



# Newsletter

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## Hamburg office: Preu Bohlig & Partner increases its strengths in media law and IP/IT

**Dr. Oliver Scherenberg, attorney at law, joined Preu Bohlig & Partner as a partner at the Hamburg office on 01.08.2012.**



Oliver Scherenberg has come from the Hamburg branch of the Media Law and IP practice of Unverzagt von Have, where he made a name for himself in recent years, particularly in “reputation management and crisis communications”, an aspect of press and personal rights law. His specialist activities also include trademark and patent disputes, as well as IT law. Oliver Scherenberg began his legal career in the IP/IT team of Freshfields Bruckhaus Deringer and a patent exploitation company.

At Preu Bohlig & Partner, Oliver Scherenberg will act as the main contact for press and media law cases, and will bring with him his wide-ranging experience and an

extensive portfolio of existing clients in patent and trademark law, competition law and IT law. *“I am delighted to be part of such a renowned, professional law firm as Preu Bohlig & Partner, which will give me an outstanding platform from which to further expand my IP/IT client base, and is also very interested in my additional specialism of reputation management and crisis communications. This not only puts me in a position to provide an equally high-quality service to my existing entertainment, agency and press clients, but now also to offer a broader platform to branded companies and technology enterprises,”* says Oliver Scherenberg.

The Hamburg team is also being augmented by Pia Toschka, who will provide support in the area of press and media law. Pia Toschka will initially be available for specific briefs before being fully integrated into the Hamburg team at the start of 2013. Pia Toschka was for many years a legal adviser at Axel Springer AG, where she was responsible for advising the BILD editorial office. Oliver Scherenberg says, *“Ms Toschka will give us an insight into typical editorial procedures. Her expe-*

*rience will be invaluable for our clients.”* Pia Toschka has already worked for Oliver Scherenberg on a freelance basis at Unverzagt von Have.

With the two new members of its team Preu Bohlig & Partner is continuing its growth. With Oliver Scherenberg and Pia Toschka, the Hamburg office is increasing its complement to three partners and three associates.



### Contact:

Dr. Oliver Scherenberg  
Attorney at law  
Preu Bohlig & Partner  
Warburgstraße 35  
20354 Hamburg  
Germany  
Tel. +49 (0)40 414299-0  
Fax +49 (0)40 414299-22  
e-mail: [ols@preubohlig.de](mailto:ols@preubohlig.de)

## Mexico City plays host to International Seminar on Opposition Proceedings

**On 28 August 2012, by invitation of the International Trademark Association (INTA), Astrid Gérard, attorney at law and partner at Preu Bohlig & Partner, spoke at the International Seminar on Opposition Proceedings, held in Mexico City. The seminar was organised jointly by the WIPO, the Mexican Institute of Industrial Property, the Mexican Association for the Protection of Intellectual Property and the INTA.**



The aim of the seminar was the comparative presentation, from a legal perspective, of various procedural frameworks for opposition. In some legal systems, opposition is possible prior to registration of a trademark; in other legal systems, opposition can only be filed after registration of the mark. In the same way, differences in the examination of trademark applications were discussed, with particular emphasis on the question of whether examination should be conducted solely on the basis of absolute grounds for non-registrability or whether relative grounds for non-registrability should also be taken into account.

Mrs Gérard gave two talks at the event. While one talk dealt with opposition proceedings under German law, in the second talk Mrs Gérard

Spain, Japan, Colombia and the USA.

The seminar presented the various ways in which opposition proceedings can be carried out, the consensus being that each procedure (opposition proceedings prior to or after registration; examination based solely on absolute or also on relative grounds for non-registrability) had sound arguments in its favour.

Astrid Gérard is an attorney at law and partner at the Munich office of Preu Bohlig & Partner. She advises on all aspects of sign protection, focusing on trademark, design, competition and copyright law. She has been a member of INTA for several years and is currently member of the INTA Parallel Imports Committee (European

set out the position of the INTA with regard to the significance of opposition proceedings in the respective legal systems. Further talks were given by members of the offices in

Union Subcommittee). Her clients come in particular from the consumer goods, sporting goods and food industries.



### Contact:

Astrid Gérard, LL.M.  
Attorney at law  
Preu Bohlig & Partner  
Leopoldstraße 11a  
80802 Munich  
Germany  
Tel. +49 (0)89 383870-0  
Fax +49 (0)89 383870-22  
e-mail: [asg@preubohlig.de](mailto:asg@preubohlig.de)

## Intermediate generalisations handled differently by the BGH and the EPO – Cherry-picking still admissible in Germany

**In 1980, the founder of our law firm, Prof. Dr. Albert Preu, expressed the hope in GRUR Int. 1981, pg 63 et seq. that invalidity proceedings would not “become a battlefield on which national and European opinions come up against each other, irreconcilably”, but rather “a platform for exchange of European and national opinions, at which, to the benefit of European and national law, contrasting opinions are also resolved”. More than 30 years on, there is cause to reiterate this hope.**

Indeed, in its decision “Walzenformgebungsmaschine“ (GRUR Int. 2010, 761 et seq, margin ref. 14-16), the German Federal Court of Justice (BGH) stressed that German courts were obliged to take heed of European Patent Office decisions relating to a substantially similar problem and, where appropriate, to address the grounds which prompted a divergent outcome in the previous decision. It is also highlighted that this applied even to cases concerning questions of law as opposed to questions of fact.

When judging so-called intermediate generalisations, in which cases the patent applicant, for the purpose of restricting the claim, draws only upon some features of a specific embodiment described in the description, with a view to incorporating said features – taken out of their original technical context – into the newly worded claim, the BGH does not appear willing to adhere to this basic principle.

In this regard, the European Patent Office and the BGH are in full agreement in terms of basic considerations:

- The two jurisdictions assume that the disclosure of the original application which is key to the question of an inadmissible extension is determined by what a person of average skill and knowledge in the art of the relevant technical field can directly and unambiguously infer as belonging to the filed invention (BGH, GRUR 2012, 475, 477, margin ref. 31 – “Elektronenstrahltherapiesystem”. As is generally known with respect to novelty, BGH, GRUR 2008, 1077 – “Olanzapin” and, with respect to amendments, BGH, GRUR 2010, 910 – “Fälschungssicheres Dokument”; Guidelines for Examination C-VI, 5.3.1; T 339/89 of 06.12.1990).
- They are also in agreement that only the original application documents should be taken into consideration (BGH, GRUR 2012, 475, 477, margin ref. 31 – “Elektronenstrahltherapiesystem”; Pentheroudakis, GRUR Int., 2008, 699).

However, this is as far as the common ground extends in terms of the judgement of intermediate gen-

eralisations by the two bodies. For example, while the European Patent Office proceeds from the basic principle that, for reasons of legal certainty and in the interest of any third parties who may have relied upon the content of the original application, the applicant must not be permitted to improve his position by adding subjects which were not disclosed in the original application (cf. G 1/93, OJ. EPO 1994, 541, 549 f, margin ref. 9, 11), the BGH stresses the necessity of not unfairly restricting the applicant in exhausting the disclosure (judgement of 17.07.2012 – X ZR 117/11, margin ref. 52 – “Polymerschaum”).

Accordingly, in considering inadmissible extension, the BGH in any case deems a “broadly worded” claim to be unobjectionable where a person skilled in the art would consider an embodiment of the invention which is described in the application to be an embodiment of the mere general teaching which is paraphrased in the claim and where said person is able to infer from the application that this (general) teaching belongs to the invention. Thus, the BGH also explicitly allows such generalisations

“where, of a number of features of an embodiment which, both collectively and individually, are conducive to the success of the invention, only one or some of said features have been incorporated into the claim (thus, specifically, judgement 17.07.2012 – X ZR 117/11, margin ref. 52 – “Polymer-schaum”, and GRUR, 2012, 475, 477, margin ref. 34 – “Elektronenstrahltherapiesystem”; also, fundamentally, BGH, GRUR 1990, 432 – “Spleißkammer”; GRUR 2002, 49 – “Drehmomentübertragungseinrichtung”).

This line of case law, according to which “cherry-picking” of individual features is allowed and appears to have been left untouched by the alignment with the concept of disclosure according to European practice (cf., once again, BGH, GRUR 2008, 1077 – “Olanzapin”), is inconsistent with the decision-making practices of the European Patent Office since, according to consistent case law of the Boards of Appeal, the isolated extraction of individual features from a combination of features is not admissible where a functional or structural relationship exists between the relevant features (cf. overview of the case law of the Boards of Appeal at [http://www.epo.org/law-practice/legal-texts/html/caselaw/2010/d//clr\\_iii\\_a\\_2.htm](http://www.epo.org/law-practice/legal-texts/html/caselaw/2010/d//clr_iii_a_2.htm)).

The opinion of the European Patent Office is certainly not binding for later invalidity or infringement proceedings before German courts (BGH, GRUR 1998, 895 et seq. –

“Regenbecken”, and GRUR 1996, 757 – “Zahnkranzfräser”). However, legal certainty and greater standardisation of case law can only be achieved if divergences from known case law of the respective other body is clearly mentioned in decisions and the grounds for such divergence are set out – that is to say, as Prof. Preu said, contrasting opinions are also resolved, “to the benefit of European and national law”.



**Dr. Stephanie Thewes**

**Attorney at law**

**Munich**

**Tel.: +49 (0)89 383870-0**

**e-mail: [sth@preubohlig.de](mailto:sth@preubohlig.de)**

## New edition of the “Patentrechtskommentar” published

The fully revised “Patentrechtskommentar” (“Patent law commentary”) has a consistently international outlook and features informed comments from a wealth of experts.

The work is distinctive in that it maps out the full picture in terms of patent and utility model law, presenting not only the German Patent Act (PatG) and the German Utility Model Act (GebrMG) but, most notably, the Patent Cooperation Treaty (PCT) and, with the exception of the internal institutional rules, the European Patent Convention (EPC):



- Patent Act, including plant variety protection law, employee invention law, the Patent Attorney Code and the Professional Code of Patent Attorneys
- Utility Model Act
- Introduction to international patent law
- Law on International Patent Conventions
- PCT
- EPC.

In its preliminary remarks on §§ 139 et seq. PatG, the commentary offers an in-depth introduction to patent infringement proceedings. The comments also address specialist fields such as patent attorney law and pharmaceutical product certificates. On the subject of the PCT, it is the first time that a detailed German-language commentary has been provided.

The editors are Prof. Dr. Dr. Uwe Fitzner, attorney at law and patent attorney; Raimund Lutz, Vice-President of the European Patent Office; and Prof. Dr. Theo Bodewig from Humboldt University, Berlin. Miriam Kiefer, LL.M. and Alexander Haertel, attorneys at law and partners at Preu Bohlig & Partner’s Düsseldorf office, were among the team of authors.

The commentary is available from the online store of the Franz Vahlen publishing house.

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

## Sub-licence remains in place on cessation of the primary licence

**The First Civil Senate of the German Federal Court of Justice (BGH) has ruled by means of the judgements "Take Five" (GRUR 2012, pg 914 et seq.) and "M2Trade" (GRUR 2012, pg 916 et seq.) that a sub-licence still stands on cessation of the primary licence. The First Civil Senate has particular jurisdiction over trademark, design and copyright law.**

In both of the cited decisions of the First Civil Senate, it was mentioned that the Tenth Civil Senate, which has jurisdiction over patent and utility model law, of the BGH, stated when questioned that it had no objections to the judgement of the First Civil Senate on this matter. Accordingly, the basic principle that the cessation of the primary licence does not lead to the cessation of the sub-licence is now applicable pursuant to case law of the highest court to all legal branches of intellectual property protection, this topic having previously been a matter of definite controversy.

The decision "Take Five" concerned the jazz classic of the same name by the composer Paul Desmond. By means of an agreement dating back to the early 1960s, Paul Desmond granted the claimant in proceedings exclusive music publishing rights as well as the global rights, derived therefrom, to use his composition "Take Five" for the duration of the term of protection. By means of a "sub-publishing agreement" the claimant then, in turn, granted a music publishing house the exclusive music publishing rights to the work for Europe. The music publishing house, for its part, assigned the exclusive sub-publishing rights

to the composition for Germany and Austria to the legal predecessor of the defendant. In the middle of the 1980s, the claimant and the music publishing house (= primary licensee) terminated their original licensing agreement. In the legal dispute upon which the BGH has now ruled, the claimant demanded in its capacity as the primary licensor that it be found that the defendant was no longer the holder of the music publishing rights to the work "Take Five" for Germany and Austria, setting out the grounds that the termination of the primary licensing agreement between itself and the music publishing house also signalled the cessation of the rights derived from said primary licensing agreement and thus also the sub-licence which the music publishing house had granted the defendant.

The BGH dismissed the claim, proclaiming that the defendant still held the music publishing rights to the piece for Germany and Austria on account of its licensing agreement with the music publishing house as the primary licensee. The basic principle of succession protection applied in the areas of intellectual property protection and copyright (§ 33 German Act on Copyright; § 30, sub-section 5

German Act on Trademarks; § 31, sub-section 5 German Design Act; § 15, sub-section 3 German Patent Act (PatG); § 22, sub-section 3 German Act on Utility Models). The BGH stipulated, inter alia, that exclusive and non-exclusive rights of use were unaffected in the event that the rightholder, who had granted the right of use, changed. The purpose of succession protection was to protect the faith of the rightholder in the continued existence of its right and to allow said holder to amortise its investments. If, for any reason whatsoever, the primary licence was terminated, the intellectual property right automatically reverted to the primary licensor, meaning that the person authorised to grant sub-licences changed. These were precisely the circumstances for which succession protection had been established, and consequently the sub-licence continued to exist in the above-described circumstances.

The decision "M2Trade" also concerned a copyright case. The claimant in proceedings (= primary licensor) had developed computer programs and granted the primary licensee a licence to use said computer programs. The primary licensee, for its part, issued a sub-licence to one of its subsidiaries.

As the primary licensee, having become insolvent in the meantime, ceased paying royalties, the claimant terminated the primary licensing agreement. The termination was legitimate and ended the primary licensing agreement. This meant that the rights of use and exploitation relating to the computer program also automatically reverted to the claimant. In this case, too, the BGH decided that the sub-licensee could invoke the basic principle of succession protection, since the rightholder, who had granted said licensee the right of use, had changed, namely from the parent enterprise (= primary licensee) to the claimant. In this judgement, the BGH additionally found that, from the legal perspective of unjustified enrichment pursuant to § 812 German Civil Code (BGB) the primary licensor is entitled to take action against the primary licensee for the assignment of its right to claim against the sub-licensee for payment of royalties.

The decisions “Take Five” and “M2Trade” have considerable practical repercussions.

Should the agreement between the primary licensor and the primary licensee end – whether as a result of expiration, dissolution by common consent, notice of termination, avoidance, withdrawal, or any other reason – the agreement between the primary licensee and the sub-licensee remains in place, unchanged.

The sub-licensee is thus still enti-

tled to use the intellectual property right. The primary licensor cannot forbid the sub-licensee from continuing to use the intellectual property right. The primary licensor does not automatically take the place of the primary licensee in its agreement with the sub-licensee (for this to occur, a three-way legal transaction among the primary licensor, the primary licensee and the sub-licensee would be necessary, or a so-called transfer of contract pursuant to §§ 413, 414 BGB). This means that the primary licensor cannot terminate the agreement with the sub-licensee, even in the event that the sub-licensee defaults on the payment of royalties. This further means that the primary licensor has no right to claim against the sub-licensee for payment of royalties. The right to claim against the sub-licensee for payment of royalties still lies with its contractual partner, the primary licensee. Should the primary licensor wish to acquire the right to claim against the sub-licensee for payment of royalties, said primary licensor must ask the primary licensee to assign him its rights to claim against the sub-licensee. According to the decision “M2Trade”, the primary licensor is, from the legal perspective of unjustified enrichment pursuant to § 812 BGB, entitled to such an assignment. If the primary licensee is not willing to submit to an assignment, the primary licensor can file an action against the primary licensee for consent to assign the right to claim against the sub-licensor for payment of royalties. This case relates

to an action seeking a declaration of intent pursuant to § 894 German Code of Civil Procedure (ZPO). The corresponding demand for relief of the primary licensor would have read something like this:

*“The defendant (= primary licensee) is ordered to consent to assign its rights to claim against the sub-licensee arising from the licensing agreement... to the claimant (= primary licensor).”*

Consent to the assignment shall be deemed to have been given as soon as the judgement has obtained legal force, § 894, first sentence ZPO. Until the judgement obtains legal force, the primary licensor accordingly has no right to claim against the sub-licensee for payment of royalties. Should the legal dispute between the primary licensor and the primary licensee for assignment of the rights to claim against the sub-licensee last longer than three years, it is conceivable that such rights to claim may become statute-barred in the interim. The primary licensor has no way of suspending or interrupting the limitation of the rights of the primary licensee to claim against the sub-licensee. A third-party notice pursuant to § 72 ZPO is not an option, and is only admissible where the person serving the third-party notice may have a claim against the person served with the third-party notice in the event of an unfavourable outcome of the legal dispute. The primary licensor, however, has no claim against the sub-licensee for the unfavourable

outcome of the legal dispute with the primary licensee (= dismissal of its action against the primary licensee for assignment of the rights to claim).

Until the assignment becomes effective, that is, until the entry into legal force of the legal dispute between the primary licensor and the primary licensee for the assignment of the rights to claim, the sub-licensee is entitled and bound to continue paying the royalties due to the primary licensee as its contractual partner. From the legal perspective of unjustified enrichment, the primary licensee must, following cessation of the primary licence, transfer the royalties it received from the sub-licensee to the primary licensor. Should the primary licensee not willingly submit to this either, the primary licensor would have to take action against the primary licensee not only for assignment of the rights to claim against the sub-licensee but also for payment of the royalties received by the primary licensee from the sub-licensee.

To avoid such an inconvenience, the primary licensor should make sure that it incorporates in particular the following arrangements into a licensing agreement:

The primary licensor should grant the primary licensee the power to issue sub-licences only where he, the primary licensor, has given prior written consent to such a sub-licence. Should the primary licensee issue a sub-licence without

the prior written consent of the primary licensor, in breach of such a contractual arrangement, the sub-licensee shall not validly acquire the right to use the intellectual property right, because an acquisition in good faith is not possible for rights. In such cases, the primary licensor can thus always – that is, not only in the case of the cessation of the primary licence – order the sub-licensee to cease use of the intellectual property right.

Should the primary licensee ask the primary licensor to consent to the grant of a sub-licence, the primary licensor should make said consent at least dependent on the primary licensee assigning its rights to claim against the sub-licensee for payment of royalties in the event that the primary licence is terminated. Moreover, the primary licensor could also make its consent to the grant of a sub-licence dependent on the incorporation into the agreement between the primary licensee and the sub-licensee of an arrangement whereby the sub-licence automatically ends as soon as the primary licence is terminated.

With already concluded licensing agreements, the primary licensor should try to come to an additional agreement with the primary licensee, whereby the primary licensee now assigns the primary licensor the rights to claim against the sub-licensee for payment of royalties in the event that the primary licence is terminated.

## **Preu Bohlig & Partner named “Trademark Law Firm of the Year in Germany 2012”**

The British magazine “Corporate INTL” has awarded Preu Bohlig & Partner the honorary title of “Trademark Law Firm of the Year in Germany” for 2012.

**Corporate INTL**

The jury of the magazine assigns awards once a year to consultancies and finance companies.

The two decisions of the BGH are also of consequence for a further question of law which, as the law stands, led to unsatisfactory outcomes from the perspective of the licensee, namely the question surrounding how insolvency-proof licensing agreements are. As the law stands – despite interim legislative initiatives – licensing agreements are (still) subject to the option of the insolvency administrator if the licensor becomes insolvent, in accordance with § 103, subsection 1 German Insolvency Code

(InsO). The insolvency administrator can thus deny the fulfilment of said agreement, thereby actually divesting the licensee of the rights of use and exploitation. This situation equates to a termination of the primary licensing agreement, similar to the situation now described by the BGH. Up to now, it was unclear what repercussions this loss by the primary licensee of the licensing rights has on the sub-licences derived from this main licence.

Following the decisions which have now been delivered, it should be clear in this regard that the derived licences are valid. As regards drafting the agreement, this gives rise to an interesting possibility of depriving the insolvent licensor's insolvency administrator of the power to transfer rights of use and exploitation. If an "intermediary" is introduced between the parties intended for entitlement to the rights of use and exploitation, which intermediary does nothing more than "channel" the received rights of use, the eligible party (= sub-licensee), owing to its protected legal position in second place along the exploitation chain, can no longer be divested of the rights of use and exploitation, even in the event that the primary licensor becomes insolvent. Thus, a negative administrative decision with regard to the fulfilment of the primary licensing agreement does not affect the intended eligible party, namely the sub-licensee. The statement of the BGH in relation to the appli-

cation of the provisions under enrichment law relating to the royalties payable by the sub-licensee leaves scope for further considerations. For example, if the primary licensee and sub-licensee agree on a considerably lower royalty rate than that stipulated in the primary licensing agreement, the intended eligible party, that is, the sub-licensee, can even benefit from the cessation of the primary licence. This outcome applies irrespective of insolvency law and the above-mentioned sphere of application of §§ 103 InsO, and thus even where the primary licensee decides, of its own accord, to terminate the primary licensing agreement immediately after having granted the sub-licence of key commercial importance to said primary licensee. It thus becomes apparent that when drafting the agreement, some room for manoeuvre has been created and the licensor must take care not to be duped by the new legal situation.

The full practical repercussions of the two decisions "Take Five" and "M2Trade" are not yet foreseeable. It also remains to be seen whether this case law will prevail, especially since the opinion is expressed in patent law literature, contrary to the view of the BGH, that cessation of the primary licence automatically leads to the cessation of the sub-licence (Schulte/Kühnen, on § 15, margin ref. 37; Busse/Keukenschrijver, on § 15 PatG, margin ref. 75; Benkard/Ullmann, on § 15 PatG, margin ref. 107; and critically also,

Scherenberg, Comments on the Higher Regional Court of Cologne judgement 6 U 224/05, CR, 2007, 9 et seq.).



**Jürgen Schneider**

Attorney at law

Munich

Tel.: +49 (0)89 383870-0

e-mail: [jsc@preubohlig.de](mailto:jsc@preubohlig.de)

**Dr. Oliver Scherenberg**

Attorney at law

Hamburg

Tel.: Tel. +49 (0)40 414299-0

e-mail: [ols@preubohlig.de](mailto:ols@preubohlig.de)

## No work – just a licence

**A copyright licensing agreement covering the grant and assignment of rights to use an alleged work is not invalidated in the event that the alleged work does not actually enjoy copyright protection. In principle, the licensor of such a licensing agreement can claim the agreed royalties, provided that the licensing agreement exists and affords the licensee a preferential commercial position.**

However, the parties to a licensing agreement are free to attach alternative legal consequences to the assignment of a fictitious right. In particular, they can agree that no claim to royalties exists where the licensor fails to provide evidence that the granted and assigned rights satisfy the material prerequisites for protection. (German Federal Court of Justice (BGH), 02.02.2012, I ZR 162/09 – Delcantos Hits, available at [www.bundesgerichtshof.de](http://www.bundesgerichtshof.de)).

The decision relates to the question of whether, in the case of a licensing agreement made with the author and covering the use and exploitation of the work of said author, royalties are also to be paid, as agreed, in cases where the licensed copyright does not actually exist.

The BGH has reaffirmed the obligation to pay royalties on rights to use so-called fictitious rights, also in relation to copyright.

1. The decision was based on the following facts: The claimants used keyboards and computers to compose various musical pieces, which they called, inter alia, “Delcantos Hits”. A further company,

which is also taking legal action, then published these musical pieces together with pieces by other composers. All claimants then executed deeds of assignment with the Society for Musical Performing and Mechanical Reproduction Rights (GEMA), owned by the defendant. By means of said deeds, it was intended that the defendant would achieve its object, namely to benefit from the copyright protected rights of use held by the composers, and obtain appropriate authorisation. C.-GmbH, in which the composing claimants and alleged authors are involved as shareholders and managing directors, played the “Delcantos Hits”, among other compositions, at various public performances in hotels and restaurants. In view of these reproductions and acting in its capacity as author and publisher, the claimant demanded from the defendant its share of the licensing income earned by the defendant.

Both lower courts dismissed the claim on the grounds that the pre-

requisites for a copyright-protected work had not been sufficiently substantiated by the claimants. As a result, according to the Court of Appeal, the claimants could not demand an interest in the licensing income earned by the defendant. The BGH objected to this and annulled the appeal judgement.



2. With regard to established case law that has evolved in relation to patent and design law and can be traced back as far as the Supreme Court of the German Reich, the BGH sets out in the grounds for its decision that “in principle, the eligibility of the licence subject matter for protection affects neither the legally binding nature of the licensing agreement nor the obligation to pay the agreed royalties”. Against the background of this case law on so-called “empty assignments”, the BGH points out that the licensee

authorised for use secures a preferential position from both a factual and commercial perspective due to an at least factually proven monopoly of the owner of the intellectual property rights, even though an actual legal monopoly has not been pledged by the licensor and alleged owner of the intellectual property rights (in cases in which said factual monopoly is lacking due to non-compliance and previously stated judgements are thus invalidated, cf. BGH GRUR 1969, 409, 411 – Metal frame, in the context of corresponding patent licensing agreements from the perspective of anti-trust law).

In margin reference 17 of its decision, the BGH then extends the foregoing case law on so-called “empty assignments” which was developed for examined intellectual property rights (patents and designs) to unexamined intellectual property rights such as copyright. The obligation to pay royalties when licensing a copyright-protected fictitious right is thus based, in this field too, on the existence of the licensing agreement and the preferential commercial position which is afforded to the licensee by said agreement.

The BGH justifies this by saying that in the case of copyright, too, the interests of the parties in dispelling doubts regarding validity and, as a result, also doubts regarding the authorisation of use, can be settled by means of the licensing agreement. By contrast, the main aim of the licens-

ing agreement is not conventionally that of pledging a valid licence subject matter.

From a temporal perspective, the BGH sets out that in the (patent and utility model) cases to date, establishment and cessation have always been linked to formal acts, for example registration, revocation, or an annulment or cancellation. This is the case with copyright, which requires no formal act for either its establishment or cessation. However, since a licensing agreement involves a continuing obligation, any uncertainty surrounding the conferral to the licensee of an appropriate right of termination is overcome (§ 314 German Civil Code).

Finally, however, the BGH observes that in the case in question the parties to the disputed deeds of assignment came to a different arrangement. The BGH expressly highlighted the powers of the parties to the licensing agreement, in the case of an empty assignment or licensing of a fictitious right, to agree upon a different legal consequence and in particular to stipulate that no claim to royalties shall exist in cases where the licensor fails to provide evidence that the licensed right satisfies the prerequisite for protection (margin reference 22).

3. It thus emerges from the decision that the key starting point for the continued existence of the claim for payment is the preferential commercial position which the

licensing agreement affords the licensee. By contrast, where the market disregards the licensed right, an obligation to pay is not justified for a fictitious right. Here, too, the decision remains consistent with previous case law. The same applies in cases where the parties have agreed upon a different legal consequence.

Should doubts regarding validity remain, it is advisable for the licensee, when drawing up the licensing agreement, to incorporate a clause obliging the licensor to provide evidence of the work’s eligibility for protection. Failing this, the licensee’s extraordinary right to termination takes effect. It certainly does no harm to make express provision in the agreement for these legal consequences, and in so doing it should likewise be stipulated whether or not previous payments have to be reimbursed.



**Hannes Jacobsen**

**Attorney at law**

**Munich**

**Tel.: +49 (0)89 383870-0**

**e-mail: [hja@preubohlig.de](mailto:hja@preubohlig.de)**

## New question of interpretation regarding international jurisdiction from the German Federal Court of Justice (BGH) to the European Court of Justice (ECJ) – “Hi Hotel” (GRUR 2012, 1069)

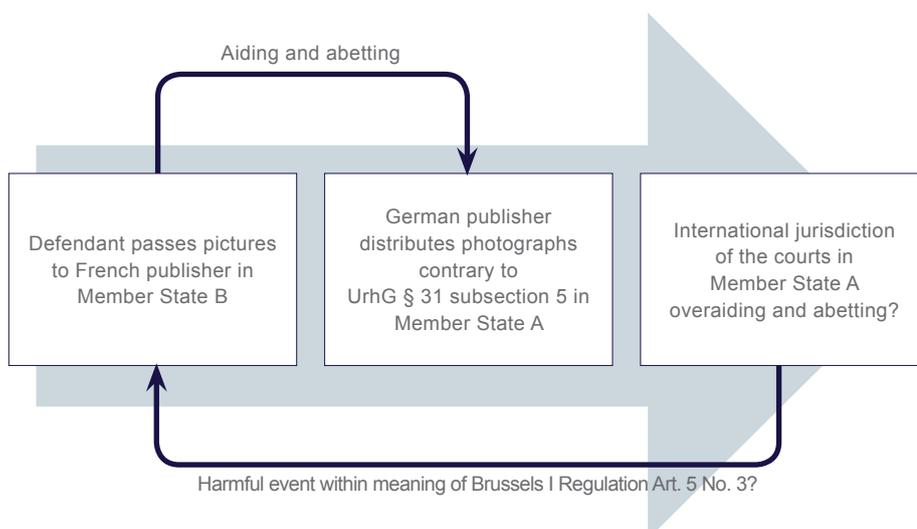
**Should Article 5 No. 3 of Council Regulation (EC) No. 44/2001 be interpreted as meaning that the harmful event occurred in a Member State (Member State A), if the tort which is the subject of the proceedings or from which claims are derived was perpetrated in another Member State (Member State B) and involves participation in the tort (principal offence) which took place in the first-mentioned Member State (Member State A)? (official guiding principle)**

In the current integrated commercial world, cross-border situations occur quite frequently. In addition to the substantive evaluation, questions such as which national law will apply and “who” can I sue “where” are becoming increasingly common. The question submitted by the BGH in the “Hi Hotel” case concerns the aforementioned question of international jurisdiction. This arises most frequently from Council Regulation (EC) No. 44/2001 (also known as the Brussels I Regulation). Particularly relevant to the field of intellectual property is Brussels I Re-

gulation Article 5 No. 3, the place of jurisdiction of the tort (roughly comparable to the German regulation under German Code of Civil Procedure (ZPO) § 32. According to Brussels I Regulation Article 5 No. 3, a person (or an undertaking) who has perpetrated a tort can be sued before the court of the place where the harmful event occurred. According to the established case law of the ECJ, this place where the harmful event occurred is located both at the place where the harm occurred and the place of action by the perpetrator (known as the “principle of ubiquity”).

The slightly cryptic question arose from the following situation:

In 2003 the claimant took photographs of a hotel in Nice which were to be used in the hotel’s brochures and on its website. The lower court found that, according to the purpose of the contract, the photographs were only licensed for this use (principle of assignment limited to purpose pursuant to the Law on Copyright and related intellectual property rights (UrhG) § 31 subsection 5). In 2008 the claimant noticed that the photographs which he had taken had been printed in a book of photographs published by Phaidon. The German publishing house Phaidon resident in Berlin had published this book of photographs. However, the hotelier had passed the pictures only to the French division of the Phaidon publishing house resident in Paris. The German publishers had indisputably committed an act of infringement in Germany by distributing the photographs (see UrhG § 17 subsection 1). This act is the



principal offence in Member State A mentioned in the guiding principle.

By passing the pictures to the French publisher, the defendant hotelier had aided and abetted in the distribution of the pictures in Germany. However, this aiding and abetting took place in France, in other words Member State B. In the judge's opinion, there was no direct harmful event within the meaning of Brussels I Regulation Article 5 No. 3 in Member State A, as both the place of perpetration and the place of the result of the aiding and abetting were in France. The question therefore arose of whether the court having jurisdiction over the principal offence can be referred to with regard to the international jurisdiction over the aiding and abetting, since the harmful event within the meaning of Brussels I Regulation Article 5 No. 3 is interpreted as meaning that the harmful event of the principal offence is also to be brought into play for the aiding and abetting.

For interpreting Brussels I Regulation Article 5 No. 3, the BGH has comprehensively examined the previous case law of the ECJ. In the end the BGH concluded that the ECJ has not yet made any decisions which might apply to the current circumstances, and so a submission is called for. However, it can be clearly inferred from the decision to make a submission that the BGH considers a connection with the place of the result of the principal offence to be reasonable.

Should the ECJ adopt the arguments of the BGH, this would very advantageous for the owners of rights who are suing infringers in various Member States. The significance of the submitted question also goes beyond the area of copyright law. The BGH has accordingly submitted an almost identical question of interpretation to the ECJ regarding a parallel decision on Community trademark law (see BGH GRUR 2012, 1065 – Parfumlakon II). Therefore we are eagerly awaiting the decisions of the ECJ.



Florian Bewer  
Attorney at law  
Munich

Tel.: +49 (0)89 383870-0  
e-mail: flb@preubohlig.de

## Preu Bohlig & Partner receives „Leading Lawyer Award“

This year, the British magazine “Lawyers World” has awarded Preu Bohlig & Partner the “Leading Lawyer Award” in the category “Life Sciences”. The winners in the different categories were identified in a voting procedure.



The magazine received more than 40.000 votes worldwide, a large degree of nominations came from inhouse counsels.

## Software – UsedSoft decision by the ECJ

**Software may be distributed technically in various ways. In addition to providing software on physical media (e.g. DVD), the online transfer of software (e.g. by means of downloads) represents one of the most important sales methods for software products. If a customer acquires the software for a one-off payment to use for an unlimited period, the question often arises of the subsequent utilisation and passing-on of “used” software products that are no longer needed. This has led in recent years to a growing trade in used software in the EU, a market based on the principle of exhaustion enshrined in Community law, which includes inter alia specific regulations for computer programs.**

According to the Software Directive, 2009/24/EC, a manufacturer’s distribution right for a product within the Community, with the exception of renting rights, is exhausted at the moment in which the reproduced item is first brought into circulation with the manufacturer’s consent.

Regardless of any usage rights regulations to the contrary, the holder of the right may not prevent the onward sale to third parties of this reproduced item once it has been introduced to the market and the exhaustion principle has come into effect. Now, in a keenly-observed decision on 3 July 2012 (Oracle vs. UsedSoft – file ref. C-128/11, published inter alia in Computer Law Review International (CRi 2012, 116 et seq.)), the ECJ has established a sustainable expansion of the exhaustion principle to include software sold online. This decision will have a considerable effect on the organisation of the sale of standard software.

1. In the initial proceedings bet-

ween the parties, the Regional Court of Munich, confirmed by the Higher Regional Court of Munich (cf. the decisions in CR 2007, 356 et seq. and CR 2008, 551 et seq.) ruled that the trade by UsedSoft of used software from Oracle could only be permitted with the consent of the holder of the right, due to the Oracle licence terms and conditions which included only non-transferrable non-exclusive usage rights. In accordance with the UsedSoft business model at the time, the second purchaser was able either to download the current version of the program from the manufacturer’s website or to acquire an identical version of the software on a physical medium.

As the ruling of Section 69c (3), second sentence, of the German Copyright Act is based on the Software Directive, 91/250 EEC, since redrafted in Directive 2009/24 EC (hereinafter referred to as “Software Directive”), in the subsequent review (file ref. I ZR 129/08 – CR 2011, 223), the German Federal Court of Justice

(BGH) formulated an Order for Reference with specific questions. These included in subsection 1 the question of whether the party entitled to rely on exhaustion of the right to distribute a copy of a program is a “legal acquirer” as provided by Art. 5 (1) of the Software Directive. The second question posed by the BGH, following affirmation of the first, related to whether the distribution right for the copy of the program as provided by Art. 4 (2), first sentence, of the Software Directive are also exhausted when the purchaser has produced the copy, with the consent of the holder of the right, on a physical medium following download from the Internet. Finally, the BGH put forward a third question to the ECJ, should the second question also be affirmed, of whether the (second) purchaser of the “used” software, in the capacity of “legal acquirer” according to Art. 5 (1) and Art. 4 (2) of the Software Directive, can also benefit from the exhaustion of the rightholder’s distribution right to make a copy of the program if the first acquirer



has deleted its copy or no longer uses it.

2. At the heart of the decision of the ECJ (loc. cit.) is the correct interpretation of Art. 4 (2) and Art. 5 (1) of the Software Directive. These read as follows:

Art. 4 (2): „The first sale in the Community of a copy of a program by the rightholder or with his consent shall exhaust the distribution right within the Community of that copy, with the exception of the right to control further rental of the program or a copy thereof.“

Art. 5 (1): „In the absence of specific contractual provisions, the acts referred to in points (a) and (b) of Article 4(1) shall not require authorisation by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction.“

These regulations were implemented in German law by Section 69c (3), second sentence, and Section 69d (1) of the Copyright Act.

At the centre of the ECJ's considerations is the question of whether the principle of exhaustion as provided by Art. 4 (2) of the Software Directive should not only be applied to software used on the basis of physical

media, but also to software sold by means of online download. The ECJ decision answered this question in the affirmative.

When examining the requirements for exhaustion, the court first considered whether the contractual relationship between the holder of the right and the first acquirer, which included the download of a copy of a program, should be deemed a “first sale” as provided by Art. 4 (2) of the Software Directive. The court confirmed a sale of this kind with reference to a “generally recognised definition of a sale” and the coherence of the transaction concerning the download of a copy of the computer program together with the conclusion of an associated licence contract on the use of the copy, which formed an indivisible unit (cf. ECJ, loc. cit., margin note 42 et seq.). It was of no import whether the customer was provided with the copy on CD-ROM or DVD, or by means of download via the Internet (ECJ, loc. cit., margin note 47). The Court applied a broad interpretation to the term “sale” as provided by Art. 4 (2) of the Software Directive. This

included all forms of the marketing of software, characterised by payment of an amount intended to enable the holder of the right to obtain remuneration in line with the economic value of the copy, which grants a usage right to the copy of the program for an unlimited period (ECJ, loc. cit., margin note 49).

The reference by the manufacturer to the InfoSoc Directive, 2001/29/EC, Art. 3 (1) of which does imply an exclusion of the principle of exhaustion in the case of the online distribution of content protected by copyright, was countered by the ECJ with the argument that the Software Directive constitutes a *lex specialis* here (ECJ, loc. cit., margin note 56).

Almost all software, especially in the field of commercial applications, is modified at regular intervals by subsequent deliveries of further parts to the software, especially in the form of patches, updates, upgrades or even new versions. This is done usually either within the scope of existing warranty regulations or, in practice, by means of associated care or maintenance contracts.

The ECJ ruled that the version of the software, together with all modifications or additions applied in the course of maintenance, is subject to exhaustion (ECJ, loc. cit., margin note 68) and in this respect the exhaustion relates to the “current” version at the time the product is passed on.

However, the ECJ referred to the fact that a requirement for the application of the principle of exhaustion is inter alia that the first acquirer makes his own copy of the program unusable at the time of onward sale. A division of licences acquired by a first acquirer, e.g. passing on user licenses surplus to the requirements of the first acquirer, is, however, not covered by Art. 4 (2) of the Software Directive (ECJ, loc. cit., margin notes 69, 70).

With regard to the first and third questions of the Order for Reference, the Court held that, in accordance with Art. 4 (2) and Art. 5 (1) of the Software Directive, second and subsequent acquirers of a “used” use licence could also rely on the argument of exhaustion and, as provided by Art. 5 (1) of the Software Directive are to be deemed “legal” acquirers of a copy of a program (ECJ, loc. cit., margin note 88).

In response to the objection of the software manufacturer that in cases of the online distribution of software, monitoring whether the first acquirer has rendered the copies unusable could be extremely difficult, the Court drew the manufacturer’s attention to the possibility of introducing technical protective measures, such as product keys, into the software (ECJ, loc. cit., margin note 79). In this respect, also against the background of the BGH Half-Life 2 decision (MMR 2010, 771 et seq.) there are plenty of possib-

le technical measures for limiting the passing-on of copies of products. In the Half-Life 2 decision, the BGH endorsed the clause in the general terms and conditions of a computer games manufacturer, which forbade the transfer of a user account essential to the use of a certain computer game.

3. Against the background of the present ECJ decision, software manufacturers who “sell” software now face greater risks than before within the EU with regard to the onward sale of their “used” software by third parties. Some prohibitions of onward sale in general licence terms and conditions could be shown to be ineffective in connection with the onward sale of “used” copies of programs within the EU. Manufacturers could deal with these increased risks in two ways – on the one hand by specific technical protection measures, which will make it more difficult to pass on their products, and on the other hand by the use of maintenance and care contracts.

To date it is not acceptable for a software manufacturer to compel a new acquirer to take out a maintenance contract for “used” software.



**Dr. Christian Breuer**  
Attorney at law  
Munich

Tel.: +49 (0)89 383870-0  
e-mail: [cbr@preubohlig.de](mailto:cbr@preubohlig.de)

## The “Third Way” and the legal limits to increased flexibility of the employment law of the Catholic Church

The book entitled “‘Dritter Weg’ und rechtliche Grenzen der Flexibilisierung des Arbeitsrechts der katholischen Kirche” (“The ‘Third Way’ and the legal limits to increased flexibility of the employment law of the Catholic Church”) by Dr. Christina Mennemeyer, attorney at law at Preu Bohlig & Partner, is published by Peter Lang Verlag in the series “Schriften zum Arbeits- und Wirtschaftsrecht” (“Papers on employment and commercial law”).

### Schriften zum Arbeitsrecht und Wirtschaftsrecht 74

Herausgegeben von Abbo Junker

Christina Mennemeyer

### „Dritter Weg“ und rechtliche Grenzen der Flexibilisierung des Arbeitsrechts der katholischen Kirche

PETER LANG  
Internationaler Verlag der Wissenschaften

The right to self-determination as provided by Art. 140 of the Basic Law of the Federal Republic of Germany in conjunction with Art. 137 (3) of the Weimar Constitution grants the churches comprehensive regulatory powers in both collective and individual employment law to shape their working relations in accordance with their individual identities. Over the last fifty years, the Catholic Church has, by establishing the “Third Way”, developed a largely independent employment law.

In the “Third Way”, employment law commissions form a counterpart to the parties to wage agreements. The decisions made by the employment law commissions, and implemented by the diocesan bishops, set out legal standards governing the content, conclusion and termination of employment and are covered by the Church’s employment contracts. The employment contracts for the Church as an organisation are concluded by the relevant diocesan or regional “Commissions for the Organisation of the Employment Contract Regulations”. The “Employment Law Commission of the German Caritas Association” is responsible for the “Guidelines for employment contracts in the establishments of the German Caritas Association” (AVR Caritas), which differ from the employment contracts of the Church as an organisation, and which are implemented by the diocesan bishop in the individual diocese in question.

At institutional level the “Third Way” involves employee representatives instead of works councils or staff associations. The “Third Way” is augmented by the ecclesiastical

courts for employment cases, acting within the framework of legal controls.

Increasing costs in the area of health and social security place particular pressure on the charitable institutions and services of the Catholic Church. As economic developments particularly affect the institutions and services of the German Caritas Association, this is the area where the fiercest debates take place on the future of the ecclesiastical employment law regulatory procedure. It is only by increasing flexibility and safeguarding the possibility of modifying working conditions, in particular in the area of staff costs, that the future of the Church’s charitable work can be ensured<sup>1</sup>.

The Church is in many aspects an attractive employer, offering significant benefits in comparison with secular employers. If one merely compares German civil service employment conditions and the ecclesiastical pay scale, finding deficits in the salaries of individual ecclesiastical pay groups<sup>2</sup>, this is to compare on the basis of incor-

<sup>1</sup> cf. Thüsing, Kirchliches Arbeitsrecht, p. 153; op.cit., ZTR 1999, 298 (301).

<sup>2</sup> See Kühling, AuR 2001, 146 (149).

rect parameters, as occupations within the Church are not remunerated in line with the civil service conditions but higher. For this reason alone, ecclesiastical employers sometimes consider taking a step towards secular employment law by separating off from Church employment, and this is even proposed. It should be prevented.

This was put forward by *Lehmann* in Mainz on 7.6.2006<sup>3</sup>: “The ‘Third Way’ has created a feeling of solidarity in many places. It is a way of consensus. It contributes to giving the ecclesiastical institutions a clear identity. I am firmly convinced that the ‘Third Way’ is of such valuable benefit to the Church that we must do everything we can to safeguard it for the future.” *Thüsing*<sup>4</sup> also stresses that the freedom offered by employment law and constitutional law should continue to be used by the Church.

The Churches’ major engagement in the social sphere should also be allowed to continue in the future. The decisions of the secular courts indicate that they are still prepared to take account as far as possible of the special aspects of an ecclesiastical vocation which arise from the identity of the Church. The secular courts make every effort to enable the Catholic Church to fulfil its mission and carry out its charitable works to the benefit of society as a whole.

It seems reasonable to increase flexibility in the employment conditions of the Catholic Church in two main aspects. On the one hand, the employment contracts concluded by the employment law commissions should be granted the status of legal norm. The employment law commissions not only form the counterpart to the parties to wage agreements, but also the procedure within which their decisions are made has the same guarantee of correctness as the wage agreement process.

The ecclesiastical employment contracts and staff representation regulations mean that increased flexibility via institution-specific regulations has to date only been partially possible. In contrast to separating off, the shift of remuneration negotiations from supra-institutional to institutional level does, however, offer a possibility for increasing flexibility, one which is safeguarded by the “Third Way”, as the employment law commissions can determine the precise scope of delegation of regulatory powers. This possibility for increased flexibility should be used more intensively in future. To this end, it is necessary for the employment law commissions to provide the ecclesiastical employment contracts with further reasonable opening clauses, and to develop these contracts further in this respect. Furthermore, the institution-

al parties must be trained further in these opening clauses to ensure that they make use of them. If a departure on the basis of separation from the “Third Way” is not wanted, the provision of opening clauses to allow for operational regulations is a way which it is important to continue down and extend.



**Sebastian Frhr. von Bechtolsheim**  
Attorney at law  
Munich

Tel.: +49 (0)89 383870-0  
e-mail: [sbe@preubohlig.de](mailto:sbe@preubohlig.de)

<sup>3</sup>At the “Day of Community of Service” under the slogan “Community of service in difficult economic times”; available at: <http://www.schiering.org/aktuell/2006/060607-lehmann-dritterweg.pdf>

<sup>4</sup>Cf. Thüsing, ZTR 2006, 230 (234).

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**Fax +49 (0) 89 383870-22**

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## Our Offices

### Berlin

Grolmanstraße 36  
10623 Berlin  
Tel +49 (0)30 226922-0  
Fax +49 (0)30 226922-22  
[berlin@preubohlig.de](mailto:berlin@preubohlig.de)

### Düsseldorf

Georg-Glock-Straße 14  
40474 Düsseldorf  
Tel +49 (0)211 513536-0  
Fax +49 (0)211 513536-22  
[duesseldorf@preubohlig.de](mailto:duesseldorf@preubohlig.de)

### Hamburg

Warburgstraße 35  
20354 Hamburg  
Tel +49 (0)40 414299-0  
Fax +49 (0)40 414299-22  
[hamburg@preubohlig.de](mailto:hamburg@preubohlig.de)

### Munich

Leopoldstraße 11a  
80802 Munich  
Tel +49 (0)89 383870-0  
Fax +49 (0)89 383870-22  
[muenchen@preubohlig.de](mailto:muenchen@preubohlig.de)

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

