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Data as a product directly obtained by a process and questions of exhaustion

Markus Lenssen (Rospatt Osten Pross) · Friday, April 12th, 2013

The German Federal Court of Justice (Bundesgerichtshof, BGH) addressed some interesting questions on patents protecting methods relating to data in the decision "MPEG-2-Videosignalcodierung" ("MPEG-2 video signal encoding"), judgement of 21 August 2012, X ZR 33/10. This all was round up by explanations on patent exhaustion in the context of test purchases.

In simple terms, the patent in suit covered a method for encoding video data according to the MPEG-2 standard that is used for DVDs. The case was about production of DVDs by the defendant as requested by a test purchaser of the plaintiff. For this purpose the test purchaser provided a master tape with the video data already in its encoded form. Production of the DVDs did involve several steps and storing of the encoded video data contained on the master tape provided on different media (glass master, stamper, disks).

First of all, the Federal Court of Justice stated that data can be a protected product directly obtained by a patented process even though they are not necessarily materialised. Secondly, it did not make any difference that the video data most directly obtained from the patented method were stored on the master tape but not directly on the DVDs actually produced by the defendant. The court rightly found that the identity and quality of the data was maintained even though they are transferred to a glass master, the stamper and the DVDs. This is in line with the finding of the court of lower instance (Higher Regional Court of Duesseldorf) before: Only the packaging (data medium) but not the "product" itself (the encoded video data) was changed.

As a consequence, producing DVDs containing data encoded according to the patent could be an act of patent infringement even though the encoding itself is not done by the producer of the DVDs.

However, in this case the court found that the rights of the patentee (the plaintiff) are exhausted as the encoded data were provided to the defendant (producer of DVDs) by his own test purchaser. Encoding and providing of the data was conducted with the consent of the patentee.

But in the end this did not help the defendant very much as far as claims for injunction are concerned for the following reasons: Under German patent law, an injunction can be issued either when there is the risk for repeated infringement due to the fact that the defendant did already infringe the patent in the past or if there is a particular indication for a first time infringement in the future. Here, the latter category was the death blow for the defendant: Although there was no

infringement in the past (due to the exhaustion of rights for this particular test purchase) the court ruled that there is a sufficiently high risk for future infringing actions as the defendant did not know that the patent rights were exhausted in the case of the test purchase. According to the court it had to be feared that the defendant would carry out similar orders in the future likewise. It could not be seen that the defendant would act differently in the future as there is no indication that the defendant would check whether the rights of the patentee are affected or not.

The full text of the decision by the Federal Court of Justice can be found by following this link: BGH – X ZR 33/10

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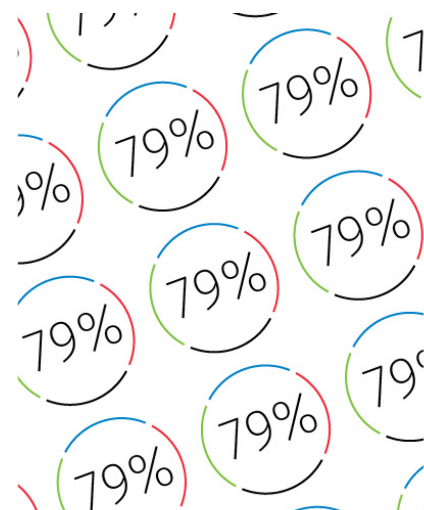

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This entry was posted on Friday, April 12th, 2013 at 6:17 pm and is filed under (Indirect) infringement, Germany, Injunction
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