



2022 IP Outlook Report

THE DEVELOPMENTS SHAPING EUROPEAN IP LAW

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KEY TAKEAWAYS AND OUTLOOK FOR 2022

Authors: Hon.-Prof. Dr. Henrik Holzapfel and Laura Morelli

While European intellectual property (IP) regimes have slowly digested the Brexit shock, brand owners are vacillating between optimism and apprehension in 2022 as they navigate continuous developments in IP law. At the forefront is the prospect of greater patent law harmonization with the entry into force of the Unified Patent Court (UPC) and the European patent with unitary effect. En route to this unification, however, are some anticipated challenges. The actions initiated in 2021 that will continue to spark conversation (and controversy) in 2022 include:

PATENT PROTECTION STRATEGIES IN LIGHT OF A UNITARY PATENT SYSTEM

While it remains to be seen exactly when in 2022 (or 2023) the UPC will finally begin its work, all entities doing business in the European Union should assess their patent portfolio now to decide whether they should opt-in or opt-out from the UPC regime for their existing European patents. A key consideration for this assessment and for patents going forward, *inter alia*, is the strength of their invention(s) and their materiality for their business. Additionally, when the UPC becomes fully operational, the complexities of navigating an inaugural multinational court system will include acclimating to new filing requirements and court procedures, as well as considering the risk tolerance for shaping new law.

THE UNEXPECTED TWISTS OF SEPS AND FRAND LAWS

We do not expect a further landmark decision by the Court of Justice of the European Union (CJEU) regarding standard-essential patent (SEP) licensing negotiations and fair, reasonable and non-discriminatory (FRAND) rates in 2022. Therefore, the open issues, such

as licensing to supply chains, will remain controversial and have to be resolved elsewhere. As the recently retired German Federal Court of Justice Judge, [Peter Meier-Beck](#), said, for such issues, alternative dispute resolution such as by arbitration, mediation and negotiations may be the more effective tools to determine FRAND license terms. In that regard, it will be interesting to see what new impetus will come from the [United Kingdom Intellectual Property Office's \(UKIPO\) open consultation on SEPs](#), which will run until 1 March 2022.

HARMONIZATION OF TRADEMARK LAW?

In the trademark law sector, nontraditional forms, such as three-dimensional trademarks, will continue to represent an attractive, often underestimated, opportunity to protect IP rights in Europe in a more effective manner. Harmonization will also progress here, possibly including decisions by EU courts on the remaining open questions, such as the similarity of (non-)alcoholic beverages.

We're continuously monitoring how these developments will unfold and impact brand owners.

DEVELOPMENTS SHAPING EUROPEAN IP LAW

AFTER A MULTIYEAR SAGA, UPC NEARS FRUITION

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The winding path toward a European UPC took another turn in 2021. While the ambitions for the project seemed to peter out in the first half of 2021, preparations took up a surprising speed after clearing

one of the biggest hurdles: the [German Federal Constitutional Court's decision to dismiss preliminary injunctions](#) directed against the German Approval Act. Only a few months after Germany's green light, [Austria became the last of the 13 EU Member States](#) required to join the protocol on a UPC on provisional application (PPA). The UPC Preparatory Committee (Committee) is now formally in charge to take further steps towards a functioning UPC, which is expected to open its doors as soon as the second half of 2022.

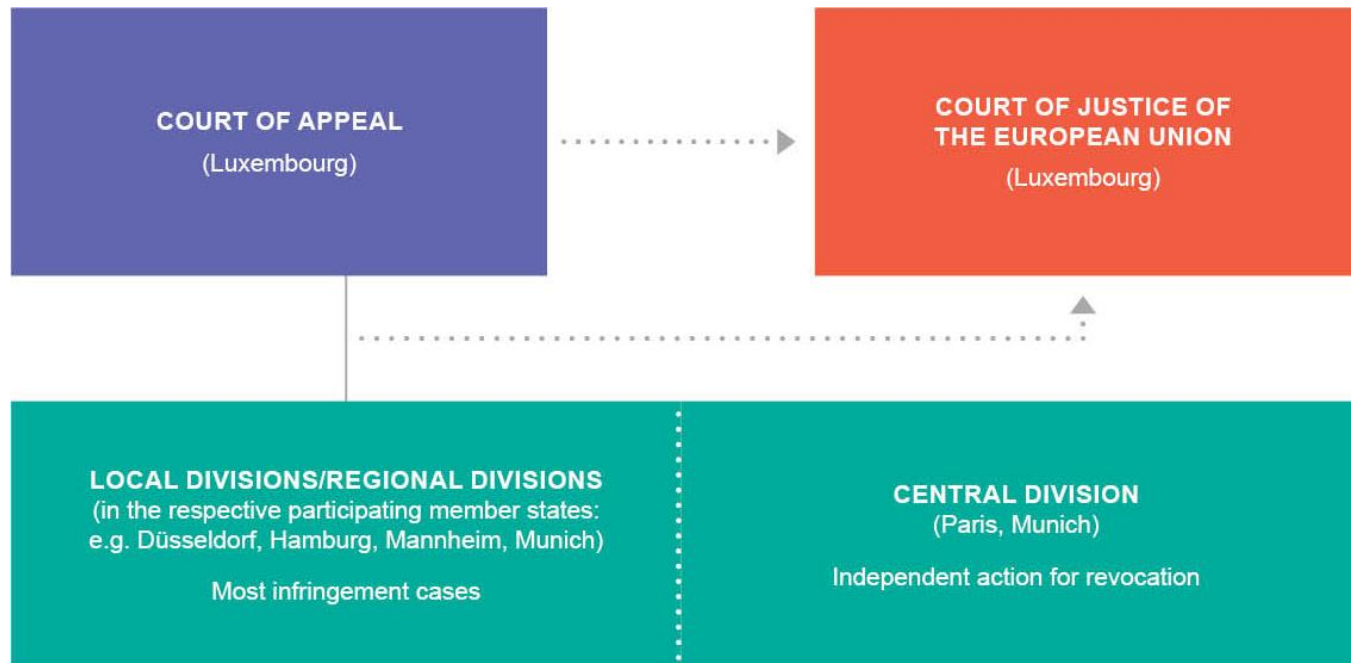
PRACTICE NOTE

Entities doing business in the European Union should carefully review their patent portfolio to decide whether there is an interest in opting-out from the UPC regime for all or part of their existing European patents and whether they wish to file European patents with unitary effect rather than standard European patents moving forward, depending, inter alia, on the strength of their invention(s) and their materiality for their business.

As stated in a [note published by the Presidency of the Council of the European Union on 24 September 2021](#), the preparatory stage includes the adoption of the secondary legislation of the UPC, including procedures, establishment of a budget, recruitment of judges and administrative staff, election of a president, final configuration and testing of the file management system and ensuring that all information technology (IT) infrastructure is properly set up and secured. Additionally, a working agreement with the European Patent Office (EPO) concerning patent application and patent validation remains to be completed. Many observers regard the envisaged timeline of 10 months to complete these preparations as challenging, noting that several of the above points will likely require significant discussion.



Levels of Jurisdiction



Scope of application (Article 3 UPC Agreement): European patent + Unitary patent (NOT national patent)

UPC deals with infringement and patent validity (no bifurcation like currently in national German litigation)

SEPS AND FRAND LAWS TAKE UNEXPECTED TURNS THROUGHOUT GERMANY, EUROPE

Authors: Hon.-Prof. Dr. Henrik Holzapfel, Dr. Maximilian Kiemle, LL.M. and Dominik Rissmann

Last year witnessed ever more developments regarding FRAND law cases in Germany and Europe that may have more upsides for SEP holders than for implementers of standardized technologies. However, hopes for more clarification concerning remaining questions were squashed when the referral by the Düsseldorf District Court to the CJEU in *Nokia v. Daimler* was withdrawn altogether with Nokia's basic infringement complaint.

After the landmark *Sisvel v. Haier* cases handed down by the Federal Court of Justice (*Bundesgerichtshof*) in 2020, 2021 saw the subsequent publication of the reasons for the *Sisvel v. Haier II* decision, which was announced in November 2020. The reasons confirmed, *inter alia*, that patent owners might not be held liable for the actions of the patent's previous owner. The Court thus clarified that the implementer may not raise a defence against the SEP holder if they have a claim regarding misconduct during the standard-setting process against the SEP holder's predecessor only.

On 1 June 2021, Daimler and Nokia—rather unexpectedly—**announced the settlement** of their FRAND licensing litigation. As a result of the subsequent action's withdrawal, the CJEU was deprived

of an opportunity to rule on the case and issue further guidance on remaining open questions. Such guidance will now depend on future CJEU referrals.

Germany's case law also saw the confirmation of a rather unique option to speed up FRAND negotiations in 2021. Principles laid out in Section 315 of the German Civil Code allow the implementer to make a counteroffer and leave the determination of royalties to the SEP owner. The SEP owner must then determine the royalty rates according to reasonable discretion. If the implementer does not agree that the SEP owner's determination is reasonable, a court can set the rate. German courts, such as the Karlsruhe Court of Appeal (case no. 6 U 130/20), consider that such a counteroffer to conduct Section 315 proceedings may be FRAND compliant. Although a decision by the Federal Court of Justice is not in sight as of today, this type of counteroffer seems like a promising option in future German FRAND negotiations.

Another surprising development in 2021 came when the Munich I District Court confirmed a prior decision in *Nokia v. Continental* in its *Interdigital v. Xiaomi* decision (case no. 7 O 14276/20). According to the *Nokia* decision, filing an antisuit injunction may be an unlawful violation of the patentee's right to enforce a patent before a German court. Therefore, an anti-antisuit injunction can be granted. The court also held that filing an antisuit injunction outside of Germany may be considered as unwillingness to receive a license from the SEP owner.

While awaiting the next CJEU landmark case, German courts are eagerly developing their SEP/FRAND case law. Businesses involved in SEP/FRAND negotiations should be aware of this case law given the significant and growing importance of standardized technologies and licensing SEPs.

LUXE COSMETIC BRAND SUCCESSFULLY OBTAINS TRADEMARK PROTECTION FOR 3D LIPSTICK SHAPE

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In its 14 July 2021, decision in case T-488/20 *Guerlain v EUIPO*, the General Court of the European Union (GCEU) annulled a decision made by the European Union Intellectual Property Office (EUIPO) that dismissed Guerlain's EU trademark application for the shape of its "Rouge G" lipstick.

Both the EUIPO examiner and Boards of Appeal rejected Guerlain's application for lack of distinctive character, finding that this shape did not deviate significantly from the norms and customs of the sector. Guerlain lodged an appeal with the General Court, arguing that the shape of its lipstick was visually substantially different from common lipstick shapes.

The General Court's View

The General Court overturned the Boards of Appeal's decision after considering that Guerlain's trademark application has a distinctive character.

The General Court recalled that a three-dimensional mark consisting in the shape of a product must depart significantly from the norm or customs of the concerned sector to be considered distinctive. The fact that a shape is a variant of the usual shapes associated with a type of product is not sufficient to establish that this shape (*i.e.*, the lipstick) has a distinctive character. However, a sector characterized by a wide variety of product shapes, like the lipstick sector, does not necessarily infer that any new possible shape will be perceived as one of them.



In the present case, the General Court stated:

- The shape of Guerlain’s product, reminiscent of a boat hull or a baby carriage, significantly differs from the standard lipstick shape that exists on the market.
- The presence of the embossed small oval shape is unusual.
- The fact that the lipstick represented cannot be placed upright reinforces the uncommon visual aspect of its shape.

The General Court concluded that the relevant public will be surprised by this unusual shape and perceive it as departing significantly from the norm and customs of the lipstick sector and as an indication of commercial origin. Therefore, the General Court ruled that this 3D trademark should be registered by the EUIPO.

Impact on Brand Owners

In practice, the registration of three-dimensional trademarks raises many difficulties because of the stringent validity requirements provided by EU law. There is no doubt that registering three-dimensional

trademarks is much more difficult than registering word or figurative trademarks in the European Union.

However, this decision may incentivize companies to seek protection for the distinctive design elements of their products, provided that the shape of their products significantly differs from the norms and customs of the sector.

In addition, three-dimensional trademarks offer extremely interesting strategic perspectives for companies. Indeed, the owner of such trademarks benefits from exclusive, and possibly perpetual, rights on a specific product design throughout the European Union.

NO SIMILARITY BETWEEN WATER AND ALCOHOLIC BEVERAGES IN THE EUROPEAN UNION

Authors: Laura Morelli and Charles de Raignac

In its recent decision made 22 September 2021, in case T-195/20 *Sociedade de Água de Monchique v EUIPO*, the GCEU settled a longtime quarrel regarding the similarity between waters, and by extension non-alcoholic

beverages, in Class 32 and alcoholic beverages in Class 33 in the European Union.

In 2017, a Portuguese company filed an EU trademark application for the figurative sign reproduced below for “*non-alcoholic beverages; bottled drinking water; mineral water (non-medicated); mineral water [beverages]*” in Class 32.

In 2017, a Portuguese company filed an EU trademark application for the figurative sign reproduced below for “*non-alcoholic beverages; bottled drinking water; mineral water (non-medicated); mineral water [beverages]*” in Class 32.

An opposition was filed based on the earlier registration of “CHIC BARCELONA” and the “*alcoholic beverages (except beer); wine; sparkling wines; liqueurs; spirits [beverages]; brandy*” designated in Class 33 on the ground that the similarity existing between the signs and the goods at issue generated a likelihood of confusion amongst the public.

The opposition division of the EUIPO upheld the opposition regarding the “*non-alcoholic beverages*” (Class 32), considering that the latter goods were similar to a low degree to the “*alcoholic beverages (except beer)*,” but rejected the opposition regarding the rest of the goods.



Unhappy with this half-hearted decision, the opponent filed an appeal with the Boards of Appeal, which sided with the opponent, stating, “‘*bottled drinking water; mineral water (non-medicated); mineral water [beverages]*’ were also similar, to a low degree, [to] ‘*alcoholic beverages.*’”

The applicant lodged an appeal before the GCEU that overturned the Boards of Appeal’s decision and held that the goods of Classes 32 and 33 at issue were not similar (even to a low degree) but actually dissimilar considering, in substance, that:

- Because of the absence of alcohol in their composition, waters differ in nature to alcoholic beverages covered by the earlier mark (the effects of alcohol consumption)
- The purpose and method of use of the goods in question are different (waters meet a vital need)
- The goods are not complementary because the one who buys waters is not obligated to purchase alcoholic beverages and vice versa
- The goods are not in competition with each other (not substitutable)
- In regard to the distribution channels, the fact that the goods can be sold in the same facilities does not mean that they must be regarded as similar.

Accordingly, the GCEU ruled out any likelihood of confusion between the marks.

Ideally, this decision would put an end to the uncertainty of the EU jurisprudence, which has ruled in both directions over the years. However, nothing is certain. Will the GCEU and the EUIPO have the same position for all kinds of non-alcoholic beverages? If this is the case for fruit juices, nothing is certain for alcohol-free wines and beers, which are closer to alcoholic beverages in terms of pricing, taste, purpose

and consumption time. For instance, the National Institute of Industrial Property in France, which consistently rules that non-alcoholic beverages and alcoholic beverages are dissimilar, considers that non-alcoholic aperitifs are similar to alcoholic beverages.

GERMAN PATENT ACT REFORM POSES SUBSTANTIVE CHANGES BUT NOT A “GAME CHANGER”

Authors: Hon.-Prof. Dr. Henrik Holzzapfel, Dr. Maximilian Kiemle, LL.M. and Dominik Rissmann

On 10 August 2021, the German Parliament approved the German Patent Act reform, entering into force in part on 22 August 2021, and in part on 1 May 2022. Rather than being the desired game changer, the reform turned out to be a cautious readjustment of established patent law principles.

The key takeaways from the reform can be summarized as follows:

- German patent courts will remain injunction friendly.
- The German bifurcation between infringement and invalidity proceedings will still yield a strategic advantage for patentees.

The reform's readjustments come down to two major amendments. The first one concerns the German principle of automatic injunction in the case of infringement. The new law expressly provides a hardship exception, which applies if the injunction would lead to disproportionate hardship for the infringer or third parties, considering the special circumstances of the individual case and good faith. However, this exception is essentially a codification

of existing case law, *i.e.*, the judgment of the Federal Court of Justice (of 10 May 2016, case no. [X ZR 114/13](#)). Reform critics say that it will not make much difference as courts were already aware of the existing case law. The bar to demonstrate disproportionate hardship will thus remain high, and courts are not expected to make generous use of the newly codified hardship exception. It is important to note that this amendment will not change the German infringement courts' overall approach of being injunction friendly.

The second major amendment addresses the so-called injunction gap within the bifurcated German patent litigation regime, where infringement is tried before civil court while invalidity is tried before the Federal Patent Court or the respective German or European Patent Office, with infringement proceedings being quicker (which effectively impairs the alleged infringer's invalidity defense). To address this issue, the old as well as the reformed law provide an option for civil courts to stay infringement proceedings until

a validity judgment. However, infringement courts currently only stay their proceedings in roughly 20% of cases, although far more of the validity proceedings result in (full or partial) revocation of a patent. This means that patentees are often granted injunctions and damages based on patents that are later declared invalid.

The reform tackles this issue by introducing a preliminary opinion of the Federal Patent Court which "should" (discretionary "*soll*" in contrast to the binding "*muss*") be issued six months after filing the validity action. Based on that preliminary decision, infringement courts could then make a more informed decision as to whether to stay their proceedings. Nevertheless, because of the Federal Patent Court's high workload and the new provision's attenuated wording, the newly introduced preliminary opinion may not lead to a stark increase of stayed infringement proceedings. The provision on the preliminary decision will enter into force on 1 May 2022.

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