



HOFFMANN EITLE

HOFFMANN EITLE *June 2021* QUARTERLY

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Formal Right to Priority – The Person(s) Entitled to Claim Priority under the European Patent Convention (EPC)

Although an invalid priority claim does not render a European patent (EP) automatically invalid, it can have this effect if more pertinent prior art becomes relevant for the novelty and/or inventive step assessments due to the later effective filing date. The following focusses on the requirement of Article 87(1) EPC that priority can only be claimed by the person who has duly filed the priority application or its successor in title. This requirement for a priority claim to be valid in a subsequent EP application equally applies to EP applications which originate from a PCT application. It is as indispensable as the further requirements for a valid priority claim, such as the 12-month priority term and the disclosure of the “same invention” in the priority application.

A. Best practice

The below best practice recommendations apply equally to the filing of a subsequent EP application and a PCT application to be regionalized at the EPO (“**Subsequent Application**”). The recommendations err on the side of caution. The current case law of the EPO, which we will set out in more detail below, may further develop in the next 20+ years. However, the facts that will be assessed thereunder cannot be changed retroactively, but are determined at the time the Subsequent Application is filed. Where we refer to “**Priority**” in the following, we mean the right to claim priority under the EPC:

1. Identity between applicant(s) of the priority application and applicant(s) of the Subsequent Application:

It should be confirmed that the Priority has not been (inadvertently) transferred by one of the applicants of the priority application before the Subsequent Application is filed, e.g., by an assignment clause covering future rights in an employment contract or joint R&D contract. In the event of such an assignment, this should either be reversed before filing the Subsequent Application or the person(s) holding the Priority should become applicant(s) of the Subsequent Application.

2. No identity between the applicant(s) of priority application and the applicant(s) of Subsequent Application:

a. Not all applicants of the priority application are applicants of the Subsequent Application: Before filing of the Subsequent Application, the applicant(s) of the

priority application should assign the Priority to the applicant(s) of the Subsequent Application. The assignment should be in writing for documentation purposes. It should explicitly mention the Priority and should further comply with any requirements for an IP assignment (i) under the laws of the country where the priority application has been filed and (ii) under the law governing the assignment, which should also be explicitly chosen in the agreement.

b. The Subsequent Application is filed by all applicant(s) of priority application and one or more additional applicants: In addition to checking for inadvertent assignments as recommended under 1 above, we further suggest (although not required under current EPO practice) concluding an agreement between all applicants of the Subsequent Application, wherein the applicant(s) of the priority application agree that the Subsequent Application is filed jointly, and accordingly assign the Priority to the applicants of the Subsequent Application as a unity, following the further recommendations under 2a above.

B. Background and current EPO case law

1. Priority and its relation to inventor rights and rights in a priority application

Article 87(1) EPC stipulates that the Priority originates in the person “who has duly filed” the priority appli-

cation. It is thus the act of filing that is relevant, not whether the person(s) performing this act hold the substantive right to the application, i.e., whether they are the inventors or their assignees (T 844/18, Reasons 108 et seq.). Priority is thus a separate right from the inventor right. It can originate in and be transferred to a person not having a right to the invention. Conversely, it does not automatically follow an assignment of inventor rights.

According to another Board of Appeal decision, the act of filing a (priority) application gives rise to two different and independent rights, namely the right to the application/patent, and the Priority (T 407/15, Reasons 8). Also in this respect, because these rights are independent from the EPO's perspective, the Priority can be transferred independently from the underlying priority application, and an assignment of the priority application does not necessarily entail an assignment of the Priority (T 205/14, Reasons 3.3; T 62/05, Reasons 3.6; T 517/14, Reasons 2.4).

To understand the EPO's practice, three rights must therefore be distinguished, (i) the inventor right, (ii) the right to the application, and (iii) the Priority. In principle, these rights can be assigned independently and, conversely, the assignment of any of these rights does not imply the assignment of any other of those rights from the EPO's viewpoint.

However, that these rights are considered independent does not mean that they cannot be explicitly or implicitly assigned together, depending on the terms and circumstances of the assignment (T 205/14, Reasons 3.3). Since the EPC lacks provisions on assignments as they are commonly found in national law, in particular in property and contract law, the EPO applies national law in this regard, e.g., regarding the interpretation of an agreement or in regard to formal requirements. Under such national law, for example, the assignment of Priority may be conditional on the assignment of the (priority) application, or one may argue, given the right circumstances, that the transfer of the priority application and/or the inventor rights implied an assignment of the Priority as well.

2. Transfer by the time the Subsequent Application is filed

The EPO's view that the applicant(s) of the Subsequent Application must hold the Priority at the time the Subsequent Application is filed (T 1201/14, Reasons 3.2.1.1, 3.2.1.4) is also solidifying. Retroactive transfers, even if effective under national law, have been rejected by the EPO (G 1/13, Reasons 8, in general; T 1201/14, Reasons 3.2.1.4).

3. Multiple applicants: "unity of right holders"

If a priority application has been filed by more than one applicant, the Priority belongs to all applicants, who constitute a legal unity according to the Boards of Appeal (T 788/05, recently confirmed by T 844/18). Thus, only all applicants of the priority application or if applicable their successors in title, acting jointly, can validly claim Priority.

No special transfer has been required by the EPO if the Subsequent Application includes additional applicants, provided all applicants of the priority application, respectively their successors in title, are included as well. While this appears to be established practice (e.g. T 788/05) and is even set-forth in the Guidelines for Examination (A-III, 6.1), in our best practice section (A., above) we recommend out of abundance of caution to document nevertheless that all applicants agree that the new "unity of right holders" shall be entitled to claim Priority for the Subsequent Application.

4. No substantive and formal requirements for a Priority transfer under the EPC

While the EPC sets forth that the Priority can belong to a successor in title, it does not provide any general or specific rules on how a Priority can be assigned.

In one decision (T 62/05), a Board of Appeal applied Article 72 EPC in analogy to a Priority transfer, a provision requiring a written assignment and the signature of all parties to assign a European patent application. In later decisions (T 517/14, T 205/14, T 1201/14), however, such analogy to Article 72 EPC was rejected. The assignment can be written, oral and implied by the parties' conduct (T 205/14, Reasons 3.3 and 3.6), unless the applicable national law requires otherwise.

5. No conflict of law rules

While national law is thus applied supplementarily, the EPC does not provide conflict of law rules either. This raises the question which national law is to be applied. In T 1201/14, Reasons 3.1.2, the Board of Appeal considered the following as conceivable applicable laws: (i) the jurisdiction where the priority application was filed, (ii) the jurisdiction where the subsequent application is to be filed, (iii) the law governing the legal instrument transferring the Priority, and (iv) the law of the country where at least one of the parties to the transfer has its residence. The Board concluded in T 1201/14 that it is an open issue which law is applicable. We perceive, however, a certain tendency to either (i) apply the law governing the instrument of transfer (T 517/14), e.g., in T 205/14 the law governing the employment which provided for a statutory transfer to the employer, or (ii) the law of the country where the priority application was filed (T 160/13).

6. Practical relevance and standard of proof

In general, the EPO does not question the formal right to priority during examination. However, the entitlement to Priority is regularly challenged in opposition proceedings or national validity proceedings, unless there is no relevant intervening prior art, and in particular if the applicant(s) of the priority application are not also the applicant(s) of the Subsequent Application.

Should the applicant(s) of the priority application and of the Subsequent Application be identical, it may be less likely that entitlement to Priority is questioned, but this may change if the opponent or nullity plaintiff becomes aware that the applicant of the priority application had transferred the Priority to a third party before filing the Subsequent Application themselves (T 725/14).

If challenged, the proprietor has the burden of proof that the applicant(s) were entitled to the Priority (T 205/14, Reasons 3.5). Thereby, in some EPO decisions the applied standard of proof has been that of a balance of probabilities (T 517/14, Reasons 2.7.1; T 205/14, Reasons 3.6.1), while, because the evidence is within the sphere of the proprietor, others apply the higher standard of beyond any reasonable doubt (T 62/05; T 1201/14, Reasons 3.2.2.2). In T 1786/15 the Board of Appeal held that the high standard of beyond any reasonable doubt is not met by submitting an unsigned policy and an affidavit that the policy was adopted at the relevant time, criticising a lack of corroborating contemporary evidence for the adoption. Thus, even if no written form requirement should apply, it is advisable to document a transfer of Priority.

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Changes to German Patent Act

Last week, the German parliament has adopted amendments to the German Patent Act. The changes introduce (i) a codified proportionality defense to injunctions, (ii) new confidentiality rules for patent disputes, and (iii) an accelerated timeline for nullity actions. The changes will enter into force in a few weeks, except (iii), which will enter into force in spring 2022.

The **proportionality defense** is the most heavily debated part. Some have expressed concerns that this could weaken the attractiveness of the German patent system. Currently, an infringement court will issue an injunction by default if it finds that the asserted patent is infringed or threatened to be infringed. The patent holder does not have to fulfil additional requirements to obtain an injunction. The new law will not change this. It is intended to merely codify a proportionality exception developed by the highest German court based on the principle of good faith, which is generally applicable in civil law. The exception applies if the injunction would result in an undue hardship for the defendant or third parties that is disproportionate to the exclusive right granted by the patent due to special circumstances. The burden of proof lies with the defendant. If the exception applies, the patent will still be considered infringed and the patent holder is entitled to monetary compensation independent of its damages claim. It is expected that under the new law the courts will apply the exception only very rarely. The new law may however give more weight to the interests of third parties, which have not been considered by the courts so far.

German procedural rules have often been criticized for their limited **confidentiality protections** of the information used in litigation. Due to this lack of protection, parties often refrained from relying on confidential information that may improve their position for fear that the information may be used by the other party or third parties outside of the proceedings. The new confidentiality rules allow a party to request that certain information is treated as confidential by the other party and not used for other purposes. Although the new rules still fall short of the protection afforded in other jurisdictions (e.g. they do not provide for attorney-eyes-only protection), they are a big improvement. It is expected that confidentiality requests will be routinely used in most cases. The new rules may also increase the amount of damages awarded to patent holders. Currently, damages are mostly awarded based on the infringer's profits or a hypothetical license. The new confidentiality rules may make it more attractive to claim damages based on the patent holder's lost profits if the relevant figures can be disclosed confidentially.

The new law also seeks to better **align infringement and nullity proceedings**. Currently, infringement proceedings are decided in about one to one and a half years whereas nullity proceedings take much longer, about two or more years. A first instance decision can be preliminarily enforced upon providing a security. This situation has been criticized as it may allow invalid patents to be enforced before the invalidity is decided by the nullity court. Although infringement courts consider whether the asserted patent will likely be held invalid by the nullity court, this prediction can be difficult for judges who have no technical background, unlike judges at the nullity court. Infringement courts thus only rarely order a stay.

To improve this, the new law introduces a six-month term for the nullity court to issue its preliminary opinion on validity. Previously, there was no term for the preliminary opinion and it is often issued much later in the proceedings, too late to help the infringement court with its prediction of the final outcome of the validity proceedings. The six-month term aims to make sure that the opinion is available before a first instance decision in the infringement proceedings.

The amendments to the Patent Act are expected to strengthen the German patent litigation system by making it faster, more reliable, and more cost effective. The parties' interests will be more balanced without affecting the strength of a patent. Default injunctions where infringement is found will remain the rule and limitations of the injunction will only occur in exceptional cases. Improved confidentiality protections will reduce concerns about disclosing information. The acceleration of nullity proceedings will enhance the reliability of the fast infringement decisions rendered by German courts.

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Protectability of a Product both as a Design and as a Patent – “Paper Dispenser” decision of the German Federal Court of Justice

The German Federal Court of Justice held in its decision “Paper Dispenser” (*Papierspender*) that, under Council Regulation (EC) No 6/2002 Art. 8 I, the publication of a patent application (*Offenlegungsschrift*) directed to a product does not constitute a sufficient indication that the product is barred from protection by a design. The decision highlights the importance for product developers to keep detailed records, already during product development, documenting why the particular visual appearance of the product was chosen.

On 7 October 2020, the First Civil Panel of the German Federal Court of Justice held in its “Paper Dispenser” decision (court docket: I ZR 137/19) that Community design no. 001344022-0006, which is registered for the design of a paper roll dispenser, cannot be declared invalid due to the facts that a technical IP right has been requested or granted for the same product and that the publication of the patent application does not provide considerations as to the visual appearance of the product, but rather only describes its technical function. The appeal on a point of law by Plaintiff, the proprietor of both Community design no. 001344022-0006 and European patent no. 2 897 793, was successful in this regard and resulted in the reversal of the judgment of the Appeal Court and remittal to the Appeal Court.

The starting point of the Federal Court of Justice decision is the wording of Art. 8 I Council Regulation (EC) No 6/2002 (CDR), according to which a Community design shall not subsist in features of appearance of a product which are solely dictated by its technical function. If the Community design does not meet the requirements of Arts. 4 to 9 CDR, it can be declared invalid on the basis of a counterclaim in infringement proceedings. In that regard, the European Court of Justice had previously explained in detail in its DOCERAM decision under which circumstances protection by a design is excluded pursuant to Art. 8(1) CDR (European Court of Justice decision DOCERAM, as published in GRUR 2018, at 612, margin no. 32 = WRP 2018, at 546).

In said decision, the European Court of Justice had rendered Art. 8 (1) CDR more precise by holding that the features of appearance of a product cannot be protected under design law if the need to fulfill a technical function of the product concerned is the only factor determining the choice by the designer of a feature of appearance of that product, while considerations of another nature, in particular those related to its visual aspect, have played no role in the choice of that feature.

Furthermore, the European Court of Justice held in said decision that, in essence, the existence of alternative designs which fulfill the same technical functions constitute an aspect to be considered in the overall weighing of circumstances to be performed pursuant to Art. 8 (1) CDR. However, the European Court of Justice also held that the existence of alternative designs alone is not sufficient to exclude the application of Art. 8(1) CDR. Otherwise, the proprietor of alternative designs protecting several conceivable forms of a product, which has features of appearance solely dictated by its technical function, would theoretically obtain protection comparable to that offered by a patent, without having to comply with the requirements stipulated for the grant of a patent.

Whether the features of appearance are solely dictated by the technical function is to be assessed by means of all objective, decisive circumstances of the individual case, and not from the perspective of an objective observer.

Rendering this more precise, the Federal Court of Justice has now decided that the aspect of sole dictation of the appearance by the technical function of the product is not to be affirmed for the reason alone that a patent has been requested or already exists for said product.

Contrary to the opinion of the Appeal Court (Higher Regional Court Dusseldorf, judgment of 27 June 2019, court docket: I-20 U 98/17), an “aesthetic excess” does not have to be considered when determining whether the appearance is solely dictated by the technical function, since this does not constitute a requirement for protection by a design.

It is true that the publication of the patent application may serve as an indication in the overall assessment under Art. 8 (1) CDR as to whether the appearance is dictated by the technical function, which would exclude protection. This is also not barred by the principle that a technical IP right and a design may exist for the same product. However, the publication of the patent application alone may not determine the decision as to whether the requirements of Art. 8 (1) CDR are met. In particular, neither the absence of considerations regarding the visual appearance of the product in the publication of the patent application – since it is the objective of the patent application to describe the technical function and not the visual appearance of the product – nor the presence of considerations regarding its technical function allows a conclusion to be drawn as to whether a feature of appearance is solely dictated by its technical function, which would exclude protection by a design. Rather, it is to be examined in both cases whether circumstances beyond the publication of the patent application indicate that said feature of appearance is related to visual aspects.

Both market expectations and advertising for the product are relevant in this respect.

Since the Appeal Court had moreover focused its deliberations solely on the disputed product as a whole rather than on individual features of appearance thereof, the Appeal Court had been unable to duly determine whether at least one protectable feature of appearance remained.

Since Art. 8 (1) CDR contains no legal definition for the aspect of sole dictation of the appearance by the technical function of the product, it is still up to the courts to render the criteria excluding protection by a design more precise. The judgment of the European Court of Justice and the above-stated decision of the Federal Court of Justice provide helpful indications in this regard.

In any event, the decision of the Federal Court of Justice makes clear that, due to the great relevance of evidence by testimony and documentary evidence in addition to expert evidence, which serve as proof for the aspect of sole dictation of the appearance by the technical function of the product, it is now even more important than before that product developers keep detailed records already during the development of the product as to why they have chosen exactly this visual appearance for the product.

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G 1/19 – More Clarity on Computer-Implemented Simulations at the European Patent Office (EPO)

In March 2021, the Enlarged Board of Appeal, the highest judicial body of the EPO, issued its highly anticipated decision G 1/19 on the patentability of computer-implemented simulations.

The key points to take away from this decision are:

- Computer-implemented simulations can, in principle, be patented since they are to be treated as any other computer-implemented inventions.
- The usual COMVIK approach for assessing patentability of computer-implemented inventions is to be applied on a case-by-case basis also to computer-implemented simulations.
- It is irrelevant whether the computer-implemented simulation is claimed as a part of a design process.

In more details, the application that led to the referral to the Enlarged Board of Appeal relates to modelling and simulation of movements of a pedestrian in an environment.

The questions referred to the Enlarged Board were the following:

1. *In the assessment of inventive step, can the computer-implemented simulation of a technical system or process solve a technical problem by producing a technical effect which goes beyond the simulation's implementation on a computer, if the computer-implemented simulation is claimed as such?*

2. *If the answer to the first question is yes, what are the relevant criteria for assessing whether a computer-implemented simulation claimed as such solves a technical problem? In particular, is it a sufficient condition that the simulation is based, at least in part, on technical principles underlying the simulated system or process?*

3. *What are the answers to the first and second questions if the computer-implemented simulation is claimed as part of a design process, in particular for verifying a design?*

While interpreting the referred questions and in particular the terms “technical problem” and “technical effect going beyond the simulation's implementation”, the Enlarged Board held that whether a simulation can solve a technical problem by producing a technical effect that goes beyond the simulation's implementation on a computer can be understood only in the context of the COMVIK approach.¹ The COMVIK approach was introduced in landmark decision T 641/00 and has since then been applied consistently by the EPO when assessing inventive step of computer-implemented inventions. According to this approach, only those differences to the prior art that contribute to the technical character of the invention are considered for inventive step, whereas features which do not contribute to the technical character of the invention cannot support the presence of an inventive step.

Following the COMVIK approach, the Enlarged Board emphasized that a pre-requisite for meeting the requirement that the claimed invention is inventive over the whole scope of the claim is that it is also technical over the whole scope.²

¹G 1/19, reasons 49.

²Reasons 84.

The Enlarged Board considered aspects of technicality and in particular gave a non-exhaustive list of examples of how and when “technical effects” or “technical interactions” may occur in the context of a computer-implemented process. For this, the Enlarged Board represented a computer-implemented process as an input-output process and held that technical effects can occur within the computer-implemented process (for example, by specific adaptation of the computer or its operation) and at the input and at the output.³ The Enlarged Board emphasized that it is not possible to exhaustively describe every type of feature of a computer-implemented invention that may contribute to the inventions’ technical character⁴ because the term “technical” must remain open in view of future technical and scientific developments.⁵

The Enlarged Board held that a direct link with an external physical reality is not required in every case,⁶ and it cannot be a necessary condition, if only because the notion of technicality needs to remain open as elaborated above.

The Enlarged Board considered that potential technical effects which are achieved only in combination with unclaimed features may be considered when assessing the technical character of the claimed features. Such potential technical effects may be considered if data resulting from a claimed process is specifically adapted for the purpose of its intended technical use. In such a case, either the technical effect that would result from the use of the data could be considered “implied” by the claim, or the intended use of the data could be considered to extend across substantially the whole scope of the claimed data processing method.⁷ In this respect, the Enlarged Board also held that whether a resulting technical effect can be considered in the assessment depends on the further use of such data.⁸

Regarding the application of the COMVIK approach to computer-implemented simulations, the Enlarged Board considered that the models underlying the simulation formed constraints which were not technical for the purpose of the simulation itself. However, they may contribute to the technicality if they are, for example, a reason for adapting the computer or the way the computer operates, or if they contribute to technical effects relating to the results of the simulation.⁹

Notably, the Enlarged Board held that the accuracy of the simulation may be considered in the assessment of inventive step. In particular, for assessing inventive step, an alleged improvement may be regarded as not being achieved if the simulation is not accurate enough for its intended (technical) purpose. In this context, the Enlarged Board also stressed the importance of the description for enablement (Art. 83 EPC). For example, the necessary models and equations for the simulation must be described in the description in such a way that the skilled person can, without any undue burden, achieve the improvement in terms of accuracy during simulation.¹⁰ Regarding the relevance of the technical nature of the simulated system or process, the Enlarged Board concluded that it was not decisive whether the simulated system or process is technical or not. Rather it is relevant whether the simulation of the system or process contributes to the solution of a technical problem.¹¹

Turning now to the actual answers to the referred questions, the Enlarged Board answered question 1 in the affirmative. That is, in the Enlarged Board’s view, no group of computer-implemented inventions can be a priori excluded from patent protection. Further, the Enlarged Board concluded that even a simulation without an output having a direct link with physical reality may solve a technical problem.

³ Reasons 85. ⁵ Reasons 77. ⁷ Reasons 94. ⁹ Reasons 110. ¹¹ Reasons 120.
⁴ Reasons 86. ⁶ Reasons 88. ⁸ Reasons 124. ¹⁰ Reasons 111.

Regarding question 2, the Enlarged Board answered that a simulation is necessarily based on the principles underlying the simulated system or process. Even if the principles can be described as technical, the simulation does not necessarily have a technical character. This means that also for computer-implemented simulations, it must be examined on a case-by-case basis whether the established criteria for “technicality” apply.

Regarding question 3, the Enlarged Board concluded that, even if a computer-implemented simulation is a part of a design process, there is no need to apply any special rule to these types of computer-implemented simulations.

In conclusion, the decision brings more clarity in the patentability of computer-implemented simulations by recognizing that computer-implemented simulations are in principle patentable and by clarifying that even a simulation without any output having a direct link with physical reality may solve a technical problem, whereas the technicality or non-technicality of the simulated process or system should not influence the patentability of the computer-implemented simulation.

Further, the decision confirms the use of the COMVIK approach when assessing the patentability of computer-implemented simulations and moreover appears to crystallize some criteria for assessing inventive step,

such as the elaborated specific adaptation of the computer or its operation or the further intended technical use of the outcome of the computer-implemented simulation, if such further intended technical use is at least implied by the claim.

Considering this, when drafting patent applications relating to computer-implemented simulations, it is advisable to at least have one or more dependent claims as fallback positions, relating to the technical use of the output of the computer-implemented simulations. Further, since the accuracy of the simulation may also play a role when assessing inventive step, it is also advisable to carefully consider the level of detail of the described underlying model as well as the simulation in the description of the patent application.

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Oral Proceedings in Times of the COVID-19 Pandemic – An Update

The current practice of the European Patent Office (EPO) and its Boards of Appeal (BoA) is to allow oral proceedings to be held by videoconference even without the consent of all parties. A status update is presented here.

1. Rationale of oral proceedings

Oral proceedings are not only for the use of spoken language, but also – if not more – for a direct exchange between the parties and the members of the panel (division, board). With social distancing required by the pandemic, questions have arisen as to whether, under which circumstances, and to which extent (i) oral proceedings can be held by videoconference, and (ii) the panel has the discretion to hold oral proceedings by videoconference when the parties wish to attend in person.

2. Recent developments at the EPO/BoA

Since the impact of the pandemic became apparent in 2020, the EPO first instance departments and the BoA have been holding oral proceedings by videoconference, either as a rule in first instance proceedings or for many cases in appeal proceedings. The basis for the use of videoconferencing as a rule and thus also without the consent or even against the will of a party has been established as follows:

- **Examining Divisions (EDs):** Having decided that oral proceedings were to be held by videoconference as a rule on 1 April 2020, the EPO President extended this rule by decision of 17 December 2020, making it standard for all future ED cases. Oral proceedings may thus be held on the EPO premises only as exception, if there are serious reasons against holding the oral proceedings by videoconference (e.g. proven visual impairment that prevents a representative from following oral proceedings on screen).

- **Opposition Divisions (ODs):** A pilot project for holding oral proceedings by videoconference was initiated on 14 April 2020 and the EPO President decided on 10 November 2020 to extend the pilot project (currently until 31 January 2022). Oral proceedings are to be held by videoconference as a rule (i.e., without the need for agreement of all parties) under the same regime as for oral proceedings before EDs (see above).

- **Boards of Appeal (BoA):** In 2021, the BoA started to conduct some oral proceedings by videoconference even without the consent of all parties. Express legal basis was codified by introducing a new Art. 15a in the Rules of Procedure of the Boards of Appeal (in force since 1 April 2021), allowing the Board to decide to hold oral proceedings by videoconference if it considers it appropriate and without needing the consent of all parties.

The recent practice to hold oral proceedings by videoconference without the consent or even against the will of a party was questioned in opposition appeal case T 1807/15 in March 2021 and was referred to the Enlarged Board of Appeal (EBoA) in case G 1/21.

3. Where do we stand and what lies ahead?

The initial concerns about the practical impact of holding oral proceedings by videoconference have proven to be unfounded over the last months. The practice has reduced infection risks, and contributed to

saving travel time, expenses, and CO₂ emissions. Experience has also shown that the advance in video-conference technology makes up for a lot of deficiencies in the direct interpersonal exchange and may even bring some practical benefits when it comes to the online presentation of material. Videoconferences will thus likely continue to be part of the “new normal” even after the current pandemic.

Nevertheless, many are expressing the view that participating in oral proceedings in person can be of great value for various reasons. One may want to directly – i.e., without any intermediate technical equipment – perceive the reaction of the panel members and make sure by eye-to-eye contact that facts and arguments have been sufficiently communicated. Administrative issues may also be more easily resolved face-to-face in cases involving many parties.

In July 2021, the EBoA of the EPO is expected to clarify in G 1/21 whether the current EPO practice of holding oral proceedings by videoconference even without the consent of all parties is legal under the EPC in its current form.

Appendix – Hybrid Approach taken in Germany

In the EPC member states, some courts competent to hear on patent matters have also been holding oral proceedings by videoconference. In Germany, for instance, the courts greatly expanded their use of videoconferences based on section 128a (1) of the Civil Procedure Code. Under this provision courts can permit parties and their attorneys to attend oral hearings via videoconference. The parties and attorneys remain free to attend the hearing in person, subject to restrictions on the number of persons allowed in the court room. In most cases, a hybrid approach is used: the parties (especially if they are located abroad) attend oral hearings by videoconference, whereas their attorneys appear in the courtroom in person. This option is likely to be used in the future even after the pandemic ends.

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Licensing or Selling German IPR can Cause Tax Liability in Germany Even Without Domicile in Germany – End of 2021 is Deadline for Possible Retroactive Exemption

In November 2020, the German Federal Ministry of Finance (“BMF”) unsettled licensors and licensees of German IP rights around the world. In guidance on the interpretation of the German Income Tax Act, the BMF highlighted the rules for the taxation of offshore receipts of intangible property, also referred to as “ORIP taxation”.¹ German rules on taxation under the Act apply also to revenue from the licensing or the sale of a right registered in a German register even if neither party of the transaction has its place of business in Germany. According to the BMF, such foreign licensees of e.g. the German part of a European patent are thus required to declare and pay withholding taxes for licensors having their place of business outside Germany. In case of a sale of a registered German IP right, it is the seller who is required to declare and pay taxes on the associated profit.

The BMF’s interpretation has a significant impact on the practice as it applies also e.g. to complex licensing agreements covering many licensed rights in a multitude of jurisdictions and constellations of intra-group licensing. License fees to licensors having their place of business in a country with which Germany has entered into a double taxation agreement, e.g. all EU member states, Japan, the United Kingdom or the United States, may – under certain conditions set forth in further BMF guidance of February 2021² – be exempt from making a formal tax declaration in Germany. To benefit from these exemptions for payments made before September 30, 2021, licensors need to submit a request for an exemption from withholding tax to the Federal Central Tax Office by the end of 2021, including also a translation of the relevant terms of the contract (license, ownership and payment terms). Sellers of registered rights are in any case required to make a

formal tax declaration to the competent local tax authorities, wherein the declared amount may be zero euro if the transaction is covered by a double taxation agreement.

Whether the published guidance in effect reduces the administrative burden on licensors and licensees and sellers of German patent rights as intended by the BMF remains to be seen. Discussions on an amendment to Section 49(1) Nr. 2 lit. f and 6 of the Income Tax Act, the legal basis for the BMF’s interpretation on ORIP taxation, are unlikely to result in a comprehensive solution to this problem anytime soon. The BMF’s guidance will thus remain highly relevant for the foreseeable future.

IP owners having their place of business outside Germany who license or sell IP rights subsisting in Germany to entities outside Germany should discuss with their tax advisers whether they are affected by the BMF’s guidance on ORIP taxation and whether its effects can be mitigated, e.g. by filing a request for an exemption.

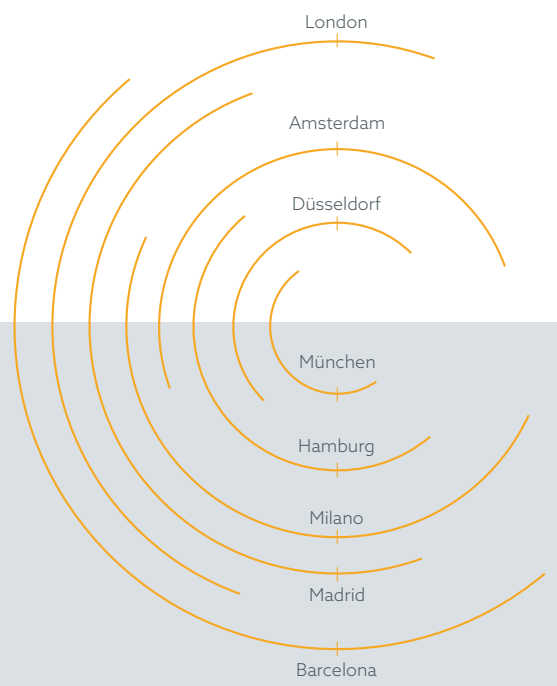
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¹ https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF_Schreiben/Steuerarten/Einkommensteuer/2020-11-06-verpflichtung-zur-abgabe-von-steueranmeldungen-steuererklarungen-zur-beschaenkten-steuerpflicht-bei-der-ueberlassung-von-in-inlaendischen-registern-eingetragenen-rechten.pdf?__blob=publicationFile&v=1

² https://www.bundesfinanzministerium.de/Content/DE/Downloads/BMF_Schreiben/Steuerarten/Einkommensteuer/2021-02-11-verguetungen-fuer-die-zeitlich-befristete-ueberlassung-sowie-veraeusserung-von-rechten-die-in-ein-inlaendisches-oeffentliches-buch-oder-register-eingetragen-sind.pdf?__blob=publicationFile&v=1



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