IP Newsletter #02/2017

Current case law and developments in the area of Intellectual Property (IP)

In this second issue of our IP Newsletter we would like to present to you interesting jurisprudence and developments in the area intellectual property. This issue covers highly relevant court decisions in the field of trademark and insolvency law, competition and patent law as well as legislative developments in the area of professional confidentiality and copyright contract law.

We would like to draw your particular attention to the current legislative efforts in reforming professional confidentiality, an aspiration being considered long overdue by the concerned stakeholders. The reform aims to allow professional secret carriers such as lawyers, tax consultants, doctors and life, health and accident insurances to disclose professional secrets to external IT service providers in connection with IT outsourcing.

Regarding the cooperation with IT-Freelancers and external software developers, businesses should also keep an eye on recent changes in copyright contract law that aim to strengthen the entitlement of authors to fair remuneration. Continuing this background, authors are put in the legal position to market their works at their own discretion after a period of 10 years after such first exploitation, which granted exclusive exploitation rights for a flat-rated remuneration.

We wish you enjoyable reading!

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§ 203 StGB: Revision of the obligation to protect professional secrets in cases of third party involvement

Doctors, lawyers, auditors and tax consultants as well as life, health and accident insurances are subject to specific statutory confidentiality rules. In this regard, § 203 of the German Criminal Code (*Strafgesetzbuch - StGB*) sanctions any disclosure of professional secrets to unauthorized third parties.

The previous legal situation permitted involvement of external service providers, especially in connection with IT outsourcing or cloud and messenger services, only subject to strict rules, namely requiring consent of the costumers, patients or clients concerned.

In light of the significantly increasing demand of businesses and industries for use of innovative IT products and outsourcing of own IT-related functions, the legislator initiated an adjustment particularly of § 203 StGB, presently available as ministerial draft of December 15, 2016 and governmental draft of February 15, 2017. Whereas this adjustment has been considered overdue among professional secret bearers for quite some time, it facilitates third party involvement by stipulating that information disclosure to external service providers shall not be considered unauthorized pursuant to § 203 StGB, provided that the respective provider has been committed to confidentiality.

The ministerial draft included the requirement of a careful selection and monitoring of the service provider, a requirement well known in the field of data and IT security.

„ […] the digitalization over the last few decades has made it possible and necessary to let support activities to a larger extend than previously, rather be carried out by specialized companies or self-employed persons than the own staff of a company.

This also includes the construction, operation, maintenance and adjustment of IT systems. […] “

Federal Ministry of Justice and Consumer Protection (*Bundesministerium der Justiz und für Verbraucherschutz - BMJV*), press release of February 15, 2017 (German language)

Reform of copyright contract law – fair remuneration for creative minds

On December 15, 2016, the German parliament (*Bundestag*) passed a legislative bill to facilitate the enforcement of remuneration claims of originators and practicing artists. Federal Minister of Justice Maas commented that copyright contract law constituted the foundation of our cultural and creative industry.

The reform thus aims to strengthen creative minds in Germany.

„ […] *our reform helps creative persons to enforce their claims: By strengthening their individual rights and by expansion of collective copyright contract law.* […] *With the bill passed today we ensure that originators and exploiters meet at the same level again. We strengthen the position of creative minds with respect to contract negotiations without putting the business models of the exploiters at risk*.”

The bill includes:

- Originators who initially granted exclusive exploitation rights for their works against flat-rate remuneration become entitled to market these works otherwise after 10 years from initial licensing. The former licensee remains entitled to use the works, however, forfeits its exclusivity.

- Originators also obtain a new statutory right to information regarding the exploitation of their works. By this means, they should become better informed about the actual revenues created through their works.

BMJV, press release of December 16, 2016 (German language)

BGH: Data sequence as a product directly obtained from a patent protected procedure

Industry 4.0 and digitalization of economy increasingly facilitate research projects in the area of Big Data / Data Analytics. With respect to development results, questions of protectability by means of patent law and the scope of patent protection become relevant.

In the here presented case the German Federal Court (*Bundesgerichtshof - BGH*) had to decide whether a data sequence is protected as a product directly obtained from a patent protected procedure. A product directly obtained from a patent protected procedure is only protected provided that it features objective and technical conditions which result from the respective procedure and can therefore be subject to a product patent (following BGH, judgment of 21.08.2012 – file no. X ZR 33/10 – MPEG-2-Videosignalcodierung).

According to the court, the display of an examination finding (data sequence) obtained from a patent protected procedure and all insights gained from that, can be qualified as a reproduction of information which in not protected pursuant to § 9 sent. 2 no. 3 of the German Patent Act (*Patentgesetz – PatG*).

BGH, judgment of September 27, 2016 – file no. X ZR 124/15, Rezeptortyrosinkinase II (German language)

BGH: Requirements regarding the mutual fulfilment of a license contract

The issue of "mutual fulfilment" of obligations in license contract is of paramount relevance when one of the participating parties files for bankruptcy, as insolvency administrators in such situations often apply § 103 of the German Insolvency Statute (*Insolvenzordnung – InsO*), which grants them an option to choose either to fulfill or refuse fulfillment of the license contract. The latter option may result in severe economical and entrepreneurial consequences, especially for the licensee, because this may deprive their right to use marketing brands or technologies substantial for maintaining production.

In its judgment the BGH once again held that license purchase contracts are to be deemed completely fulfilled when the mutual major obligations are performed, this is when the licensor has granted the license and the licensee has paid the purchase price. Against this background the BGH stated further that an intra-group license agreement providing for a free trademark license for the duration of the group's existence and an obligation to use the trademark accordingly, was mutually fulfilled when the licensor has granted and the licensees have used the license.

BGH, judgment of October 21, 2015 – file no. I ZR 173/14 – Ecosoil (German language)

BGH: Exhibition of product in showcases without pricing does not violate German Price Indication Ordinance

In the legal dispute at hand a hearing healthcare professional ("defendant") and the German association founded to combat unfair competition (*Zentrale zur Bekämpfung unlauteren Wettbewerbs e.V.* – "claimant") argued about the necessity of indicating final prices in accordance with the German Price Indication Ordinance (*Preisangaben-Verordnung – PAngV*) with regard to hearing aids exhibited in retailers' showcases. According to § 4 para. 1 PAngV, offers exhibited in showcases must generally be marked with price labeling as set out in the PAngV. The defendant exhibited several hearing aids decoratively in the shop window, partly without any indication of pricing.

The claimant's action remained, being ultimately dismissed by the BGH, unsuccessful throughout all court instances. The interpretation of the terms "offer" and "advertising with price indication" pursuant to § 1 par. 1 sent. 1 PAngV in conformity with the respective European directive was decisive for this case. The BGH, following the European Court of Justice's decision "Citroen vs. ZLW" (ECJ, file no. C-476/14), assumed that advertising without price indication could not be considered an "offer" when an interpretation in conformity with European law was applied.

Hence, the obligation to indicate prices according to § 4 par. 1 PAngV, which requires an "offer" pursuant to § 1 par. 1 sent. 1 PAngV, was not applicable. Such an offer was not existent in cases of pure advertising in form of presentation of goods in showcases without price labeling.

BGH, judgment of November 10, 2016 – file no. I ZR 29/15 – Hörgeräteausstellung (German language)

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