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Selected Aspects of the Law on the Protection of Trade Secrets - Part I: The Right to Injunctions in Old Cases

On 26 April 2019, the Law on the Protection of Trade Secrets (GeschGehG) entered into force. Sections 17 to 19 of the Unfair Competition Act (UWG), in which the right to business and trade secrets was previously regulated with regard to the legal situation under the UWG, have since ceased to apply. The GeschGehG does not provide for any transitional periods or regulations.

In this article we deal with the fate of the injunction claim. In further articles we will deal with claims for information and damages as well as criminal law assessment. The topic is complex and the contribution can therefore only provide initial suggestions and cannot replace a scientific analysis.

Initial situation

An infringement of trade secrets pursuant to Sect. 17 UWG has so far led to a claim for removal or injunctive relief based on Sect. 3, 8 UWG or general civil law provisions. In addition, claims for information and damages arose. The fate of these claims is unregulated after the entry into force of the GeschGehG.

The injunctive relief claim extends to the future. For the future, it cannot expire through performance, but only through the elimination of its legal basis, i.e. by changing the facts that justified the injunctive relief claim in the first place. According to both old and new law, the essential prerequisite for a claim for injunctive relief is the existence of a danger of recurring infringement or at least of first infringement.

However, the terms „danger of recurring infringement“ and „danger of first infringement“ as such are meaningless. Their object of reference, i.e. the violation of the trade secret, is decisive.

Violation of trade secrets, on the other hand, is partly defined differently in Sect. 4 GeschGehG than in Sect. 17 UWG. For example, Sect. 4 (1) nos. 1, 2 GeschGehG prohibits the acquisition of a trade secret if it is based on other conduct which, according to the respective circumstances, does not correspond to the principle of

good faith taking into account honest market practices. This fact of acquisition is more comprehensive than the former Sect. 17 (2) no. 1 UWG, which only provided for a prohibition for the acquisition by a) application of technical means, b) production of an embodied reproduction and c) removal of an object in which the secret is embodied. Furthermore, pursuant to Sect. 4 (2) no. 2 GeschGehG, the infringement of a contractual restriction on the use of a trade secret that has come to knowledge in a permissible manner has now also been elevated to the rank of a trade secret infringement. Violation of such a restriction of use is also punishable if the trade secret is a secret document or regulation of a technical nature with which the infringer has been entrusted.

Differences also result from differences in the definition of business secrets in Sect. 2 no. 1 GeschGehG itself. In this context, the most important measures to be mentioned are the reasonable steps to keep the information secret, which have recently become necessary under the law and which have been the subject of heated discussion for some time. Also in further details, which do not play a decisive role here, the definition of Sect. 2 No. 1 GeschGehG is not completely identical with the definition of trade secrets developed by the Federal Supreme Court in its settled case-law.

No general amnesty for old cases

The expiry of Sect. 17 to 19 UWG does not have the effect of a general amnesty for old cases. It can be inferred from the legislative materials that the protection provided by Sect. 17 to 19 UWG should in principle not be shaken, but that the provisions of the Trade Secrets Directive (EU) 2016/943 necessitated a supplementary

implementation of the provisions under civil law. Against the background of the continuity expressed therein, there are no objections against the application of the civil law provisions of the GeschGehG to old cases.

Relevant assessment date

The wording of the operative part of an order for injunctive relief depends on the factual and legal situation at the time of the last oral hearing at the court instance that hears the case on the facts. From this it can be derived as a general rule that the injunction claim must now also be measured against Sect. 6 GeschGehG for old cases. This presupposes that an infringement of a right within the meaning of the GeschGehG is threatened for the first time or repeatedly. Whether an infringement of a right exists or not is again to be assessed according to Sect. 4 GeschGehG, which refers to business secrets defined in Sect. 2 no. 1 GeschGehG. For reasons of protection of legitimate expectations, the application of Sect. 6 GeschGehG is subject to a limit where conduct not to be regarded as a trade secret infringement under the old law would now be prohibited. This concerns, for example, the above-mentioned scenarios of Sect. 4 (2) no. 2 GeschGehG, i.e. the violation of a contractual restriction of use. The assessment is a different one if, due to a new act of the infringer after 26 April 2019, the requirements of Sect. 4, 2 no. 1 GeschGehG have now been met for the first time. Possible cases are, for example, those in which the perpetrator or a bad faith third party uses the trade secret for another infringing product under (repeated) breach of a contractual restriction of use pursuant to Sect. 4 (3) GeschGehG.

It results from this: The ordering of injunctive relief in old cases presupposes that the asserted trade secret meets the now existing requirements of Sect. 2 no. 1 GeschGehG at the time relevant for the decision. Thus, at the end of the oral proceedings, the trade secret must be an information which is not generally known within the circles that normally deal with this kind of information and which is of commercial value due to its secret nature. The information must also be subject to appropriate secrecy measures and there must be a legitimate interest in secrecy. The details of these conditions will be discussed in more detail in future contributions.

Danger of recurring infringement or danger of first infringement

If these prerequisites of Sect. 4, 2 GeschGehG already existed at the time of the offence, a risk of repetition within the meaning of Sect. 6 GeschGehG may be assumed despite the reorganisation of the statutory provisions.

The matter becomes more complicated if the infringing act at the time of the offence constituted a violation pursuant to the obsolete Sect. 17 UWG, the now valid requirements of Sect. 4, 2 GeschGehG had not yet been met, but these have been created in the meantime. This case scenario should become extremely relevant in practice. In particular, it covers all cases in which companies have (only) implemented appropriate secrecy measures after the infringement case, taking into account the legal change that is looming or has entered into force. In addition, there are cases in which the aggrieved company cannot prove the implementation of appropriate confidentiality measures for the time of the old case, e.g. due to inadequate documentation.

In this case scenario, it appears appropriate to assume continuity of the danger of recurring infringement and of first infringement, irrespective of the change in the definition of a trade secret, if - which will be the rule - the infringing act as such is also prohibited under Sect. 4 GeschGehG. On the one hand, this is generally supported by the fact that the GeschGehG was not intended to fundamentally reorganise the law on the protection of trade secrets, but rather to adapt it to the requirements of the Directive. On the other hand, the maintenance of trade secret protection by reviewing and adapting the necessary protective measures does not constitute a caesura which would justify a reassessment of the danger of recurrence or first infringement. The injunctive relief of Sect. 6 GeschGehG is generally directed against the infringer. It does not differentiate either according to the variants of Sect. 4 GeschGehG or according to the concrete reasons why a person is considered to be an infringer. Therefore, in cases which are to be regarded as acts of infringement under both the old and the new law, there is no reason to raise again the question of the danger of repetition and/or first infringement.

Otherwise, the legitimate interests of the owner of the secret would not be adequately taken into account in the case of an infringement committed prior to the entry into force of the GeschGehG.

Similar difficulties arise in cases in which conduct that is inadmissible under Sect. 17 to 19 UWG appears permissible due to the change in the law but unrelated to the changed definition of a trade secret. One example is cases in which the infringer obtained a trade secret before the GeschGehG came into force with the help of reverse engineering, which was predominantly regarded as inadmissible in Germany. Reverse engineering is now generally permissible under Sect. 3 (1) no. 2 GeschGehG. It is obvious that the acquisition of a trade secret can no longer be prohibited under these circumstances, i.e. that the injunctive relief related thereto has ceased to exist. The admissibility of the use and disclosure of the formerly illegally attained secret is a completely different question.

The GeschGehG does not contain any provision according to which a trade secret obtained by reverse engineering may be used and disclosed. According to Sect. 3 (2) GeschGehG, use and disclosure are only permitted if this is permitted by law, on the basis of a law or by a legal transaction. It is not as clear whether a right of use and disclosure can arise in addition, in particular by the fact that the person obtaining the trade secret by means of reverse engineering also becomes the owner alongside the original owner of the secret. This point also needs to be examined separately.

In any case, the GeschGehG does not provide any indication that the person who came into possession of the trade secret through inadmissible reverse engineering under the application of Sect. 17 to 19 UWG is now to be regarded as the legitimate owner of the trade secret. Which rights could flow from such an owner position nowadays is therefore not decisive for the purposes of this consideration.

Bottom line

Claims for injunctive relief on the grounds of infringement of trade secrets that came into existence pursuant to Sect. 17 to 19 UWG continue to exist insofar as the requirements for protection under the GeschGehG are met and the act of infringement concerned is still prohibited. A danger of recurring or first infringement is not generally set aside by the change in law.



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Selected Aspects of the Law on the Protection of Trade Secrets - Part II: The Liability of Directors and Officers for Appropriate Confidentiality Measures

On 26 April 2019, the German Law on the Protection of Trade Secrets (GeschGehG) entered into force.

The legislative materials show that the protection previously provided by Sect. 17 to 19 of the Law against Unfair Competition (UWG) was not supposed to be changed fundamentally. Instead, the German legislator saw a need to introduce supplementary rules under civil law due to the requirements of the Trade Secrets Directive (EU) 2016/943 (BT-Drs. 19/4724 p. 19). With this „supplementary rules“, however, a large number of detailed changes have taken place. This includes a noticeably narrower definition of the term trade secret. According to Sect. 2 no. 1 b) GeschGehG, the protection of information as a trade secret presupposes that the information has been subject to appropriate confidentiality measures by its lawful owner. This results in a need for action.

Starting position

Trade secrets can be decisive for the competitive position of a company. They are characterised by a commercial value, cf. Sect. 2 no. 1 b) GeschGehG. This commercial value results from the secrecy of the information concerned. If the information is no longer secret, its commercial value is lost, since the former owner of the secret can no longer defend the competitive advantage by way of legal proceedings. If a secret is not effectively protected against unauthorized access by third parties, it lacks recognition as a trade secret. In that event, it is also not a suitable basis for business investments. The new law links the protection of trade secrets as a commercially valuable asset to appropriate confidentiality measures. The protection of trade secrets therefore requires active measures.

Non-compliance with the new legal requirements is not - as in the case of the GDPR - subject to a fine. Therefore, the issue is becoming a management matter only (too) slowly. It may come as a surprise to many companies when they notice that they are without legal means

against industrial espionage (cf. Ziegelmayr, Geheimnisschutz ist ein große Nische - Zur den unterschätzten Auswirkungen des GeschGehG, CR 2018, 693). For this reason, the implementation of a compliance management designed to protect trade secrets is recommended frequently (cf. Apel/Walling, Das neue Geschäftsgeheimnisgesetz: Überblick und erste Praxishinweise, DB 2019, 891, 898). Some others even locate measures to protect trade secrets directly within the Compliance Department's area of responsibility (Hiéramente/Golzio, Die Reform des Geheimnisschutzes aus Sicht der Compliance Abteilung - Ein Überblick, CCZ 2018, 262; Hoeren/Münker, Die neue EU-Richtlinie zum Schutz von Betriebsgeheimnissen und die Haftung Dritter, CCZ 2018, 85, 88, who – in the interest of avoiding liability towards third parties – consider it necessary to establish the position of an officer for trade secrets within the company.).

Confidentiality measures as a management duty

In view of the significant value of trade secrets for the companies' competitive position, there is no doubt that the protection of trade secrets must first and foremost be ensured by the management bodies, regardless of whether the measures are ultimately taken in the compliance department or outside of it. Management must take the necessary measures to ensure the protection of trade secrets (see Wurzer, Know-how-Schutz als Teil des Compliance Managements, CCZ 2009, 49, 54, with reference to No. 4.1.3 of the German Corporate Governance Code). If the managing director refrains from introducing adequate protective measures, this is equivalent to a waiver of the protection of trade secrets and thus a waiver of a commercially valuable asset, comparable to abandoning a patent or not renewing a trademark. There may be cases where such an approach is in the interest of the company, in particular if the competitive advantage conferred by the property right or by the trade secret cannot

be used in a profitable manner. This is the case, for example, when the cost of maintaining protection exceeds the profit generated by this protection, disregarding the maintenance costs. In that regard, external options of commercial exploitation must also be taken into consideration, such as the licensing of intellectual property rights and know-how. In most cases, the loss of trade secret protection will not be in the company's best interest, but will instead represent a missed business opportunity.

Need for implementation

According to the established case law on Sect. 17 to 19 UWG, the proprietor of the secret did not need to implement appropriate confidentiality measures. Instead, it was sufficient for the owner of the secret to present a noticeable subjective intention to keep the information secret. In the event of a dispute, the owner needed to prove that intention. However, courts have been very generous with this requirement and have for all practical purposes essentially presumed the owner's intention to keep business information secret. Therefore, it was usually up to the alleged infringer to prove the opposite, which hardly ever happened.

This has changed. With the entry into force of the GeschGehG, the burden of proof for effecting appropriate confidentiality measures lies with the owner of the trade

secret. To this end, it will be necessary or at least advisable to create internal structures - as for instance a trade secret management - or to review existing structures. In the legal literature, a three-stage approach has been proposed, which includes the identification and categorisation of trade secrets as well as the adoption of appropriate confidentiality measures. The details of possible confidentiality measures will not be discussed here. In any case, documentation of the procedure is absolutely necessary.

Liability of managing directors and board members

If, contrary to the interests of the company, the company's management completely fails to introduce confidentiality measures or if confidentiality measures taken prove to be insufficient, this may constitute a breach of duties of the managing director or the executive board.

Civil liability

The violation of such duties leads to liability of the managing director according to Sect. 43 (2) GmbH Act (GmbHG) or of the executive board according to Sect. 93 (2) Stock Corporation Act (AktG). Both the managing director and the executive board are subject to an organisational obligation in order to ward off risks and threats to the company's assets. As a result of this obligation,



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the managing director and the executive board need to operate an organisation geared to loss prevention and risk control. In the case of trade secrets, the specific risk situation does not arise only from the fact that third parties could actually obtain possession of the trade secrets by unfair means. Rather, the risk to the trade secrets is already laid down by law independently of such occurrences. The loss of trade secret protection is directly linked to the conscious or unconscious omission of appropriate confidentiality measures. The commercial disadvantage occurs immediately when the necessary measures to protect the trade secret have been omitted. It does not require an unauthorised person to have access to the secret.

Specifically for the protection of trade secrets, the responsibility of the executive board members arises from Sect. 93 (1) AktG. According to this provision, the members of the executive board must maintain secrecy regarding confidential information and secrets of the company, in particular company or business secrets, which have become known to the members of the executive board through their activities on the executive board. This obligation is supplemented by the penal provision of Sect. 404 AktG. Similarly, for the managing director of a limited liability company (GmbH), the protection of company and business secrets is emphasized in Sect. 85 GmbHG, according to which the unauthorized disclo-

sure of a secret can be a punishable act.

An inadequate implementation of secrecy measures is generally not to be equated with the active violation of an obligation to confidentiality within the meaning of Sect. 93 (1) AktG. While the obligation of confidentiality presupposes the existence of a trade secret, failure to take confidentiality measures shall deprive the information concerned of such protection in the first place. However, a loss of an asset, as for instance a commercially valuable trade secret, for which the executive board or managing director is responsible may, in accordance with the general provisions of Sect. 93 (2) AktG, 43 (2) GmbHG, obligate the executive board or managing director to pay damages.

Criminal relevance

Failure to take confidentiality measures may also become relevant as a criminal abuse of trust. Pursuant to Sect. 266 German Criminal Code (StGB), anyone who violates his obligation under the law to protect the property interests of others and thereby inflicts a disadvantage on the person whose property interests he has to look after shall be liable to prosecution for abuse of trust. In the event of substantial damage (the value limit assumed by the courts is currently EUR 50,000), which will often be exceeded if trade secrets are lost, Sect. 266 (2), 263 (3)



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no. 2 StGB even provides for an increased penalty in the form of imprisonment from six months to ten years. Failure to introduce necessary and appropriate confidentiality measures may constitute such abuse of trust (cf. on the Compliance Officer: Schünemann, Leipziger Praxiskommentar Untreue, 2017, para. 159). The managing director of a GmbH has a guarantor position vis-à-vis the company which obliges him to protect the assets entrusted to him, but at least to warn the shareholders of a possible loss of assets (cf. Schünemann, Leipziger Praxiskommentar Untreue, 2017, mn. 312). The same applies to the executive board of a stock corporation, whereby both the GmbH managing director and the executive board of the stock corporation have room for manoeuvring under the Business Judgement Rule. This room for manoeuvre will, however, usually be exceeded if valuable company secrets are revealed and legal protection for them is lost due to a lack of secrecy measures.

As pointed out above, the loss of the trade secret as a legally protected asset is directly linked to the failure to take confidentiality measures. Therefore, the managing director or the member of the executive board in default is strictly speaking even cut off from defending with the argument that third-party access to the trade secret has actually not occurred.

The commercial criminal departments of the public prosecutor's offices are already groaning under heavy workload. It is therefore highly unlikely that they will investigate such matters ex officio. However, the public prosecutor's offices will not be able to completely evade this, if criminal charges are pushed. In cases where confidentiality measures are completely absent or manifestly inappropriate, the defence will not be easy.

Bottom line

Managing directors and board members are obliged to implement confidentiality measures sufficient to comply with the new Trade Secret Protection Act. In order to avoid civil and even criminal liability, these measures need to be taken without delay.



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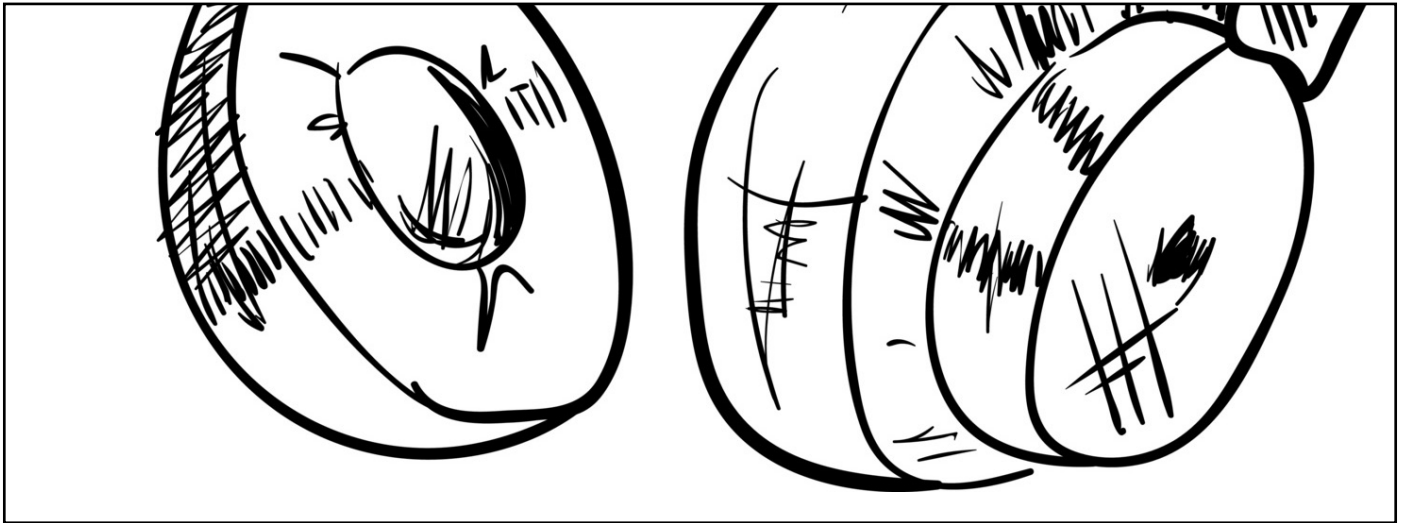


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Termination of a cease and desist agreement due to an abusive warning letter

A cease and desist agreement may be terminated without notice if the underlying warning letter was an abuse of rights within the meaning of Section 8 (4) UWG. This was stated by the Federal Court of Justice in its judgment of 14 February 2019 in the proceedings with the reference number: I ZR 6/17.



This decision was based on the following facts:

Both parties sell headphones and earphones and are therefore competitors. The defendant had failed to affix the CE marking required by the Electrical and Electronic Equipment Act to its headphones and earphones. The plaintiff warned the defendant about this violation. The defendant issued a cease-and-desist declaration subject to penalty. The plaintiff accepted this cease-and-desist declaration, so that thereby a corresponding cease-and-desist agreement had come off.

After conclusion of the cease and desist agreement, the plaintiff acquired seven headphones and earphones from the defendant, on which the CE marking was not present. With its complaint the plaintiff demanded in particular the payment of contractual penalties for seven offences against the omission contract at a value of in each case 5100,00 , thus altogether 35,700,00 ? During the legal dispute, the defendant extraordinarily terminated the cease and desist agreement for good cause pursuant to § 314 (1) sentence 1 BGB on the grounds that

the warning letter issued by the plaintiff was an abuse of rights.

The Federal Court of Justice ruled in favour of the defendant. The Federal Court of Justice was also of the opinion that the warning letter was an abuse of rights and justified termination of the cease and desist agreement for good cause.

An abusive conduct in the sense of § 8 (4) UWG is present if the dominant motive of the creditor in asserting the injunction claim is abusive such as the interest in obtaining fees or to burden the opponent with the highest possible litigation costs or to generally damage him. An indication for abusive prosecution may arise, inter alia, from the fact that the reminder activity is not in a reasonable economic relationship to the commercial activity of the person issuing the reminder. Furthermore, a collusive cooperation between the creditor of the injunction claim and his lawyer can constitute an abusive behaviour, if, for example, the lawyer indemnify his client from costs in the internal relationship and collects the payments of the

respective opponent for himself.

In the present case, the plaintiff had already had his lawyer issue a series of warning letters. Furthermore, according to the court's findings, the plaintiff was in considerable economic difficulties at the time of the warning letters. He had debts in the six-figure range. In view of his poor financial circumstances, the plaintiff was ultimately not in a position to finance the lawsuits he was conducting. This led to the conclusion that the collusive cooperation between the plaintiff and his attorney described above would probably be present here. In any case, the plaintiff had obviously not substantiated that this assumption was incorrect.

These circumstances were sufficient for the Federal Court of Justice to assume that the dominant motive for asserting the injunction claim had been „irrelevant“. Therefore, there had been an abusive warning letter. If, however, a warning notice is an abuse of rights within the meaning of § 8 (4) UWG, a cease and desist agreement that was concluded on the basis of such a warning notice can be terminated without notice for good cause.

By a notice of termination a contract is terminated for the future. The defendant had only declared the extraordinary termination of the cease and desist agreement after the plaintiff had asserted the seven infringements of the cease and desist agreement complained of. The violations of the cease and desist agreement therefore occurred at a time when the cease and desist agreement still existed. Consequently, there would in itself have been a legal basis (namely the cease and desist agreement) for the enforcement of the contractual penalties invoked. The Federal Court of Justice, however, stated that the assertion of contractual penalties on the basis of an injunction contract which had come into existence as a result of a warning letter in violation of the law was also in violation of the law and would violate the principles of good faith pursuant to § 242 BGB. The Federal Court of Justice therefore dismissed the action, in particular with regard to the contractual penalties demanded.

In this connection, the Federal Court of Justice also had to clarify whether the defendant had declared the termination for good cause “within a reasonable period” within the meaning of § 314 (3). If a termination for good cause is not declared within a reasonable period after becoming aware of the reason for termination, the termination is ineffective. In the present case, the Federal Court of Justice based its decision on the fact that the defendant had gained knowledge of the disastrous economic circumstances of the plaintiff at the time of the warning letter on the basis of an asset report submitted by the plaintiff on 8 October 2015. The termination pronounced by the defendant in a letter dated 1 December 2015 had still been declared within a „reasonable period“.



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With its „sports helmet“ decision the German Federal Supreme Court abandons the „overlap solution“ and thus increases the requirements for design applications

With its „sports helmet“ decision („Sporthelm“, decision of 20.12.2018, I ZB 25/18), the Federal Supreme Court expressly abandons the previous „overlap solution“ of its „seating furniture“ decision („Sitz-Liegemöbel“, decision of 15.02.2001, I ZR 333/98) and thus increases the requirements for design applications.



Since the „seating furniture“ decision of 2001, the so-called „overlap solution“ has applied.

If the individual application for a design (here: seating furniture) contained several representations showing the design in different forms (here: different seat segments, with or without armrests), the representations were legally regarded as a single representation. Deviations in the representations were not taken into account, so that the determination of the subject-matter of the design depended only on the similarities of the representations.

With the „sports helmet“ decision, the Federal Supreme Court now expressly abandons this „overlap solution“.

In the case of individual applications, it is no longer permissible to determine a uniform subject-matter on the basis of overlapping features common to all representations. If several representations show different de-

signs of a product (here: sports helmet) with different characteristics of the appearance of this product (here: different straps, equipment with or without rider button), they no longer visibly reflect the appearance of „a“ product. In this case, the design does not reveal a uniform object of protection.

The Federal Supreme Court justifies the abandonment of its previous jurisdiction as follows:

An object of protection formed from overlapping features is not visibly reproduced in the application, but exists solely in the imagination of the viewer. For reasons of legal certainty, however, third parties and in particular competitors must be able to clearly see from the representation or representations of the design in the register what the applicant is claiming protection for. The possibility of submitting up to 10 representations with different views per design in an individual application serves the purpose of clarifying the object



of protection by reproducing the design from different angles. On the other hand, it does not serve the purpose of combining different embodiments of a product in a single application. For the purpose of grouping different embodiments of a product, the German Design Act offers the possibility of a multiple application of several designs.

The Federal Supreme Court has thus increased the requirements for design applications.

So far, it has been possible to use the „overlap solution“ to identify an object of protection in the case of various designs that were inadvertently filed as individual application. This is now a thing of the past. Different versions of a design must be filed as a multiple application. It is no longer permissible to use the „overlap solution“ to determine an object of protection in the case of different versions of an individual application.

Conclusion:

The „sports helmet“ decision of the Federal Supreme Court shows that the correct filing of design applications is even more important in the future and that legal advice should be consulted if necessary.



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„Claims arising out of an unjustified IP warning letter“

In the „Zentrierstifte II“ case, the Düsseldorf Higher Regional Court also dismissed the counterclaim for damages filed by the defendant on the grounds of an unjustified warning letter. The warning letter issued by the plaintiff was unjustified. However, the plaintiff had not acted culpably in issuing the warning letter, so that the defendant had no claim to damages, see GRUR-RR 2019, page 211, paragraph 40 et seq.

In its decision of 15 July 2005, reprinted e.g. in GRUR 2005, page 882 et seq., the Grand Senate of the Federal Supreme Court decided that an unjustified warning letter constitutes an illegal encroachment on the right of the cautioned party to the established and practised business enterprise. The right to the established and exercised business enterprise is an „other right“ within the meaning of § 823 (1) BGB. With an unjustified warning letter the wrongly warned has thus on the one hand a (guilt-independent) cease and desist claim according to 1004 BGB analogously in connection with 823 exp. 1 BGB and on the other hand a claim for damages, if the warning person acted culpably, in particular the lawyer's fees, which arise to the wrongly warned one for the extrajudicial defense against the requirements made valid with the warning letter.

In its judgement of 19 January 2006, printed e.g. in GRUR 2006, page 433 et seq., the Federal Supreme Court further ruled that an unjustified warning letter vis-à-vis customers also constitutes an illegal encroachment on the rights of the supplier's established and operated business, because experience has shown that a warning letter can severely disrupt the business relationship between the customer and the supplier. It often happens that customers want to avoid the expense of dealing with a warning letter and instead remove the products of the supplier concerned from the range in order to avoid a legal dispute. If the customer warning is unjustified, the supplier also has the right to cease and desist (independent of fault) as well as a claim for damages (dependent on fault). The supplier can then demand from the party who has issued the unjustified

warning letter to the customers that he must refrain from issuing a warning letter to the customers in the future. Such a claim for injunctive relief may also be enforced by way of an interim injunction. The supplier whose customers have been wrongly warned should make use of this option in order to avoid economic disadvantages. If, for example, a customer should terminate the business relationship with the supplier as a result of an unjustified warning letter, the supplier may claim damages (loss of profit, etc.) from the person who issued the warning letter, provided that the person issuing the warning letter has acted culpably.

In the decision „Zentrierstifte II“, the Düsseldorf Higher Regional Court denied such fault. In that case, the plaintiff had warned the defendant for infringement of Community designs for centering pins and subsequently sued the defendant.

According to the findings of the Düsseldorf Higher Regional Court, the Community designs were new and peculiar at the time of the warning and the designs used by the defendant fell within the scope of protection of the Community designs. In particular, the defendant defended itself by declaring the Community designs invalid on the ground that they were exclusively due to their technical function within the meaning of Article 8(1) CDR.

The Düsseldorf Higher Regional Court referred the question to the ECJ as to whether the Community designs of the plaintiff were exclusively conditioned by the technical function of the protected centering

pins. The ECJ answered this question in the affirmative, see GRUR 2018, 612 - DOCERAM/CeramTec. The applicant's Community designs were therefore to be declared invalid from the outset.

Thus, the warning letter issued by the plaintiff on the basis of these Community designs was also unjustified. The unjustified warning letter was an unlawful encroachment on the defendant's rights in the business enterprise established and operated. However, according to the Düsseldorf Higher Regional Court, the plaintiff in the present case could not be accused of culpable conduct, so that the defendant would not be entitled to the claim for damages asserted with the counterclaim on account of an unjustified industrial property right warning for reimbursement of the pre-trial lawyer's fees due to no fault of the plaintiff. At the time of the warning letter, the property right situation had not been clear. The legal position represented by the plaintiff was justifiable. At the time of the warning letter, the plaintiff had been able to assume, with the opinion prevailing in Germany at that time, that the rights to protection of intellectual property rights were not null and void because of technical limitations.

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Right to third-party information

In industrial property law and copyright law, the infringed party may, in cases of obvious infringements, have a right to information against persons who have not committed the infringing acts (so-called third party information), see Sec. 19 (2) MarkenG, 140 b (2) PatG, 24 b (2) GebrMG, 46 (2) DesignG and 101 (2) UrhG.

Such a claim to third-party information exists in particular if the third party has provided services used for infringing activities. Such third parties are in particular Internet service providers („Google“, „YouTube“, „Instagram“ etc.), operators of Internet marketplaces („Amazon“, „eBay“ etc.) as well as banks and other financial institutions whose accounts were used for the payment of infringing sales (cf. Ströbele/Hacker/Thiering, MarkenG, 12. Aufl., zu § 19, para. 22 m. w.). N.). The protective purpose of these standards is to enable the right holder to identify the infringer. Accordingly, the right holder may request from the third parties mentioned the information on the name and address of the infringer. Such third-party information is particularly necessary in the case of infringements on the Internet because users often use pseudonyms, fictitious names or abbreviations on the Internet.

In the case „YouTube third party information“, reprinted e.g. in WRP 2019, p. 627 ff., the Federal Court of Justice, in its decision of 21.02.2019, asked the European Court of Justice to clarify whether the third party must also provide information about the infringer's e-mail address, telephone number and IP address in addition to the name and address. In this case, three users had uploaded film works to „YouTube“ without the consent of the copyright holder, so that there was an obvious copyright infringement. During the legal dispute, YouTube provided information on the names and addresses of the three infringers, so that the legal dispute was declared settled by both parties. In addition, the right holder also requested information on the respective e-mail addresses, telephone numbers and IP addresses of the three infringers. The appellate court (OLG Frankfurt am Main) upheld the action with regard to the information claimed for the e-mail addresses. However, the complaint with regard to the asserted information for the telephone numbers and the IP addresses was dis-

missed. As is apparent from the considerations of the Federal Court of Justice in the decision of 21.02.2019, it appears to want to follow this opinion of the Frankfurt Higher Regional Court. Accordingly, in the opinion of the BGH, the right holder can at least still request information about the infringer's e-mail address. With regard to telephone numbers and IP addresses, the decision of the European Court of Justice remains to be seen.

If - as here - the third party has already communicated the name and address of the infringer, the question arises for the signatory whether the right holder can request additional information about the e-mail address of the infringer. The information on the name and address of the infringer already satisfies the purpose of protection of the aforementioned norms, which is to enable the right holder to identify the infringer. If, however, the name and address of the infringer are not known to the third party, the right holder is certainly entitled to at least the e-mail address of the infringer. The right holder can then use the e-mail address to find out the name and address of the infringer, for which he would normally have to first request information about the name and address of the infringer from the e-mail provider.



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Judgment of the ECJ on 'HOAI': Are there any effects on attorneys' and patent attorneys' fees?

The ECJ has recently ruled on the minimum and maximum rates in the German statutory schedule of fees for architects and engineers ('HOAI'). This decision was also received in the legal profession, where possible effects on the minimum fee regulation for attorneys are discussed. A further question leads to the possible impact on the remuneration of German patent attorneys.

The specific decision of the European Court of Justice (judgment of 4 July 2019, Case C 377/17) essentially deals with the question of whether binding fees in accordance with the German HOAI, including the minimum and maximum rates stipulated therein, are not in accordance with the freedom to provide services in Europe. According to Article 15 of the Services Directive (Directive 2006/123/EC on services in the internal market), national provisions on minimum and/or maximum prices for services are only permissible if (1) they are not discriminatory, (2) they are necessary to implement an overriding reason relating to the public interest and (3) they are proportionate. The objectives of public interest discussed before the ECJ included quality assurance of planning services and construction safety, but also consumer protection (transparency of fees).

In its ruling, the European Court of Justice has stated that the determination of minimum rates in particular can be suitable to limit the risk of a deterioration in the quality of services (here: planning services). However, this is only the case if also minimum requirements apply

to the provision of these planning services, which would accordingly guarantee the quality of the services. As an example, only experts with proof of their professional competence should carry out planning services. However, such a restriction does not exist in Germany. It was therefore not a coherent and systematic approach to determine minimum prices on the one hand, but not to require professional qualifications from the providers of these services on the other. Therefore, the ECJ found that the minimum price rules in the HOAI were not suitable for ensuring the quality of planning services. Furthermore, the maximum rate restrictions in the HOAI were not proportionate either, because there are more moderate measures (e.g. the publication of price orientations) which would be sufficient to ensure price transparency.

As a consequence of the judgment, the Federal Republic of Germany must amend the regulations on minimum and maximum rates in the HOAI. The specific steps to be taken are in the discretion of the German legislator. It is possible that the binding nature of the minimum



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and maximum rates will simply be abolished and converted into a merely non-binding fee recommendation.

The legal profession is currently discussing possible effects of the ECJ ruling in other professions. The discussion particularly revolved around the minimum fee for advisory services provided by attorneys. However, it is important to know that not all areas of legal advice are subject to a minimum fee: The so-called „prohibition to undercut fees“ according to Sect. 49b of the Federal Lawyers' Act (BRAO) only relates to the representation of a client in court. For both out-of-court representation and the general advice of attorneys, there are no statutory fees – including minimum fees – for many years now. In addition, the provision of legal advice is limited to a group of professionally qualified persons, unlike planning services under the HOAI. The fee regulations in the Federal Lawyers' Act (BRAO) and the related Act on Attorneys' Fees (RVG) are therefore not really comparable with the regulations discussed in the HOAI.

The fees for patent attorneys are even one step further away. In Germany, there was once a fee schedule for patent attorneys, which was abolished almost 50 years ago. Since then, there is no legal regulation on the level of fees for patent attorneys. Nevertheless, the civil courts still use the old fee schedule in disputes about the appropriate amount of patent attorneys' fees. This helps to determine a „usual remuneration“ within the meaning of Sect. 612 (2) or Sect. 632 (2) of the German Civil Code (BGB) in accordance with Sect. 315, 316 BGB (fees of the patent offices and expenses remain separately reimbursable). A distinction is made as follows:

- Certain activities are charged with a basic fee, which is based on the old fee schedule plus inflation surcharges, regardless of the value of the matter. Most recently, in a decision on certain patent attorney services provided in the years up to 2011, the District Court of Düsseldorf assumed an inflation surcharge of 355% (judgment of 3 May 2016, docket no. 4b O 84/15). Newer decisions have not been published, so that further inflation surcharges can only be guessed. Adding-up on the basis of previous surcharges leads to a current

inflation surcharge of approx. 400%.

- In addition, the old fee schedule for patent attorneys listed additional fees for the technical and legal processing of a case for which the Düsseldorf courts - depending on the scope, difficulty, economic significance, etc. - have so far regarded hourly rates of between EUR 200 and EUR 600 as appropriate. In a decision of the Higher Regional Court of Hamburg, however, reference is made to an expert opinion of the Patent Attorneys' Chamber, which considered an hourly rate of EUR 250 to EUR 350 to be usually appropriate because of statistical surveys (judgment of 8 January 2015, docket no. 5 U 3/11).

All these considerations on the appropriate level of remuneration for the work of a patent attorney show that the subject of „minimum rates“ does not play a major legal role. In any case, the fees can be freely negotiated between the patent attorney and the client. Maximum rates do not exist either, but exceeding the above-mentioned fees by more than 20% leads to an 'unfair fee' (and an automatic reduction thereof) in the eyes of the courts involved.

As a cross-check, the same courts also decide on the costs of the patent attorney eligible for reimbursement in court proceedings under the Act on Attorneys' Fees (RVG). Such a cross-check helps to see which part of the fees are refundable from the opponent and which part has to be settled internally between the Patent attorney and his/her own client.

The preliminary ruling of the ECJ „United Video Properties/Telenet“ (judgment of 28 July 2016, Case C 57/15) on the interpretation of Article 14 of the Enforcement Directive (Directive 2004/48/EC on the enforcement of intellectual property rights) points in the same direction. In its ruling, the ECJ found that a national regulation (here: in Belgium) with flatrate tariffs for the reimbursement of costs for legal services infringes the Enforcement Directive if these flatrate tariffs are too low and the winning party is thus not reimbursed at least a substantial and reasonable part of the necessary legal costs. The ECJ specifically states that a national rule providing

for an absolute upper limit on the costs relating to the representation by an attorney must ensure (1) that this upper limit reflects the actual tariffs applicable to legal services in the field of intellectual property, and (2) that at least a substantial and reasonable proportion of the reasonable costs actually incurred by the winning party are borne by the losing party. Applying this thought on the German system does also cast doubts on the flat-rate remuneration system under the Act on Attorneys' Fees (RVG). Also in Germany, the reimbursable costs often represent only a certain part of the fee billed to the client.

Against this background, it is possible to determine that a direct effect of the ECJ ruling on the HOAI on attorneys' and patent attorneys' fees does not exist simply because of the different conditions for the provision of services in these professions. However, it has been discussed in politics and the legal profession for quite some time whether the remuneration system according to the Act on Attorneys' Fees (RVG), which at least indirectly also affects the remuneration of patent attorneys, is still up to date. A reform of the RVG and the adjustment of attorneys' fees have been pushed ahead for some time, but without much outcome. In any case, the latest ruling of the European Court of Justice will ensure that this issue remains on the political agenda.



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News from the Compulsory Licence - Decision of the Federal Court of Justice of 4 June 2019 (X ZB 2/19) - Alirocumab

I. Introduction

In contrast to the antitrust claim aimed at a granting a license based on standard-essential patents, a compulsory license under Sec. 24(1) of the German Patent Act (PatG) still leads a shadowy existence. The dispute over Raltegravir with the decision of the Federal Court of Justice in 2017 (X ZB 2/17, GRUR 2017, 1017) has, however, raised public awareness of the compulsory license, in particular, for the health care sector. The Raltegravir decision shows that compulsory licenses under Sec. 24(1) PatG are not only theoretical concept. It represents a relevant consideration aspect when it comes to assessing the defense possibilities.

Nevertheless, the requirements imposed for a compulsory licence under Sec. 24 (1) PatG are very high. The latter is illustrated by a recent decision of the Federal Court of Justice of 4 June 2019 (X ZB 2/19, known under the catchword "Alirocumab"). In this decision, the Federal Court of Justice confirms a first instance decision of the Federal Patent Court, which rejected an interim application for a compulsory licence.

§ Sec. 24(1) PatG requires that

"1. a licence seeker has, within a reasonable period of time, unsuccessfully attempted to obtain permission from the proprietor of the patent to use the invention on reasonable commercial terms and conditions, and

2. the public interest calls for the grant of a compulsory licence."

According to Sec. 85 PatG, the use of a patented invention may be permitted even by an interim injunction in the course of pending compulsory licence proceedings if the applicant is in the position to substantiate that the requirements of Sec. 24 PatG for the grant of a compul-

sory licence are fulfilled and that the grant of a compulsory licence is urgently required in the public interest. So far, only one licence seeker has succeeded in doing this, namely in the case of Raltegravir.

II. Backgrounds of Alirocumab Case

Sanofi and Regeneron jointly marketed in Germany the drug Praluent, which contains the active ingredient Alirocumab. It reduces the LDL cholesterol level in the blood. Amgen is the holder of European patent 2 215 124 concerning antigen-binding proteins against the protein PCSK9, which thus also covers the active ingredient Alirocumab. At least this is the assumption of the Düsseldorf Regional Court. Amgen markets a drug with similar properties under the name Repatha.

For some time, the companies are in dispute over patent EP 2 215 124. In first instance after opposition, the European Patent Office (EPO) maintained the patent in an amended form; the appeal filed against this decision has not yet been decided. In parallel, Amgen filed a claim for injunctive relief against Sanofi and Regeneron before the Düsseldorf Regional Court, which recently ruled on the case. According to the ruling of 11 July 2019 (4c O 39/16), Sanofi and Regeneron may no longer offer the drug Praluent in Germany. Sanofi and Regeneron have therefore withdrawn Praluent from the market.

To avoid this result, Sanofi and Regeneron earlier, i.e. in July 2018 brought an action before the Federal Patent Court, by way of an interim injunction under Sec. 85 Patent Law, claiming the grant of a compulsory license under Sec. 24 PatG in view of getting a temporary permission to use the invention by selling the drug Praluent in four specific forms. The Federal Patent Court however rejected this application. The Federal Court of Justice has now confirmed this rejection.

III. Compulsory Licence Proceedings

III.1 Unsuccessful Efforts to Obtain a Licence

According to the Federal Court of Justice, the efforts required under Sec. 24 (1) No. 1 PatG and the period over which they must extend is a question of the individual case. In the present case, the facts did not show sufficient efforts undertaken by the license seeker: Sanofi and Regeneron applied for a licence shortly before the compulsory licence proceedings were initiated. This was at a time when the injunction risk in the parallel infringement proceedings at the Düsseldorf Regional Court was imminent. Also, only a low license rate of 2% was offered. Sanofi and Regeneron tried to justify the moderate license rate with lack of validity of the patent in dispute and their own development efforts independent of the patent in dispute. The behavior of the license seekers did not, according to the courts, suggest that a swift agreement with the patent owner was intended. The Federal Supreme Court also criticized that the license seekers did not respond in time to a reply of the patent owner. In that reply Amgen did not explicitly refuse to grant a license. The licence inquiry was therefore considered to be an offer „at the last minute.“ According to the court, this was not a sufficient effort under Sec. 24 (1) No. 1 PatG. Sanofi's and Regeneron's last argument that there had already been contacts in 2015/2016 from which they concluded that Amgen was unwilling to grant a license, was also considered unfounded.

Comment: The requirements for a sufficient effort under Sec. 24 (1) No. 1 PatG must be taken seriously by the licence seeker. The licence seeker may not rely on an impression that the patentee is unwilling to grant a licence. Rather, he must proactively have tried in vain, with sufficient commitment, to amicably obtain a licence in return for an appropriate remuneration. The fulfillment of this requirement depends on the will of the licence seeker. In that respect the Federal Court of Justice explicitly states the following:

“To what extent and over what period of time the license seeker must seek a reasonable license under usual

conditions also depends on the reaction of the patent holder. As a rule, no further efforts are required if the patentee refuses to consent to the use of the invention as such. For this it is not sufficient if the patent proprietor declares that the granting of a license is considered only in exceptional circumstances.”

III.2 Public interest

The notion of public interest under Sec. 24 (1) No. 2 PatG represents an undetermined legal concept. This notion must be “filled” by the court in taking into account the circumstances and interests relevant to the individual case. The logic of the notion consists in that the public interest can only be affected if special circumstances exist which exceptionally rescind the exclusive right of the patentee. It can be inferred from previous case-law that the public interest can in principle be affirmed if a medical product for the treatment of serious diseases has therapeutic properties which products available on the market do not possess or do not possess to the same extent, or if it can avoid undesirable side effects in comparison to available products. The granting of a compulsory licence is generally unjustified if essentially equivalent alternatives are available on the market. It is incumbent on the licence seeker to make credible and, in main proceedings, to prove that such added value actually exists in comparison to drugs available on the market. Since reliable data for this proof may likely only be gathered in drug approval proceedings, it is advisable to generate such data proving the added value in advance in view of existing patents and in case of later compulsory licence proceedings.

In both instances in Alirocumab, a public interest required for the granting of a compulsory licence was denied. In fact, Sanofi and Regeneron could not demonstrate that Praluent had tangible therapeutic advantages over Amgen's Repatha. Both, Praluent and Repatha provide the same effect, namely favoring the reduction of cholesterol. This is, Sanofi and Regeneron could not successfully show that the administration of Praluent lowers the mortality rate of hypercholesterolemia patients, even though clinical studies seemed to show that

fewer patients in the Praluent group suffered from coronary heart death or died from cardiovascular disease than patients from the control group. However, in compliance with recognized bio-statistical principles a statistical significance of these results could not be shown.

Even if Praluent had possessed the argued property, namely to reduce the mortality rate of hypercholesterolemia patients, it would have been necessary to prove in addition that Repatha of Amgen did not have this property. This is a difficult proof to be provided by the licence seeker. Usually, such data is not available to the licence seeker. For Sanofi and Regeneron, the case thus ultimately failed because they were unable to show any credible evidence that Praluent actually reduces the mortality rate of hypercholesterolemia patients and that is could not achieved by Repatha. In that respect the Federal Court of Justice explicitly states the following:

“A public interest requiring the grant of a compulsory licence for a medicinal product may be affirmed where significant results of a clinical trial, based on recognised bio-statistical principles, demonstrate that the active substance of the medicinal product in the treatment of serious diseases possesses therapeutic properties which are not, or not to the same extent, established for other products available on the market, in particular where the treatment reduces the patient's risk of dying as a result of the disease, or where such superior properties are otherwise demonstrated.”

IV. Outlook

The decision of the Federal Court of Justice “Alirocumab” is of importance also for the current discussion as to whether there is a need to reform the German Patent Act (PatG), in particular the “automatic injunction.” Some voices, in particular from the automotive industry, criticize the fact that the German Patent Act provides for an automatic injunction which basically does not allow considering interests of the accused patent infringer. Indeed, if a patent infringement is given, the courts, in principle, also grant an injunction. The external circumstances do not actually play a role here, such as the

interests with which the injunction claim is asserted. It is basically irrelevant if the patentee does not market own products within the scope of protection.

Apart from the compulsory license under antitrust law and the compulsory license under Sec. 24(1) PatG, only general principles such as good faith under Sec. 242 BGB are available to balance out relevant interests of the accused infringer under German law. In the light of the recent case law, however, the latter is not promising from the point of view of the patent infringer. In the decision *Wärmetauscher* (judgment of 10.05.2016 - X ZR 114/13), the Federal Supreme Court very narrowly drew the boundaries of an objection under § 242 BGB and did not even allow a use-up period for already produced cars. According to the Federal Court of Justice, the objection can generally only be considered if the party obliged to refrain from selling a product would suffer disproportionate disadvantages due to the injunction. In most cases this will not help the user of the patent.

The question therefore arises whether the compulsory license under Sec. 24(1) Patent Law could be further extended. There is actually nothing to prevent this, since the concept of „public interest“ as an indeterminate legal concept can be filled in by case law in order to achieve an adequate balance of interests. Cases outside the health sector in which the public interest could be affirmed, such as job security, the prevention of redundancies on a large scale, are conceivable.



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Decision of the Federal Court of Justice dated 26 March 2019, X ZR 109/16 – „Spannungsversorgungsvorrichtung“



1. German Supreme Court's decision „Spannungsversorgungsvorrichtung“

With the decision *Spannungsversorgungsvorrichtung*, the German Supreme Court strengthens the position of the patentee with regard to the amount of damages for patent infringement.

According to Section 141 sent 2 German Patent Act in connection with Section 852 German Civil Code, the patentee can generally claim damages even if the claim for damages as such is time-barred. The prerequisite for this is that the infringer is still enriched. Even after the statutory limitation of the claim to damages has come into effect after basically three years, the infringer still has to surrender to the patentee the enrichment that has taken place within a maximum period of 10 years into the past. The corresponding claim of the patentee is referred to in the German Civil Code as the “residual damage claim”.

German case law, however, has so far determined the extent of the infringer's enrichment within the scope of the residual damage claim in a restrictive way. In practice, the patentee was only granted the calculation method „license analogy“ in order to calculate the amount

of the residual damage claim. German case law orientated on the interpretation of “unjust enrichment” in the sense of Section 812 et seq. German Civil Code. In the context of unjust enrichment under Section 812 German Civil Code, only the method “license analogy” was applied and, as a result, only a claim to the adequate license fee was granted for past acts of e.g. patent use.

In the context of the residual damage claim, the German Courts regularly refused to grant a damage claim using the calculation method „surrendering of the infringer's profit“ as a basis, although this calculation method may from an economic viewpoint be more favorable for the patentee. One of the German Courts' main arguments in this regard was that without the limitation of the claim to residual damages to the adequate license fee, the statutory limitation that has taken place would virtually have no effect at all.

With its decision *Spannungsversorgungsvorrichtung*, the German Supreme Court has now put a stop to this adjudication. According to this decision, with the help of the claim to residual damages, the patentee can also demand from the infringer the surrender of the profit it has achieved by the infringement for and during the time-barred period.

The German Supreme Court merely excludes the calculation method „concrete damage calculation“ (of the patentee). Under the latter aspect, an enrichment of the infringer does not take place. This argument is convincing.

In addition, according to the decision *Spannungsversorgungsvorrichtung*, the patentee can also assert the parallel claim to information and accounting in order to be able to calculate the amount of the infringer's profit for the past. This leads to a broader obligation (in comparison to the previous legal situation) of the infringer to provide information and accounting up to ten years into the past. In this (longer) time frame, the infringer owes comprehensive information inter alia on the production costs of its infringing product (broken down to individual cost factors), the profit and (in order to make a plausibility check possible) on the amount of advertising.

2. Consequences of the decision „*Spannungsversorgungsvorrichtung*“

It is likely that the German Courts will adopt the new line of argumentation introduced by the Federal Supreme Court and in the future may force the defendant to pay infringer's profit (alongside the adequate license fee; the calculation method is eventually up to the patentee to decide), to provide information and to render accounts for a period up to ten years back in the past.

The patentee should, therefore, consider in appropriate cases to sue for residual damages without a respective limitation to the adequate license fee. This may eventually constitute a considerable economic gain in terms of the amount of damages.

The patent user, on the other hand, will have to deal with the problem that the information necessary to fulfill the claim to rendering of information and accounts for a considerable time period of ten years may not be available anymore. In this case, the patent user is well advised to take the now longer period into account and keep the necessary information/documents available; if possible also in digital form.

If the required information and accounting is not or not completely possible for the patent user e.g. due to lack of available information, German case law requires that the patent user provides for an estimation with regard to the period of time for which he can only provide insufficient information. In addition, the patent user has to disclose the basis for the estimation (see e.g. German Supreme Court NJW 1984, 2822 - *Dampffrisierstab II*; Düsseldorf Court of Appeal, decision dated 20 April 1998 – 2 W 12/98). This adjudication is likely to continue to be applied by the German Courts also with regard to the now extended claim to residual damages.



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Prohibition of promotional gifts by pharmacies - the end of the popular bonbons and handkerchiefs?

In two decisions on June 06, 2019 (ref. I ZR 206/17 and I ZR 60/18), the I. Civil Senate of the German Federal Court of Justice (BGH), which is responsible for competition law, decided that the price fixing regulations for prescription drugs (Sec. 78 para. 2 sentence 2 and para. 3 Sentence 1 German Medicinal Products Act – AMG) must be strictly observed.



Any donation or other promotional gift that violates the AMG's price regulations is therefore legally inadmissible, even if the promotional gift has only a small financial value. According to the European Court of Justice's (ECJ) decision in the case „Deutsche Parkinson Vereinigung/Zentrale“ (ref. C-148/15, GRUR 2016, 1312 = WRP 2017, 36), the German pharmaceutical price fixing regulations only apply to pharmacies located in Germany and not to mail-order pharmacies in other EU Mem-

ber States. However, according to the decisions of the I. Civil Senate they do not constitute any constitutionally inadmissible discrimination of German pharmacies.

1. The BGH (German Federal Court of Justice) had to decide in two parallel proceedings on the admissibility of promotional gifts by pharmacies: In the proceedings I ZR 206/17, a pharmacy located in Darmstadt was held liable by the Zentrale zur Bekämpfung unlauteren Wettbewerbs (a German association for the enforcement of the law against unfair competition) for the violation of the pharmaceutical price fixing regulations. The pharmacy had given customers a voucher for a bun for a nearby bakery on the occasion of the sale of a prescription drug. The Regional Court of Darmstadt upheld the complaint. The appeal of the pharmacy against the decision to the Higher Regional Court of Frankfurt a.M. was unsuccessful. The Higher Regional Court of Frankfurt a.M. assumed a violation of the price fixing provision of Sec. 78 para. 2 sentence 1 and 3 AMG and thus at the same time an unfair violation of a market conduct provision (Sec. 3a German Act Against Unfair competition – UWG). This against the background that according to Sec. 7 para. 1 sentence 1 no. 1 German Pharmaceutical-Advertising Law (HWG), since an amendment to the law in 2013, grants or promotional gifts that are granted against the AMG's price regulations are inadmissible (I ZR 206/17, para. 5). Furthermore, in the case to be decided neither the free movement of goods (Art. 34 TFEU) was affected nor the AMG's price regulations could be applied or interpreted restrictively for constitutional reasons.

In the parallel proceedings I ZR 60/18, the Zentrale zur Bekämpfung unlauteren Wettbewerbs also sued a phar-

macy located in Berlin. The pharmacy had given customers buying a prescription drug a shopping voucher in the amount of one euro, which they could redeem on their next purchase. The Regional Court of Berlin upheld the complaint. However, the pharmacy's appeal against the Regional Court's decision to the Higher Regional Court of Berlin (Kammergericht) was successful. The Kammergericht found that there had been a violation of the AMG's price fixing regulations, which did not constitute an inadmissible discrimination in relation to other pharmacies in other EU Member States. However, the violation of the price-fixing provisions was not unfair since it did not appreciably harm the interests of consumers, other market participants or competitors (I ZR 60/18, para. 7).

In both proceedings, the I. Civil Senate decided with almost identical reasons that promotional gifts are anti-competitive and, accordingly, rejected the appeal of the Darmstadt-based pharmacy in the case I ZR 206/17 and upheld the appeal of the Zentrale zur Bekämpfung unlauteren Wettbewerbs in the case I ZR 60/18, which led to the annulment of the Kammergericht's decision.

2. The I. Civil Senate states in its decisions that the provisions of Sec. 7 para. 1 sentence 1 HWG in conjunction with Sec. 78 para. 2 sentence 2 and para. 3 sentence 1 AMG constitute a statutory provision which is also intended to regulate market conduct within the meaning of Sec. 3a UWG (para. 10 / para. 12).

According to Sec. 7 para. 1 sentence 1 no. 1 HWG it is inadmissible to grant benefits or other promotional gifts (goods or services), unless it concerns objects of small value, which are characterized by a durable and clearly visible designation of the advertiser or the advertised product or both, or low-value things. By an amendment to Sec. 7 para. 1 sentence 1 no. 1 half sentence 2 HWG introduced in 2013, benefits or other promotional gifts for drugs are now inadmissible „insofar as they are granted contrary to the price regulations applicable under the AMG „.

According to Sec. 78 para. 2 sentence 2 and 3 AMG, a uniform pharmacy retail price shall be guaranteed for drugs which are to be dispensed exclusively in pharmacies and which are subject to prescription and to reimbursement of the statutory health insurance. The uniform retail price for such drugs is determined in accordance with Sec. 78 para. 3 sentence 1 AMG in accordance with the German drug price regulation (para. 11 / para. 14).

3. The I. Civil Senate continues that the fundamental prohibition of promotional gifts pursuant Sec. 7 para. 1 sentence 1 HWG is to counter the abstract danger that consumers are unobjectively influenced by the prospects of promotional gifts while making their decision on whether and, if so, which drugs they should use. Insofar as Sec. 7 para. 1 sentence 1 no. 1 half sentence 2 HWG generally prohibits promotional gifts granted contrary to the AMG's price regulations, this is also intended to prevent ruinous price competition between pharmacies and therefore to ensure a nationwide and uniform supply of drugs to the consumer (no. 12 / no. 15).

4. According to the I. Civil Senate, the ECJ's decision in the case „Deutsche Parkinson Vereinigung/Zentrale“ (C-148/15, GRUR 2016, 1312 = WRP 2017, 36) does not preclude the application of the AMG's price regulations for domestic (German) pharmacies referred to in Sec. 7 para. 1 sentence 1 no. 1 HWG. According to the ECJ's decision a national legislation that provides for a system of fixed prices for the sale by pharmacies of prescription-only drugs for human use, constitutes a measure having equivalent effect to a quantitative restriction on imports within the meaning of Art. 34 TFEU (para. 31 / para. 30).

However, according to the I. Civil Senate, the principles established by the ECJ were not applicable to domestic cases without cross-border implications. There was also no infringement of the general principle of equality (Art. 3 para 1 German Basic Law – GG). It does not fol-

low from Art. 3 para.1 Basic Law that rules for nationals must be similar to those for other citizens of the EU as long as the unequal treatment is based on objective reasons (para. 35 / para. 33).

An important objective reason for the unequal treatment of domestic pharmacies and pharmacies in other EU Member States is already apparent from the fact that, although the German legislature is restricted in its freedom to organize the cross-border sale of drugs by the principle of free movement of goods pursuant Art. 34 TFEU and the case-law of the ECJ on this subject, there is no corresponding restriction on the marketing of drugs within Germany. The difference in treatment is also justified by the fact that, keeping in mind the specific conditions of the German market, the fixed retail price of prescription drugs has less effect on pharmacies established in Germany than on pharmacies established in other Member States. They are particularly dependent on mail-order sales for the direct access to the German market (para. 36 / para. 35).

5. The I. Civil Senate also states that the AMG's price regulations do not violate the freedom to practice an occupation guaranteed in Art. 12 para. 1 Basic Law. The impact on the freedom to practice an occupation by the AMG's price regulations is proportionate and within the public interest to ensuring that the population is provided with medicinal products on a nationwide and uniform basis. The legislature may set rules governing the exercise of a profession if they are justified by sufficient reasons of public interest, if the means cho-

sen are suitable and necessary for achieving the objective pursued and if the restriction are reasonable for the persons concerned (para. 37 / para. 36). The proportionality of the AMG's price regulations is only questionable if mail-order pharmacies from other Member States actually sell prescription drugs on the German market to such an extent that a serious threat to the existence of domestic pharmacies would arise and the financial equilibrium of the statutory health insurance system would no longer be guaranteed, which is currently not the case (para. 43 / para. 41).

6. The I. Civil Senate comes to the conclusion that the violation of the market conduct regulation of Sec. 7 para. 1 sentence 1 HWG committed by the pharmacies appreciably harmed the interests of other market participants despite the small value of the promotions gifts (para. 51 / para. 57). The question whether there is an appreciable impairment of interests must be assessed on the basis of the legal purpose of the respective market conduct provision. The prohibition under medicinal product advertising law of advertising with any services that violate the AMG's price regulations intends in particular to prevent price competition between pharmacies in the field of prescription drugs. The legal provision must not be undermined by the fact that such an infringement is not classified as appreciable and is therefore not considered anti-competitive. A reference to the small financial value of the promotion gift is excluded, since the price fixing shall be strictly observed according to the legislator's clear will (para. 59 / para. 58).



LEADERS LEAGUE

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7. Against this background pharmacists will no longer be able to give even the smallest promotional gifts to customers, such as bonbons or a packet of handkerchiefs, when selling prescription drugs. However, this prohibition does not apply to over-the-counter drugs (OTC).

The German Federal Government would like to take action against the unequal treatment of German pharmacies in relation to mail-order pharmacies, which offer drugs in Germany from other Member States, with the planned pharmacy strengthening law. The draft law proposed by Federal Health Minister Spahn (CDU) provides for the deletion of the price fixing for prescription drugs from the AMG and for it to be incorporated in social law: Discounts undermined the principle of benefits in kind and the principal of solidarity, the draft law states. The federal cabinet has already cleared the way with its approval. It remains to be seen whether the ECJ will accept this new regulation or whether it will again assume a violation of the principal of free movement of goods guaranteed in Art. 34 TFEU. However, lawsuits filed by foreign mail-order pharmacies against the planned law are as good as certain if the draft law should enter into force unchanged.



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60 years Preu Bohlig - Anniversary event on 06 June 2019

60 years ago Prof. Albert Preu founded our law firm in Munich. On this occasion, Preu Bohlig organized an anniversary party in the Deutsches Museum.



Around 200 guests, top-class speakers such as Prof. Dr. Ansgar Ohly and Jan Böhmermann, the festive hall of honour of the Deutsches Museum as a setting – the frame for the ceremony could hardly have been better. It became then also a great evening, which will remain us for a long time in memory.

Mr. von Czettritz opened the official part of the event by welcoming the guests. In a first presentation Prof. Dr. Ansgar Ohly, holder of the Chair for Civil Law, Intellectual Property Law and Competition Law at the Ludwig-Maximilians-University Munich, spoke about „Proportionality in Patent Law“. He took up the currently very much discussed question of whether the injunction in patent law is or should inevitably be the result of a patent infringement. Prof. Ohly drew a comparison with other legal systems and worked out in detail that already according to the current legal situation the granting of the injunction must always be examined from the point of view of proportionality. This also results from general legal principles such as § 242 BGB or § 275 BGB, which have already found their way into patent law e.g. in the case of claims for destruction and recall.

Jan Böhmermann, multiple award-winning Grimme pri-

zewinner, then gave another „specialist lecture“ on the position and working methods of lawyers. Both the attorneys addressed and, in particular, the non-attorneys present among the guests found the presentation very enlightening and amusing.

Afterwards, a reception and a „flying dinner“ started the night. The evening turned into a cheerful party and everyone had the opportunity to talk to old and new acquaintances about delicacies from Dallmayr.



Current events, seminars and lectures

see website „News“

**OCT
2019**

Hamburg: Preu-Frühstück

München: Vortragsveranstaltung mit Kanzlei Sonderhoff & Einsel

**NOV
2019**

Nürnberg: Workshop: Das neue Europäische Patentsystem

Berlin: „Der qualifizierte Pharmajurist“

Hannover: Abgrenzungsvereinbarungen im Markenrecht

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