IP Newsletter #01/2017

Current Jurisprudence and Developments in the field of Intellectual Property (IP)

This month, the new Deloitte Legal IP Newsletter is published for the first time. The IP Newsletter is dedicated to cover the most relevant jurisprudence and developments regarding the entire field of intellectual and industrial property (hereinafter "IP"). This 1st edition shall provide a brief overview of current case law in the areas of (Union) trademark law, patent law and copyright law.

We kindly suggest the latest decision of the European Court of Justice (ECJ) on the territorial scope of Union trademark infringements for your particular consideration. According to the principle of the unitary character governing Union trademark law, a trademark infringement in just one Member State indisputably justifies a cease and desist order regarding the infringements throughout the Union. However, the territorial scope of such cease and desist orders may be limited in certain cases. Insofar, the exclusive rights of the Union trademark's proprietor, and their territorial scope respectively, cannot exceed the scope of protection granted to its proprietor in consideration of the trademark: to prohibit any use affecting the function of the trademark. Therefore, actions which do not affect the function of the Union trademark cannot be prohibited. According to the ECJ's decision *combit vs. Commit*, which is depicted in more detail hereinafter, this particularly applies to cases where the function of the trademark is not affected for linguistic reasons.

We hope you enjoy the reading!

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ECJ: Territorial Scope of the Likelihood of Confusion

In the course of a litigation between the companies combit Software GmbH and Commit Business Solutions Ltd, purpose of which was the cease and desist claim regarding the use of a word mark, the Higher Regional Court (*Oberlandesgericht – OLG*) of Düsseldorf, Germany, held that Commit Business Solutions' use of the term '*Commit*' gives rise to a likelihood of confusion with the trademark '*combit*', as far as average German-speaking consumers are addressed. However, such likelihood of confusion is absent on the part of average English-speaking consumers, as these could readily understand the conceptual difference between the English verb '*to commit*' and the word '*combit*', the latter being made up of the letters '*com*' for *compute*r and '*bit*' for '*binary digit*'. Insofar, the phonetic similarity between '*Commit*' and '*combit*' is also rendered irrelevant for English-speaking consumers. The referring court concluded that, while there is a likelihood of confusion in German-speaking Member States, such likelihood cannot be found in English-speaking Member States. Against this background the court addressed the follow-up issue how the principle of unitary character in EU trademarks (cf. art. 1(2) Council Regulation (EC) No. 207/2009), could be applied in the case at hand, particularly as far as the assessment of the likelihood of confusion and the cease and desist order referred to in its Article 102(1) were concerned.

The ECJ ruled, that Article 1(2), Article 9(1)(b) and Article 102(1) of the above Regulation must be interpreted in such manner that, where an Union trademark court finds that the use of a sign creates a likelihood of confusion with an Union trademark in one part of the EU whilst not creating such a likelihood in another part thereof, that court must conclude that there is an infringement of the exclusive right conferred by that trademark and issue an order prohibiting the use in question for the entire area of the European Union with the exception of the part in respect of which there has been found to be no likelihood of confusion.

„Where […] the court intends to exclude from the prohibition on use certain linguistic areas of the European Union such as those designated by the term „English-speaking", it must state comprehensively which areas it intends that term to cover."

ECJ, judgment of 22.09.2016, case no. C-223/15

BGH: No Disturbance Liability for Wireless Network with Unchanged Password

In the context of liability for copyright infringement, the German Federal Court of Justice (*Bundesgerichtshof - BGH*) decided that the defendant cannot be held liable for disturbance (*Störerhaftung*) due to lacking infringement of duties of care. Whereas the holder of a wireless network internet access point was obliged to check if the router operates with appropriate security measures customary for respective end user devices (namely an up-to-date encryption standard as well as an individual, sufficiently long, and save password), its mere operation retaining the manufacturer's preset password may constitute a breach of the duty of care only, if such password was generically used by the router's manufacturer for a large number of its devices. In the case at hand, the plaintiff did not offer evidence that the password used by the defendant beard such nature. The defendant on the other side could successfully disburden itself by naming the type of the router, the password and claiming its password uniqueness. Since the WPA2 standard deployed in the defendant's router was considered sufficiently secure and there was no indication that, at the time of the purchase (the affected router type's vulnerability did not become public before 2014), the default 16-digit numerical code did not meet the market standard or could be decrypted by third parties, the defendant did not violate its duty of care. Therefore, the court held that the defendant was not liable under its disturbance liability for the copyright infringement an unknown third party committed via the defendant's internet access point.

BGH, press release of 24.11.2016, case no. I ZR 220/15 – WLAN-Schlüssel

ECJ: Resale of Back-up Copies of Used Software
In addition to its UsedSoft verdict (C-128/11), the ECJ clarified, that Article 4(a) and (c) and Article 5(1) and (2) of Council Directive 91/250/EEC of May 14, 1991 on the legal protection of computer programs is to be interpreted in such manner that, although the initial purchaser of a computer program licensed for timely unlimited use is entitled to resell that copy and license, this permission does generally not extent to back-up copies. Where the originally sold data carrier of the computer program is damaged, destroyed or lost, any sale of such data carrier's copies originally created for the purpose of data backup remain subject to the prior approval of the right holder.

EJC, judgment of 12.10.2016, case no. C-166/15

BGH: Claim for Damages of Co-inventor in the case of Patent Application on one's own behalf
The BGH in this judgement held that when co-inventors are entitled to the rights to the invention as a community of part-owners (*Bruchteilsgemeinschaft*), the patent application by one co-inventor was not justified as a necessary measure for preservation of the object, if the applicant files the application solely in its own name. A jointly entitled person being by-passed hereby had thus the right to seek claim for damages, which may include a compensation for benefits of use drawn by the applicant.

BGH, judgment of 27.09.2016, case no. X ZR 163/12 - Beschichtungsverfahren

OLG Zweibrücken: No Copyright Infringement by Cache Storage
As a general rule, an infringer executing a cease and desist undertaking is also obliged to ensure that no further equivalent violation of rights occurs. However, according to the decision of the OLG Zweibrücken, this shall not constitute an obligation to search the archives, i.e. the cache, of established internet search engines (here: Google) for persisting retrievability of the unlawfully used work.

„Internet users with average experience […], do not have knowledge from the outset, that information, which are not displayed while accessing the current search results provided by "Google", but used to be available, are still saved in the cache (if only for a limited time) as a copy of the previous state of a website and may be systematically searched for, for whichever reason."

OLG Zweibrücken, judgment of 19.05.2016, case no. 4 U 45/15

BGH: Calculation of the Residual Damage Claim through a Notional License in File Sharing Proceedings
The BGH clarified that the residual damage claim aimed at the debtor's surrendering of any advantage obtained by illegal intrusion according to sect. 102 sent. 2 of the German Copyright Act (*Urheberrechtsgesetz – UrhG*)), sect. 852 of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*), could be calculated through a notional license also in case a copyrighted work was unlawfully made publically accessible via file sharing networks.

BGH, judgment of 12.05.2016, case no. I ZR 48/15 – Every time we touch

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