Monetary Recovery for “Infringement” of EU trademarks \textit{in statu nascendi}.

On In the European Union, the owner of a protected trademark is entitled to seek damages from an infringer – that is commonplace.\textsuperscript{1} Those who do not have a protected trademark cannot recover damages for infringement - that seems to be commonplace, too. But is there something in between – a claim for monetary recovery following from the use of a trademark that is something other than protected, in particular not yet protected \textit{(in statu nascendi)}? Yes, there is such a claim – it is not commonplace, but available under EU law.

In the \textit{Nikolajeva v. Multi Protect\textsuperscript{2}} decision of 22 June 2016, the Court of Justice of the European Union (CJEU) ruled that the trademark proprietor has a valid claim for the recovery of the unfair profits earned by third parties in connection with acts committed during the period after publication of a EU trademark \textit{application}, but before publication of its \textit{registration}, where those acts would be trademark infringement after publication of the registration of the trademark. The recovery could, however, not include compensation for the wider harm which the proprietor of the mark may have suffered, including moral prejudice.\textsuperscript{3}

1. \textbf{Statutory provision supporting monetary recovery}

This claim is not just another blossom of judicial creativity derived from case law. It is based in statutory law. According to Art. 9b(1) EUTMR,\textsuperscript{4}

\begin{quote}
the rights conferred by an EU trade mark shall prevail against third parties from the date of publication of the registration of the trade mark.
\end{quote}

It follows, as the CJEU points out, that the exclusive right which the EU trademark confers on its proprietor, enabling it to prevent third parties from using the mark concerned, can relate only to acts of third parties occurring after publication of registration of that mark. While this is a general principle in EU trademark law, Art. 9b(2) EUTMR further provides, to the benefit of the trademark applicant, that

\begin{quote}
reasonable compensation may be claimed in respect of acts occurring after the date of publication of an EU trade mark application, where those acts would, after publication of the registration of the trade mark, be prohibited by virtue of that publication.
\end{quote}

Of course, the compensation can be claimed only if the trademark registers as, according to Art. 9b(3) EUTMR, a court seized of a case shall not decide upon the merits of that case until the registration has been published.

\textsuperscript{1} See, e.g., Sec. 14(6) German TMAct.

\textsuperscript{2} Case C-280/15.

\textsuperscript{3} In the case in question, the trademark proprietor sought compensation for non-material harm (mental pain and the impact on her health).

\textsuperscript{4} Art. 9(3) sentence 2 EUTMR in the version prior to March 23, 2016.
Still, the compensation is awarded for the use of a “right” of a conditional nature since prior to registration it is not yet certain that the trademark will in fact be registered. Absolute or relative grounds for refusal of registration may still prevent the registration in whole or in part.5

This provision in the EUTMR differs from the trademark national law of most of the EU Member States, which only provide for claims for damage compensation in case of trademark infringement, that is, for acts occurring after the registration. This lack of a remedy for the owner of a trademark application is what the EU legislators found to be unsatisfactory and addressed with the statutory regulation quoted above.

2. Justification / Background

Art. 9b(2) EUTMR has its background in the body of economic rights which the EUMTR attaches to an application for registration of an EU trade mark.

(a) Trademark applications as expectancy rights, not just opportunities

Trademark applications are more than a business opportunity, more than an expectance, but a vested right.

Under Art. 39 EUTMR, the publication of an application for registration of a EU trademark requires that all the formalities provided for by the EUTMR have been fulfilled and the examination found no absolute grounds for refusal of registration of that trademark. Under Art. 45 EUTMR, as the Advocate General (AG) of the CJEU pointed out, following the publication of an application for registration, an EU trade mark will necessarily be registered and the registration published unless, upon opposition, there are relative grounds for refusal of registration within the meaning of Article 8 of the regulation.6

Upon publication of the application, from the EUIPO perspective, all questions arising from the public interest have been answered and the examination is, in principle, finished. Private interest, i.e. the possible conflict with a senior trademark, is not considered by EUIPO and is addressed only upon private initiative, i.e., an opposition. In the absence of such private initiative, the trademark applicant has a claim under public law for the registration of the trademark.

In a similar way, the national trademark law, for example, of Germany provides under Sec. 33(2) sentence 1 TMAct that the application for a trademark whose date of application has been established shall give a rise to a right to a registration unless the requirements for registration are not met.

Therefore, trademark applications as trademarks in statu nascendi establish expectancy rights and not only business opportunities. Of course, these expectancy rights do not yet have the nature of exclusive rights but they establish legal positions which are rights nonetheless. The nature of an application as a right is also established by the fact that EU trademark applications can be the subject of certain legal acts, such as a transfer, the creation of rights in rem, or licences, and they create a right of priority over applications filed subsequently.

As a consequence, the European Court of Human Rights held that such an application was capable of constituting property under the fundamental right to property laid down in Article 1 of Protocol No 1 to the European Convention for the Protection of Human Rights and Fundamental Freedoms.7

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5 See Art. 40 EUTMR (allowing third party observations leading to the refusal on absolute grounds), Art. 41 EUTMR (providing for opposition based on relative grounds).

6 AG, opinion of 21 April 2016, case C-280/15 § 45 - Nikolajeva v. Multi Protect. This is not a completely accurate statement, since a third party can also raise absolute grounds after publication. Art. 40 EUTMR.

(b) **Comparable expectancy rights in patents and plant variety rights**

This protection of an application as an “expectancy right” is not unique to trademark law.

The possibility of claiming ‘reasonable compensation’ following the publication of an application for registration also exists in the field of patents. Art. 67(2) of the European Patent Convention (EPC) provides that

> [E]ach State shall ensure at least that, from the date of publication of a European patent application, the applicant can claim compensation reasonable in the circumstances from any person who has used the invention in that State in circumstances where that person would be liable under national law for infringement of a national patent.

The words ‘compensation reasonable’ are not defined in that Convention either.

In addition, Art. 95 of Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights provides that

> ‘[t]he holder [of Community plant variety rights] may require reasonable compensation from any person who has, in the time between publication of the application for a Community plant variety right and grant thereof, effected an act that he would be prohibited from performing subsequent thereto’.

The ‘reasonable compensation’ is not defined in that Regulation either.

(c) **Protection of trademark expectancy rights**

Accordingly, like national trademark applications at least in the European “first to file” system, EU trademark applications are property from the date of the filing of the application as they can be subject to legal acts from the very beginning and are protected against acts of the state, i.e. expropriation. However, this property is only protected against acts of private third parties, i.e. unauthorized use, after the examination for absolute grounds of refusal has been completed and the requirements for protection have been confirmed.8

3. **Autonomous interpretation**

While damage claims for trademark infringement are governed by the national law of the EU Member States, the “reasonable compensation” available to the owner of a published EUTM application is governed by EU law, namely the EUTMR.

Unlike Art. 101(2) and 102(2) EUTMR, under which sanctions are applied in accordance with national legislation in the case of acts of infringement or threatened infringement of a trade mark, Art. 9b(2) EUTMR makes no express reference to the law of the Member States for the purpose of determining its meaning and scope. The protection of trademark rights in statu nascendi is hardly and inconsistently regulated in the national law of the Member States. While the assertion of damage claims could be left to the national law of the Member States, the EU legislators had to provide for the claim for “reasonable compensation” directly in the EUTMR.

Consequently, follows from the need for uniform application of EU law and from the principle of equality it follows that the words “reasonable compensation” must be given an autonomous and uniform interpretation throughout the European Union.9

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8 National trademark laws that do not provide this interim period between the publication of the application and the publication of the registration, but that instead provide for registration of the trademark immediately after the examination for absolute grounds of refusal and prior to possible opposition proceedings, do not provide a claim for a “reasonable compensation” for use prior to the trademark’s registration since there is no interim period between the end of the examination for absolute grounds of refusal and registration during which the trademark application has already matured to a vested right, as for example the German trademark law.

9 Cf. CJEU, dec. of dec. of 14 December 2006, Case C-316/05, § 21 – Nokia Corp. v Wärdeell (Nokia).
4. **Scope of the “reasonable compensation”**

To some extent the CJEU’s interpretation of “reasonable compensation” refers to the acknowledged methods of calculating damage compensation in trademark infringement cases.

(a) **Balance of rights - principle of proportionality**

As the Advocate General pointed out, the use of the adjective ‘reasonable’ implies that the compensation claimed must be equitable and proportionate in order to maintain a fair balance between the rights of the proprietor of the EU trademark applications and the rights of the user of the trademark.10

The ‘reasonable compensation’ must therefore be more limited than the protection enjoyed by the proprietor of a trademark for acts occurring after the date of its registration, since the interest to be protected in respect of a trademark application falls short of the interest to be protected which the mark must possess as a result of its registration.

From this, the CJEU concludes that the ‘reasonable compensation’ must be smaller in scope than the damage which the proprietor of an EU trademark may claim in respect of the harm caused by an act of infringement [of the registered mark].11

(b) **Recovery of profits as less severe compensation**

To further specify the scope of the ‘reasonable compensation’, the CJEU refers12 to Art. 13 of Directive 2004/48 (“IP Enforcement Directive”, EnfDir) which lays down certain rules for damage claims intended to compensate for the harm caused by acts of infringement, differing according to whether or not the third party must be considered to have knowingly – or with reasonable grounds to know – engaged in an infringing activity.

Article 13(1) EnfDir prescribes compensation which is, in the event of acts of infringement committed knowingly, full compensation for the harm actually suffered, with the option to calculate the compensation on the basis of

(i) the lost profits, which the proprietor of the injured IP right has suffered,

(ii) the unfair profits made by the infringer, or

(iii) the amount of royalties which would have been due if the infringer had requested authorization to use the IP right concerned.

It also covers other kinds of damages which may include ‘moral prejudice.’13

Article 13(2) EnfDir permits only the recovery of profits made by the infringer or the payment of damages, which may be pre-established, where the acts of infringement have not been committed knowingly.

As Art. 13(1) EnfDir shows, the recovery of profits is regarded to be a way of damage compensation in the first place, which requires a knowingly committed infringement or negligent unawareness of the infringement. Therefore, Art. 13(2) EnfDir seems to be harsh as it provides for a recovery of profits in cases of an unknowingly committed infringement.

These provisions apply only to acts of infringement and therefore to acts which have occurred after publication of the registration of the trademark concerned. According to the CJEU, it may be inferred from the acts that the sum payable by way of ‘reasonable compensation’ cannot exceed the reduced compensation provided for in Article 13(2) [EnfDir].14

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12 Id. at §§ 54-55.
Nevertheless, the CJEU held it appropriate to utilize the full scope of potential relief available by way of a recovery of profits for infringement of a registered trademark, only excluding redress for any moral prejudice harm that the proprietor of the trademark concerned may have suffered. Thus, the CJEU is equating use of another person’s trademark application to an unknowingly committed infringement of a registered trademark even though the use of the mark in the trademark application might have been done knowingly and even though an infringement requires a protected, i.e. registered trademark.

The CJEU followed the Advocate General’s opinion, as in most cases. But while the Advocate General refers *inter alia* to Art. 67(2) EPC to explain the existence of Art. 9b(2) EUTMR, the “reasonable compensation” provided for under Art. 67(2) EPC, at least as implemented into German patent law, covers neither the payment of damages nor the recovery of profits.

With the understanding that the ‘reasonable compensation’ provided for in Art. 9(3) of the EUTMR should be less severe than the compensation imposed in the case of infringement of a registered trademark according to Art. 13(1) EnfDir, the Advocate General relied on the pecuniary compensation under Art. 13(2) EnfDir for unintentional infringements as the only statutory provision providing for an alternative to the full compensation imposed in case of a knowingly committed infringement. Accordingly, the Advocate General considered that, because Art. 13(2) EnfDir is less severe than Art. 13(1) EnfDir yet still provides for a recovery of profits a pecuniary compensation which is commensurate with the unfair profits made by the user in question would therefore be proportionate to the “infringement” of the trade mark *in statu nascendi* committed.  

**Unjustified enrichment, not damage compensation**

While it may seem harsh to allow an award of profits for the “infringement” of a not yet protected trademark, the key aspect is that recovery of profits is meant to address a benefit unfairly derived by third parties from use of the trademark concerned. It is therefore a means to recover an unjustified enrichment and not to compensate a harm to the proprietor. As damage compensation in a strict sense requires knowing infringement, recovery of unjustified enrichment can be claimed where there is either no knowledge (the case of Art. 13(2) EnfDir) or – for a lack of a registered trademark – no infringement (Art. 9b(2) EUTMR).

**Participation in profits instead of full recovery of profits as an alternative?**

The court did not indicate how to identify the relevant profit which is to be recovered. As the claim for “reasonable compensation” is to be handled like a claim for the recovery of unjustified enrichment, it seems to be clear that the profit to be recovered must be an “unfair” profit. This raises the – still unanswered – question whether the recovery should consist of the entire profit derived from the use of the yet-to-be registered trademark or only that part of the profit that appears to be unfairly achieved.

Not allowing a third party to derive any profits from its use of a trademark can be justified only if the profits should have been made exclusively by the trademark proprietor – which requires that the proprietor has already obtained an exclusive right in the trademark which, in turn requires its registration. In the author’s view, this suggests that a compensation for profits made by the use of the trademark prior to its registration should therefore consist only of a participation of the trademark proprietor in the profits achieved by the third party, i.e. the payment by the third party of a royalty as the consideration for the use of the trademark.

This would correspond to the “reasonable compensation” according to Art. 67(2) EPC to which the CJEU expressly refers and which does not allow recovery of profits. Instead, this provision only allows the payment of royalties which would have been due if the infringer had requested authorization to use the patent concerned – at least as implemented in Germany in Sec. 33 of the German Patent Act.  

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16 German Federal Supreme Court, dec. of 11 April 1989, case no. X ZR 26/87 – *Offenend-Spinnmaschine* (referring to the legislator’s underlaying intention and the predominant doctrine).
been held that the “reasonable compensation” in this instance shall be lower than such a royalty. Indeed, calculating the payment according to what the user would have had to pay for the authorization to use the trademark assumes that the trademark owner would have been willing to give the authorization. This would be possible only if compulsory licensing existed in trademark law. Still, this type of royalty relief could apply in other cases in which the trademark proprietor cannot (yet) prohibit the concurring use of the trademark, which is the case as long as the trademark is not yet registered. Of course, as long as the trademark is not yet registered, the user, strictly speaking, would not need to ask for an authorization at all. But one has to accept the fact that the European legislators provided for the claim for “reasonable compensation” for a period during which the trademark did not yet exist.

While the CJEU did not decide how the profit to be recovered as “reasonable compensation” should be calculated, it seems appropriate to consider that it was not the entire profit that was achieved “unfairly” but only a part of it, namely the portion that would have to be paid as a royalty. This “royalty” is the money that the user saved by not asking for an authorization and can be considered the unfair portion of the profit.

This analysis makes sense also for another reason: the recognition that not the entire profit is generated just by the “infringement.” Customers do not purchase a product only for its trademark in most cases. Instead, the profit is derived at least to some extent because of other features of the product, such as its function or design. It is, however, difficult to properly quantify, e.g. by percentage, the extent to which the profit has been caused by the use of the trademark. If the recovery of profit is reduced to the “value” derived from the use of the trademark, this would equate “reasonable compensation” to the amount of money that corresponds to the use of the trademark. This is a royalty.

It would have been helpful if the CJEU had held that, even if the third party was deemed to have had knowledge of the EU trademark application as a result of its publication, the “reasonable compensation” should not exceed a reasonable royalty rate. When the fixation of an appropriate royalty rate is assessed by the court, it could then be considered whether the third party knew about the published trademark application.

5. Prospect

Of course, trademark proprietors may initially believe that a rule allowing a full recovery of profits is preferrable. However, nearly every trademark proprietor can be accused of trademark infringement at some point in time. A rule setting a moderate compensation is therefore actually preferable, particularly when it is attached to a use of a trademark that is not (yet) protected.

It remains to be seen how the national courts of the EU member states will apply the decision of the CJEU, whether they will start from the profit made by the third party user and reduce it to a certain extent, or whether they will simply define the profit as the saved royalty and thereby grant a claim for the payment of a royalty dressed up as a recovery of profits. Simply applying their national practice would not be correct as the “reasonable compensation” according to Art. 9b(2) EUTMR is a term in a European statute that needs to interpreted uniformly and independently from national practice. Still, until there is a respective interpretation by the CJEU it is likely that at least German courts will prefer the royalty option: In a decision that has just been published on the Internet, the German Federal Supreme Court held in relation to a claim for unjustified enrichment under copyright law that the claim refers to the payment of a royalty.18

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17 Court of Appeal Düsseldorf, dec. of 17 April 1980, case no. 2 U 106/79, – Absatshaltehebel (reduction by 25 %)
18 German Federal Supreme Court, dec. of 12 May 2016, case no. I ZR 48/15 – Everyday we touch
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EU: Parallel Imports (I) – Repackaging of medicinal products despite sale in same size in export and import country.

In a decision of 10 November 2016 (C-297/15 – Ferring v Orifarm), the Court of Justice of the European Union ruled that the proprietor of a trademark is not entitled to prohibit the import of a re-packaged pharmaceutical product if

- the product can be distributed in the import country in the same packaging as in the export country, and
- the importer did not prove that he can sell the imported product only in a limited part of the import country if the product is not re-packaged.

In the underlying case, Ferring sells a medicinal product under its trademark “Klyx” in Denmark, Finland, Sweden and Norway. In all those States, “Klyx” is sold in identical packaging, namely containers of 120 ml or 240 ml, as well as in packets containing one or ten such containers.

In the course of its parallel import business, Orifarm purchased “Klyx” in Norway in packets of ten containers and sells that product on the Danish market, after having repackaged it in new packets of one container, upon which the mark “Klyx” is reaffixed.

Ferring sued Orifarm in the Maritime and Commercial Court of Denmark which observed that the trademark proprietor cannot oppose the repackaging if that opposition contributes to the partitioning of the markets. That would be the case where the opposition prevents a repackaging which is necessary to market the medicinal product in the importing state. In those circumstances, the Court questions whether the contested repackaging can be considered ‘necessary’, given that “Klyx” is available in packets of one or ten containers in all the states party to the EEA Agreement in which the medicinal product is placed on the market, including in Denmark. The Court referred the question to the CJEU.

Referring to previous decisions, the CJEU pointed out (see paragraph 21) that a trademark owner’s opposition to repackaging contributes to the artificial partitioning of the markets between the States party to the EEA Agreement where the repackaging is necessary to enable the product imported in parallel to be marketed in the importing State (insofar referring to its judgment of 26 April 2007, case C-348/04 - Boehringer Ingelheim, paragraph 18) and that insofar

“a trademark owner cannot oppose the repackaging of the product in new external packaging, when the packet size used by that trademark owner in the export country cannot be marketed in the importing country because of, in particular,

- a rule authorising packaging only of a certain size or
- a national practice to the same effect,
- sickness insurance rules making the reimbursement of medical expenses depend on the size of the packaging, or
– well-established medical prescription practices based, inter alia, on standard sizes recommended by professional groups and sickness insurance institutions (insofar referring to its judgment of 11 July 1996, cases C 427/93, C 429/93 and C 436/93 - *Bristol-Myers Squibb and Others*, paragraph 53)“.

It was apparent that, because of the marketing of “Klyx” in identical packaging in the export country (Norway) and the import country (Denmark), the specific, effective access to the Danish market for “Klyx” was not hindered, unless it was shown that one of the four situations mentioned above applied. As this is unlikely given the marketing of “Klyx” in identical packaging in Denmark, it can be expected that the Maritime and Commercial Court of Denmark will decide that Ferring could legitimately oppose the repackaging of “Klyx” by Orifarm.

If you have any questions or if you require more detailed information, please do not hesitate to contact us.

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In a decision of 6 October 2016 (case no. I ZR 165/11 - Debrisoft), the German Federal Supreme Court referred the question to the Court of Justice of the European Union (CJEU) (case no. C-642/16) whether the rules set out by the CJEU in the landmark Boehringer Ingelheim decision (of 26 April 2007, case no. C-348/04) with respect to medicinal (pharmaceutical) products shall apply in their entirely also to medical (non-pharmaceutical) products.

In the underlying case, the German producer of medical and sanitary products Lohmann & Rauscher produces and sells debridement pads under its trademark “Debrisoft” some of which are exported to Austria. In the course of its parallel import business, Junek Europ-Vertrieb GmbH re-imported “Debrisoft” to Germany, after having placed a sticker on the original “Debrisoft” container which indicated the fact of the import and the importer’s name and address. The sticker was placed discretely and clearly on an otherwise blank part of the box.

Junek did not inform Lohmann & Rauscher in advance of the re-import and did not provide Lohmann & Rauscher with a sample of the modified container.

Lohmann & Rauscher sued Junek in the District Court of Düsseldorf which stated that the re-import by Junek of “Debrisoft” without informing Lohmann & Rauscher in advance infringed the trademark rights of Lohmann & Rauscher. The Court of Appeal of Düsseldorf confirmed the judgement. Upon further appeal to the Federal Supreme Court, the Federal Supreme Court wondered whether the importer of a non-pharmaceutical medical product had to fulfill all the five requirements of the Boehringer Ingelheim decision of the CJEU to be allowed to re-import the product without the trademark proprietor’s consent into another EU Member State in which the trademark was protected as well.

In the Boehringer Ingelheim decision the CJEU had ruled that the trademark proprietor legitimately oppose further commercialisation of a pharmaceutical product imported from another EU Member State in its original internal and external packaging with an additional external label applied by the importer, unless

- it is established that reliance on trademark rights by the proprietor in order to oppose the marketing of the overstickered product under that trade mark would contribute to the artificial partitioning of the markets between Member States;
- it is shown that the new label cannot affect the original condition of the product inside the packaging;
- the packaging clearly states who overstickered the product and the name of the manufacturer;
- the presentation of the overstickered product is not such as to be liable to damage the reputation of the trade mark and of its proprietor; thus, the label must not be defective, of poor quality, or untidy; and
the importer gives notice to the trade mark proprietor before the overstickered product is put on sale, and, on demand, supplies him with a specimen of that product.

(emphasis added).

The CJEU had already ruled that these conditions also apply to imports of other products such as beverages (dec. of 11 November 1997, case no. C-349/95 - Loendersloot/Ballantine), and the German Federal Supreme Court had applied these conditions to imports of medical products (dec. of 12 May 2010, case no. I ZR 185/07 - One Touch Ultra) and food products (dec. of 22 November 2012, case no. I ZR 72/11 - Barilla).

However, they have been applied in a modified way as "in formulating those conditions, account was taken of the legitimate interests of the trademark proprietor with regard to the particular nature of pharmaceutical products."

(CJEU, dec. of 11 November 1997, case no. C-349/95 - Loendersloot/Ballantine)

so that, as e.g. in the case of beverages, the interests of the trademark proprietor, and in particular his need to combat counterfeiting, may be given sufficient weight if the imported gives him prior notice that the modified products are to be put on sale, however, without supplying him with a specimen of that product.

In the same way, the German Federal Supreme Court had waived the condition of a prior supply of a product sample in the case of an import of food products (dec. of 22 November 2012, case no. I ZR 72/11 - Barilla).

The Court of Appeal of Düsseldorf had ruled that the additional sticker endangered the trademark’s function to guarantee the origin of the product, as the consumers could doubt that the re-imported “Debrisoft” product had been sold with the consent of Lohmann & Rauscher. The reason was that the bar code on the sticker did not function as a mere indication of the purchase price that would be attributed only to the retailer. Instead, the sticker contained additional information regarding the importer and the number that serves the organization of the sale and certain accounting purposes. This could suggest a modification without the producer’s consent. Having in mind that also non-pharmaceutical medical products have to undergo an admission procedure the Court of Appeal of Düsseldorf held that such products would be “sensitive” products in the view of the consumers for which the guarantee of origin has a particular importance. The less strict conditions established for beverages and food products should therefore not apply to non-pharmaceutical medical products.

The German Federal Supreme Court is sharing this view and further points out that not only medicinal but also medical products are directly related to the consumer’s health. Therefore, the court would like to make the import of non-pharmaceutical medical products depend not only on a notice given to the trademark proprietor before the modified product is put on sale, but also, on demand, on the supply of the trademark proprietor with a specimen of that product. The court further tends not to distinguish between the various categories of non-pharmaceutical medical products but to apply the full conditions to all of them – like the CJEU applies it to all kinds of pharmaceuticals. The court asked the CJEU for guidance and referred the following questions to the CJEU:

Is Article 13(2) of Regulation 207/2009 to be interpreted as meaning that a trademark proprietor can oppose the further marketing of medical products imported from another Member State in their original inner and outer packaging which are provided by the importer with a sticker on the outside, unless

– it is established that reliance on trademark rights by the proprietor in order to oppose the marketing of the product provided with the new sticker under that trade mark would contribute to the artificial partitioning of the markets between Member States;

– it is shown that the new label cannot affect the original condition of the product inside the packaging;

– the packaging clearly states who applied the new sticker to the product and the name of the manufacturer;
– the presentation of the product provided with the new sticker is not such as to be liable to damage the reputation of the trade mark and of its proprietor; thus, the label must not be defective, of poor quality, or untidy; and

– the importer gives notice to the trade mark proprietor before the product provided with the new sticker is put on sale, and, on demand, supplies him with a specimen of that product?

We will report on the decision of the CJEU once it has been published.

If you have any questions or if you require more detailed information, please do not hesitate to contact us.

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Germany: Protection of work titles – how casual must a concert be to qualify as a “work”?

In a decision of 13 July 2016 (case no. 5 U 36/15 - Casual Concerts), the Court of Appeal of Berlin had to draw the line between protection of a concert name as a trademark and as a work title. A musical event can either be

- an entertainment service so that its name can be protected as trademark, if registered, or
- a work so that its name can be protected as title without registration.

In der underlying case, the plaintiff operates several choirs and orchestras in Berlin. For one of the orchestras it is organizing and performing the concert series “Casual Concerts”. The event intends to attract a young audience by moderating the concert and offering a “Casual Concerts Lounge” after the concert featuring a disc jockey and a live performance of another artist. The defendant likewise organizes classic music events which address young people with live music and catering services offered after the concert. It promotes its concerts under the domain name “www.casual-concerts.de”.

After the District Court of Berlin had rendered a preliminary injunction against the defendant, it had lifted the preliminary injunction upon opposition by the defendant. The Court of Appeal of Berlin, however, overruled that decision and reinstated the injunction. It ruled that the name of the “Casual Concerts” is protected as a work title as there was a sufficient individual intellectual content going along with the performance of an entertainment service.

According to Sec. 5(1) German Trademark Act (TMA)

“company symbols and titles of works shall enjoy protection as commercial designations”

which means that, according to Sec. 15(2) TMA,

“third parties shall be prohibited from using the commercial designation or a similar sign in the course of trade without authorisation in a manner liable to cause confusion with the protected designation”

because, according to Sec. 15(1) TMA,

“the acquisition of the protection of a commercial designation shall grant to its proprietor an exclusive right.”

Already in 2010, the German Federal Supreme Court had decided that the names of events may fall under the definition of Sec. 5(3) TMA (dec. of 12 November 2009, case no. I ZR 183/07 - WM-Marken) according to which

“titles of works are the names or special designations of printed publications, cinematic works, music works, stage works or other comparable works”, (emphasis added)

and already in 1989, the German Federal Supreme Court had stated this in particular for concerts under the law in force prior to the current TMA (dec. of - 17 May 1989, case no. I ZR 181/87 - Festival Europäischer Musik).
However, a work is more than a service. It requires an individual intellectual achievement. Even though this does not require a work in the sense of copyright law, it requires the materialization of a result of mental labor that, in turn, appears to be the realization of an intellectual achievement with a communicative content (District Court of Koblenz, dec. of 30 June 2014, case no. 2 HK O 32/14 and 1 HK O 38/15 - Rock am Ring). While the mere serial performance of music pieces without programmatic particularities is only a service (Federal Supreme Court, dec. of - 17 May 1989, case no. I ZR 181/87 - Festival Europäischer Musik), additional features that form an artistic synthesis and require an artistic and organizational overall concept may create a complete artwork that goes beyond the musical performance in itself. This had already been decided for a serial daily performance of extracts of musicals in a stage show (Court of Appeal of Cologne, dec. of 16 November 2007, case no. 6 U 114/07 - Nacht des Musicals) and a serial two-day open air rock festival with camping facilities (Court of Appeal of Koblenz, dec. of 29 August 2014, case no. 6 U 850/14, following insofar the District Court of Koblenz, dec. of 30 June 2014, case no. 2 HK O 32/14 - Rock am Ring). It has now been confirmed by the Court of Appeal of Berlin also for a serial concert the underlying concept of which provides for unusual particularities attracting a young audience, such as casual wear, a lack of place-bound tickets, a moderation by the conductor and the opportunity to talk to the musicians after the concerts, and which provides for a finale that includes a party with modern music presented by a DJ, dance and relaxation.

While the protection of a concert name as a work is not as important as long as the name has been registered as a trademark and the contested concert is a serial event (thereby qualifying the use of the concert name as use as a trademark) it can be relevant if the name has not been registered as a trademark or if the contested concert is a singular event. The case therefore shows once more that the protection of work titles should be acknowledged and used as an important alternative to trademark protection.

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EU: Linking and copyrights – new legal risks for companies’ online marketing.

A recent judgment of the Court of Justice of the European Union (CJEU) (decision of 8 September 2016, case no. C-160/15 – GS Media / Sanoma a.o.) may be regarded as bad news for any company performing online marketing. The CJEU ruled that linking to protected works, which are freely available on another website without the consent of the copyright holder, constitutes a “communication to the public” and therefore a copyright infringement if the link provider knows or reasonably has to know the illegal nature of the publication, which has to be presumed if the posting of the link is carried out for profit. Given that “linking for profit” includes links from any commercial website and is not restricted to business models in which the linking as such gains profit (unfortunately the former has to be presumed), the current usual practice in online marketing to post (embedded) links to videos on YouTube and other content on third parties’ websites or platforms now bears a considerable legal risk.

For many years hyperlinking has not been an issue under German copyright law. In its famous “Paperboy”-decision the German Federal Supreme Court ruled that linking to websites containing copyright protected works does not infringe copyrights in any way (decision of 17 July 2003, case no. I ZR 259/00). Times were changing when ordinary hyperlinks were more and more replaced by so-called “framing” or “embedded linking”, by which videos and photos published on other websites may be visually (not physically) included into a frame on one’s own website having the visual effect as if the video or photo was actually a part of the website, whereas in fact it is not copied to the website’s server. In 2013 the German Federal Supreme Court ruled that such framing or embedded linking has to be considered differently from traditional hyperlinking and may infringe copyrights in linked content and therefore submitted the case to the CJEU asking for an interpretation of Art. 3 I of the Directive 2001/29/EG (decision of 16 May 2013, case no. I ZR 46/12). Upon this and an earlier Swedish referral the CJEU found that linking to a public domain website on which copyright protected content is published with the copyright owner’s consent cannot be considered “communication to the public” and therefore does not represent a copyright infringement, no matter whether classic hyperlinking or framing or embedded linking is in question (decision of 13 February 2014, case no. C-466/12 – Svensson a.o. / Retriever Sverige, and of 24 October 2014, case no. C-348/13 – BestWater / Medes and Potsch).

In its decision of 8 September 2016 in the “GS Media / Sanoma” case no. C-160/15, the ECJ now specified that its earlier case-law concerned only the posting of hyperlinks to works that have been made freely available on another website with the consent of the rightholder, and that it cannot be inferred from that case-law that the posting of such hyperlinks would be excluded, as a matter of principle, from the concept of “communication to the public” when the works at issue have been published on the other website without the rightholder’s consent. As a general rule, the concept of “communication to the public” requires individual assessment which must take account of several complementary criteria. In cases where the consent of the rightholder is lacking one such criterion is whether the link provider does not know and cannot reasonably know that that work had been published on the internet without the consent of the copyright holder. If the posting of the link is not carried out in a pursue of profit such lack of knowledge can be assumed, i.e. non-profit linking can only be regarded as “communication to the public” where it is
established that the link provider knew or ought to have known that the hyperlink he posted provides access to a work illegally published, for example owing to the fact that he was notified thereof by the copyright holder.

In contrast, when hyperlinks are posted for profit, it may be expected that the person who posted such a link should carry out the checks necessary to ensure that the work concerned is not illegally published. Therefore, it must be presumed that that posting has been done with the full knowledge of the protected nature of the work and of the possible lack of the copyright holder’s consent to publication on the internet. In such circumstances, and in so far as that presumption is not rebutted, the act of posting a clickable link to a work illegally published on the internet constitutes a “communication to the public”.

The case which was submitted to the CJEU was quite extreme. The claimants repeatedly requested from the defendant to delete links to not yet published “Playboy” photos on several platforms, so knowledge of the illegal nature of the publication was obvious and proved. However, the CJEU has set up general rules which are not only applicable to such extreme cases. In contrast, companies which carry out “linking for profit” are now obliged to check as far as possible whether the source they would like to link to is legal or not. In many cases that will not be possible. The question is, however, whether the national courts will handle links in the context of ordinary online marketing as “linking for profit” in the ECJ judgement’s meaning, which remains to be seen.

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Labeling a product with a quality seal or certificate is an effective and common way to promote products and also to give a guarantee that an independent trustworthy institution has checked the quality based on objective criteria. A positive test result creates enhanced trust and confidence in the quality and the attributes of the “tested” product. Quality seals significantly influence the market behavior of an average consumer and are an important decision making factor in the purchase decision.

In this context, the German Federal Supreme Court has held in a recently published decision, that advertising with a quality seal requires information about the applied test criteria for the product (decision of 21 July 2016, case no. I ZR 26/15 - LGA tested Quality).

In the underlying case, a company promoted a product with the quality seal “LGA tested Quality” and “LGA tested safety”. The advertising of the product neither included information concerning the criteria to be met by the product nor a reference to retrievable information. The quality seals just confirmed that the product has met the requirements.

The German Federal Supreme Court ruled that this kind of advertising is a violation of the German Act on Unfair Competition (Gesetz gegen Unlauteren Wettbewerb - UWG). According to § 5a para 2 sentence 1 UWG the consumer has to be informed about all essential information before the purchase decision (Not every information that is important for the purchase decision of a consumer is essential.). In the judgement, the court decided that information regarding the quality seal must be seen as essential and using quality seals in advertising without determining objective criteria is unfair.

Advertising with quality seals considerably influences the decision of an average consumer prior to the product purchase, and the information concerning the general test criteria (including the criteria to be met by products) should be regarded as essential information within the meaning of § 5a UWG.
When the general test criteria and outcomes are neither published nor accessible, the distributor has to provide a brief summary containing the test criteria. However, it is not mandatory to inform the consumer about the test criteria within the advertisement. It is sufficient to refer to a website link. The website has to provide detailed information for the consumer in form of a short summary.

The advertising with quality seals is frequently subject to court decisions. Once again, this case shows how important it is to investigate in advertisements with a quality seal whether all legal requirements are met.

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Manufacturers of high quality or luxury products often do not like their distribution partners to sell their products online, in particular via big selling platforms like Amazon or Ebay. They are afraid of their products being sold on these platforms at low prices amongst products of inferior quality or in an environment that could damage the brand image of their products.

Therefore, they choose selective distribution and require their distribution partners not to sell their products via online shopping platforms. A respective provision in a distribution agreement may, however, not comply with antitrust law, as the distribution partners complain. Because of this conflict of interests legal disputes have been brought before the courts in the last couple of years.

This question is now pending before the German Federal Supreme Court and The Court of Justice of the European Union (CJEU). After the Court of Appeal of Frankfurt had ruled, in December 2015, in favor of a provision in a distribution agreement that prohibited a sale via the Internet, it now referred this question in another case to the CJEU.

Backpacks: The Deuter case

In the first case, leading German backpack manufacturer Deuter Sport made the delivery of its products dependent on an agreement prohibiting the sale of Deuter’s products on the Amazon Internet platform. In Deuter’s view it is not possible to transfer the high quality image of the products via online selling platforms. Upon a motion of a distributor the District Court of Frankfurt had granted the claim of the distributor and held that the agreement violates antitrust law. However, the Court of Appeal of Frankfurt (dec. of 22 December 2015, case no. 11 U 84/14 - Funktionsrucksäcke) overruled the decision, decided in favor of Deuter and argued that in relation to the sale on Amazon the interests of the manufacturer in a high quality consultancy and in the demonstration of a high product quality outweigh the interests of the distributors. According to the CJEU, the selective distribution does not violate antitrust law if, like in the case of long-living, high quality and technically complicated products, the quality and proper use of the products require a selection of qualified distributors with competent staff and appropriate facilities and if the selection criteria are necessary and the selection made in a non-discriminatory way. (CJEU dec. of 13 October 2011, case no. C 439/09, para 41 - Pierre Fabre). The court regarded these criteria to be fulfilled in this case as backpacks are long lasting products and their quality is of certain significance. It is difficult for customers to assess the quality of a backpack before buying because especially on the internet important information are often missing and a competent advice by skilled salespersons cannot be provided online.

The distributor has filed an appeal against this ruling with the German Federal Supreme Court (case no. K ZR 3/16).
Perfumes: The Coty case

In the second case, luxury perfume manufacturer Coty contractually prohibited its distributor Akzente from selling Coty’s products via online platforms like Amazon and only allowed selling of the products in a special luxury online shop. In breach of this clause Akzente sold Coty’s products on the Amazon Internet platform. Therefore, Coty sued Akzente for breach of contract but the District Court of Frankfurt dismissed the complaint and argued that the contractual provisions concerned are violating German and EU antitrust law and are therefore invalid. Upon appeal, the Court of Appeal of Frankfurt decided to refer the matter to the CJEU (dec. of 19 April 2016, case no. 11 U 96/14 (Kart) - Luxusparfüm im Internet). The main question submitted to the CJEU is whether the protection of a “luxury image” can justify selective distribution systems or not, since the quality of prestigious products does not only build on material properties but on their prestigious image. The CJEU had ruled in 2011 that maintaining a prestigious image by requiring sales of cosmetics and personal care products to be made in a physical space where a pharmacist must be present is not a legitimate aim for restricting competition and thus incompatible with Art. 101(1) of the Treaty on the Functioning of the European Union (TFEU) (dec. of 13 October 2011, case no. C 439/09, para 46 - Pierre Fabre). This had been interpreted in Germany in a way that a luxury image can no longer justify a selective distribution system in any case. However, it is not clear from this ruling, whether a luxury image cannot justify a selective distribution system in general or a total prohibition of internet sales only. The CJEU is asked for guidance insofar. For this purpose it referred the following questions to the CJEU (case no. C-230/16):

1. Do selective distribution systems that have as their aim the distribution of luxury goods and primarily serve to ensure a ‘luxury image’ for the goods constitute an aspect of competition that is compatible with Article 101(1) TFEU?

2. If the first question is answered in the affirmative:

   Does it constitute an aspect of competition that is compatible with Article 101(1) TFEU if the members of a selective distribution system operating at the retail level of trade are prohibited generally from engaging third-party undertakings discernible to the public to handle internet sales, irrespective of whether the manufacturer’s legitimate quality standards are contravened in the specific case?

3. Is Article 4(b) of Regulation (EU) No 330/2010 to be interpreted as meaning that a prohibition of engaging third-party undertakings discernible to the public to handle internet sales that is imposed on the members of a selective distribution system operating at the retail level of trade constitutes a restriction of the retailer’s customer group ‘by object’?

4. Is Article 4(c) of Regulation (EU) No 330/2010 to be interpreted as meaning that a prohibition of engaging third-party undertakings discernible to the public to handle internet sales that is imposed on the members of a selective distribution system operating at the retail level of trade constitutes a restriction of passive sales to end users ‘by object’?
Conclusion to be drawn from both decisions

The Court of Appeal Frankfurt has differentiated between both cases due to the different product characteristics and the interests of the manufacturers resulting thereof.

It remains to be seen how the CJEU and the German Federal Supreme Court will decide in both cases and to await the position that crystallizes in the long term.

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2017 is an exciting year for JONAS.

It is 10 years since JONAS opened its doors after a spin off from an international law firm, and we are proud to continue a tradition that leads back to the first half of the 20th century and was established by one of Germany’s most prominent IP lawyers.

Over the past 10 years we have built a national and international reputation that is based on knowledge, experience and service-orientation, and both clients and competitors acknowledge us as belonging to the circle of Germany’s leading law firms in trademark and unfair competition law.

We are aware that our achievements would not have been possible without your trust over the years – a trust that encourages us to further seek to provide the best possible service.
On behalf of everyone in the JONAS team we would like to thank you for the trust and the support that you have given us and wish you every success in this special year.

Very truly yours

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On December 28, 2016 the latest German handbook on German and EU Trademark Law

*Kur/v. Bomhardt/ Albrecht, Markenrecht – Markengesetz, Verordnung über die Unionsmarke (UMV)*


has been published. The handbook is a compilation of detailed comments on each provision of the German Trademark Act and of the EU Trademark Regulation (in its latest revised version of 2016).

It is also available in an electronic version (*„BeckOK - Markenrecht“*) as part of the publisher’s online subscription platform on legal books and journals.

*D. Martin Viefhues* has contributed the parts related to the International Registration of trademarks under the Madrid System, both as regards the provisions of the German Trademark Act and of the EU Trademark Regulation.

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