costs incurred by the copyright holder insofar as those costs relate to the damage claim.

In principle, the European Court of Justice did allow for the possibility that a court (or government authority) could require the service provider to cease or prevent the copyright infringement. Accordingly, right holders may continue to assert desistance claims, and the same applies for the costs of giving formal notice and court costs.

However, the ECJ did limit the scope of such desistance claims: since orders to cease and desist interfere with the freedom of the WLAN operator to conduct its business, the latter can only be expected to take precautions which fairly balance the right holder's right to protect its intellectual property against the service provider's freedom to conduct its business. In the ECJ's view, the service provider cannot be expected to investigate all the transmitted information or to shut off internet access entirely. However, since it is also necessary to ensure effective protection of intellectual property rights, the ECJ does allow for the possibility of an order requiring the WLAN operator to protect its network with a password and to ascertain the user's identity when issuing these passwords.

The ECJ did not examine whether other - perhaps less intrusive - measures might also ensure the desired level of protection, since this question was not addressed in the referral from the District Court of Munich I and since the ECJ assumed that no other measures were technically available. It will be necessary to carefully observe how the case law in this regard develops in the coming years.

With regard to private networks, which are not affected by Article 12(1) of the Directive on electronic commerce, the Federal Supreme Court seems to have supplied the first benchmarks in its „WLAN key“ ruling of 24 November 2016. In that judgment, the Federal Supreme Court rules that the owner of a private internet connection with a WLAN function cannot be held liable as an accessory if an unknown third party uses the network to make a film available to the public by way of file sharing since, at the time of the download, the WLAN router was protected by a secure, individual password of adequate length which conformed to the encryption standard at the time.



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Trademark Law: Sparkassen Group Red

By Order of 21 July 2016, in Case No. I ZB 52/15, the Federal Supreme Court dismissed a request pursuant to § 50 and 8(2) No. 1 of the Trademark Act for cancellation of the abstract color mark „red“ held by Deutscher Sparkassen- und Giroverband (DSGV), the umbrella association of Sparkassen Group, because the trademark holder was able to demonstrate a secondary meaning at the time the cancellation request was decided.



DSGV, the umbrella association of Sparkassen Group, is the holder of the German color mark „red.“ The trademark was entered into the Register based on its secondary meaning.

DSGV used this color mark e.g. to sue the Spanish Santander Bank for using its own corporate color, „red,“ albeit a different shade of red, e.g. on the occasion of the Formula One event „Santander German Grand Prix 2001“ for its advertising on the streamers and on the rear wall of the podium. Defendant 2 in the infringement case is the parent company of „Santander“ Group, a Spanish financial conglomerate which operates internationally. Defendant 2 has a branch office in Germany and has a license to conduct banking transactions in Germany. Its subsidiary, Defendant 1, maintains about 200 bank branches in Germany.

The defendants counter-attacked and asked the German Patent and Trademark Office to cancel the abstract color mark „red“ which is described above. They asked for a stay of proceedings in the infringement case until a decision could be made on this cancellation request.

The appellate court in the infringement case (the Higher Regional Court of Hamburg) granted Defendant 1's motion for a stay of proceedings. The Higher Regional

Court of Hamburg also issued a partial judgment in favor of Defendant 2 dismissing DSGV's appeal against the first-instance judgment dismissing the complaint.

On DSGV's appeal on points of law, the Federal Supreme Court overturned the partial judgment by Judgment of 23 September 2015 and referred the matter back to the appellate court for a new hearing and decision (this Judgment is printed in GRUR 2015, pp. 1201 et seq.).

The Federal Supreme Court ruled that DSGV did not have a claim against Santander Group pursuant to §§ 14(5) and 14(2) No. 1 of the Trademark Act (protection of identity) because Santander Group was using a different shade of red. The court found that the marks used by the two companies were therefore not identical, so that § 14(2) No. 1 of the Trademark Act does not come into consideration as the basis for a claim. The Federal Supreme Court also found that no claim exists pursuant to §§ 14(5) and 14(2) No. 2 of the Trademark Act (risk of confusion) because Santander Group did not use its corporate color „red“ as a trademark in this case.

However, the Federal Supreme Court came to the conclusion that the existence of a claim pursuant to §§ 14(5) and 14(2) No. 3 of the Trademark Act (pro-

tection of familiar trademarks) could not be denied. It considered that the abstract color mark „red“ held by DSGVO is a well-known trademark. For such a claim to exist, it would be sufficient to find interference with a function other than that of identification of origin. The Federal Supreme Court referred the matter back to the appellate court for clarification as to whether this claim ultimately exists.

By Order of 21 July 2016, the Federal Supreme Court has also issued a decision on the request by Santander Group for cancellation of the abstract color mark „red.“

The Federal Supreme Court began by upholding the view of the Federal Patent Court to the effect that the obstacle to absolute protection is a lack of distinctiveness in accordance with § 8(2) No. 1 of the Trademark Act. The court stated that abstract color marks are generally not distinctive and therefore not eligible for entry in accordance with § 8(2) No. 1 of the Trademark Act because the relevant consumers typically perceive color as a decorative element and not as an identifying mark. However, the court found that this obstacle is overcome by the secondary meaning assumed by the German Patent and Trademark Office at the time of the registration.

In the cancellation proceedings, DSGVO was no longer able to demonstrate a secondary meaning of the abstract color mark „red“ at the time of registration (7 February 2002). However, it was able to explain and demonstrate, through the presentation of relevant expert opinions, that the abstract color mark „red“ did have such a secondary meaning for the services in question at the time of the decision on the cancellation request. The court held that this was enough to dismiss the cancellation request because, pursuant to § 50 of the Trademark Act, cancellation is only to be made if the obstacle to protection exists even at the time of the decision on the cancellation request. The court ruled that this was not the case since DSGVO was able to show that a secondary meaning existed at that time, so that the cancellation request was to be dismissed.

Conclusion

Those facing a cancellation request pursuant to §§ 50 and 8 of the Trademark Act should commission expert opinions to this effect after receiving the request for cancellation at the latest and, if the proceedings last for a long time, should present not just one but multiple expert opinions, particularly relating to the time shortly before a decision is made on the request.



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Leaders League 2016 – Trademark Litigation

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New Disclosure Requirements, New Litigation Risks

1. Change in the legal situation

The European Union is continuing its efforts to create a high level of consumer protection. The ADR Directive (2013/11/EU) and Regulation No. 524/2013 require member states to establish an out-of-court dispute resolution system for online commerce.

The German government has met this requirement by enacting the Consumer Dispute Resolution Act [Verbraucherstreitbeilegungsgesetz], which regulates the licensing and operation of conciliation boards, as well as companies' duties.

Since 2016, the European Union has operated an online dispute resolution platform in which consumers can lodge complaints in connection with online transactions. As of April 2016, business owners who conclude online agreements with consumers have been required to make disclosures using this platform by providing their e-mail address as well as a link from the platform to an easily accessible page of their website.

All companies which have yet to comply with this requirement are urgently advised to do so as soon as possible. We would be glad to provide the relevant link as well as further information. To expedite the process, the Ministry of Justice provides web banners for this purpose at the following link: www.bmjjv.de/odr-banner.

These disclosure requirements will be extended as of 1 February 2017:

Each business which operates a website or uses general terms and conditions of business will be required to disclose whether it takes part in out-of-court dispute resolution procedures. If available, this information to be placed on the website and in the GTCs.

While the participation in such procedures is voluntary (with exceptions for energy companies and airlines), the company is required to disclose whether or not it is prepared to take part in them. Only companies with ten or fewer employees and those which do not use a website or GTCs are exempt from the disclosure requirement.

2. Who conducts the conciliation procedure and what is the process like?

The Consumer Dispute Resolution Act defines the requirements for conciliation boards and their operation.

Conciliation boards can be established by public authorities as well as by private associations. They are required to adopt binding rules of procedure and to maintain their independence as well as an earmarked and adequate budget which is separate from that of its sponsoring association. In some cases, they must be comprised of an equal number of members from each side in order to maintain neutrality.

The conciliator himself must be qualified to exercise the office of judge or be a certified mediator. The law provides that the conciliation board is to decide within three weeks of receiving the complaint whether or not to take the complaint. If it does so, both parties are to be granted a hearing and a conciliation proposal is to be made no later than 90 days after receipt of the complete record. The participation of legal counsel is permitted but not required.

Both parties may terminate the conciliation at any time. Conciliation proposals are not binding. In-court litigation may be initiated at any time.

The procedure causes costs to accrue which are generally to be paid by the business, ranging from EUR 75.00 to EUR 380.00 depending on the value and course of the procedure. In the few exceptional cases in which costs are to be borne by the consumer, those costs are capped at EUR 30.00.

3. What do businesses need to keep in mind?

– Businesses need to consider the subject and decide whether they plan to participate in conciliation procedures or not. They may decide to participate in the procedure only for certain conflicts, e.g. for conflicts up a certain value.

– The declaration that a business is willing to take part in conciliation procedures is binding and establishes an obligation to specify the precise address and website of the competent consumer conciliati-

on board (§ 36(1) No. 2 of the Consumer Dispute Resolution Act).

There is a general conciliation board in Kehl. It can be reached via the following link: <https://www.verbraucher-schlichter.de/herzlich-willkommen-be0-der-allgemeinen-verbraucherschlichtungsstelle-%e2%80%93-ihre-schlichtungsstelle-fuer-verbraucherstreitigkeiten>.

A list of industry-specific conciliation boards which have been submitted so far can be found at the following link: https://www.bundesjustizamt.de/DE/SharedDocs/Publikationen/Verbraucherschutz/Liste_Verbraucherschlichtungsstellen.pdf%3F_blob%3DpublicationFile%26y%3D24.

– Regardless of how the business positions itself, its website and GTCs will have to be adapted.

– If small businesses with fewer than ten employees hire additional employees so that the threshold of ten employees is exceeded, they must ensure compliance with the disclosure requirement in the following year. The decisive figure in each case is the number of employees on the final day of the last year.

– In the event of a compliant, the business is also required to notify the affected consumer about its willingness to take part in the procedure. If it is willing to do so, the customer is to be notified of the competent conciliation board; otherwise, the customer is to be notified that the business will not be taking part so as to save the customer the cost and effort of requesting conciliation.

– If these requirements are not met, the business may face cease and desist letters from competitors, as well as from competition or consumer associations.

4. What opportunities could arise for businesses from the new rules?

Companies can establish an industry-specific conciliation board or participate in an existing one. Clearly, industry-specific conciliation boards will have the professional expertise necessary to resolve conflicts in a particularly expedient manner, and the quality of these decisions may exceed that of the judgments rendered by the civil courts.

In this way, economic operators will be able to help shape the development of the law by creating sensible rules and conciliation proposals.

5. What do we recommend?

The question as to whether it makes sense for a company to take part in an out-of-court dispute resolution procedure is a controversial one.

The Federal Ministry of Justice stresses that such procedures are quick, cost-efficient and involve few expenses, and points out that companies have an opportunity to improve their image by announcing their willingness to take part in these procedures. It is true that conciliation proposals create legal certainty quickly and at low cost.

Critics point out that the business will have to bear the costs of the procedure regardless of its outcome. They also fear that the „conciliators“ will ask the business to give in even in cases where it is clearly in the right.

The option of establishing industry-specific conciliation board comprised of industry members is often viewed as an opportunity to implement practical solutions.

6. Conclusion

The new consumer protection rules impose stricter formal requirements with regard to companies' public image. They result in higher expenses as well as the risk of litigation.

Certainly, there is no particular need for the creation of such bodies in Germany in view of the presence of easily accessible, relatively low-cost and

qualified civil courts, as well as the ability to obtain help with legal expenses. The situation may be different in other member states. Nevertheless, Germany is required to subject itself to these initiatives as well in the interest of the harmonization of the European single market.

We will gladly advise you as to whether or not it would be sensible for your business to take part in such arbitration procedures, how to create an arbitration board yourself if you wish and how to adapt the public presentation of your business to the new requirements.



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First Preu Breakfast in Dusseldorf

Following the successful opening of our new Dusseldorf office, our colleagues held their first Dusseldorf Preu breakfast on 24 May.

The topic was „When things get personal: the personal liability of managing directors for violations of intellectual property and competition law,“ which gave our Dusseldorf team the opportunity to combine their various areas of expertise and present a comprehensive picture of managing director’s liability in the various fields of law. Albrecht Lutterbeck began by summarizing the duties of managing directors in corporate and labor law. He was followed by Martin Momtschilow, who focused on aspects of competition law. Finally, Christian Kau discussed the rulings of the Trademark and Patent Divisions of the Federal Supreme Court in

order to identify differences in managing director’s liability between cases of intellectual property violations on the one hand and violations of competition law on the other. Our guests, consisting of both (patent) attorneys and representatives from the business world, found the topic interesting and were eager to engage in a discussion: good ingredients for a lively breakfast with a pleasant atmosphere. After a brisk two-hour exchange, all participants agreed that the „Dusseldorf Preu breakfast“ was off to a good start and should certainly be continued.



Our office in Dusseldorf



First Preu Breakfast in Dusseldorf

Current Lectures and Seminars

Below you find a list of current lectures and papers by our lawyers:

Information on seminar activities	Date, Place	Speaker(s)
Social Media - Seminar und Podiumsdiskussion, Generalstabs-/Admiralstabsdienstlehrgang	March, 1st 2017, Führungsakademie der Bundeswehr, Hamburg	Philipp von Mettenheim
20. Marburger Gespräche zum Pharmarecht Aktuelle Fragen der Pharmakovigilanz (GF als Stufenplanbeauftragter – Auswirkungen auf andere Beauftragte; Importeure – Patientensicherheit)	March, 2nd 2017, Philipps Universität Marburg	Peter von Czettritz
Unterlagenschutz - alter Hut oder wichtiges Instrument?, FORUM Seminar, Link	March, 15th 2017, Bonn	Peter von Czettritz
Patentverletzung: Angriff und Verteidigung, FORUM Praxisseminar Link	March, 15th-16th 2017, Rilano Hotel, Munich	Andreas Haberl
Seminar: Einheitspatent und Einheitliche Patentgerichtsbarkeit starten im Dezember 2017- Konsequenzen für Medizintechnikunternehmen Link	March, 21st 2017, Forum MedTech Pharma e.V. Nuremberg	Konstantin Schallmoser, Andreas Haberl
„Das Europäische Einheitspatent nach dem Brexit“ PDF	March, 31st 2017, LA VILLA, Niederpöcking	Konstantin Schallmoser, Andreas Haberl
Münchner Tage der Patentrechtsprechung 2017 Akademie Heidelberg, Tagungsleiter Dr. Stephan Gruber, Link	May, 11th-12th 2017, Akademie Heidelberg Leonardo Hotel, Munich City South	Dr. Stephan Gruber

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