KADOR & PARTNER

NEWSLETTER

September 2004

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I. ABOUT US

1. Kador & Partner 30th anniversary

We proudly announce the 30th anniversary of Kador & Partner!

The office was founded in September 1974 by Dr. Utz Kador as a patent attorney firm. In 1983 it was reconstituted to also incorporate attorneys at law under the name of Kador & Partner.

Meanwhile, more than 10 patent attorneys and attorneys at law, as well as 25 further employees work for the offices located in Munich, London, Dresden and Alicante. The principal objective of Kador & Partner is to guarantee the highest standard of professional work and knowledge, combined with maximum service for our clients.

To celebrate the anniversary, a large festival will be held at our premises in Munich on September 17, 2004.

2. Welcome back

We are happy to announce that attorney at law **Corinna Probst**, will rejoin our trade mark team after a year of maternity leave.

Further, as of August 1, 2004, our former colleague and attorney at law **Dr. Elisabeth Vorbuchner** will support our trade mark team.

3. Congratulations

In spring 2004, **Dr. Marita Wasner**, formerly a patent attorney trainee at Kador & Partner, passed the demanding German qualifying examinations with great success. As of June 2004, she is now contributing to our team as a German Patent Attorney and European Trademark & Design Attorney.

4. New Trainees

In March 2004, **Dr. Antje Stanjek**, born 1970 in Koblenz, joined our firm as a patent attorney trainee. Dr. Stanjek studied chemistry and biology at the University of Bonn and obtained a degree in chemistry. Her dissertation at the University of Bonn and Karlsruhe dealt with the chemistry and biology of angiogenesis. Before joining our office Dr. Stanjek worked both as a chief scientist at Dr. Kübler GmbH and as a patent and technology transfer manager for the National Genome Research Network (NGFN) at the Fraunhofer Patent Centre in Munich.

Furthermore, in April 2004, **Dr. Martin Handwerk**, born in 1973, joined Kador & Partner as a patent attorney trainee. Dr. Handwerk studied chemistry and biochemistry at the Ludwig-Maximilians University of Munich, completing his studies in 2000 with a diploma degree. His diploma thesis dealt with the homoleptic carbohydrate complexes of aluminium and their investigation by means of NMR spectroscopy and X-ray crystallography. In 2003, Dr. Handwerk was awarded a doctoral degree for his dissertation on the heteroleptic carbohydrate complexes of rhodium and their investigation by means of NMR spectroscopy and X-ray crystallography.

5. Conferences & Lectures

- **INTA Annual Meeting Atlanta**

From May 1 to 5, 2004, intellectual property practitioners from all over the world gathered in Atlanta, USA, for the International Trademark Association's 126th annual meeting. Official figures show that more than 6.600 participants were registered for this meeting. Kador & Partner was represented by Dr. Utz Kador and Janette Küntscher.

- **ECTA Conference Madeira**

This years ECTA´s 23rd annual conference was held on the beautiful island of Madeira, Portugal. The ECTA (European Trade Mark Association) was formed in 1980 with the aim of bringing together professionals in the field of trade marks from all the member states of the European Community. For Kador & Partner, Barbara Regensburger and Dr. Utz Kador attended this interesting meeting together with 540 delegates from 68 countries. Following exciting speeches on the effects of the recent EU enlargement, the latest decisions by the European Court of Justice were presented and

discussed.

- **INTA Conference Arlington, Virginia**

Dr. Utz Kador will give a lecture at the INTA´s Trademark Administrators Conference from October 3 to 6, 2004, in Arlington, Virginia. This conference provides U.S. and non-U.S. intellectual property professionals with practical education in current trade mark issues that are critical to success. Dr. Kador´s lecture will deal with "license agreements". A summary thereof will be available on our homepage **www.kadorpartner.de** end of October.

6. COMTAI 2005

For the forthcoming INTA conference in 2005 in San Diego, California, the CTM Advisory Initiative (COMTAI, see "**www.community-trademark.org**"), which was founded in 2000 by several experienced Munich attorneys, plans to charter a private yacht in order to invite our clients to a cruise. This trip will include interesting lectures and wonderful panoramic views of the ever-changing coastline. A detailed schedule will be presented in due time at the above-mentioned website.

II. European Patent Law

1. Enlarged Board of Appeal I: Decision G 1/03 on the allowability of disclaimers

The Enlarged Board of Appeal has now issued the long-awaited decision concerning the allowability of disclaimers. The decision has been published in the August/September issue of the official EPO journal.

At the outset, the decision is surprising insofar as it was expected that disclaimers would only be held valid for prior art under Art. 54(3) EPC (relevant for novelty only). However, the Enlarged Board of Appeal ruled that a disclaimer for prior art under Art. 54(2) EPC (full prior art relevant for novelty and inventive step) is also allowable under specific conditions.

The headnotes are as follows:

I. An amendment to a claim by the introduction of a disclaimer may not be refused under Art. 123(2) EPC for the sole reason that neither the disclaimer nor the subject matter excluded by it from the scope of the claim have a basis in the application as filed.

II. The following criteria are to be applied for assessing the allowability of a disclaimer which is not disclosed in the application as filed:

II.1. A disclaimer may be allowable in order to:

- restore novelty by delimiting a claim against state of the art under Art. 54(3) and (4) EPC;

- restore novelty by delimiting a claim against an accidental anticipation under Art. 54(2) EPC; an anticipation is accidental if it is so unrelated to and remote from the claimed invention that a person skilled in the art would never have taken it into consideration when making the invention; and

- disclaim subject matter which under Art. 52-57 EPC is excluded from patentability for non-technical reasons.

II.2. A disclaimer should not remove more than is necessary either to restore novelty or to disclaim subject matter excluded from patentability for non-technical reasons.

II.3. A disclaimer which is or becomes relevant for the assessment of inventive step or sufficiency of the disclosure adds subject matter contrary to Art. 123(2) EPC.

II.4. A claim containing a disclaimer must meet the requirements of clarity and conciseness of Art. 84 EPC.

The Enlarged Board of Appeal, taking into account current jurisprudence, had some difficulties in harmonizing decisions **G 2/98** and **G 1/93**. In **G 1/93** it has been set forth:

"A feature which has not been disclosed in the application as filed but which has been added to the application during examination and which, without providing a technical contribution to the subject matter of the claimed invention, merely limits the protection conferred by the patent as granted by excluding protection for part of the subject matter of the claimed invention as covered

by the application as filed, is not to be considered as subject matter which extends beyond the content of the application as filed."

In turn, in reason 8.3 of **G 2/98** the following is stated: *"No distinction should be made between technical features which are related to the function and effect of the invention and technical features which are not."*

At first glance, these statements seem to contradict each other. Accordingly, the Technical Board of Appeal came to the conclusion in **T 323/97** that **G 2/98** overruled **G 1/93**. The Enlarged Board of Appeal has now stated in the decision that this is not the case since **G 1/93** and **G 2/98** are related to different legal circumstances:

"The mere exclusion of protection addressed in G 1/93 is a different legal situation from the question of whether or not the specific combination of all technical features present in a claim has to be considered when assessing whether there is identity of invention between the previous application and the application in which the priority is claimed (G 2/98)."

Therefore, the first headnote expresses that **G 2/98** cannot be used as an authority against allowing a disclaimer limiting the claimed subject matter without affecting the technical teaching of the application.

A clear distinction must be made as to the identity of relevant disclosures (**G 2/98**) and as to whether the feature merely limits the protection of a patent (**G 1/93**). A disclaimer applies to the latter and splits the invention into two parts: *"In respect of the identical part it preserves the rights of the first applicant; for the rest disclosed for the first time in a later application it attributes the right to the second applicant."*

Therefore, a disclaimer is generally allowable under Art. 123(2) EPC. Given the aforesaid, it may be concluded that the purpose of a disclaimer excluding a conflicting application is merely to take account of the fact that different applicants are entitled to patents in respect of different aspects of inventive subject matter without changing the technical teaching.

As a consequence of this interpretation, a disclaimer can particularly be used in cases in which the problem of prior art under Art. 54(3) EPC arises.

In addition, the Enlarged Board of Appeal also allowed the disclaiming of subject matter which, according to Art. 52-57 EPC, is excluded from patentability for non-technical reasons. The allowability of this disclaimer has been justified due to economic reasons, as it is hardly possible to know all exclusions from patentability in all states in which applications are filed claiming the priority of the European application.

However, the most critical headnote concerns the allowability of the insertion of a disclaimer under Art. 54(2) EPC. According to this headnote, a disclaimer may be allowable in order to restore novelty by delimiting a claim against an accidental anticipation under Art. 54(2) EPC. An anticipation is accidental if it is so unrelated to and remote from the claimed invention that a person skilled in the art would never have taken it into consideration when making the invention.

Therefore, in any case it has to be decided what is understood by an "accidental anticipation" or what is "unrelated to or remote from the claimed invention that a person skilled in the art would never have taken it into consideration when making the invention".

The Enlarged Board of Appeal in its decision has provided some guidance regarding the question of when a prior art document should be regarded as "accidental anticipation". According to the Board, what counts is that from a technical point of view, the disclosure in question must be so unrelated and remote that a person skilled in the art would never have taken it into consideration when reworking an invention.

In addition, it is not sufficient that a document is not the closest prior art. Further, while the technical field of the prior art document may play an important role, the mere fact that the technical field is remote or not related is also not sufficient.

The decisive aspect of a document, i.e. whether it is to be regarded as an "accidental anticipation" or

not, can only be assessed by evaluating it from a technical point of view, i.e. independently from inventive step considerations and the technical field.

The information provided by the Enlarged Board of Appeal forms only a loose framework and further jurisprudence must follow so that it can be seen, how this framework will be filled with life by the Technical Boards of Appeal.

In this context, it is worth noting that the Enlarged Board of Appeal has accepted the well established case law of the Technical Boards of Appeal concerning the requirements of selection inventions. It can be assumed that the Enlarged Board of Appeal has thus provided an indication that a similar understanding should be applied to both accidental anticipations and the requirements of selection inventions.

As regards headnote II.3., special attention should be paid to the expression “is or becomes relevant”, which is employed in this passage. The Enlarged Board of Appeal holds the opinion that the question of accidental anticipation has to be answered independently of inventiveness. Hence, the accidental character of the anticipation has to be asserted primarily. Even if this requirement is met, the allowability of the disclaimer may be called into question if it is apparent that the limitation is relevant for assessing inventive step.

Therefore, the decision of the Enlarged Board of Appeal requires a two-step approach. First, the allowability of the disclaimer must be determined in light of the "accidental anticipation" criterion.

Second, an assessment is required as to whether the claim including the disclaimer involves an inventive step and whether the disclaimer contributes to this inventive step. If so, a violation of Art. 123(2) EPC is automatically given and the disclaimer is not allowable.

The same considerations apply for insufficiency according to Art. 83 EPC: If the use of a disclaimer excludes non-workable embodiments from the claim then Art. 123(2) EPC is violated.

It is also worth noting that priority will still be valid when a disclaimer is inserted into an application, which claims priority from an earlier application not containing a disclaimer.

Summing up, in our opinion the Enlarged Board of Appeal has found a good balance in its "disclaimer"-decision with respect to the interests of applicants and the general public. However, the "accidental anticipation" approach will require further case law to evaluate how this approach is put into practice.

2. Enlarged Board of Appeal II: Questions on the patentability of "diagnostic methods" referred to the Enlarged Board of Appeal

Art. 52(4) EPC excludes methods for the treatment of the human or animal body by surgery or therapy and diagnostic methods practiced on the human or animal body from patentability, by deeming them not to be regarded as susceptible of industrial application. Such methods were already excluded from patentability under the national laws of many European countries before the EPC came into force. The policy behind these provisions was to ensure that those who carry out such methods as part of the medical treatment of humans or the veterinary treatment of animals should not be inhibited by patents.

Although in European patent law practice, it is a well-accepted principle that exceptions to patentability should be construed narrowly, there is longstanding and consistent case law, which states that the exclusion of one feature under Art. 52(4) EPC is sufficient to exclude the whole claim from patentability if such a feature is to be regarded as a treatment of the human or animal body by surgery or therapy.

However, with regard to the diagnostic methods practiced on the human or animal body, the case law of the Technical Boards of Appeal of the European Patent Office has diverged considerably. On the one hand, very generous decisions like **T 385/86** were issued according to which, a method is only to be regarded as diagnostic if the claimed method contains all necessary steps required to make a medical diagnosis. On the other hand, decisions like **T 964/99** exist, in which the Board took

the view that all such methods practiced on the human or animal body would fall under Art. 52(4) EPC, which are related to or useful for diagnostic purposes. According to these decisions, a single diagnosis-related step would be sufficient to exclude the claim from patentability, consistent with the established case law regarding medical treatment methods.

Based on these diverging decisions, the President of the European Patent Office took the opportunity to refer the interpretation of the term "diagnostic methods" to the Enlarged Board of Appeal. In particular, the following questions were put to the Board:

1a. Are "diagnostic methods practiced on the human or animal body" within the meaning of Article 52(4) EPC (hereinafter: "diagnostic methods") only those methods containing all the procedural steps to be carried out when making a medical diagnosis, i.e. the examination phase involving the collection of relevant data, the comparison of the examination data thus obtained with the standard values, the finding of any significant deviation (a symptom) during that comparison and, finally, the attribution of the deviation to a particular clinical picture (the deductive medical decision phase), or

1b. is a claimed method a "diagnostic method" even if it only contains one procedural step that can be used for diagnostic purposes or relates to the diagnosis?

2. If the answer to question 1b is in the affirmative: Does the claimed method have to be usable exclusively for diagnostic purposes or relate exclusively to the diagnosis? According to which criteria is this to be assessed?

3a. Is a claimed method a "diagnostic method" if

i) it contains at least one procedural step considered as essential for a "diagnostic method" and requiring the presence of a physician (Alternative 1), or

ii) it does not require the presence of a physician but presupposes that a physician bears the responsibility (Alternative 2), or

iii) all procedural steps can also or only be practiced by medical or technical support staff, the patient himself or an automated system (Alternative 3)?

3b. If the participation of a physician (by being present or by bearing the responsibility) is decisive, does the physician have to participate in the procedural step practiced on the body, or does he only have to participate in any procedural step considered as essential for a diagnostic method?

4. Does the requirement "practiced on the human or animal body" mean that the procedural steps take place in direct contact with the body and that only such steps practiced directly on the body can provide a method with the character of a diagnostic method, or is it sufficient if at least one of the procedural steps is practiced directly on the body?

The case is pending under case No. **G 1/04**. It will be interesting to see which attitude the Enlarged Board of Appeal will take regarding the referred questions. However, considering the general policy providing the basis for the exceptions from patentability of Art. 52(4) EPC and the consistent case law existing with regard to medical treatment methods, we suspect that the Enlarged Board will more likely adapt its view taken in decision **T 964/99,** meaning a more restrictive interpretation of the term "diagnostic methods".

3. New guidelines for examination in the European Patent Office

In early 2004, the European Patent Office issued revised Guidelines for Examination (in the following denoted as "Guidelines"). All sections of the Guidelines have been affected, be it by applicable new rules, by incorporation of recent decisions of the Enlarged and Technical Boards of Appeal or by directives incorporated by the Legal Department of the European Patent Office.

The Guidelines are not of legally binding character. Nevertheless, the Guidelines mirror the practice of the Office, and generally, exceptionally strong arguments are required to overcome objections based on the Guidelines. The Guidelines are of high practical relevance and should be taken into

account when communicating with the European Patent Office.

In the following, an important change is discussed pertaining to the new Guidelines on the requirements for claiming priority.

Priority is provided for by Art. 87 to 89 EPC and according to the Enlarged Board of Appeal (**G 2/98**), these articles are in line with the Paris Convention.

According to these articles, priority can be claimed for the "same invention". Moreover, the application to which the priority claim is directed must be the "first application". Some of the requirements for a first filing application are regulated in Art. 87(4) EPC, but uncertainty existed whether the earlier application must originate from the same inventor or only from the same applicant or his successor in title.

The old Guidelines (see Part C, Chapter V, 1.4) were geared to the inventor. However, the new Guidelines require only that the applicant or his successor in title must be the same for the first and subsequent application.

The consequences of this amendment should not be underestimated. In case it is found that the application to which the priority claim is directed is in fact not the first application in the sense that the subject matter is the same, but some or all of the subject matter was disclosed in an earlier application filed by the same applicant or his entitled successor, the priority claim would be invalid as the subject matter has already been disclosed in the earlier application.

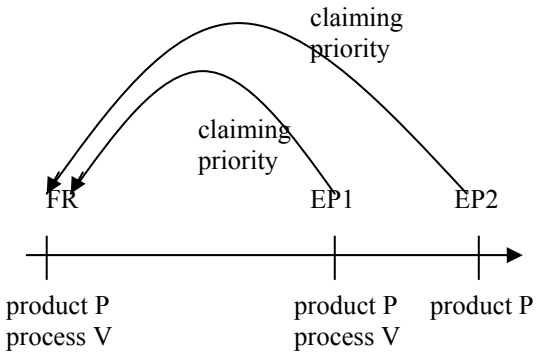
This problem predominantely affects larger companies with a high output of similar inventions elaborated by different inventors. Formerly, the common argumentation employed with respect to the aforesaid situation was to declare that the inventors were not the same. Accordingly, the earlier application and the application filed were in fact not the same invention. However, this argumentation will no longer be accepted by the European Patent Office in the future.

In such a case, the only alternative would be to file an appeal against the decision of the European Patent Office, since this specific change in the Guidelines is based on a directive from the Legal Department of the Office and has not yet been approved by a Legal Board of Appeal.

4. Exhaustion of priority right - decision T 998/99 and potential consequences on European filing strategy

In the recent decision **T 998/99**, the Board of Appeal had to decide whether a European patent application can validly claim priority of a first application if said priority had already been claimed before by another ("intermediate") European patent application. In other words, the Board of Appeal was faced with the question whether the priority right according to Article 87(1) EPC is "exhausted" once claimed by a European application, thereby "blocking" any priority claim of a later-filed second European or Euro-PCT application. Since this decision might have an impact on European filing strategies, it will be discussed in the following.

Before referring to the decision itself and the potential consequences thereof, the factual situation on which the decision is based will be summarised briefly.



A European patent EP2 was granted claiming priority from a French application FR. A product P was claimed in EP2 and also disclosed in FR. The same applicant had also filed a "first" European patent application EP1, claiming priority of FR as well. In addition to claiming product P, the application EP1 also claimed a process V.

An opposition was filed against EP2 and the opponent argued that EP2 cannot claim the priority of the French application FR, because said priority had already been claimed before by EP1 for the

same invention, i.e. product P. Consequently, the relevant date of EP2 is its filing date and EP1 represents later-published prior art according to Art. 54(3),(4) EPC. The Board of Appeal followed this line of argumentation and revoked EP2. A request for referral to the Enlarged Board of Appeal was dismissed.

To give a further example, the situation as outlined above will be slightly modified. An applicant might file a national application NAT1, followed by a European application EP1, and finally a Euro-PCT application PCT1 to extend territorial protection (still within the priority year). Again, EP1 as well as PCT1 claim priority of NAT1 for the same invention.

According to the cited decision, priority of NAT1 cannot be validly claimed for the European part of PCT1, and hence EP1 will represent prior art according to Art. 54(3),(4) EPC, provided it is still pending when published and the designation fees have been paid. In principle, withdrawal of EP1 might be a possibility to enable further prosecution of the European part of PCT1. However, as will be discussed below, this might not improve the situation if additional prior art was generated within the priority year.

In case NAT1 was a German utility model, which is normally made public after less than 6 months, its disclosure would also represent full prior art with regard to PCT1. Additionally, non-patent (e.g. scientific) publications or presentations on exhibitions before the filing date of PCT1 might also be critical if the applicants rely on priority claims that are no longer valid with respect to the criteria established by the cited decision. In situations like these, withdrawal of EP1 would not help. On the contrary, further prosecution of EP1 might be the only possibility to protect the invention in Europe, whereas a regionalisation of PCT1 in Europe would make no sense at all.

In this context, it is also important to note that the Board of Appeal did not give any pointers as to whether withdrawal of EP1 after the filing date of EP2 (or PCT1) might have the effect that EP2 (or PCT1) could then validly claim the priority.

To summarize our comments made above, decision **T 998/99** can be very relevant for priority claims of European patent applications if specific conditions are met and should be considered for future filing strategies. Unfortunately, the Board of Appeal did not elaborate on the situation when both EP1 and EP2 (or EP1 and PCT1) have been filed on the same day. Furthermore, as discussed above, no indication was given in the decision as to the effect of withdrawing EP1 on the overall situation.

In case our clients would like to know whether this decision might affect some of their previously filed European applications or those to be filed in the near future, we will be pleased to assist in this matter.

III. European Trade Mark Law

1. Decisions of ECJ on the registrability of three-dimensional trade marks

In April 2004, the European Court of Justice (ECJ) issued several decisions relating to the registrability of three-dimensional tablets for various classes of products including, in particular, products for washing machines or dish washers (cases C-456/01P and C-457/01P, C-468/01P to C-472/01P, C-473/01P and C-474/01P).

The applications in question related to rectangular detergent tablets consisting of two layers being either red and white or green and white (Henkel KGaA), to square tablets in white and pale green or square tablets in white with speckles in different colours as well as square or rectangular tablets with inlays (Procter & Gamble Company).

The Office for Harmonization in the Internal Market (OHIM) had refused to register the applications as three-dimensional trade marks, the refusal being based on the lack of distinctive character of the tablets. The Court of First Instance (CFI) confirmed the OHIM`s findings.

In its final decision, the ECJ dismissed the appeals of the applicants as being unfounded for the following reasons: In principle, it is clear from Art. 4 of Regulation No. 40/94 that both the shape of a product and its colours come under the signs which may constitute a Community trade mark. Therefore, a

sign consisting of the three-dimensional shape of a tablet for washing machines or dish washers, in combination with the colour arrangement of the tablets may, in principle, constitute a trade mark.

However, the fact that a sign is, in general, capable of constituting a trade mark within the meaning of Art. 4 of the regulation does not mean that the sign necessarily has distinctive character for the purposes of Art. 7 (1) (b) of the regulation in relation to a specific product or service.

The distinctive character must be assessed, first, by reference to the products or services for which registration has been applied and second, by reference to the perception of these products by the relevant public, which consists of average consumers of the products or services in question, who are reasonably well-informed and reasonably observant and circumspect.

It has been emphasised that the criteria for assessing the distinctive character of a three-dimensionally shaped product mark are not different from those applicable to other categories of trade marks. However, the relevant public's perception is not necessarily the same for a three-dimensional mark consisting of the shape and colours of the product itself, as it is for a word or figurative mark consisting of a sign, which is independent from the appearance of the products it denotes.

Average consumers habitually do not make assumptions on the origin of a product based on its shape or the shape of its packaging in the absence of any graphic or word element and it could therefore prove more difficult to establish distinctiveness for a three-dimensional mark than for a word or figurative mark.

Therefore, the more closely the shape, for which registration is sought, resembles the shape most likely to be adopted by the product in question, the greater is the likelihood of the shape being devoid of any distinctive character for the purposes of Art. 7 (1) (b) of Regulation No. 40/94. Only a trade mark which departs significantly from the norm or customs in the field and thereby fulfills its essential function of indicating origin, is not devoid of any distinctive character for the purposes of that provision.

Comment: The European Court of Justice has set clear standards for the registrability of three-dimensional marks which represent the product itself. As long as the three-dimensional mark consists of a combination of obvious features typical of the product concerned, the mark is considered as devoid of any distinctive character.

IV. European Antitrust Law - new Technology Transfer Block Exemption Regulation in force

The new Block Exemption Regulation, Commission Regulation (EC) No. 772/2004 on the application of Art. 81(3) of the Treaty to Categories of Technology Transfer Agreements (TTBER), entered into force on May 1, 2004. The new regulation is part of the reform of the European Union's enforcement rules for antitrust law, including as a core-constituent the new antitrust regulation (EEC) No. 1/2003, which came into force on the same date.

The new TTBER is of major importance for the formulation of any technology transfer license agreement, as non-compliance with the antitrust regulation as set out in Art. 81 EC treaty will automatically render the entire agreement invalid. On the other hand, if an agreement enjoys exemption as provided for by the TTBER, validity of the agreement (at least under antitrust considerations) will have to be assumed in any court proceedings.

Apart from patent and know-how license agreements, the new TTBER now also *expressis verbis* mentions software-copyright and design license agreements, which have enjoyed exemption under the old TTBER only if concluded in association with a patent or know-how agreement.

The new regulation differs fundamentally in its structure and at least partly in its material content from the previous TTBER. The changes have been deemed necessary by the Commission in order to remove drawbacks of the old TTBER which, due to the very detailed regulations contained therein, has often been seen as a "legal straitjacket". Accordingly, the new TTBER does not contain a list of the exempted, and thus harmless, clauses. Instead, it is

the intention of the new TTBER to create a "safe harbour" in which all technology license agreements are exempted irrespectively of their concrete content. This "safe harbour" is limited by the market share thresholds of the contracting parties. The new introduction of such market share thresholds can be seen as the most important change in the new TTBER.

The "safe harbour", however, is closed if the license agreement contains one of the clauses listed in Art. 4 and designated as "hardcore restrictions". In this case, the question of the market share size of the contracting parties is no longer relevant.

As a consequence of the new conception, the new TTBER has a significantly leaner structure as compared to its predecessor. Following a definition of the terms used in the regulation (Art. 1), a general clause lays down, the exemption of license agreements is laid down in Art. 2. Finally in Art. 3, the market share thresholds relevant for the exemption are defined.

In Art. 3, a distinction is made between licensing between competitors and non-competitors. Specifically, Art. 3(1) prescribes that the exemption provided in Art. 2 for competing parties shall apply only on the condition that the combined market share of the parties does not exceed 20% of the affected relevant technology and product market.

In contrast, Art. 3(2) states that for parties which are not competing, the exemption shall apply on the condition that the market share of each of the parties does not exceed 30% of the relevant technology and product market.

As mentioned, Art. 4 contains a list of clauses denoted as "hardcore restrictions" which are judged by the Commission to nearly never comply with European Competition law or antitrust law. Accordingly, a license contract containing one of these clauses will not enjoy the exemption provided for by the new TTBER.

Beside the list of "hardcore restrictions" in Art. 4, the TTBER contains a further catalogue of clauses, which are estimated to be critical under antitrust considerations. However, the restrictions listed in Art. 5 are regarded to be less critical than those in Art. 4. Thus, if the license contract contains one of these restrictions, this will not automatically lead to non-exemption of the complete agreement. Instead, only this specific clause is deemed incommensurate with the TTBER and hence will not be exempted.

Art. 10 of the TTBER defines a transition period for all contracts already in force on April 30, 2004. Insofar, the new TTBER does not apply to these contracts until March 31, 2006. However, from April 1, 2006, these old contracts must also comply with the provisions of the new TTBER to enjoy the exemption.

In summary, due to the introduction of market share thresholds in Art. 3 and the simultaneous omission of "white" or "gray" clauses, as contained in the previous TTBER, the new TTBER removes the "straitjacket" from the old TTBER and thus allows more flexibility in the design of license agreements for all parties, which do comply with the market share requirements set out in Art. 3 TTBER.

However, the situation has rather worsened for parties that exceed the market share thresholds of Art. 3. An agreement between these parties will not enjoy the exemption granted by the TTBER, regardless of the clauses introduced. As the validity of these agreements can only be determined in a potential court action, possibly years after the agreement has been signed, this means that the so-called "self assessment" of the agreement by the contracting parties now plays a central role. In anticipating this fact the European Commission has issued "Guidelines for the Application of Art. 81 of the EC Treaty to Technology Transfer Agreements" as a Commission Notice in which extensive information is provided to assist contracting parties in a “self-assessment” procedure.

In addition, the new TTBER implies that all existing license agreements between parties not complying with the market share threshold requirements of Art. 3 will have to be thoroughly reviewed before March 31, 2006, because as mentioned, the new TTBER will then also apply to these existing agreements.

V. EUROPEAN COMPETITION LAW

In the recent case of IMS Health GmbH & Co. OHG v. NDC Health GmbH & Co. KG, the European Court of Justice (ECJ) gave further guidance on the interpretation of Art. 82 EC-treaty relating to the abuse of a dominant market position (Case No. C-418/01).

Summarising the facts of the case, both IMS and NDC are engaged in tracking the sales of pharmaceutical and healthcare products.

IMS provides data on the regional sales to pharmaceutical laboratories in Germany of pharmaceutical products, which were formatted according to brick structures. Thereby, the IMS has provided studies based on a brick structure consisting of 1860 bricks, or a derived structure consisting of 2847 bricks, each corresponding to a designated geographic area.

Furthermore, IMS has involved some of its clients in a drive to optimise the bricks.

Due to the practice of distributing the brick structures free-of-charge to pharmacies and doctors' surgeries, these structures have become the normal industry standard to which clients have adapted their information and distribution systems.

However, a former manager of IMS founded a new company which is active in marketing the regional data of pharmaceutical products formatted on the basis of these brick structures. This company first tried to market structures consisting of a differnet number of bricks. However, on account of the reluctance manifested by potential clients, who were accustomed to structures consisting of 1860 or 2847 bricks, the company decided to use structures of 1860 or 3000 bricks, which were very similar to those used by IMS.

Later on, this company was acquired by NDC.

During the main proceedings and following an initial request for a preliminary ruling, IMS pursued its objective of prohibiting NDC from using the 1860 brick structure.

The Regional Court at Frankfurt am Main referred the following questions to the ECJ for a preliminary ruling:

1. Is Art. 82 EC to be interpreted as meaning that there is abusive conduct by an undertaking with a dominant position on the market where it refuses to grant a license agreement for the use of a database protected by copyright to an undertaking which seeks access to the same geographical and actual market if the participants on the other side of the market, that is to say potential clients, reject any product which does not make use of the database protected by copyright because their set-up relies on products manufactured on the basis of that database?

2. Is the extent to which an undertaking with a dominant position on the market has involved people from the other side of the market in the development of the database protected by copyright relevant to the question of abusive conduct by that undertaking?

3. Is the material outlay (in particular with regard to costs) of a client, when switching to a new supplier that does not make use of the database protected by copyright, relevant to the question of abusive conduct by an undertaking with a dominant position on the market?

The European Court of Justice ruled: *"The answer to the second and third questions must be that, for the purposes of examining whether the refusal by an undertaking in a dominant position to grant a licence for a brick structure protected by copyright which it owns is abusive, the degree of participation by users in the development of that structure and the outlay, particularly in terms of costs, on the part of potential users in order to purchase studies on regional sales of pharmaceutical products presented on the basis of an alternative structure are factors which must be taken into consideration in order to determine whether the protected structure is indispensable to the marketing of studies of that kind."*

As regards the first question, the Court stated that the exclusive right of reproduction forms part of the owner`s rights, so the refusal to grant a licence, even if it is the act of an undertaking holding a dominant position, cannot in itself constitute abuse of a dominant position (Case C-238/87 "Volvo" and cases C-241/91 and C-242/91 "Magill").

Nevertheless, as is clear from that case law, exercising an exclusive right by the owner may, in exceptional circumstances, involve abusive conduct.

In order for the refusal by an undertaking, which owns a copyright, to give access to a product or service indispensable for carrying out a particular business, to be treated as abusive, it is sufficient that three cumulative conditions are satisfied: Firstly, the refusal is preventing the emergence of a new product for which there is a potential consumer demand. Secondly, it is unjustified. Thirdly, the refusal excludes any competition on a secondary market.

Regarding the third condition, relating to the likelihood of excluding all competition on a secondary market, it is determinative that two interconnected different stages of production may be identified and that the upstream product is indispensable for the supply of the downstream product.

Transposed to the facts of the case in the main proceedings, this approach prompts consideration as to whether the 1860 brick structure constitutes, upstream, an indispensable factor in the downstream supply of German regional sales data for pharmaceutical products.

As regards to the first condition relating to the emergence of a new product, it was stated that the undertaking which requested the licence must intend to produce new goods or services not offered by the owner of the right and for which there is a potential consumer demand.

As regards to the second condition, it is necessary to examine whether the refusal is justified by objective considerations.

Comments: The above decision puts an end to the long-lasting discussion whether the conditions laid down in the "Magill" decision for a refusal to licence an IP right to be qualified as an abuse of a dominant position are accumulative or alternative. The court clearly states that these three conditions must be present cumulatively.

One of the most disputed issues prior to the decision was whether two markets are required in order to qualify a refusal to licence as an abuse, and according to which criteria these two markets are to be determined. The Court has rightly considered the existence of a hypothetical or potential market sufficient for this purpose.

In the present case, the development of the "1860 structure" into an industry standard might be regarded as an "exceptional circumstance" in order to justify a compulsory licence. However, this will now have to be assessed and decided by the Regional Court at Frankfurt am Main.

V. NEW GERMAN DESIGN ACT

With the new German Design Act, which has entered into force on June 1, 2004, EU Directive 98/71/EC has finally been implemented into German Law after a delay of more than two years.

As the aim of the directive was to harmonize design protection within the European Union as far as possible, the new German Design Act is similar in several regards to the Community Design Regulation, which entered into force already April 1, 2003.

The most important aspects of the new Act are:

- an extension of the period of protection to 25 years
- the protection of spare parts is still possible in contrast to the Community Design
- a lower threshold for protection
- an extension of the grace period from 6 months to 12 months
- multiple applications with up to 100 designs (instead of the previous 50)
- in contrast to the Community Design, no unregistered right is available.