

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

31<sup>ST</sup> EDITION



**GLOBAL INTELLECTUAL PROPERTY NEWSLETTER**  
**IP TOPICS FROM AROUND THE GLOBE**  
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## 31<sup>ST</sup> EDITION GLOBAL IP NEWSLETTER

### Introduction

Welcome to the 31<sup>st</sup> edition of the Clifford Chance Global IP Newsletter. We hope you have had a wonderful summer break.

We would like to start this issue with an introduction to the American Patent Trial and Appeal Board (PTAB). Our US certified patent attorney Ronny Amirsehhi gives an overview on the main benefits and risks of the proceedings, including some key facts and figures on timelines, costs, and trial statistics.

Following on from our last edition, where we had introduced India's and South Africa's aims to combat distribution issues with vaccination supplies arising out of the COVID-19 pandemic, our Italian team summarizes the position expressed by the Italian Group of the International Association for the Protection of Intellectual Property (AIPPI) regarding the waiver of patent protection of COVID-19 vaccines.

Staying with legislative developments in Italy, the Italian team will then introduce the newly released IP strategy by the Italian Government demonstrating its support for digital innovation.

Following the much-anticipated comeback of this year's Mobile World Congress ("MWC"), which was held in Barcelona despite the difficult circumstances due to the pandemic, our Spanish team reports back on what felt like a "decaffeinated" congress.

Ever-growing in importance, we will then turn to rights in data. With respect to the question of monetisation, our German team evaluates the exploitation of data as a "three-step process" from a European IP and contract law perspective. Furthermore, our Chinese team gives an insight into the key features of the new Chinese Data Security Law which aims to strengthen the scrutiny on data compliance requirements. Regarding the development of connected cars, our Italian team additionally analyses the newly released guidelines by the European Data Protection Board (EDPB).

Summer has also brought along new relevant decisions in the field of trademark and copyright law: Firstly, our Spanish team reports on the CJEU judgment concerning a sound mark submitted to be registered. The Polish Supreme Court's finding about the statute of limitations in cases of continuous trademark infringements will then be illustrated by our Polish team. Finally, the judgment by the Court of Appeal of Madrid concerning the co-authorship of copyrightable works will be introduced by our Spanish team.

Meanwhile in Germany, the Federal Constitutional Court has further paved the way towards the establishment of a Unified Patent Court by dismissing two preliminary injunctions filed against the ratification legislation.

We hope to conclude with something "easily digestible" as our German team offers some insights into the questions arising out of the recipes and manufacturing process of alternative food products and the different approaches to protecting such products through intellectual property law.

As always, we hope you enjoy reading this edition. We look forward to receiving your feedback. Take care!

**Your Global CC IP Team**

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## DÜSSELDORF

Ronny Amirsehhi

### THE PTAB – AIA TRIALS: BRIEF INTRO

#### Why PTAB trials?

In 2011, Congress passed the America Invents Act (AIA) and created a new administrative body in the United States Patent and Trademark Office (USPTO) called the Patent Trial and Appeal Board (PTAB) or the Board. The PTAB reviews rejections made by examiners in proceedings called ex parte appeals and decides patentability questions for issued patents raised by third parties in proceedings called AIA trials.<sup>1</sup>

The sales pitch for AIA trials was that it would be cheaper and more efficient than going to district courts, and rather than having non-technical judges and juries decide on complex patent matters, three technically qualified administrative judges who have many years of experience in patent prosecution and/or litigation would decide on validity of a patent.<sup>2</sup>

Indeed, AIA trials can provide advantages for petitioners as compared to raising invalidity defense during litigation, including the following:

- AIA trials take less time than litigation to reach a final disposition, normally 18 months or less from filing the petition.
- AIA trials have limited scope and are substantially less expensive than litigation before the district courts.
- The standard of proof for invalidation of a patent in an AIA proceeding (50% or >50%) is lower than the "clear and convincing evidence" (>70%) applied in district courts, thereby providing petitioners a greater likelihood of success.

#### What are the PTAB trials?

There are two main types of AIA proceedings: inter partes review (IPR) and post grant review (PGR). There was also a covered business method review (CBM), however, a party cannot petition for CBM review after September 15, 2020. The PTAB will review petitions filed before that date and continue existing CBM proceedings (see 37 C.F.R. § 42.300(d)). The Table below illustrates the brief comparison between each proceeding:

<sup>1</sup> <https://www.uspto.gov/patents/patent-trial-and-appeal-board/about-ptab/new-ptab>.

<sup>2</sup> <https://www.uspto.gov/patents/ptab/about-our-administrative-patent-judges>.



Type	Who can file?	Which patent qualifies?	When to file?	Ground for filing	Standard
PGR	Any person other than the patent owner, <b>unless</b> a civil action of invalidity has been filed by that person (PGR U.S.C. 325 (a)(1))	Patent with a priority date of on or after 3/16/2013	Within 9 months after grant	Any grounds for invalidity	More likely than not (>50%)
IPR	Any person other than the patent owner, <b>unless</b> a civil action of invalidity has been filed by that person (IPR: 35 U.S.C. 315)	Any unexpired patent	9 months after patent grant or termination of PGR. <b>Must be less than 1 year after receiving complaint asserting infringement</b> (35 U.S.C. 311(c))	Novelty and inventive step based on patents or printed publications	Reasonable Likelihood (50/50%)

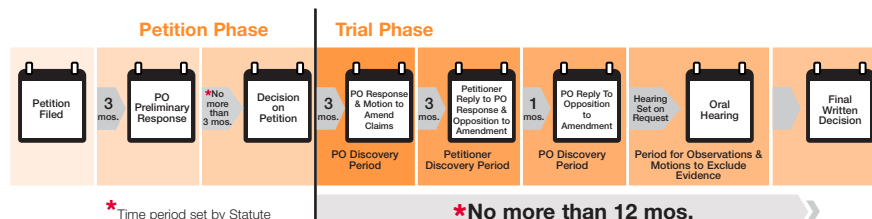
## What are the timelines for AIA trials?

An AIA proceeding is intended to move quickly. The AIA requires that the PTAB issues a final written decision on the patentability of any challenged claim within one year of instituting a trial. However, for good cause, the PTAB may extend this one-year statutory period by up to six months (37 C.F.R. §§ 42.100(c), 42.200(c), and 42.300(c)).

As shown in the Trial Proceeding Timeline below, the AIA process involves two phases: a petition phase and trial phase.<sup>3</sup> The petition phase is initiated when a petitioner files a petition with the PTAB asserting that one or more claims of the issued patent are invalid in view of prior patents or printed publications. The patent owner then has three months to an optional preliminary response. A panel of three administrative patent judges (Board) will consider the petition and any patent owner's response to determine whether the petition shows a reasonable likelihood of success with respect to the challenged claims. If so, the patent will institute trial. If not, the proceeding is terminated.

If the Board institutes a trial, the petitioner and the patent owner will have opportunities to present additional arguments to the Board. The parties also may request an oral hearing before the Board. At the conclusion of the trial, the Board will issue a final written decision, determining whether the challenged claims are unpatentable. An unsatisfied party may seek reconsideration by the Board, federal court review or both.

### Trial Proceeding Timeline



<sup>3</sup> [www.uspto.gov/patents/ptab/trials/aia-trial-types](http://www.uspto.gov/patents/ptab/trials/aia-trial-types).

The PTAB has recently added patent owner sur-replies and motion to amend practice (MTA). MTA has recently included the option of filing an initial motion to amend, receiving preliminary guidance from the Board, and then deciding to file the motion based on the initial guidance. For further details and timelines see "PTO Publishes Draft Altered Procedures for Amendments in AIA Proceedings"<sup>4</sup>.

### How much does the AIA trials cost?

The official USPTO fee<sup>5</sup> for each petition:

Type of Fee	IPR	PGR
Request fee	\$19,000 (basic fee) plus \$375 (for each claim over 20)	\$20,000 (basic fee) plus \$475 (for each claim over 20)
Post-institution	\$22,500(basic fee) plus \$750 (for each claim over 20)	\$27,500 (basic fee) plus \$1,050 (for each claim over 20)
Total	\$41,500 plus excess claim fees	\$47,500 plus excess claim fees

Patent practitioner fees (rough estimate):

AIA trials can be divided into different milestones. At each milestone, the parties may discuss a settlement and terminate the proceedings. As it is shown in below statistics, 33% of the petitions are settled; 55% of those are settled before institution and 45% after institution. The patent practitioner fee for each milestone can be estimated:

Milestone	Fee (rough estimate)
Preparing or response to petition	\$50,000-\$150,000
Post-institution motions up to oral hearing	\$100,000-\$400,000
Oral hearing	\$50,000-\$100,000

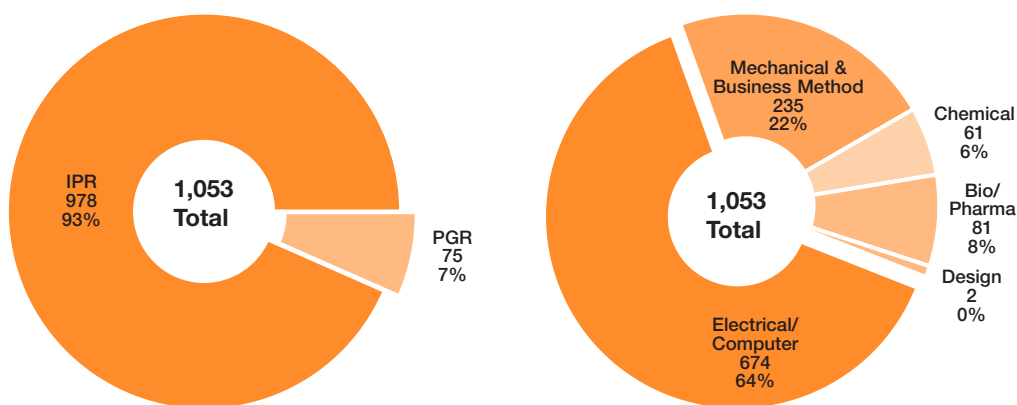
<sup>4</sup> <https://www.uspto.gov/patents/ptab/new-pilot-program-concerning-motions>.

<sup>5</sup> <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule#PTAB%20Fees>.

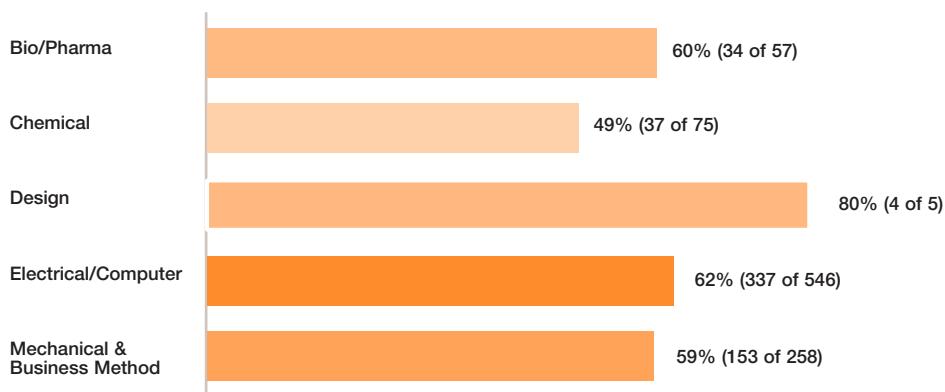


## PTAB Trial Statistics Oct. 1, 2020-Jun. 30, 2021<sup>6</sup>

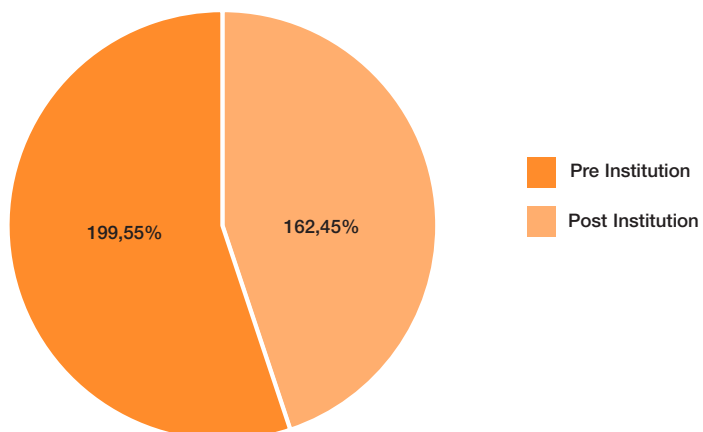
Roughly in this fiscal year: 1,053 petitions were filed. 1/3 of the petitions were either settled or otherwise terminated, 1/3 of the petitions were denied, and 1/3 resulted in a final written decision. The institution rate was around 60%.



### Institution Rate by industry



### Settlement Rate: 33% (361 of total)



<sup>6</sup> <https://www.uspto.gov/patents/ptab/statistics>.

## MILAN

Iolanda D'Anselmo

### POSITION PAPER OF THE ITALIAN GROUP OF AIPPI ON THE WAIVER FOR CERTAIN PROVISIONS OF THE TRIPS AGREEMENT FOR THE PREVENTION, CONTAINMENT AND TREATMENT OF COVID-19

#### Introduction

On 2 October 2020, India and South Africa submitted to the Council for TRIPS the first proposal suggesting a waiver for all WTO members on the implementation of certain provisions of the TRIPS Agreement in relation to the prevention, containment or treatment of Covid-19. On 25 May 2021, a revised proposal was submitted with the Council by 62 co-sponsors (out of 159 WTO member states), including India, South Africa and Indonesia. The submission of the proposal, as subsequently amended (the "Proposal"), resulted in a lively debate among the WTO members. The US administration voiced its support for a vaccines waiver and expressed its willingness to actively participate in text-based negotiations at the WTO regarding a waiver for Covid-19 vaccines, while EU leaders and pharmaceutical companies said that waiving patents de-incentivises innovation at a crucial time and ignores supply constraints. Given that the proposal addresses certain IP issues, the IP community expressed its view and took a position in the debate.

#### Background: the TRIPS Agreement

The TRIPS Agreement is Annex 1C to the Marrakesh Agreement Establishing the WTO dated 15 April 1994 ("WTO Agreement") and entered into force on 1 January 1995. The TRIPS Agreement forms an integral part of the WTO Agreement and is binding on each member of the WTO. It is a comprehensive multilateral agreement on IP matters and deals with each of the main categories of IP rights, establishes standards of protection, rules on administration and enforcement of IP rights, and provides a dispute settlement mechanism dedicated to WTO members.

Focusing the analysis on those provisions of the TRIPS Agreement interested (affected?) by the Proposal, Part II of the TRIPS Agreement sets out the minimum standards of IP protection to be met by WTO members in the following fields:

- copyright (and related rights, such as the rights of performers, producers of sound recordings and broadcasting organizations) (Part II, Section 1);
- trademarks, including service marks (Part II, Section 2);
- geographical indications (Part II, Section 3);
- industrial designs (Part II, Section 4);
- patents, including the protection of new varieties of plants (Part II, Section 5);
- the layout-designs of integrated circuits (Part II, Section 6); and
- undisclosed information, including trade secrets and test data (Part II, Section 7).

#### Key issues

- Developing countries proposed a waiver of certain provisions of the TRIPS Agreement in relation to the prevention, containment or treatment of Covid-19;
- Stakeholders look ahead to WTO negotiations on a potential TRIPS Agreement waiver;
- The Italian Group of AIPPI issued a position paper outlining the importance of IP rights patents in particular) for the advancement of Covid-19 vaccines and treatments.

The TRIPS Agreement requires the member states to comply with the substantive obligations of the main conventions of the World Intellectual Property Organization ("WIPO"), namely the Paris Convention and the Berne Convention. All the main substantive provisions of these two conventions are incorporated by reference. Moreover, it provides for additional obligations on matters where the existing conventions were silent or offered inadequate protection.

## The Proposal

Developing countries, such as India and South Africa, are proposing a temporary suspension of the IP rights relating to Covid-19 vaccines. They argue that protecting vaccines and other Covid-19 treatments with patents concentrates them in the hands of richer countries, locking out poorer countries who have so far struggled to gain access to them. They claim that waiving IP rights could allow for vaccine technology to be more easily shared between countries all over the world.

In a nutshell, the Proposal aims at:

- highlighting the uncertain nature of the pandemic which, amongst other things, includes the emergence of new variants of the virus and therefore *"the global need for unimpeded, timely and secure access to quality, safe, efficacious and affordable health products and technologies for all, for a rapid and effective response to the Covid-19 pandemic and consequently the urgent need to diversify and scale-up production to meet global needs and promote economic recovery"*;
- recognising the need to balance incentives for research and innovation with the public health interest, which justifies waivers from the obligations of the TRIPS Agreement in exceptional circumstances; and, therefore,
- waiving the IP protection provided by Sections 1, 4, 5 and 7 of Part II of the TRIPS Agreement in relation to *"health products and technologies including diagnostics, therapeutics, vaccines, medical devices, personal protective equipment, their materials or components, and their methods and means of manufacture for the prevention, treatment or containment of Covid-19"*.<sup>1</sup>

The Proposal outlines that the waiver would be in effect for three years and would be reviewed on a regular basis by the WTO General Council.<sup>2</sup>

## AIPPI's position

As a member of the international IP community, the Association expressed its position on the Proposal. Preliminarily, AIPPI shared the concerns raised by the waiver proponents and co-sponsors with respect to the challenges posed by the current pandemic and confirmed that the priority remains the containment of the pandemic, without excluding Africa, Asia and South America from the vaccination programme. Moreover, AIPPI called for an active commitment to a comprehensive, global approach that leverages the entire multilateral trading system in place *"to support the research,*

### Links

- Position paper of the Italian Group of AIPPI: <https://aippi.it/comunicati/vaccini-e-brevetti-la-posizione-di-aippi/>
- The Proposal: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx%3Ffilename%3Dq:/IP/C/W669R1.pdf%26Open%3DTrue+%3d=it&ct=clnk&gl=de>
- TRIPS Agreement: [https://www.wto.org/english/docs\\_e/legal\\_e/trips\\_e.htm#part4](https://www.wto.org/english/docs_e/legal_e/trips_e.htm#part4)

<sup>1</sup> The waiver relates to the Member States' obligations under the TRIPS Agreement regarding: (i) copyright and related rights (Part II, Section 1); (ii) industrial designs (Part II, Section 4); (iii) patents (Part II, Section 5); and (iv) the protection of undisclosed information (Part II, Section 7).

<sup>2</sup> This is the second tier in the WTO structure after the Ministerial Conference (the highest decision-making body in the WTO).

*development, manufacturing, and distribution of safe and effective COVID-19 diagnostics, equipment, therapeutics, and vaccines".*

However, AIPPI outlined that there is no evidence that IP rights constitute a barrier for the accessibility of Covid-19 related medicines and technologies. In the opinion of AIPPI, waiving TRIPS Agreement provisions would negatively impact the framework established to reach the objectives mentioned above on both a medium and a long-term basis. Conversely, AIPPI urged WTO members to recognise how IP rights have contributed to the advancement of science and to innovations in medicine and public health. The recently developed Covid-19 vaccines and therapeutics were discovered based on years of research supported by IP rights.

In AIPPI's view, patent protection is fundamental for at least three reasons: (i) it compensates innovators for the risks of success (or failure) of their research and provides them with a measure of comfort as to which up-front investments can be recouped over some future period; (ii) it ensures negotiation of the results of innovators' research, through the license mechanism, and (iii) requires the owner to offer the results to the public, to allow anyone to study, improve and develop alternative solutions. These effects play out particularly strongly in the pharmaceutical sector, where the risk of product failure is high, the potential benefits to society are significant, and the cost of innovation is large (and growing).

## **Conclusion**

AIPPI concludes that the execution, implementation and consequent effects of a waiver in various legal systems should be appropriately assessed before implementing any change or waiver. AIPPI believes that *"discussions being held at the WTO TRIPS Council will ... find an appropriate global approach to contribute to solving the problems posed by the current pandemic, while ... balancing the right of all to have access to health services and supplies with other stakeholders' rights"*.

AIPPI outlined that patent protection is not the "real" barrier to expanding vaccine supply. Accelerating the timetable to global rollout (and ensuring the global population has protection before 2024) requires the resolution of issues in the production and distribution of doses through ongoing collaboration between businesses, governments and regulators. Continued cooperation will therefore be crucial to the speed and success of the global rollout programme, regardless of who holds the relevant IP.

## MILAN

Greta Negro

# IP STRATEGY FOR 2021-2023: UPDATE ON THE PUBLIC CONSULTATION LAUNCHED BY THE ITALIAN MINISTRY OF ECONOMIC DEVELOPMENT

### Introduction

In the last IP Newsletter, we focused on the IP Strategy for 2021-2023 pursued by the Italian government in the context of the *Piano Nazionale di Ripresa e Resilienza* ("PNRR"). The IP Strategy 2021-2023 is indeed part of the 1st Mission laid down by the PNRR, whose purpose is to *"innovate the country and to bring about deep structural changes along the lines of a new digital paradigm"*.

Since the Italian government intends to execute the 1st Mission of the PNRR via a number of measures, including by reforming the Italian industrial property system, the Italian Ministry of Economic Development launched a public consultation to collect market and professional input that would contribute in determining the IP Strategy 2021-2023. Following completion of the public consultation, the Italian Ministry of Economic Development published the intervention plan for the IP Strategy 2021-2023 (the "**Intervention Plan**") on 23 June 2021, structured by taking into account the input provided by the stakeholders.

The Intervention Plan addresses the five challenges of the IP Strategy 2021-2023. This paper provides an overview of the measures outlined in the Intervention Plan.

### 1. Improvement of protection for IP rights

To ensure the effective protection of IP rights, the Intervention Plan intends not only to strengthen the legal instruments which protect them, but also to provide additional measures aimed at promoting and recognising the value of creativity and innovation. In this regard, the reform of the intellectual property law will play a crucial role, by introducing, among others, the following innovations:

- the protection of new kinds of industrial designs, such as augmented reality systems or graphic interfaces;
- the newly adopted (but not yet effective) procedure on the revocation of trademark rights, which, in addition to the existing objection procedure, will increase the protection of IP rights;
- simplified and more efficient procedures for the registration of new IP rights and for their consultation. In particular, the Plan provides that (i) the Italian public database will be coordinated with international and European databases of registered IP rights and (ii) the procedures will be highly digitalised, including by implementing artificial intelligence and cloud-based systems;
- the relationships between AI products and the protection offered by IP rights will be taken into account in order to further improve IP laws.

### Key issues

- The Italian Minister for Economic Development collected input from private entities such as companies and banks through a public consultation in order to determine the IP Strategy 2021-2023.
- The IP strategy 2021-2023 aims at ensuring effective and accessible protection for IP rights.
- The IP Strategy 2021-2023 is sensitive to the increasing relevance of intangible assets.
- The entry of intangible assets in the financial accounts of companies will comply with *criteria* which will take into account both the quantitative and the qualitative value.

### Links

- Intervention Plan issued by the Italian Ministry of Economic Development on 23 June 2021 : [https://uibm.mise.gov.it/images/LINEE\\_DI\\_INTERVENTO\\_approvate.pdf](https://uibm.mise.gov.it/images/LINEE_DI_INTERVENTO_approvate.pdf)

## 2. Promoting access to IP rights

The Intervention Plan aims at **spreading knowledge about the value of IP rights**.

In this regard, the Italian Ministry of Economic Development intends to take a two-pronged approach. On the one hand, small and medium-sized companies will be involved in spreading such knowledge and, on the other, the Intervention Plan would ensure that the values of those intangible assets entered in companies' financial accounts mirror the effective value of the IP rights owned by the company itself. Accordingly, the Ministry will define the *criteria* to evaluate the intangible assets, including the IP rights, from a quantitative and **qualitative** perspective. The purpose is to enable the companies to (i) include the IP rights in financial statements and (ii) use their intangible assets as a security for the loans granted by banks.

Moreover, the Intervention Plan intends to foster the evaluation of the public research and its potential benefits for the Italian productive sector, with, among others, two interventions. Firstly, contrary to what Italian IP laws currently provide for, the research institutes (and not the researchers) will acquire ownership of the IP rights for the inventions developed. Secondly, the inventions will be available for the companies subject to reasonable terms and will be published on a public database (i.e. the *Knowledge Share*).

## 3. Improving access to patents

The 3<sup>rd</sup> challenge of the IP Strategy 2021-2023 aims to recognise the economic value of the intangible assets and to implement the value of sharing information and know-how. Therefore, in line with the European Commission's input, the Italian government will assess the suitability of new procedures to license IP rights to third parties even without the consent of the legitimate owner. This would be particularly useful in responding to a crisis, such as a health-related emergency.

Moreover, the 3<sup>rd</sup> Mission focuses on the SEPs, i.e. Standard Essential Patents. By way of example, 5G technology is a communication standard which relies on several patented technologies, which are essential for the use of the standard. In this context, the Italian government intends to cooperate with the European Commission and create a Working Group dedicated to discussions on the effects of licensing SEPs on internal competitiveness.

Lastly, it is worth highlighting that the IP Strategy 2021-2023 pursues the objective of spreading knowledge about registered IP rights in Italy. The Italian Patent and Trademark Office will publish reports which include, among others, applications for licensing submitted in the technological field.

## 4. Ensuring effective protection for IP rights

The Ministry intends to combat counterfeiting, piracy and black market activities by (i) revising the relevant provisions to grant more effective protection, (ii) promoting initiatives to inform consumers on the disruptive effects caused by counterfeiting and patent infringement and (iii) supporting small and medium-sized enterprises in the fight against counterfeiting, piracy and black market activities.



## 5. Strengthening the role of Italy in an international context

The IP Strategy 2021-2023 intends to strengthen the role of Italy in the international IP community. In particular, the Italian government will provide the European institutions with its input, developed taking into account the positions of Italian stakeholders. The same approach will be followed for Italy's participation in the activities of international organisations.

The Unitary Patent will play a crucial role as it will provide uniform patent protection in up to 25 EU Member States and ensure an IP protection network at the international level.

## Conclusion

It seems that, in the next few years, IP rights in general and specifically those related to newly developed technologies will play a central role in the Italian context. In this regard, the IP Strategy 2021-2023 lays the foundations for the recognition of the effective value of the intangible assets owned by companies, which will therefore become increasingly relevant in terms of the evaluation of the overall assets of companies.

Moreover, the Italian Government is sensitive to the need for a system of protection for IP rights that should be fast, efficient and coordinated with the international environment. For this reason, the IP Strategy 2021-2023 will determine a reform of the current IP regulation framework and will provide stakeholders with efficient instruments for obtaining legal protection.

## BARCELONA

Mireia Águila Muñoz

### DISPUTES OVER INTELLECTUAL PROPERTY RIGHTS (IPRS) ARE SIGNIFICANTLY REDUCED DURING A MUCH SMALLER MOBILE WORLD CONGRESS (MWC) 2021

Fortunately for a lot of people, COVID-19 did not succeed in cancelling the MWC 2021, which was held from 28 June to 1 July 2021 and once again made Barcelona the worldwide epicentre of the mobile connectivity sector.

However, despite efforts to hold the MWC 2021 as normal as possible despite the rather abnormal conditions of the global pandemic, including adapting its usual format to a hybrid one combining face-to-face and virtual elements, nobody can deny that COVID-19 has caused a drastic reduction in the number of participating companies, making the exhibition a much smaller event, but no less interesting, than we were used to enjoying.

This has understandably had an impact on the number of IPR-related disputes arising amongst participating competitors during the MWC 2021, which has also been reduced, as confirmed by the report jointly elaborated by both the Commercial Court of Barcelona and the European Union Trade Mark Court of Alicante (the "**Results Report for 2021**") following the implementation of their fast-track protocol for dealing with MWC-related IP proceedings (the "**Fast-Track Protocol**").

#### The results report for 2021

In the last few years, when the MWC comes to an end, the panel of judges of both the Commercial Court of Barcelona and the European Union Trade Mark Court of Alicante have analysed the IPR-related disputes that have arisen during the event and have been handled in accordance with the procedural measures contained in their Fast-Track Protocol.

For those readers not familiar with these procedural measures, they are aimed at protecting the IPRs of the MWC participating exhibitors and include, among other things, giving preferential and priority treatment to urgent applications for interim injunctions (with or without a hearing), pre-trial examination applications (*diligencias preliminares*) and "saisie-style" applications (*diligencias de comprobación de hechos*) related to technology patents and industrial designs for products exhibited

#### Key issues

- The Commercial Court of Barcelona and the European Union Trade Mark Court of Alicante jointly compile and evaluate, in their Results Report for 2021, the information on the IPR-related disputes arising during the MWC 2021 following the implementation of their Fast-Track Protocol.
- The number of IPR-related cases during the MWC 2021 has decreased by 36% compared to the most recent MWC held in 2019.
- Looking at the 2019 data, the number of protective letters filed and admitted have decreased by 47.2% (17 in 2021 compared to 36 in 2019) and there has been only one urgent *inaudita parte* interim injunction, compared to 7 in 2019.
- Judicial activity during MWC 2021 consisted of dealing with 17 protective writs (16 filed at the Commercial Court of Barcelona and 1 before the European Union Trade Mark Court of Alicante) and 1 application for an *ex parte* interim injunction based on an EU trademark.
- Compliance with the deadlines indicated in the Fast-Track Protocol for the admission, processing and resolution of cases has been impeccable: all protective writs were admitted within 24 hours of their submission and the *ex parte* preliminary injunction was resolved within 48 hours of its filing.
- No "saisie-style" applications, pre-trial examination applications or other urgent applications for interim injunctions were filed during MWC 2021.

at the MWC, acts of trademark and copyright infringement, and acts of unfair competition and unlawful advertising in relation to products and materials promoted or displayed at the event; a commitment to comply with specific deadlines for the resolution of applications for interim injunction measures and the admission of protective writs; giving preference to virtual hearings, and immediate enforcement by the Barcelona Commercial Courts of preliminary injunctions and/or urgent measures ordered by the European Union Trademark and Community Design Courts in Alicante within the scope of their competence, guaranteeing prompt and effective decisions in relation to these specific IPRs.

This year's analysis is reflected in the Results Report for 2021, which was published on 2 July 2021. For the first time since the MWC has been held in Barcelona, the Report shows a reduced level of judicial activity during the exhibition, a fact that should come as no surprise if we take into account the conditions under which it has been held, i.e. in the middle of a pandemic, on a much reduced scale - occupying only three pavilions at the Fira Gran Via de Barcelona, compared to eight in 2019, with far fewer participants, using a new hybrid format, etc.

In particular, this lower level of judicial activity, which occurred not only on the days of the MWC 2021 itself, but also throughout the whole month of June - during which the Fast-Track Protocol was activated, consisted of dealing with:

- 16 protective letters that were filed at the Commercial Court of Barcelona (15 in patent cases and 1 in a Spanish national trademark case);
- 1 protective letter based on an European trademark that was filed before the European Union Trade Mark Court of Alicante; and
- 1 application for an *ex parte* interim injunction referred to a European Union trademark that was filed at the European Union Trade Mark Court of Alicante.

No "saisie-style" applications (*diligencias de comprobación de hechos*), pre-trial examination applications (*diligencias preliminares*) or other urgent applications for interim injunctions connected with the MWC 2021 - apart from the *ex parte* one mentioned above - were filed.

As indicated in the Results Report, the number of IPR-related cases has dropped by 36% compared to the previous MWC held in 2019. Indeed, looking at the 2019 data, the number of protective letters filed and admitted have decreased by 47.2% (17 in 2021 compared to 36 in 2019), and there has been only one urgent request for *inaudita parte* interim injunction, compared to 7 in 2019.

If we analyse, even in general terms, data from the three previous MWCs, we can clearly notice that the number of disputes, which increased year by year from 2017 to 2019, has clearly fallen back in 2021. Thus, the total number of cases amounted to 21 in 2017 (of which 12 were protective letters and 7 were interim injunctions), to 35 in 2018 (24 protective letters and 8 interim injunctions) and to 50 in 2019 (36 protective letters and 7 interim injunctions), to significantly drop in 2021 to 18 cases (17 protective letters and 1 *inaudita parte* interim injunction).

This decrease in the number of cases has most probably made it easier for the Courts to meet the deadlines for handling and resolution set by the Fast-Track Protocol. In fact, as indicated in the Results Report for 2021, this year's compliance with such deadlines has been impeccable: 100% of the protective writs filed during the MWC 2021 were admitted within 24 hours of their submission and the one *ex parte* preliminary injunction applied for was resolved within 48 hours of its filing, as foreseen in the Fast-Track Protocol.

### **Looking forward to MWC 2022!**

All in all, the outcome of the application of the Fast-Track Protocol during MWC 2021 is positive, which leads us to believe that, with the appropriate adjustments, it will be in force again for MWC 2022, where, if things don't go wrong, we will possibly see an increase in IPR-related disputes.

This is the forecast of both the Commercial Court of Barcelona and the European Union Trade Mark Court of Alicante, as they state in the Results Report for 2021 that, in their opinion, the volume of IPR-related proceedings, particularly protective letters, "saisie-style" applications and interim injunctions applications, will gradually recover at MWC 2022.

Hopefully, by the time MWC 2022 arrives, which is due to be held from 28 February to 3 March 2022, we will have moved beyond the current "new normal" and settled back into the much-desired historical normality, thus returning to a new MWC in its full splendour.

In any case, the answer as to what MWC 2022 will bring will only be revealed in time, so we have no choice but to wait!

## DÜSSELDORF

Dr. Nicolas Hohn-Hein / Andrea Tuninetti-Ferrari

### EXPLOITATION OF DATA FROM A EU IP / CONTRACT LAW PERSPECTIVE – A "THREE-STEP PROCESS"

#### I. Introduction

As we are all well aware, data and the many use cases for unlocking its hidden potential are becoming increasingly important for virtually all industries and sectors. Common buzzwords like "Oil of the 21st Century" or "Industry 4.0" refer to a global trend focusing on the exploitation and, in many cases, monetisation<sup>1</sup> of data.

While the potential legal challenges keep scholars and practitioners in a wide range of legal fields (e.g. data protection, cyber security, commercial and antitrust law<sup>2</sup>) busy, we see room for improvement for data-driven businesses when it comes to a robust contractual basis for a clear allocation of ownership and use rights in such data. This is especially problematic in view of the fact that a comprehensive legal framework for rights in data is currently still lacking (with a "patchwork" of IP, know-how and database protection law in the EU), ultimately leaving it to stakeholders to ensure data rights allocation through respective (license) agreements.

However, in many cases, the exploitation of data follows a "three-step process" – collection and preparation of input data, analysis of such input data, generation of output data – resulting in certain "To Dos" for companies when it comes to drafting and negotiating the underlying contractual framework. In this article we would like to provide you with a brief overview of some important aspects on each of these three levels from an IP perspective.

#### II. Data exploitation as a "three-step process"

The variety of current and future digital business models relying on the exploitation of data is huge. In principle, two main groups of data exploitation models can be distinguished based on their purpose:

- **Internal data:** Internal business data (e.g. machine data, behavioural data, financial data) is collected and then analysed to improve internal processes within a company (e.g. for a more efficient production of goods).
- **External data:** External data (e.g. point-of-sale data) is collected, analysed and then used to better understand customers and to cater to their particular needs.

The second group (external data) is of particular interest for two reasons. First, apart from simply improving a company's product, it can also involve the provision of further services (e.g. consultancy services) to customers based on the data analysed, creating a further layer of potential monetisation and income.

#### Key issues

- Data analysis usually follows a three-step process: Collection of Input Data – Analysis of Input Data – Generation of Output Data.
- The current legal framework lacks legal certainty regarding (statutory) rights in data.
- A robust contractual foundation for any data-driven business regarding rights in such data is crucial for minimising the risk of (data) litigation down the road.

<sup>1</sup> Not every data exploitation serves commercial purposes, e.g. in the case of academic research.

<sup>2</sup> This article will only cover certain aspects relating to contractual IP protection in relation to data.

Second, if the data is obtained from an external source, a company will want to ensure that it can use, and, if necessary, further prepare (e.g. clean, enrich, reduce) such external data permanently for its business purposes (including the right to license/sell any new data derived from such data), without running the risk that the data provider claims any rights to the analysis results (or parts thereof) at a later stage (in particular if the data provider suddenly realises that the data is considerably more valuable than it thought, e.g., novel use cases). As recent numbers show, IP and data claims are on the rise. By June 2021 over 2427 IP and data claims were filed before English courts (a rise of 350% compared to 2020).<sup>3</sup>

However, independent from the particular business model, we observe that data exploitation usually follows a three-step process:



These three steps appear simple, but in fact they are not. Each of them provides for a variety of legal challenges (with the question of IP ownership / licensing as discussed here being only one of them!) which should be addressed as early as possible in order to avoid subsequent legal uncertainties or even litigation.

### III. Rights in data

With the onset of the era of digital transformation of businesses, (personal and non-personal) data has become a new type of asset and the existing legal framework must provide answers in terms of ownership and transfer of rights. However, it is important to understand that unsorted or "raw" (industrial) data itself (usually produced in huge quantities, e.g. by machines/sensors), in many cases, does not constitute an original work of authorship by a human, i.e. a copyrighted work, or such copyright protection is at least doubtful. While recent EU legislation efforts for the creation of a new type of "ancillary copyright" regarding non-personal data have been halted due to various legal concerns regarding its scope and impact, existing IP protection regimes seek to fill the gap.

With respect to databases, their creators may claim statutory *sui generis* database rights if they invested substantially in the collection of such data (e.g. Section 87a German Copyright Act and Section 102-bis Italian Copyright Act, both introduced in 1996 based on EU Directive 96/9/EC on the legal protection of databases). In exceptional cases, output data may even enjoy patent protection if its particular data structure is the result of patented software (German Federal Court (of Justice?) ruling, published in GRUR 2012, 1230, MPEG-2-*Videosignalcodierung*). Where data constitutes a trade secret as defined in the Trade Secret Directive, the holder of the secret may invoke trade secret infringement and claim damages against the infringing party.

Due to these statutory uncertainties – and the fact that it is not entirely clear which IP protection regime applies to particular data or a particular database in any given case

<sup>3</sup> As reported by the online magazine Horizon (by THE LAWYER), 16 July 2021.



and whether such regime would sufficiently clarify the ownership situation for such data – it is strongly advisable to put a contractual framework in place which creates the basis for a transparent data rights allocation against the background of the above three-step process.

#### IV. A robust contractual foundation is key

Let's break down the above three-step process of data exploitation with respect to the legal challenges discussed below:

##### 1. Input Data

At the beginning of every data analysis process is the "original" or "raw" data concerning a certain matter or task ("**Input Data**"). The Input Data must be of certain quality in order for to achieve meaningful analysis results. Depending on the business model (see II. above), Input Data can be generated by a company internally, by means of the automatic searching or collection of large quantities of publicly available data (e.g. scraping, data mining<sup>4</sup>) and/or by obtaining respective data from a third party data provider<sup>5</sup> ("**Data Provider**"). Especially in the latter case, it is a good idea to clearly stipulate in the respective data provision contract, *inter alia*, (i) the scope of the licence in the Input Data, i.e. the permitted use and potential modification (e.g. to enrichment with other datasets if required) of the licensed data, and (ii) the allocation of any IP rights in the – valuable – data / databases created based on the Input Data ("**Output Data**") in order to minimise the risks of any subsequent disputes with the Data Provider.

This is particularly true in terms of Output Data as the Data Provider may wish to argue that it has acquired (co-)ownership, or at least usage rights, to the Output Data due to it being based, to some extent, on the Input Data owned by the Data Provider.<sup>6</sup> Regardless of whether invoking such rights would hold up before a court of law, a corresponding dispute, e.g. under most EU copyright laws, where the question of copyright ownership / infringement would need to be determined (if necessary with the aid of an expert opinion) can be extremely time-consuming and cost-intensive and should be avoided wherever possible.

In this context, we often note that agreements with Data Providers lack clear IP provisions, often diluting IP provisions with data protection rules (related to personal data only) and other provisions regarding data access in the respective case. IP and data protection language should, however, always be kept strictly separate!

Apart from Data Providers, expert Data Scientists specialized in the collection, curation and analysis of data need to be engaged in order to obtain the best analysis results possible. As with Data Provider, agreements with Data Scientists should encompass clear language on the allocation of any IP used and created in the context of his/her engagement.

<sup>4</sup> These methods of data collection, which have always been subject to ongoing discussions regarding their legal legitimacy, will not be discussed any further here.

<sup>5</sup> Such data provider may be a company specialising in the aggregation and licensing of such data, but could also be the user of software or a web platform.

<sup>6</sup> As one of the main principles of German copyright law, the owner of an original work may claim rights in the new work created based on the original work if the substantial "core" of the original work remains recognisable in the new work (which is usually extremely difficult to determine).

## 2. Analysis method / software

The second step involves the actual analysis of the Input Data through respective software solutions, commonly involving certain algorithms or even artificial intelligence ("AI").<sup>7</sup> Here, IP ownership and licensing need to be taken into account with respect to the Output Data as well as the analysis software itself (which may consist of different components such as the analysis technology/tool, a storage application as well as a frontend dashboard for the decision-making process of the user).<sup>8</sup> If the software used for the analysis is provided by a third party, the company using the software will need to pay attention to whether the software provider expects to obtain any rights in the Output Data as a result of the software's use (which would of course not be desirable for the company seeking exclusive rights to exploit/monetise the Output Data for its own purposes).

If the analysis software is developed by the company itself, it should take the possibility of patent protection into consideration. While the threshold for the registration of software solutions as a patent is generally still rather high, a large number of patent applications and registrations in the field of AI demonstrate that potential patent protection should never be overlooked for these types of developments.<sup>9</sup> Further legal challenges may arise if the software is run on external servers rather than on the company's own IT systems, e.g. in a cloud environment hosted by a third party (AWS, Google etc.), as another player (i.e. the provider of the cloud platform) may become part of the data analysis process.

## 3. Output Data

The third step encompasses the Output Data, which embodies the actual value generated in the data analysis process and must therefore be subject to a particular level of protection. Like Input Data, Output Data may hold value due to being known only to its creator and therefore may constitute a trade secret, which needs to be subject to appropriate security measures to maintain its protection as a trade secret under the EU know-how protection Directive (as implemented in the EU Member States). Other protection regimes may be possible in parallel, in particular data base rights (see III. above).

The Output Data can be used in two ways. Either strictly internally by the company (e.g. to improve its own processes or products) or it can be licensed to a third party, which can be any customer (e.g. for the customer's further use) or in some cases even the Data Provider itself. Depending on the particular services provided, a respective license agreement governs the scope of the license in the Output Data granted to the customer and should encompass, *inter alia*, robust obligations to maintain the data's confidential nature. The scope of the licence may vary based on the particular case and the customer's needs. Of course, even such Output Data could, in theory, be subject to further analysis by the customer's own software or be combined with other

<sup>7</sup> Another use case for data analysis may be machine learning, where an AI is fed large amounts of data in order to improve, e.g., decision-making processes.

<sup>8</sup> For further information on current developments on AI and IP, please see <https://talkingtech.cliffordchance.com/en/ip/patents/ai-and-ip---one-step-forward.html>.

<sup>9</sup> In 2019, IBM alone had about 6,800 patent families related to AI filed or registered in its name; for more information see <https://de.statista.com/statistik/daten/studie/1004508/umfrage/anzahl-der-ai-patente-der-fuehrenden-unternehmen-weltweit/>.

data – requiring the licence granted in the Output Data to be tailor-made to the particular situation and business model.

Alternatively, exchanges of data may rely on data assignment schemes, whereby the data holder *supplies* data to the assignee: this contractual framework minimizes the risk of complex post-termination issues that are common to most licensing scheme (who retains rights in data?), albeit the legal uncertainties regarding the subsistence of ownership rights in data (other than trade secret) creates the need for a clear definition of *which* rights are assigned (e.g. right to *access* data, rather than a debatable *ownership* in data).

Whatever the legal scheme (licensing, assignment), data monetization also triggers complex commercial issues, e.g. what is the economic value of data? The parties may wish to rely on different criteria (e.g. business / cost / economic / market value of data)<sup>10</sup>, but creating valuable data always requires a great deal of attention in structuring Output Data, for example: (i) ensuring data cleanliness, (ii) ensuring explainability, i.e. transparency and auditability of AI generating Output Data, (iii) ensuring adequate data governance (e.g. is personal data retained in accordance with data protection laws? Is data unbiased?). The better the data governance, the higher the sale/license price (and the lesser the liability risk!). Consistently, recent courts' and regulators' decisions in the EU, together with the draft AI Regulation<sup>11</sup>, set high transparency and explainability standards for businesses wishing to invest in AI-based data analytics.<sup>12</sup>

## V. Conclusion and outlook

While there is still some degree of legal uncertainty regarding the legal nature of and rights in (non-personal) data, the current legal framework in Germany and Italy (and most likely under EU law in general) allows for respective rights allocation on the contractual level between stakeholders. While we expect legislators to further address these issues concerning data ownership at some point in the next few years, market actors may need to take matters into their own hands. The need to provide for a robust contractual basis to secure their IP rights at an early stage in order to keep control of their data (property) and prevent its improper use by other parties. In any event, implementing a respective company strategy regarding the use of data will become crucial given the EU Commission's expectations for 2025 of an increase in data volume of about 530 per cent (172 zettabytes) and a data economy worth EUR 829 billion.<sup>13</sup>

<sup>10</sup> [https://en.wikipedia.org/wiki/Data\\_valuation#Methods\\_for\\_Valuing\\_Data](https://en.wikipedia.org/wiki/Data_valuation#Methods_for_Valuing_Data).

<sup>11</sup> <https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2021/05/the-future-of-ai-regulation-in-europe-and-its-global-impact.pdf>.

<sup>12</sup> <https://talkingtech.cliffordchance.com/en/data-cyber/data/the-italian-courts-lead-the-way-on-explainable-ai-.html>.

<sup>13</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-data-strategy\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-data-strategy_en).

## HONG KONG

Ling Ho / Kimi Liu / Iris Mok / Justin Luo

### THE NEW CHINA DATA SECURITY LAW: KEY FEATURES

#### Introduction: Significance of the DSL

The DSL is the first nationwide law on data security enacted from the perspective of national security protection in China. Before the promulgation of the DSL, the framework for data protection in China was laid down by the Cybersecurity Law ("CSL")<sup>1</sup> which imposes cybersecurity requirements on network operators. The data protection framework will be supplemented by the Personal Information Protection Law ("PIPL") with a focus on personal information protection, which will come into force on 1 November this year.

The DSL is a primary legislation that lays down the overarching legal framework and high-level principles on data usage, collection, storage, processing, disclosure, transaction and protection. Detailed guidance is expected to be provided in subsidiary and local regulations, judicial interpretations and opinions.

The application of the DSL is broad – it will affect companies and individuals processing data in China, as well as any data originating from or relating to China if its processing impairs national security, public interest or private rights in China.

#### Key feature: Three-tier classification of data

The DSL will regulate various stages of data processing including collection, storage, use, transmission and disclosure of different types of data, and is anticipated to become a key supplement to the CSL.

"Data"<sup>2</sup> is broadly defined in the DSL to refer to "any record of information in electronic or other form", and is categorised by the DSL into three classes, namely (i) national core data, (ii) important data (or critical data), and (iii) general data. The DSL ranks the different categories of data with regard to the significance of such data to national security, public interest and potential harm arising from breach. National core data and important data will be subject to a higher level of protection and use supervision.

"National core data" is only defined at a high level to refer to data related to national security and the national economic lifeline, as well as substantial civil life and public interests. Whilst more details on the management requirements are awaited by way of implementation regulations, one message is crystal clear – harsh penalties will be imposed for a national core data related breach. According to the DSL, an offender guilty of, for example, illegal transfer of national core data outside of China and which endangers China's national sovereignty will be subject to a fine of up to RMB 10 million and penalties including suspension of businesses or revocation of licenses.

"Important data" is a key concept in the DSL, which lays down various requirements on the processing of such data by business operators:

#### Key issues

- The Data Security Law (DSL) supplements the framework for data protection in China under the Cybersecurity Law and the Personal Information Protection Law, from a national security perspective.
- Data is classified into national core data, important data and general data. Important data will be subject to security assessment requirements, and its classification is to be formulated by local authorities.
- Cross-border transfer of data to foreign judicial authorities will be subject to approval requirements.
- The DSL has extra-territorial effect and is expected to have far-reaching impact of data handling activities in China.

<sup>1</sup> Effective since June 2017.

<sup>2</sup> Which is not defined in the PIPL.

- appointing a data officer;
- setting up a data protection department responsible for security of important data; and
- carrying out regular risk assessment of data processing to be reported to relevant authorities.

The DSL leaves it to State Council departments and local authorities to formulate their own classification to reflect what is considered "important data" within their respective industries or regions, to be coordinated by the central government. The promulgation of such categories will shed light on what constitutes important data allowing corporations to plan ahead during collection and usage.

### **Important data being subject to localisation and assessment requirements**

Under the existing CSL, Critical Information Infrastructure (CII<sup>3</sup>) operators are required to store important data in China and the intended export is subject to security assessment. The DSL now expands the requirement to non-CII operators – i.e. all data processors will be subject to similar requirements. Separate rules on the requirements under the DSL have been drafted but have not been finalised. It remains to be seen exactly what requirements will apply to the export of important data by non-CII operators.

The DSL imposes fines for breach (whether by a CII operator or non-CII operator), for a company, in the amount of RMB 10 million and, for persons directly responsible and in charge of export of important data in a company, RMB 1 million, which respectively are 20 and 10 times more than the fines under the CSL.

### **Restriction on cross-border transfer to foreign judicial and enforcement authorities**

An important restriction to pay attention to is that the DSL prohibits the provision by entities or individuals in China of data stored in China to any foreign judicial and enforcement authority without approval from a competent Chinese authority.<sup>4</sup> Violations can lead to fines of up to RMB 5 million for a company and RMB 500,000 for the person directly in charge of cross-border data transfer in the company. The DSL does not provide specific rules on the approval procedure, and we expect relevant implementation rules to be announced at some point in the future.

The potential personal liability highlights the importance for companies to identify and appoint professionally qualified individuals who are conversant with the law and local practice to oversee the company's data transfer and processing. It is crucial to consider and have internal guidelines in place not only regarding data transfer but also the options of data storage in any jurisdiction.

<sup>3</sup> The list of CII operators is currently in draft and refers to industries such as energy, finance, social security and public healthcare.

<sup>4</sup> A "competent Chinese authority" includes departments of different industries under the State Council such as the public security department, national security department, and national cyberspace administration office.

## **Empowering Chinese authorities to conduct national security reviews**

Companies and individuals are required to cooperate with security authorities to give them access to data for the purpose of safeguarding national security or investigating potential crimes. Such a cooperation requirement is not new – the CSL has similar requirements for network operators to provide technical assistance, which may include requests for data access.

In addition, the DSL stipulates that any data processing activities that affect or may affect China's national security will be subject to a national security review, which decision is final and not subject to judicial examination. Again, we await implementation regulations to provide further details.

Apart from national security, general directions are also laid down on the building of the digital economy. One of the key directions is that competent authorities are empowered to establish data trading management systems and cultivate a data trading market in China. In connection with data trading, companies engaging in data trading intermediary services are required by the DSL to collect the source of data, examine the identity of all parties involved in the trading activity and transaction, and maintain proper records of all transactions.

## **Extraterritorial effect of the DSL**

Although the restrictions mainly target data processing activities in China, companies or individuals outside of China may be subject to the DSL if their activities are detrimental to Chinese national security or the lawful rights of any Chinese citizen or organisation. Hence, multinational companies outside of China which transmit any data collected in China to their overseas offices need to pay particular attention to the potential extraterritorial effect of the DSL, subject to the practical ability of Chinese authorities and courts to exercise jurisdiction over overseas companies.

The DSL also authorises the adoption by competent authorities of reciprocal measures against countries or regions with discriminatory prohibitions or other sanctioned measures pertaining to any China-related investment or trading activity involving data.

## **Summary**

The enactment of the DSL is expected to have a far-reaching impact on data processing activities and business operations or investments in China. The DSL will bring challenges for companies that have a global business presence as they are faced with increasingly complex local regimes on data processing and security requirements in multiple jurisdictions. Companies or individuals with investment strategies in China should consider the impact of China's data protection regime on their investment objectives including access and sharing of data and ensuring the compliance of the requirements by their investment targets.

With the DSL giving us a glance of the general principles, the practical enforcement implications will depend on the implementation regulations and standards to be promulgated by the relevant Chinese authorities. We will be closely monitoring regional and trade-specific regulations to be issued in the future and will provide updates in due course.



## MILAN

Filippo Volpini

# THE EDPB GUIDELINES ON CONNECTED CARS: VEHICLE DATA PROCESSING PRACTICES

### Introduction

Like many other sectors, the automotive industry is not immune to technological challenges from the digital world. Such challenges prompted the European Data Protection Board ("EDPB") to adopt guidelines on connected cars.<sup>1</sup> Their aim is to facilitate compliance with the GDPR and the e-Privacy Directive by the various stakeholders involved in the processing of personal data within the connected car ecosystem.

Smart cars are next-generation vehicles characterised by the ability to be networked or connected to each other. They collect data in the same way as a computer or smartphone, even if that data is not directly linked to a name. For example, the vehicle stores information on driving style and speed or collects data from the connection with the user's cell phone. Of particular importance is geolocation information, as it reveals the habits of the vehicle user and can indicate their place of residence or work, or their focus of interest, from which sensitive information such as religious orientation (through the place of worship) can also be deduced.

The guidelines lists the following personal data:

- location data;
- biometric data; and
- data that could reveal crimes.

Smart car manufacturers and developers are asked to act in line with the concepts of data protection by design (privacy by design) and protection by default (privacy by default), as required by Article 25 of the GDPR.

### Cars and personal data processing

Among the several issues addressed by the EDPB, this paper analyses those of particular interest for data privacy practitioners.

The guidelines do not clarify the roles and responsibilities of the various parties (i.e. car manufacturers, infrastructure providers, third-party apps that provide information to the user, etc.) involved from time to time in the processing of personal data through the vehicles' devices. These are very complex ecosystems, for which there is no "one-fits-all" solution and a case-by-case analysis will have to be conducted.

#### Key issues

- EDPB guidelines on the processing of data by connected cars to ensure compliance with GDPR and e-Privacy Directive
- Data collected by connected cars could have significant impact on competition matters
- Extended vehicle could allow vehicle manufacturers to arbitrarily decide how, when and to whom access is granted

<sup>1</sup> Guidelines 1/2020 on processing personal data in the context of connected vehicles and mobility related applications, Version 1/2020 available at: [https://images.go.wolterskluwer.com/Web/WoltersKluwer/%7Ba78b36d5-0e92-4e39-8852-a9e4f0e1fd6b%7D\\_edpb-linee-guida-9-marzo-2021.pdf](https://images.go.wolterskluwer.com/Web/WoltersKluwer/%7Ba78b36d5-0e92-4e39-8852-a9e4f0e1fd6b%7D_edpb-linee-guida-9-marzo-2021.pdf).

With regard to the identification of the legal basis for the processing of personal data using in-car terminal equipment, the EDPB clarifies that - for the purposes of accessing and storing data on such equipment - the criteria set out in the ePrivacy Directive must be applied: therefore prior consent of the user has to be obtained.<sup>2</sup> For all subsequent processing, Article 6 of the GDPR will apply.

Having identified the legal basis for the consent has important consequences also for subsequent uses (for purposes different from the original ones) of the huge amount of data that is collected through the connected car. In fact, the EDPB specifies that any further use of personal data must in turn be based on the (informed) consent of the user and it will not be possible - for the owner - to proceed to further processing based solely on the compatibility test provided by Article 6.4 GDPR. Indeed, it should be recalled that, according to Article 6.4 GDPR, a compatibility test, verifying the link between the various purposes, the context in which the data was originally collected, the nature of the personal data, the possible consequences of further processing for the data subject and the existence of adequate safeguards, should be conducted whenever there is a desire to proceed with further use of personal data for purposes other than those of the original collection. Only in the event that the test is positive could one proceed without the need for a new legal basis (and on this principle there is no consensus among the various commentators).

In such a case, however, the EDPB excludes the feasibility of such a procedure. Therefore, it will be necessary to re-obtain consent from the data subjects themselves unless a complete anonymisation of the data collected through the connected car is carried out. In this case, it might be sufficient to carry out the compatibility test mentioned above. This, however, would only apply if the data collected were to be completely anonymised, in accordance with the (very demanding) standards set forth by the EDPB.<sup>3</sup> If the data were to be pseudonymised (and thus remain identifiable), it would be necessary to find a new legal basis, which could be linked to a legitimate interest, according to the interpretation of the EDPB.<sup>4</sup>

The purpose is as follows: cars must collect and transmit as little data as possible about the vehicle's occupants. In fact, the vehicle usually carries the owner, but it is possible that there are also other passengers, whose data is inevitably collected as well. The Privacy Authority states that companies processing users' data will have to operate on the relevant legal basis, which for connected cars is usually the consent of the data subjects (drivers and passengers), and on the principle of necessity, for example for driving assistance and road safety, or for "pay-as-you-drive" type insurance services. In addition, for this type of insurance, an alternative must be provided to motorists that does not require the installation of "black boxes" and mobility tracking.<sup>5</sup>

## More than just cars: IoT devices

The revolution of the auto industry from a mere producer of "traditional" vehicles and ancillary services to a provider of mobility services is changing the face and operations

<sup>2</sup> Guidelines 1/2020, para. 1.5.3. "Further processing of personal data".

<sup>3</sup> Opinion 05/2014 on Anonymisation Techniques.

<sup>4</sup> Ibid.

<sup>5</sup> For more information, please see <https://www.garanteprivacy.it/web/guest/home/docweb/-/docweb-display/docweb/9568537#3>.

of major players. Modern vehicles are, in fact, IoT devices. Vehicle data can be used for various types of ancillary or non-ancillary services: from navigation, maintenance and diagnostics to the provision of customised infotainment and insurance services, using "C-V2X" (Cellular Vehicle to Everything) technology that enables all-round vehicle connectivity services.

The sale of vehicles is not only associated with the offer of traditional "ancillary" services such as financing and after-sales service packages, but also with new "all-inclusive" mobility services. In this context, new operators are entering the market by offering digital services and competing with OEMs. Platforms are becoming the place where product and service providers meet users and customers and identify their preferences. Developments arising from the use of 5G technology in this sector enable new forms of so-called hybrid connection as illustrated in the recent study commissioned by the Transport Committee of the European Parliament and published in December 2020<sup>6</sup>, which also identifies a multiplicity of applications pertaining to the world of mobility. These include CCAM (Connected Cooperative Automated Mobility) applications designed to integrate different driver assistance services, MaaS (Mobility as a Service) applications in which a variety of transport services are integrated into a single mobility service through apps available on demand, and C-ITS (Cooperative Intelligent Transport System) applications to offer services related to safety, traffic and vehicle sustainability.<sup>7</sup>

In this context, user data plays a key role.

## Data and competition matters

While these are the solutions proposed in terms of data protection, it should be borne in mind that data is destined to play a central role in competition matters. This is true not only on the demand side, in terms of orienting customers' choice towards vehicle manufacturers able to offer the best digital services and not at the most competitive price, but also on the supply side, since the possession of or access to such data could lead to significant market power and the development of new business models and digital platforms. Access to the data that the vehicle is able to generate (or in any case related to it) becomes a "strategic" factor for operators, at all levels and in multiple ancillary or non-ancillary markets. From a competitive point of view, as has already happened in other sectors, data will represent a competitive advantage for those who possess it or a barrier to entry for those who are excluded.

Thus, the introduction of restrictive interpretations with respect to the ability to reuse personal data could have important competitive consequences, as we are already beginning to see in other industries, such as AdTech and online advertising, where certain data-intensive behaviours by major players have potentially anti-competitive consequences.<sup>8</sup>

<sup>6</sup> *The impact of emerging technologies on the transport system*, PE 652.226 – November 2020.

<sup>7</sup> The latter closely related to the implementation of the Delegated Regulation adopted by the Commission in March 2019 implementing Directive 2010/40/EU on the framework for the deployment of Intelligent Transport Systems in the field of road transport and interfaces with other modes of transport but rejected by the Council in July 2019 and currently under review.

<sup>8</sup> In this regard, please see the recent article published in "Competition Policy International", Data Privacy and Competition Protection in Europe: Convergence or Conflict?, available at: <https://www.competitionpolicyinternational.com/data-privacy-and-competition-protection-in-europe-convergence-or-conflict/>.

## In-vehicle data access

Specifically, in-vehicle data access is a highly contentious aspect. In fact, the models and standards proposed by the automotive industry based on the concept of the so-called extended vehicle and aimed at protecting cybersecurity and data protection needs, as highlighted by the ACEA Position Paper of 2016<sup>9</sup>, are based on information flows that allow "off-board access" by third parties through external servers, so-called "neutral" servers, which will interface with those of vehicle manufacturers in order to avoid any direct access to vehicles or OEM servers that could jeopardise the safety of the vehicle and passengers.

Nonetheless, there is a clear risk that a range of information may not be immediately shared by vehicle manufacturers with third parties who may be interested in providing competing services. In the same consultation concerning the reform of block exemption Regulation no. 461/2010/EU in application of Art. 101.3 TFEU on the subject of motor vehicles, one of the points on which the interested stakeholders requested changes and raised concerns related to the access to technical information. More precisely, it related to the in-vehicle data access to enable suppliers to compete with all mobility operators, some of which might be tempted to act as "gatekeepers" through proprietary methods of access to data on board the vehicle. If not properly regulated, the extended vehicle concept would in fact allow vehicle manufacturers to arbitrarily decide how, when and to whom access is granted. In addition, available data could be limited and pre-processed, thus preventing the development of technically advanced and competitive new services by independent service providers. This control, which would occur primarily through technical design, could therefore deprive consumers of the ability to choose the best services for themselves, while also limiting the ability of market players to innovate. In this case, it would therefore be essential to identify standards that guarantee FRAND (fair, reasonable and non-discriminatory) access to such data to avoid the asymmetries that might otherwise arise between operators.<sup>10</sup> On the other hand, compulsory access to data represents a very delicate issue also for the newly proposed Digital Markets Act<sup>11</sup> intended precisely to regulate, from a competitive point of view, the conduct of gatekeepers in order to prevent possible violations ex ante, highlighting how it is necessary to treat this issue with great caution in order to avoid it having a negative impact on innovation.

In this regard, one option could be to develop alternative models of data access, which is what has been recently proposed by the main European associations of the supply chain related to the automotive distribution and services industry, which published an alternative sharing model, the Secure On-board Telematics Platform (Secure OTP) in March 2021.<sup>12</sup> This is aimed at clearly defining the different roles of vehicle manufacturers, who would act as both manufacturers and service providers, whereby in the latter role they would then compete directly with all other service providers. The implementation of Secure OTP would therefore allow service providers to have

<sup>9</sup> ACEA Position Paper, 2016, *Access to vehicle data for third party services*.

<sup>10</sup> In this regard, it is worth mentioning the Nokia Technologies/Daimler case which the Court of Dusseldorf has referred to the European Court of Justice for a preliminary ruling.

<sup>11</sup> *Proposal for a Regulation of the European Parliament and of the Council on contestable and fair markets in the digital sector* (Digital Markets Act), December 15, 2020.

<sup>12</sup> Secure On-board Telematics Platform Approach, Ceca, FIA, ADPA, etc., 30 March 2021, available at: [https://35e4493c-8f48-47f6-86fd-c7f7ae0ab150.usrfiles.com/ugd/35e449\\_34d53f5358a04910b6125f8096942e1f.pdf](https://35e4493c-8f48-47f6-86fd-c7f7ae0ab150.usrfiles.com/ugd/35e449_34d53f5358a04910b6125f8096942e1f.pdf).

their own access to vehicle data through different levels of authorisation depending on the services to be provided.<sup>13</sup>

## Conclusions

From this point of view, we can therefore understand how the same EDPB guidelines could take on a totally different connotation, more or less cogent, depending on the model adopted. Based on such logic, the goal should be, however, to prevent the distortions already experienced in other markets in which data protection arguments have been used by gatekeepers precisely to deny access to data on the basis of the lack of consent of data subjects.<sup>14</sup> What is certain is that the digital revolution in the automotive industry is proceeding apace, and it will be necessary to respond to the new market challenges based on an overall logic that takes into account multiple aspects, including regulatory and antitrust issues, IP and data protection, and the necessary interaction between them, to avoid repeating the mistakes of the past.

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<sup>13</sup> Distinguishing between standard SDK (software development kit) and extended SDK. Specifically, the standard SDK would include all available standardised functions that would not be related to performance/ environmental, safety and security functions and no access to functions that could interfere with the type approval requirements of the vehicle. In this way, the vehicle manufacturer would remain responsible for the type approval of the vehicle. The extended SDK would also include access to features related to the environmental, safety or security performance of the vehicle. In this case, as the manufacturer would remain responsible for the approval of the vehicle, the apps created with the extended SDK would have to be validated by the manufacturer or a third party authorised by the manufacturer for use.

<sup>14</sup> As was recently the case in the investigation opened by the AGCM in the Google display advertising case, Case A542 of October 2020.

## BARCELONA

Mireia Aguila Munoz

### THE GENERAL COURT OF THE EUROPEAN UNION ("GCEU") RULES FOR THE FIRST TIME ON THE REGISTRATION OF A SOUND MARK SUBMITTED IN AUDIO FORMAT

Following the decision by the European Union Intellectual Property Office ("**EUIPO**") to refuse the registration of a sound sign as a trade mark of the European Union, the GCEU (Fifth Chamber, Extended Composition) has had the opportunity to rule for the first time on the registration of a sound mark filed in audio format.

The audio file submitted by the German company Ardagh Metal Beverage Holdings GmbH & Co. KG ("**Ardagh**") together with its application for registration of a sound mark contained a combination of sounds and, in particular, the sound produced by a can of soft drink when opened, followed by silence and a fizzing sound. As we shall see, the GCEU, rejecting the appeal lodged by the applicant against the decision of the Second Board of Appeal of the EUIPO of 24 July 2019 refusing registration (Case R-530/2019-2), concludes in its recent judgment that that sound cannot be registered as a sound mark for different beverages and for metal packaging for transport and storage because it lacks distinctive character.

The judgment of the GCEU, handed down on 7 July 2021 in Case T-668/19 (the "**Judgment**"), provides us, before reaching its conclusion of lack of distinctiveness, with a series of considerations regarding the criteria for assessing the distinctiveness of sound marks and the general perception of this type of mark among consumers.

#### Background to the case

On 6 June 2018, Ardagh filed an application for registration of a European Union trade mark with the EUIPO under Regulation (EU) 2017/1001<sup>1</sup> and, in particular, of a sound mark filed in audio format and consisting of the sound produced by a can of soft drink

#### Key issues

- A trade mark is distinctive when it serves to identify the product for which registration is sought by attributing to it a particular business origin and, consequently, makes it possible to distinguish that product from those of other undertakings.
- The distinctive character of a trade mark must be assessed, on the one hand, in relation to the goods or services in respect of which registration has been sought and, on the other hand, in relation to the perception of the relevant public.
- The criteria for assessing the distinctive character of sound marks are no different from those applicable to other categories of marks.
- A sound sign must have a certain force which allows the relevant consumer to perceive it as a mark and not as an element of a functional nature or an indicator without its own intrinsic characteristics.
- The consumer of the goods or services must be able to establish a link with their commercial origin through the mere perception of the mark, without combining it with other elements such as, in particular, word elements, figurative elements or even another mark.
- The case-law relating to three-dimensional marks cannot, in principle, be applied to sound marks.
- The perception of the average consumer is not necessarily the same in the case of a three-dimensional mark as in the case of a word, figurative or sound mark.

<sup>1</sup> Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (OJ 2017, L 154, p.1) ("**Regulation 2017/1001**").



when opened, followed by a silence of approximately one second and a subsequent bubbling of about nine seconds. Registration was requested for goods within Classes 6, 29, 30, 32 and 33 of the Nice Agreement<sup>2</sup>, corresponding, in the case of Class 6, to metal containers for the transport and storage of, inter alia, liquids and gases under pressure, and, in the case of Classes 29, 30, 32 and 33, to beverages of various kinds.

On 2 July 2018, the EUIPO examiner informed Ardagh that the mark applied for could not be registered as a trade mark because it could not be perceived as an indicator of the commercial origin of the goods to which it referred. In line with that, by decision of 8 January 2019, it rejected the application for registration on the grounds that the mark applied for lacked distinctive character within the meaning of Article 7(1)(b) of Regulation 2017/1001, according to which the registration of trade marks which do not have distinctive character will be refused. This decision was appealed by Ardagh.

After analysing the appeal lodged by Ardagh against the EUIPO decision of 8 January 2019, the Second Board of Appeal of the EUIPO (the "**Board of Appeal**"), by decision of 24 July 2019 (the "**Contested Decision**"), dismissed that action, as the EUIPO examiner had already done half a year earlier, on the grounds that the sound mark applied for lacked distinctiveness.

In the Contested Decision, after reminding us that the criteria for assessing the distinctive character of sound marks are no different from those applicable to other categories of marks, the Board of Appeal stated that the general public, which has a medium level of attention and is the relevant public in the case of goods in Classes 29, 30, 32 and 33, was not necessarily accustomed to considering a sound as an indication of the commercial origin of unopened beverage containers and packaged beverages. It added that, in order to be registered as a trademark, a sound must have the capacity to be recognised so that it could indicate to consumers the commercial origin of the goods or services in question. And, finally, the Board of Appeal considered that the mark applied for consisted of a sound inherent in the use of the goods in question, and that the relevant public would therefore perceive it as a functional element and an indication of the qualities of the goods in question.

In the light of the foregoing, on 1 October 2019 Ardagh brought an action against the Contested Decision, seeking the GCEU to annul it and to order EUIPO to pay the costs, all on the basis, essentially, of the following six pleas in law:

- The first, alleging infringement of Articles 72(2) and 95(1) of Regulation 2017/1001 and referring to errors of assessment allegedly incurred by the Board of Appeal by distorting the facts;
- the second, alleging infringement of Article 72(2) of Regulation 2017/1001 and referring to a failure on the part of the Board of Appeal to comply with its obligation to state reasons;

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<sup>2</sup> Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended.

- the third, based, in essence, on an error of law, in so far as the Board of Appeal would have applied an erroneous criterion in assessing the distinctive character of the mark applied for, failing to do so in the light of the relevant case-law;
- the fourth, alleging infringement of Articles 72(2) and 7(1.b) of Regulation 2017/1001 and referring to the fact that the Board of Appeal had wrongly concluded that the mark applied for was devoid of distinctive character;
- the fifth, alleging infringement of Articles 72(2) and 95(1) of Regulation 2017/1001 and concerning an erroneous assessment by the Board of Appeal of certain facts; and
- finally, the sixth, based on an infringement of Article 72(2) of Regulation 2017/1001 and referring to an infringement of Ardagh's right to be heard.

For its part, EUIPO asked the GCEU to dismiss Ardagh's action against the Contested Decision and order the appellant to pay the costs.

On the basis of the reasoning set out below, the GCEU, in its recent Judgment, dismisses in its entirety the action brought by Ardagh and concludes, as the Board of Appeal previously did in the Contested Decision, that the sound mark applied for in audio format by Ardagh is not distinctive and, therefore, cannot be registered.

## Reasoning behind the GCEU Judgment

### The third and fourth pleas in Ardagh's action concerning the assessment of the distinctive character of the mark applied for

In Ardagh's view, when the Board of Appeal analysed the distinctive character of the mark applied for, it applied criteria not covered by Article 7(1.b) of Regulation 2017/1001. In particular, those criteria established by the case-law developed in relation to three-dimensional marks, according to which, in order for the trade mark to fulfil its function as an indication of the commercial origin of the goods in question, it must differ "*significantly*" from the rule or practices in the sector, a criterion which, according to the appellant, would not be applicable in the present case. Ardagh is of the opinion that the sound reproduced by the mark applied for is unusual for goods in Classes 29, 30, 32 and 33 which do not contain carbon dioxide gas, and the distinctive character which would already exist for that mark would therefore be strengthened. And, in the case of goods of those classes containing carbon dioxide gas, the sound elements making up the mark applied for are distinguished from the sound produced by opening cans of soft drinks common on the market and would therefore be perceived by the relevant public as an indication of the commercial origin of those goods.

Before going into the assessment of Ardagh's content of the third and fourth pleas, the GCEU reminds us in its Judgment that a trade mark has distinctive character within the meaning of article 7.1.b) of Regulation 2017/1001 when "*it serves to identify the product for which registration is requested by attributing a certain business origin to it and, therefore, to distinguish this product from those of other companies*".<sup>3</sup>

<sup>3</sup> The judgments of 21 January 2010 (Audi v OHIM, C-398/08 P, EU:C:2010:29, paragraph 33 and the case-law cited) and 20 October 2011 (Freixenet v OHIM, C-344/10 P and C-345/10 P, EU:C:2011:680, paragraph 42 and the case-law cited) are along these lines, as cited by the GCEU in its Judgment.

That distinctive character, it continues, "*must be assessed in relation, on the one hand, to the goods or services for which registration has been requested and, on the other, to the perception of the relevant public*".<sup>4</sup> And this relevant public must be able to perceive the sound sign whose registration is requested "*as [a] mark and not as [an] element of a functional nature [...] without intrinsic characteristics of its own*" and for this it is necessary that this sign "*has a certain force*"<sup>5</sup>.

In addition, the GCEU indicates that the criteria for assessing distinctiveness "*are the same for all categories of marks*", since Article 7.1 of Regulation 2017/1001 "*does not distinguish between those different categories*" and, therefore, "*the criteria for assessing the distinctive character of sound marks are not different from those applicable to the other categories of marks*"<sup>6</sup>.

Having said that, and going on to rule on the criterion applied by the Board of Appeal in analysing the distinctiveness of the sound mark applied for by Ardagh, the GCEU states that, in fact, as the appellant claims, that criterion is the one established by the case-law relating to three-dimensional marks, which "*has been developed in the light of the particular situation in which a mark applied for consists of the shape of the product itself or of its packaging, when there is a rule or uses of the sector relating to that form*", being such that consumers accustomed to seeing certain forms corresponding to the standard or uses of the sector "*will not perceive the mark requested as an indication of the commercial origin of the products [...], if the form that constitutes that mark is identical or similar to the usual form or forms*".

That case-law, according to the GCEU, does not establish any new criteria for assessing the distinctive character of a mark, but merely specifies that, in the context of the application of those criteria, the perception of the relevant public may be influenced by the nature of the sign for which registration is sought. Thus, the perception of the average consumer is not necessarily the same in the case of a three-dimensional mark, consisting of the appearance of the product itself or its packaging, as in the case of a word, figurative or sound mark, consisting of signs independent of the exterior appearance or shape of the goods it designates.<sup>7</sup>

Consequently, the GCEU holds in its Judgment that that case-law relating to three-dimensional marks is not applicable, in principle, to sound marks. Thus, not reproducing the mark applied for by Ardagh the shape of the goods in question or that of their packaging, the Board of Appeal erred in considering the case-law applicable by analogy and applying the criterion of determining whether the mark applied for differed "*significantly*" from the rule or practices in the sector. However, even though EUIPO incorrectly applied that case-law, the GCEU states that that error is not such as to vitiate the reasoning set out in the Contested Decision, which is also based on another ground.

<sup>4</sup> The judgment of 12 February 2004 (Henkel, C 218/01, EU:C:2004:88, paragraph 50 and the case law cited therein) is along the same lines, as cited by the GCEU in its Judgment.

<sup>5</sup> The judgment of 13 September 2016 (Sound mark, T-408/15, EU:T:2016:468, paragraph 45), cited by the GCEU in its Judgment, is along the same lines.

<sup>6</sup> The judgment of 13 September 2016 (Sound mark, T-408/15, EU:T:2016:468, paragraph 41 and the case law cited therein) is along the same lines, as cited by the GCEU in its Judgment.

<sup>7</sup> The judgment of 12 December 2019 (EUIPO v Wajos, C 783/18 P, unpublished, EU:C:2019:1073, paragraph 24 and the case law cited therein), cited by the GCEU in its Judgment, is along these lines.

Regarding that other ground, based on the perception of the mark applied for by the relevant public as being a functional element of the goods in question, the GCEU observes, firstly, that the sound produced by the opening of a can will in fact be considered, having regard to the type of goods, to be a purely technical and functional element. The opening of a can or bottle is inherent to a technical solution connected to the handling of drinks in order to consume them and such a sound will therefore not be perceived as an indication of the commercial origin of those goods. Secondly, the relevant public immediately associates the sound of fizzing bubbles with drinks. In addition, the GCEU observes that the sound elements and the silence of approximately one second, taken as a whole, do not have any inherent characteristic that would make it possible for them to be perceived by that public as being an indication of the commercial origin of the goods. Those elements are not resonant enough to distinguish themselves from comparable sounds in the field of drinks.

Therefore, the Court confirms EUIPO's findings relating to the lack of distinctive character of the mark applied for and, consequently, rejects the third and fourth pleas in the action brought by Ardagh.

#### **The first and fifth pleas in Ardagh's action concerning errors of assessment**

According to Ardagh, the Board of Appeal wrongly considered, at least in respect of the categories of non-alcoholic beverages, still drinks and mineral waters, that all the products for which the sound mark was applied for were beverages which could contain carbon dioxide. Furthermore, according to the appellant, it was also wrong to point out that it was unusual, in the beverage and beverage packaging markets, to indicate the commercial origin of a product solely by means of sounds, since it is possible to imagine many distribution methods using a sound. In so doing, the Board of Appeal introduced into its assessment, an erroneous personal finding, instead of a well-known fact.

In that regard, the GCEU states in its Judgment that the fact of considering that all the products for which the trade mark was applied for were beverages that could contain carbon dioxide was an error that did not have a determining influence in concluding the lack of distinctive character of the same, since that conclusion was reached regardless of whether or not the products contained carbon dioxide. That being the case, the appellant's argument based on that error is inoperative and cannot therefore lead to the annulment of the Contested Decision.

As regards the Board of Appeal's finding that it is unusual on the market for drinks and their packaging to indicate the commercial origin of a product using sounds alone on the ground that those goods are silent until they are consumed, the GCEU refutes this. The GCEU points out that most goods are silent in themselves and produce a sound only when they are consumed. Thus, the mere fact that a sound is made only on consumption does not mean that the use of sounds to indicate the commercial origin of a product on a specific market would still be unusual. The GCEU explains nonetheless that any error on EUIPO's part in that regard does not lead to the annulment of the Contested Decision, because it did not have a decisive influence on the operative part of that decision.

Consequently, the GCEU rejects the first and fifth pleas in law in Ardagh's action, alleging, in essence, errors of assessment.

#### **The second plea in Ardagh's action concerning failure to comply with the obligation to state reasons**

Ardagh considers that the Board of Appeal did not examine the distinctive character of the mark applied for in respect of products which do not contain carbon dioxide and that, as stated in the Judgment, this is recognised by EUIPO, which, nevertheless, considers that it is not a ground for annulling the Contested Decision. Furthermore, the appellant adds, the assertion that it is still unusual to indicate solely by sound the commercial origin of the products on the beverage and beverage packaging markets would not be sufficiently substantiated, particularly in view of the publications provided by the appellant on the current work of sound engineers in the field of acoustic accompaniment of foodstuffs placed on the market.

As regards the alleged failure to state reasons, the GCEU reminds us of the need for all EUIPO decisions to be, in accordance with the first sentence of Article 94(1) of Regulation 2017/1001, reasoned, and admits that, although it is true that the Board of Appeal, starting from the erroneous premise that all the products in Classes 29, 30, 32 and 33 were carbonated beverages, did not include in the Contested Decision an explicit statement of reasons concerning the lack of distinctiveness of the mark applied for in respect of carbon-free products, in its view, the Contested Decision is sufficiently reasoned as a whole.

On the other hand, as to the fact that the assertion that it is still unusual to indicate solely by sound the commercial origin of the products in the beverage and beverage packaging markets would not be sufficiently substantiated, the GCEU considers that the failure of the Board of Appeal to expressly comment on that argument based on the work of the sound engineers does not mean that it did not comply with its obligation to state reasons. As the GCEU reminds us in its Judgment, that obligation does not constitute an obligation for the EUIPO to respond to all the allegations and evidence submitted for its assessment, but it is sufficient for it to refer to the facts and legal considerations that are of "*essential importance in the system of the resolution*".

In the light of the foregoing, the GCEU rejects the second plea in the action brought by Ardagh, alleging breach of the obligation to state reasons.

#### **The sixth plea in Ardagh's action alleging infringement of the right to be heard**

Ardagh considers that it was unable to submit observations on the requirement of availability referred to by the Board of Appeal in paragraph 23 of the Contested Decision, thereby infringing its right to be heard, an argument which is not shared by EUIPO.

Prior to making its assessments in this regard, the GCEU reminds us in its Judgment that the EUIPO, as it follows from article 94.1, second sentence, of Regulation 2017/1001, can only base its decisions on elements of fact and law on which the parties have been able to submit observations, thereby enshrining the general principle of protection of the right of defence, by virtue of which "*the addressees of decisions of*

*public authorities that significantly affect their interests must have the opportunity to make their point of view known effectively".*

Having made this reminder, the GCEU concludes that Ardagh's right to be heard was not violated. In the context of the exchanges between the parties during the administrative proceedings before the Board of Appeal, the Board of Appeal made a clarification as to the existence of a requirement for the availability of the sounds which made up the mark applied for. The Board of Appeal confines itself to replying to the appellant's letter of appeal and, in particular, to the argument alleging, in essence, that the registration of the mark applied for does not prevent other economic operators from using its signs to market various liquids with foam triggers, and does so without raising any new elements. Therefore, that clarification by the Board of Appeal could not, in itself, require it to give Ardagh the opportunity to put forward its point of view on the matter.

That being the case, the GCEU rejects the sixth plea in the action brought by Ardagh, alleging infringement of the right to be heard.

### **The Judgment of the GCEU**

The GCEU, in its Judgment of 7 July 2021 in Case T-668/19, dismisses in its entirety the action brought by Ardagh against the decision of the Second Board of Appeal of the EUIPO of 24 July 2019, which refused to register a sound sign presented in audio format as a trade mark of the European Union. In the GCEU's view, the mark applied for by the appellant is devoid of distinctive character and therefore cannot be registered.

As regards costs, the GCEU agrees in its Judgment that, in view of the numerous errors in the Contested Decision of the Board of Appeal and even if it is not annulled, each party will bear its own costs in the proceedings before the GCEU and the appellant, in addition, the essential expenses incurred in connection with the proceedings before the Board of Appeal of the EUIPO.

This was the first time that the GCEU had had the opportunity to give a ruling on the registration, as a European Union trade mark, of a sound mark submitted in audio format. This being the case, and not knowing when there will be more opportunities like this again, we will take this Judgment as an important precedent.

## WARSAW

Marcelina Sługocka

### WHEN LAW MEETS PRACTICE – JUDICIAL INTERPRETATIONS FROM THE POLISH SUPREME COURT TO TACKLE THE STATUTE OF LIMITATIONS FOR TRADEMARK INFRINGEMENT CLAIMS

Infringement claims, like all property claims, are subject to the statute of limitations, and the same goes for all IP rights. As in most European countries, claims in the Polish legal system become time-barred three years from the date on which the party entitled to the industrial property right in question learned of the infringement and of the party which infringed that right, with this applying separately for each individual infringement. In any case, the claim shall be barred once five years have elapsed from the date on which the infringement occurred. Under industrial property law, the statute of limitations is a limitation period for bringing infringement actions for non-pecuniary claims.

However, how does the law deal with the continuous and repeated infringement of a trademark over a number of years? Is the possibility of prohibiting the proprietor from unauthorized use of the trademark also excluded once five years have elapsed in cases where the unlawful use in question occurs not just once, but on several occasions?

#### Interpretation of the types of infringement determining the commencement of the statute of limitations

Under Polish law, there are several types of infringement, including those of a repeated, continuous or one-time nature. Prior to the Polish Supreme Court decision reached by an enlarged panel of 7 judges (III CZP 30/20, dated 18 May 2021), the courts usually ruled that a repeated infringement constitutes a continuous infringement. In considering continuous and repeated infringements as being identical, it was assumed that the statute of limitations begins with the initial infringement, which is then subsequently repeated.

However, it seems that approach was wrong. Such an interpretation closes the path to claims for the trademark holder in those cases where a third party infringes the right by carrying out its normal activities, thereby continuously repeating the infringement (for instance, by manufacturing the same products bearing the infringed mark). Such situation arises because the infringement of an exclusive right to a trademark occurred

#### Key issues

- Judicial practice has been uniform regarding Polish regulations on the statute of limitations for non-pecuniary claims to the benefit of trademark holders.
- The statute of limitations for claims arising from the infringement of trademark rights shall be calculated separately from each day of infringement, rather than from the first infringement for all subsequent ones.
- As things currently stand in terms of Polish law, if a third party infringes a trademark through repeated, identical actions, the time limit for non-pecuniary claims (for cessation of infringement, for destruction of goods with the infringed trademark) is reset with each such action.



upon initiation of the activity and became a continuous (repeated) infringement by virtue of performing that same activity over and over again. Polish courts have, until recently, treated those situations as constituting one infringement for the purpose of establishing when the statute of limitations commences. The courts' rationale was that the statute of limitations should serve the function of disciplining and mobilizing an entitled party to pursue claims. Consequently, an interpretation of this issue by the Supreme Court was both much needed and eagerly awaited.

For years, the question has been raised whether the mere fact of becoming aware of a repeated infringement precludes the possibility of pursuing claims relating to subsequent infringements by the same party. However, the issue of mere knowledge of repetitive infringement was irrelevant in determining the criteria for identifying when the limitation period begins. Infringements of industrial property rights most frequently take the form of repeated actions over a certain period of time (including marking goods with a trademark) or single acts with effects lasting continuously for months or even years (e.g. incorporating someone else's trademark into your own trademark), which results from the very nature of industrial property rights. The issue under consideration was therefore the appropriateness of enabling the trademark holder to bring a claim for cessation of use of the mark with respect to one individual act forming part of the recurring activities, commenced earlier than the statute of limitations would allow.

### **The decision of the Polish Supreme Court**

Infringement, as a continuous act, occurs when a third party enters the sphere of exclusivity protected by and for the right holder. In the decision in question, the infringer manufactured accessories for cars ("grills") and used a trademark on them which was very similar to Audi's (wheel rim designs – EU trademark). The infringer's activity was continuous as it had been manufacturing the accessory for well over five years. However, the owner of Audi's EU trademark had only recently initiated legal proceedings to bring non-pecuniary claims, that is, claims for cessation of use and destruction of "grills" bearing the Audi trademark. Both the court of first instance and the court of second instance recognized the statute of limitations raised by the infringer, but due to the determination of the right holder and the lack of uniformity in the interpretation of "continuous/repeated infringement", the case reached the Polish Supreme Court.

The issue was therefore which point in time to apply when calculating the statute of limitations for non-pecuniary claims for the protection of a trademark – from the first day of infringement or otherwise, given that the infringer's actions were not a one-off, but were continuous, repetitive, and ongoing at the time the claims were filed. It is necessary for a single infringement to produce a specific, individual copy of a given product infringing the right holder's exclusive right, even if that action is only one of many acts over a long period of time. The recent decision by the Supreme Court confirms that, in those cases where there are multiple repeated acts, they should be treated as separate acts of infringement and the statute of limitations should run separately for each infringement. Significantly, this decision applies equally to EU and national trademarks. A different interpretation would result in many entities being able to simultaneously exercise one exclusive right without any information being entered in the relevant registers.

## Conclusions

In terms of industrial property right infringements, there is rarely one single infringement lasting several years and it is much more common for there to be many individual infringements. As explained above, the statute of limitations runs separately for each infringement claim, from the day on which the respective infringement occurred. This interpretation of the law paves the way for bringing non-pecuniary claims in respect of repeated infringements of industrial property rights in Poland. Commencing the statute of limitations as of the date of the initial infringement for all subsequent infringements, regardless of the length of the infringement period, is inconsistent with the nature of the right. This is because the right holder is entitled to protection for the entire period for which the trademark was granted.

The decision cuts through a long-disputed issue and is important for marks protected by EU and national law. It provides robust protection for industrial property rights and means that those parties entitled to use a trademark – regardless of whether it is a national or EU mark – have the possibility to protect their rights from any illegal use of the trademark in Poland for up to five years.

## BARCELONA

Juan Cuerva de Cañas

### AUTHORSHIP AND CO-AUTHORSHIP: A LONG-STANDING COPYRIGHT PROBLEM THAT REQUIRES CONTRACTUAL ARRANGEMENTS TO AVOID ENDING UP IN COURT

It is usually said in artistic circles that in order for a pupil to be brilliant, he has to have an excellent teacher, in all respects. This would have been the case, for example, with Leonardo Da Vinci and his teacher, Andrea Verrocchio.

Nevertheless, the relationship between teachers and disciples or, in broader terms, between authors working in a coordinated manner or according to the instructions of one of them, is not always easy. And, of course, it is not free of the legal problems related to the authorship of works: the authorship of the renowned artist, who attracts the limelight, can eclipse the unrecognised author who, fed up of living in the shadow of the other, sometimes decides to emerge by filing a claim requesting that the courts declare his status as author (or, co-author, as the case may be).

This is precisely what happened to the well-known pop artist Antonio Mr De Felipe (<https://www.lafiambreira.net/en/staff/antonio-de-felipe/>) whom the Madrid Court of Appeal, in its judgment of 21 May 2021 (the "**21 May 2021 Judgment**" or the "**Judgment**")<sup>1</sup> – the most relevant points of which we will be addressing shortly – ordered to recognise the co-authorship of Japanese painter Fumiko Negishi in 221 paintings signed exclusively by Mr De Felipe.

This is a long-standing problem in the field of copyright, one that comes up again and again, but that can largely be tackled by specific agreements that regulate ownership of the copyright over the works (notwithstanding moral rights<sup>2</sup>).

#### Relevant background to the case

Between 2004 and 2016, Japanese painter Fumiko Negishi and renowned pop artist Antonio de Felipe maintained a close and productive collaboration in which Ms Negishi and Mr De Felipe created up to 221 paintings. According to the facts considered proven in the 21 May 2021 Judgment:

- a. Ms Fumiko Negishi produced paintings in Mr De Felipe's studio following the instructions that he gave her, while at the same time working on her own artistic works at her studio in the afternoons.

#### Key issues

- The 21 May 2021 Judgment accepts that the existence of an employment relationship cannot *per se* serve to prevent an employee performing creative tasks being considered "author".
- Said Judgment confirms, following the case law of the European Court of Justice, that coming up with an idea is not sufficient to be considered an author. The author is whoever comes up with the idea and, subsequently, executes it in a creative and original manner.
- If, when realising the idea for a work, the employee does not merely execute the instructions provided by the employer, but rather takes their own decisions and these decisions are creative and original, the employee could be considered the author or co-author.
- In light of the doctrine of the 21 May 2021 Judgment, it is highly advisable that employers in Spain revisit the content of the copyright clauses that they have put in place to confirm that the wording of the same minimises the risk of employees being considered "co-authors" of the works that they create in the context of their employment relationship.

<sup>1</sup> Judgment number 204/2021 (Appeal Proceedings 54/2020; Judge rapporteur: Mr Enrique García García).

<sup>2</sup> In relation to moral rights, it is important to note that section 14 of the Spanish Copyright Act (Royal Decree 1/1996 of 12 April) provides that such moral rights cannot be waived or assigned.

- b. The instructions that Mr De Felipe gave to Ms Negishi related to the requests submitted by customers who had placed orders, involving the choice of the subject of the work, the provision of a photograph in order to paint a portrait and even sketches of what Mr De Felipe wanted her to paint.
- c. It was Ms Negishi who painted the work "*from start to finish*", using the instructions provided by Mr De Felipe to produce a painting, although Mr De Felipe occasionally added lines, marks or different figures on the paintings himself.
- d. Ms Fumiko Negishi painted in Mr De Felipe's studio for five hours a day, Monday to Friday, in exchange for a monthly salary.
- e. After Mr De Felipe dismissed Ms Negishi, the Spanish courts declared that the collaboration between the two artists constituted an employment relationship, with Mr De Felipe as Ms Negishi's employer.
- f. There is no record of the parties having formalised an agreement on the copyrights to the paintings created in the context of that employment relationship.
- g. Up to 221 paintings were created in the course of said employment relationship.

Against this background, after Mr De Felipe dismissed her, Ms Fumiko Negishi filed a claim against Mr De Felipe requesting, among other things, that Ms Negishi be declared the co-author, together with Mr De Felipe, of the 221 works released exclusively with the signature of Mr De Felipe.

### **The legal issue at stake: authorship vs. Co-authorship**

In this context, the legal issue at stake to be decided by the Madrid Court of Appeal was, essentially, whether the fact that Mr De Felipe gave instructions to a subordinate employee, Ms Negishi, who executed them, was sufficient to grant Mr De Felipe full authorship of the 221 paintings or whether such authorship should be shared (co-authorship) by the two artists as Ms Negishi's contribution had creative content and value, despite the fact that she was an employee.

### **Relevant doctrine of the 21 May 2021 judgment**

The first relevant issue addressed by the 21 May 2021 Judgment is that the employment relationship between Mr De Felipe (employer) and Ms Negishi (employee) does not necessarily eliminate the employee's artistic contribution in favour of the employer. It will depend on what the actual contribution of each one was to the work initially conceived and finally created (expressed in material form). Basically, being an "employee" does not mean that automatically one cannot be the "author" (or co-author) of the work.

Having established this, in the specific case of Ms Negishi, who is a professional artist, the Madrid Court of Appeal found that:

- a. The fact that Ms Negishi adapted to a certain style of painting (pop art) stipulated by Mr De Felipe (which Ms Negishi was able to do as she possessed the necessary technical skills), as well as following the instructions given by Mr De Felipe, does not imply that she completely surrendered her artistic contribution to the works, as she was the one who painted them.

- b. Ms Negishi agreed, in exchange for remuneration, to set out on a canvas what Mr De Felipe asked of her, but she did so using not only her command of pictorial technique, but also her artistic ability to ensure that a pre-existing reality was transposed to an original and creative material format. Therefore, Ms Negishi's work was clearly creative.
- c. The fact that Mr De Felipe provided instructions to his employee does not detract from the artistic merit of Ms Negishi's painting, which managed to transform what was a preliminary idea or project into an original painting. In other words, without Ms Negishi's intervention, the paintings would not have been the specific final result that materialised, but would in all likelihood have looked different.

In a nutshell, the Court of Appeal found that without Ms Negishi's artistic contribution, the 221 paintings would not have been created as they currently exist. The Court found that a painting is a work of art that is characterised by embodying a specific artistic result, meaning that it was not sufficient for Mr De Felipe to have had an idea in this respect, but that this idea had to materialise in a physical format, which is what constitutes the ultimate artistic expression that characterises a copyrightable work.<sup>3</sup> And this expression was realised by Ms Negishi in the form of an original work. The Court of Appeal accepts that Mr De Felipe played a primordial role in the birth of the idea for each painting, but the idea alone is not sufficient. It is also necessary for the idea to take a form (i.e. the execution of the painting) and that second task was carried out by Ms Negishi. Essentially, *"we are not dealing with purely mechanical labour that is simply supplementary to the work of another, or a merely technical task"*. Ms Negishi's work *"cannot be considered equivalent to that of a mere utensil or instrument, as if she had been no more than simply a tool used by the defendant to paint. Among other reasons because, even though Ms Negishi received instructions from Mr De Felipe to achieve a certain objective (regarding the object or person to be portrayed, the range of colours to be used, the scenography to be represented, etc.), it was Ms Negishi who [...] painted alone for hours in the studio, meaning that she had to take decisions to ensure that what was merely an initial idea or project that had to materialise as a concrete result was transformed into the painted image"*.

All of this led the Madrid Court of Appeal to conclude that the 221 paintings were a kind of artistic symbiosis derived from the collaboration of two professional painters: one who was able to conceive the ideas and concepts – Mr De Felipe – and the other able to express them on a canvas – Ms Negishi. As such, the authorship of the 221 works must necessarily be shared (co-authorship).

<sup>3</sup> Remember that, according to European Court of Justice case law, two cumulative circumstances must exist to qualify as a "work" protected by copyright: 1) there has to be a creation that can be considered original; and 2) this has to take the form of an object that is identifiable with sufficient precision and objectivity, which contains the elements that express the intellectual creation (CJEU Judgments of 11 June 2020, Brompton Bicycle Ltd, C-833/18, of 12 September 2019, Cofemel, C-683/17, of 16 July 2009, Infopaq International, C 5/08, and of 13 November 2018, Levola Hengelo, C 310/17).

## CONCLUSION (FROM A PRACTICAL POINT OF VIEW)

The 21 May 2021 Judgment accepted that the existence of an employment relationship cannot be used *per se* to deny that an employee who produces creative work can be considered an author (and become the holder of copyrights to the work created, as the case may be<sup>4</sup>).

Notwithstanding the moral rights that the employee may legally hold, in view of the doctrine of the 21 May 2021 Judgment it is highly advisable that:

1. all contracts signed by employers in Spain (or formalised in the past) with employees who perform creative tasks include copyright clauses; something that, in general, is common current practice; and
2. as a new development, such clauses envisage a regime according to which the employee, when following the instructions or guidelines provided by the employer, accepts that the result of his/her tasks will be a work that is owned by the employer in its entirety (no co-authorship).<sup>5</sup>

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<sup>4</sup> This possibility is expressly envisaged in article 51 of the Spanish Copyright Act.

<sup>5</sup> As a collective work (section 8 of the Spanish Copyright Act): "A work shall be deemed a collective work if it is created on the initiative and under the direction of an individual or legal person, who edits it and publishes it under his name, and where it consists of the combination of contributions by various authors whose personal contributions are so integrated in the single, autonomous creation for which they have been conceived that it is not possible to ascribe to any one of them a separate right in the whole work so created. In the absence of agreement to the contrary, the rights in the collective work shall vest in the person who publishes it and discloses it in his name".

## DÜSSELDORF

Judith Dany

### MOVING FORWARD: THE GERMAN FEDERAL CONSTITUTIONAL COURT REJECTS TWO PRELIMINARY INJUNCTIONS LODGED AGAINST THE AGREEMENT ON A UNIFIED PATENT COURT

#### How we got here

Establishing a new unitary court with exclusive jurisdiction over European patents with unitary effect and eventually all European Patents represents an important aspect of the EU's efforts to reform the European patent system. But even though politically the UPC and patent reform have always enjoyed great support, the legal prerequisites of the ratification process have caused some unexpected difficulties. In order to enter into force, the UPC Agreement requires ratification by, in particular, the three Member States with most European patents in effect in 2012 (France, Germany and the United Kingdom).

After its successful start in 2013, the road to ratification faced its first challenges in 2016 when the United Kingdom voted for Brexit. After a period of uncertainty in the aftermath, the UK government finally ratified the UPC Agreement in 2018. However, in February 2020 the UK Prime Minister's Office announced that the UK – originally destined to host a central division of the UPC – had chosen to withdraw its ratification. While the withdrawal did not come as a surprise given the government's clear position that there should be no room for the EU's jurisdiction in the UK, it remains to be seen if and how this decision may impair the relevance of the UPC.

In 2017, the ratification process hit its first major roadblock in Germany when a constitutional complaint was filed by an individual lawyer arguing that the Act of Approval was unconstitutional due to "*democratic deficits*" of the UPC organs. In February 2020, the Court finally ruled that, indeed, due to formal defects, i.e. not meeting the required quorum of a two-thirds majority of all members of the legislative bodies, the Act of Approval was void.

#### More hurdles along the way

German lawmakers did not take long to start a new attempt to facilitate the ratification process by publishing a new draft bill for the Act of Approval. The draft bill, which remained substantively unchanged, was approved with the required two-thirds majority in November 2020 by the *Bundestag* and unanimously passed by the second chamber of the German parliament, the *Bundesrat*, on 18 December 2020. On the same day, the Court received two applications for preliminary injunction ("**PI**"), bringing the ratification process to a halt once again. The German Federal President was asked to withhold his signature which is required in order for a legislation to enter into force and therefore necessary to finalise the ratification in Germany.

In its decision published on 9 July 2021, the Court rejected both applications for preliminary injunction due to the inadmissibility of the constitutional complaints in the

#### Key issues

- German Federal Constitutional Court rejects two preliminary injunctions against German Act of Approval of UPC Agreement
- Ratification process in Germany is expected to be completed in early fall
- Alex Ramsay expects the UPC to be up and running in late 2022, early 2023



main proceedings. The applicants had failed to sufficiently substantiate a violation of their fundamental rights (*Grundrechte* according to the German constitution, the *Grundgesetz* ("**GG**")). In particular, they were unable to show how a transfer of sovereign powers to the EU under the UPC Agreement would compromise core principles of democracy as guaranteed under the German constitution. In support of their PI applications, the claimants merely alleged that the appointment of UPC judges for a six-year term with the possibility of re-election and without sufficient means to contest a removal from office would interfere with the principle of judicial independence and the principle of rule of law pursuant to Article 97 para 1 GG and Article 6 para 1 European Convention on Human Rights ("**ECHR**"). They did not, however, set out how this would affect the principle of democracy. A further claim which referred to the deprivation of the right to an identity review pursuant to Article 79 para 3 GG due to the precedence of EU law as stipulated in Article 20 UPC Agreement was dismissed. The Court held that the provision pursuant to which the UPC "*shall apply Union law in its entirety and shall respect its primacy*" does not impinge on the premise of Article 23 para 1 GG according to which the precedence of EU law is only assumed if and to the extent that the fundamental rights protection on EU level is essentially comparable to the protection provided by the *Grundgesetz*.

## The road ahead

It follows from the rejection of the PI applications based on the inadmissibility of the constitutional complaints that the underlying claims will not be subject to examination in the main proceedings. Months after the Court asked the Federal President Frank-Walter Steinmeier to refrain from signing the law pending a decision, the last obstacles have now been cleared out of the way and the German ratification bill can finally be issued.

However, the EU has not yet reached its final destination on the road to establishing the UPC. According to the latest update on the UPC's official website<sup>1</sup>, in order for the process to enter its final phase, two more signatory states must agree to be bound by the Protocol of Provisional Application. It is to be hoped that this will soon be the case. Still, a detailed timeline of the start and implementation of the period of provisional application has yet to be published on the UPC's website. While the Preparatory Committee continues its work, its chairman Alex Ramsay told JUVE Patent<sup>2</sup> that, following the German Court's recent decision, we can expect a functioning UPC late in 2022, or possibly early 2023 if everything runs smoothly.

<sup>1</sup> <https://www.unified-patent-court.org/news/german-federal-constitutional-court-declares-complaints-against-upcas-ratification-bill>, last accessed 10 August 2021.

<sup>2</sup> <https://www.juve-patent.com/news-and-stories/legal-commentary/upc-dream-gets-closer-after-german-court-rejects-constitutional-complaints/>, last accessed 10 August 2021.

## DÜSSELDORF

Dr. Florian Reiling / Constanze Guyenz

# INTELLECTUAL PROPERTY PROTECTION FOR ALTERNATIVE FOOD PRODUCTS

## I. Introduction

With the food industry producing more and more alternative food products – like vegan cheese or vegetarian burgers (?) – the question arises if and how these products can be protected by intellectual property law. In particular, protection for the recipe and manufacturing processes for these products is crucial for a sustainable competitive position. In this context, protection may potentially be provided under the German Patent Act ("**PatG**") and the German Trade Secrets Act ("**GeschGehG**").

Firstly, the distinction between a recipe and a manufacturing process needs to be emphasised. The ingredients and their quantities constitute the recipe (**II.**)<sup>1</sup>, whereas the manufacturing process for a product includes the production sequences and the related procedures (**III.**)<sup>2</sup>. Furthermore, protection of the product name as a trademark within the meaning of the German Trademark Act ("**MarkenG**") should be taken into account as a potential additional source of protection (**IV.**).

## II. Recipe

For protection under the Patent Act, it is essential that the recipe itself is patentable. And, for any potential protection under the GeschGehG, the recipe needs to qualify as a trade secret within the meaning of the GeschGehG.

### 1. Patentability

A patent for an invention is only granted if it is new, displays an inventive step, and can be commercially exploited (cf. section 1 (1) PatG). These requirements generally also apply to the registration of recipes.

It is therefore only possible to apply for a patent relating to food and recipes if the preparation of a dish extends beyond the usual technical kitchen work. This is the case, for example, if unusual process steps are used. In addition, the invention must achieve a specific effect that cannot be expected effortlessly (for example, special shelf life). Moreover, unusual basis products or unusual mixtures of basis products (including spices) must be used to achieve an unexpected effect. Furthermore, the composition or the method of preparation must be described in such a way that a person skilled in the art (e.g. an amateur chef) can easily reproduce the dish. The German Federal Court of Justice, for example, held that the recipe for an onion soup was not patentable due to a lack of novelty and progress. If a recipe produces only aesthetic effects, patent protection cannot be justified.<sup>3</sup> Notwithstanding this, the recipe must be made available to the public by the German Patent and Trademark Office.<sup>4</sup> Since patents only have a limited term, they can be used by anyone after the expiration of protection which –

### Key issues

- An alternative food product recipe as well as related manufacturing processes can generally be protected as a trade secret provided that relevant protection measures are met.
- For the protection of a manufacturing process for alternative food products as a patent, the decisive element is whether the individual process is already known and whether it achieves an inventive step (i) which is not obvious to a person skilled in the art and (ii) which deviates from the state of the current technology.
- Each producer or business in the field of alternative food solutions should take additional/supplementary protection methods into account, such as trademark protection, in order to create multiple protection layers and to raise the market entry barriers for potential competitors.

<sup>1</sup> Higher Regional Court Stuttgart decision from 19 November 2020 – 2 U 575/19, GRUR-RS 2020, 35613 re-cital 128.

<sup>2</sup> Köhler/Bornkamm/Feddersen/Alexander, GeschGehG, paragraph 2 recital 133.

<sup>3</sup> Federal Court of Justice order from 23 November 1965 – Ia ZB 210/63 –, recital 18.

<sup>4</sup> Zipfel/Rathke LebensmittelR/Rathke, Art. 21 recital 8.

together with the above-mentioned publication requirement – could be a (commercial) reason not to protect a recipe under the PatG.

Therefore, protection under the PatG does not seem to be the protection method of choice when it comes to recipes (for alternative foods). In addition, due to the required disclosure of the invention, obtaining a patent might not even be advisable.

## 2. Protection under the GeschGehG

Protection under the GeschGehG requires that the recipe qualifies as a trade secret. According to section 2 of the GeschGehG, a trade secret is any information (i) which is secret and therefore has an economic value, (ii) which is subject to reasonable protection measures initiated by the person lawfully in control of the information, and (iii) for which a legitimate interest exists to keep the information secret.

Secrecy means that the information is not generally known or easily accessible, either as a whole or in the specific arrangement and composition of its components. Especially in the case of recipes, the question arises if they could be obvious and thus not constitute a trade secret within the meaning of the GeschGehG. However, recipes are not obvious per se because an informed expert could produce similar recipes without the relevant information. However, obviousness may exist if the necessary information can be found without major expenditure of time, effort and money. In general, the analysis of a recipe is expensive, the products that need to be analysed are not freely accessible and the analysis is not reliable as such, i.e. the analysis might not yield suitable results or help to determine the underlying formulation.<sup>5</sup>

Thus, it is common sense that a recipe can be protected as a trade secret provided that the above-mentioned protection measures are met. For this reason, protection under the GeschGehG is generally also available for alternative food products.

## III. Manufacturing process

In terms of the protection of manufacturing processes, patentability and trade secret protection are controversial topics.

### 1. Patentability

In general, manufacturing processes are patentable.<sup>6</sup> The criteria to be examined in individual cases are, in particular, novelty (cf. section 3 PatG) and inventive step (cf. section 4 PatG). The German Federal Patent Court held in a decision that a manufacturing process is new even if parts of the process are already known and only one part is carried out differently, i.e. in a new way.<sup>7</sup> In terms of any assessment of whether a claimed solution is based on an inventive step, the decisive factor is what the invention, in its technical context, actually achieves compared to the previous state of technology.<sup>8</sup>

<sup>5</sup> Higher Regional Court Stuttgart decision from 19 November 2020 – 2 U 575/19, GRUR-RS 2020, 35613 re-cital 111.

<sup>6</sup> Federal Patent Court, decision from 3 April 2008 – 3 Ni 33/06; Federal Patent Court order from 4 June 2004 – 14 W (pat) 333/02.

<sup>7</sup> Federal Patent Court order from 4 April 2004 – 14 W (pat) 333/02, BeckRS 2011, 29288.

<sup>8</sup> Federal Patent Court decision from 5 February 2019 – 4 Ni 47/17, BeckRS 2019, 9123, recital 88.

Thus, for the protection of a manufacturing process for alternative food products as a patent, the decisive element is whether the individual process is already known and whether it achieves an inventive step (i) which is not obvious to a person skilled in the art and (ii) which deviates from the state of the current technology.

## **2. Protection under the GeschGehG**

Moreover, protection under the GeschGehG is possible for manufacturing processes in general.<sup>9</sup> This follows, inter alia, from section 2 no. 4 GeschGehG, according to which an infringing product within the meaning of the GeschGehG is a product whose design, features, functionality, manufacturing process or marketing is based to a significant extent on an unlawfully obtained, used or disclosed trade secret. Therefore, manufacturing processes for alternative food products are generally eligible for trade secret protection under the GeschGehG.

## **IV. Protection under the MarkenG**

An additional level of protection for alternative food products can be achieved via German trademark law. In general, trademark protection can be granted for all signs with distinctive character. Often, suppliers of alternative food products tend to choose product names in such a way that they convey the characteristic of the alternative product and, at the same time, indicate which product is to be replaced. However, such product names can easily be of purely descriptive or misleading nature and thus cannot be protected as trademarks according to section 8 subsection 2 no. 1 and no. 4 of the MarkenG. Hence, it is often difficult to obtain trademark protection and establish the brand on the market.

The German Federal Patent Court, for example, rejected an application for a vegan cheese alternative product called "Vromage". According to the Court's opinion, there was no distinctive character within the meaning of section 8 subsection 2 no. 1 of the MarkenG. The designation was suitable for indicating the type, quality or appearance of its goods or services, but not its origin from a particular business.<sup>10</sup> Furthermore, the designation "Vromage" is capable of deceiving as to the nature and quality of the goods within the meaning of paragraph 8 section 2 number 4 MarkenG. "Fromage" is a foreign language term. The term "Vromage" is a variation of the term "cheese" which can only be recognised in its written form and with knowledge of the French language. A relevant part of the targeted public will therefore assume that it is a cheese or a cheese product.<sup>11</sup>

Protection can also be refused if the usage of the sign can be prohibited in accordance with other legal provisions (section 8 subsection 2 no. 13 MarkenG). For example, trademark protection cannot be granted if the sign violates specific food regulations such as the prohibition to use the words "butter" or "cheese" for non-dairy products.<sup>12</sup> However, the European Parliament recently refrained from tightening the provision to

<sup>9</sup> Higher Regional Court Stuttgart decision from 19 November 2020 – 2 U 575/19, GRUR-RS 2020, 35613 re-cital 109.

<sup>10</sup> Federal Patent Court Munich order from 10 December 2020 – 25 W (pat) 552/19 –, recital 18.

<sup>11</sup> Federal Patent Court Munich order from 10 December 2020 – 25 W (pat) 552/19 –, recital 21 f.

<sup>12</sup> See Art. 78 subsection 1 and 2 in conjunction with Annex VII of Regulation (EU) No. 1308/2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007.

such an extent that references and comparisons to dairy products such as "buttery" or "creamy" are prohibited for non-dairy products.<sup>13</sup>

Thus, trademark applicants must make sure that their trademark (i) is not purely descriptive for the target group and not misleading for other consumers and (ii) does not violate specific food regulations.

## V. Conclusion

In conclusion, protection of the recipe and/or the manufacturing process for alternative food products under the PatG and under the GeschGehG is generally possible. Protection under the GeschGehG seems more likely given as there are fewer requirements to be met to gain such protection. In any case, each producer or business in the field of alternative food solutions should take additional/supplementary protection methods into account, such as trademark protection, in order to create multiple protection layers and to raise the market entry barriers for potential competitors.

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<sup>13</sup> <https://www.foodnavigator.com/Article/2021/05/26/Europe-drops-Amendment-171-allowing-for-creamy-and-buttery-plant-based-dairy#>.

## PODCAST SERIES ON ARTIFICIAL INTELLIGENCE

Clifford Chance has launched a podcast series on Artificial Intelligence:

No. 1:

### **AI: New compliance obligations for providers and users of artificial intelligence?**

Companies and associations had time until the beginning of July 2021 to comment the draft on the regulation of artificial intelligence (AI) that the EU Commission has presented.

In an interview with journalist Pia Lorenz, partners Claudia Milbradt and Thomas Volland talk about discriminatory algorithms and a statement of values by the EU that would impose entirely new obligations on companies from AI providers to AI users - Part one of the German Clifford Chance podcast series "Talking Tech - AI". [In German]

**Talking Tech – KI: Neue Compliance-Pflichten für Anbieter und Nutzer Künstlicher Intelligenz? (mit Dr. Claudia Milbradt und Dr. Thomas Volland)**

No. 2:

### **AI: Artificial intelligence in healthcare, where is the journey heading?**

Where is AI already being used in healthcare today? What risks and opportunities does it offer and how can medical device manufacturers prepare for the future in terms of compliance?

Partner Gunnar Sachs and Senior Associate Yannick Frost talk about these and other aspects of the EU Commission's regulatory approach to AI in the second part of Clifford Chance's German podcast series "Talking Tech - AI" with journalist Pia Lorenz. [In German]

**Talking Tech – KI: Künstliche Intelligenz im Gesundheitswesen, wohin geht die Reise? (mit Dr. Gunnar Sachs und Yannick Frost)**

No. 3:

### **AI: Artificial Intelligence, a Question of Liability?**

What liability standards will the EU Commission apply to artificial intelligence in the future? And what will AI manufacturers and companies using artificial intelligence have to deal with in terms of liability law? Counsel Jan Conrady and senior associate Eva Lange discuss these topics and more in the third episode of the Clifford Chance podcast series "Talking Tech - AI" with journalist Pia Lorenz. There is one thing the two lawyers agree on: Without regulated liability, there will be no broad acceptance for the use of complex AI systems. [In German]

**Talking Tech – KI: Künstliche Intelligenz, eine Frage der Haftung? (mit Dr. Jan Conrady, Eva Lange)**

**To be continued**

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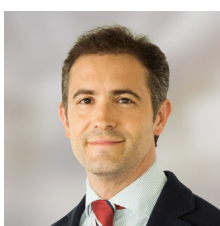
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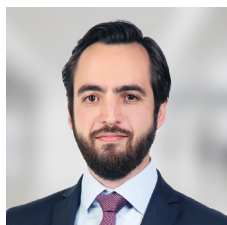
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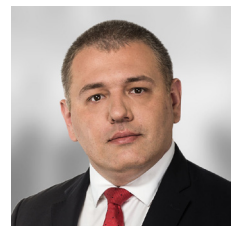
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## Notes

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This publication does not necessarily deal with every important topic nor cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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