

iTIPs

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Microsoft Judgment European Court of First Instance Case No. T-201/04

On 17 September 2007 the European Court of First Instance (CFI) in Luxemburg handed down the long-awaited decision in the anti-trust case against the world's largest software manufacturer, Microsoft. The Court essentially upheld the decision of the European Commission and confirmed the charge of misuse of its dominant market position and the 500 million Euro fine imposed by the Commission. The decision, which has involved a record-breaking fine in Europe, has brought these spectacular proceedings to a temporary close. The decision affects the interface between cartel law and intellectual property rights.

The first question was whether Microsoft was allowed to include the Windows Media Player in its Windows PC client operating system. The Commission viewed this as a product bundling within the meaning of Article 82 of the EU Treaty. By reason of its quasi-monopoly of Windows in operating systems for PCs Microsoft was able, to oust competing audio and video products from the market, through packaging the Media Player with Windows. Microsoft claimed that the media-player was not a stand-alone product and that it was a further development of Windows which was requested by customers. The un-tying of the software package was an illegal attack on the investment decision and therefore on intellectual property rights. The CFI confirmed however that this amounted to improper bundling of products. It was argued that Microsoft had a dominant market position of operating systems and that this market should be separated from the market for play-back software. This was regardless of the fact that the media player was offered free of charge and that consumers were not forced to use the media player. However, the CFI held that Microsoft could offer a version of Windows with an integrated media player alongside the necessary untied variation.



The second main point of the decision concerned the question of whether Microsoft should be compelled to reveal interface information about Windows and its interoperability with other operating systems and programmes of other providers. Microsoft argued that such interface information amounted to copyright protected technology as well as intellectual property. The CFI took the view that Microsoft in principle could rely upon its intellectual property rights whilst leaving open whether such rights actually included the technology that would have to be provided in this case (communications protocols). The CFI argued that this question could remain open because even the refusal to licence intellectual property rights to third parties has to be considered an abuse of a dominant market position.

Following on from this decision it is clear that proprietors of intellectual property rights must give competitors access to their own important technology if competitors would otherwise be completely excluded from the market and a potential consumer demand for a new product exists. However, such compulsory licences under cartel law must remain a rare exception. On the one hand the stimulus for new innovation should not suffer; otherwise this would have a negative effect on innovative competition. On the other hand this exception can only apply when the rights holder enjoys a dominant market position. It is still open whether Microsoft will appeal this decision.

For further information to this decision please ask for our TW Client Flyer to the Microsoft case; please also see the comment of Dr Michael Dietrich, Taylor Wessing Dusseldorf, in *Handelsblatt*, 19 September 2007, p. 19. With regard to compulsory licenses and antitrust law in general please also see the following articles by Dr. Marco Hartmann-Rüppel,

Taylor Wessing Hamburg/Brussels: *„Lizenzverweigerung und Zwangslizenzen - Art. 82 EG vs. Geistige Eigentumsrechte“*, in Ahrens u.a. (Hrsg.), *Marktmacht und Missbrauch*, 2007, p. 55, and *„Compulsory Access to Intellectual property and Network Facilities: The Essential Facilities Doctrine as Applied to IP Rights and Physical Monopolies“*, in: BNA International, *World Intellectual Property Report*, Vol. 21, No. 11, November 2007, p. 35.

Dr. Marco Hartmann-Rüppel,
Peter Philipp Engelhoven,
Hamburg

Merger control for the acquisition of a licence? – Decision of the Federal Supreme Court „National Geographic I“

When acquiring a licence, consideration is usually given to the compatibility of the licence agreement with the provisions of the German Civil Code, claims of the licensee in relation to third parties as well as those in the relationship between the licensor and licensee. The fact that under certain circumstances the acquisition of a licence must be notified to the Federal Cartel Office is often overlooked. Under the Act against Restraints of Competition the consequences of failing to make such a required notification are the invalidity of the legal transaction, the retrospective cancellation of the merger and fines.

In order to avoid these consequences companies must be able to reliably assess whether a merger control notification is required for the licence agreement. Corresponding to this need, the Federal Supreme Court clarified the prerequisites for a notification obligation in its decision

of 10 October 2006, KVR 32/05 – „National Geographic I“.

The „National Geographic I“ Case

In this case the publishing house Gruner + Jahr together with the Spanish publishing house RBA Publicaciones acquired inter alia the rights to publish the „National Geographic“ magazine by arranging a licence agreement with the US American National Geographic Society. At this time in Germany, there had been no German language version of the magazine yet. The Federal Cartel office regarded the acquisition of the licence as a merger leading to a strengthening of Gruner + Jahr's market dominating position in the field of popular science magazines and therefore prohibited the acquisition.

This decision was suspended by the Federal Supreme Court which confirmed a foregoing decision of the Upper Regional Court of Düsseldorf. It was held that the acquisition of a licence as such did not fall under the notification obligation. It was discussed whether the acquisition of the licence amounted to a notifiable acquisition of assets (Sec. 37 (1) No. 1 Act against Restraints of Competition) or a controlled acquisition (Sec. 37 (1) No. 2 a Act against Restraints of Competition).

No acquisition of assets

The court held that in the present case an acquisition of assets had not taken place. This is only the case where full rights are purchased; this means that the purchasing company must become the owner or proprietor of rights which make up the assets or an essential part of the assets of the seller. A transfer of mere rights of exploitation and use was held not to be sufficient as licence agreements were considered not to



effectuate a transfer of the intellectual property rights themselves, but rather an authorisation to use these rights during the contract period. Therefore the purchaser of a licence would only purchase user rights whereas the seller remained the owner of the full right.

Acquisition of control? That depends.....

In the case in question the Federal Supreme Court also held that there had not been an acquisition of control either. According to the Court a company obtained control through the acquisition of a licence if it can exercise the ownership and user rights of an essential part of the assets of the licensor. In contrast the surrender of the exclusive use of publication and title rights without the transfer of the rights themselves would not constitute assets within this meaning. The 'essential part of assets' condition as mentioned in Sec. 37 (1) No. 1 Act against Restraints of Competition (acquisition of assets) was then applied to the term of acquisition of control. In this regard the Court confirmed the prevailing opinion in the academic discourse. Whether or not the acquired part of the assets is essential had to be determined by – as set out in the Court's decision of 7 July 1992, KVR 14/91, „purchase of a trademark“ – an assessment of whether the part is sufficient in terms of quantity and quality as taken against the entire assets of the licensor. Since the Federal Cartel Office had not reached any conclusion as to the quantity involved, the Federal Supreme Court concentrated on the question of quality.

Confirming the above mentioned decision of the Upper Regional Court the Court held that the element of quality was deemed to be essential if it changed the position of the purchaser in the relevant market for the merger in which the purchaser was already active. This required

Draft Bill for Insolvency Proof Licence Agreements

On 22 August 2007 the Federal Cabinet put forward a proposal for the amendment of the law on insolvency. The „*Draft Bill for the Debt Relief of People, for the Strengthening of Creditor Rights, and for the Regulation of Continuance of Licence Agreements in case of Insolvency Proceedings*“ contains provisions for the continuance of licence agreements in case of insolvency proceedings in § 108a. According to this, a license in intellectual property granted by the insolvent entity/person (debtor) should continue with effect on the insolvency assets. To the extent that there is a noticeable discrepancy between the licence fee and a usual market licence fee, the insolvency administrator should be able to require an adjustment to the fee. In such a case, the licensee is entitled to terminate without notice.

The draft bill should at least partly fill a serious omission in the Insolvency Code which has existed since its introduction. Licence agreements which have not been fully performed by either of the parties (this is generally the case in any ongoing licence agreements), fall under the right of election of the insolvency administrator pursuant to § 103 Insolvency Code. If the administrator, refuses full performance, a „transformation“ of the contractual relationship takes place and the contractual partner is only entitled to a claim for compensation as a simple insolvency claim under § 103 (2) Insolvency Code. The reasons of the draft bill therefore clearly point out the potentially disastrous effect of the falling away of a patent licence, for example in the pharmaceutical field with regard to high development costs, or for software licences. Also worth mentioning are the film and music industries, in the field of film licensing and music publishing for example. The effects are even more far-reaching because according to prevailing opinion, the falling away of an exclusive user right automatically leads to the discontinuation of sub-licences.

§ 108 Insolvency Code in its current form in fact provides for certain continuing contractual relations to continue in case of insolvency proceedings. Unlike the earlier wording of § 21 of the Bankruptcy Code, this only expressly applies to *immovables*, so that any application to licence agreements has been rejected consistently by case law and legal literature. Under existing law, contractual constructions which can achieve insolvency proof licensing agreements are burdened with a high level of legal uncertainty. Termination rights which are tied with insolvency proceedings could collide with § 119 Insolvency Code. Also the decision of the Federal Supreme Court dated 17 November 2005 (BGH, judgment from 17 November 2005 – IX ZR 162/04, CR 2006, 15 = ITRB 2006, 74), in which the Court held that the retrospective transfer of rights triggered by the extraordinary termination of a software licence was valid under Insolvency Law, left open a number of questions. The amendment to the legislation should provide assistance in this area.

The draft bill does not however deal with the insolvency of *licensees*. To this extent the draft bill leaves the existing provisions in place. It also remains unclear in the draft bill whether the proposed right of adjustment on the part of the insolvency administrator, relates to a “noticeable discrepancy” at the conclusion of the licence or at a later point in time. Overall, although the draft bill addresses an extremely important theme for legal practice, it can only be seen as the first step. The draft and its reasoning can be viewed under: <http://www.bmj.bund.de/files/-/2368/RegE%20Entschuldung%20mittelloser%20Personen.pdf>.

Dr. Gregor Schmid, LL.M., Berlin



that the part of the assets forms the basis of the seller's position on the relevant market and that accordingly the position of the purchaser can be noticeably strengthened by the transfer. Furthermore the seller would have to take an active part on the market in question. Only then would the purchaser have the possibility of stepping into the existing market position of the seller and to grow externally. On the contrary purely internal growth – where the purchaser does not take over another's share of the market but creates its own market share – would not fall under the merger control. In the „National Geographic“ case the licensor was neither itself nor through another licensee active on the German market for popular science magazines in the German language. Therefore the licensee could not enter into an existing market position and grow externally. Due to the fact that the part of the assets was not deemed to be essential, the Federal Supreme Court held that this was not an acquisition of control which would have had to be notified to the Cartel Office.

Conclusion

According to the case-law of the Supreme Court the mere acquisition of a licence cannot be regarded as a purchase of assets in terms of the Act against Restraints of Competition. Also a purchase of control is not shown if the seller was not active in the relevant market prior to the grant of the licence. An obligation to notify can arise however if the seller or an authorised third party has already built up a position in the relevant market and the purchaser simply takes over this position.

According to communications given by the European Commission these principles are also applicable in the context of European merger control. Irrespective of that the purchase of a licence and the associated purchase of further company

assets, control, or – under the German Act against Restraints of Competition – shares of a company, can give rise to an obligation to notify. Therefore we recommend that a cartel law specialist gives advice on individual cases.

In the 'National Geographic' case the Supreme Court denied an obligation to notify the purchase of a licence for the publication of a German language edition of the magazine. The purchase of the remaining 50 percent of shares in the joint venture which Gruner + Jahr had formed with the Spanish RBA Publicaciones Verlag was prohibited by the Supreme Court because the resulting change from joint to single control would lead to a strengthening of the dominant market position of Gruner + Jahr in the market for popular science magazines (decision from 16 January 2007, KVR 12/06 – „National Geographic II“).

*Dr. Michael Dietrich, Inge Ziegler,
Düsseldorf*

Great Britain: No Extension of the Protection Period for Records of Musical Works

At the end of July, the British government opposed to the extension of the protection period for records of musical works. This marks an end for the time being of the public debate on this question which has lasted for a number of years. The significance of the decision extends beyond Great Britain because the music industry had repeatedly expressed a request for the British government to initiate an extension of the protection period from the existing 50 years to at least 70 years after release at a European level. The question of the protection period for works which are subject to copyright for music and

lyrics is not affected by the above decision. These rights expire throughout Europe 70 years after the death of the originator of the works.

The British Phonographic Industry (BPI) bases its argument for the necessity of an extension of the protection period, inter alia, on the possible competitive disadvantage the current protection period gives the British and European music industry as against the US music industry. Since the adoption of the Sonny Bono Copyright Term Extension Act in 1998 musical works in the USA are protected for 95 years from the date of release of the work. Furthermore, the BPI regards the discrimination of manufacturers of sound recordings and performing artists from other originators of works as unjustified. The prescribed period of protection for copyright protected works is 70 years after the death of the originator, whereas the protection period for musical works is limited to the duration of 50 years after release. Numerous well-known musicians have joined in with the BPI's request for an extension of the protection period. They argue that many artists have no retirement provisions and therefore depend on their income deriving from the utilization of their works. The Committee for Culture, Media and Sport of the House of Commons supported the requests of the BPI. In May of this year, this committee recommended the extension of the protection period to the duration of at least 70 years.

The Ministry for Culture, Media and Sport, however, rejected this recommendation and decided to rely upon the findings of the independent Gowers report which was made on behalf of the British Treasury and was published at the end of last year. The report concluded that the European Commission should retain the current 50 year period of protection for recordings and for performing artists. In the Ministry's



opinion the majority of the performing artists would not benefit from an extension of the protection period because in most cases they were contractually obliged to pass on their income to record companies. A shorter protection period as compared with that in the USA would not lead to any appreciable competitive disadvantage for the British music industry. Instead, an extension of the protection period would have negative effects on the balance of trade and would not be a stimulus for new works. Furthermore, an extension would lead to an increase in costs for the consumer and in individual areas of business. This would not only affect individual business and restaurants which entertain their customers with music, but also television and radio stations. A further independent study compiled in 2006 on behalf of the European Commission by the Institute for Information Law at the University of Amsterdam supported the findings of the Gowers Report.

The British music industry has announced that it will continue with its campaign for an extension of the duration of protection for musical works at a European level without the support of the British government.

The Gowers Report can be found under:

http://www.hm-treasury.gov.uk/media/6/E/pbr06_gowers_report_755.pdf;

The recommendations of the Culture, Media & Sport Parliamentary Committee can be found under:

http://www.parliament.uk/parliamentary_committees/culture__media_and_sport/cms070516.cfm;

The comments of the Ministry for Culture, Media and Sport are available under

The New State Lottery Treaty will come into effect on 1 January 2008

After the German Federal Constitutional Court decided (28 March 2006) that the existing governmental monopoly for sports betting in its current form does not comply with the freedom of profession, the prime ministers of the German federal states have now agreed on a revision of the existing State Lottery Treaty. In the mentioned decision, the Federal Constitutional Court held, that the existing State Lottery Treaty does pursue legitimate aims of common welfare such as combating pathological betting and gambling, protection against fraudulent transactions of the betting providers as well as against misleading advertising, but that the current embodiment of the governmental monopoly does not assure the effective implementation of these aims. As an example the Court mentioned that the sports bet ODDSET noticeably pursues fiscal purposes as well. According to the Court the lottery-marketing altogether therefore was not geared to actively combating the dangers of addiction – in fact, the actual appearance complied with the economically effective marketing of other basically harmless leisure activities. The Court therefore called on the German legislator to amend the rules for sports betting until 31 December 2007 according to the standards set by the Court. It pointed out that the legislator generally had the possibility to choose between two alternatives: Either the complete liberalisation of the betting and gambling market with equal rules for everyone or the adherence of the betting and gambling monopoly provided that the related dangers of addiction are combated actively.

The prime ministers of the German federal states now have decided to choose the second alternative and to uphold the existing governmental monopoly whilst focusing on the battle against the dangers of addiction. Correspondingly, the new Treaty not only provides that the hosting of gambling-games requires an admission

but also entirely forbids the organisation and procurement of gambling-games in the Internet. The new Treaty prohibits any kind of advertising for public gambling-games in television, in the internet or any other telecommunication system – advertising for unauthorised gambling-games is forbidden anyway. To fight unauthorised gambling-games effectively, the new State Lottery Treaty also provides that the competent authorities are able to interdict banks and financial service providers to participate in payments for any unauthorised gambling-game.

After being signed by all the German federal states, the new Treaty is bound to come into force on January 1st, 2008. Therefore, many of the so far legal forms of marketing for gambling-games – for example the well-known “Lotto Faber” – will then become illegal. It is however not clear whether the designated strict governmental monopoly is compatible with European law. On the one hand the European Court of Justice has already decided that – as to the special nature of lotteries and gambling-games – it is possible for a member state to forbid lotteries completely. On the other hand the Court pointed out that national rules are not allowed to exceed the extent of what is absolutely necessary to reach the pursued aim. The question, whether the new Treaty with its complete ban of internet-gambling and all sorts of advertising whilst keeping up the governmental monopoly complies with this requirement, will be the subject of upcoming discussions and has to be regarded as open at the moment.

Dr. Axel von dem Bussche, Hamburg



http://www.culture.gov.uk/NR/rdonlyres/3E8E36E8-3B56-4219-89B2-0623C0AA8AF3/0/375268_GovResponse.pdf;

The report compiled on behalf of the European Commission entitled "The Recasting of Copyright and Related Rights for the Knowledge Economy" can be viewed under:

http://www.ec.europa.eu/internal_market/copyright/docs/studies/etd2005imd195recast_report_2006.pdf

(MMR 11/07, MMR aktuell, p. XX)

Christoph Schütt, LL.M., Berlin

European Commission has extended the validity of its approval-criteria for national film-promotion measures

The criteria for the control whether national film-promotion measures are compatible with the European state aid rules were already set up by the European Commission in the notification for the film-industry in 2001 (Official Journal from 16 February 2002, Nr. C 43, page 6). According to this notification state aids for cinema and film productions can be approved according to Art. 87 III d ECT if

1. the aid is directed to a cultural product,
2. the producer is free to spend at least 20% of the film budget in other Member States, which means that the territorialisation in terms of expenditure is 80% in maximum,
3. the aid intensity must in principle be limited to 50% of the production budget and

4. no further aid supplements for specific filmmaking activities (e.g. post-production) are allowed.

After a first extension in the year 2004 (Official Journal from 30 April 2004, Nr. C 123, page 1) the Commission has now again extended these rules in a notification dated 13 June 2007 (Official Journal from 16 June 2007, Nr. C 134, page 5). These rules shall now be applied until there are new rules for state aids regarding cinema productions and other audio-visible productions, yet no longer than to the end of 2009.

pecially in the area of the so called territorialisation clauses. Numerous promotion rules – e.g. the guidelines for the German Film Promotion Stock (DFFF) that was started at the beginning of 2007 or the British tax allowance rules that were introduced at the end of last year – contain the condition that certain minimum-expenditures have to be made in the area of the relevant Member State. From the Commission's point of view these clauses vitiate the general freedoms of the EC-Treaty, especially the freedom of services, the freedom of goods and the freedom of employees.

For the revision of the existing rules the Commission amongst other things wants to revert to a study dealing with the economic and cultural influence of territorial conditions especially with regard to co-productions. A blueprint of this study can already be downloaded from the internet. The final results are expected by the end of 2007.

The extension of the approval-criteria gives the film industry the legal certainty that is necessary for investing into film productions. Especially the unmodified continuance of the DFFF, which was installed until the end of 2009 should now be secured. The German authorities had

pledged themselves during the approval-procedure to adopt any change of the approval-criteria into the national rules for the DFFF (c.f. Decision of the Commission, 20 December 2006, N 695/2006). This might have meant a reduction of the regional effect, resulting in a diminishment of the planned stimulation of DFFF for the German film. Furthermore it is clear now that the rules for state aid of the German federal states that usually demand for certain regional minimum-expenses can remain unmodified for the time being.

The Notifications of the Commission can be downloaded under:

http://ec.europa.eu/comm/competition/state_aid/legislation/specific_rules.html.

The decision of the Commission regarding the approval of the DFFF can be found under:

http://ec.europa.eu/community_law/state_aids/comp-2006/n695-06.pdf.

The blueprint of the EU-study and further information can be found under:

<http://www.eufilmstudy.eu/>.

Information regarding the DFFF as well as links to the state-aid-institutions of the federal states available under: <http://www.ffa.de/>.

(MMR 8/07, MMR aktuell, p. X)

Dr. Heike Geier, Berlin



Compulsory licenses in patent infringement suits about industrial standards

In several lines of industry, it has become common practice to standardise objects and processes. For instance, without the GSM standard or the MPEG standard, mobile communication technology and DVD technology would not be as widely spread as they are. At the same time, developers of standards often obtain patents for their inventions.

Standardisation and patent protection are not mutually exclusive. Thus, anyone using a patented standard cannot invoke the defence that the subject matter of the patent is consistent with prescribed standards. The fact alone that the manufacturing or using of patented objects is subject to certain standards, whose observance results in an encroachment upon a patent, does not suffice to deprive the patent of its effect.

However, according to recent case law, anyone using a patented standard might be able to invoke that antitrust regulations require the patentee to grant the user a (compulsory) licence to the subject matter of the patent in question (OLG Karlsruhe, judgment of 13 December 2006, GRUR-RR 2007, 177; Landgericht Düsseldorf, judgment of 30 November 2006, 4b O 508/05, InstGE 7, 70; judgment of 13 February 2007, case no. 4a O 124/05, unpublished). In that case, a distinction must be made between two basic scenarios:

First of all, it is a conceivable possibility that the patentee, in reliance on his right of exclusivity, generally refuses to grant third parties a licence regardless of the terms and conditions. This leads to the question whether the patentee is obliged under competition laws to grant a license. This obligation may arise primarily from

European antitrust regulations, specifically, Article 82 EC; its preconditions are a dominant market position of the patentee as well as exceptional circumstances (cf. ECJ GRUR 2004, 524 – IMS/Health).

If, however, the patentee basically agrees to grant a licence (as in the cases decided by OLG Karlsruhe and LG Dusseldorf cited above) the only question that arises under antitrust law aspects is whether the patentee's licensing practice is discriminatory (because license applicants are given unequal treatment without a justified reason), or whether unreasonable license fees are claimed (exploitative abuse).

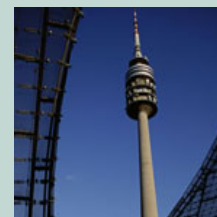
Dipl.-Ing. Dr. Dr. Jochen Herr, München

Judgment of the Upper Regional Court of Hamburg dated 15 May 2007, Case Number 7 U 23/05 - „War es Ernst? Oder August?“

Humour and irony play a major part in advertising. They make the consumer sit up and listen and with a bit of luck the playful advertising messages will become a talking point. The advertising companies benefit from this kind of free advertising. If the humorous and ironic advertising messages are made to someone's detriment, this often leads to conflict. Competing companies can possibly take action under competition law and, where applicable, trademark law, when a humorous reference is made to their products. If the advertising names a person and/or identifies a person, then the protection of personal rights can be invoked.

A recent case before the Upper Regional Court of Hamburg of 15 May 2007 (case number: 7 U 23/05) was based on the

Unfair Competition Law and Advertising Law Day in Munich



On 26 September 2007 Taylor Wessing's Munich Office hosted its first Unfair Competition Law and Advertising Law Day. This was the first of a series of events which will take place in the German offices at regular intervals to inform clients about current issues and developments in the field of competition and advertising law. The subject of the day in Munich was comparative advertising and the event began with a number of examples and interesting insights into the world of advertising in Germany and beyond. In addition the increasing liberalisation of German and European case-law was discussed as well as legal pitfalls. Finally, actual drafting possibilities were illustrated. The guest speaker was Matthias Wetzel from the advertising agency XeniasWetzel, whilst legal questions and solutions were presented by Andreas Bauer and Dr. Nicolai Wiegand from the Taylor Wessing Munich Office.



naming of a celebrity in a piece of advertising: In the advert the cigarette manufacturer (Lucky Strike) used the slogan: „War es Ernst? Oder August?“ (Was that Ernst? Or August?), above a picture of a cigarette packet from the manufacturer's brand which had been partially opened and crushed on all sides. The advertising slogan was a play on the name of the plaintiff in the case who has hit the headlines a number of times due to assaults he has allegedly carried out. The plaintiff was of the opinion that this play on words infringed his general personal rights. The cigarette manufacturer defended itself by invoking the principle of free expression of opinion. The Court Senate did not accept this argument. It viewed the slogan as a satirical play on words. The name and prominence of the plaintiff was the focus of the advertising slogan, and no critical stand was made as to the plaintiff's alleged readiness to get involved in violent altercations. The advertising slogan ridiculed the plaintiff for purely commercial purposes to exploit the advertising value of his name and to promote sales of its cigarette brand. In such a case in which the advertising purpose stands at the forefront and the advertising slogan features no or only subordinate opinion-forming content, the cigarette manufacturer cannot rely upon the right to free expression of opinion. Instead it could be assumed that this would be outbalanced by general personal rights.

The decision in this case clearly shows that a humorous reference to an actual person should be made with caution. The Federal Supreme Court decided that the right to free expression of opinion also protects commercial expressions of opinion and pure commercial advertisements which have a judgmental opinion-forming content (judgment from 26 October 2006, I ZR 182/04 – resignation of the finance minister). As shown by the decision of

the Upper Court of Hamburg the lines drawn by case-law are blurred. Before the release of an advertising campaign it should therefore be checked if the advertising keeps within the limits of permitted expression of opinion. This is particularly so in relation to breaches of general personal rights where a fictional licence fee may be payable. In the case in question before the Upper Regional Court of Hamburg the plaintiff was awarded an amount of 60.000 Euros.

Dr. Martin Helmer, Frankfurt

Upper Regional Court of Munich, judgment dated 14 June 2007 (U (K) 5554/06)

The Upper Regional Court of Munich has held that a clause included by a publisher in a publishing contract which provided for a ban on competition for the entire duration of the contract, which related to an educational work, was invalid pursuant to § 307 (1) (1) of the German Civil Code on the grounds of the unreasonable disadvantage to the author.

The competition clause in question reads as follows: „No author is permitted to publish any other work without the approval of the publisher which was been written by the author or to which he has contributed to by way of advice or cooperation and which could enter into competition with the title described under § 1“. The Court considered that such a clause would not withstand legal controls under German Law on General Terms and Conditions.

The Court held that legal control was based on the Law on General Terms and Conditions was possible because the clause in question used by the publisher (a general term) differed from legal provi-

sions within the meaning of § 307 (3) Civil Code. The Court held that these legal provisions protected by this clause included not only statutory regulations but also the laws of justice relating to general, recognised principles of law (such as unwritten principles of law, judge-made law, additional interpretation of acting in good faith pursuant to §§ 157, 242 Civil Code or arising from the nature of contractual obligations and their corresponding rights and obligations).

The statutory regulations on publishing contracts contained in § 2 (1) of the Publishing Act only provide for an obligation to desist on the part of the author concerning the actual work for the duration of the publishing contract, but not for a further-reaching non-competition clause. Admittedly, it is generally accepted that the author is not authorised to publish another work if the other work would be capable of hindering the commercial exploitation of the work given to the publishing house, i.e. if the author would enter into competition with the publisher by publishing the new work contravening the principles of good faith. Finally, the interests of the publisher in the commercial exploitation of the work must be weighed up against the author's freedom of creative productivity. The longer the duration of the publishing contract and, consequently, the longer the period during which the publisher can exploit the work, the more important are the interests of the author. Therefore, according to the view of the Upper Regional Court of Munich, a rule which does not limit the interests of the publisher, such as in the present case where the duration of the prohibition was indefinite, is unreasonable. It should not only be taken into account that the sell-out of an edition could drag on over many years, but also that the duration of the contract can be unilaterally controlled by the publisher by



further reprints at any time, for example.

A reduction of the period of validity of a prohibition in a publishing contract to the allowable period to be made after the conclusion of the contract according to German Law on General Terms and Conditions is not permitted and would be held to be invalid.

Dr. Britta Heymann, Hamburg

Priority of a domain-registration through an agent – grundke.de

The Federal Court of Justice has held that a domain-registration through an agent can be priority-preserving.

In the case that the Federal Court had to decide, the defendant had registered the domain “grundke.de” and had developed a homepage for the company Grundke Optik. Since then this domain was registered in the name of the defendant at the Denic (the German registration body). The user of this domain, however, was the company Grundke Optik. The plaintiff with the name Grundke demanded from the defendant to resign the domain so he

– the plaintiff – could register the domain under his name.

The Federal Court dismissed the action of the plaintiff, even though the defendant as the owner of the domain had no rights to the name “Grundke” and such a situation generally results in the right to claim the clearance of the domain according to § 12 of the German Civil Code. The Court held that in this case it had to be considered that the defendant was authorised by the company Grundke Optik to register the domain and to develop a homepage and therefore acted as an agent. According to the Federal Court such an agent of the real bearer of the name is able to hold the right to the name of the client against the right to this name of another bearer of the relevant name.

Thus – according to the Federal Court – such an authorisation has certain limits. The Federal Court pointed out that to assure the necessary equal opportunities when it comes to the priority registration of domains and because of the possible damages that can be done to the rights to the relevant name, it is essential that all the bearers of the name have an easy and safe possibility to ascertain that the registration had indeed been carried out by the order of a bearer of the relevant

name. If there is an internet-appearance of the bearer of the relevant name under the domain at the time when bearers of the same name claim rights to the relevant domain for the first time (as it was in this case), then this is such an easy and safe possibility. More difficulties may arise when such an internet-appearance does not exist. But even then a confirmation of the order can be made either by notarisation of the order or by deposition of the order at the time of the registration.

Summary:

- In the case of a domain-registration by or for third parties, this domain should be filled with life, that is with a homepage, as soon as possible to comply with the requirement of an easy and safe recognisability of the real bearer of the name.
- As an alternative it is possible to transfer the registered domain immediately to the real bearer of the name.

Dr. Tobias Schelinski, Hamburg

Overview of Case-law

Federal Supreme Court: Registration of a domain name is not in itself a breach of trademark. The Federal Supreme Court has held that the registration of a domain name is not sufficient to make a case for cancellation proceedings based on the breach of a trademark (I ZR 127/04). In order to defend an alleged breach in trademark cases, it is presupposed that the designation has been used by the violator without authorisation in the

course of business. According to the view of the Supreme Federal Court it cannot be assumed that the registration of a domain name by a legal person (in this case a German GmbH or limited liability company) necessarily means that this name is being used in the course of business. Therefore the registration of such a domain name does not amount to a breach of rights. This would only be the case where each use of the domain would have

an adverse effect on the distinctiveness of the protected trademark.

Federal Supreme Court: Photography in business premises for the purpose of proving evidence to be permitted in future? In a recent decision the Supreme Court of Justice has questioned the existing legal practice concerning the use of photography as evidence of a breach of competition (I ZR 133/04). Up until now, it



Overview of Case-law

was basically prohibited to take photographs in the business premises of competitors for the purpose of testing and proving evidence, independently of whether the breach of competition actually led to a considerable disruption of business or whether a risk of such disturbance at least existed. The Court did not actually have to make a decision on this point in the case in question but indicated a shift in direction: In cases where a breach of competition cannot otherwise be proven taking photographs may (only) be allowed if, taking into account the circumstances of the individual case, an actual risk of considerable disruption to business is suspected.

Upper Regional Court of Brandenburg: Legal warning should not be given in relation to insufficient obligatory information given in business letter. The Upper Regional Court of Brandenburg has decided that a lack of obligatory information in the business letters of a competitor does not justify a legal warning (6 U 12/07). The defendant provided in his business letter the name of the firm, its address and telephone number but there was no indication, however, of the identity of the proprietor of the firm. Following a warning from a competitor, he gave a declaration to cease and desist but refused however to pay the lawyer's costs for the warning. The Upper Regional Court denied the competitor's claim for reimbursement of these costs on the basis that the warning was not justified. The Court held that in omitting this information, the Defendant derived no advantage that is relevant under competition law. The decision is relevant since many business people and companies are still failing to meet their statutory duty to provide certain information in their emails

which has been in force since the beginning of this year.

Upper Regional Court of Hamburg: Use of official standard wording for online right of withdrawal constitutes no breach of unfair competition law. In its offers which were made over the internet, the seller had used the exact wording of the official advice of the right of withdrawal, which regarding the beginning of the period for the exercise of the right of withdrawal only contains the following statement: "the period begins at the earliest with receipt of this advice ". No mention was made of the fact that advice of the right must be made in writing and that the period cannot begin until the consumer receives the goods. According to the Court the use of the official wording did not amount to a breach of competition (5 W 129/07). It would be too far-reaching, if business people were expected to be cleverer than the legislator in the extremely complicated and convoluted law of distance selling.

Upper Regional Court of Hamburg: The country of origin principle determines the law to be applied in cases of breach of personal rights through online news reporting of EU states. In internet news reporting made available by foreign service providers in the European Union, the country of origin principle is applicable to any breaches of personal rights. By reason of the *lex loci delicti* doctrine the German law of torts is basically applicable if an internet page can and intended to be called up in Germany. The Upper Regional Court of Hamburg decided however that by reason of the privileges under the Telemedia Act only the foreign law in the country of origin is to be applied if such law leads to a more

favourable result for the provider. In the case of a claim made by a German actor against the news coverage of an Austrian online provider, the Hamburg Court approved a claim for injunctive relief for breach of personal rights under both German and Austrian law (7 U 98/06).

Upper Regional Court of Frankfurt a.M.: Large number of private sales by an eBay user leads to his classification as a business entity. The eBay user had run an eBay-Shop and had completed at least 484 transactions through eBay over the course of a year. Although the user had only sold numerous items from a private collection, the Frankfurt Court held that this satisfied the requirements for attributes of a business – particularly in view of the duration, extent and the form of the sales (6 W 27/07). This decision has particular significance for the application of consumer protection laws and the application of the Unfair Competition Act.

Upper Regional Court of Karlsruhe: Seller bears cost of returning goods where contract is fully revoked. The Karlsruhe Court held that where a distance selling contract is completely revoked, the consumer has a right to the reimbursement of the costs of returning the goods (15 U 226/06). This according to the court resulted from an interpretation of the German provisions of withdrawal of contract considering European law, in particular, the EU Distance Selling Directive. The cost of returning the goods must be borne by the seller in any event where the value of the order is 40 Euros or more, but where the value of the goods is less, these return costs may be imposed upon the consumer.

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