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Düsseldorf Office
Phone: +49 211 90490-0

Munich Office
Phone: +49 89 20300-6320

Germany

Cohausz & Florack



Authors

Erik Schäfer and Reinhard Fischer

Legal framework

The following legislation applies in Germany as a basis for enforcement against counterfeiting:

- the Trademark Act;
- the EU Trademark Regulation (2017/1001);
- the Design Act;
- the EU Community Design Regulation (6/2002);
- the Patent Act;
- the Utility Model Act;
- the Copyright and Related Rights Act; and
- the Act Against Unfair Competition.

The national German legislation is based broadly on EU directives. It also considers international treaties to which Germany is a contracting party (eg, the Paris Convention).

In case of slavish imitations which are not within the scope of IP rights, the Act Against Unfair Competition provides for complementary protection of performances if additional unfair competition aspects are given (eg, an avoidable deception of origin), although the requirements are less strict for identical replications. A basic requirement is the imitation of distinctive features of the

original which are visible to customers. The complementary protection of performances also applies where the imitation of the outer appearance of a product is necessary to implement a previously patent-protected solution of an expired patent, provided that other technological solutions are available which are equivalent to the previously patent-protected solution.

The Act Against Unfair Competition also provides protection against the violation of confidential know-how. Germany was obliged to implement the EU Trade Secrets Directive (2016/943) into national law by 9 June 2018, which has not yet been completed; therefore, amendments to the current know-how protection regime are expected shortly.

Border measures

A cost-free border seizure application can be filed with the competent customs authority (see www.zoll.de). If this application is granted, the customs authorities will withhold suspicious goods that are intended to be introduced into the European Union or Germany. The rights holder is then entitled to closely examine

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Criminal investigations can be slow and may be ended without trial following the infringer's payment of an accepted amount, because public interest is lacking or as a result of a plea bargain

the goods. To do so, Customs gives extensive information to the rights holder, including samples of the retained products on request.

Should the customs applicant or owner of the goods not agree to their destruction, the rights holder may initiate preliminary proceedings before a competent court to determine the existence of IP rights infringement. The rights holder can then obtain a court order to detain the goods for a longer period.

Criminal prosecution

Wilful infringement of IP rights is a violation punishable under German criminal law. Criminal prosecution is governed by the Act on Criminal Procedure. Unless committed by organised crime or on a commercial scale, such violation is punishable by imprisonment of up to three years or a fine, and can be prosecuted only on the filing of a complaint by the aggrieved party. If committed by organised crime or on a commercial scale, the violation is punishable by imprisonment of three months to five years and may be prosecuted if there is public interest in doing so. Infringing goods may be confiscated. The Act on Criminal Procedure also allows the seizure of goods for investigative and evidence collection purposes. The aggrieved party may also seek a verdict for damages by adhesion in a criminal court.

Civil and criminal proceedings are not mutually exclusive. Since criminal prosecution is in the hands of the public prosecutors directing law enforcement agencies, rights holders do not have the same control over the proceedings as they would have in a civil case. However, in certain cases starting criminal proceedings in order to subsequently gain access to the factual findings may prove

beneficial. Criminal investigations can be slow and may be ended without trial following the infringer's payment of an accepted amount, because public interest is lacking or as a result of a plea bargain. Cases in which the infringement is complex and difficult to prove may prevent the public prosecution from proceeding smoothly. However, as soon as public safety or health is potentially affected, a criminal complaint is likely to be required. If the public prosecution has identified the suspect but decides to terminate the matter without trial, the aggrieved party may file an action for the trial to take place.

Civil enforcement

For civil enforcement against counterfeiting, an application must be made to the ordinary courts. Preliminary *ex parte* measures play an important role, but are admissible only for some of the remedies available (particularly injunctive relief, but also urgent sequestrations and claims for disclosure of relevant information to prevent further illegal acts, such as information about deliverers and customers). Claims for damages, for example, can be enforced within substantive proceedings only.

Further, it may be necessary to initiate substantive proceedings after obtaining a preliminary injunction in order for the court to confirm the preliminary decision in an ordinary proceeding. Such substantive proceedings can be initiated on the defendant's request. The court then sets a deadline for the claimant to initiate substantive proceedings. If the claimant misses this deadline, the court will annul the preliminary injunction on the defendant's request. The preliminary injunction will also be annulled on the defendant's request if such claims become time barred. Therefore, unless

the defendant does not explicitly accept the preliminary injunction as a final and binding determination of the matter, the claimant should initiate substantive proceedings before expiration of the limitation period of the claims enforced in the preliminary proceedings.

The following remedies are available in civil infringement proceedings:

- claims to cease and desist;
- claims for actual damages;
- unjust enrichment claims;
- subject to certain conditions, claims for destruction and recall or permanent removal from sale of the infringing goods;
- claims for information concerning the origin and sales channels of IP-infringing goods or services (in special cases, these claims may also be asserted against certain third parties);
- under certain conditions, claims that the infringer submit or allow access to banking, financial or commercial documents;
- information claims regarding nature and scope of the infringing acts; and
- claims for the publication of the final judgment.

Preliminary measures

Preliminary *ex parte* injunctions can be obtained quickly and without hearing the opponent. If no hearing is necessary, the courts typically decide within one or two days after receipt of the claimant's request, or even on the same day in urgent cases.

If a party suspects that it may be wrongly suspected of infringement and subject to a future request for an *ex parte* injunction, it may file a protective letter with any or all competent courts in Germany, explaining and demonstrating that it is not infringing. The protective letter is centrally filed with an electronic register and requested by the competent court if a motion for an interim injunction is filed against the respondent.

The issuance of preliminary injunctions requires urgency, which is typically assumed in counterfeiting actions. However, if the claimant has been aware of the infringing acts for a considerable period without having taken action against the infringer, the courts will reject the application for a preliminary injunction due to a lack of urgency (this period is not legally defined, although it is generally

agreed to be within one or two months, depending on the competent court).

The application for a preliminary injunction must contain documentation providing persuasive *prima facie* evidence of:

- the counterfeiting acts;
- the petitioner's rights on which the claims are based; and
- the involvement of the defendant.

While witnesses must be heard directly before the court in substantive proceedings, witness declarations in preliminary proceedings are usually provided in the form of affidavits. The court may decide to set a hearing for witness declarations, but affidavits remain being accepted means of proof (unlike in substantive proceedings).

If, as is mostly the case, an order with the preliminary injunction is issued without holding a hearing, it can be opposed by the respondent. The court will then hold a hearing within a short timeframe for a decision by way of judgment on whether the injunction should be upheld. Nevertheless, the preliminary injunction remains enforceable as long as it is not annulled. Only in rare cases will the court – on the defendant's request – decide to temporarily suspend enforcement of the preliminary injunction. The first-instance judgment can be appealed before the competent higher regional court.

If at a later stage the preliminary injunction proves to have been unfounded, the petitioner must compensate the respondent for damages that it suffered as a result of the enforcement of the measure or for the opponent's provision of security to avert the enforcement or to repeal the measure. Consequently, since a preliminary injunction generally entails the respondent's obligation to recall the products from its customers, damages resulting from such a recall (which are usually considerable) must be borne by the petitioner if the injunction ultimately proves to have been unfounded. Although court proceedings in Germany are relatively cost efficient and generally affordable for small entities, the threat of a compensation claim in such cases may dissuade small entities from filing for a preliminary injunction. For now, it is unclear whether the courts will allow applications explicitly excluding the obligation

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If the party bearing the burden of proof is unable to provide sufficient evidence for an asserted fact, the court will regard this alleged fact as unproven

to recall infringing goods, which may be a strategy for small entities.

Substantive proceedings

A final judgment can be obtained only in ordinary court proceedings, which are initiated by filing a substantiated statement of claim. If the claimant is located outside the European Union, the court may under certain circumstances order it to provide security for the costs of the proceedings at the defendant's request.

The court usually orders preliminary written proceedings before an oral hearing is held. Where relevant asserted facts are disputed by one party, the asserting party (usually the claimant) bears the burden of proving them, which can be done by:

- hearing of a witness or court-appointed expert;
- taking visual evidence (of persons or things);
- providing records and documents; and
- (in exceptional cases) hearing of the other party.

The court does not conduct an *ex officio* examination of the facts. Only facts that were asserted in the party's written submissions will be relevant for the taking of evidence that is directed by a procedural order issued by the tribunal. If the party bearing the burden of proof is unable to provide sufficient evidence for an asserted fact, the court will regard this alleged fact as unproven.

The parties must make their statements as to the facts and circumstances fully and truthfully, or else risk criminal prosecution.

If a claim is based on a registered IP right, the court is essentially bound by the registration, even if it is convinced that the IP right was wrongly registered. However, the court may suspend the proceedings at its discretion if the IP right is contested in nullity

proceedings until a decision has been made in those proceedings. As far as national German IP rights are concerned, the infringement court may not reject the infringement proceedings if it considers the IP right to be legally invalid, unless such right has been declared invalid by the competent court or an admissible counterclaim for invalidation is pending in the infringement proceedings before that court. For example, the validity of EU trademarks and Community designs (eg, not patents) can be contested through a counterclaim in the same proceedings. In preliminary injunction proceedings, the court may consider a probable invalidity of the IP right when weighing the opposing interests of the parties in regard to a cease and desist order.

There are two instances of substantial proceedings. In the first instance, the court usually issues a decision within one or two years, which can then be appealed. In the second instance, the higher regional court reviews this decision with regard to errors of law. In exceptional cases, new circumstances and facts of the case may be examined. In some cases, the parties can appeal the second-instance decision of the higher regional court to the German Federal Court, on points of law.

Reasonable attorneys' fees and court fees are awarded based on the value in dispute, depending on the extent to which a party prevails in the final decision of substantive proceedings, as well as preliminary proceedings.

Cease and desist letter

It is typical to send a cease and desist letter to opponents with the intention of settling the matter out of court before initiating court litigation; however, this is not required by law. Where a court order is applied for or a preliminary injunction is obtained before

**Erik Schäfer**

Partner

eschaefer@cohausz-florack.de

Erik Schäfer is a partner at COHAUSZ & FLORACK. He graduated from the University of Freiburg in 1983 and qualified for the German Bar in 1987. His main areas of practice are intellectual property, arbitration matters with a technical aspect (especially intellectual property and information technology) and commercial law. He advises clients in complex contract matters at pre and post-contracting stages. He has acted as both counsel and arbitrator in domestic and international arbitration proceedings and court cases since 1994, when he returned to Germany from working as counsel in France. He is trained in mediation techniques. Mr Schäfer is fluent in English, Spanish, French and German.

**Reinhard Fischer**

Attorney at law

rfischer@cohausz-florack.de

Reinhard Fischer joined COHAUSZ & FLORACK in 2014 after working for another law firm since 2005. He specialises mainly in IP and IT law, as well as unfair competition law. Dr Fischer's areas of practice cover IP rights prosecution and litigation, as well as the drafting, examination and negotiation of IP and IT agreements, particularly licence agreements, IP purchase agreements, R&D agreements, software agreements and confidentiality agreements. Further, he has participated in several M&A projects and conducted due diligence as a legal adviser for IP and IT matters. In 2008 Dr Fischer received his PhD from Cologne University, with a thesis comparing contracts for the international sale of goods law to non-uniform German contract law.

sending a cease and desist letter, the opponent has the option to acknowledge the claim immediately and apply to the court to impose the costs of the proceeding on the claimant, even if the claim is founded.

Sending a prior cease and desist letter may not be recommended if the claimant suspects that the opponent may subsequently attempt to dispose of the counterfeit products. In this case, it may be preferable to obtain a preliminary *ex parte* injunction without prior warning, which also covers the sequestration of the products. The courts usually rule that a prior warning was unreasonable for the claimant in such case and impose the costs of the proceedings on the opponent, even if it acknowledges

the claim immediately after receiving the preliminary injunction.

Where a cease and desist letter is unfounded, the issuer of the letter is liable for the damages sustained by the opponent as a result of taking precautionary measures in connection with the warning. In certain cases, a lawyer sending the warning letter as a representative can be held liable.

In order to avoid court proceedings, the opponent must acknowledge the asserted claims. With regard to the cease and desist claim, the opponent must issue a cease and desist declaration which provides for an appropriate penalty in case of a future violation of the declaration, if the cease and desist claim

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Online trading platforms that operate under their own name are liable for infringements in the same way as bricks-and-mortar traders

is based on an already committed infringement (and not merely a threat of first infringement). A cease and desist declaration without contractual penalty is insufficient to avoid court proceedings.

Anti-counterfeiting online

Offering goods or services which infringe a trademark valid in Germany to customers physically located in Germany constitutes an act of tort. According to the applicable EU regulations and the German Code of Civil Procedure, the competence for dealing with such torts depends on whether the act is committed (ie, has effect) in Germany and in accordance with the local territorial jurisdiction of the respective court. Many infringements are first detected on the Internet; accordingly, the abovementioned provisions in relation to infringements in general also apply to infringing offers made online. Infringing offers made through the Internet may be pursued in Germany with civil and/or criminal measures, as would be the case with infringements physically taking place in Germany, if IP rights are infringed. Recent case law seems to indicate that under certain circumstances German courts may not have jurisdiction in regard to EU IP rights, where the website hosted outside of Germany is also directed to the German customers but no other infringing act by the respondent is taking place in Germany. However, the exact bearing of this case law remains to be ascertained.

Further, if there is no evidence concerning other infringing acts committed in Germany (aside from the offer in question) and the language of the offer is not German, it may be arguable whether the offer was made to customers in Germany. If such an online offer is combined with a disclaimer (eg, ‘not sold to Germany’), actual sales in Germany are

required to establish German jurisdiction and the application of German IP law. A trial order may bolster evidence in this regard.

Enforcing trademarks or name rights against domains is subject to the dispute resolution policy of the agency administering the respective domain. DENIC, which administers the ‘.de’ domain, does not have an independent dispute resolution policy; therefore, any infringing use of a ‘.de’ domain must be prosecuted in German courts.

Online trading platforms that operate under their own name are liable for infringements in the same way as bricks-and-mortar traders. According to case law, platforms allowing third-party offers are not directly responsible for IP rights infringements on their portals and will not be held liable for such infringing offers or their non-detection, unless the aggrieved rights holder has notified the platform of the specific infringing offer. However, the party that posted the infringing offer on the platform will be fully liable. Obtaining all relevant information about infringers will not always be easy, due to the high personal data protection standards in the European Union.

A substantial problem in certain sectors (eg, fashion) is the rise of fake websites that are technically devised in a way that makes determining the acting party extremely difficult; the trail often leads to servers in opaque, faraway locations. In a number of such cases, the WHOIS registration records use of false or stolen identities.

Preventive measures/strategies

Preventive measures may vary greatly, depending on the market in which the rights holder operates. Essentially, preventive measures should be considered on two levels:

- With regard to violations by competitors that are operating legitimately, but which

inadvertently and negligently infringe IP rights, it is recommended to set up watch services to monitor IP rights filing activities.

- The marketing department of rights-holding entities, assisted and guided by the IP department, should regularly monitor the market for infringements by undertaking the appropriate searches or contracting such searches out to specialised service providers. This covers not only the first category of infringers, but also counterfeiters that wilfully infringe IP rights.

If counterfeit goods are known to be destined for import into the European Union, it is highly recommended to apply for border seizure of the goods under EU Regulation 1383/2003 and/or national German legislation. German Customs is part of COPIS, the EU-wide IP rights database for customs enforcement. It is crucial to provide COPIS with as much information as possible concerning potential infringers, means of identifying infringing articles, possible ports of entry and potential recipients, among other things. It may also be beneficial to conduct training programmes with German Customs. **WR**

C O H A U S Z & F L O R A C K

Cohausz & Florack

Bleichstrasse 14
Dusseldorf D-40211
Germany

Tel +49 211 90 4900
Fax +49 211 90 490 49
Web www.cohausz-florack.com