



C L I F F O R D
C H A N C E

Global Intellectual Property Newsletter
Issue 05/15

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A judgment from the Supreme Court has declared that earlier trade mark owners no longer need to first apply for the declaration of invalidity of a later trade mark in order to prohibit its use by an infringement action, entailing a radical change in the existing case law of the Supreme Court and declaring the end of protective trade marks in Spain. ([Read more](#))

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Trade marks are a strong tool to protect a brand and to counter the use of the same or similar marks by third parties. The General Court of the European Union recently emphasised that in the protection of trade marks even the visual aspects (the stylised elements) of a mark, such as an unusual font, can be of relevance. The sole usage of visual similarities could infringe upon the exclusive rights of a trade mark owner. ([Read more](#))

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A new draft Copyright Bill was presented in the beginning of 2015 by the Slovak Ministry of Culture. This article deals with several changes which, once approved, could introduce a major shift in the current legislation which is in several aspects based in the 1960s. ([Read more](#))

Germany: Necessity and boundaries of witness preparation under German law – Special need for witness preparation in IP litigation? **24**

Although witness preparation is a common tool for US trial preparation, preparing a witness for a hearing in Germany is still unusual. Since the German Civil Procedure Code ("German CPC") does not provide for provisions specifically related to witness preparation, the boundaries of such a procedural approach are still unclear. Against this background, the following article will shed light on the more specific topic of witness preparation in an IP litigation. ([Read more](#))

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Introduction

Welcome to a new issue of Clifford Chance's Global Intellectual Property Newsletter. In this quarterly publication, we provide an overview of the most recent IP developments in major jurisdictions around the world.

In this May issue, we present current topics of interest, including recent or upcoming court decisions and legislation that have moved away from well-established legal principles and, thus, may pave the way for new legal doctrines in the field of intellectual property law. The articles provide an update on recent decisions, including for damage calculation procedures for internet piracy in the Czech Republic, the scope of trade mark protections in Italy and the prerequisite invalidity declarations for trade mark infringement actions in Spain. This newsletter also examines the new legal doctrines that may be on the horizon due to the draft Copyright Bill in the Slovak Republic and the proposed legislative changes related to the mandatory employment rule and availability of punitive damages and compensation amounts in patent disputes in China. Certain articles also feature decisions involving household names like Google and Facebook, including the Spanish High Court's application of the EU Data Protection Directive regarding the "right to be forgotten" in Google searches and the Court of Appeal of Lyon's holding against a trade mark owner's abusive blocking of a competitor's Facebook pages. This newsletter also provides guidance on the legal and procedural advantages and boundaries of witness preparation in German proceedings. Lastly, this month's Industry Highlight gives an overview of the European regulation against misleading food advertising.

Our prior issues of the Global Intellectual Property Newsletter can be retrieved by clicking here: [issue 10/13](#), [issue 2/14](#), [issue 5/14](#), [issue 9/14](#), [issue 1/15](#).

China: Updates on patent compensation amounts and punitive damages

PRC Supreme Court's recent opinions on patent compensation amounts

Seven years after the issuance of the existing PRC Patent Law ("Patent Law"), in January 2015, the PRC Supreme Court ("Supreme Court") aligned its position with the current Patent Law on the calculation of patent compensation amount by revising its previous opinions on patent disputes. Now the Supreme Court and the current Patent Law are on the same page in asserting that:

- the compensation in patent infringement cases should be first calculated based on the actual losses suffered by the plaintiff; and if it is difficult to determine the actual losses, then the compensation could be determined by the profits obtained by the infringer (*the previous Supreme Court's opinions allowed a plaintiff to choose between actual loss and profits*);
- if both the actual loss suffered by a plaintiff and profits obtained by an infringer are difficult to ascertain, the court may determine the compensation by referring to appropriate multiples of the royalties (*the previous Supreme Court's opinions limited the compensation to one to three times of royalties*); and
- when the damages are difficult to calculate by either of the above means, the cap of compensation is raised to RMB 1 million (*the previous Supreme Court's opin-*

ions capped the compensation at RMB 500,000).

However, contrary to the current Patent Law, the Supreme Court still steps further by specifying that the compensation amount may not include reasonable expenses spent by a plaintiff in stopping infringement. Such expenses can be calculated separately in addition to the compensation determined pursuant to the current Patent Law. This means the expenses spent by a plaintiff (e.g., reasonable attorney fees, notarization fees, travel fees, etc.) would not be subject to the RMB 1 million cap set out in the current Patent Law.

for the first time, the PRC governments proposed to introduce punitive damages in a draft Patent Law. That is, in case of wilful patent infringement, a court has discretion to reward punitive damages by doubling or tripling the compensation amount based on the nature, seriousness and extensiveness of the infringement case.

The PRC government and the Supreme Court's recent initiative to increase compensation for damages shows that China now tilts the balance in favour of patentees and encourages patentees to enforce their rights.

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Key issues

- The PRC Supreme Court recently specified that the expenses spent by a plaintiff in stopping patent infringement would not be subject to the RMB 1 million compensation cap set by the current PRC Patent Law, and will be calculated separately in addition to compensations rewarded by the Court.
- For the first time, a newly published draft of the PRC Patent Law introduces punitive damages against wilful patent infringement.

Punitive damage under the draft Patent Law

Under the current legal regime, generally a patentee is "compensated" for his or her actual loss. However, in practice, oftentimes, a patentee may not be sufficiently compensated since the patentee would have to expend more effort and incur more costs to enforce its rights.

To adequately protect a patentee's rights and interests, on 1 April 2015,

China: Case study and updates on employment inventions

To strengthen the portfolio of pipeline products, increasingly more pharmaceutical companies are interested in acquiring or investing in small and innovative companies in China. When making acquisitions of this nature and for this purpose, companies should be mindful that the intellectual property assets of the target company may not automatically transfer to the buyer together with the target company. This pitfall is demonstrated in the following case.

Sibiono v. Peng Zhaohui

The *Sibiono v. Peng Zhaohui* case (Guangdong High Court, 355-359 (2012)) involves a patent ownership dispute between Sibiono, a small innovative pharmaceutical company (controlled by Benda, the majority shareholder and the investor) and Mr. Peng, the founder, a minority shareholder and former chief scientist of Sibiono.

Mr. Peng has engaged in gene study for over 20 years and set up Sibiono in 1998 to develop an innovative anti-cancer drug, Gendicine, which is claimed to be the first gene therapeutic drug in the world. This drug was approved by China Food and Drug Administration under Sibiono's name in 2003, but the Gendicine related patents were filed in the name of Mr. Peng between 2002 to 2005.

Attracted by the great success of this drug, Benda invested in Sibiono and became Sibiono's majority share-

holder in 2006. Soon thereafter, disagreements began to surface between Benda and Mr. Peng. In 2008, Sibiono (controlled by Benda) sued Mr. Peng, alleging that the Gendicine related patents should belong to Sibiono pursuant to the PRC mandatory employment invention rule.

The issue was whether the Gendicine related inventions developed by Mr. Peng should be regarded as employment inventions and hence belong to Sibiono rather than Mr. Peng.

Key issues

- In the PRC, employment inventions belong to an employer upon creation irrespective of any agreement between the employer and the employee. This means that an employment invention automatically vests in the employer upon creation and an employee can only acquire ownership of the invention by assignment.
- To promote innovation, the PRC government has recently proposed to loosen this mandatory employment invention rule by allowing employers and employees to agree on ownership of certain inventions previously falling within the scope of "employment inventions".

The PRC mandatory employment invention rule provides that an employer has rights and titles to inventions created by its employee either (1) by assignment to the employer or (2) as a result of the invention having been created and developed primarily using the employer's facilities and resources.

Both the Guangzhou Intermediate Court and the Guangdong High Court supported Sibiono's claims and decided that Sibiono should own the Gendicine related patents based on the following grounds:

- According to the Co-investment agreement in 1999, Mr. Peng contributed his study achievements to Sibiono in consideration of shares and money compensation.
- The Gendicine related patents were developed by primarily using Sibiono's facilities and resources and were filed with the PRC Patent Office between the period from 2002 to 2005, when Mr. Peng was employed by Sibiono.
- In 2005, Mr. Peng undertook in writing that the Gendicine related patents and patent applications are employment IPs and should belong to Sibiono.

However, in 2014, in an uncharacteristic fashion, the Supreme People's Procuratorate counter-appealed and the Supreme Court remanded this case to the Guangdong High Court. The case is now pending rehearing by the Guangdong High Court in the near future.

One of the issues the Guangzhou High Court may need to reconsider is whether the disputed inventions should be regarded as completed before Mr. Peng set up Sibiono; and whether the activities conducted by Mr. Peng during his employment (e.g., pre-clinical studies, clinical studies and application for market authorization of Gendicine) would be deemed as merely for the purpose of the testing, validation and commercialization of the disputed inventions.

The PRC Supreme Court is of the view that an invention developed using an employer's resources and facilities for validation and testing should not be deemed an employment invention. Notably, one of the

recent regulations on employment inventions echoes this judicial opinion.

PRC recent legislation effects on employment invention

Since a significant number of the patents in China are in the nature of employment inventions (e.g. 71% of the patent applications in 2014 were employment inventions), to encourage innovation, the PRC government takes the view that more rights to employees should be afforded by legislation.

The draft Regulation on Employment Invention published by the PRC government in April 2015 affirms the above PRC Supreme Court's position and further specifies procedures on determination of the employment invention, calculation of compensation to inventors, rights, obligations, and remedies of employers and employees, etc.

Moreover, in the meantime, the PRC government published a draft of the PRC Patent Law this April for public comments, which elaborates on employment invention related issues. This draft provides that only inventions created by an employee under an employer's assignment would be regarded as employment inventions. An employer and an employee may agree upon the ownership of the inventions (i.e. patent or patent application) created primarily using the facilities and resources of the employer. If there is no agreement, the inventor (probably the employee) should have the rights to the inventions (i.e. patent or patent application).

Pending the outcome of the Guangdong High Court decision and the development of the recent proposed legislative changes, companies are advised to include assignments of employment inventions and works in employment contracts. Given the uncertainty surrounding the validity of assignments of future IP under Chinese law, companies should put in place confirmatory assignments when

the invention or work comes into existence. Further, when acquiring or investing in a Chinese company, buyers or investors are advised to check how the target IPs are developed, acquired and agreed between relevant parties, and to identify and resolve any potential issues at an early stage.

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Spain: Making Google forget you

If, some months ago, you entered the name Mario Costeja in the Google group search engine ("Google Search"), you would have obtained links to two web pages of a Spanish newspaper called La Vanguardia dated 19 January and 9 March 1998, respectively. These pages referred to Mr. Costeja in relation to a real-estate auction in attachment proceedings for the recovery of social security debts. If you carry out the same search today, you will obtain results for several articles regarding Mr. Costeja's victory in defence of the so-called right to be forgotten. In addition, at the foot of the page, you may see the following note: *"Some results may have been removed under data protection law in Europe"*.

Introduction

In 2010, Mr. Costeja lodged a complaint with the Spanish Data Protection Agency (the "AEPD") against both, La Vanguardia and Google Spain and Google Inc. (collectively, "Google"), stating that attachment proceedings concerning him had been resolved many years ago and that reference to them was now entirely irrelevant. Therefore he requested the AEPD (i) to order La Vanguardia to remove or alter those pages and (ii) to order Google to remove or conceal the personal data relating to him.

The AEPD rejected the complaint against La Vanguardia, finding that its publication of the information in question was legally justified, but upheld it in relation to Google. Google appealed the AEPD's decision before

the Audiencia Nacional (Spanish National High Court) to have the decision annulled.

The Audiencia Nacional stayed the proceedings and sought guidance from the Court of Justice of the European Union ("CJEU") regarding the interpretation of Directive 95/46/EC on Data Protection (the "Directive").

The questions referred to the CJEU can be grouped into three sets of issues.

The material scope of application of the Directive

By means of these questions, the Audiencia Nacional wanted to know (i) whether the activity of a search engine consisting of finding information published or placed on the internet by third parties, indexing it automatically, storing it temporarily and making it available to internet users in a particular order of preference must be classified as processing of personal data when the information contains personal data and (ii) whether the search engine which carries out such activity is a data controller. The CJEU concluded that a search engine which locates, indexes, stores and makes available personal data carries out personal data processing and that the operator of the search engine must be regarded as the data controller of such processing as it is the party who determines the purposes and means of the processing of personal data.

The territorial scope of application of the Directive

The Audiencia Nacional also asked the CJEU whether the national law (implementing the Directive) applied to the activity carried out by the search engine. We need to take into account that Google Search is operated by Google Inc., which is the parent company located in the United States. Such company uses its subsidiary Google Spain to promote the

sale of advertising space offered by that engine.

The CJEU concluded that national law was applicable. In its reasoning, the CJEU concluded that the processing of personal data by a search engine, which is operated by an entity located in a non-Member State but that has an establishment in a Member State, is carried out *in the context*

Key issues

- Information made available on the internet may give rise to a clash between specific fundamental rights: the right to respect for private life and the protection of personal data versus the right of access to information.
- A Spanish Court recently applied the CJEU legal doctrine recognising that, under certain circumstances, the right to be forgotten will prevail over the legitimate interest of internet users in having access to that information, as well as over the economic interests of the operator of the search engine.

of the activities of that establishment if the latter is intended to promote and sell, in that Member State, advertising space offered by the search engine serves to make the service offered by that engine profitable. Therefore, the Directive applies.

This was justified by the fact that there is an inextricable link between the activity of the search engine operated by Google Inc. (in a non-Member State) and the activity of Google Spain (in a Member State), since the activities relating to the advertising space constitute the means of rendering the search engine at issue economically profitable and that engine is, at the same time, the means enabling

those activities to be performed. Moreover, if the Directive did not extend to this case, then its enforceability would be compromised and the protection of EU citizens' fundamental rights would be undermined.

The existence of the right to be forgotten under existing data protection rules

In the last set of questions, the Audiencia Nacional wanted to know whether the rights to erasure and blocking of data and the right to object established in the Directive extended to the so-called right to be forgotten. The CJEU recognised the right to be forgotten of the data subjects and, therefore, concluded that data subjects can require the operator of a search engine to remove from the list of results displayed, following a search made on the basis of his name, links to web pages published lawfully by third parties and containing true information relating to him.

In order to apply the right to be forgotten, which is not an absolute right, there is a need to balance on the one hand, the right to respect for the private life of the data subjects and the right to protection of their personal data and, on the other hand, the legitimate interest of internet users in having access to that information as well as the economic interests of the operator of the search engine. The CJEU established that data subjects' fundamental rights override, as a rule, not only the economic interests of the operator of the search engine but also the right of access to information of the general public. However, this would not be the case if the information concerned a public figure because the interference with his fundamental rights is justified by the preponderant interest of the general public in having access to this information.

Conclusion

As a result of the CJEU decision, the Audiencia Nacional handed down a judgment on 29 December 2014, which required Google to remove from the list of results the aforementioned links, recognising the existence of a right to be forgotten.

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France: A court sanctioned the owner of a fraudulent trade mark registration for having requested Facebook to block the [public's] access to one of its competitor's pages

On the basis of its trade mark registration, Spiruline Sans Frontière ("SSF") reported an infringement of its trade mark rights on Facebook and initiated a domain name dispute resolution procedure called Syreli before the AFNIC (the French State-appointed Registry for the management of domain names with.fr) against one of its competitors, Mr. Casal. As a consequence, Mr. Casal brought an action before the civil courts on the grounds of his earlier domain name, and requested the assignment of the fraudulent trade mark registration. The first instance judges ordered the assignment of the fraudulent trade mark to Mr. Casal and the payment by SSF of damages for the loss suffered. The judgment was confirmed in appeal on 18 December 2014.

The judicially-compelled assignment of the fraudulently registered trade mark

On 4 March 2013, SSF filed a trade mark application for "Village Spiruline" for goods identical with and/or similar to those marketed by Mr. Casal on his website, which domain name was registered on 11 September 2011. Pursuant to Article L. 711-4 of the French Intellectual Property Code (the "French IPC"), "*Signs may not be adopted as trade marks where they infringe earlier rights*". French case law applied this Article for earlier rights including of domain names. Furthermore, Article L. 712-6 of the French IPC provides for the possibility for any person who believes he has a right in a fraudulently registered trade mark to claim ownership by legal proceedings.

The Court of Appeal ruled that several factors can be taken into account to assert that a fraud occurred, which were evaluated in this case. First of all, SSF was necessarily aware of the existence of Mr. Casal's earlier domain name before applying for its own trade marks, since the parties operated in a niche market (in the area of spirulina, commonly used as a dietary supplement). Second, SSF did not justify its trade mark application by any business strategy; moreover, it admitted that it did not use the trade mark in question. Finally, it was found that SSF's trade mark was registered shortly before instituting out-of-court procedures, i.e. the Syreli procedure to request the assignment of a domain name and the Facebook notice/takedown procedures to block access of an infringer's pages, in both instances mainly to harm its competitor.

The Court of Appeal concluded that this registration was fraudulent and ordered the transfer of ownership of the relevant trade mark to Mr. Casal.

Key issues

- When obtained fraudulently, a trade mark registration can be assigned to the earlier rights holder, even if this earlier right is that of a domain name.
- A trade mark owner's abusive use of the notice and takedown procedures implemented by Facebook can be sanctioned by a court.
- When calculating commercial loss, a judge can take into account the loss suffered by a website owner from the decrease in Google rankings of its website, partly due to the removal of its Facebook pages.

The abusive use of out-of-court procedures

As previously mentioned, SSF first initiated a Syreli procedure before the AFNIC against Mr. Casal. Pursuant to Article L. 45-6 of the French Postal and Electronic Communications Code, a trade mark owner may require the AFNIC to provide an assignment in his favour of a domain name, which infringes his earlier trade mark rights. In practice, many trade mark owners attempt to take advantage of this provision when they do not manage to buy a domain name from one of their competitors, by making false cybersquatting claims against them, while they are well aware that the domain name has been registered in good faith. This practice aims at intimidating the competitor and is accordingly sanctioned by Rule 15 (e) of the Uniform Domain Name Dispute Resolution of the Internet Corporation for Assigned Names and Numbers ("ICANN") pursuant to the following language: "*if after considering the submissions the Panel finds that the*

complaint was brought in bad faith, for example in an attempt at Reverse Domain Name Hijacking or was brought primarily to harass the domain-name holder, the Panel shall declare in its decision that the complaint was brought in bad faith and constitutes an abuse of the administrative proceeding." Such practice is, however, not sanctioned in terms of damages by the Syreli procedure. In this case, the Court of Appeal judges decided that SSF had civil liability and ordered it to pay corresponding damages to Mr. Casal.

SSF then submitted to Facebook a notification of illegal content, which resulted in the blocking of two Facebook pages operated by Mr. Casal. The French law on Confidence in the Digital Economy ("LCEN") imposed on hosting providers (including Facebook) a duty to remove any litigious content or render its access impossible if an alleged infringement of an intellectual property right is found. To comply with this obligation, Facebook implemented notice and takedown procedures in order to block the access to litigious pages until evidence of the lawful nature of their content is provided.

The Court of Appeal ruled that SSF had resorted to wrongful means by (i) filing a trade mark application for the sole purpose of harming its competitor and (ii) using its registration to hinder the activities of Mr. Casal, notably by obtaining a takedown of its competitor's Facebook pages and initiating a Syreli procedure with the sole aim to pose a threat to its competitor.

Compensation for the abusive blocking

The Court of Appeal considered that as the Syreli procedure was dismissed, Mr. Casal did not suffer any damage. The blocking of the Facebook pages, on the contrary, did induce harm since, according to the Court, "*for almost a year, he suffered a loss of the visibility he enjoyed up to that time*". It was noted that, following

the removal of Mr. Casal's Facebook pages, the ranking of his website went down in Google results and a decrease in the websites' attendance was calculable.

This loss was directly caused by SSF's wrongful act, namely its request to block the Facebook pages even though it was aware that the content was not infringing its alleged trade mark rights.

The Court of Appeal awarded Mr. Casal 20,000 Euros in damages, and notably took into account the turnover generated before the removal of his Facebook pages. Moreover, the court ordered SSF to pay Mr. Casal 5,000 additional Euros on the ground of non-material prejudice.

This decision has significant practical importance. It suggests to other courts that they may take into account the attendance rate of social networks pages and the information therein to demonstrate the importance of the investments made by the injured party and to reward correspondent damages.

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Czech Republic: The Supreme Court on calculation of damages caused by illegal sharing of copy- righted works

The Supreme Court's decision of 8 October 2014, 5 Tdo 171/2014 (the "Decision") has departed from the well-established approach of the Czech courts to the calculation of damages caused by the illegal sharing of copyrighted works. Prior to the Decision, the courts had commonly employed a method of calculation that consisted of the multiplication of the number of illegally downloaded/streamed works by the retail price of the CD or DVD carrier applicable at the time the work was downloaded/streamed. It is extremely important that the final sum of damages is precisely calculated as, not only is this final sum the subject of reimbursement, but it also influences the criminal sentence imposed on the person guilty of infringing the copyright (the higher the damages, the more severe the sentence is likely to be). The order to reimburse the damages can be made either as part of criminal proceedings (in the so-called "adhesion proceedings") or in separate civil proceedings. Although the Decision was made in criminal proceedings, it is also relevant for any future separate civil proceedings.

Details of the case

In this particular case, the defendant made more than 400 copyrighted audiovisual and musical works available to the public, without acquiring the prior consent of the copyright distributors, before uploading them to two freely accessible file hosting servers and subsequently posting the links on several public forums. The municipal court in Brno (the "Municipal Court"), as the court of first instance, concluded that these actions caused damages to the legitimate distributors in the form of lost profit, due to the reduction in sales of the legal DVD and CD carriers. When assessing the amount of lost profit, the court fully accepted the reasoning of both the distributors and the public prosecutor and continued with the established practice of simply multiplying the retail price of the legal carriers by the number of illegal downloads made by users of the file hosting servers. The Municipal Court determined that the damages amounted to CZK 11,041,514 (approximately EUR 400,000). This amount was, therefore, the basis for the criminal classification as well as the reimbursement of damages awarded during the adhesion proceedings. The defendant appealed and argued that this amount was not correct, as the claimant had not proved that each user who had illegally downloaded the work would otherwise have purchased a legal retail copy. Nonetheless, the regional court in Brno, as a court of appeal, rejected the defendant's appeal and stated that the damages had been determined in accordance with the findings presented in the case.

The Supreme Court's decision

The Supreme Court, however, clearly rejected the arguments of both lower courts when it declared that determination of damages can only reflect proven loss of profit. It further stated that it is not possible to base this determination on unrealistic assump-

tions, or even on purely hypothetical considerations as had happened in this case. The court of first instance had not gathered sufficient support for the conclusion that the defendant's actions had, in any way, affected retail sales of the legal copies of the works, much less for the conclusion that the number of legally sold copies of the works had been reduced by the number of illegally downloaded copies. The Supreme Court further noted that copyright infringement claims are also regulated at the European level, specifically by Recital 26 and Article 13 of the Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights (the "Directive"), which is implemented by Section 40(4) of the Copyright Act. Under the Directive (and the Copyright Act), the calculation of reimbursement must take into account all appropriate aspects of the damage. In cases where this is not possible (or is only possible with major difficulties), the Directive

- The Supreme Court has departed from the established method for calculation of damages caused by internet piracy, i.e. the multiplication of the number of illegally downloaded/streamed works by the retail price of the CD or DVD carrier.
- The Supreme Court emphasized that it is essential to determine the factual loss of profit caused to the copyright distributors by the illegal actions.
- The calculation should be carried out by an expert in the field of economy, prices and valuations, specialising in intellectual property, which should take into account the specific conditions of online distribution.

provides for an alternative method of determination, i.e. through “hypothetical licence fees”. However, the alternative option cannot be used for the purposes of criminal proceedings where the determination of damage is a key factor influencing the severity of the sentence (such as in the case of decisions of the Municipal Court).

The Supreme Court also emphasized that the decisions of the lower courts had not taken into account the conditions under which Czech internet users normally approach the use of legal copies of audiovisual and musical works. For instance, in the Czech Republic there are many pay-per-view providers, some of which offer streaming for fees which are negligible in comparison with the retail prices of CD or DVD carriers. It is therefore unacceptable to equate damages caused by the download of an illegal copy of an audiovisual or musical work with the price of its retail CD or DVD carrier as this is not the only form in which such work may legally be obtained.

The Supreme Court therefore annulled the decisions of both courts, returned the matter to the Municipal Court, and ordered it to appoint an expert in the field of economy, prices and valuations, specialising in intellectual property, who (if possible) will determine the loss of profit caused to the copyright distributors by the defendant's illegal actions. This expert evaluation should take into account the specific conditions of online distribution as well as the fact that at that time the works were already accessible through other file hosting servers. In this case the expert should evaluate the minimum amount of lost profit based on the revenue the copyright distributors would have received if they themselves had made their works accessible through the internet under similar circumstances. The Municipal Court has not yet decided in this matter.

Conclusion

Although the Decision is not binding on other courts in different legal proceedings, the common practice is that lower courts follow the Supreme Court's decisions. Therefore, the conclusions of the Supreme Court will presumably change current judicial practices in the field of the illegal sharing of copyrighted works. As a result, the calculation of damages caused by copyright infringement should reflect only the proven loss of profit and take into account the conditions under which Czech internet users normally approach the use of legal copies of audiovisual and musical works.

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Spain: Trade mark holder's *ius utendi* can no longer be opposed to trade mark infringement actions from earlier trade mark owners: the extinction of protective trade marks

Until the Spanish Supreme Court ("Supreme Court") issued its Judgment of 14 October 2014, any time a trade mark owner wanted to file a trade mark infringement action before Commercial Courts against a third party using a similar or identical sign, which at the same time was protected by a later trade mark right, it was necessary for the claimant to first apply for a declaration of invalidity of such later registered sign. This could be done either by filing a nullity action prior to the infringement action or, more commonly, by filing both actions simultaneously.

The justification for the above lied in the Courts' understanding that as long as the alleged potential infringing use was afforded trade mark protection (i.e. the sign used by the third party was protected by a trade mark), such use could not

infringe a prior trade mark right, since the third party was entitled to such use as a result of the trade mark protection. As long as the nullity of the later trade mark was not declared, "the right to use the trade mark" or "ius utendi" recognised to trade mark owners impeded the recognition of infringement.

This "ius utendi" or "exclusive right to use" is expressly included in Article 34 of the current Spanish Trade Mark Act, which establishes that "the registration of a trade mark grants its owner the exclusive right to use it in the course of trade". Similar wording can be found in the former Spanish Trade Mark Act.

As a result of the above, trade mark registrations could be invoked against trade mark infringement actions, unless a declaration of invalidity was requested, and Spanish Courts rejected those infringement complaints where earlier trade mark owners failed to first apply for the nullity of the later registered signs.

Judgment no. 520/2014 of the Spanish Supreme Court (Civil Chamber) of 14 October 2014

In this case, the German company Denso Holding GmbH & amp Co. ("Denso GmbH"), as the owner of the international trade mark "DENSO", and its Spanish subsidiary Denso Química, S.A. filed an infringement action against their former partner and distributor Denso Pla y Cia, S.L. ("Denso Pla") for the use by such entity of the word Denso. Denso Pla had been collaborating with Denso GmbH since the 1950s, and had obtained a licence to manufacture

and sell products under the Denso trade mark, registering also in its name the trade marks "Denso" and "Productos Denso". In 2002, the commercial relationship between these companies ended. However, Denso Pla continued to use the Denso trade mark on the market. For this reason, an infringement action was filed.

The Barcelona Commercial Court dealing with this case in the first instance dismissed the complaint on the grounds that the defendant, as the owner of two Denso trade marks, was entitled to use them on the market and that the plaintiff had not applied for a declaration of invalidity of these trade marks. This decision was confirmed by the Barcelona Court of Appeal.

Denso GmbH filed an appeal before the Supreme Court stating, among other arguments, that such conclusion would not be compatible with Directive No. 2008/95/EC of the European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks ("Trade Mark Directive") and the requirement of uniform protection for trade marks in all Member States.

In its Judgment of 14 October 2014, the Supreme Court, after establishing the existing case law until that moment regarding infringing actions against later trade marks, concluded that such case law had to be changed in order to allow trade mark owners to file infringement actions against later trade marks without the need to previously request their invalidation.

The Supreme Court based its reasoning on the Judgment issued by the European Court of Justice in case C-561/11, which replied to a request for a preliminary ruling concerning the interpretation of Article 9 (1) of Council Regulation No 207/2009 of 26 February 2009 on the Community trade mark (the "Regulation"). The Judgment concluded that the exclusive right of the proprietor of a Community trade mark ("Ctm") to prohibit all third parties from using, in the

Key issues

- Earlier trade mark owners are no longer required to first apply for the nullity of a later trade mark in order to file an infringement action against the use of such trade mark.
- Protective trade marks will no longer be accepted by Spanish Courts.

course of trade, signs identical or similar to its trade mark extended to a third party proprietor of a later registered Ctm without the need for that latter mark to have been declared invalid beforehand.

Although the Supreme Court recognised that such decision referred to Ctm owners, it concluded that Articles 9 and 12 of the Regulation were substantially similar to those contained in the Trade Mark Directive which are to be considered when interpreting national law. Therefore, in order to avoid an inconsistent level of protection conferred to earlier trade mark owners among different Member States, it was necessary to change the current case law in order to recognise the possibility for earlier trade mark owners to prohibit third parties from using similar or identical signs registered as later trade marks without requesting nullity thereof in advance.

Conclusion

As of the Judgment of 14 October 2014 from the Supreme Court, earlier trade mark owners are no longer required to first apply for a declaration of invalidity of a later trade mark in order to file an infringement action. This implies the end of the protective trade marks as is already the case with patents and designs whose regulations expressly foresee the impossibility of invoking a patent/design right against infringement actions.

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Italy: Two recent decisions of the Court of Cassation: scope and limits of trade mark protection

The qualification of a trade mark as a strong or weak trade mark is part of the traditional legal reasoning, but what ultimately matters in trade mark infringement disputes is the question of appropriation of the trade mark identity causing a risk of confusion or association.

In judgment no. 1861/2015, the Italian Court of Cassation affirmed the protection of “weak” trade marks based on the doctrine of “secondary meaning”. The panel held that a weak sign must have a minimum degree of original distinctiveness. In the trade mark *Divani & Divani*, where “divani” means “sofas” (and does not have original distinctiveness), the minimum degree of originality requirement is satisfied by the simple repetition of a common sense word. The extensive use and well-established reputation allow an originally weak mark to gain the same protection as originally strong marks so that the trade mark will obtain protection against signs that, albeit different, reproduce the dominant elements of the earlier mark.

In judgment no. 3118/2015, the Italian Court of Cassation denied protection of the “strong” (and well-known) trade mark *Valentino* against *Giovanni Valentino*. Alt-

hough *Valentino* had been regarded as a “strong” trade mark in view of its original distinctiveness (a fanciful name), the protection was denied, as the Court did not find in the supposed infringement trade mark any appropriation of the identity or of the ideological significant core of the earlier “strong” trade mark.

Divani & Divani v. Divini & Divani

Natuzzi, the holder of the national and community trade mark “*Divani & Divani*”, petitioned the Court of Bari in southern Italy for an order to stop the use of the trade mark “*Divini & Divani*” for sofas and armchairs on the basis of trade mark infringement and unfair competition law.

Divini & Divani is a phonetically similar trade mark; however, the underlying concept is different as the word “divini” has its own meaning, namely “divine”.

The trial and appeal courts dismissed the claimant's allegations, stating that: i) “*Divani & Divani*” is a weak trade mark, because it consists of a word in common use; ii) the repetition of the word “*Divani*” could not meet the prerequisite of original distinctiveness; and iii) the commercial dissemination and advertising of the “*Divani & Divani*” trade mark could not transform it from a weak into a strong trade mark.

Natuzzi appealed the unfavorable decision before the Supreme Court which reversed the Court of Appeal concluding that: i) the protection of weak marks is not limited to pure identity infringement; and ii) the doctrine of “secondary meaning” applies when originally weak trade marks have acquired distinctiveness and strength through widespread use.

According to the Supreme Court, a weak trade mark can therefore be protected against variations which are unable per se to exclude likelihood of confusion with the central elements of

the earlier trade mark, representing its “identity”.

Further, it is necessary to verify in fact if the “*Divani & Divani*” trade mark had, in and of itself, built up such a distinctive force as to obtain recognition of its strengthened capacity as a result of its widespread use in Italy.

A new assessment in fact will be now carried out by a different division of the Court of Appeal of Bari, on the basis of these principles in law.

Valentino v. Giovanni Valentino

Valentino S.p.A. was founded by the popular designer *Valentino Garavani* and several years ago the company sued *Florence Fashion Jersey Ltd* in order to obtain a declaration of nullity on the ground of lack of novelty of the trade mark “*Giovanni Valentino*”, consisting of a stylised letter “V” in an oval comprising a letter “G”.

The trial and appeal courts of Milan qualified *Valentino* as a “strong” trade mark.

This assessment is a matter of fact and cannot be challenged before the Supreme Court.

The Supreme Court clarified however

Key issues

- The qualification of a trade mark as a strong or weak trade mark is part of the traditional legal reasoning, but what ultimately matters in trade mark infringement disputes is the question of appropriation of the trade mark identity causing a risk of confusion or association.
- The statement “appropriate identity and ideological core of the earlier trade mark” seems to ultimately indicate, in fact, the act of parasitism.

that the degree of the modification adopted is not the key point to establish whether an infringement has been committed or not.

Slight modifications or larger modifications can equally alter the substantial identity of two trade marks, depending on the case.

In the case under consideration, the Supreme Court ruled that the trade mark registered by Florence Fashion Jersey Ltd was characterized by a diverse composition which makes it distinguishable as a whole, not only as a result of detailed assessment, but also on a **concise assessment** in view of all the main graphic and visual elements.

Further, the Court has clarified that the consumer of luxury products is in general more attentive to differences than similarities.

The scope of trade mark protection

These two decisions, read together, seem to contradict well-established principles on the doctrine of weak and strong trade marks.

Protection has been denied for a strong trade mark, and a weak trade mark seems close to obtaining protection, even beyond the pure identity infringement.

The current doctrine that can be inferred from these precedents is that the abstract and *a priori* classifications of trade marks – largely adopted by Italian courts – does not provide clear guidance in reaching the right decision. The right decision is made by investigating the real intention to associate with the trade mark, especially if it is well-known. Indeed, attempts which can be described as parasitic acts are punished. The statement "appropriate identity and ideological core of the earlier trade mark" seems to indicate, in fact, the act of parasitism.

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European Union (CJEU): The importance of visual similarities between marks

Modern Industrial & Trading Investment Co. Ltd ("Mitico") filed an application to register a trade mark for several food and beverage products, including non-alcoholic drinks. The logo Mitico filed consisted of the word 'Master' and an Arabic text (as shown below).



The Coca-Cola Company ("Coca-Cola") opposed the application on the basis of its earlier Coca-Cola marks including the logo. Coca-Cola argued that Mitico's proposed logo would lead to confusing similarity and free riding.

The OHIM (two instances)

The Office for Harmonization in the Internal Market (the "OHIM") and its Board of Appeal dismissed the opposition on the basis that there was no likelihood of confusion for consumers and no unfair advantage could be taken of Coca-Cola's reputation, as there is no similarity and no link between the marks.

The General Court's order

Coca-Cola appealed further to the General Court, stating that the marks were sufficiently similar and the use of Mitico's mark would therefore take unfair advantage of their reputation and should be refused under article 8 (5) of Council Regulation (EC) No. 207/2009 of February 26, 2009, on the Community trade mark (the "CTM Regulation").

According to article 8 (5) of the CTM Regulation a trade mark holder can oppose to a registration of a mark which is identical with, or similar to its earlier trade mark and is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered, provided that this earlier trade mark has a reputation in the EU Community or in a Member State and where the use without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

Accordingly, the General Court considered the following conditions when assessing applicability of article 8(5) of the CTM Regulation to this case:

- Similarity of the marks;
- The reputation of Coca-Cola's earlier marks; and
- The risk that the use without due cause of Mitico's mark would take unfair advantage of, or be detrimental to, the distinctive character or the repute of Coca-Cola's earlier marks.

The General Court noted that the existence of similarity between the marks is the first condition for application of article 8(5) of the CTM Regulation; no link can be established in the absence of similarity between the marks. It is settled case-law that two marks are similar when they are at least partially identical as regards their visual, aural and conceptual aspects. The perception of the average consumer who looks at the over-

Key issues

- When registering a word mark, it is important to also register such trade mark in its stylised format (e.g. the visual aspects) for trade mark protection.
- Evidence showing the intended commercial use of the trade mark applied for can be used to show free-riding of a reputed trade mark when opposing the registration of the trade mark application.

all impression hereby plays a decisive role.

The General Court assessed (i) the visual comparison between the marks, (ii) the overall impression of the signs, taking into account the visual, aural and conceptual aspects, and (iii) the consequence of this assessment for the trade mark application by Mitico.

The General Court found that, although there are visual differences, there is a certain degree of visual similarity between the marks, namely the 'tail' flowing from the first letters ("M" and "C" respectively) and their shared use of the same font. Mitico had chosen to use the same font (Spenserian script) as Coca-Cola, which is not a commonly used font in contemporary business life.

The General Court found this low level of similarity to be sufficient for the relevant public to make a connection between the marks, taking into account that the underlying products are sold in self-service stores.

Visual similarity is more significant for food and beverage products sold in self-service stores as compared to products that are sold orally (where aural similarity is of greater importance). Consumers in self-service stores or supermarkets primarily rely on the image placed on the product. In these circumstances, visual simi-

larities are of greater importance than (the absence of) aural and conceptual similarities.

Based on the aforementioned considerations, the General Court concluded that there is a potential risk that the relevant public will establish a link between the marks.

The General Court therefore redirected the case to the OHIM's Board of Appeal to re-examine the conditions for application of article 8(5) of the CTM Regulation, taking into account the General Court's finding that the relevant public might establish a link between the marks on the basis of the (low) level of similarity. The Board of Appeal should therefore now consider whether there is a risk that Mitico's mark would take unfair advantage of, or be detrimental to, Coca-Cola's reputation.

Evidence of Mitico's mark's commercial use

Part of Coca-Cola's appeal related to the fact that the Board of Appeal had rejected evidence regarding the commercial use of the mark by Mitico, consisting of the following screenshots:



The General Court stated that the provided evidence constitutes relevant evidence for the purpose of establishing the risk of free-riding in this case and that the Board of Appeal had erred by not considering this evidence.

When re-examining the case, the Board of Appeal should also evaluate the evidence relating to the commer-

cial use of the mark applied for, into account.

Further to this case, it follows that for similarity of trade marks, overall visual appearance for food and beverage products is as important as individual word elements.

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INDUSTRY HIGHLIGHT: European regulation against misleading food advertising

With the aim to protect consumers from misleading and deceptive advertising, food labelling and advertising in the European Union ("EU") is subject to strict legal standards. These notably include provisions that require scientific reliability of all health and nutrition-related claims on foods.

General rules against misleading advertising

Pursuant to Directive 2006/114/EC, misleading advertisements are prohibited, which are defined as any advertising that in any way deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behaviour or, for those reasons, injures or is likely to injure a competitor.

Similarly, Directive 2005/29/EC particularly prohibits misleading commercial practices. It regards a commercial practice as misleading and, thus, illegal if it contains false information and is therefore untruthful or in any way deceives or is likely to deceive the average consumer (even if the information is factually correct) in relation to, e.g., the main characteristics of the product (such as its composition, ingredients, date of manufacture, etc.), and if in either case it causes or is likely to cause the consumer to take a transactional decision that he would not otherwise have made. An equivalent approach is taken for any such misleading omission.

Specific rules on nutrition and health claims made on foods

By adopting the Regulation (EC) No 1924/2006 on nutrition and health claims made on foods, the EU legislator was particularly aiming to ensure that nutritional and health claims on foods are truthful, clear and reliable. On food labels and in advertisements, consumers were henceforth to be provided with all relevant information without restriction so as to be protected against any misleading statements (special provisions apply where alcoholic beverages are concerned).

In this pursuit, the European legislator heralded a paradigm change: by virtue of Regulation (EC) No 1924/2006, nutrition and health claims in food labelling are now prohibited unless explicitly allowed. These claims shall be substantiated by generally accepted scientific evidence and be explicitly authorised by the European Commission ("EC") after previous scientific review by the European Food Safety Authority ("EFSA"). Further, the use of nutrition and health claims shall not (i) be false, ambiguous or misleading, (ii) give rise to doubt about the safety and/or the nutritional adequacy of other foods, or (iii) encourage or condone excess consumption of a food, among other specifications.

Along with the above Regulation, the European Parliament and the Council therefore first adopted a list of permitted *nutrition* claims together with specific requirements governing their use. The list is mainly based on the terms of use that had already been agreed on internationally and defined in Community provisions (such as "sugar-free" or "low-fat"). Similarly, *health* claims (e.g., "lowers cholesterol levels" or "promotes bone growth") are

also prohibited unless they satisfy the requirements of the Regulation (EC) No 1924/2006 and were included in the list of permitted health claims within the meaning of Article 13 and 14 of the Regulation.

In view of the great number of potential health claims, the European legislator did not define the corresponding Community lists at the same time as it adopted Regulation (EC) No 1924/2006. In order to give both consumers and the food industry sufficient legal certainty and clarity regarding the health claims to be permitted, the Regulation provided for a stringent timetable in this regard. In so doing, it left the food industry limited scope for participating in compiling the list. Thus, interested companies had to apply to the competent national authorities for any health claims they wanted to see included.

However, the competent authorities of the Member States forwarded more than 44,000 applications for authorisation of health claims to the EFSA, thus exceeding any expectations of the European legislator. Realising that the original deadline had long passed, the EC later announced that the list pursuant to Article 13 Para. 1 of the Regulation was now to be drawn up in two stages. First, a compilation of health claims for all substances except "botanicals" should be adopted, the EFSA's related opinions for which should be finalised by the end of June 2011. In justifying these changes, the EC referred *inter alia* to alleged delays on the part of the respective applicants in submitting authorisation applications for review. Instead of admitting that implementing the Regulation within the planned timeframe was just too ambitious given its own initial misjudgement, the Commission put the blame for the delay on the food industry alone. The EC therefore decided to take a "pragmatic" approach

and adopt the Community list of permitted health claims in steps in an attempt to protect consumers from unsubstantiated nutritional claims relating to foods.

Eventually, Commission Regulation (EU) No 432/2012 established a first list of permitted health claims made on foods, other than those referring to the reduction of disease risk and to children's development and health. The Regulation applied only as of 14 December 2012 which gave food companies a brief transition period for adapting their product labelling and advertising. Nevertheless, at that time only 222 out of a total 1,719 health claims were in fact authorised for that purpose. Afterwards, the EC subsequently authorized or rejected, step by step, further applications.

Potential grounds for action

Surprisingly, food business operators largely accepted the decisions taken by the EC and did not launch court challenges on the non-authorisation of health claims on foods. In principle, this was possible by lodging an action for annulment before the European Court of Justice ("ECJ") as per Article 263 Para. 4, 256 of the Treaty on the Functioning of the European Union ("TFEU"). Based on the previous situation of legislation (Article 230 Para. 4 EC Treaty, old version), legal acts of the European bodies applying generally could only be challenged by way of action for annulment if such acts were of direct and individual concern to such claimants. This legislative approach presented difficulties in the case of regulations which, although always directly applicable, do not as a general rule concern people individually because they apply to everyone.

The decisive question in this regard is whether the EC's regulations on

the non-authorisation of health claims are also covered by Article 263 Para. 4 TFEU. The ECJ has repeatedly ruled that the European treaties grant citizens and companies within the EU comprehensive and effective legal remedies. This applies in particular to those provided under Article 263 Para. 4 TFEU. As a result, the "regulatory acts" specified they must cover all acts of the European bodies claiming to be binding as well as generally and directly applicable in the Member States. Accordingly, all legal acts may be challenged by way of action for annulment according to the provisions of Article 263 Para. 4 TFEU. Moreover, the recitals of the Regulation expressly clarify that it is concerned with *individual* and *specific* authorisation applications for health claims on foods, and pursuant to Article 15 *et seq.* of Regulation (EC) No 1924/2006, applicants are also explicitly granted their own rights to participate and be heard in the authorisation procedure. Therefore, the EC's regulations by which the authorisation of health claims are refused must be capable of being challenged through an action for annulment.

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Key Issues

- Advertisements and commercial practices are considered misleading where they are likely to deceive the average consumer so as to affect his economic behaviour.
- Nutrition and health claims on foods are prohibited unless explicitly allowed.
- Any nutrition and health claims on foods need to be backed up by generally accepted scientific evidence and comply with further specifications as set out in the relevant regulations.
- Only a very limited number of claims have been permitted and put on the Community lists due to several delays in the application process.
- Non-authorisation of health claims on foods seems likely to be capable of being challenged by way of court action before the ECJ.

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United Kingdom: EU-wide injunctions for CTM infringement: The UK perspective


One advantage of a Community Trade Mark (CTM) is that it provides its owner with a uniform right which is enforceable in all EU Member States. Another advantage is the potential opportunity to obtain an EU-wide injunction to restrain further or threatened infringement.

In 2011, the CJEU made clear in Case C-235/09 DHL v Chronopost that an injunction to prevent infringement or threatened infringement "as a rule" must cover all of the geographical area of the EU (at [44]). There were two reasons for this conclusion (at [45]). First, the unitary character of a CTM necessitated that a CTM received uniform protection throughout the EU. Second, there was a risk of inconsistent decisions if successive actions were brought which involved the same parties, the same CTMs and the same acts of alleged infringement in different EU Member States. However, at the same time, the CJEU also suggested that in particular situations, the geographical scope of an injunction to restrain infringement or threatened infringement may be limited (at [46]). For instance, the CJEU stated that the territorial scope must be limited if a claimant has restricted the territorial scope of its action or if the defendant proves that the use of the sign in issue does not affect or is not liable to affect the essential functions of the trade mark (at [48]).

The practical application of these comments in the UK came to be considered by Arnold J in the recent

dispute between the rental car market rivals Enterprise and Europcar. Since 1994, Enterprise had used a logo

consisting of a stylised "e" , both as part of the word ENTERPRISE and by itself. In 2012, Europcar introduced a new logo which included a stylised

"e" , as part of EUROPCAR, in connection with sub-brands and by itself. Enterprise argued that there was a likelihood of confusion between the trade marks, that Europcar's use took advantage of the reputation of Enterprise's trade marks, that it would be detrimental to the distinctive character of Enterprise's trade marks and that Europcar's use amounted to passing off. In January 2015, Arnold J

Key issues

- For identical CTM and identical goods/services, the onus is on the defendant to show that its use does not affect essential function of the CTM.
- For identical CTM and similar goods/services OR similar CTM and identical goods/services, the onus is on the claimant to justify EU wide injunction.
- Arnold J admits that issue is far from settled.

found in favour of Enterprise: Enterprise Holdings Inc v Europcar Group UK [2015] EWHC 17 (Ch) (13 January 2015). In particular, he found that Europcar's use of its stylised "e" logo in respect of car rental services infringed Enterprise's registered CTM rights under Article 9(1)(b) of the Community Trade Marks Regulations 2009 (CTMR). Arnold J also found that Enterprise succeeded in its claim of passing off. In February 2015, the parties returned before to Arnold J argue the application of DHL v Chronopost with respect to the extent

of the territorial scope of the injunction: Enterprise Holdings Inc v Europcar Group UK [2015] EWHC 300 (Ch) (11 February 2015).

In respect of infringement under Article 9(1)(a) of the CTMR (i.e. identical trade mark and identical goods/services), Arnold J stated that the onus was on the defendant to establish that the use of its sign does not affect or is liable to affect the essential function of the CTM (at [9]). In respect of infringement under Articles 9(1)(b) and (c) of the CTMR (i.e. identical trade mark and similar goods/services or similar trade mark and identical goods/services), Arnold J stated that the onus was on the claimant to justify an EU-wide injunction in respect of these limbs (at [10]). In his Honour's opinion, it would not accord with the logic of DHL v Chronopost if the defendant was required to prove a negative, namely that the use of its sign does not affect, and is not liable to affect, any of the functions of the CTM in other EU Member States (at [10]).

Applying these principles, Arnold J held that the scope of the injunction should be confined to the UK. There were two main reasons. First, although the claimant relied on its CTM rights, it had limited the geographical scope of its action to the UK and at first instance Arnold J had only made findings with respect to distinctive character and confusion in the UK (at [25]). This was because Enterprise had abandoned its case in France (at [17]) and had been denied permission earlier in the proceedings to rely upon infringing acts in other EU Member States (at [24]). Second, there was no evidence that Europcar's use of the sign would not affect or be liable to affect the essential functions of Enterprise's CTM in any EU Member States apart from the UK (at [27]).

Arnold J's decision is unlikely to be the last word on the issue of EU-wide injunctions to restrain infringement or threatened infringement of a CTM. As Arnold J himself acknowledged 'straightaway' in his judgment: 'it is far

from clear that interpretation of the law is correct having regard to the two factors which the Court [in *DHL v Chronopost*] relied upon for as supporting the general rule which it articulated, since those factors are equally applicable regardless of the basis of the claim for infringement' (at [11]). It could be argued that by shifting the burden as he did to Enterprise, Arnold J has actually made the exception the rule and so the decision is inconsistent with the CJEU in *DHL v Chronopost*. Indeed, for the moment, it would appear that if CTM infringement proceedings were commenced under Articles 9(1)(b) or (c) of the CTMR, the UK High Court may not grant an EU-wide injunction to prevent infringement or threatened infringement of a CTM unless the claimant has established that the defendant's actions affect or are liable to affect the essential function of the claimant's CTM in all other Member States.

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Slovak Republic: Major changes to be brought by the draft Copyright Bill

At the end of 2013, the Slovak Government (the "Government") announced its legislative intention to introduce a new copyright act which would replace the current Act No. 618/2003 Coll., Copyright Act, as amended (the "Current Act"). A draft of the new copyright act (the "Draft") was prepared by the Ministry of Culture and was submitted to the Government for approval at the end of 2014. As of April 2015, the Draft is being examined by the governmental advisory bodies following the submission of comments by other governmental agencies, the private sector and members of the public, as required in the commentary section of the legislation procedure.

Reasons for new legislation

The main reasons for the Draft are the substantial changes in the use of copyright works and the progress made in information technology. With the increasing digitalisation of the environment in which they operate, copyright holders have effectively lost their ability to control the use of the copyright works and to enforce their rights. Additionally, for the purposes of the development of business relations and public interests (such as education) the Current Act represents too rigid a set of rules. The purpose of the Draft is to (i) introduce a new act that is modern and flexible, and which would (ii) improve the enforceability of copyright and the legal certainty sur-

rounding it and also (iii) balance the interests of copyright holders, users and the public. In order to achieve these goals, the Draft introduces a number of changes. For example, a new category of exceptions from copyright is introduced: the use of copyright that has minimal economic impact (such as with temporary files in IT technologies, or the accidental use of copyright). The author of the copyright work would be entitled to information about the use of that copyright work in the digital environment (particularly via the internet) in order to assess any possible unauthorised use. The Draft proposes many other changes and while it is not within the scope of this article to address all of them, we will address a few selected issues in detail in the text below.

Implementation of EU Directive 2014/26/EU

A new type of licence has been introduced by the Draft, based on EU Directive 2014/26/EU on Collective Management of Copyright and Related Rights and Multi-Territorial Licensing of Rights in Musical Works for Online Use in the Internal Market. A collective multi-territorial licence for online use of musical works enables collective management organisations to issue a licence that is valid for territories of multiple EU member states. A collective management organisation may also issue a licence for musical works which are managed by other collective management organisations.

Copyright work created under contract

The Draft proposes substantial changes to the contractual law of copyright. One of the major changes to the contractual law of copyright is the omission of a contract for creation of work. Under the Current Act, a contract for creation of work is stipulated as being a type of contract with the supplementary use of the provisions on a contract for work contained

in the Act No. 40/1964 Coll., The Civil Code, as amended (the "Civil Code"). Under a contract for creation of work, one party orders the creation of a copyright work and the other party is obliged to create this work as the author. The Draft introduces the new "custom-made work" as a method of the creation of a work. However, in contrast with a contract for creation of work, the custom-made work is not a type of contract but rather a type of copyright work itself. According to the Draft, the legal relationship between the author and the contractor will be governed by the Civil Code and the copyright law will govern the relationship with regard to the custom-made work. Under the Draft, the contractor is granted a statutory licence to use the custom-made work in order to achieve the purpose of the creation of such work. Under the Current Act, such licence is not included in the contract for creation of work and a separate licence must be granted by the author. Unless agreed otherwise in the contract for work and unless such use would be in conflict with contractor's legitimate interests, the author of a custom-made work is entitled to use his/her copyright work.

Possibility of transferring exercise of economic rights being discussed

The first published version of the Draft also contained a proposed change that concerned the transfer of the right to exercise the economic rights of the author. Under the Current Act, the author's rights from copyright follow the historic transferability restrictions that have applied since the 1960s and are non-transferable. The only instrument similar to the transfer of copyright is an exclusive licence for use of copyright. The early version of the Draft introduced a new type of contract which would have allowed the transfer of the right to exercise the economic rights of the author. Under this contract, the exercise of all economic rights that related to a copyright work would have been trans-

ferred to a transferee for the period of the entire duration of such rights. The transferee would have exercised the transferred economic rights in his/her own name and for his/her own account. As has already been implied, the transfer would have covered the exercise of the economic rights only and would not have meant the transfer of the rights themselves. However, due to objections from collective management organisations this section was removed during the legislation procedure and, as of early April 2015, is not present in the Draft. Nonetheless, since this proposal represents a major shift in one of the core principles of Slovak copyright law, further discussion may be expected.

Key issues

- Implementation of a recent EU directive.
- Changes to license of copyright work created under contract.
- Potential transfer of exercise of economic rights under discussion.

Termination of licence

The Draft introduces a new cause for the termination of a licence. Under the Draft, if an exclusive licence is granted by the author and such licence is not used or is not being used within the scope agreed in the licence, the author may terminate the licence. The right to terminate the licence may only be exercised within one year after the grant of the licence. Before terminating the licence, the author is obliged to notify the licensee in writing and request that the licensee use the licence. If the situation is not remedied, the author may terminate the licence in writing. The author cannot waive this right to terminate for failing to use the licence, in advance. The

reason for the proposed legislation is to provide authors with the tools necessary to protect and enforce their legitimate interests in the proper use of their copyright work.

Conclusion

The published Draft introduces major changes to Slovak copyright law. However, due to the many comments from the governmental agencies, the private sector, collective management organisations and the public, the wording of the Draft has changed substantially since the publication of the early version. Many of the proposals in the early version of the Draft have been omitted or changed, and the current version represents a more conservative approach than the earlier, more ambitious version. Nevertheless, the Draft represents a step in the right direction and the legislative procedure is not yet concluded.

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Germany: Necessity and boundaries of witness preparation under German law – Special need for witness preparation in IP litigation?

With respect to IP litigation, the topic of witness preparation has not been intensively discussed to date. However, the general advantages linked to witness preparation, e.g., increasing the persuasiveness and compelling nature of a witness's statement and minimising the risk of unforeseen testimony, are likely to constitute a benefit not only for civil trials but also for IP litigation scenarios.

Gathering evidence by hearing witnesses (*Zeugenbeweis*)

Under German law, gathering evidence by examining witnesses is covered by Sections 373 to 401 of the German Civil Procedure Code (the "German CPC"). Witnesses are persons who can describe and confirm past events and facts which they themselves observed. Their testimony is based upon their own perceptions and help clarify the facts of the case. Prior to the examination, the witnesses are instructed to tell the truth and are informed that they may have to swear an oath regarding their respective testimony. Each witness is then questioned individually, in the

absence of other witnesses who will be examined subsequently. When questioned on the subject matter of the case, the witness shall tell the court in context any facts that are known to him/her. When completing his/her independent statement (*Bericht*) the court and the parties

have the opportunity to ask further questions pursuant to the testimony. This examination (*Vernehmung*) is a means to clarify the witness's testimony and ensure that it is complete. Based on the question and answer process, the court assesses the plausibility of the testimony (*Glaubhaftigkeit*) as well as the witness's credibility (*Glaubwürdigkeit*).

Legal framework and boundaries of witness preparation

German law does not provide statutory guidelines to prepare witnesses for hearings in IP or other civil trials. Furthermore, it does not prohibit the preparation of witnesses. As a result, witness preparation is deemed legally permissible. However, witness preparation has neither been practiced long-term nor in depth in German litigation. Therefore, the issue of witness preparation needs to be handled with special care and sensitivity, especially with consideration for the boundaries of impermissible witness influencing.

An attorney conducting witness preparation should bear in mind section 43a (3) of the German Federal Lawyer's Act ("GFLA") which establishes the requirement of objectivity (*Sachlichkeitsgebot*) and which also requires that an attorney sticks to the facts of the case, i.e. he/she shall not spread falsehoods with respect to the respective proceeding. Wilfully misleading the witness to testify falsely and/or contrary to the facts the witness remembers may result in the attorney being charged, inter alia, due to inducement of false testimony (*Anstiftung zur falschen uneidlichen Aussage*) or fraudulent conduct in court (*Prozessbetrug*).

The value of the evidence provided by the witness is generally assessed by the degree of objectivity of the information which, therefore, ideally is solely based upon the witness's "existing memory" (*lebendige Erinnerung*) about the relevant facts of the subject

Key issues

- Under German law, the issue of witness preparation needs to be handled with special care and sensitivity, especially with consideration for the boundaries of impermissible witness influencing.
- Whereas a mere clarification of the facts and an instruction of the witness regarding the general rules of behaviour and the typical sequences of the proceeding does generally not constitute a major risk, the content preparation of a witness's testimony may result in a partial loss of the witness's plausibility (*Glaubhaftigkeit*) if a testimony appears to be coached or somehow memorised. As a consequence, the court might devalue its legal relevance.
- Since witness testimony can have a fundamental impact on the outcome of an IP litigation the parties should be aware of the availability of witness preparation and should also focus on the boundaries of witness preparation and seek legal advice at an early stage in order to limit the risk of inadvertently undermining the credibility of a witness's testimony.

matter. Accordingly, an attorney's involvement in contacting and coaching the witness poses the risk of decreasing the witness's credibility.

Types and scope of witness preparation

Clarification of the facts (*Sachverhaltsaufklärung*)

A party's attorney has the duty to establish and clarify the relevant facts of the case. Therefore, the attorney needs to identify and submit all eligible, relevant evidence. An attorney may search for and interview possible witnesses in order to gather any information to confirm or complete the facts of the case. However, meeting the (potential) witnesses may influence the progress of the proceeding. The threshold for undue influence is exceeded if, pursuant to the attorney's action and impact, the witness testifies to inaccurate facts and/or those contrary to his/her memory. Manipulating the witness, even if it happens unintentionally, is forbidden. Therefore, enquiries should be made with special care. Nevertheless, questioning of a witness for informational purposes is vital to provide a complete understanding of the relevant facts, in particular if it serves as preparation for the filing of an action.

Trial preparation (*Formelle Zeugenvorbereitung*)

In order to acquaint the witness with the German trial, a party's representative should instruct the witness of the general process and induct the witness to the possible process development. This includes, but is not limited to, explaining general rules of behaviour, clarifying who will attend the hearing as well as commenting on the roles of the parties and the judge.

In particular, the attorney should raise the witness's awareness of his/her rights and duties, e.g., of inspecting records and other documents as well as refreshing his/her memory prior to and during the hearing.

Content preparation (*Inhaltliche Zeugenvorbereitung*)

Rehearsing with, practicing with or coaching a witness in respect of their testimony is not expressly prohibited under German law. Therefore, the attorney may examine the witness concerning the relevant content, in particular with regard to what facts need to be proven. The examination may include questions that the judge might ask or that may help the witness to develop comprehensible answers. However, the attorney must advise the witness that the witness himself/herself is responsible for the accuracy of his/her testimony. This type of witness preparation is not considered inadmissible as long as the content of the testimony is not influenced or changed in any regard. Thus, the party's representative should focus on clarifying the meaning of the witness's statement, rather than affecting the substance thereof. The attorney must not intend to make the witness testify facts which differ from the actual event that the witness remembers or to encourage false testimony. The attorney needs to ensure that a witness's statement mirrors his/her own observation of relevant facts, events and circumstances. If a testimony appears to be coached or somehow memorised, it risks losing its plausibility (*Glaubhaftigkeit*). As a consequence, the court might devalue its legal relevance.

Consequences for IP litigation

Although evidence provided by witness testimony does not play a major role in IP litigation since IP litigation generally relates to legal and/or technical issues, witness testimony may still be a decisive factor in certain trial situations. In particular, with regard to the facts of a case, the principles of witness preparation, of course, also apply in IP litigation. To set forth a few examples where witness testimony may be substantively relevant in IP litigation cases, a witness may testify to the circumstances surrounding the signing of a licence agreement which may be controversial between the parties, or to the moment and/or circumstances related to an unlawful public disclosure of know-how. Witness testimony may also be relevant to prove, e.g., that a claimant is the inventor or co-inventor of an employee invention or to demonstrate infringement which may be crucial for claiming damages. Therefore, as in many other civil law proceedings, witness testimony can have a fundamental impact on the outcome of an IP litigation. Accordingly, claimants and defendants should be aware of the availability of witness preparation and should – at the same time – also focus on the boundaries of witness preparation and seek legal advice at an early stage in order to limit the risk of inadvertently undermining the credibility of a witness's testimony or otherwise breaching duties pursuant to the German legal system.

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