

IP/IT & MEDIA NEWSLETTER

A Look at the Developments in the area of IP, IT and Media

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Cookies, Clouds and Other Challenges – Retrospect and Prospect in Data Protection

To describe the job of a data protection practitioner as “not always easy” would have been a considerable understatement in 2012. Such practitioners, whether in companies, law firms or in politics, faced many challenges during the course of last year, and many times received nothing but criticism. We want to look back at the developments of 2012, and take a sneak peak at the coming tides.

1. EU Regulation

In what was a busy new year, January 2012 saw the European Commission present draft reforms to the European data protection legal framework; a proposed regulation (the Regulation), and a directive. Of the two, the Regulation (intended to directly bind the member states to its European data protection rules) seems to be of the greatest importance. The first draft of the Regulation included: strengthened rights for the data subject, in particular the “right to be forgotten;” the right to data portability; the consent requirement; the requirement of appointing an internal data protection officer; and high fines for non-compliance with the new provisions - up to 2% of a company’s annual turnover. The Regulation’s scope extends to data controllers and processors that have a seat in the EU, but also to companies outside of the EU that process personal data of EU citizens in order to offer goods or services to them, or to monitor their behaviour.

The uproar was tremendous; the data protectors felt the draft was not strict enough, and the data users found it

far too strict. All parties agreed that the administrative effort caused by the Regulation would be sizeable. The pros and cons of the draft were discussed at many forums and conferences, in part directly with the Commission members involved in drafting the regulation (for example at the Europe Data Protection Congress of the IAPP 2012 in Brussels). The Commission welcomed the comments and discussions, and presented a revised draft of the Regulation (the revised Regulation) in January 2013 (more on this below).

2. Cookie Regulations or Non-regulations

Directive 2009/136/EC, revising inter alia, the ePrivacy Directive 2002/58/EC, introduced new rules for the use of tracking technology, namely cookies. According to the new rules (in the amended article 5(3) of the ePrivacy Directive) the storage of, or access to, information that is already stored on the user’s end device requires the user’s consent, after the user has been provided with the information required under the applicable data protection provisions (in Germany: section 4(a) of the German Federal Data Protection Act). Exceptions apply only to such storage and access that is necessary to transmit a message (in the technical sense, thus not restricted to emails or similar messages), or to provide the requested services to the user. In plain language this means that *cookies may only be used without consent if the company were unable to provide the services requested by the user without using the cookies*. The implementation period expired in May 2012 – without Germany having

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taken any steps towards implementing the new requirements. Nevertheless, many website operators make an effort to comply with the requirements of the Directive and have already carried out comprehensive audits of their existing tracking technologies, have adapted the privacy policies of their websites, and generally attempt to provide the user with information on the use of such technologies. In doing so, it makes sense to look at the implementation of the Directive in other countries, for instance the guidelines issued by the UK Information Commissioner (www.ico.gov.uk) were amended (relaxed) very recently due to the increased awareness and knowledge of consumers about the topic (in particular, consent can now be granted implicitly). However, the storm has not yet quite settled and users of cookies are well-advised to adopt transparency as a major principle.

3. Employee Data Protection

At the end of 2010, the government published a first draft of a detailed introduction of employee data protection into the Federal Data Protection Act. This draft attracted a lot of criticism and remained a topic for discussion throughout 2012. However, its importance has since been downgraded owing to the introduction of other, more pressing topics. Even though the coalition wanted to induce a vote on an amended draft at the beginning of 2013, this hasty project was swiftly withdrawn consequent to public uproar.

4. Cloud Computing

Many companies are still drawn to the cloud, mostly due to cost considerations and the desire to have universally accessible information. While these are generally legitimate considerations and

there are cloud solutions that comply with the European requirements and national legislation, these are rare and often require intense negotiations with the service providers. Such negotiations are often doomed from the outset, because of the cloud provider's global concept that aims for a "one size fits all" solution, as this allows it to operate in the most cost efficient manner (owing to the controllable processor load and standard solutions). Lack in negotiation power, however, rarely provides a solid argument vis-à-vis the data protection authorities so the cloud user in Germany should carefully consider the cloud provider, and should contemplate (particularly for critical data) a European cloud. Whether the initial cost considerations then still justify the change, must be evaluated on an individual basis.

5. Prospect

It seems that great things will happen in 2013. Although removed from the immediate agenda, a codification of employee data protection is not yet completely off the table. For multinationals the latest draft even resulted in a positive surprise because it suddenly contained a concern privilege. However, it seems rather unlikely that the draft will be voted upon within the current legislative period. Meanwhile, the draft European Regulation makes good progress, and it remains unclear as to how the "cookie Directive" will be implemented, enforced, or possibly neglected by Germany.

Companies are well-advised to prepare for the changes to come. Cookie audits and elimination of unnecessary cookies are certainly steps in the right direction. A review of the most recent draft of the EU Regulation already shows areas

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that will definitely result in a need for adaptation, for instance risk assessments. Companies therefore have the opportunity to get a head start by preparing for these already identifiable changes. Some may even consider the implementation of binding corporate rules – the creation and implementation of which is a lengthy

process, but the basic considerations can be initiated in advance.

In conclusion, companies should, in general, be aware of the weight of these topics – which is only likely to increase. It is always a great advantage to know and guide the own data volume, its content and the data flow in detail.

Employee Data Protection – What's Down the Road?

News on the draft bill on employee data protection has been quiet for more than two years. Apparently, the focus has been shifting to European level as all eyes are on the recent proposal for a new regulation to replace the Data Protection Directive 95/46/EC. The regulation would be directly effective without the need to implement domestic laws. The result should be an essentially harmonised regime, albeit with some limited scope for differing local approaches in a few areas.

Quite surprisingly, at the beginning of 2013 it became publicly known that the German legislature has engaged in a new initiative to adopt the bill on employee data protection within an extremely short time frame - of only a few weeks. At first, the government planned for final discussion of the new rules to take place in parliament, in mid-January 2013. In light of the indignation to the proposal, in particular by the German Federal Commissioner for Data Protection, Peter Schaar, the government decided to postpone the initiative for a few weeks. After some protracted seesawing, the draft bill has been put on hold. However, it is expected that the legislation process will recommence shortly.

Below we summarise the most intensely discussed provisions of the draft bill on employee data protection:

- In practice, the most relevant provision for all mid-sized and big companies, in particular for multinationals, includes the facilitation of the transfer of employee data between affiliated companies. The draft bill finally contains a group privilege for employee data where this serves group purposes.
- Collecting data of employees from publicly available sources will be regulated in a more practicable manner. The new bill will probably no longer distinguish between social networks that are primarily used for the presentation of professional qualifications and other social networks which the employer may not use.
- It will be very interesting to see whether it will be allowed to deviate from the new statutory rules by concluding works agreements, if the deviation would result in unfavourable consequences for affected employees.
- There will be more detailed rules on internal investigations and the monitoring of employees. Data



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screenings involving employee data will be permissible not only if there is concrete evidence of a criminal offence but also in order to fulfil statutory audit or control obligations.

- The draft bill contains special rules for the use of CCTV. Video surveillance at work will still be permissible but only under very restricted circumstances.

We will keep you informed about further developments and the final bill.



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German Federal Supreme Court Decides Another Matter Regarding Keyword Advertising

On December 14, 2012 the German Federal Supreme Court had to decide once more in a case regarding the admissibility of keyword advertising. The Court confirmed and specified its earlier case law (file number I ZR 217/10).

The plaintiff in the case was the operator of the “MOST Shop” on the website www.most-shop.de, on which it marketed chocolates under the trademark “MOST.” The defendant, who also operated a website on which it offered presents and chocolates, had entered as a keyword “chocolates” and as a further option “broadly connected keywords,” in the Google search engine. The “broadly connected keywords” also contained the term “MOST chocolates.” The consequence of this was that the advert of the defendant popped up on the right hand side next to the search results if a third person entered the search term “MOST chocolates” into the search box. The plaintiff regarded this as an infringement of the “MOST” trademark.

The German Federal Supreme Court took a different view, reversing the judgment of the Court of Appeals, and rejected the complaint. The Supreme Court substantiated its decision with the

argument that an advertisement that pops up in a commercial segment which is clearly separated from the search result list that is also especially marked in that way; and that does not include the mark, any reference to the trademark owner or products offered under the trademark (as in the case at issue), does not interfere with the “indication of origin” function and therefore cannot be regarded as a trademark infringement. Thereby, the German Federal Supreme Court confirmed its 2011 decision (German Federal Supreme Court, decision of January 13, 2011, I ZR 125/07, Bananabay II). Moreover, it specifies that this should also be the case if the advertisement does not contain an explicit notice that the advertiser and the trademark owner are not economically connected. The fact that the advertisement mentions products by its generic name for which the trademark is protected (as in this case “chocolates”) is not enough.

The German Federal Supreme Court stated that this opinion is in line with the case law of the Court of Justice of the EU (CJEU) and therefore it took the view that it is not necessary to refer the case to the CJEU. Pursuant to European Community law, it is up to the national court to determine the question on the interference of the

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German Federal Supreme Court Decides Another Matter Regarding Keyword Advertising



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“indication of origin” function based on the standards set by the CJEU and taking into account all relevant circumstances.

The decision of the German Federal Supreme Court is persuasive and is in line with previous case law. If an advertisement

is displayed in a form clearly separated from the search results, customers are not kept from accessing the website of the trademark owner via the search result list. Therefore, the trademark owner has to accept the advertisement (which is marked as such) in such cases.

CJEU Judgment Regarding the Modernisation of Marks Under German Trademark Law

With a judgment of October 25, 2012 (file no. C-553/11) the Court of Justice of the European Union (“CJEU”) provided owners of trademark rights with more security than in the past with respect to modifications to marks. According to the CJEU, the trademark owner is allowed to merely use the current version of his trademark, whereby the “old” trademark will continue to enjoy full protection. The condition is, however, that the distinctive character of the trademark is not altered by the trademark used at present.

In this case, the CJEU stipulated the instances in which it would be permissible for a trademark owner to use currently registered trademarks in a modified form to cover use (and in such instances could prevent revocation of a mark for non-use). The plaintiff argued that the use of his “PROTI” mark satisfied the requirements of “genuine use” as it was a modified use of, and therefore covered by, his registered marks “PROTIPLUS” and “ProtiPower.” The Civil Court and the Appellate Court had denied a genuine use of the trademark “PROTI” through the use of these other marks by referring to the CJEU decision *Bainbridge* (judgment of September 13, 2007; file no. C-234/06), and the fact that section 26 (3) of the German Trademark Act was not compatible with the Directive

2008/95/EC. However, the German Federal Supreme Court doubted the courts’ findings and referred the issue to the CJEU for clarification and guidance.

The CJEU now states that the owner of a registered trademark can claim to prove genuine use by using a trademark in a form differing from the registered mark (“modified form”), provided that this form does not change the distinctive character of the registered trademark. Registration of the modified form is not a decisive factor, as such an exclusion was neither part of the Trademark Directive nor of the Paris Convention for the Protection of Industrial Property (PC). Moreover, the CJEU noted that a trademark owner should have the possibility to be able to make changes to some extent in order to adapt the trademark better “to the needs of marketing and the promotion of the product.”

The CJEU explains further that the decision was not in contradiction to its considerations in the *Bainbridge* decision. In that case, the German plaintiff had claimed the protection of a series of similar trademarks. The necessary proof of such series was not made by the plaintiff, as it had not proven the use of a necessary number of different trademarks of that

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ECJ Judgment Regarding the Modernisation of Marks Under German Trademark Law

series. That obiter dictum should be understood especially in this context.

The CJEU therefore takes into account the interest of the trademark owner to adapt valuable old trademarks to the spirit of the time and to make small changes without losing the priority of the old “out-of-use” trademark. The judgment of the CJEU leads to more clarity and security and trademark owners can breathe a sigh and register modern forms of a traditional trademark

without worrying about effects with regard to the protection of the “old” trademarks.

We assume that the CJEU will continue to build on this judgment in the proceedings *Stoffaehnchen II* (German Federal Court, decision of November 24, 2011, file no. I ZR 206/10) and *Specsavers* (Court of Appeal, London; file no. before the CJEU: C-252/12) with regard to the combined use of a word with a figurative mark.



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ONEL/OMEL-Decision of the CJEU Regarding Genuine Use – Territorial Borders Are Not Relevant

In order to be able to continue to enforce one’s Community trademark rights, within a period of five years after registration, the trademark owner needs to put the Community trademark to “genuine use in the Community” in connection with the goods or services (art. 15 para. 1 of the Community Trade Mark Regulation (CTMR)). If the trademark owner has not put it to genuine use in the Community, there is a risk that the trademark will be revoked by an application for revocation by a third party (art. 56, 51 para. 1 (a), CTMR), or a third party may put forward a defence of non-use in a proceeding regarding the trademark (art. 99 para. 3, CTMR).

The Court of Justice of the EU (CJEU) has already dealt several times with the interpretation of the term “genuine use,” in particular in the judgments *Ansul* (decision of March 11, 2003, case C-40/01 – *Ansul BV/Ajax Brandbeveiliging BV*) and *Sunrider/OHIM* (decision of May 11, 2006, case C-416/04 – *The Sunrider Corp./OHIM*), as well as in *La Mer Technology* (order of January 27, 2004, case C-259/01 – *La Mer Technology Inc./Laboratoires Goemar*

SA). The CJEU is of the opinion that a trademark is put to “genuine use” if the trademark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services. It is not enough in this respect that the trademark is only used for the sole purpose of preserving the rights conferred by the trademark. Whether there is genuine use in this sense needs to be assessed by taking into account all facts and circumstances relevant to establishing whether there is real commercial exploitation of the trademark in the course of trade. One factor is also the territorial scope of the trademark’s use.

Consequently, one then needs to decipher to what amount the trademark needs to be used to be considered to be put to “genuine use in the Community.” Is it enough that the trademark is used in a single member state, or should the territorial borders of a member state be disregarded in the assessment? The former view seems to be supported by the previous case law of



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the CJEU (CJEU, decision of September 14, 1999, C-375/97, *General Motors*; decision of November 22, 2007, C-328/06, *Nieto Nuno*; decision of October 6, 2009, C-301-07, *PAGO International*). However, the recent CJEU ONEL/OMEL decision (decision of December 19, 2012, case C-149/11 *Leno Merken BV/Hagelkruis Beheer BV*) makes it clear that the earlier case law only relates to the interpretation of the provisions regarding the protection of well-known Community trademarks, but not to the requirement of genuine use in the sense of article 15 para. 1, CTMR. In this decision the CJEU states that the territorial borders of the member states should be disregarded in the assessment of whether a trademark has been put to “genuine use in the Community” within the meaning of that provision. A Community trademark is put to genuine use within the meaning of article 15 para. 1 of CTMR when it is used in accordance with its central function and for the purpose of maintaining or creating market share within the European Community.

The CJEU bases its opinion on article 1 para. 2, CTMR in connection with the third recital of the CTMR. From this provision it follows that the purpose and the objective of the Community trademark is to remove the barrier of territoriality of the rights conferred on proprietors of trademarks, by the laws of the member states. The Community trademark thus enables its proprietor to distinguish his goods and services by identical means throughout the entire Community, regardless of

frontiers. The CTMR shall lead to similar conditions as those of the national markets. The CJEU took the view that such objectives would be blocked and it would interfere with the unitary character of the Community trademark if territorial borders of the Community trademarks would be given a particular significance in the Community Trademark Regulation. It is therefore impossible to establish what territorial scope should be chosen in order to determine whether the use of the mark is genuine or not. It is for the referring court to assess whether the requirements are fulfilled. In this respect, it cannot be ruled out that, in certain circumstances, the market for the goods and services for which a Community trademark has been registered is in fact restricted to the territory of a single member state. In such a case, use of the Community trademark in that territory may satisfy the conditions both for genuine use of the Community trademark, and for genuine use of a national trademark.

Hence, the CJEU steered a middle course. The Court made sure that on the one hand national trademarks do not become less important due to low requirements with respect to genuine use of Community trademarks, and on the other hand that Community trademarks do not become unattractive due to unnecessary high requirements with respect to genuine use.



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New Practice of OHIM Following the “IP Translator” Decision of the CJEU

Following the IP Translator decision of the Court of Justice of the European Union (CJEU) of 19 June 2012, the Office of Harmonization for the Internal Market (OHIM) has changed its practice with respect to the requirements for the list of goods and services in Community trademark applications (Notice of the President No. 2/12).

The CJEU has stated in its decision of 19 June 2012 (case C-307/10) that only a few class headings of certain classes of the Nice Classification fulfil the requirement of clearness and definiteness. Therefore, it is necessary that applicants of a trademark express whether they want to claim protection for all goods and services in a certain class or not, if class headings are used in the application.

Following this decision OHIM determined that a mere declaration - that all goods and services in the respective class are covered by the application - meets these

requirements. However, there was no requirement by OHIM to list all goods and services of the relevant class in the list of goods and services.

Following consultation with the national offices and due to the express wish of many applicants this practice has now changed. The class headings as well as the alphabetical list of the goods and services of the Nice Classification in the respective class will be published as part of the application, if the applicant declares all goods/services of the respective class to be part of the application. To make the application easier OHIM has implemented a tool into its e-filing system (as of 15 October 2012) that allows all class headings and all goods and services of the respective class to be included in the list of goods and services by just clicking a box.



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Judgments by German Courts Regarding Trade Dress Infringement in 2012

German Federal Supreme Court, file no. I ZR 21/11

In a judgment of March 22, 2012 (file no. I ZR 21/11), the German Federal Supreme Court (the Court) held that a toy set - of a sand box with tools - is a possible object of trade dress protection. Since 1996 the plaintiff offered for sale a sand painting box that comprised a rectangular wooden frame, a base made of glass, a packet of sand, a wooden smoother and two wooden rakes. Accessories to this basic set, namely two wooden feet (for the box) and a plastic wiper could also be bought.

Similarly, the defendant offers rectangular wooden sand boxes with wiper and rake accessories, for which reason the plaintiff filed for trade dress infringement against the defendant. The District Court ordered the defendant to give information, to pay damages and to surrender the infringing objects. However, on appeal the Hamburg Appellate Court dismissed the case against which the plaintiff filed a further appeal. The German Federal Supreme Court lifted the Appellate Court's Judgment with the exception of the dismissal of the surrender claim, and remanded the case to the Appellate Court on the ground that it had erred in its judgment as to whether the plaintiff's set of a sand plot was a "protectable aggregate of things" pursuant to section 4 Nr. 9(a) of the German Act Against Unfair Competition. The German Federal Supreme Court held that, because of the concrete form and purpose of the single parts, it was clear to the consumers that the objects were all part of a common concept and would work together

functionally. It further stated that wrongly, the Appellate Court had failed to recognise the competitive character of the set owing to the isolated view of the single parts of the set.

Düsseldorf Appellate Court, file no. I-20 U 52/12

In a judgment of July 24, 2012 (file no. I-20 U 52/12), the Düsseldorf Appellate Court decided that the Aldi pudding with a cow-coat design did not infringe the design by Dr. Oetker. For several years Dr. Oetker has offered chocolate vanilla pudding under the designation "Paula" and in a transparent plastic cup. Chocolate and vanilla elements are arranged in such a way that they should give the impression of a cow-coat to the consumer and a cow is displayed on the lid of the pudding pot. The spot design is protected as a registered Community design for Dr. Oetker. Aldi offers a similarly designed pudding with the name "Flecki" which also shows, among others, a cow on the packaging. Dr. Oetker claimed that its rights of its Community design were infringed and accused Aldi of an anti-competitive behaviour by way of imitation (Section 4 Nr. 9 German Act Against Unfair Competition). The application for the preliminary injunction was neither successful before the Düsseldorf District Court nor before the Appellate Court. Both courts denied the infringement of the design as well as unfair imitation by the distribution of the pudding "Flecki". The courts found that the design had only a normal scope of protection considering the previous art in the range of multi-coloured pudding brands. The important point was

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the clear difference in the top view on the pudding (after removing the sealed foil of the pot). Claims arising from competitive imitation failed as Aldi had excluded the risk of confusion as to origin, largely by obvious differences in the overall appearance. Not only were the spots different in form but the design of the packaging, particularly the way in which the cows in the design were presented, were significantly different.

Hamburg Appellate Court, file no. 5 U 49/10

With its judgment of August 22, 2012 (file no. 5 U 49/10), the Hamburg Appellate Court gave its opinion on the coexistence of design protection and trade dress protection. Both the plaintiff as well as the defendant offer elastic training sticks.

The stick offered by the plaintiff corresponds to a registered Community design owned by the plaintiff. The defendant's training stick is identical with regard to the colour (red stick, black grip and end parts), and differs in form only with regard to the grip. At the time the design was registered (in 2003), a third party's stick that was identical with regard to the form of the stick offered by the plaintiff, was already in existence. In both instances the claims were rejected. A claim resulting from Article

19 (1) of the Community Design Regulation (CDR) was denied as the plaintiff's design had only a very limited scope of protection according to Article 10 (1) CDR. The scope of protection is restricted the less the design differs from the prior art. Therefore, the design did not have any protection for the form of the stick as an identically shaped stick already existed at the time of the filing. Due to the narrow scope of protection of the plaintiff's design the differences in the form of the grip - despite the same form and colour of the sticks otherwise - were able to lead to a different overall impression. Trade dress protection - pursuant to Sections 3, 4 Nr. 9 of the German Act Against Unfair Competition - was generally possible in tandem with the special protection provided by the CDR (Article 96 CDR). In the case at hand however, the protection had to be denied as otherwise the assessment as to protection under the CDR would be contradicted. The Hamburg Appellate Court allowed a further appeal to the German Federal Supreme Court to obtain clarification of the general relationship and interaction between the trade dress protection and the special protection afforded by the CDR.



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To Infringe or Not to Infringe? - German Federal Supreme Court Decides on Sampling of Music

Section 24 (1) of the German Copyright Act permits the publication and exploitation of an independent work that is created in free use of a work of another author (as part of a free use - to be distinguished from a mere derivative use), without the consent of the author of the underlying work (the original author). The use of the original author's work is therefore allowed without the consent of the original author in such situations. This can be the case, if such work was not copied identically or in a re-arranged form but only gives the impulse for the creation of the other work, and leads to the creation of an independent work.

With respect to the sampling of sound carriers (electronic copying of a short sequence of a sound or music recording) the German Federal Supreme Court decided on December 13, 2012 (file number I ZR 182/11) that the free use of sounds recorded onto somebody else's sound carrier for their own purposes is prohibited if an average music producer is able to easily produce an equivalent sound recording.

The band Kraftwerk had filed a lawsuit against the singer Sabrina Setlur and the composers of the title *Nur Mir (Only For Me)*, recorded by Sabrina Setlur. Kraftwerk had released an album in 1977 containing the title *Metall auf Metall (Metal on Metal)*. From this title defendants electronically copied a two-second-long rhythmic sequence (although they could have recorded this sequence easily themselves) and included it in their title *Nur Mir* in a repeated form. The plaintiffs (Kraftwerk) regarded this as an infringement of their rights as producers of the recording, and pursuant to section 85 (1) of the German Copyright Act by the plaintiffs.

The German Federal Supreme Court agreed with the plaintiffs holding that their rights as producers of the recording had been infringed. The Court noted that, pursuant to section 24 (1), the use of somebody else's sound carrier without the consent of the author is permitted only if the new work keeps such a distance to the sounds on the pre-existing sound carrier, that the new work must be regarded as independent. The Court further stated that a free use cannot be found if it is possible for the producer (in this instance) to record the sequences of somebody else's sound carrier itself. In such a case there is no justification for an interference with the entrepreneurial performance of the producer of a recording. There is also no justification to take a different view based on the freedom of art protected in article 5 (3) of the German Constitution.

Therefore, the decisive question with respect to infringement and the sampling of sound carriers - pursuant to section 24 (1) - is whether the respective sequence can be recorded by an average music producer, him- or herself. However, the German Federal Supreme Court left open when this should be the case. This decision is a clear restriction of section 24 (1) German Copyright Act, at least for professionally produced music, especially because professional music producers are nowadays typically able to record the respective sequences easily themselves. A different result could only apply to non-commercially produced samplings. This restrictive interpretation of section 24 (1) GCA, as it relates to the admissibility of samplings of sound carriers, was confirmed by the Court in its recent 13 December 2012 decision (file number I ZR 182/11).

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