

IN THIS ISSUE:

Recent case law of the European Court of Justice and the European Court of First Instance in trademark matters	1
German Federal Court of Justice decides on liability of the owner of an eBay account for improper use by third parties	3
Federal Court of Justice: Descriptive use of the term DAX as a reference is permitted	4
Legislation against illicit telephone advertising will soon be enforced	4
Update new Top Level Domains: Protection of trademark rights	5
Federal Court of Justice: "Internet-based" video recorders are generally illegal	6
Modernization of the Patent Law	6
Right to inspection	7
Update: Reform of the German Federal Data Protection Act	7
Recommendation of the EU Commission on the use of RFID technology	8
12th Amendment of the Broadcast Treaty	8
News from the Practice Groups	9

IP/IT & MEDIA

NEWSLETTER – JUNE 2009

ReedSmith

The business of relationships.

RECENT CASE LAW OF THE EUROPEAN COURT OF JUSTICE AND THE EUROPEAN COURT OF FIRST INSTANCE IN TRADE-MARK MATTERS

DR. ALEXANDER R. KLETT / VALERIA MUSHCHININA

THREE-DIMENSIONAL TRADEMARKS

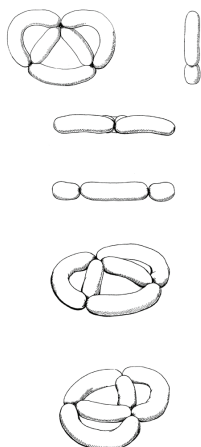
On May 2, 2009, the European Court of First Instance had to decide on the registrability of three-dimensional trademarks in two cases.

In the first case (T-449/07), the plaintiff had applied for a three-dimensional CTM in the form of an arrangement of five separate sausages, the ends of which are linked. The application was, among others, for meat, poultry and game products and other food products. In principle, a product design as such can be protected by trademark law. In that regard, the criteria for assessing the distinctive character of three-dimensional marks consisting of the shape of a product are no different from those applicable to other trademark categories. However, average consumers will often not view mere product shapes as indicators of origin, and it is therefore often more difficult to establish distinctiveness in relation to such a three dimensional mark than in relation to a word or figurative mark.

The court stated that sausages are widespread, everyday consumer goods in the European Union. Although the shape applied for differs from the classic shape of sausages, the average consumer will not perceive the shape applied for as an indication of the commercial origin of those goods. Though the shape applied for is similar to the shape of a pretzel, it is nevertheless the case that the average consumer will view the shape applied for merely as a collection of five sausages linked to one another.

Also, the use of a novel form of presenting sausages as a particular marketing concept is a factor that cannot have any bearing on the assessment of the registrability of the mark. Therefore, according to the court, the shape applied for is devoid of distinctive character within the meaning of Article 7(1)(b) of the Community Trademark Regulation.

CTM application



The court also denied the registrability of a trademark for perfumes in the shape of a cylindrical, elongated and transparent perfume spray bottle (T-104/08). The court stated that the more the shape applied for comes close to the shape in which the product most likely appears, the more likely it is that this shape lacks distinctive character. A "variation" of the common shape of a product type does not suffice for distinctiveness, according to the court. Although the court admitted that it is easier to prove the distinctive character of a perfume packaging in comparison with other three-dimensional trademarks, the same criteria for the assessment of distinctiveness are still to be applied. The court decided that the shape applied for, which is quite plain, is, taken as a whole, quite common and is often used especially for perfume tester bottles. The same, according to the court, applies to the combination of the parts of the shape.

CTM application



SCOPE OF PROTECTION OF WELL-KNOWN TRADEMARKS ACCORDING TO THE COMMUNITY TRADEMARK REGULATION

On March 12, 2009, the European Court of Justice decided a case concerning the scope of protection of well-known trademarks according to Article 8(5) of the Community Trademark Regulation (C-320/07 P). The NASDAQ Stock Market Inc., the owner of the earlier trademark "NASDAQ," registered inter alia for financial services, opposed the application of a figurative trademark "Nasdaq" for sport equipment by Antartica Srl pursuant to Article 8(5) of the Community Trademark Regulation (broader protection for well-known trademarks). The Court of First Instance as court of lower instance held that Antartica's use of the figurative mark "nasdaq" without due cause would take unfair advantage of or be detrimental to the distinctive character and repute of the earlier mark. The trademark NASDAQ presents a certain image of modernity, which establishes the existence of a future risk that this reputation could be transferred to the goods of Antartica.

CTM application



Invoked earlier rights

NASDAQ

Antartica Srl. claimed that the consumers of the goods covered by the trademark applied for are not aware of the earlier mark and, therefore, that any unfair advantage can be ruled out in the current case. For purposes of Article 8(5) of the Community Trademark Regulation the “reputation” of the earlier mark, according to Antartica, had to extend to the general public and not only to the public constituted by the consumers of the goods designated by that trademark.

The European Court of Justice agreed with the court of lower instance and stated that considering the omnipresence of the stock market NASDAQ in the press—not only in the specialist press but also in the general press—and the interest of a large part of the general public in the development of the financial markets, the reputation of the earlier mark reaches further than only to professional circles of the financial sphere.

However, only a few weeks later, on April 30, 2009, the European Court of Justice decided in another case regarding Article 8(5) of the Community Trademark Regulation (C-136/08 P) that no likelihood of confusion exists between the earlier figurative trademark “Camel,” which was registered for tobacco goods and cigarettes, and the figurative trademark “Camelo,” registered for coffee.

CTM application



Invoked earlier rights



Though the court recognized the fact that the earlier trademark is well-known and that the trademarks are similar, it could not determine that the further requirements of Article 8(5) of the Community Trademark Regulation were fulfilled. The court could not find that the trademark applied for would take unfair advantage of the distinctiveness or would damage the reputation of the earlier trademark.

CONSEQUENCES OF A BREACH OF A TRADEMARK LICENSE AGREEMENT

In the judgment of the European Court of Justice dated April 23, 2009 (C-59/08), the following facts were at issue: Christian Dior couture SA concluded a trademark license agreement with Société industrielle lingerie (SIL) in respect of the manufacture and distribution of luxury corsetry goods bearing the Christian Dior trademark, which is owned by Dior.

According to the agreement, in order to maintain the repute and prestige of the trademark, SIL was obliged not to sell the goods outside the selective distribution network. In breach of its contractual obligations, SIL sold goods bearing the Christian Dior trademark to Copad, a company operating a discount store business. Therefore, Dior brought an action against SIL and Copad for trademark infringement. Within this action, the French Cour de cassation decided to refer three questions to the European Court of Justice for a preliminary ruling.

The court answered the question of whether a provision in the license agreement prohibiting sales to discount stores on grounds of the trademark’s prestige falls under Article 8(2) of the Directive 89/104/EEC (Trademarks Directive) in the affirmative, provided it has been established that contravention, by reason of the situation in the main proceedings, damages the allure and prestigious image that bestows on the respective products an aura of luxury.

Article 8(2) of the Trademarks Directive contains the following wording:

“The proprietor of a trademark may invoke the rights conferred by that trademark against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trademark may be used, the scope of the goods or services for which the license is granted, the territory in which the trademark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee.”

The court pointed out that it is precisely where the licensee contravenes provisions in the license agreement concerning, in particular, the quality of the goods manufactured, that Article 8(2) of the Directive enables the proprietor of the trademark to invoke the rights that the directive grants him. The quality of luxury goods is also based on the allure and prestigious image that bestows on them an aura of luxury. Therefore, an impairment to that aura of luxury is likely to affect the actual quality of those goods. It is not impossible that the sale by the licensee of luxury goods to discount stores that are not part of the selective distribution network set up under

the license agreement may constitute such impairment. The court stated that it is for the national court to examine whether contravention by the licensee had damaged the aura of luxury of the goods. In this respect, the nature of the luxury goods bearing the trademark, as well as the volumes sold, had to be taken into account, along with the question of whether the licensee sells the goods to discount stores that are not part of the selective distribution network regularly or only occasionally, and what the nature of the goods normally marketed by those discount stores—and the marketing methods normally used in that sector of activity - are.

The second question concerned the circumstances under which the trademark owner cannot claim his right to prohibit the use of a trademark because his rights are exhausted. According to Article 7(1) of the Directive, exhaustion occurs in relation to goods that have been put on the market in the Community under the trademark by the proprietor or with his consent. The European Court of Justice decided that in cases in which a licensee puts goods bearing a trademark on the market in disregard of a provision in a license agreement, he does so without the consent of the proprietor of the trademark if it is established that the provision in question is included in those exhaustively listed in Article 8(2) of the Directive.

With its third question, the Cour de cassation asked whether the proprietor of a trademark can nevertheless oppose further commercialization of the goods if the fact that a licensee puts luxury goods on the market in contravention of a clause in a license agreement is deemed to result in exhaustion of rights. According to Article 7(1) of the Directive, the proprietor can oppose further commercialization of the goods in specific cases, especially where the condition of the goods is changed or impaired after they have been put on the market. The question was whether the proprietor of a trademark could rely on a clause in a license agreement that the licensee had violated, in order to support this argument.

The court answered as follows: Where a licensee sells goods to a discount store in contravention of a provision in the license agreement, a balance must be struck. On the one hand, the legitimate interest of the proprietor of the trademark covered by the license agreement in being protected against a discount store that does not form part of the selective distribution network using that trademark for commercial purposes in a manner that could damage the reputation of that trademark needs to be considered. On the other hand, the discount store's legitimate interest in being able to resell the goods in question by using methods that are customary in its sector of trade has to be taken into account. Therefore, should the national court find that sale by the licensee to a third party is unlikely to undermine the quality of the luxury goods bearing the trademark, so that it must be considered that they were put on the market with the consent of the proprietor of the trademark, it will be for that court to assess, whether further commercialization of the luxury goods damages the reputation of that trademark. In this respect, it is necessary to take into consideration, in particular, the parties to whom the goods are resold, and the specific circumstances in which the luxury goods are put on the market.

GERMAN FEDERAL COURT OF JUSTICE DECIDES ON LIABILITY OF THE OWNER OF AN EBAY ACCOUNT FOR IMPROPER USE BY THIRD PARTIES

DR. ALEXANDER R. KLETT

In its decision of March 11, 2009 (I ZR 114/06), the German Federal Court of Justice had to decide the question of whether the owner of an account at eBay is legally liable if a third party uses such account for copyright, trademark or unfair competition law infringements without the owner's knowledge. The defendant, the owner of the account, defended himself by saying that his wife had used the account without his knowledge to sell personal items. Among these items was a necklace offered by the wife of the defendant that was described as being "Cartier style." Cartier brought claims for trademark infringement, copyright infringement and infringement of unfair competition law.

The civil court, as well as the Frankfurt Court of Appeals, dismissed the claims. The German Federal Court of Justice reversed the decision by the Court of Appeals and remanded the matter. Unlike the Frankfurt Court of Appeals, the Federal Court of Justice took the view that the defendant as the owner of the eBay account was liable for copyright or trademark infringement, and for unfair competition law infringement, if he did not take adequate measures to make sure that his wife did not have access to the user name and password of the eBay account. The legal argument made by the Court to support this is the violation by the owner of the account of the duty to store the access information safely.

For trademark and copyright owners, this decision is positive. It brings legal certainty with respect to the question that was debated both among courts and scholars of whether the owner of an online account is liable for improper use by third parties if the access information is not stored safely. After this decision by the Federal Court of Justice, the dismissal of the claims will likely not be upheld by the Frankfurt Court of Appeals once the matter has been heard there once more.

FEDERAL COURT OF JUSTICE: DESCRIPTIVE USE OF THE TERM DAX AS A REFERENCE IS PERMITTED

VALERIA MUSHCHININA

On April 30, 2009, the German Federal Court of Justice ruled that Deutsche Börse AG, the operator of the Frankfurt Stock Exchange, cannot forbid banks to use the term "DAX" (I ZR 42/07). The abbreviation DAX (*Deutscher Aktienindex*) stands for the German stock market index.

The bank Commerzbank, which issues stock purchase warrants linked to the rate of the DAX, entered into a trademark license agreement with Deutsche Börse as the owner of the trademark "DAX." After the agreement was terminated, the parties could not agree whether Commerzbank could continue to use the term DAX as a reference for its financial products.

The German Federal Court of Justice decided that Commerzbank is allowed to use the term DAX both according to trademark law and unfair competition law as a descriptive indication for its own products. The German stock market index DAX represents the most important stocks of the German financial market. By referring to the index, Commerzbank does not take unfair advantage of the repute of the trademark DAX, because the valuation of the financial products is based primarily on the evaluation of the most important German stock corporations and the developments of the stock values, as well as on the terms and conditions for each security and the creditworthiness of the bank that issues the financial products.



LEGISLATION AGAINST ILLICIT TELEPHONE ADVERTISING WILL SOON BE ENFORCED

DR. ALEXANDER R. KLETT

The law against illicit telephone advertising and for improving consumer protection with respect to specific modes of distribution, which was passed by the federal government in July 2008, was approved by the Lower House of the Federal Parliament in March and by the Upper House on May 15, 2009. Once the law has been published in the Federal Gazette, it will soon enter into force.



With this law, consumers should be better protected than before against unwanted telephone advertising. While advertising by telephone to consumers without permission has been unfair competition according to Sec. 7 subs. 2 no. 2 of the Act Against Unfair Competition, this will now be the case already if there is no "prior express" consent by the respective consumer. What is more, a new Sec. 20 will be introduced in the Act Against Unfair Competition, according to which a violation will carry a fine of up to €50,000 that may be imposed by the Federal Authority of Telecommunications and Transportation Networks.

Furthermore, the law contains amendments to the Telecommunications Act, according to which call centers may no longer call without caller identification. If they do, they will risk a fine of up to €10,000.

In addition, the law provides for changes to the German Civil Code concerning distance contracts. In the future, consumers will have a revocation right also for newspaper and magazine subscription agreements concluded by telephone, as well as for betting and lottery agreements concluded by telephone. Finally, the inducement to change providers by telephone will be made more difficult. The new Sec. 312f of the Civil Code will provide that termination of the existing agreement upon conclusion of a new agreement with a new provider will require written form.

From a consumer's perspective, this law is positive. Doing business will become more difficult for call centers. It remains to be seen how efficiently the authorities will apply the new provisions and impose fines. In the past, infringements of Sec. 7 of the Act Against Unfair Competition often remained without consequences.

UPDATE NEW TOP LEVEL DOMAINS: PROTECTION OF TRADEMARK RIGHTS

KATHARINA A. WEIMER

Preceding the final decision of the Internet administration Internet Corporation for Assigned Names and Numbers (ICANN) on the allocation rules of the new Internet root zones, a team of trademark experts (the Implementation Recommendation Team, or IRT) has issued a list of recommendations.

IP CLEARINGHOUSE

The recommendation includes the formation of an IP Clearinghouse that shall be managed by a neutral third party. Holders of rights of diverse nature, whether registrable or not, may register their rights with this IP Clearinghouse for a certain fee. The rights will be verified upon registration and afterwards annually. The data collected herein shall be used to support various other protection mechanisms recommended by the IRT. The recommendations include the "Globally Protected Marks List" (GPML), a watch notice procedure, a swift take-down procedure and detailed information in the domain owner databases of Whois ("Whois" is the colloquial name for the databases of the domain registries that contain the data to be made publicly available).

GLOBALLY PROTECTED MARKS LIST

The GPML is likely to become the most significant tool. Trademark owners who wish to have their mark included in this list have to register it with the IP Clearinghouse as a first step. It shall be a requirement for inclusion in this list that the applicant owns at least 200 national registrations in at least 90 countries in all five ICANN regions. The registrations must date back to prior to November 1, 2008. In addition to other requirements, a Second Level Domain that is identical to the mark must be registered in at least 50 countries. It shall not be a requirement that the owner applies (or has applied) for a new Top Level Domain (TLD) that corresponds to the mark. It is intended that registered marks shall enjoy a significantly heightened level of protection compared with the protection awarded to non-registered marks, such as, for instance, an automatic comparison of applied-for new TLDs with this list and refusal of registration of the applied-for TLDs in case of identicalness.

WATCH NOTICE PROCEDURE

The watch service shall enable every natural or legal person, against a fee, to receive a notification if TLDs are applied for that are identical to top level strings that the person has identified as to be watched. Such watch service shall also be called into existence for second level domains. Both procedures shall not hinder the actual registration but shall give the watching person the possibility to take actions if that becomes necessary.

TAKE-DOWN PROCEDURE

In addition to these preventive measures, a swift take-down procedure shall be implemented, the Uniform Rapid Suspension System. The system shall apply to obvious trademark infringements and abusive use of marks in domain names in connection with a website that also contains abusive use of a mark. If such obvious misuse or infringement is discovered, the respective domain will be blocked for the time of registration and afterwards will be dissolved, depending on the outcome of the procedure. The domain owner will be informed of the blocking and may provide a statement displaying his right or rightful interest in the use of the domain. During the subsequent proceeding, a similarity check will be undertaken and it will be examined whether the domain owner has a right or rightful interest in the domain and whether the domain is registered or used in bad faith. Depending on the outcome, the domain will be released or will remain blocked and will subsequently be deleted. This procedure shall be independent from the UDRP (Uniform Domain-Name Dispute-Resolution Policy) and potential judicial procedures.

PRACTICAL USE

Owners of trademarks and other similar rights should closely follow the developments regarding the new Top Level Domains. The recommended measures contain protection mechanisms for rights holders that should be exhausted. Thereby, costs may be kept low and the value of a mark may be protected.



FEDERAL COURT OF JUSTICE: “INTERNET-BASED” VIDEO RECORDERS ARE GENERALLY ILLEGAL

DR. ALEXANDER R. KLETT / VALERIA MUSHCHININA

The Federal Court of Justice had to decide on April 22, 2009 on the legitimacy of so-called “Internet-based” video recorders (I ZR 216/06). The court stated that the offering of Internet-based video recorders can violate the neighboring rights of broadcasting companies under the German Copyright Act and, therefore, is generally illegal.

The plaintiff who broadcasts the television program “RTL” proceeded against the owner of the website “Shift.TV.” On this website, the defendant offers her customers the possibility to record programs of several television channels received via satellite antenna using an “Internet-based personal video recorder.” This technology allows programs to be saved on a “personal video recorder” in the storage space of the defendant’s server. Each recorder is assigned solely to the respective customer. The customer can retrieve the programs recorded on the personal video recorder from any place at any time, as often as required.

The plaintiff as a broadcasting company claimed her neighboring rights according to Sec. 87 subs. 1 of the German Copyright Act (Urheberrechtsgesetz). The courts of the first and second instance decided to a large extent in favor of the plaintiff. The Federal Court of Justice annulled the judgment of the court of appeals and remanded the case to the lower court. The Federal Court of Justice did not see itself as being able to finally decide on the legitimacy of the personal video recorder because in terms of copyright law, it had not been sufficiently analyzed by the lower court as a matter of fact whether the defendant herself or her customers record the programs of the plaintiff on the personal video recorder.

However, according to the Federal Court of Justice, copyright law is violated in both cases: In case the defendant records the programs on the personal video recorder on behalf of her customers, she violates Sec. 87 subs. 1 of the German Copyright Act, which regulates the plaintiff’s right to record her program on picture and sound record media. Since the defendant does not offer her services for free, she cannot plead that her customers have a right to record programs for private use. In case the storage process proceeds fully automatically and the particular customer has to be deemed as the producer of the reproduction, the right to make a recording for private use applies. However, in this case, the defendant violates the plaintiff’s right to retransmit the broadcasts, because the defendant transmits the programs received via satellite antenna to the personal video recorder of her customer.

It remains to be seen how the court of appeals will decide when the details about the recording process have been clarified.

MODERNIZATION OF THE PATENT LAW

DR. RICHARD SCHLÖTTER

On May 28, 2009, the Bundestag approved the Federal Government’s draft Act on the Simplification and Modernization of the Patent Law. The Modernizing Act focuses on the acceleration of patent revocation proceedings. Moreover, the Act provides for the simplification of proceedings with regard to employees’ inventions.

Currently, the duration of revocation proceedings is very slow, which is mainly attributable to the duration of appeal proceedings at the Federal Supreme Court (currently often exceeding four years).

Because in patent infringement proceedings the defendant cannot merely change the validity of the patent in suit, the defendant often has no other choice than to file nullity action against the patent in suit. If, in the opinion of the infringement court, there is a high likelihood that the patent is deemed invalid and will therefore hardly survive the nullity proceeding, it will suspend the infringement proceedings until the Federal Patent Court or the Federal Supreme Court has decided the validity. Considering the current duration of the proceedings for annulment, it may well be that the patent revocation proceedings will remain suspended by more than six years.

The Patent Right Modernization Act is aimed at reducing the duration of actions for annulment of patents. In the future, the Federal Patent Court, acting as court of first instance in an action of nullity, shall draw the attention of the parties to questions that are material for the decision of the court, and that have not yet been addressed sufficiently in the parties in their written statements. In this manner, the parties will be able to focus on those details that are of particular importance in the opinion of the court. At the same time, the Federal Patent Court shall have the possibility to impose binding deadlines. The parties will therefore be required to present all facts of the case long before the date of the oral hearing.

In order to speed up the appeal proceedings before the Federal Court of Justice, the appeal proceedings now permitting the hearing of evidence shall in the future be limited to the review of legal mistakes. Legal expert witnesses who are currently used by the Federal Court of Justice – other than the Federal Patent Court that is manned with technical judges – will be used in the future only in exceptional cases in appeal proceedings. This too shall contribute to reduce the average duration of appeal proceedings by one-half.

Another important change refers to the issue of employee inventions. Under the current law, the claiming of an employee invention is a strictly formalistic procedure, which is likely to result in errors. Procedural errors may have the detrimental effect that an invention of possibly great importance to the company may not be claimed and registered on behalf of the company without further ado. In this context, a fictitious claiming of the invention shall be introduced to avoid mistakes. The employee invention shall automatically pass over to the employer four months after the reporting of it, provided it is not released by the employer.

RIGHT TO INSPECTION

DR. RICHARD SCHLÖTTER

In order to increase efficiency, the right to seek inspection according to Sec. 140c of the German Patent Act (PatG) is normally enforced by means of a preliminary court order. The "Düsseldorf Practice" assumes that the required "urgency" is implied by Sec. 140c subs. 3 first sentence of the PatG. The other requirements for a preliminary court order need to be submitted and evidenced as usual. Sec. 140c of the PatG has been introduced during implementation of the Enforcement Directive. The Enforcement Directive made further changes of the German Intellectual Property rights necessary, for instance, in the Copyright Act, where a new Sec. 101a of the Copyright Act was introduced, which imposes an entitlement to examination that is almost identical to the provision of Sec. 140c of the Patent Act.

In contrast to the practice of the Düsseldorf Court, the Appellate Court of Cologne held in a case concerning the right to inspection under copyright law, that Sec. 101a of the Copyright Act does imply the necessary urgency so that the petitioner will therefore have to submit and evidence the necessary urgency as in regular summary proceeding. Concerning "normal" preliminary injunction proceedings, the Appellate Court of Düsseldorf recently confirmed in "Olanzapin-Eilverfahren" ("Olanzapin summary proceedings") that the Enforcement Directive will not make it necessary to change the existing case law in particular with respect to the urgency requirement.

The current practice of the Düsseldorf Court in relation to the right to inspection is also being criticized by the Appellate Court of Munich. Currently, the interest of the respondent to keep secrets confidential is being taken into consideration during the enforcement of an inspection order, such that the inspection is performed by a neutral court expert in the presence of the legal counsel of the petitioner, sworn to secrecy toward the client, while the petitioner is not allowed to participate. The expert opinion that the court expert will then have to produce shall be made available to the petitioner only if the expert confirms a certain likelihood of infringement and, after the respondent had the opportunity, to specify and submit that and to which extent trade secrets might be affected, so that the court can then ensure that confidential information not needed to verify likelihood of infringement according to Sec. 140c of the PatG will be blackened. However, the Appellate Court of Munich challenges these principles in the case "Laserschweißen." The Appellate Court of Munich states that the practice to first make available the expert opinion to the legal counsel of the petitioner, but not to the petitioner itself, would conflict with the right to be heard that is anchored directly in the German Constitution (Art. 103, Para. 1 of the German Constitution). Further, appropriate measures deemed to reconcile the controversial interests of petitioner and respondent need to be defined and determined prior to the issuance of the inspection order, and not only in the course of the proceedings. Finally, the Appellate Court of Munich raises the question

of whether the current practice that leaves determining the infringement issue with the court expert is in line with current case law of the German Federal Court of Justice (the Appellate Court makes particular reference to the decision of the Federal Court of Justice in the "side mirror" case. In "side mirror," the Federal Court of Justice instructed the deciding court to interpret the patent itself and not to leave the claim construction to the expert. Against this background, the Appellate Court of Munich allowed the appeal to the Federal Court of Justice, because this case is one of fundamental importance.

UPDATE: REFORM OF THE GERMAN FEDERAL DATA PROTECTION ACT

KATHARINA A. WEIMER

Contrary to the efforts of data protection supporters in Germany, the controversially discussed reform of the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) has not been adopted effective June 1, 2009, as was intended. The reform would have introduced several changes that are recommended by data protection and consumer protection advocates. For instance, certain privileges that enable address-trading would have been eliminated. Furthermore, the internal data protection officer of companies handling personal data would have benefited from special dismissal protection. The draft bill also contains an increase of the fines, and breach notifications for data protection mishaps. The change of the Data Protection Act was, in particular, opposed by the mail order trade and by publishing houses because elimination of these privileges would have severely limited the possibilities for mail advertisement.

If, and in what shape, the reform of the Data Protection Act will eventually be adopted, and whether this will occur during the current legislative period (ending in September 2009), is doubtful. The reform will be on the agenda of the interior committee of the Bundestag again on July 1, 2009.

However, the legislature passed a change to scoring procedures. Scoring procedures are procedures employing various data by which certain evaluations regarding the data subject are conducted, in particular on his creditworthiness. Currently, the valuation basis and calculation methods are often non-transparent and not accessible for the data subject. This will change: data subjects are awarded an extended information claim vis-à-vis credit agencies, as well as vis-à-vis the decision-making contractual partners: inter alia, the valuation basis and the calculated results must be provided to the data subjects in a comprehensible manner.

RECOMMENDATION OF THE EU COMMISSION ON THE USE OF RFID TECHNOLOGY

KATHARINA A. WEIMER

On May 12, 2009, the EU Commission issued a recommendation that shall support the protection of the individual's basic right to protection of privacy, and to data protection when Radio Frequency Identification (RFID) technologies are used. The recommendation is addressed to public authorities and private companies (Users) that employ RFID for their purposes. The aim of the recommendation is to create equal starting conditions for the European economy and at the same time to enhance protection of the individual's privacy.



The Commission's non-binding recommendation contains the following guidelines:

- The Member States shall develop a framework for the evaluation of the influence of RFID technology on privacy and data protection. With the help of this framework, Users of RFID can assess their technologies with regard to their consequences, and in particular how they can be used for the surveillance of individuals. This assessment shall be presented to the national data protection authorities. The result of the assessment is decisive for potential further obligations of the User.
- Users of data protection-relevant RFID technology must ensure that RFID chips are deactivated automatically and free-of-charge in the shop, unless the customer desires to keep them activated (Opt-In).
- Users of data protection-relevant RFID technology shall be obligated to publish information guidelines regarding their use of RFID, containing detailed information on the name of the User, the purpose of use, details on the processed data and on the potential risks for privacy, and on respective possibilities to minimize the risk for the individual.
- A common sign indicating the use of RFID in products and applied to the products shall be created.
- The Member States, together with the industries and relevant stakeholders, shall motivate the introduction and support of the "security and privacy-by-design" principle.

The Member States must inform the Commission of the contemplated measures for implementation of the recommendation within two years of its publication. If the recommendation is not implemented accordingly, shops and manufacturers will face costly changes because of the labeling of RFID technology and respective deactivation in the shops. It should be expected that the Commission will become active if the Member States fail to implement respective measures to introduce the recommendation.

12TH AMENDMENT OF THE BROADCAST TREATY

DR. STEPHAN RIPPERT

"ZDF wants to shrink its Internet offer to one-fifth of the current offerings." Such announcement could recently be read in newspapers and news portals. Such reduction in Internet offerings is the consequence of the 12th Amendment to the Broadcast Treaty, which became effective June 1, 2009. Because of the increasing content offerings of public broadcasters on the Internet, as well as the ongoing subsidy violation proceedings initiated by the EU commission, the legislator had to act in order to safeguard fair competition between public and private broadcasters.

One crucial element of the amendment is the specification of the purpose of the public broadcasters. The legislator introduced the public value test in order to limit Internet offerings of public broadcasters, both with regard to content itself as well as to its amount. The objective is to find the right balance between the rights of the public broadcasters and fair competition vis-à-vis private broadcasters. Whereas the public broadcasters consider the Internet, in addition to television and radio, as the third pillar of its public functions for providing information to the public, private broadcasters consider the offerings in the Internet as an unfair competition subsidized by mandatory license fees.

It remains to be seen whether the public value test meets the expectations. The VPRT (Association of Private Broadcasters) requested additional steps in order to control the content, an external controlling body instead of an internal controlling body supervised by the public broadcasters, and a connection between content offerings in television and content offerings on the Internet.

The Treaty Amendment further encompasses framework rules for commercial activities of public broadcasters, including their participation in other companies and financing issues. The implementation of the EU Audiovisual Media Services Directive is contemplated in the 13th Amendment to the Broadcast Treaty.

NEWS FROM THE PRACTICE GROUPS

UPCOMING SEMINAR

IP Rights in Insolvency Situations

On September 17, 2009, **Dr. Richard Schlötter** and **Dr. Alexander R. Klett** will be holding an evening workshop on "IP Rights in Insolvency Situations" at the Reed Smith Munich office.

If you are interested in attending this workshop or would like more information, please contact Anja Oberschmidt (aoberschmidt@reedsmith.com).

PRESENTATIONS & SEMINARS

Dr. Richard Schlötter recently held several client in-house seminars on "Patent Exploitation," "Enforcement of Patents after Implementation of the Enforcement Directive," and "Recent Trends in IP Litigation in Germany."

On July 9, 2009, **Dr. Alexander R. Klett** will be lecturing on "Unfair Competition Law and Marketing Law aspects relating to Copyright and Media Law; Legal Protection of Work Titles" (*Wettbewerbsrechtliche und werberechtliche Bezüge des Urheber- und Medienrechts; Titelschutz*) as part of the "Certified Specialist Attorney for Copyright and Media Law" seminar at the Munich Institute for Copyright and Media Law.

On September 29, 2009, **Dr. Alexander R. Klett** will be lecturing as part of the Management Circle Seminar "Current Legal Issues for Complaint Managers" (*Aktuelles Rechtswissen für Beschwerdemanager*) in Frankfurt.

EXCLUSIVE IN-HOUSE SEMINARS

We would be delighted to offer your company customized in-house seminars and presentations on current issues and recent legal developments. Please contact us.

PUBLICATIONS

Dr. Alexander R. Klett published an article in the INTA Bulletin on "Google AdWord Advertising and German Trademark Law: Is Use of a Third-Party Trademark as a Keyword Infringing?" (INTA Bulletin, May 15, 2009, Vol. 64, No. 10, p. 6 et seq).

Dr. Alexander R. Klett published an article in the German law review *Kommunikation & Recht* on the subject "AdWord advertising using third-party trademarks - trademark infringement?" (*AdWord-Werbung unter Verwendung fremder Kennzeichen - markenrechtsverletzend?* K&R 5/2009, p. 317 et seq). The author comments on the recent decisions by the German Federal Court of Justice regarding the use of third-party trademarks in identical or similar form as a search term for purposes of the so-called AdWord advertising offered by the search engine Google.

Dr. Alexander R. Klett published an article in the INTA Bulletin on "Implementing the EU Enforcement Directive in Germany: Significant Benefits for Trademark Owners" (INTA Bulletin, April 15, 2009, Vol. 64, No. 8, p. 7 et seq).

Dr. Stephan Rippert and **Katharina A. Weimer** authored the chapter on data protection regulations in Germany in the PLC Data Protection Handbook 2009/10.

REED SMITH RANKED # 1 IN THE 2009 BTI CLIENT RELATIONSHIP SCORECARD REPORT

At Reed Smith, we like to say that we are in "The business of relationships." So we were delighted to learn that according to a recent survey by the BTI Consulting Group, Fortune 1000 organizations reported that we are at the top of the law firm industry in building and maintaining client relationships. In the recently published 2009 BTI Client Relationship Scorecard Report, Reed Smith ranked 1st out of 411 law firms mentioned for client relationship leadership, in interviews with more than 500 corporate counsel at Fortune 1000 organizations and other large companies.

If you would be interested in seeing a summary of the report, please contact us.

CONTRIBUTORS TO THIS ISSUE



Dr. Alexander R. Klett, LL.M.

Partner
Intellectual Property
aklett@reedsmith.com
T: +49 (0)89 20304 145



Dr. Stephan Rippert, LL.M.

Partner
Advertising, Technology & Media
srippert@reedsmith.com
T: +49 (0)89 20304 160



Dr. Richard Schlötter

Partner
Intellectual Property
rschloetter@reedsmith.com
T: +49 (0)89 20304 172



Katharina A. Weimer, LL.M.

Associate
Advertising, Technology & Media
kweimer@reedsmith.com
T: +49 (0)89 20304 160



Valeria Mushchinina, LL.M.

Associate
Advertising, Technology & Media
vmushchinina@reedsmith.com
T: +49 (0)89 20304 130

Provider of the Newsletter according to Sec. 5 German Act for Telecommunications Media Services (Telemediengesetz) and to Sec. 55 para 1 Interstate Treaty on Broadcasting (Rundfunkstaatsvertrag):

Reed Smith LLP
- Fünf Höfe -
Theatinerstrasse 8
80333 München
T: +49 (0)89 20304 10
F: +49 (0)89 20304 199
www.reedsmith.com

Responsible editors according to Sec. 55 para 2 Interstate Treaty on Broadcasting (Rundfunkstaatsvertrag):

Dr. Alexander R. Klett, Dr. Stephan Rippert.

Disclaimer:

The information contained in this Newsletter was compiled by Reed Smith LLP as a summary of the subject matter covered and is intended to be a general guide only and not to be comprehensive, nor to provide legal advice. All information provided in the newsletters and publications is thoroughly reviewed by Reed Smith LLP. However, Reed Smith LLP takes no responsibility for the correctness, completeness and up-to-dateness of the information.

The complete Impressum (Legal Notices) can be viewed at http://www.reedsmith.com/telemediengesetz/telemediengesetz_english.cfm.

© Copyright 2009 Reed Smith.



ReedSmith

The business of relationships.

NEW YORK
LONDON
HONG KONG
CHICAGO
WASHINGTON, D.C.
BEIJING
PARIS
LOS ANGELES
SAN FRANCISCO
PHILADELPHIA
PITTSBURGH
OAKLAND
MUNICH
ABU DHABI
PRINCETON
N. VIRGINIA
WILMINGTON
SILICON VALLEY
DUBAI
CENTURY CITY
RICHMOND
GREECE