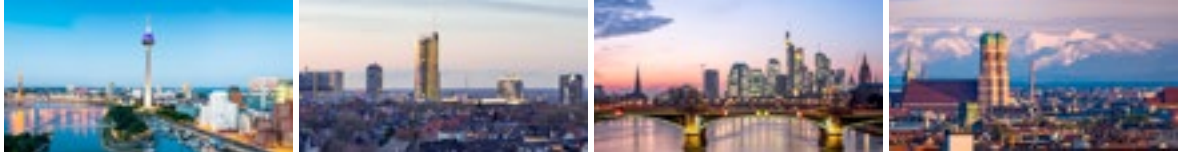

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MICHALSKI HÜTTERMANN

PATENTANWÄLTE

Federal Court of Justice refers multiple questions on acquiescence in trademark law to CJEU

With the recently issued "HEITEC II"[1] judgment, the German Federal Court of Justice has referred several questions regarding acquiescence in trademark law to the Court of Justice of the European Union.

Both the background of the referral and the underlying case are noteworthy.

The case at hand involved two identical "HEITEC" trademarks, and also two companies that both have the element "HEITEC" in their company names. The circumstances of the case are very complicated, and for reasons of expediency are explained here only to the extent that they are of interest for the referral.

In May 2009, the holder of the older "HEITEC" trademark, who is also the plaintiff in the current proceedings, issued a warning to the defendant, who had applied for a European Union trade mark on "HEITEC" in 2008. In response, the defendant offered negotiations with regard to a differentiation agreement.

It then took until 2012 for the plaintiff to file a trademark infringement action. Somewhat later, in 2013, the plaintiff informed the defendant that it was not interested in a differentiation agreement, instead offering a licensing agreement, also noting that a trademark infringement action had already been filed.

On account of a number of formal errors on the part of the plaintiff, however, there was a fairly lengthy delay before this infringement action was served on the defendant, namely in May 2014.

The action was not particularly fruitful for the plaintiff either in the first or the second instance, although the appeal was allowed that led to the judgment discussed here.

The central point in the current proceedings is the provision of Section 21 (1) of the German Trade Mark Act, known as acquiescence:

"The proprietor of a trademark or of a commercial designation shall not be entitled to prohibit the use of a later registered trademark for the goods or services for which the mark has been registered if that proprietor has acquiesced to the use of the trademark for a period of five successive years while knowing of such use, unless the registration for the later trademark was applied for in bad faith."

The similarly worded Section 21 (2), which stipulates the same time periods, applies for commercial designations.[2]

Forfeiture on account of acquiescence thus has four prerequisites:

1) The use of the later trademark – this was assumed by the court from May 2009 on,
2) The proprietor's knowledge of the earlier trademark – this is established by the correspondence exchanged by the two parties,

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Dr. Christoph Volpers will speak at the 8th AIS - Antibody Industrial Symposium 2020 on 23/24 November 2020 in Montpellier, France, on the topic of "Patent Filing Strategies."

[1] Federal Court of Justice, decision of 23 July 2020 – I ZR 56/19 – HEITEC II

[2] Note: Not all asserted claims fall under European Union law, as the Federal Court of Justice comments, but any such claims should be interpreted identically. This discussion is not considered further here; for more information, see pages 16ff of the judgment.

3) That bad faith is not present – this was not an issue here; and
4) A time period of five successive years – and this is material to the decision.

The question now is whether forfeiture does in fact obtain in the present case or whether the time period of five successive years had not yet expired.

Two sets of questions are of primary importance here, both of which have already been referred to the CJEU for judgment.

The CJEU had ruled in its earlier decision "Budweiser"[3] that "any administrative action or court action"[4] initiated by the proprietor of the earlier trade mark would interrupt the acquiescence time period.

Now, it is uncertain whether warnings, which are considered an administrative action under German law but do not exist in analogous form in many countries of the EU, also interrupt the acquiescence time period, however. If this were to be the case, the period would not yet have begun in 2009, because the warning was of course still in play at this time. The forfeiture then would not have taken place.

The Federal Court of Justice now says that the original English-language decision speaks of *"administrative actions or court actions"* and that this actually means that the court action would have to have been filed with a court or else with a public authority (such as a patent and trademark office).

But in order to clarify this once and for all, a referral to the CJEU was considered necessary in which the CJEU is asked, firstly, whether legal remedies not involving the courts or public authorities can also interrupt the acquiescence (first referral question), and if so, whether warnings also fall into this category (second referral question).

The Federal Court of Justice states, however, that in its opinion only legal remedies initiated before a court or a public authority should have an effect and that warnings, in particular, do not interrupt the acquiescence time period:

"In the opinion of the panel, the holder of the rights only counteracts acquiescence following an unsuccessful warning in advance of legal action if that holder seriously pursues the claim in court and, after dismissal of the claim, also initiates legal recourse to avoid acquiescence […]. Otherwise the holder of the rights could escape forfeiture of his claims by issuing repeated warnings every five years […]"[5]

The third referral question is directed toward the end of the five-year time period. In the case at hand, it took two years for effective service of the action on the defendant, and this delay was attributed wholly to the behavior of the plaintiff.

In the present case, this is of course crucial since the five-year period had not yet ended in 2012 – assuming that the acquiescence time period starts in May 2009 – but had indeed ended when the action was finally served in 2014.

This question was also referred to the CJEU. The opinion of the Federal Court of Justice is plain here, as well: The controlling point in time is the time when the action is served and not the time when it is filed.

As a result, the Federal Court of Justice would therefore affirm a forfeiture of the plaintiff's claims.

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[3] CJEU, Judgment of 22 September 2011 – C-482/09 - Budweiser
[4] Paragraph 49 of the judgment
[5] Paragraph 43 of the judgment

Finally, the question was also posed as to whether forfeiture applies not only to claims for injunctive relief, but also to any claims derived therefrom for damages, disclosure, and destruction. The Federal Court of Justice commits itself on this point, as well: Even though these claims have not been codified verbatim in the Trade Mark Act or in the EU Trade Mark Directive, they should be included as well.

This case is undoubtedly unique because of its complexity and also because of the unusual actions of the plaintiff, in particular. But it does offer the Federal Court of Justice the opportunity to have important questions concerning acquiescence as governed by Section 21 of the Trade Mark Act cleared up all at once by the CJEU. We await the outcome with eager anticipation.

Federal Court of Justice "Penetrometer" – dealing with quarrelsome co-owners of a patent

According to German law, joint owners of a patent form a so-called community of part owners *(Bruchteilsgemeinschaft)* unless contractually specified otherwise (Section 741 ff. German Civil Code [BGB]). In a community of part owners, basically each co-holder can independently do what he likes with his share as long as this does not prejudice other co-holders' use of their shares.

In practice, in the case of joint patent ownership, this frequently leads to difficulties in determining which decisions concerning the patent must be made individually, by the majority, or unanimously, and to what extent.

In the "Penetrometer" judgment, the Federal Court of Justice has now taken the opportunity to strike a new balance of what is and is not possible for multiple co-owners of a patent in a community of part owners.

The starting point was an invention which was not properly claimed under the old Employee Invention Act and for which the employer had been granted a patent that should actually have been awarded to the inventors instead.

One of the inventors named in the patent had thereupon sued his employer for damages and injunctive relief for patent infringement of the patent improperly registered to the employer. However, during the proceedings the employer had reached an agreement with another inventor of the contested patent, and as part of this agreement had purchased that inventor's share in the patent and had granted itself the use of the invention for the past.

The Federal Court of Justice has now set the matter straight: The grant of use for the past by the one co-inventor had no effect with respect to the suing co-inventor, since his rights were prejudiced thereby without his consent, contrary to Section 737 (1) of the Civil Code. His claim for damages and the corresponding ancillary claims against the employer for patent infringement remained in effect up to the transfer of the other inventor's share, while the agreement with the transferring inventor was to be construed such that he had allowed his claims in this regard to be purchased. The suing inventor remaining as co-owner could continue to pursue his claims in this way, and also demand payment of damages to himself alone.

The agreement with the transferring inventor did have effect for the future, however, so the employer was permitted to legitimately use the invention as co-owner of the patent. The other inventor's share of the patent could rightly be transferred without the consent

of the unwilling inventor, even though this could affect the claims of the unwilling inventor for the future. However, the community of part owners as a whole is entitled to monetary compensation for the advantages of the legitimate use of the invention by the employer as a new co-owner. The agreement with the willing inventor must be arranged such that a monetary payment must be made to the joint inventors as a whole. It is not permissible to pay only the willing inventor and leave the other inventor empty-handed or to refer to an adjustment made internally within the community of part owners. Because the employer has become a co-owner of the patent, the Federal Court of Justice has expressly left open whether the willing inventor alone may, pursuant to Section 743 (2) of the Civil Code, make an agreement concerning permission for use in exchange for a royalty to be paid to the community of part owners as a whole solely on the basis of his own share, or whether, pursuant to Section 745 of the Civil Code, this would require a majority decision of the co-holders.

It happens time and again in practice that a co-owner of a patent has unrealistically high expectations regarding exploitation of the patent. If a potential licensee can reach agreement on a license with at least a majority of a quarreling community of part owners or even acquire a share of the patent, it is nonetheless possible to successfully pass over the expectations of the uncooperative co-owner as long as this co-owner directly profits financially from at least the use of the invention, regardless of whether he would have liked to negotiate for more. The criteria specified in the decision make it easier for individual members of the community of part owners to license patents, even when difficult co-owners of the patent are involved.

CJEU "Santen" decision (C-673/18) wcrucially important for pharmaceutical and biotech industries

The *"Santen SAS"*[6] decision recently issued by the Court of Justice of the European Union on supplementary protection certificates for medicinal products, which may have dealt the deathblow to the much-noted *"Neurim Pharmaceuticals"* judgment from 2012, demonstrates yet again that the jurisprudence of the CJEU concerning protection certificates holds surprises in store, and furthermore this decision could also have very serious consequences for the entire field of life sciences. The current proceedings dealt primarily with the question of whether Art. 3 (d) of the EU regulation[7] on supplementary protection certificates ("SPCs") should be interpreted such that an authorization to place a product on the market can be viewed as the *first authorization* for placement on the market within the meaning of this provision if it relates to a *new therapeutic* use of an active ingredient or of a combination of active ingredients that was already the subject of an authorization for placement on the market for a *different therapeutic* use. The CJEU has now answered this question very definitively in the negative.

In the case in question, the CJEU granted a corresponding request from the Paris court of appeal for a preliminary ruling in the matter "Santen SAS versus the Director-General of the French patent office"[8]. The INPI had refused to grant an SPC to Santen SAS, the applicant, for an ophthalmic emulsion with the immunosuppressive active ingredient

[6] C-673/18 "Santen SAS versus Directeur général de l'Institut National de la Propriété Industrielle," 9 July 2020

[7] EU Regulation No. 469/2009

[8] Directeur général de l'Institut National de la Propriété Industrielle, INPI

[9] European Medicines Agency, the agency that grants marketing authorization for medicinal products in Europe

ciclosporin, which has been approved by the EMA[9] since 2015 for the treatment of severe keratitis, on the grounds that the 2015 marketing authorization at issue was not the first marketing authorization for ciclosporin within the meaning of Art. 3 (d) of the SPC Regulation. Marketing authorization had been granted as early as 1983 for a medicinal product in liquid form having ciclosporin as its active ingredient; this product was marketed under a different name and was indicated for a variety of therapeutic indications, including for the treatment of inflammation of the eyeball. In response, the applicant brought an action against the INPI with the court of appeal.

In connection with the request for a preliminary ruling, the court of appeal also referred to the *"Neurim"* judgment by the CJEU[10], which ruled at that time that *"the mere existence of an earlier marketing authorization obtained for a veterinary medicinal product does not preclude the grant of an SPC for a different application of the same product for which a marketing authorization has been granted, provided that that application is within the limits of the protection conferred by the basic patent relied upon for the purposes of the application for the SPC."* Santen had argued that the concept "different [therapeutic] application" within the meaning of the *Neurim* judgment must be interpreted broadly to include not only therapeutic indications and uses for different diseases, but also different formulations, dosages, and means of administration.

Art. 3 of the SPC Regulation provides that a supplementary protection certificate shall be granted if, in the relevant member state at the date of application, (a) the product is protected by a basic patent, (b) an authorization to place the product on the market as a medicinal product has been granted, (c) the product has not already been the subject of an SPC, and finally (d) the authorization referred to in point (b) is the first authorization to place the product on the market as a medicinal product. The Regulation defines *"product"* as the active ingredient or combination of active ingredients of a medicinal product[11]. In the absence of a definition of the term "active ingredient" in the SPC Regulation, the CJEU refers in the present decision to its earlier jurisprudence, where this term in its generally accepted meaning in pharmacology relates to substances that produce a pharmacological, immunological or metabolic action of their own, and at least have a therapeutic effect of their own[12].

In interpreting Art. 1 (b) in conjunction with Art. 4 of the SPC Regulation, the CJEU now reached the conclusion that *"the term 'product' is understood, for the purposes of applying that regulation, to mean the active ingredient or combination of active ingredients of a medicinal product, without the necessity to limit its scope only to one of the therapeutic applications"*[13]. Under Art. 4, although the protection only extends to the product, it nevertheless covers any use of that product as a medicinal product that was authorized before the expiration of the SPC. It follows that the term "product" within the meaning of the Regulation is not dependent on the manner in which that product is used and that *"the intended use of the medicinal product does not constitute a decisive factor for the grant of a supplementary protection certificate"*[14].

However, the question could be raised here as to whether the provision in Art. 4, under which the protection conferred by the SPC extends to *"any use of the product as a medicinal product that has been authorized before the expiration of the certificate"* (including situations when the basic patent protecting the substance does not relate to specific applications at all), might not also permit precisely the opposite conclusion from that reached by the CJEU, namely that the provision directly implies a connection between the product and the authorized medical use.

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[10] C-130/11 "*Neurim Pharmaceuticals,*" Judgment of 19 July 2012
[11] Art. 1 (b) of EU Regulation No. 469/2009
[12] Paragraph 42 in C-673/18 "Santen"
[13] Paragraph 43 in C-673/18 "Santen"
[14] Paragraph 44 in C-673/18 "Santen"

According to the CJEU, its interpretation is also supported by an analysis of the origins of the Regulation, however. Thus, the Explanatory Memorandum to the Proposal for a Regulation[15] indicates that *"the term 'product' is understood to mean an active ingredient in the strict sense and that minor changes to the medicinal product such as a new dose, the use of a different salt or ester or even of a different pharmaceutical form will not lead to the issue of a new supplementary protection certificate."* This strict view of the term *"product"* is expressed in Art. 1 (b) of the SPC Regulation, which defines this term by reference to an active ingredient or combination of active ingredients and not by reference to the therapeutic application. Art. 1 (b) should be interpreted to mean that the fact that the active ingredient is used for a new therapeutic application does not confer on it the status of a distinct product[16]. Nor does anything change, in the opinion of the CJEU, if the approval for a new therapeutic application is the *first authorization* for marketing *within the scope of protection of the basic patent*, since the scope of protection of the basic patent should not be taken into account in the definition of the term "first marketing authorization" in the meaning of Art. 3 (d), contrary to the comments in the *"Neurim"* decision.[17]

Moreover, according to the Grand Chamber, its interpretation is also supported by an analysis of the objectives of the SPC Regulation, which was not intended to protect all pharmaceutical research, but only to protect research leading to the first placing on the market of an active ingredient as a medicinal product.[18] And finally, the introduction of a distinction between different therapeutic applications, without this concept being defined in the SPC Regulation, could be contrary to the goal of a uniform practice for granting SPCs at the Union level by leading the national patent offices to adopt complex and divergent interpretations of the condition for granting a protection certificate as laid down in this provision.

It remains to be seen whether further jurisprudence of the CJEU on this question may lead to a less strict interpretation, in a manner similar to that which has been observable over the past decade with regard to the interpretation of Art. 3 (a) of the SPC Regulation (i.e., with regard to the question of the conditions under which the product is protected by a basic patent), when the decisions of the CJEU virtually oscillated between the extremes of the *"infringement test"* and *the "disclosure test."* In view of the fact that a substantial portion of innovative (bio)pharmaceutical research and development in the EU is aimed at expanding the range of indications of established active ingredients – and this absolutely serves the interests of healthcare economics – the present decision could have major effects. Applications for the grant of an SPC for additional therapeutic applications may have scant prospects of success for the foreseeable future.

Act of Approval on the unitary patent system has reached the Bundestag

The legislative procedure has advanced further in the ratification process for the unitary patent system.[19] Now that the German federal government's draft legislation has officially been submitted to the Federal Council (Bundesrat) for comment and this body had no

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We wish all the best to your family, staff members, colleagues, and of course to you yourself, in these difficult times

[15] Paragraph 11 of the Explanatory Memorandum of 11 April 1990 to the Proposal for a Council Regulation (EEC) concerning the creation of a supplementary protection certificate for medicinal products, which led to Regulation No. 1768/92, itself repealed and replaced by Regulation No. 469/2009.
[16] Paragraph 47 in C-673/18 *"Santen"*
[17] Paragraph 53 in C-673/18 *"Santen"*
[18] Paragraph 55 in C-673/18 *"Santen"*
[19] See our Newsletter 5/2020

objections[20], the bill has been introduced to the Bundestag and was already handled in its first reading on Thursday, 8 October 2020, referring it to the Judiciary Committee (Ausschuß für Recht und Verbraucherschutz).[21] The bill will then be referred to the committee on legal affairs. It is still uncertain when the crucial second and third readings will take place. In view of the speed that has been demonstrated to date, it does not seem improbable that these readings could take place before the end of this year, however.

The federal government's announcement that it would expedite ratification of the unitary patent system with all speed has thus proven to be true.

[20] See: https://www.bundesrat.de/SharedDocs/drucksachen/2020/0401-0500/448-20(B).pdf?__blob=publicationFile&v=1
https://www.bundesrat.de/SharedDocs/beratungsvorgaenge/2020/0401-0500/0448-20.html

[21] https://www.bundestag.de/dokumente/textarchiv/2020/kw41-de-ueberweisungen-795732

Impressum:
Michalski · Hüttermann & Partner
Patentanwälte mbB

Speditionstrasse 21
D-40221 Düsseldorf
Tel +49 211 159 249 0
Fax +49 211 159 249 20

Hufelandstr. 2
D-45147 Essen
Tel +49 201 271 00 703
Fax +49 201 271 00 726

Perchtinger Straße 6
D-81379 München
Tel +49 89 7007 4234
Fax +49 89 7007 4262

De-Saint-Exupéry-Str. 10
D-60549 Frankfurt a.M.
Tel +49 211 159 249 0
Fax +49 211 159 249 20