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The case for Germany

There is no more important trademark market in Europe than Germany. It is vital to understand what makes it tick

Germany is the biggest and most affluent country in Europe. That makes it a vital market for companies from across the world. However, while Germany is a member of the European Union and should, therefore, follow standard EU trademark practice, there are certain nuances to the way the law is interpreted and enforced that could spell trouble for anyone failing to call upon the expertise of local counsel. And for those used to working in a common law jurisdiction, the fact that Germany is a civil law country brings other factors into play.

In this roundtable, two prominent German trademark practitioners – Ulrich Hildebrandt of Lubberger Lehment in Berlin and Martin Viefhues of Jonas Rechtsanwalts-gesellschaft mbH in Cologne – discuss some of the issues that all trademark owners need to be aware of when operating in Germany.

What do you see as the most significant developments in German trademark law and practice over the last 12 months?

Martin Viefhues: There have been a number of cases, which have led to significant developments, including rulings regarding:

- the names of former state monopolies and the question as to whether they had acquired distinctiveness because of their uniqueness;
- the protection of ‘event marks’ such as the trademark used for the Football World Championship (eg, WM 2006), which are relevant for upcoming championships;
- the possibility for domain name trustees to justify their own formal ownership by reference to the name rights of their customers; and
- the relevance of pre-existing similar

German trademark registrations as an argument for the registrability of a pending trademark application which has been rejected by the German Patent and Trademark Office (PTO) for lack of distinctiveness – here there are two decisions of two different senates of the Federal Patent Court which come to totally different conclusions, so the matter has now been referred to the European Court of Justice (ECJ).

Ulrich Hildebrandt: In recent years there have been two main areas of development in German trademark law: there are cases from the ECJ on the one hand and technical developments on the other.

In Germany, the ECJ’s decision in *Céline* (Case C-17/06) continues to be keenly discussed. In good old Germany anyone could sue for a company name based on a trademark. The simple registration of a company name was considered to be “in relation to goods or services” within the meaning of Article 5(1) of the First Trademarks Directive (89/104/EEC). This is certainly not possible after *Céline*. However, nobody knows exactly what the ECJ regards as being “in relation to goods or services”. The *Céline* wording would suggest that any connection of the company name with the goods it markets might be sufficient. If this were true, there would be no major change to the former case law of the German Federal Court of Justice. Almost all producers of goods are legally obliged to put their company names on the goods they market. But then, all these cases could still be regarded as a trademark violation. However, we would then have to consider whether the company name was being used in accordance with honest practices in industrial or commercial matters within the meaning of Article 6. And lots of other

questions remain: is the use of a new, changed company name honest if its owner could have noticed the pre-existing trademark through a trademark search? Is it possible that someone who does not conduct a search is in a better legal position than someone who does conduct a search? What does the term ‘honest practices’ mean in supranational circumstances? It will take visionary lawyers to give satisfactory answers to all these questions.

In relation to technical developments, the most important cases in the last year had to do with internet auctions such as those offered by eBay. The Federal Court of Justice improved the possibility for trademark rights owners to sue platforms such as eBay directly. Germany could therefore become an excellent environment for rights owners to defend their rights in the future.

When litigating trademark cases through the German courts, what are the major issues you need to consider?

MV: Trademark litigation in Germany is very quick, efficient and inexpensive, especially in preliminary injunction proceedings. These proceedings allow you to obtain a court order within days or even hours. On the basis of preliminary injunction court orders, many trademark infringement cases can be settled and finalized in a very short time.

German practice provides for forum shopping which allows the plaintiff to seek relief before a specialized and experienced court.

UH: I agree, the German legal system works quite reliably. A good thing for trademark owners is the institution of the reimbursement of expenses. If you win a trademark case, the losing party is obliged to reimburse you a potentially significant amount of legal fees. Further, as Martin says, German courts do not hesitate to grant temporary injunctions. But the trademark owner has to be fast. If one waits for more than about four to six weeks, the courts will deny the injunction on the grounds of a lack of urgency.

“ Compared with a common law procedure, German court procedures appear much more like simple administrative affairs ”

What differences will trademark owners based in common law countries see in the way German trademark cases are litigated?

MV: Litigation procedure in Germany provides neither for jury trials nor for cross-examination, nor for pre-trial discovery (this may change to a certain extent in the future). The court hearings are fully led by the presiding judge and the court is usually well prepared as court submissions have to be very detailed. This means that hearings can be relatively short and may be reduced to a few relevant open questions. But best of all: litigating in Germany is far cheaper than in common law countries.

A further key difference regarding trademark law in particular is that the question of a likelihood of confusion has always been regarded as a legal and not a factual question, in contrast to the United Kingdom, for example. Furthermore, in Germany, we enjoy a very large number of published precedents which, in combination with the longstanding tradition of the Trademark Act, provide well-established court practice and make German courts open to new lines of argument arising in connection with new technical means of advertising.

UH: Compared with a common law procedure, German court procedures appear

much more like simple administrative affairs. Of course, unlike in the United States, there is no discovery. In addition, *Anton Piller* orders are not available. The court takes only those facts into account that have been brought forward by the parties. In most cases, trademark proceedings focus on legal and not factual questions. And again, a positive thing for trademark owners is the institution of the reimbursement of expenses to the prevailing party. If you win a trademark case, your opponent will have to reimburse a significant amount to you.

To what extent is it possible to register and then protect non-traditional trademarks in Germany?

MV: Non-traditional trademarks are, in general, registrable, but the initial euphoria of the late 1990s has gone. While in principle – under certain circumstances – it may even be possible to show that a non-traditional trademark is inherently distinctive, experience shows that such marks are, in many cases, registered only on the basis of acquired distinctiveness. The common view is that non-traditional designations are not usually considered by the business circles concerned as an indication as to the origin of products. The difficulty here is proving that the non-traditional trademark has actually acquired distinctiveness. Usually, this requires survey

evidence from the business circles and consumers concerned. Graphical representation remains an issue with regard to olfactory marks, which differs from practice at the Office for Harmonization in the Internal Market (OHIM). A recent decision of the Federal Patent Court suggests that, under certain circumstances, even the size of a product can be a trademark.

It is often decisive to show not only that a non-traditional trademark is broadly known, but also that the relevant business circles actually associate an indication as to the origin of the product with the trademark. The more the mark owner has promoted the non-traditional trademark itself in advertising (and not simply the word mark relating to the product at issue), the easier it is to show that the non-traditional mark is recognized as a trademark in itself, independently from the word mark which is usually affixed to the product as well.

UH: German registration practice is determined by ECJ precedents. Therefore, no one who knows the case law of the ECJ will be surprised by the rulings of the PTO. On the other hand, we experience again and again that German registration practice is stricter than, for example, OHIM's practice. If the PTO in a borderline case refuses to register your trademark, you can usually send a fax to Alicante and try there. Last

year we had more than one trademark registered by OHIM that the German PTO had previously refused to grant.

However, the Germans are reserved when it comes to the special grounds for refusal of three-dimensional marks under Article 3(1)(e) of the directive. In fact, the ECJ gave us a very restrictive course of action concerning these marks with decisions such as *Philips/Remington* (Case C-299/99), *Linde* (Cases C-53/01 to C-55/01) and, recently, *Benetton* (Case C-371/06). But German courts do not like the fact that one cannot acquire a distinctive character following the use of a trademark. The criteria for the acquisition of distinctive character are quite flexible, which gives wide scope to the courts. I have the impression that the German courts, as well as OHIM, want to retain this flexibility which they would lose by following the ECJ.

In the late 1990s the Federal Supreme Court started to develop quite a weakness for non-traditional trademarks and sought to give them fair protection. That was the time when owners of colour *per se* marks could successfully sue imitators. However, since then the courts have become increasingly restrictive. The actual doctrine – adopted from the ECJ – is that consumers are not in the habit of making assumptions about the origin of goods based on their colour or the colour of their packaging, in the absence of any graphic or word element. Only if the rights holder manages to get the consumer used to the trademark character of its mark will it be able to sue successfully a competitor using the same colour. This, of course, is an option only for very big companies that invest millions in advertising.

Under what circumstances should a non-German business seek to secure a trademark registration specifically in Germany as opposed to following the Community trademark (CTM) route?

MV: Securing a trademark by a German national application as opposed to a CTM has various advantages:

- It is significantly less expensive;
- It is much faster;
- It can be challenged only by senior rights in Germany; and
- Descriptive character in a non-German language is less likely to be an obstacle to the trademark application.

Although a CTM application can be converted into a bundle of national



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applications if it is rejected by OHIM in Alicante, it takes much more time and incurs further costs to go down the CTM route.

Where a trademark owner is doing business exclusively or mainly in Germany, or where specific plans to extend the business further to multiple EU member states will not be realized within a few years, a German trademark as an initial basis for trademark protection is preferable.

UH: This is a hot issue! A CTM should never, ever be weaker than a national trademark. There should be very few cases where you really need a German national mark – unless you do not get the CTM due to absolute or relative grounds for refusal in some countries or because you do not want the publicity of a CTM and therefore prefer to creep into the German market on the quiet paws of a German trademark.

However, in a recent decision following the *Céline Case*, the Federal Supreme Court indicated that a CTM (and only a CTM!) might not enjoy protection in certain cases. If the Federal Supreme Court actually does put into practice such considerations, we could in fact have a situation where a German national mark can prevail against certain

younger signs where a CTM cannot. I hope that the *Bundesgerichtshof* does not really take this path of discrimination against CTMs. But anyway, a trademark owner that has enough money should hear alarm bells ringing and quickly apply for German marks.

What are the most productive ways to protect brands in Germany outside of using straight trademark law?

MV: Germany offers trademark registration, design registration, title protection, copyright protection and also rights under the Unfair Competition Act. (However, trying to secure brands under unfair competition law raises the issue of the relationship between the Unfair Competition Act and the Trademark Act and requires additional factual evidence.) Depending on the specific brand (word, logo, product or packaging shape or title etc), different methods of protection may be available to the brand owner. All protective laws provide for the right of forbearance (ie, the right to stop the infringement) thus protecting the brand owner's most significant interest. There is also extensive scope for additional claims of compensatory damages. In the end, however, any productive protection requires that the brand owner opt for distinctive brands rather than descriptive terms, which are tough to defend, and use and enforce its rights in a proper and consistent way. This requires cooperation between those who manage the brand and trademark lawyers.

UH: Most brands are destroyed not by third-party infringers, but from within the company. A good way to save brands from internal destruction is to bind employees – including the management – to the brand identity. Whether a trademark lawyer is able and tough enough to take the necessary steps to achieve this within the company depends on his standing.

What are the most productive ways of protecting domain names in Germany?

MV: As regards the registration of domain names, a brand owner should register a domain name with Denic eG, the registry responsible for the '.de' top-level domain (TLD). Denic does not require any justification to register a specific domain name (ie, no trademark or similar protected designation is necessary for any entity from any country to register a domain name

under the ‘.de’ TLD). However, as a domain name registration does not, in itself, establish an IP right in the domain name, it is advisable to use one’s own name or a pre-existing, protected trademark as the second-level domain in order to protect the domain name against cybersquatting, use of similar domain names and attacks from third parties. If a completely new name is required, it should be registered as a trademark immediately if it is distinctive (with the usual prior availability searches) or, where appropriate, a generic second-level domain may be used.

UH: The best way to protect a domain name in Germany is the same as for protecting trademarks: be first! The *Bundesgerichtshof* acknowledges priority of registration. If you were first and you have a trademark, name or company name that the domain resembles, nobody will be able to take your domain under normal circumstances.

However, it’s trickier to protect a domain if you do not yet own the respective trademark or name. A domain name in itself is not regarded as a real IP right under German law. Where one does not have one’s own rights, any party that has a right to the name can claim the domain. Thus, the domain name owner does not enjoy protection unless it simultaneously has other rights in the name. A domain registration should therefore – wherever possible – be accompanied by a trademark registration to establish a real IP right for the domain owner.

Have the German courts dealt with internet-related issues such as keywords, linking and metatags? If so, what conclusions have they reached?

MV: Yes, there are various German court decisions regarding keywords, linking and metatags. Most courts hold that, in general, metatags and keywords can infringe third-party name or trademark rights if the metatag or keyword corresponds to or includes the respective trademark or name. However, court practice is not yet fully consistent and this area is still the subject of intensive discussions. Further court decisions, in particular from the Federal Supreme Court will hopefully answer some of these questions.

Linking can be viewed as infringing if it is not clear that the link leads to a third party’s website. However, due to the many different ways to implement a link, the legal implications depend very much on the



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details of each case. The operator of a website should not rely on a mere disclaimer to avoid any responsibility for the content of the linked website.

UH: Two metatag cases have been decided by the Federal Supreme Court. The court affirmed a violation in both cases. One case dealt with real metatags; one case with some kind of white-on-white letters that could be seen only by search engines.

The keyword advertising problem is the subject of much debate in Germany. Courts have taken different approaches. As Martin says, several keyword cases are pending before the Federal Supreme Court. The first decisions are expected to be released within the next year. Currently, there are three types of court decision regarding keyword cases. Some courts – such as the Dusseldorf Higher Regional Court – refuse to accept that keywords are infringing; whereas

others – such as the Braunschweig Higher Regional Court – always make a finding of infringement. And, finally, some courts take a different approach from case to case: if the violator expressly uses a certain trademark as a keyword, the mark owner is entitled to prohibit the keyword; however, if the trademark is used only as part of a context-sensitive search option, there is no infringement. Interestingly, the lower instance of the Braunschweig Higher Regional Court – the Regional Court of Braunschweig – recently changed its opinion and applied the differentiating approach. Thus, trademark owners have lost the easy possibility of getting temporary injunctions in Braunschweig (which was abused by many trademark practitioners). I am quite sure that the intermediary opinion is right and will one day be the position of the Federal Supreme Court. Anyone care to bet – 80/20?!

Finally, the question of linking is a question that – to cite the ECJ – can be answered only globally, taking into account all factors relevant to the circumstances of the case. A press company using linking will be more privileged than a business company that makes money on the back of the links. And a link to contents that change very often and very quickly will be treated differently from a direct link to a copyright-infringing file. However, we already have decisions in Germany prohibiting certain links (eg, from the Higher Regional Court of Munich). It’s certainly true that one cannot abandon all responsibility through use of a simple disclaimer.

What are the most important issues to remember when devising an anti-counterfeiting strategy for Germany? How helpful are, say, the police, Customs and other enforcement agencies?

MV: It is important to protect rights through registration – whether they be trademark registrations, registered designs or any other kind. Customs authorities are very cooperative in discovering counterfeiters and enforcing registered rights. Also, the opportunity to obtain preliminary court orders within days or even hours helps to defend brands or designs against counterfeiting. Customs will make searches for parallel imports following the filing of a separate border measure application (in addition to the one under EU Regulation 1383/03) with German customs authorities. Criminal prosecutors are also active – even without requests by rights holders – in

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enforcing criminal penalties against counterfeiters. This is possible in Germany if enforcement is in the public interest. On the client side, it is important to be able to identify quickly fake goods, as a rapid response is a key issue in border seizure proceedings.

UH: All German companies successfully defending counterfeits pursue a three-way strategy: enforcement by law firms, Customs and the police. In most cases the procedure is coordinated either by a law firm or by an internal trademark protection division.

The German customs authorities are the most successful in the European Union. The Germans alone confiscate more counterfeits than all other EU Customs put together – a fact that may be interpreted as good as well as bad. The port of Hamburg is still an important counterfeit trafficking point where from time to time containers full of counterfeits are confiscated. Every trademark owner should keep an eye on this location with the help of German Customs.

The German police are helpful in large cases of organized crime as well as in cases where courts cannot provide expedient assistance. A well-prepared presence at a big German trade fair may help to keep truckloads of counterfeit goods from the German market. Often, the German police do not have the necessary infrastructure to confiscate and store large amounts of counterfeits. But they are usually cooperative and agree to work together with trademark owners and to accept their financial and practical help.

For most German companies, law firms form the core of their anti-piracy strategy. Due to the principle of reimbursement of fees in German court proceedings, the fight against counterfeiting is not a cost-

intensive matter. Based on long-term considerations, an anti-counterfeiting strategy is often a profitable business for mark owners. They usually receive their expenses back from the trademark violators, often with damages on top.

In general, do you think it is easier or harder to be a trademark owner in Germany than it was, say, five years ago?

MV: It is my impression that the large number of court decisions and the German penchant for discussing legal issues extensively in the specialized literature are perhaps unparalleled in any other part of the world. This has brought German trademark law to a very high level of maturity and openness to trademark implications of new technical developments, which, in principle, should give it a certain stability. Nevertheless, we experience certain ‘wave movements’ in trademark practice. The courts and the PTO waver between strict and less stringent assessments of the registrability of marks on the one side, and their scope of protection on the other. However, from a brand protection perspective, being a trademark owner in Germany was and still is preferable to being one in many other countries.

UH: I believe that generally speaking it is easier. Five years ago many vital questions in European trademark law had not been decided by the ECJ. Were colours and sounds capable of registration at all? How mundane could a sign be and still claim to be distinctive? What constitutes genuine use of a trademark? Today, a lawyer who is familiar with ECJ case law is in a position to answer most of these questions.

On the other hand, the risks for a brand coming from inside a company have probably increased during the past five years. Today, the profit pressure on stock companies is bigger than ever. And, in the same way, the pressure on managers to leave a personal fingerprint on the company has increased. It has also become more and more difficult for advisers to keep shouting: “No fooling around with my trademark!” But if you enjoy fighting, it’s fun. **WTR**