

# Newsletter

## IP, Media & Technology

June 2011

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IP, Media & Technology Practice Group



## Editorial

Thorsten A. Wieland (Frankfurt)

Our observant readers will have noticed our new name: „IP•IT•MEDIA“ has become „IP, Media & Technology.“



Advising technology companies and likewise in the field of biotech/life sciences has become a solid pillar of our practice group. We would also like to account for this dynamic with our designation: from now on this is “Technology.” Naturally, we will continue to direct our attention to “traditional” information technology (IT) as well: since the beginning of the year, we have become markedly stronger in this area as a result of new lawyers who have joined our firm. As usual, we report on these at the end of our newsletter.

Initially somewhat notorious as client procurement machinery for counselors, the topic of “compliance” has been causing genuine concern ever since the Federal Court of Justice’s 2009 decision and in the interim has become part of the daily life of legal departments and management. According to the findings of the FCJ (*BGH*), a person whose job duties include the prevention of legal transgressions within the company has a special responsibility as guarantor for the integrity of the area of responsibility he has assumed. In other words: personal liability of the individual for violations by other employees. Such guarantors are usually compliance officers, legal department directors, internal auditors and other employees charged with analogous duties.

The (self-)commitment to lawful actions, including the prevention of crimes within the company, is ensured by compliance programs, among other things. Conventional “compliance” measures target such areas as marketing, employment law, tax law and corporation law, while IP compliance has thus far played a subordinate role. This includes property right infringement as so-called illicit actions for which the managing directors can even be personally liable under certain conditions. If there is intent, the trademark or patent infringement is actionable. Large chain stores that are not directly supplied by the brand manufacturers are exposed daily to the risk of receiving counterfeit or otherwise illegal goods from third parties. That this happens again and again is attested to by a look at the daily papers. Only suitable compliance programs, which prescribe careful monitoring of the

## Editorial

receipt of goods and documentation of origin, help to protect management and other responsible persons against a charge of actionable conduct. In the end, each commercial action bears the risk of IP infringement and thus careful study is required to avoid this on an ongoing basis.

Given the considerable significance of IP compliance, it is the core theme of this edition of our newsletter. A decision by the Hamburg Regional Court (*OLG Hamburg*) in this area (liability of management for property right infringement) originates from our own practice. Over the course of 2011, IP compliance will also remain in our focus. Among other things, we will be offering a seminar series on this topic.

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The intentional infringement of copyrights or intellectual property rights is a crime. This applies both to the copying of a text as well as to intentional infringement of trademarks or patents. What was until recently seen as the dirty act of small-time criminals, or alternatively as a trivial offense, is increasingly being prosecuted by the state attorney in the “commercial crimes” task force.



## Patents and Prison

Dr. Anton Horn (Düsseldorf)

In 2008, Taiwanese television interrupted its programming and showed a special gesture of German hospitality. A hundred German customs officers at the International Radio Show in Berlin in full battle dress, with rapid-fire weapons across their chests and Alsatians on leashes, had surrounded a number of stalls, principally exhibitors from the Far East. Their colleagues vigorously cleared away all products. These actions gave rise to an investigation by the public prosecutor’s office. Evidence for potential future criminal proceedings on account of patent infringement was to be secured. Diplomatic irritations were the consequence, and the Berlin Regional Court later decided that the proceeding was unlawful.

*Schadenfreude* over systematic actions against product piracy and unwelcome competition lasts only briefly. Globalized competition is becoming tougher. Legal weapons that were developed and implemented for the war against competition from the Far East are now directed at European and American companies. The limits on the type and manner of commercial activity are increasingly narrowing and the response to the overstepping of bounds is increasingly dictated by the state. The state prosecutor decides more and more which products are on supermarket shelves. Is this development desirable or is it the expression of a social aberration? This remains open for discussion. But it is nevertheless a fact that is better not ignored.

The intentional infringement of copyrights, patents or trademarks is a crime. This is regulated in Section 142 of the German Patent Act, for example. When the patent infringement is committed as part of a company’s commercial activity, there can be up to five years’ imprisonment. Fraud (Section 263 of the Criminal Code) to the detriment of customers is also a possible result. The purchaser usually believes that he is acquiring a “clean” product,

### Showdown in Battle Gear

### State Prosecutor as Product Manager

### Misfortunes rarely come singly

## Patents and Prison

but in reality receives one that infringes a patent or trademark and is thus an economically low-value product. If the product also has safety deficiencies, there can even be a charge of bodily injury (hopefully without mortal consequences).

Both perpetrators and managers are held personally liable. State prosecutor against managing director. A managing director who intentionally allows trademark, patent or copyright infringement to take place and also does not respond to warning signs thus runs the risk of having to try out the comfort of a prison bed. He cannot delegate these duties. And the costs for his defense cannot be passed along to the company as expenses. The company will not longer pay. On the contrary: while in custody, the prison guard may shove a large yellow envelope through the flap of the cell door. It is a lawsuit initiated by the company or insolvency administrator for damages.

Such extreme situations continue to be uncommon. In most cases, a valid conviction fails because intent cannot be proven. This can change, however, if the company receives a so-called "cease-and-desist letter," or written demand by the holder of a property right to cease infringement. Often, there is a detailed description of what is deemed to constitute the trademark or patent infringement, for example. It is then increasingly difficult to defend oneself on the grounds of lack of knowledge and lack of intent. This applies above all when there is no documentation as to why management or the board of directors assumed that the cease and desist letter was baseless. At minimum, lengthy and irritating investigation proceedings can be the consequence.

Nevertheless, many compliance programs do not take such events into consideration. Whether and how a cease and desist letter will be addressed in the area of intellectual property rights is for the most part left to the operational units or patent department. Transparent procedures on how the risk is assessed and how it should be dealt with are only sometimes defined, even more rarely implemented and almost never documented. Prevention and avoidance through patent monitoring? Possibly even profitable use of the knowledge gained thereby in product development? Compliance programs as a means of promoting innovation and increasing efficiency? There are positive examples, but they are rare.

### **Custody is harder than Delegation!**

### **The Evidence Problem – Cease-And-Desist Letter as Warning Signal**

### **Intellectual Property Rights as Compliance Topic**

## Patents and Prison

### Even the Strong must observe Limits

Even the one seeking to enforce property rights should not get carried away. Inexperienced surfing of the “war against product piracy” wave can be dangerous. For example, if one knows that his registered design does not involve a technical invention and was only registered because the German Patent and Trademark Office did not check the requirements for protection, he must not threaten with his registered design. Otherwise, he may subject himself to prosecution for extortion or fraud. Sometimes companies or their customers are overrun with a multitude of cease-and-desist letters and suits. Such a choice of means used can constitute actionable duress or extortion. Recently the European Commission in its “Pharma Sector Inquiry” found the massive use of patents to be problematic with respect to antitrust law. It is only a question of time until such situations are fought with criminal law measures.

Whoever thinks that criminal investigations and prison sentences for the infringement of intellectual property rights is typical German overkill is greatly mistaken. This is part of a global trend. In many countries, increasingly draconian prison sentences are the order of the day. There are, however, exceptions. Four years ago in China, a professional product pirate was not sentenced to prison despite his proven guilt and despite the related danger to public health. A certain punishment was nevertheless imposed. It was also implemented. It was a death sentence.

### The Global Trend

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**Conclusion:** If intent is present, the infringement of copyrights, trademarks and patents is a crime, which is increasingly prosecuted around the world. In addition to companies, the perpetrators and managers can also be held personally liable. Compliance programs should therefore take account of these issues.

## Loss of Control on the Net? Legal Risks of Social Media Marketing

More and more companies are making use of the opportunity to utilize social networks such as XING, YouTube, Facebook or Twitter as cost-effective and efficient marketing



Florian Geyer, LL.M. (Frankfurt)

tools. This is done, on the one hand, by creating a company page on social media platforms, and also by encouraging employees to use social networks for the benefit of the company and thus become “marketing ambassadors” for their employer. However, instead of the desired marketing boost, a PR disaster may rapidly arise if the general legal framework is not observed. “Social media compliance” is therefore the order of the hour. An important tool in this respect are so-called “social media policies,” company-internal guidelines that regulate and/or specify what is permitted and what is not.

Before a company becomes directly or indirectly active in social media networks, it should be clear on the existing legal requirements and ensure that they are met. For this, a company-internal social media policy can be a valuable contribution. Even when a company decides against conducting its own social media activities, a policy that contains rules for private use of such platforms in order to protect both the company and its employees is also useful. Many large companies, such as Microsoft, IBM, BBC and Kodak, use such policies.

A policy should serve as the standard for communication with a view to company values and brand image. Among other things, mandatory guidelines for the use of social networks in company business should be set. Because the works’ council has a co-determination right with respect to the establishment of such guidelines, it should be brought in early on in the process. The contents of the guidelines are then to be adhered to in a company agreement.

A good social media policy must make clear the conduct that is legally permissible. Here, the same legal limits as in the analog world apply as a rule. Internet users all too often seem unaware of this, however. This is dangerous when employees use social networks for company business because the company is liable for the actions or statements of its employees. In any event, when

### “Social Media Policy” as Means of Control

### Liability for Employees



## Loss of Control on the Net? Legal Risks of Social Media Marketing

the company has influence over the conduct of its employee and his conduct benefits the company commercially, such claims are likely. A policy can help prevent this.

Care is required in the drafting of the policy, as there are a number of legal aspects that must be considered or regulated:

- Avoid libelous statements or statements harming reputation
- Preserve business secrets
- Observe the rights of third parties as well as those of the company (above all, trademarks and copyrights)
- Observe the personality rights of third parties (above all, the right to one's own image)
- No hidden advertising (viral marketing)
- Advertising messages must not be false or misleading
- Send advertising mail only with prior express agreement
- Observe restrictions on comparative advertising
- Observe data protection
- Avoid liability for the content of linked internet pages
- Observe the conditions of use of the respective social media platform

Below we will address in detail only a few specific aspects of liability, as a full analysis is beyond the scope of this article.

It is important to clearly set out when social media are being used for professional and for private purposes. The social media policies of some companies explicitly urge employees to be active (such as on blogs) as brand ambassadors of the company or to use social networks as work instruments. In such cases, it is hardly possible for companies to escape liability.

Text: In other policies, employees are asked to expressly tag as private any statements with respect to their employer by using a disclaimer. This should avoid giving the impression of an official company communication. However, a disclaimer does not provide the company with full assurance that such tagged statements may not be attributed to the company under certain conditions. This depends in particular on the function or role in the company of the person making the statement. As a rule of thumb: the greater the connection with professional activity, or the higher the position of the person acting in the company hierarchy, the more likely it is that the company may be held liable.

### Diverse Risks

### Tagging of Opinions

## Loss of Control on the Net? Legal Risks of Social Media Marketing

### **No hidden Advertising**

Under certain conditions the tagging of content as a private opinion is not only unsuited for avoiding company liability, but can even give rise to wrongdoing in itself. It is a violation of competition law and the Tele Media Act to depict an officially initiated company communication as a private statement on the internet. This applies not only to text, but also to videos (such as on YouTube) that only ostensibly come from a private person but were actually posted as part of company business. Also known as “viral marketing,” this advertising practice is, in principle, impermissible. Advertising must always be clearly recognizable as such and be segregated from the rest of the (editorial) statements. The posting of a link for an editorially structured post to an advertising website is in itself illegal without it being clear and unmistakably recognizable to the user.

The uploading of third party content, such as text, photos or videos, to social network pages is subject to the restrictions of copyright law. The general rule applies that use can be made only to the extent that corresponding rights of use exist. Moreover, the right of the depicted person to his/her own image must be observed. This means that there can be no use if there is no consent by the affected person to actual usage.

### **Use of Third Party Content**

Most platform contracts explicitly regulate the use of posted content in order to allow the platform operator to use this as part of the platform’s specification of services. For the most part, however, it is contemplated that rights to publication, reproduction and allowing public access are granted by the user. An effective grant of rights requires that the user actually possess such rights and also be entitled to grant sublicenses for their use. This is often lacking. Therefore, a diligent rights review should be performed in advance.

If a company photo for which there are insufficient rights of use is uploaded by an employee, this can trigger cease and desist claims and claims for damages by the rights-holder. If the employee acted in his professional capacity with the company’s knowledge, the company will also be liable. Furthermore, there is a risk of damages claims by the platform operator if the latter is likewise sued on account of the infringement.

## Loss of Control on the Net? Legal Risks of Social Media Marketing

### Use of Third Party Trademarks

Third party trademarks and other designations are often used when a competitor or its products are criticized. Although, as a general rule, comparative advertising is permissible, certain requirements must be observed. For example, the comparison must be factual and relate to characteristics that can be objectively verified. In addition, the reputation of the trademark holder affected by the advertising comparison must not be impaired or exploited for one's own purposes. Exploitation of reputation takes place principally when there is an image transfer.

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**Conclusion:** In order to prevent the described or other legal risks from manifesting, a "social media policy" is a good start. Nevertheless, its issuance alone is insufficient for limiting liability for legal violations committed by employees. As part of its duties of care, the company must also monitor compliance with the policy. Ensuring social media compliance thus creates significant challenges for companies. It is therefore invariably necessary to weigh the opportunities, risk and expense of the use of social media marketing measures.



In its decision reported on February 2, 2011 and for which an opinion was issued in the beginning of March, the FCJ (*BGH*) referred various questions on the acquisition of used software to the European Court of Justice (ECJ). As a result, one thing is already clear. The uncertainty in the area of acquisition of used software will continue for some time. What is the background of this decision?



## Acquisition of Used Software – Bargain or Liability Risk?

Commentary on Decision of the Federal Court of Justice of February 3, 2011 (Case: I ZR 129/08 – “UsedSoft,” WRP 2011, 480 et seqq.)

Dominik Eickemeier (Cologne)

Should one be able to acquire used software just as used cars or books from a used book store? Software manufacturers have something against this, and European software copyright law appears to support them. In the case to be decided, the software manufacturer ORACLE had sold software licenses to its customers, stipulating that the rights of use were not transferable. In particular, the right to copy the program could not be transferred (FCJ, *loc. cit.*, margin note 15). If the licenses could not be passed on, the company “UsedSoft,” which aims to sell used software, could only invoke so-called exhaustion of copyright in order to save its business model. Pursuant to Article 4(2) clause 1 of Directive 2009/24/EC (Software Directive), the author’s right to distribute copies of a computer program is exhausted when such an embodied work is placed into circulation.

The core of the decision is the question whether the second purchaser of a “used” software license can also invoke exhaustion if the first purchaser saved the program with the consent of the software manufacturer by downloading it from the internet to a data carrier and later (after the sale to the second purchaser) deletes or no longer uses his program copies.

The principle of exhaustion is based on the desired merchantability of copyright protected works that are placed on the market. It also applies correspondingly in trademark law. Accordingly, one would hardly question whether the purchaser of a brand name car can resell it used. The mark holder can in any event make no claims here. Thus the desired development and existence of the used car market is ensured.

According to prevailing opinion thus far, exhaustion can be affirmed only where the software has been downloaded to a data carrier. Otherwise, the necessary embodiment of the work is lacking. The only other restriction on the exhaustion condition

## Acquisition of Used Software – Bargain or Liability Risk?

is contained in Article 4(2) clause 2 of the Software Directive: the right to rent the software is not exhausted. The erosion of the rights of the software manufacturer is thereby avoided. The question of whether a simple online transfer of the software meets the criterion of embodiment is highly disputed.

The FCJ appears to be inclined to the opinion that permission by the software manufacturer to create a copy does not replace consent to its dissemination (FCJ, *loc. cit.*, margin note 27). The consequence of such a view would be that software manufacturers have far-reaching opportunities to prevent the sale of used licenses. They themselves control the manner and means of passing on the software to their customers and can thus avoid availability on data carriers (as used to be common, on CD-ROM, etc.).

Nevertheless, the FCJ considered itself unable to render a decision on this question bearing on Article 4(2) clause 1 of the Software Directive without clarification from the ECJ. A harmonized and uniform interpretation Europe-wide of the Software Directive should thus be ensured. If the ECJ assumes that exhaustion is present, there will also be further questions to answer as to whether the second purchaser can invoke exhaustion. It would hardly be practicable to require that the “embodied work” (the computer of the first customer on which the software was run) be transferred. For this reason, there is the opinion that the second buyer can invoke exhaustion if the first buyer deleted his program copies. The feared duplication of the database then no longer comes into consideration (FCJ, *loc. cit.*, margin note 31). This opinion assumes exhaustion of the distribution right in the case of multiple users or volume licenses if the seller no longer uses program copies in the scope in which he sold the licenses. The FCJ, however, is of another view. It wants to allow exhaustion as before only in the case of embodied databases. That is, merchantability of the duplication right would not be intended, rather only merchantability of individual embodied copies (FCJ, *loc. cit.*, margin note 329).

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**Conclusion:** The FCJ appears to share the software manufacturer’s belief that the floodgates would be opened if non-physical embodiment were permitted and thus possible uncontrolled duplication without the consent of the software manufacturer. On the other hand, the question arises whether the surely desired merchantability of copyright protected software can be restricted on the ground of such security concerns. It will be interesting to see how the ECJ, and later the FCJ, will deal with this. Until then, the “used software” business model remains highly risky.



In Europe, broadcasting rights for sporting events are as a rule granted on a restricted basis exclusively for the territory of individual member states in order to best commercially exploit them. If the broadcasts could be received outside the broadcast area, this would lead to conflicts with other, foreign licensees. In her February 3, 2011 opinion on cases C-403/08 and C-429/08, the Advocate General provided a first and very detailed position on the tension between the principle of the internal market on the one hand and the possibilities of territorial splitting of broadcasting rights on the other.



## **Territorial Exclusivity Agreements for Football Broadcasts about to come to an End?**

**Comment on Opinion of Advocate General Kokott in Cases C-403/08 (Football Association Premier League Ltd. v. QC Leisure) and C-429/08 (Karen Murphy v. Media Protection Services Ltd.)**

Dr. Ivo Lewalter (Frankfurt)

The Football Association Premier League Ltd. ("FAPL") is an independent company of the first English football league for the marketing of the league's games. The FAPL generally grants licensees an exclusive right to broadcast the games in their broadcasting areas and commercially realize them. The exclusive rights are split according to area and are always limited to three years. There is thus one television broadcaster within any particular territory. This corresponds to continuous and approved business practice in Europe. The licensees are contractually obligated to prevent broadcasts from being able to be seen outside their broadcast area. In addition, they must scramble their satellite signals. The exclusivity of other licensees is thereby ensured. Furthermore a restriction on sales of authorized decoder cards to descramble the satellite signals outside the respective license area is agreed upon. The requests for a preliminary ruling concern attempts to circumvent this system of exclusivity agreements.

Case C-403/08 arose out of a civil suit by the FAPL against the use of Greek decoder cards, which allowed reception of live football broadcasts of premier league games in the United Kingdom. The complaint was directed at the supplier of accessories and decoder cards for pubs and barkeepers. Case C-429/08 concerned an intense criminal proceeding by way of private suit against barkeeper Murphy who likewise showed football games in her pub using a Greek decoder card. She thereby saved license fees of approx. GBP 5,000 per season. In both cases, the High Court as appellate court referred over ten questions, each with several subparts, to the ECJ for a preliminary ruling.

## Territorial Exclusivity Agreements for Football Broadcasts about to come to an End?

The Advocate General considered the freedom to provide services pursuant to Article 56 of the Treaty on the Functioning of the European Union (TFEU) to be seriously impaired (she did not find the freedom of movement of goods under Article 34 TFEU to be relevant). The exclusivity rights at issue were said to cause a split of the internal market into divided national markets. This was not justified by the protection of industrial and commercial property rights. The question arose whether there exist rights to satellite transmission of football games whose specific subject matter requires a split of the internal market. Here Advocate General Kokott extended the exhaustion principle to the area of movement of services. According to the Advocate General, restrictions on the basic freedoms must be justified using the same principles. Moreover, a market demarcation could be effectively implemented in the case of services such as those at issue just as with material goods. Also, certain services – software, e-books, music, films, etc. – did not significantly differ from material goods; these could also be resold in electric form.

The specific purpose of rights to live football broadcasts lay in their economic realization. This is achieved through the fee for decoder cards. Nothing would change in this respect if Greek decoder cards were used. The varying amounts of fees made no difference because there was no specific right to be able to demand different prices in each Member State for a service. The internal market is already focused on evening out price differences among the Member States through trade. The possibility of territorial exclusivity would, on the contrary, mean “profiting from the elimination of the internal market” (Opinion, paragraph 192). In this regard, the Advocate General also recommended to no longer apply the ECJ’s jurisprudence in the matter of Coditel I (ECJ, GRURInt. 1980, 602).

In the end, Advocate General Kokott answered the submitted questions to the effect that contractual agreements, whereby decoder cards could be used only at home or privately but not for commercial purposes, could not justify any restriction on the freedom to provide services. However, the relevant Member State laws could contemplate allowing authors to object to the playing of their works in pubs. A higher charge would be incurred for such commercial use. The legislator of the Member State could recognize a right of the author specifically to share in the higher proceeds of this commercial use. This could justify a restriction of the right to provide services.

## Territorial Exclusivity Agreements for Football Broadcasts about to come to an End?

As part of a concluding (brief) competition law review, the Advocate General explained that a national division in trade between the Member States could work to frustrate the objective of integration of national markets through the establishment of a single market. The ECJ had repeatedly considered agreements aimed at partitioning national markets or at restricting parallel exports to be agreements the object of which is to restrict competition within the meaning of Article 101(1) TFEU. If broadcasters were contractually obligated to prevent their decoder cards from being used outside their respective licensed territories, this would be the equivalent of an agreement to restrict parallel exports. In the view of the Advocate General, territorial exclusivity agreements such as those at issue were incompatible with the internal market. This conclusion was also in accord with the foregoing analysis of the freedom to provide services. No contradictions should arise between reviewing basic freedoms and European competition law. In addition, Advocate General Kokott also suggested that here an anti-competitive agreement could also be justified. Similar considerations should apply as in the examination of whether a restriction of the freedom to provide services is justified.

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**Conclusion:** In the opinion of the Advocate General, the freedom to provide services thus has priority over the territorial exploitation of rights. Should the ECJ follow the opinion, as it often does, this will also have considerable effects on the structuring of business and sales models by the holders of all intellectual property rights. Advocate General Kokott herself indicated that similar problems exist with the delimitation of national markets, such as in the sale of computer programs, music, e-books or films over the internet. Indeed, in this respect the British competition authorities (Office of Fair Trading) initiated investigations in January 2011 on account of possible agreements in violation of competition law concerning the sale of e-books. At the same time, the EU Commission is conducting its own investigations in various Member States on account of the suspicion of violations of the cartel ban in the sale of e-books. On March 1, 2011, the Commission conducted dawn raids at publishers of e-books. It is thus not farfetched to expect that the ECJ decision in these cases will in any event be a milestone in the history of copyright law – in one direction or the other!



### Press Law

#### **FCJ (BGH): Different Scope of Protection of General Personality Rights as respects Verbal and Photo Reporting**

Federal Court of Justice, Decision of October 26, 2010, Case: VI ZR 190/08, GRUR 2011, 259 *et seqq.*, and Case: VI ZR 230/08, GRUR 2011, 261 *et seqq.*

**Headnotes:** The extent of protection available under the general personality right against press reporting is different with respect to the publication of photos on the one hand and verbal accounts on the other.

The publication of photographs taken as part of contemporary historical events is also permissible in the other context of simply reporting on a person, taking into account freedom of the press. The press must be able to decide according to journalistic principles what and how it will report on a public event. (GRUR Editors' Headnote 2).

**Commentary:** In two decisions dated October 26, 2010 (FCJ, VI ZR 190/08 – Rose Ball in Monaco (*Rosenball in Monaco*); FCJ, VI ZR 230/08 – Party Princess (*Partyprinzessin*)), the Federal Court of Justice distinguished the different standards of review for verbal and photo reporting and determined that the extent of protection under the general personality right against press reports is different with respect to photo reports on the one hand and verbal reports on the other.

Both of the FCJ decisions arose out of the same set of facts: The plaintiff was the daughter of Princess Caroline of Hanover. The defendant was the editor of the newspaper "Bunte," which in March 2007 published an article with the headline "Charlotte, Party Princess" and the subheading "Rose Ball in Monaco and the Star was Princess Caroline's Daughter: A Fiery Beauty." The article depicted various shots of the plaintiff on the one hand, and also described the plaintiff in the verbal account as a "dazzling butterfly," who was "shedding the cocoon of her childhood," "entering high society" and taking on her "role as the dazzling center of society."

The plaintiff challenged the photo account in a lawsuit (FCJ, *loc. cit.* – Rose Ball in Monaco) and the verbal account in another lawsuit (FCJ, *loc. cit.* – Party Princess). In both cases, the FCJ vacated the injunctions initially granted by the Berlin Regional Court, for which appeals were denied, and dismissed the complaints.

As part of the case regarding the photo report, the FCJ emphasized that the permissibility of publishing photos was to be assessed according to the graduated concept of protection under Sections 22, 23 of the Act on Copyrights in Arts, whereby the consent of the affected person was required unless one of the exceptions of Section 23 of the Act on Copyrights in Arts ap-

## Press Law

plied. The question of whether the image was to be classified as being part of contemporary history within the meaning of Section 23 (1)(1) of the Act on Copyrights in Arts required a weighing of interests between the rights of the depicted person under Articles 1 (1), 2 (1) of the Basic Law, Article 8 (1) of the European Convention on Human Rights and the rights of the press under Article 5 (1) of the Basic Law, Article 10 (1) of the European Convention on Human Rights. This weighing of interests came out in favor of the defendant. In this respect the FCJ rejected the reasoning of the appellate court, which had required a detailed report exclusively relating to the event, here, the Rose Ball. It was of no account that the report accompanying the event was exclusively informative or overwhelmingly entertaining. Rather, the existing interests in segments of the population in reporting on the nobility and other elevated circles of society represent a legitimate information interest, which could not be hastily dismissed as simple inquisitiveness. The FCJ declined to find an impairment of the plaintiff's personality right outweighing this information interest.

For assessing the permissibility of the verbal reporting in the article at issue, the FCJ made clear that in this respect other standards applied than in the case of photo reporting. Here the guarantee of the general personality right is to be determined in the first place through a balancing of legally protected interests against press interests deserving of protection, which given the meaning of Article 5 (1) of the Basic Law should be based on the principle of free reporting. These differing legal starting points for assessing verbal and photo reporting account for the fact presenting a person's image to the general public typically constitutes a strong encroachment into the personal sphere.

For the weighing of interests to be undertaken under Sections 823 (1), 1004 (1) sentence 2 of the Civil Code, the FCJ determined that the personality right of one who freely exposes himself to media publicity by attending an event which is the foreseeable subject of press commentary, as the plaintiff did, must take second place to the freedom of the press guaranteed in Article 5 (1) of the Basic Law.

These differing approaches of the FCJ to verbal and photo reporting corresponds to the jurisprudence of the Federal Constitutional Court, which ruled in its decision of September 14, 2010 (1 BvR 1842/08, 1 BvR 6/09, 1 BvR 2538/08 – *Caroline's Daughter (Carolines Tochter)*) that publishing a person's picture consti-

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tuted a restriction on the general personality right that required justification, while the general personality right for verbal reports guaranteed in Article 2 (1) in conjunction with Article 1 (1) Basic Law did not in itself offer protection against being individually named at all in a report, only in a specific respect.

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## Case-Law News Ticker – Headnotes and Annotations

### Intellectual Property Rights

#### Liability of a Company's Legal Representative

FCJ (*BGH*) (Decision of April 22, 2009 – I ZR 216/06 – Internet Video Recorder, GRUR 2009, 845 *et seq.*; Decision of November 12, 2009 – I ZR 166/07 – marions-kochbuch.de, GRUR 2010, 616 *et seq.*) and Hamburg Regional Court (*OLG Hamburg*) (July 8, 2010 – 327 O 634/09 – Internet Subscription Services (*Internet-Abodienste*), GRUR-RR 2011, 101 *et seq.*), *inter alia*

**Headnote:** The managing director of a company is personally liable for violations of competition law and of intellectual property rights, if he either participated in the act or had knowledge and a legal and actual opportunity to prevent the violation. (Editor's Headnote).

**Commentary:** Personal liability of the legal representative of a company for violations of competition law or infringement of intellectual property rights does not expressly arise under statute. Nevertheless, according to different views such liability can be an issue. This was recently confirmed by the FCJ (WRP 2009, 1001 margin note 47 – Internet Video Recorder; GRUR 2010 616, margin note 34 – marions-kochbuch.de) and then the Hamburg Regional Court (GRUR-RR 2011, 101 – Internet Subscription Services (*Internet-Abodienste*)). The question in all these decisions was whether there is, in addition to liability of the company, personal liability of the legal representative. The courts consistently affirmed this where the conduct of the legal representative is the cause of the legal violation. This is so either in the case of his own conduct or knowledge of a third party's conduct and a corresponding opportunity to prevent it.

1. First, the legal representative of a company is also personally liable, in addition to the company, when he himself perpetrated the violating act. Whether he acted as the perpetrator or an abettor only plays a role in the specific content of the injunctive relief. In its decision, the Hamburg Regional Court moreover plainly affirmed the liability of the company's legal representa-

## Intellectual Property Rights

tive with the observation that it “should be assumed the legal representative caused the offers on the website.” (The decision, however, does not make clear whether there were any other persons acting in the company, which were likewise sued.)

2. Personal liability on the part of the company’s legal representative can, however, also arise when he himself has not acted. This should apply to the majority of cases, as companies regularly do not (only) act through their legal representative but also through an employee or designee. In this respect, the jurisprudence had already earlier recognized liability on the part of a company’s legal representative (FCJ, GRUR 1986, 248, 251 – Track Pants (*Sporthosen*)). Liability presumes, however, both knowledge of the unlawful conduct as well as a legal and actual opportunity for the legal representative to prevent or remedy the unlawful conduct. Positive knowledge is equivalent to consciously ignoring notice.

The cases to be distinguished are those in which personal liability of the legal representative does not come into consideration due to a lack of knowledge or lack of actual opportunity to remedy the conduct. In this respect, the Higher Regional Court of Hamburg expressly stated in a decision dated November 22, 2010 (Case 3 U 79/10) that there is no legal proposition whereby the breach of an organization’s duty (and thus liability, *editor’s note*) by a managing director is always present when the company only has this one managing director and there is a trademark infringement in the business he directs. This was supported by the fact that there is no presumption that a company’s legal representative participated in any legal violation by the company or knew of it and failed to prevent it. Contrary to the decision of the Hamburg Regional Court discussed above, a contributory act by the legal representative cannot be simply assumed but must be positively clear.

Similarly unambiguous are cases in which a managing director did not participate in the unlawful conduct because he was out of the country (FCJ, loc. cit. – Track Pants (*Sporthosen*)) or was in custody (Frankfurt am Main Higher Regional Court (OLG Frankfurt a.M.), NJWE–WettbR 2000, 260 – No Liability During Custody (*Keine Verantwortlichkeit während U-Haft*)) and thus had no knowledge of and also could not prevent the violation.

Caution is also required in cases where the knowledge or previously lacking ability to act is first acquired at a later point in time at which the company’s liability still exists. The legal representative’s

## Intellectual Property Rights

liability will be assumed as of the time knowledge is gained from the perspective of the risk of a first violation. This also applies to those legal representatives who first acquired their representative position after the unlawful conduct.

In contrast, a legal representative cannot escape liability once it has arisen by renouncing his representative position, as the risk of a first violation continues to exist because it cannot be ruled out that the respective person will not further engage in or take up the unlawful conduct as a sole proprietor or a responsible person at another company (FCJ, *loc. cit.* – Internet Video Recorder).

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**Conclusion:** Personal liability on the part of a company's legal representative arises through his own unlawful conduct or when he at minimum has gained knowledge thereof (possibly also at a later time) and he could have prevented it. Liability continues to exist until the risk of future unlawful conduct no longer exists. This risk of a repeated violation can as a rule only be avoided through a genuine undertaking to cease and desist secured by a contractual penalty.



**Headnotes:** If the impression arises in communication that so-called renderings are being used in a product catalogue together with photographs of actual objects and light installations, the depiction of a photorealistic computer simulation without an appropriate notation is misleading and anti-competitive.

The court can then independently determine the applicable customary understanding when exclusively professional circles are addressed, and no specialized knowledge is necessary to assess the advertising messages (Editor's Headnotes).

**Commentary:** The court based its decision in particular on the fact that in the objectionable catalogue architects were specifically named and certain sites were indicated for the renderings, i.e., computer stimulated photorealistic depictions. This information could only be taken as meaning that there were actual photographs of constructed (reference) structures. This applied especially where the photos in the catalogue were accompanied by comparable statements. It could then not be distinguished whether there was a rendering or a photograph in a particular case. The same applied to renderings without additional information if and to the extent they did not differ from the remaining images in type and quality of the depiction.

With express reference to the FCJ decision "Market Leadership" (*Marktführerschaft*) GRUR 2004, 244, 245, the Higher Regional Court found it could make determinations on customary understanding without itself belonging to the trade circles being addressed. The professional circles addressed by the objectionable catalogue also did not require any particular experience or knowledge to assess the questionable advertising messages.

This misleading presentation of a communication was also "relevant" within the meaning of Sections 3, 5 of the Unfair Competition Act. A communication can also give the business that is advertising a too positive significance in the market on account of renderings that are seen as reference objects.

In dicta, the Higher Regional Court advised that the misleading presentation of a communication could be avoided through a clearly recognizable notation, possibly on the first page of the catalogue, that some images used in the catalogue were render-

## From our Practice

### Competition Law

#### Frankfurt am Main Higher Regional Court (*OLG Frankfurt a.M.*): Misleading Use of Renderings in Product Catalogs and Determination of Customary Understanding

Frankfurt am Main Higher Regional Court, Decision of January 24, 2011, Case: 6 W 170/10

## From our Practice

ings. Even then, according to the court, it still depends on the totality of circumstances whether a misleading communication can thus be avoided – effectively beyond the specific case.

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**Conclusion:** Renderings may be used for promoting and depicting goods, for example, in catalogues or customer newsletters. To be avoided is the risk that a photorealistic computer simulation will not be recognized as such by the target group addressed and the communication will thus attach an improper value to the rendering, which actually does not belong to the business of the advertising company. In order to rule out relevant misleading presentations in the solicited communication, the nature of the image as a rendering must be noted in the required format.

It should be assumed that courts – particularly in summary proceedings – will continue to make use of the opportunity to determine the prevailing customary opinion without expert opinions. This also holds when only professional circles are addressed by the advertising information, and in the view of the court does not require any special knowledge or experience in order to assess the advertising information.



After the ECJ found the former German monopoly provisions to be incompatible with EU law, the Federal States had to revise the current Inter-State Treaty on Gambling and liberalize the market. In the beginning of April, the prime ministers of the Federal States agreed on key provisions for a successor Treaty which include a concession model for the provision of private sports bets. A Task Force Gaming & Betting Law was established by our practice group as a result of the current political events and legal developments in gambling law and different mandates and activities in this area. Primarily for foreign operators, we have published a first “Guide to Germany’s Gambling Law and Current Legal Trends,” which will be supplemented with current updates at regular intervals. Both the guide and updates can be ordered by sending an email to [gaming@heuking.de](mailto:gaming@heuking.de).

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## Gaming Law



**Dr. Anke Reich, LL.M.** published an article on “Intellectual Property Law and Copyright Law” in company with **Prof. Dr. Klaus Tonner**, University of Rostock, (Jura 2011, p. 278 *et seqq.*).

**Kai Runkel** published an article on “Domain Release in cases of ‘Cybersquatting’ – Competition Law Protection of Marks and Company Names” in the professional journal “*Der IP-Rechtsberater*” (IPRB 2010, p. 261 *et seqq.*).

**Michael Schmittmann** and **Oliver Brock** published an article on the topic “Projects on the Digital Agenda, the Status of the ACTA and the Takeover of BSKyB by News Corp” in the “View of Brussels” column in the professional journal “*Archiv für Presserecht*” (AfP 2011, p. 34 *et seq.*).

In February and March 2011, a seminar on “Current Issues in Data Protection” was presented at five of Heuking Kühn Lüer Wojtek locations – Cologne, Düsseldorf, Frankfurt, Hamburg and Munich. Lawyers **Gerhard Deiters, Florian Geyer, LL.M., Regina Glaser, Dr. Philip Kempermann, LL.M., Anne Kleffmann, LL.M., Astrid Luedtke, Maike Moser, Dr. Anke Reich, LL.M., Dr. Wolfgang G. Renner, LL.M., Adi Seffer, Bernd Weller** and **Sebastian Wolf** participated as speakers at the various locations. With respect to subject matter, the following topics in particular were addressed:

- “Data Protection or Compliance – What must Management do?”
- “Data Protection in Outsourcing and Cloud Computing”
- “Employee Data Protection”
- “Data Protection and Advertising – Private Sphere vs. Effective Marketing.”

We also succeeded in gaining **Günter Dorn**, the former director of the Bavarian Data Protection Supervisory Authority for the non-public sector, and Ms. **Evelyn Seiffert**, division head of the Hamburg Commission for Data Protection and Freedom of Information, as guest lecturers for presentations on “Data Protection in the View of the Supervisory Authorities” and thereby were also able to obtain a look into daily practice from their point of view. Text: If you are interested, we would be pleased to send you the seminar materials for the presented seminars. Please contact us via email at [datenschutzrecht@heuking.de](mailto:datenschutzrecht@heuking.de).

## From our Practice

### Publications and Lectures



## From our Practice

On March 17, 2011, **Michael Schmittmann** gave a presentation on “To Whom does In-house Telephone Cable Belong? – Legal Position of the Building Proprietor Before and After the Amendment of the Telecommunications Law” as part of the VATM Law and Regulation Working Circle in Düsseldorf.

On March 18, 2011, **Dr. Georg Jacobs, LL.M.** in company with **Dr. Ute Jasper** gave a presentation on “Optimal Structuring of IT Agreements” as part of the “Awarding of IT Service” seminar by the *Behördenspiegel*.

On April 7, 2011, **Dr. Wolfgang G. Renner, LL.M.** gave a lecture on “Used Software Licenses” as part of a seminar presented by the Management Circle and will repeat the lecture on May 5, 2011 and June 9, 2011. In addition, on April 14-15, 2011, he spoke at a FORUM-Institut conference on the topic of “Successful Assignment of ITK Services.” On May 12, 2011, he also gave a presentation at the FORUM-Institute on “Procurement through Cooperation.” He will also speak on the topic of “Cloud Computing” at Management Circle events on June 10, 2011, July 11-12, 2011 and August 23-24, 2011.

On May 31, 2011, **Dominik Eickemeier** took part as speaker in the 5th Syndikus-Summit 2011 in Frankfurt/Main. He gave a talk on “Updates on Intellectual Property Law.”

The **IP, Media & Technology Practice Group** is planning a multi-location seminar in the fall of 2011 on “IP Compliance.” Further information on the dates and event locations will be provided soon.



## News from the Law Firm and the IP, Media & Technology Practice Group

### New Lawyers in Düsseldorf and Frankfurt

As of November 2010 **Sönke Günther Popp** has strengthened our practice group at the Düsseldorf office, thus continuing the growth of our Düsseldorf-based patent law team. Sönke Popp assists Dr. Anton Horn, Melanie Künzel and Dr. Sabine Fiedler in the areas of Intellectual Property Law and Patent Law. During his studies, Sönke Popp specialized in Antitrust Law and Copyright Law as well as Trademark Law and Intellectual Property Law.

His legal education during his traineeship was fulfilled at a large international firm in the field of trademark law. Sönke Popp completed his elective stage in the legal department of an international manufacturer of branded products in Hamburg, where he was involved in Distribution Law, Trademark Law and Competition Law.

**Dr. Ivo Lewalter** has been with our practice group since January 2011. Dr. Lewalter supports the IP Team around Thorsten Wieland, Florian Geyer and Julia Kloepfer in our Frankfurt office. After his first state examination in Constance, Dr. Lewalter worked as an academic employee at the Gerd Bucerius professorship for civil law with German and International Intellectual Property Law for Prof. Dr. Jänich at the Friedrich-Schiller University Jena. In his doctoral studies and scholarly publications, he dealt with Intellectual Property Law, in particular, Trademark Law. After completing the second juristic state examination, he worked as an attorney at an international law firm in Frankfurt. He advised clients in the areas of Intellectual Property Law and Copyright Law, Competition Law and the fight against product and trademark piracy.

Likewise since the beginning of the year, our IP, Media & Technology practice group in our Frankfurt office has grown by two additional new hires, who in addition to their legal experience possess vast in-house experience at IT companies:

**Dr. Stephan Witteler** joined Heuking Kühn Lüer Wojtek from Beiten Burkhardt, where he had been responsible for the IT and Telecommunications practice as Equity Partner since 2006. Prior to working as a lawyer, he spent many years working in various capacities for Deutsche Telekom, most recently as Executive Vice President at T-Systems. He focuses on the areas of contract drafting for infrastructure projects, M&A, outsourcing and BPO, in particular for information technology, telecommunications and logistics companies. He also specializes in licensing, hardware

## News from the Law Firm and the IP, Media & Technology Practice Group

and system contracts and in regulatory and competition law. Recently, he has been particularly involved in landmark projects for the establishment and licensing of the new LTE mobile generation and in the fiber network development in rural areas.

Prior to the beginning of her legal practice in the field of IT in 2009, Ms. **Maike Moser** worked for Steria Mummert Consulting AG for more than ten years, one of the ten leading providers of management and IT consulting in the German market. In her work, she established and grew the legal department and directed it for the region of Germany, Austria and Switzerland. During this time, Ms. Moser negotiated numerous M&A transactions including the sale of a business to Steria S.A. Paris before taking up the position of aide to the Chairman of the Board at the end of 2008. Ms. Moser focuses on contract drafting (individual agreements, as well as model proposals and agreements, including implementation in the business) and negotiations for IT projects of all types, particularly for companies in the financial services industry and for public purchasers.

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.

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