IN THIS ISSUE:
Recent case law of the European Court of Justice in trademark matters 1
Federal Court of Justice: The add-on “®” and its competitive relevance 3
LEGO brick as a 3D trademark cancelled 4
Federal Court of Justice clarifies the obligations of patentee to grant third party licenses 4
First decision of the European Court of Justice concerning the interpretation of the Community Design Regulation 5
Decision by the European Court of Justice concerning electronic press reviews in accordance with the Directive on Copyright in the Information Society 5
“Third Basket”: German Federal Ministry of Justice is examining the need for further amendments to German copyright law 6
Changes of the regulation regarding the right of withdrawal in distance agreements 7
Federal Court of Justice: Quotation of prices on the Internet 8
Host of German version of the TV show “Who Wants to Be a Millionaire?” wins legal battle for the right to use his picture 8
Coming into force of the new German Federal Data Protection Act 9
Federal Court of Justice: Scope of neighboring rights in databases 10
News from the Practice Groups 11
RECENT CASE LAW OF THE EUROPEAN COURT OF JUSTICE IN TRADEMARK MATTERS

DR. ALEXANDER R. KLETT / VALERIA MUSHCHININA

STATE EMBLEMS AS TRADEMARKS

In its decision of July 16, 2009 (C-202/08 and C-208/08), the European Court of Justice had to determine in which cases signs that are identical or similar to a state emblem are capable of being registered as trademarks, according to Article 7(1)(h) Community Trademark Regulation (CTMR) in conjunction with Article 6ter (1)(a) Paris Convention for the Protection of Industrial Property (PC).

In 2002, the company American Clothing Associates had filed an application consisting of an image of a maple leaf with the letters “RW” in capitals, for goods and services in classes 18, 25 and 40. The application was rejected according to Article 7(1)(h) CTMR on the grounds that the sign is able to create an impression of a connection between the sign and Canada for the public, since the maple leaf is the state emblem of Canada. Article 7(1)(h) CTMR refers to Article 6ter (1)(a) PC, according to which the registration either as trademarks or as elements of trademarks, of armorial bearings, flags, and other state emblems, official signs and hallmarks indicating control and warranty adopted by them, and any imitation from a heraldic point of view, is to be refused.

The Board of Appeal had confirmed the rejection of the application. In contrast, the Court of First Instance annulled the decision in respect of the services in class 40, on the grounds that Article 6ter (1)(a) PC, to which Article 7(1)(h) CTMR refers, does not apply to services.

However, the European Court of Justice did not follow the view of the Court of First Instance. Community law does not make any fundamental distinction between trademarks and service marks. The reference to the Paris Convention aims to determine the kind of signs, the registration of which has to be refused. It does not limit the scope of application of the CTMR.

Further, with regard to the remaining questions, the court confirmed that the registration of this trademark is to be refused according to Article 7(1)(h) CTMR in conjunction with Article 6ter (1)(a) PC. The role of a state emblem is to identify the state and its sovereignty and unity. The role of a trademark is to guarantee the origin of the marked goods and services. Because of this distinction, many aspects that are applicable to trademarks, do not apply for the protection of state emblems.

The court pointed out that the prohibition of the imitation of state emblems only applies to imitations from a heraldic point of view. Not the picture itself or its geometrical description is protected, but its heraldic expression. Thus, a sign that does not exactly depict the state emblem can be prohibited according to the Paris Convention, if it can be considered by the respective public as an imitation of such sign.

CRITERIA RELEVANT TO DETERMINING WHETHER AN APPLICANT IS ‘ACTING IN BAD FAITH’

In a further decision dated June 11, 2009 (C-529/07), the court had to review the criteria relevant to determining whether an applicant is “acting in bad faith” when filing an application for a Community trademark.

Lindt & Sprüngli has produced a chocolate bunny since the early 1950s with a shape very much like the one protected by the three-dimensional mark at issue. Since 1994, Lindt & Sprüngli has marketed it in Austria. In 2000, Lindt & Sprüngli obtained the three-dimensional Community trademark at issue, representing a gold-colored chocolate bunny, in a sitting position, wearing a red ribbon and a bell and with the words “Lindt GOLDHASE” in brown lettering. The defendant and cross-claimant, against whom Lindt & Sprüngli initiated the proceedings, has marketed similar looking chocolate bunnies since the early 1960s.

In the proceedings, the defendant claimed that Lindt & Sprüngli was acting in bad faith when it filed its application for registration of the mark, because it was aware that a competitor in (at least) one member state is using the same sign, or one so similar as to be capable of being confused with it, for the same or similar goods or services, and it applied for the trademark in order to be able to prevent that competitor from continuing to use the sign. The Austrian Supreme Court decided to stay the proceedings and to refer certain questions regarding bad faith to the Court of Justice for a preliminary ruling.

The Court of Justice stated that the national court must take into consideration all the relevant factors specific to the particular case at the time of filing the application for registration of the sign as a Community trademark. In particular, the court has to consider whether the applicant...
knew or must have known that a third party is using, in at least one member state, an identical or similar sign for an identical or similar product capable of being confused with the sign for which registration is sought. Such presumption of knowledge by the applicant may arise inter alia from general knowledge in the economic sector concerned of such use. The more such use is long-standing, the more probable it is that the applicant will, when filing the application for registration, have knowledge of it. However, this fact is not sufficient, in itself, to permit the conclusion that the applicant was acting in bad faith. Consequently, according to the court, consideration must also be given to the applicant’s intention at the time when he files the application for registration.

Bad faith will be likely if it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trademark without intending to use it, his sole objective being to prevent a third party from entering the market. However, even in such circumstances, and in particular when several producers were using, on the market, identical or similar signs for identical or similar products capable of being confused with the sign in question, it cannot be excluded that the applicant’s registration of the sign may be in pursuit of a legitimate objective. That may in particular be the case, where the applicant knows, when filing the application for registration, that a newcomer in the market is trying to take advantage of that sign by copying its presentation, and the applicant seeks to register the sign with a view to preventing use of that presentation.

Further, in a case where the sign for which registration is sought consists of the entire shape and presentation of a product, the fact that the applicant is acting in bad faith might more readily be established where the competitors’ freedom to choose the shape of a product and its presentation is restricted by technical or commercial factors, so that the trademark proprietor is able to prevent his competitors not merely from using an identical or similar sign, but also from marketing comparable products. Moreover, a significant reputation enjoyed by a sign at the time when the application as a Community trademark is filed can justify the applicant’s interest in ensuring a wider legal protection for the sign.

**RELEVANT POINT IN TIME FOR THE DISTINCTIVE CHARACTER ACQUIRED THROUGH USE**

On the same day, the court issued a further ruling (C-542/07 P), where it commented on the requirements of the distinctive character acquired through use. The Board of Appeal of OHIM refused the application for registration of the Community trademark “PURE DIGITAL” for goods and services in classes 9 and 38, in particular for computer-based goods and services, on the ground that the mark in question was descriptive and devoid of any distinctive character within the meaning of Article 7(1)(b) and (c) CTMR, as well as it has not acquired a distinctive character through use. The Court of Justice confirmed this decision and commented that, according to the CTMR, it does not suffice if the distinctive character is acquired through use after the trademark application, as the date of filing of the application for registration determines the priority of one mark over another.

The court ruled that the exemption granted in Article 51(2) of the CTMR, which states that where the Community trademark has been registered in breach of the provisions of Article 7(1)(b) CTMR, it may nevertheless not be declared invalid, if it has after registration acquired a distinctive character through use, and cannot serve as a basis for reasoning by analogy in the interpretation of Article 7(3) CTMR. This exemption acts solely for the protection of the legitimate expectations of the trademark proprietor in respect of the trademark registration, because on the basis of those expectations, he may have made investments in the period that elapsed since registration. It cannot be claimed that such legitimate expectations in the registration of the mark exist at the time when the application for registration is filed.

**LIKELIHOOD OF CONFUSION**

The decision of June 3, 2009 (C-394/08 P), concerned the likelihood of confusion between the word sign ZIPCAR for which registration was sought for goods and services in, inter alia, class 39, in particular for travel and transportation services, transportation reservation services, and vehicle rental, and the trademark CICAR, registered in Spain for vehicle rental services. The owner of the trademark CICAR gave notice of opposition on the ground that the mark in question was descriptive and devoid of any distinctive character within the meaning of Article 7(1)(b) and (c) CTMR, as well as it has not acquired a distinctive character through use. The Board of Appeal of OHIM refused the application for registration of the Community trademark “PURE DIGITAL” for goods and services in classes 9 and 38, in particular for computer-based goods and vehicle rental services. The owner of the trademark CICAR gave notice of opposition on the ground of the likelihood of confusion. The Opposition Division of OHIM allowed the opposition. This decision was confirmed by the Board of Appeal of OHIM and the Court of First Instance. The services in question are in part identical, in part very similar as they either relate to the rental of vehicles, or are complementary to the rental of vehicles. The signs are very similar phonetically. In the current case, the average Spanish-speaking consumer will not perceive ZIPCAR as an English word, since the first syllable (“zip”) is not an English word that is generally known by that consumer. Besides, even if the average Spanish-speaking consumer
consumer recognized the foreign origin of the words “zip” and “car,” there is no reason to think that he will pronounce ZIPCAR according to the rules of English pronunciation. The average consumer would pronounce the word “car” in both conflicting marks in the same way, whether he pronounces that word according to the rules of Spanish or English pronunciation. It cannot be assumed that the average Spanish-speaking consumer’s knowledge of English will allow him to understand the evocative meaning relied on by Zipcar.

The European Court of Justice followed this view. There is a strong phonetic similarity that plays a decisive role in this case. For the purposes of defining the relevant public, account must be taken of the average consumer of Spain. Even if it is accepted that in certain regions of Spain English is commonly spoken, or that some Spanish consumers have knowledge of English, the English knowledge of an average consumer has to be applied. For this group, a likelihood of confusion exists.

FEDERAL COURT OF JUSTICE: THE ADD-ON “®” AND ITS COMPETITIVE RELEVANCE

DR. ALEXANDER R. KLETT / KATHARINA A. WEIMER

The German Federal Court of Justice recently decided on the use of the sign “®” in connection with the trademark “Thermoroll” owned by a third party and on the implications this use has (file no. I ZR 219/06). The claims were ultimately only based on the Act against Unfair Competition, alleging that such use constituted misleading advertising.

The plaintiff used the mark “Thermoroll®” for advertising its products, while the mark actually owned by the plaintiff was “Termoroll.” The defendant had obtained certain assets from the insolvent C.I. GmbH, including advertising material containing the mark “Thermoroll.” The actual mark “Thermoroll” was owned by a third party that was not involved in the dispute. Both parties alleged claims for injunctive relief and for information as to the use of the mark, and for damages resulting from the use of the mark.

The Court of Appeals held that advertisement with the mark “Thermoroll®” is misleading if the advertiser is neither the owner of a registered mark “Thermoroll®” nor the licensee of such mark. However, according to the Court of Appeals, in this case this deception lacked competitive relevance. Use of the mark “Thermoroll®” only misled the relevant public about the fact that the mark used in the advertisement differed from the mark actually owned by the plaintiff, which is spelled “Termoroll.” The deception did not extend to misleading the relevant public about the fact that the products are branded, if only by a different mark. According to the Court of Appeals, this slight deception because of misspelling is not sufficient to fulfill the criterion of competitive relevance under the Act against Unfair Competition.

The Federal Court of Justice reversed the decision by the Court of Appeals. The court found that when the symbol “®” is added to a certain mark, the relevant public expects that a mark of the exact shape and content exists and that the user of the mark with the add-on “®” is authorized to use this mark in the advertisement at dispute. However, this was not the case for the plaintiff during the alleged time frame. The advertising was therefore misleading.

The Federal Court of Justice took the view that this deception was indeed relevant. The parties themselves placed great importance in the use of the mark “Thermoroll®,” in particular because by means of this mark they created a link to the products of the insolvent C.I. GmbH. The allegation contained in the use of the mark “Thermoroll®” to own the respective rights to the mark or to hold a valid license played an important role in particular in this decision. The deceptive use of the mark “Thermoroll®” therefore was of competitive relevance in this situation.

The Federal Court of Justice also determined that someone who uses a certain mark in advertising without the right to do so, and thereby falsely alleges to hold rights to it, expects to gain a certain advantage from such behavior.

This decision shows that anybody intending to use the symbol “®” in connection with a mark should make sure that he/she indeed owns or holds rights to use this mark. While slight deviations in the shape of the mark may be irrelevant, this is subject to review in the individual circumstances. Changes in the phonetic appearance or the context of the mark may result in a deviation that could be considered misleading under the Act against Unfair Competition.
FEDERAL COURT OF JUSTICE CLARIFIES THE OBLIGATIONS OF PATENTEE TO GRANT THIRD-PARTY LICENSES

DR. RICHARD SCHLÖTTER

In recent years, German courts have had to deal on several occasions with the question of whether a defendant accused of patent infringement may avert the issuance of an injunction if the plaintiff, being a market-dominating company, refused to grant a license and thus discriminated against the defendant.

A number of trial courts refused to grant injunctive relief if a patentee was found to have unlawfully hindered a third party from obtaining a license under anti-trust law principles. The German Federal Court of Justice had to consider such a case in 2004, but had left it open whether the patentee’s refusal to grant a license to a potential supplier might prevent the patentee from obtaining an injunction against that supplier using the patent regardless. The recent “Orange Book Standard” case gave the Federal Court of Justice the opportunity to now address this issue.

THE ORANGE BOOK STANDARD CASE

The patent-in-suit concerned recordable and rewritable compact discs (CD–R and CD-RW) corresponding to the specifications of the Orange Book Standard. This standard is relevant for CD-R and CD-RW so that common CD-Rs and CD-RWs inevitably use that patent. The patentee already granted licenses to CD manufacturers and was prepared to grant further licenses. However, the royalty requested from individual licensees was not always the same. In the Orange Book Standard case, the defendants considered the requested royalty rate excessive and were prepared to pay only a reduced amount, i.e., an amount deemed reasonable, which was 3% of the net sales price of the CDs.

The appellate court, while assuming that the patentee constituted a market-dominating company, and in view of the importance of the patent for the Orange Book Standard, denied an unlawful discrimination against the defendants. The defendants had not been able to identify actual licensees of the patentee paying the royalty rate that the defendants considered fair and reasonable, i.e., amounting to 3% of the net sales price. Therefore, the appellate court concluded that the plaintiff, when requesting a royalty rate of more than 3% from the defendants, was not acting discriminatory in a way that might have enjoined the plaintiff from obtaining an injunction.

The Federal Court of Justice took a different stand. It emphasized that the refusal of a patentee, which has a market-dominating position, to grant a license on reasonable terms and conditions, is discriminating and an abuse of a market-dominating position, and therefore prevents the granting of injunctive relief. Still, the Federal Court of Justice also concluded that the plaintiff in the Orange Book Standard case was nevertheless entitled to injunctive relief.

According to the court, the patentee’s request for injunctive relief is to be denied if two requirements are met: (1) The defendant has to request the patentee bindingly and unconditionally conclude a license agreement that the patentee cannot refuse without violating anti-trust principles; and (2) The defendant, while using the subject matter of the patent, has to meet the conditions determined in the license agreement to be concluded in relation to the licensed products.

Therefore, the Federal Court of Justice took the view that a defendant cannot prevent the granting of an injunction by merely arguing that the terms and conditions for a license agreement requested by the patentee

LEGEND FOR IMAGES

The LEGO brick had been registered as a three-dimensional trademark with the German Patent and Trademark Office in 1996. Now the court decided that the shape of the LEGO brick has to be kept free in the interest of the competitors because the main elements of the brick are necessary to achieve a technical effect. The court’s focus was on the brick’s upper side clamping burling only. The block-shaped form of the brick itself was to be regarded as the “generic form” of such brick toys, which cannot be protected as a trademark according to Sec. 3 para. 2 no. 1 of the German Trademark Act (MarkenG). The burling, however, together with the inner surface of the LEGO brick, only fulfills a clamping function. The brick lacks any other non-technical constitutive criteria. Pursuant to Sec. 3 para. 2 no. 2 of the German Trademark Act, signs consisting exclusively of a shape necessary to obtain a technical result are not capable of protection as a trademark.

LEGO BRICK AS A 3D TRADEMARK CANCELLED

DR. ALEXANDER R. KLETT / VALERIA MUSHCHININA

On July 16, 2009, the German Federal Court of Justice ruled that the LEGO brick, with its characteristic burling arrangement on the upper side, is not capable of protection as a three-dimensional trademark for gaming bricks (IZB 53/07 and 55/07).
would not be fair and reasonable. Rather, the defendant has to request from the patentee unconditionally and bindingly to grant a license under "usual" conditions. However, that raises the question whether it will always be possible to identify what those "usual" conditions in the respective technical field are. In particular, determining the "right" royalty rate may not always be easy. The Federal Court of Justice addressed this issue and concluded that it would have been sufficient if the license-seeking defendant had asked the patentee to determine a fair and reasonable royalty rate. Should that amount, from the perspective of the defendant, be excessive, the defendant would be entitled to pay the amount sought into a deposit and subsequently seek a clarification in relation to the "right" royalty amount.

The recent Orange Book Standard case will certainly impact the handling of future cases related to technical standards.

FIRST DECISION OF THE EUROPEAN COURT OF JUSTICE CONCERNING THE INTERPRETATION OF THE COMMUNITY DESIGN REGULATION

DR. ALEXANDER R. KLETT

On July 2, 2009 (Case C-32/08) the European Court of Justice had the opportunity for the first time to take a position on the interpretation of the Community Design Regulation (CDR) in a matter referred to it by a Spanish Court. The Spanish court specifically asked the ECJ for guidance concerning the question whether Art. 14 para. 3 CDR only concerns Community designs developed in the course of an employment relationship governed by an employment agreement or whether this provision can be interpreted more widely to also include service or project agreements containing the obligation to develop a particular design. Art. 14 para. 3 CDR provides that where a design is developed by an employee in the execution of his duties or following the instructions given by his employer the right to the Community design shall vest in the employer, unless otherwise agreed. The background of the litigation in Spain which led to the referral to the ECJ was that one company had asked another company as part of a project to develop a design for a fixed price.

The ECJ interpreted Art. 14 para. 3 CDR narrowly in accordance with its wording and pointed out that the Regulation consciously speaks of the “employer” and not the principal. Therefore, according to the court, Art. 14 para. 3 does not apply to Community designs developed as part of a commercial order. If a clear assignment of the design to the third party was not contractually agreed, the rights to the Community design will therefore vest in the designer according to Art. 14 para. 1 CDR. This means that with respect to commercial agreements, diligence is required to make sure that the rights to designs developed in the course of a commercial order will clearly be assigned contractually to the principal. If this is not the case, there is a serious risk that the designer will develop the design in accordance with the agreement, but will retain the (Community design) rights to it and may either ask for additional compensation for an assignment by the principal, or even use the design himself against the intention of the principal.

DECISION BY THE EUROPEAN COURT OF JUSTICE CONCERNING ELECTRONIC PRESS REVIEWS IN ACCORDANCE WITH THE DIRECTIVE ON COPYRIGHT IN THE INFORMATION SOCIETY

DR. ALEXANDER R. KLETT

In a referral decision concerning a referral by a Danish court, the European Court of Justice decided on the admissibility of the creation of electronic press reviews in light of Art. 2 and 5 of Directive 2001/29/EC Concerning Copyright in the Information Society on July 16, 2009 (case C-5/08). This decision is specifically interesting also because it contains the first statement by the ECJ on the legality of electronic press reviews in light of the Directive after the decision on electronic press reviews by the German Federal Court of Justice of July 11, 2002 (II ZR 255/00). The German Federal Court of Justice decided at the time that in light of the fair use provision for press reviews in Sec. 49 of the German Copyright Act, electronic press reviews were only allowed for internal use within one company or administrative body and exclusively in the form of graphic files without search or indexing options.

In the Danish litigation which led to the referral to the ECJ, a third party company had produced press reviews from select articles published in Danish newspapers and magazines and compiled these in a data selection process in several steps. The reviews were sent to customers by email.

At the end of the compilation process, excerpts from selected articles were restated which contained a particular search term and showed the section of the article starting five words before the search term and ending five words after the search term. The object of the litigation was, among others, whether storing and printing such textual excerpts constituted a reproduction according to Art. 2 of the Directive and, if this is the case, whether this constitutes a permitted temporary reproduction under Art. 5 para. 1 of the Directive. The ECJ held, first of all, that the excerpts from a newspaper article protected by copyright may be sufficiently creative itself even if the excerpt consists of only eleven words. Whether the required level of creativity is reached, however, will need to be decided by the domestic court in each case. If this is the case, according to the ECJ, the printout of such an excerpt will constitute a relevant reproduction under copyright law. This reproduction would only be permitted under Art. 5 para. 1 of the Directive if it was temporary and, apart from other requirements, transient or incidental. At least with respect to the printouts of the excerpts, according to the ECJ, this was not the case as these are not transient. If the respective excerpt is sufficiently creative in and of
itself the reproduction of such excerpts from the respective articles will therefore not be permitted without the right holder’s consent according to Art. 5 para. 1 of the Directive.

**“THIRD BASKET”: GERMAN FEDERAL MINISTRY OF JUSTICE IS EXAMINING THE NEED FOR FURTHER AMENDMENTS TO GERMAN COPYRIGHT LAW**

**VALERIA MUSHCHININA**

During the legislative proceedings for the Second Act on Copyright Law in the Information Society – the so called “Second Basket” – which has been in force since January 1, 2008, many interest groups and lobbyists insisted that the legislator should timely attend to the preparation of a “Third Basket”. This should, in particular, contain aspects and approaches for matters which have not been regulated by the Second Act. Thereupon, the German Bundestag and Bundesrat passed resolutions and entrusted the Federal Ministry of Justice to examine whether there is a need for action in certain fields of copyright law.

In its Consultative Paper, the Federal Ministry of Justice offered the involved parties and lobbying groups the opportunity to comment on problematic topics at issue and to answer particular questions posed by the committee of inquiry on “Culture in Germany” and by the European Commission. Some involved organizations made their opinions available to the general public on the Internet.

The Consultative Paper includes a set of familiar questions which have already been discussed in the “Second Basket” but for which no agreement was struck between the different interest groups.

**LIMITATION OF PRIVATE COPYING TO COPYING ONLY FROM ORIGINAL WORKS AND PROHIBITION OF COPYING BY THIRD PARTIES**

According to Sec. 53 para. 1 German Copyright Act, it is permissible to make single copies of a work on any medium for private use as long as the copies are made either directly or indirectly for commercial purposes and the material used for copying is not unlawfully made or illicitly made publically available. A person authorized to make such copies may also cause such copies to be made by another person if no payment is received or if the copies are made on paper or on a similar medium by means of any photomechanical method or other method with similar effect.

It is now being discussed that the right to make private copies could be limited in such a way that it should only be permitted to make copies from original works. This is problematic, though, since the user is not always able to verify whether the master copy is an original. This is, in particular, impossible to verify with regard to an electronic master copy as in such cases it is unclear what is to be defined as an original work. Furthermore, it is being discussed whether the right to have the copies made by a third party be established. Here again, however, it appears questionable whether this could be successfully enforced.

**PROHIBITION OF INTELLIGENT RECORDING SOFTWARE**

Intelligent recording software is computer software which is able to automatically filter out and record music works broadcast by online radios. Moreover, the software can selectively pick out the metadata of the work, e.g., title, author, interpreter or album. The software stores the copy on the user’s hard drive. By this means, the intelligent recording software can be used for making private copies which are generally permitted by Sec. 53 para. 1 Copyright Act. However, many claim that these recordings can affect the copyright exploitation of works. Thus, right holders and the music industry request the prohibition of such software.

**SELLING OF USED SOFTWARE**

According to German law, the distribution right of an author is exhausted if a physical copy of a specific computer software has been put into circulation with the author’s approval. The so-called “principle of exhaustion” says that the right holder cannot claim his right with regard to a particular product once it has been put into circulation with his approval. That means that the purchaser can sell the copy of the software. However, nowadays, software is increasingly sold online without a physical medium. It is arguable whether the right of the author is also exhausted if the software was put into circulation online or several licenses have been granted while only one medium (master copy) was delivered. It should be clarified whether the principle of exhaustion can be applied by analogy to online sales and whether this should include copies from a master. So far, there has been no decision from the German Federal Court of Justice on this matter. Whether the application of the principle of exhaustion to online sales is consistent with European and international law is controversially discussed.

**FILM AUTHOR’S RIGHT OF REVOCATION FOR UNKNOWN FORMS OF USE**

Currently, in cases of doubt, a film producer acquires the right from the film authors to exploit the film through all known forms of use, including the forms of use being unknown at the time of acquisition. As a rule, copyright holders can revoke this right when their works are exploited through a new form of use. This, however, does not apply to the film copyright holders. Thus, film producers have a better position in comparison to other rights exploiters. On the one hand, it is argued that film producers bear a higher economic risk compared to other rights exploiters. With regard to future rights exploitation, it is said, producers need sufficient planning dependability, which could be affected by a right of revocation. Further, typically, a large number of persons are involved in making a film so that locating the authors or their heirs and reaching an agreement regarding the exploitation of such works is complicated. On the other hand, it is claimed that the German film industry is a large extent subsidized, and television film productions by order of broadcasters hardly carry commercial risks for film producers. Apart from that, film producers have a better negotiation
position than copyright holders and, as a rule, contractually acquire all
the rights to exploit the film. Thus, the discussion about this topic which
started with the “Second Basket” continues.

“ORPHAN WORKS”
Another special topic are the so called “orphan works.” These are
works protected by copyright where the right holder is not known or it is
impossible to discover him. This problem arises in particular due to the
long term of protection of 70 years after the death of the copyright holder.
Since, except for some exceptions provided by law, the use of a work is
only possible upon the consent of the right holder, libraries and archives
refrain from distributing and making such works publicly available. With
regard to the possibilities of right exploitation which arise due to increasing
digitalization, the situation becomes even more problematic. The European
Commission took up this topic in its so-called “Green Paper Copyright in
the Knowledge Economy,” adopted in July 2008. Some countries have
already introduced different models for the regulation of the use of “orphan
works.” It remains to be seen which path Germany will choose.

OUTLOOK
The legitimacy of copyright in its present form is being increasingly put into
question. The “Third Basket” may be able to contribute to a reasonable
balance, with respect to certain provisions in German copyright law,
between the interests of authors, performers, the high-tech industry,
internet providers, users and the general public. After the evaluation of all
submitted opinions, the Federal Ministry of Justice will make a decision on
the areas from the catalogue of questions in which there is further need for
legislative action.

CHANGES OF THE REGULATION REGARDING
THE RIGHT OF WITHDRAWAL IN DISTANCE
AGREEMENTS
VALERIA MUSHCHININA
The law against illicit telephone advertising and for improving consumer
protection with respect to specific modes of distribution, of which we have
given an account in our last newsletter in June 2009, came into force on
August 4, 2009. The law provides inter alia for changes to the German
Civil Code concerning distance contracts. In particular, Sec. 312 d para. 3
German Civil Code was amended.

Previously, according to Sec. 312 d para. 3 no. 1 German Civil Code which
contained a regulation for financial services in distance agreements, the
right of withdrawal expired before maturity if the contract was completely
fulfilled by both parties at explicit consumer’s request before the consumer
exercised his right of withdrawal.

For all other kinds of services in distance agreements, the right of
withdrawal expired already at the moment when the service provider
started carrying out the service upon explicit approval by the consumer
before the end of the withdrawal period, or when the consumer himself
initiated the service provision (Sec. 312 d para. 3 no. 2 German Civil Code).
This differentiation according to the kind of service was criticized for the
fact that the consumers did not have any possibility to withdraw from
the contract after the beginning of service provision, de facto curtailing
the consumer’s right of withdrawal. Since the consumer was not able to
prove the quality of the provided service or to meet the service provider
personally before the service was started, there is, in particular after the
beginning of service, a valuable interest of the consumer to withdraw from
the contract. Moreover, the consumer is often not able to determine when
the service provider started carrying out the service.

The amended regulation of Sec. 312 d para. 3 German Civil Code
determines for all kinds of services in distance contracts that the
consumer’s right of withdrawal expires before maturity if the contract
was completely fulfilled by both parties at the consumer’s request before
the consumer exercised his right of withdrawal. Online trades should
amend their terms and conditions on terms for withdrawal accordingly.
The expiration of the right of withdrawal requires that the consumer
and the service provider completely fulfill each contractual performance
obligation. That is, for example, the case when the consumer, too, fulfills
his payment obligation. It is expected that service providers offering their
services via an online platform will increasingly offer their services against
prepayment. By this means, they will be able to effectuate the expiration of
a consumer’s right of withdrawal before maturity.

In view of the amendment of the German Civil Code, the official instruction
on the terms for withdrawal was also modified. In the past, differences
between the wording of the law and the wording of official instruction,
which many service providers apply, caused a number of legal disputes.
However, the official instructions will soon get the status of a legal act.
They will be included as annexes 1 and 2 to the Introductory Act to the
German Civil Code. Thus, service providers will be able to rely on the
wording of the instruction in the respective applicable version without
running the risk of being given a written warning for using an unlawful
instruction. These changes are regulated by the Act for the implementation
of the Consumer Credit Directive and the part of the Payment Services
Directive regulating civil law provisions and for the new arrangement of the
legal provisions regarding the right of withdrawal and the right of return.
With the exception of the regulations implementing the Payment Services
Directive, the Act will come into force on June 11, 2010.
FEDERAL COURT OF JUSTICE: QUOTATION OF PRICES ON THE INTERNET

DR. ALEXANDER R. KLETT / VALERIA MUSHCHININA

The German Federal Court of Justice, in its decision of July 16, 2009 (I ZR 140/07), commented on the question of whether a distant seller who is promoting his goods by means of a comparison shopping site (price comparison list) on the Internet has to indicate the shipping costs. According to Sec. 1 para. 2 Price Indication Ordinance (Preisangabenverordnung), in conjunction with Sec. 312 b German Civil Code, for distant agreements, the seller is obliged to indicate, in addition to the final price, whether further delivery and postage costs will be incurred. If applicable, he has to indicate the amount of the costs or the basis of the cost calculation. This information has to be clearly assigned to the advertising, and be easily noticeable and legible or be well perceivable by other means.

In the recent decision, the defendant distributed its electronic goods over the Internet. The products were placed on the comparison shopping site “froogle.de.” For the products shown on this site, the shipping costs were not indicated. Only when the consumer clicked on the picture or on the name of the product displayed as a link, he was directed to seller’s own site where the shipping costs were indicated. Because of this site arrangement, a competitor made a claim on the seller. The District Court and the Court of Appeals of Hamburg upheld the complaint of the competitor. According to the Court of Appeals, the linked picture or the name of the product are not descriptive links that could clearly indicate that the consumer could get further information about the shipping costs through these links.

The Federal Court of Justice affirmed this decision. In the case of price quotation in price comparison lists, the consumer should at once see whether the indicated price includes shipping costs or not. The significance of the price comparison, which is usually displayed in a ranking list, depends on this essential information. Under these circumstances, it is not sufficient if the consumer is only informed about additional postage costs at the time he consults the details for a specific product.

The problem of clear quotation of prices on the Internet frequently occupies the courts. The Federal Court of Justice ruled in its decision of February 26, 2009 (I ZR 163/06), that the base price can only be considered to be indicated in the immediate vicinity of the final price, as required by Sec. 2 para. 1 sent. 1 Price Indication Ordinance, if the consumer can perceive both prices at a glance. The defendant was promoting its product on the Internet at a reduced price. Next to the reduced price, the original price was shown in smaller letters and crossed out. The consumer was informed about the base price only on a following site if he clicked on the product. The Federal Court of Justice considered this price presentation as illicit. According to the Price Indication Ordinance, the prices have to be clearly and evidently indicated in order to allow the consumer to get an idea about the total costs. According to the court, a link cannot allow for indication of the base price in the immediate vicinity of the final price since the consumer should perceive both prices at a glance. Unlike the requirements of Sec. 15 German Act for Telemedia Services (Telemediengesetz), mere immediate accessibility is not sufficient to meet the standards of the Price Indication Ordinance. Further, Sec. 4 para. 4 Price Indication Ordinance, according to which prices for goods offered in catalogues or over display screens can be indicated directly next to the pictures of goods but also in separate price schedules, cannot be applied mutatis mutandis to the obligation to indicate the base price that already applies for advertising.

HOST OF GERMAN VERSION OF THE TV SHOW “WHO WANTS TO BE A MILLIONAIRE?” WINS LEGAL BATTLE FOR THE RIGHT TO USE HIS PICTURE

DR. ALEXANDER R. KLETT / KATHARINA A. WEIMER

Günther Jauch, the host of the German version of the famous TV show “Who Wants to Be a Millionaire?” fought a battle through the instances that found a positive ending for him before the German Federal Court of Justice in March of this year, with the full decision published only recently (I ZR 8/07). The court had to decide whether Günther Jauch was entitled to payment claims because of the use of his picture on the front cover of a quiz magazine without his permission.
The publisher had printed a picture of the famous TV host on the front cover of the magazine with the caption “Günther Jauch demonstrates how exciting a quiz can be.” The magazine itself contained no further article or other contribution on the topic. Günther Jauch, who had not granted permission to use his image, demanded payment in the amount typically paid for granting consent to such use.

The previous instances had denied the claim, but the Federal Court of Justice reversed the decision of the Court of Appeal.

In deciding the case, the court had to weigh the plaintiff’s right of publicity, which also contains the right to one’s own likeness, against the freedom of the press. In the opinion of the Federal Court of Justice, the lower instances did not recognize that the plaintiff’s right to publicity outweighed the freedom of the press in this case. Images of famous persons may generally be used even without their consent if the contribution is linked to topics of interest to the general public. In this case, the caption of the image (the only contribution apart from the image itself) contains little to no informational value. It only creates a reason to include the host’s image on the front cover while at the same time benefitting from his high profile. Günther Jauch’s status and image are used to transfer the advertisement value of the plaintiff onto the magazine. In this situation, the balance tips in favor of the plaintiff’s right to publicity, in particular the right to his own likeness.

The Federal Court of Justice weighed the parties’ interests that are protected by the German Constitution. The informational content of the caption of the image had to be taken into consideration; if the information is only used as an excuse to create a reason to use the image of someone famous for advertising purposes, the interests meriting protection of the person concerned generally take precedence. The case was remanded to the Court of Appeals for determination of the amount of the plaintiff’s claim.

COMING INTO FORCE OF THE NEW GERMAN FEDERAL DATA PROTECTION ACT

KATHARINA A. WEIMER

As we had previously announced in our newsletter, the German Federal Data Protection Act (the “Act”) is currently undergoing significant changes. The reformed Act was ratified at the beginning of July 2009 and the changes went into effect September 1, 2009. The amending legislation was not passed as originally intended, and the most important changes are outlined below.

USE OF PERSONAL DATA FOR ADVERTISEMENT

The requirements regarding data collection, processing and use for purposes of advertisement have undergone a principal change from opt-out to opt-in. However, this material change has been softened by numerous exceptions. If the personal data is collected for other purposes and then collated in a list or similar manner, and if the data is restricted to information that the data subject is a member of such group, and the data subject’s job/industry/business title, name, title, academic degree, address and year of birth, the following exceptions apply to the processing and use of the data:

Existing customers: Processing and use of personal data of existing customers for advertisement for own products or services is permissible without consent. New data may be added to the already stored data of these customers.

Public indices: Data from generally available public address, phone number, business or other similar indices may also be used for advertisement of one’s own offers. This also includes the storage of additional data to these publicly available data.

B2B: Personal data of the individual contact person in business relationships may be processed and used for advertisement from business to business without consent.

Donations: Personal data may also be processed and used for advertisement for donations if the donations are tax-exempt under German law.

Transparent transfer: The merged personal data may also be transferred without consent if the transferor stores the origin of the data and the recipient for at least two years after transfer and, upon request, provides information on this to the data subject; in this case, each advertisement must clearly identify the person or entity that originally collected the data. This last requirement may be burdensome on enterprises, in particular in a chain of transfers where it is not always easy for the ultimate recipient of the data to determine who had originally collected the data. Enterprises should therefore ensure that such information is provided to them when obtaining personal data for advertising purposes.

Regardless of whether the personal data is merged in a list of any shape, the following uses are permissible without consent:

Transparent Use: Use of personal data for third-party offers is permissible without consent if the advertisement clearly identifies the data controller that is responsible for this use of the personal data.

The same exceptions apply to the collection, processing and use of personal data that, from its outset, was intended to be used for purposes of transfer for advertisement, for scoring agencies, and for address-dealing.

USE OF PERSONAL DATA IN EMPLOYMENT RELATIONSHIPS

The reform also introduces a provision on data protection within employment relationships. According to this new provision, within an employment relationship, personal data may only be collected, processed and used if this is necessary for the decision on the establishment of the employment relationship or, after it has commenced, for its execution or termination. For purposes of uncovering criminal activities, personal data may only be used if...
there are factual indications that the data subject has committed a criminal act, and the data subject has no outweighing interest in the exclusion of the collection, processing and use, in particular taking into consideration that the manner and scope of such collection, processing and use must not be unreasonable compared with the alleged act.

**DATA PROTECTION OFFICER**

The internal data protection officer will in the future enjoy special dismissal protection. Termination of his employment will only be possible in case of termination without notice for good cause. He will also enjoy a statutory right to professional training at the employer’s costs.

**DATA PROCESSING**

Agreements on data processing on assignment must contain specific details on certain topics like security measures and audit rights of the data controller and similar provision. In addition, failure to conclude this agreement in written form may result in an administrative fine in the amount of up to €50,000.

**BREACH NOTIFICATION**

The reform also introduces a breach notification duty into German law. Companies have to inform the data protection authorities and the data subjects if case sensitive data, data subject to professional confidentiality, bank and credit card data, or data relating to criminal activities is lost, illegitimately transferred or compromised.

**FEDERAL COURT OF JUSTICE: SCOPE OF NEIGHBORING RIGHTS IN DATABASES**

**DR. ALEXANDER R. KLETT / VALERIA MUSCHCHININA**

The German Federal Court of Justice decided in its ruling of April 30, 2009, that the creator of a database can forbid third parties from detecting database modifications by means of data synchronization and from using them for a competitive product (file no. I ZR 191/05). The full text of the decision was recently published.

The plaintiff sold the so-called electronic customs tariff (ECT) based on the database TARIC of the European Commission. It contained tariffs and data required for an electronic customs declaration in the EU. The plaintiff provided the ECT online and on a CD-ROM, “Tariffs,” the latter with a specific kind of presentation. The defendants distributed an electronic database for the same purpose as ECT and the CD-ROM “Tariffs.” In 2001 and 2002, the plaintiff knowingly included some incorrect data in the CD-ROM “Tariffs.” This incorrect data together with some maintenance defects in the plaintiff’s product were later found in the database of the defendants.

The plaintiff claimed that the defendant took data on a considerable scale from ECT and the CD-ROM “Tariffs” in order to, by means of data synchronization, update their competitive product, and considered this to be an infringement of its database producer’s right under the German Copyright Act. The District Court dismissed the claim, while the Court of Appeals decided in favor of the plaintiff, though only with regard to the database “Tariffs.”

The Federal Court of Justice confirmed the decision of the Court of Appeals. Still, the fact that the plaintiff incurred expenses for the acquisition of a completed database or of a respective license does not constitute the database producer’s right. However, the plaintiff made considerable investments, according to the requirements of Sec. 87 a para. 1 sent. 1 German Copyright Act, while incurring high personnel costs for the program maintenance, permanent inspection and input of ECT data, as well as for the improvement of the content presentation. Furthermore, the products of the plaintiff and of the defendant can only be used in a reasonable way if they are constantly updated. Thus, the updates represent the actual economic value of the CD-ROM “Tariffs.”

The infringement does not consist of the fact that the defendants have saved the whole database “Tariffs” on their hard drive. This is not illicit copying pursuant to Sec. 97 para. 1 sent. 1, Sec. 87 b para. 1 German Copyright Act. The plaintiff gave his content for this saving since this is required for the normal use of a CD-ROM. Further, a lawful user is allowed to take out and/or make future use of qualitatively or quantitatively inessential parts of a publicly available database for any purpose. Yet, an infringement of plaintiff’s rights is on hand as the defendants took out, by means of data synchronization, qualitatively essential amended parts of the CD-ROM “Tariffs” in order to update the defendant’s competitive product. The determined takeover of particular files from the plaintiff’s CD-ROM to the product of the defendants was only possible by means of comprehensive data synchronization. Even a singular takeover of all amended data from a particular CD-ROM version by creating a list of modifications or through direct transfer is sufficient for violation of the database producer’s right.

Regarding the ECT database, the courts could not ascertain that the defendants used this database for the data synchronization. Insofar, the Federal Court of Justice confirmed the dismissal of action.
UPCOMING SEMINAR
IP Rights in Insolvency Situations

On October 26, 2009, Dr. Richard Schlötter will be holding an evening seminar on “IP Rights in Insolvency Situations” (Gewerbliche Schutzrechte in der Insolvenz) together with four other speakers 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

On July 9, 2009, Dr. Alexander R. Klett lectured 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 7, 2009, Dr. Richard Schlötter lectured on “Patents and Intellectual Property Rights” at the World Congress 2009 on Medical Physics and Biomedical Engineering in Munich. The course, titled “From Science to Innovation,” was part of a continuing education program for national and international research institutions as well as small and medium enterprises.

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