

# Newsletter

## IP·IT·Media

January 2011

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Dear readers,

For some time now, life has been determined by technology - and in more recent times, by technology that cannot be seen. While previously one could immediately sense the difference between cotton and nylon on one's skin,



genetic engineering and nanotechnology are more difficult to grasp. This brings about uncertainty. Since the Stone Age, man has instinctively tried to escape uncertain situations and create security. Today this manifests itself as, among other things, countless legal norms dealing with new technologies. While previously no one would have felt the need to issue a „nylon shirt law,“ today there are numerous regulations, directives and laws on genetic engineering, stem cell research, nanomaterials and electronic data protection, with to some extent sprawling prohibitions, approval and control mechanisms.

Whether this can actually satisfy the primal human need for security is an open question. In any event, these norms are facts, which businesses must take into account. Compliance with statutory provisions is traditionally important in order to avoid unpleasant penalties and sanctions. But in the case of new technologies, legal knowledge is above all indispensable for business success. Because business success is only possible if one can plan and invest, one must also know what will apply in the future. Since the law on the new technologies is, however, constantly evolving, and attempting to divine the future is just as fruitless as it was in the Middle Ages, a return to the bases underlying the development of society and the legal system is increasingly important.

The younger and more specialized the area of law, the more important recoupling with politics, society and ethics becomes. Technology and the humanities are connected, and in a certain respect, jurisprudence is the connection between the two. This newsletter highlights certain issues, which occupy us lawyers in this context. But only the future will show whether the new technologies bring about the desired progress or whether they will remain only a fleeting marginal phenomenon, like nylon shirts.

Yours sincerely, Anton Horn

## Editorial

Dr. Anton Horn (Düsseldorf)

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The European Commission is increasingly setting its sights on innovative companies. Due to new antitrust standards, contracts, patent applications and even amicable settlements of court proceedings pose risks that were previously not even potentially considered. The Pharmaceutical Sector Inquiry was only the beginning.



On the general suspicion that competition in the pharmaceutical sector is not functioning properly, the European Commission initiated, pursuant to Article 17 of Council Regulation (EC) 1/2003, an investigation into this entire branch of industry. Independent of a concrete antitrust violation or suspicion, the European Commission has wide-reaching investigative means in such a "sector inquiry." Numerous pharmaceutical companies were thus obliged to furnish comprehensive information about their patent strategies, patent infringement actions, details on settlement agreements and other agreements.

The pharmaceutical industry is indeed characterized by certain distinctions. At the same time, the Pharmaceutical Sector Inquiry initiated by the European Commission is surely not an isolated case. The modes of conduct objected to in the pharmaceutical industry also exist in other branches of industry, namely those involving intensive research. Upon reading the final report, the suspicion arises that the European Commission is increasingly setting its sights on other strongly innovative branches of industry. The Pharmaceutical Sector Inquiry has shown where the European Commission stands and which standards it demands in the enforcement of antitrust law.

Patent strategies, which at first glance appear to be standard conduct by a company to protect its innovations, can be anti-competitive. Wherever there is competition, there is also naturally dispute. If a patent holder seeks to avoid such disputes through agreements, the antitrust authorities become increasingly suspicious. The same applies to patent applications or the initiation of patent infringement actions, which can thus be relevant to antitrust law for all intents and purposes.

## Innovation and Harmony – A Risky Combination

### New Antitrust Standards for Technology Companies

Dr. Sabine Fiedler and  
Beatrice Stange, LL.M. (Düsseldorf)

### Starting Point – Pharmaceuticals

### Patent Strategies Relevant to Antitrust Law

## Innovation and Harmony – A Risky Combination

### Patent Agreements

In the case of research and development agreements or cross-licensing agreements, the antitrust issues are well known to practitioners. The temptation is great to conclude anti-competitive agreements under the guise of research and development agreements or licensing agreements. These include, for example, de facto allocation of customers or non-aggression agreements. The understandable desire for harmonious agreements with competitors, suppliers or customers also poses dangers from the perspective of antitrust law. Someone whose company has been investigated by the antitrust authorities knows well what “antitrust problems” mean. In addition to the investigations and seizures, there is also the risk not only of fines but also ineffectiveness of contractual agreements and claims for damages by third parties.

That even the initiation of legal disputes can be anti-competitive may be difficult to believe. In the patent settlements investigated in the pharmaceutical sector, the European Commission determined that the market entry of the defendant company was very often restricted and an asset transfer from the patent holder to the defendant corporation was agreed. The formal and ostensibly attractive label of an “amicable settlement” can also make the antitrust authorities suspicious or at least keen-eared.

Conduct relevant to antitrust law commences, however, at a much earlier time, namely, the patent application. This is especially the case where regular “patent clusters” are created, whereby a large number of patents is registered for a single product. As an extreme example, one medication was introduced for which 1,300 patents had been registered EU-wide. Such patent clusters make it difficult for competitors to assess patent infringement risk, so that they abstain from market entry as a precaution.

In practice, it may since have become more difficult to establish patent clusters. With the amendment of Rule 36 of the European Patent Convention as of April 1, 2010, the possibility of partial application was restricted by means of a shortened deadline.

In addition, the practical use of patent clusters is questionable. Establishing them requires enormous financial and logistical outlays. This large expenditure leads in part to a weakening of the position protected by patent law instead of strengthening it. According to experience, a few targeted registered patents have stronger enforcement power than a multitude of related patents. A patent cluster may also become non-transparent for the patent holder.

### Patent Application

## Innovation and Harmony – A Risky Combination

### Patent Enforcement

In addition to patent applications, the European Commission has also set its sights on patent enforcement. In its view, patent infringement actions are often primarily used as deterrence against competitors ready to enter the market. Due to the high costs of patent infringement actions, alone through the initiation of an infringement proceeding fewer solvent competitors can be forced to settle and thus to observe patents, even when they do not infringe on their scope of protection or the patents are actually not even valid.

The antitrust pitfalls described should not, however, keep technology companies from protecting their innovations and also enforcing them against competitors. What can companies do when they do not want to forego protecting their intellectual property but at the same also want to avoid the risk of antitrust law violations?

Companies should scrutinize their own patent conduct for the actual underlying reasons. If innovation protection is in the forefront, the conduct is as a rule not anti-competitive. If, however, market entry by other companies is in fact prevented or impeded, the antitrust pitfalls are more pronounced. This applies in particular to all agreements on dispute avoidance and settlement.

A patent strategy focused exclusively on avoiding all risks will not bring happiness. But whoever is able to avoid antitrust risks can also protect innovations and at the same time reach harmonious agreement with contractual partners.

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### Consequences for Patent Holders

### Rule of Thumb

**Conclusion:** In protecting one's own innovations, too much pressure, just as too much harmony, with contractual partners is risky as regards antitrust law. In particular, caution is necessary when concluding patent settlements, research and development agreements and licensing agreements. Delight at the harmony achieved can otherwise quickly turn into disillusionment.



Pharmaceutical advertising is regulated by the Act on Advertising in the Health Care System [HWG]. Courts regularly must decide which information about prescription drugs



(Rx compounds) may also be made available to consumers and the means by which Rx compounds can be advertised. Pursuant to Section 10(1) HWG, advertising outside of professional circles (physicians, dentists, veterinarians, pharmacists and person authorized to deal in such drugs) is not permitted. This year, the European Commission, accompanied by considerable interest in the sector, also took up this question.

At the end of September, the first part of the "Pharmaceutical Package," which concerned the amendment of Directive 2001/83/EC for the creation of a Community Code for Human Drugs (Community Code), was adopted in the European Parliament. It contains new regulations on the prevention of drug counterfeiting, on consumer information about Rx compounds as well as on drug safety oversight (pharmacovigilance). As was already seen in the run-up to the vote, the parliamentarians rejected the original plans of the EU Commission, a far-reaching liberalization of regulations on drug advertising. In particular, they spoke out against relaxing the advertising prohibition on prescription drugs. Acceptance by the Council of Ministers should take place shortly. The new regulations will then become effective 18 months after publication in the Official Journal.

The EU Parliament is not focusing on information coming from the pharmaceutical manufacturer, but rather through the internet portals of independent operators. In Germany, one such portal is run today by Institut für Qualität und Wirtschaftlichkeit im Gesundheitswesen [Institute for Quality and Efficiency in Health-care] (<http://www.iqwig.de/>). Facts about products, as well as symptoms and non-medicinal treatment alternatives, are to be provided on these internet portals. As before, only information approved by the relevant authorities is to reach patients, thus either the mandatory information pursuant to Section 4 HWG (package insert, "patient information leaflet") or other information already reviewed (professional information pursuant to Section 11a of the Pharmaceutical Act [AMG]).

## No Liberalization of Public Advertising of Rx Compounds

### Pharmaceutical Advertising: No Liberalization of Advertising for Prescription Drugs

Florian Geyer, LL.M. (Frankfurt)

### European Parliament Adopts the „Pharmaceutical Package“

### Internet Portals and Fact Box

## No Liberalization of Public Advertising of Rx Compounds

If companies want to prepare information in a different manner, it must again be reviewed and approved by the authorities. Moreover, in the future the most important information in the package insert must be contained in a clear and understandable manner in a "Fact Box."

With the new Directive, politics stands opposed to the tendencies seen in the last years in the jurisprudence towards liberalizing the law on medical advertising. It remains to be seen whether this jurisprudential trend will continue in light of the new directive. Below, the jurisprudence on permissible advertising for Rx compounds will be outlined and the potential consequences of the current EU legislative process delineated.

The advertising prohibition of Section 10(1) HWG for Rx compounds is aimed in particular at preventing self-medication and not influencing the physician's freedom to write prescriptions. It flanks the prescription obligation under Section 48 AMG. In order to achieve these goals, the advertising concept in medical advertising law is traditionally construed relatively broadly. In this respect, it encompasses each product- and service-related sales advertisement for prescription drugs. Pure company advertising (image advertising), which generally advertises the company's reputation and ability without reference to particular compounds, is not subject to the advertising prohibition. To draw the distinction, the overall appearance of the advertisement, for example, the design, the context of the advertising or the content, is determinative. The borders are often fluid.

If the company is not in the foreground, but a specific compound instead, the pharmaceutical manufacturer is not permitted to appeal to consumers with information about prescription medicines even if it is objective and accurate. The EU Commission has, however, acknowledged the contradiction of this advertising prohibition (also contained in the EU Community Code) as the model of the undeceived European end consumer. This led to the Commission proposal of relaxing the strict information prohibition. It was strongly curtailed in the course of the EU legislative process.

The advertising prohibition of Section 10(1) HWG was partially corrected in jurisprudence to the effect that consumers may be made aware of drug law mandatory requirements. Differentiation must be made, however, as to the ways the information reaches the consumer. Statements contained on the packaging or in the package insert, such as mechanisms of action or indications for

### Consequences in Practice

### Protective Purpose of Advertising Prohibition and Advertising Concept

### Permissible Consumer Information

## No Liberalization of Public Advertising of Rx Compounds

use, are unobjectionable. Such a correction of the basic prohibition has not taken place, however, to the extent the information contains an "advertising excess." Exempted are only statements, which the manufacturer is legally obligated to make (cf. Section 11 et seqq. AMG). Any more extensive provision of information is not permitted.

The manufacturers are themselves responsible for ensuring that the statements made are not in violation of medical advertising law. If the Federal Institute for Drugs and Medicinal Products does not object to the documents attached to the approval application or has not used them as grounds for sanction, this still does not necessarily mean the authorities view them as unobjectionable from the point of view of medical advertising law.

A violation of the prohibition on public advertising can arise not only from content but also the type and means of dissemination of the information, even if it is in itself unobjectionable under the principles described above. There is broad consensus in the jurisprudence that the use of the packet insert in display windows, newspapers ads or in TV advertising is not permitted because this information confronts the consumer unsolicited. This will also remain the case in the future. The original proposals of the EU Commission to generally permit dissemination through such push-media in the interest of better consumer information are off the table.

The courts are split on the issue of whether or when the reproduction of a package or package insert on a non-password protected part of an internet page violates the advertising prohibition. Because the internet - unlike push-media - is a passive medium, reproduction of usage information and statements as to indications are considered permissible to some extent.

Thus, the Munich Higher Regional Court classifies the standby of a package insert for retrieval on an internet page whose domain includes the name of the medicine as advertising not subject to medical advertising law because those statements exactly correspond with drug law requirements and are sought out by the end consumers themselves.

Unlike in the case of print or TV advertising, the customer does not randomly come across the advertising. Because the page can be accessed only when the correct product name is entered, the advertising prohibition does not attach under an interpretation in conformance with European law.

### **Information Through Push-Media Not Permitted**

### **Legal Uncertainty As to Drug Presentation on the Internet**

## No Liberalization of Public Advertising of Rx Compounds

The Hamburg Higher Regional Court, on the other hand, still views user information on the internet as advertising, because it raises interest in prescriptions and uses. It is irrelevant that the statements made available are mandatory information under drug law. When using mandatory information there would only be room for a normative correction if the information were necessarily brought to the attention of the consumer as part of the prescription process. Just as voluntary references to prescription drugs, statements on a manufacturer's web page are not made on the basis of any legal obligation.

In light of this difference of opinion, the decision in a preliminary proceeding at the European Court of Justice (ECJ) regarding the presentation of drugs on the internet is awaited even more anxiously. In a July 16, 2009 decision, the Federal Court of Justice ("FCJ") submitted to the Luxembourg justices the question whether Article 88(1)(A) of the Community Code covers public advertising for prescription drugs "if it alone contains all information that the approval authorities were presented with as part of the approval procedure and is already made available to each who acquires the compound, and the information is not presented to the interested party unsolicited, but is only made available on the internet to those who themselves makes the effort to obtain it."

### ECJ Model

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**Conclusion:** Looking at the view favored in Strasbourg of patient information through independent internet portals, the ECJ decision is extremely topical. It will be a question of whether the ECJ views information from the manufacturer in the interest of the information need of the mature patients as being necessary in addition to the official web portals to be established pursuant to the new guidelines. If the court does not see such a new need, the information landscape will shift sharply to offers from independent providers in respect of prescription drugs on the internet.

## Patent Retirement – Strategies in „Patent Cliff“ Times

Many established pharmaceutical companies currently view the future with concern. The time of the “patent cliff” has begun. In the pharmaceutical industry, this means the expiration of patents in 2010 through 2015 for countless best-selling medications.



Melanie Künzel, LL.M. (Düsseldorf)

The expiration of patents for medications paves the way for additional generic products, that is, materially similar copies of patent-protected brand-name medications, to enter the market. If a patent expires, it immediately dissolves into nothing on the day of expiration. While the patent was an effective weapon for enforcing the company’s monopoly up until the last day of its validity, its position on the market abruptly changes upon the expiration of the patent and is subject to immediate price competition. There can hardly be a more dramatic watershed in a company’s business.

For the most part, only comparatively lower investments must be made to develop generic products. Research costs are almost entirely eliminated. The sales price of generic products is therefore as a rule considerably lower than the sales price of the original compounds. The market entry of generic products in the past has shown that they represent serious competition for even the most famous brand-name medications. In the meantime, more than 60% of all medications prescribed by doctors to those with statutory health insurance are generics.

What is positive for the consumer and the health insurance companies is a terrifying scenario for the pharmaceutical research industry. It therefore increasingly decides to itself produce generic products or aims at acquiring rights and protection of new inventions in order to offset the effects of the “patent cliff.”

Despite the increasing engagement of external biotech companies and government research institutes in research on new inventions, the discovery of entirely new agents in the pharmaceutical industry has become rare. As a result, today new combinations of known agents are also increasingly protected by patents. The same applies to new indications, that is, new medical applications for known agents. Other forms of administration and presentation and even special modes of packaging medicines can also be patentable. Improvements in manufacturing processes are in

### Market Entry of Generics Upon Expiration of Patents

### New Research Strategies – New Application Strategies

## Patent Retirement – Strategies in „Patent Cliff“ Times

the line of sight. Such patents can create a new monopoly position for a pharmaceutical company for a period of an additional twenty years, even when the patent for the agent or the original combination of agents has already expired.

The above application strategies are not just available to pharmaceutical companies. Companies in other technology sectors, such as nano-, bio- or genetic technology can also be confronted with their own personal “patent cliff.” Prior to the actual development of a marketable product, they must often conduct extensive basic research. Much time passes until the actual, marketable product is approved and commercial uses are derived, during which the period of the basic patent is often well advanced or expired.

Companies in other technology sectors therefore also have reason to extend their research efforts from their core technology to the periphery of product development and to apply for patents for inventions in such seemingly peripheral areas as well. Observation of the most successful products in the different product markets shows that product success is often to a significant extent attributable to factors, which were not all in the foreground during actual product development. In the time of the “patent cliff,” in which product competition shifts to price competition, a patent for an efficient and thus inexpensive manufacturing process, for example, can become of elementary importance for every type of technology company.

In order to be in a position to also apply for patents in sectors outside their own core competencies, companies are challenged in the arrangement of their contracts with external suppliers or research and development companies. Companies should also in the first instance make it a point in seeming peripheral areas that the rights to further development and inventions belong or will be assigned to them.

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### **Avoiding a „Patent Cliff“ in Other Technology Sectors**

### **Securing Rights to Inventions During Involvement of External Manufacturing and Research Companies**

**Conclusion:** In order to avoid economic damages as a result of a „patent cliff,“ companies should also expand their research efforts to peripheral areas of product development and have the resulting inventions protected by patents. They will thus receive an indirect extension of the protection period of their expired basic patents.

## The ECJ and German Gambling Law – Impetus for Overdue Liberalization

In the past few months, a number of groundbreaking ECJ decisions in the area of gambling have been issued. In particular, the “German” judgments of September 8, 2010 have provided a significant impetus for the overdue opening of the German gambling market, even if many details remain open.



Michael Schmittmann  
and Oliver Brock (Düsseldorf)

In June and July 2010, judgments in the Dutch (Sporting Exchange (betfair)/Minister van Justitie and Ladbrokes/Stichting de Nationale Sporttotalisator - ECJ, Judgment of June. 03, 2010, C-203/08 and C-258/08) and Swedish proceedings (Otto Sjöberg and Anders Gerdin - ECJ, Judgment of July 08, 2010, C-447/08 and C-448/08) were issued. The ECJ adhered to its cautious approach in reviewing national gambling law. In this non-harmonized area, each member state is basically free to determine the desired level of protection and opt for a restrictive system in the area of gambling. The prohibition against placing sports bets over the internet can be justified by the compelling grounds of general welfare, as gambling over the internet in itself gives rise to particular dangers. In the “Sporting Exchange” judgment, the ECJ also addressed public procurement law issues. The Court of Justice emphasized that the principles of equal treatment and transparency are also to be observed in proceedings for the issuance and extension of an exclusive concession (the Dutch system provides for a monopoly of a single concessioned provider of gambling services), unless it is a public organizer that given its management is subject to direct government oversight, or a private organizer, whose activities can also be supervised by the authorities.

On September 8, 2010, the long-awaited judgments on German gambling law were finally issued. Reactions ranged from euphoria over the end of the internet prohibition and government monopolies on the part of gambling service providers and large sports associations to the “Everything’s the same” of the Lotto companies. This naturally raises the question: Who is right? In order to distinguish the legal reality and the PR, we will present both of the more important decisions. The “Winner Wetten” decision, which is less relevant for the current legal situation, will not be addressed.

### The Dutch and Swedish Proceedings

### „German Day” Revisited

## The ECJ and German Gambling Law – Impetus for Overdue Liberalization

### „Markus Stoß et al.“

The “Markus Stoß et al.” judgment (Markus Stoß et al./Wet-teraukreis - ECJ, September 08, 2010, joined cases C-316/07 et al.) was based on two preliminary references by the Gießen and Stuttgart administrative courts, which had to decide their cases in light of the interpretation of European law by the ECJ. The proceeding concerned issues as to the former state treaty on lotteries; the dicta however concerned identical regulations found in the state treaty on gambling. The ECJ noted that the member states possessed greater latitude for their own structuring in the area of gambling. Accordingly, there was also no obligation to mutually recognize national licenses. Each restriction on freedom of services must, however, be made in a systematic and coherent way. Taken by itself, the coherence of a member state system was not called into question because different types of regulations applied to different types of gambling. But naturally a system as restrictive as the German one must first be logical and consistent in its entirety. The ECJ expressed considerable doubts whether the stated goals of the German gambling law corresponded to the actual intentions of the legislator. The ECJ expressly reminded the German legislator that the generation of government income can in the best case be a side consequence of setting up a monopoly, but is in no case recognized as a compelling ground of general interest. Neither intensive advertising of state offerings nor the unchecked expansion of casino and slot machine games, which feature a considerably higher addiction potential than sports betting, for example, can be reconciled with the goal of addiction prevention.

The “Carmen Media” decision (Carmen Media Group Ltd./ Schleswig-Holstein - ECJ, Judgment of September 8, 2010, C-46/08) was based specifically on the placing of bets over the internet. In this case, the regulations of the state treaty on gambling, and not only the former state treaty on lotteries, were applied. Here the ECJ also repeated its view that an internet prohibition for certain forms of gambling is fundamentally compatible with EU basic freedoms. But an internet prohibition must also meet a coherence test. It is clear that the ECJ does not see the necessary coherence as a given in German law.

Upon closer reading, the decisions are surely more differentiated than many headlines in the press suggest. Still, it must be noted that until now in the area of gambling no member state has had the compatibility of its system with European law attested to by the ECJ so clearly as Germany. The remarks on the overall coherence of the German system with a view to the uncontrolled

### Carmen Media Group

### Assessment and Outlook

## The ECJ and German Gambling Law – Impetus for Overdue Liberalization

expansion politics of monopolists and the generous treatment of the most addictive forms of gambling such as slot machines are exceedingly clear. This applies particularly given the background that the ECJ had for the most part previously assessed member state regulations in a very reserved manner.

All in all, the latest decisions, just as the long list of cases to handed down on gambling law issues in the interim, make one thing clear. The need for European harmonization in the area is evident and will also be so seen by the Commission. Michael Barnier, Commissioner for the Internal Market, has made the area of gambling one of the projects of his tenure. A green book on gambling has been announced for this fall. Germany will then no longer be able to avoid the opening of online gaming borders, even when the states together with the federal government, chose the “monopoly with coherent and systematic gambling addiction prevention” variants judged as permissible by the ECJ. With harmonized law, a restrictive new state treaty on gambling can then only strongly regulate Germans, not providers from other member states who are making legal offers there and appeal to Germans online. The recognition and country of origin principle - part of the harmonization directive - will oppose this.

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**Conclusion:** What does the legal situation mean in concrete terms today? Taking the ECJ at its word, online providers from other EU countries are immediately free to serve German customers online, without having to fear criminal, administrative or civil sanctions in Germany because Section 4 (1)(4) and Section 5(3) of the Interstate Treaty on Gambling [GlüStV] are not applicable as against foreign providers because of its incompatibility with European law. For all practical purposes, however, resistance by the responsible authorities and the lottery companies can be expected, so that interested providers should be prepared for such a dispute.

## Changes in law – Current amendments

### Government Proposal for a Law to Regulate Employee Data Protection



Astrid Luedtke (Düsseldorf)

On August 25, 2010, the federal government passed a bill for employee data protection. At the present time, there are only a few specific legal regulations on employee data protection. Fundamental areas are worked out through the case law. Accordingly, the bill aims to increase legal certainty for employers and employees through clear legal regulations. The employee should be protected from being watched at his place of employment. At the time, the employer should have legal foundations for the fight against corruption.

In particular, the planned new data protection rules regulate the handling of applicant data, including medical pre-employment examinations prior to the establishment of an employment relationship and other examinations such as the administering of aptitude tests. In addition, data collection, processing and use during the employment relationship will be also be regulated, as well as data processing for the purposes of discovering and preventing criminal offenses in the employment relationship, video surveillance, the installation of tracking systems, the installation of biometric systems, the use of the internet, telephones and emails, employer duties to inform as well as the right of representation of interests and the mandatory nature of the regulations on employee data protection.

The law must now make its way through the German parliament. Whether it will become effective in this form is just as much an open question as when it will become effective. The objective is to pass the law in parliament this year.

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## Trademark Law

### ECJ: No Trademark Protection for Lego Bricks

ECJ September 14, 2010 (C-48/09 P) - Lego brick

**Headnote:** A Lego brick cannot be registered as a trademark. There is an absolute ground for refusal pursuant to Article 7(1)(e)(ii) of Council Regulation (EC) No. 40/94, because the shape of a Lego brick is necessary for the exclusive achieving a technical result.

**Note:** The ECJ decision concluded a years-long dispute whether Lego bricks could be protected as trademarks. It determined that Lego bricks are excluded from registration as trademarks because the signs exclusively consist of a shape that is necessary for achieving a technical result.

Pursuant to Article 4 of Council Regulation (EC) No. 40/94 the shape of a good can generally be protected as a trademark to the extent such signs are aimed at differentiating the goods or services of one undertaking from those of another undertaking. Nevertheless, registration is only possible when there exists no ground for refusal.

To determine that a Lego brick can be registered as a trademark, it is therefore decisive that the Lego brick do not consist exclusively of the shape of the good, which is necessary for achieving a technical result (Article 7(1)(e)(ii) of Council Regulation (EC) No. 40/94). This is likewise the core issue of the judgement. Because the shape of a Lego brick undoubtedly serves to achieve a technical result, the meaning of the terms “exclusively” and “necessary” become determinative.

In this respect, the ECJ first determined that the purpose of this exclusion criterion was to prevent a company from ultimately being granted a monopoly right for technical solutions or the usage characteristics of a good. Technical solutions can be protected only for a limited period through the system of law on intellectual property, and this cannot be circumvented through the possibility of a trademark maintained for an unlimited period of time. In order to appropriately take into account, however, that every shape of a good is functional to a certain degree, the words “exclusively” and “necessary” ensure that only those forms of goods are excluded from registration through which only a technical solution is embodied and whose registration as trademarks would thus actually prevent other undertakings to use such a technical solution.

In particular, the exclusivity requirement is met for the ECJ when all essential characteristics have a technical function. If a significant non-functional element (either decorative or imaginative) is incorporated in the form of the relevant good, which is important to the shape, registration cannot be denied based on the ground

## Trademark Law

for refusal of Article 7(1)(e)(ii) of Council Regulation (EC) No. 40/94. The inquiry into these most essential characteristics of the trademark is to be made via individual assessment. Depending on the case, this can be done by a purely visual inspection of the sign or on the basis of an in-depth examination. The perception of the sign by the average consumer is not material here, because the targeted consumer does not likely possess the necessary technical knowledge. It is much more an objective consideration of the basis of the graphic presentation and any descriptions attached to the trademark application.

In addition, the word “necessary” requires that the shape for achieving a technical result is required in the specific case. When this is the case, registration itself is even excluded when the technical result can also be achieved through other shapes. In assessing functionality, the documents on earlier patents can be called upon in particular.

In the case of the sign presented by the Lego brick, the two rows of knops on the topside of the brick were seen as the most important element. Because they allowed the toy bricks to be assembled, the requirement of exclusivity as well as necessity is affirmed. As a result, the sign displayed by the Lego bricks could not be protected as trademark.

**Conclusion:** With this decision, the ECJ confirmed its prior jurisprudence. It traced the individual issues at hand concerning the interpretation of the ground for refusal pursuant to Article 7(1)(e)(ii) of Council Regulation (EC) No. 40/94 to the fundamental question generally concerning intellectual property, the extent to which a monopoly right can be granted to an individual without hindering competition. The limit regarding the ability of trademark protection for a shape that is necessary because of a technical reason is drawn at where all essential characteristics would have a technical function necessary for the achieving of a technical result. In such a case, trademark protection would be denied.

## Competition Law

### **BGH: Applicable Law Between Two German Competitors Abroad Also Determined According to the Marketplace Principle**

BGH February 11, 2010 (Case I ZR 85/08), WRP 2010, 1146 - Invitation to Tender in Bulgaria

**Headnote:** Applicable substantive competition law is also to be determined according to the marketplace principle when the competitive circumstance takes place abroad exclusively between domestic companies or is targeted against a domestic competitor who is thereby restrained in competition (renunciation of BGHZ 40, 391, 397 et seqq. - Steel Export).

**Note:** This decision concerned a competition violation that took place exclusively abroad, in which both parties were companies with registered seats in Germany. Specifically, it concerned the denigration of the competitor in a tender process in Bulgaria. The issue arose whether the claim should be judged according to German or Bulgarian competition law.

Earlier, the BGH had expressed the view that circumstances that take place abroad but are exclusively between two German companies, or in which a targeted hindering of a German company through actions abroad is at issue, are by way of exception subject to German law instead of the law of the (foreign) marketplace. In the now issued decision, the BGH expressly renounced its earlier jurisprudence, because it did not sufficiently take into consideration the interests of market participants in the foreign marketplace. It was not primarily about disadvantages sustained by the prejudiced company in Germany, but influencing its competitive position in the foreign marketplace. Because German jurisprudence declined to apply corresponding foreign law to competition violations between two foreign companies in Germany, this must apply conversely to cases between two German companies abroad.

**Conclusion:** Particularly for planned advertising campaigns that are to take place only abroad, it is thus clear that only the legal situation in the relevant country is at issue and an additional assessment of permissibility under German competition law is generally not required. On the other hand, particularly in the case of internet advertising, this should be assessed because such advertisement may be targeted to consumers in various different countries.

## Copyright Law

### BGH: Liability of Wifi Owner as „Interferer“

BGH May 12, 2010 (Case I ZR 121/08),  
GRUR 2010,633 - Summer of Our Life

**Headnotes:** The owner of a Wifi connection who neglects to use the customary security measures according to their purpose at the time of purchase of the Wifi router is subject to an injunction as an interferer when third parties misuse the connection to upload copyrighted music to internet file sharing sites.

**Note:** The subject of the much-noted decision was the question whether and to which extent the owner of a Wifi connection was liable for the unauthorized use of his connection. The case decided concerned an offer to download a sound carrier through a filesharing site by a third party.

The BGH decided that anyone who does not sufficiently secure his Wifi connection is subject to an injunction, but not liable for damages in connection with an intellectual property violation that was not committed by himself but by a third party who used the Wifi connection for wrongful purposes.

In the view of the BGH, the operation of an insufficiently secured Wifi connection opens up a source of danger for third party intellectual property rights. To this extent, the private connection owner has security obligations, the violation of which leads to him being subject to injunction as what is referred to as an interferer. The taking of security measures is also considered reasonable for the private connection owner, in particular, because he himself has an interest in protecting his own data from unauthorized access from the outside. The BGH also addressed which security measures must be taken: it is not necessary to continually maintain network security at the latest state of technology and expend the financial means necessary therefor. Each connection owner, however, must effectively install the customary measures at the time the router is purchased in accordance with their purpose. In the case decided, the owner of the Wifi connection had left the factory-installed standard security measures and had not assigned a personal, sufficiently long and secure password for access to the router. He therefore did not satisfy his security obligation and was subject to an injunction and ordered to pay the legal expenses of the opposing party.

**Conclusion:** According to the BGH decision, the operation of an unsecured Wifi connection presents an abstract source of danger for third-party intellectual property violations. The owner of a Wifi connection is therefore obligated to take security measures in order to avoid liability for the wrongful use of his Wifi connection through a (in this case, unknown) third party. At a minimum, it is necessary that customary security measures are installed in accordance with their purpose at the time the router is purchased or the Wifi connection is activated.

## E-Commerce Law

### BGH: Dispatch Costs to Be Borne By Seller

BGH July 07, 2010 (Case VIII ZR 268/07),  
WRP 2010, 1172 - Dispatch Costs

**Headnote:** In the case of cancellation of a distance selling contract, the dispatch costs are to be borne by the business.

**Note:** The decision concerned the question whether, in a distance selling transaction (e.g., online or traditional mail order business), the seller may stipulate in its general terms and conditions that if the right of cancellation or refund is exercised by the customer, the latter must bear the original shipping costs ("dispatch costs").

The BGH answered this question in the negative. This was not surprising after the ECJ in April 2010 had decided in answer to a corresponding submission by the BGH that German law, which until then had permitted such GTC provisions, was in this respect not compatible with the European Distance Selling Directive.

This case presents a not insignificant additional burden for mail order business, especially when considering that under German law if the cancellation or refund right is exercised the dealer also has to pay the return shipping costs (pursuant to Section 357(2)(3) Civil Code, this can only be agreed otherwise for the cancellation right and only when the sale price is no more than EUR 40 or the purchaser has not yet paid).

**Conclusion:** Particularly online-mail order dealers should review their general terms and conditions and the cancellation and/or return instructions used, in order to see if they address whether dispatch costs are borne by the purchaser upon exercise of the cancellation or return right. If this is the case, there is an urgent need for amendment, as violations of customer protection regulations in distance selling law are generally also competition violations, which can entail costly cease-and-desist or court proceedings.



On October 8, 2010, law firm Heuking Kühn Lüer Wojtek obtained a temporary injunction order against Westdeutsche Lotterie GmbH & Co. oHG (Westlotto), its general partner GmbH and its general managers (Cologne Higher Regional Court, Case 6 W 142/10) on the grounds that test purchases with persons barred from gambling were made at Westlotto receiving offices.

These test persons participated in Westlotto's sports bet offerings using the "Lotto basis card" of another person. Said card does not contain a photograph. A number of Westlotto receiving offices sold sports bets to these test persons despite the ban.

The proceeding is a far-reaching response of German courts to the judgments of the European Court of Justice of September 8, 2010, in which the non-compliance of the German Interstate Gambling Treaty with Union law was established (cf. in detail p. 13 et seq. of this Newsletter). At the trial level, the Bonn Regional Court denied the foreign provider any need for legal protection, as it was making its offers "illegally" in Germany because of the online prohibition in the GlüStV.

This has now been overruled by the Cologne Higher Regional Court. It determined that the injunction petition of the foreign betting and gambling provider could proceed, because the market conduct of a holder of the state monopoly established a need for legal protection. A competitor on a legally highly competitive market may not generally be excluded from access to the courts. This is even more so where effective controls on Westlotto on the part of the governmental oversight authorities were not evident.

In the case, the Higher Regional Court found that Westlotto, its partner GmbH and its managing directors did not sufficiently prevent participation by persons banned from sports betting. In particular, Westlotto's "Lotto basis card" failed to comply with the requirements of Section 21(3) GlüStV since it does not contain a photograph.

As a result of this judgment, the largest state company of Germany's Lotto- und Totoblock will have to convert its card system. It remains to be seen whether the companies in other German states will follow.

The judgment is also procedurally a landmark decision: online providers from other EU countries that operate on the German

## **From Our Practice**

### **Violation of Interstate Treaty on Gambling – Heuking Kühn Lüer Wojtek Obtains Temporary Injunction Against Westlotto**

## From Our Practice

market based on the Freedom of Services may proceed against state monopolies before the German courts. Thus, the opening of the German gambling market by the judgments of the European Court of Justice of September 8, 2010 has also been implemented in procedural terms with the decision of October 8, 2010

**Michael Schmittmann** and **Dr. Georg Jacobs** (both Düsseldorf) represented the petitioner in this case.



**Dominik Eickemeier** and **Dr. Stephanie Rohlfing** published an article on “Current Jurisprudence on Software and Database Copyright Law” in the trade journal “Kölner Schrift zum Wirtschaftsrecht” (KSzW 2010, p. 272).

**Florian Geyer, LL.M.** participated as expert in the “Hearing of the Main and Media Committee of the North-Rhine Westphalia State Parliament on the Planned Amendment of the State Treaty on the Protection of Minors in the Media” in Düsseldorf on November 4, 2010. An amended version of the State Treaty on the Protection of Minors in the Media [JMStV] will become effective on January 11, 2011. The amendment primarily concerns new rules on youth media protection on the internet (age classification of content). Following the acceptance of the JMStV by the State Premiers, it must then be ratified by the state parliaments. In this respect, the Main and Media Committee of the North-Rhine Westphalia State Parliament held an expert hearing on November 4, 2010.

**Dr. Verena Hoene, LL.M.** published an article on “Current Developments in Title Protection Law” in the trade journal “Kommunikation & Recht” (K&R 11/2010) and an article entitled “More Transparency?! – Amendments of the Price Indication Ordinance” in the trade journal “Der IP-Rechts-Berater” (IPRB 2010, p. 160).

**Dr. Verena Hoene, LL.M.** held a presentation on “Media-related Trademark and Title Protection” during the Copyright and Media Law Specialist Lawyer Seminar on September 17, 2010. As of November 2010, she is taking over “The Law of Trademarks and Other Marks” module as part of the Cologne Bar Association Intellectual Property Protection Specialist Lawyer Seminar.

## Publications and Lectures

## From Our Practice

On September 22, 2010, the "Patent Law in Europe - Enforcement and Defense" workshop was held at the Düsseldorf office of Heuking Kühn Lüer Wojtek. Speakers were **Dr. Anton Horn** from our Düsseldorf office and David Wilkinson, Solicitor in London. Primarily representatives of foreign companies took part in this English-language workshop. The next Düsseldorf patent law workshop on a particular key issue will likely be held in March 2011, according to the regular schedule in German.

On October 18, 2010, **Dr. Anton Horn**, Düsseldorf-based Partner in the field of Patent Law, held a presentation on current development of European patent law in Tokyo. Professor Tamai of Tokyo's Keijo University hosted the event. Co-speaker was Mr. Mimura, a former judge on the Tokyo IP High Court and now a lawyer at Japanese firm Ohno. A number of representatives from Japanese companies took part. They were particularly interested in the ramifications of German jurisprudence on standard-relevant patents and the antitrust compulsory license fee in German patent infringement actions. Dr. Anton Horn reported on both current legal developments and his practical experience in this field.

On October 28, 2010, **Astrid Luedtke** in Düsseldorf and Dr. **Wolfgang G. Renner** in Munich spoke on "Current Issues on Employee Data Protection" in the scope of the Employment Law Practice Group's seminar "Employment Law 2010."

On December 15, 2010, **Astrid Luedtke** jointly with **Dr. Andre-M. Szesny, LL.M.** will hold the Management Circle Seminar "Data Protection for Managers – Acting Legally – Avoiding Liability Risks" in Düsseldorf. The seminar will review current questions and issues of data protection law.

**Dr. Wolfgang Renner, LL.M.** held a seminar on "Cloud Computing" (Management Circle Intensive Seminar) in Düsseldorf from October 20 to October 21, 2010.

**Kai Runkel** published an article on "Cancellation of Domain Names in the Case of Cybersquatting - Legal Name Protection for Company Names" in the trade journal "Der IP Rechts-Berater" (IPRB 2010, p. 229).

The **Case Books** on various aspects of patent law enjoy great popularity, which led Heuking Kühn Lüer Wojtek's Düsseldorf-based patent law team to continue this series. Currently, Case

## From Our Practice

Books on nine different topics are available, while two others are in progress. In particular, these are:

1. Indirect Patent Infringement
2. Equivalent Patent Infringement
3. Patent Law and Antitrust Law
4. Pharmaceutical Patent Law
5. Cross-Border Patent Infringement
6. Temporary Restraining Orders - Forbearance and Inspection
7. Extra-Judicial Enforcement of Patent Law Claims
8. Interpretation of Patent Claims
9. Utility Patents
10. Process Patents (in progress)
11. Patent Vindication (in progress)

Several of these Case Books are also available in English translations. All volumes contain decision analyses in table format, so that the decision relevant to a specific case can be quickly found. The Case Books are available free of charge. The easiest way to order them is by sending an e-mail to [patentrecht@heuking.de](mailto:patentrecht@heuking.de).



## News from the Law Firm and the IP · IT · Media Practice Group

### New lawyers in Düsseldorf and Cologne

On October 2010, **Marc Oliver Brock** joined our Practice Group at the Düsseldorf office. After his first state examination, Brock was an academic employee at a professorship for civil law, competition law and antitrust law at Friedrich-Schiller University in Jena.

There he worked in particular in the fields of European merger control and private legal relief in antitrust law. He completed the administrative stage of his traineeship at the Federal Cartel Office in Bonn. His legal training took place at international law firms with a focus on the fields of competition and anti-trust law. Brock supports Michael Schmittmann, Astrid Luedtke and Dr. Georg Jacobs in the fields of media law, IP law and gambling law.

In October 2010, **Gerhard Deiters** joined our Practice Group at the Cologne office. After his first state examination, he initially worked for two years as an academic employee at a civil law professorship at Bonn University, before he became an academic employee in the field of IT&C at a large Cologne law firm and also worked there as a lawyer trainee during his stage period. Between 2005 und 2008, Deiters was an adjunct professor at Cologne University and gave lectures on legal working. He completed his administrative stage at the German embassy in Jakarta and his elective stage in the legal department of a worldwide online-marketplace in the vicinity of Berlin, where he primarily worked on right holder disputes. Deiters supports Dominik Eickemeier and Dr. Dirk Stolz in the fields of IP, competition law, copyright law and information technology.



Law firm Heuking Kühn Lüer Wojtek was nominated as “Law Firm of the Year” and as Law Firm of the Year in the categories “Dispute Resolution” and “Regulated Industries” by the editors of legal trade publisher JUVE. The Juve Awards are considered one of the most important industry awards and are handed out in 14 prize categories with five nominated law firms each for the seventh time this year. The award winners were announced in Frankfurt on November 2. Even though we regrettably did not take the awards home this year, we are proud of our nominations and pleased about the recognition that they embody. As already indicated by JUVE, the JUVE Handbook, due to be published in November 2010, shows Heuking Kühn Lüer Wojtek as “Law Firm of the Year” for the Region South.

## News from the Law Firm and the IP · IT · Media Practice Group

**Nominated as Law Firm of the Year and  
as Law Firm of the Year in the categories  
„Dispute Resolution“ and „Regulated  
Industries“**

This Newsletter does not contain legal advice. The information included has been carefully researched. However, they only reflect excerpts of case-law and legal development and cannot replace individual legal advice taking into account the particularities of the individual case.

[www.heuking.de](http://www.heuking.de)

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