

 WTR

GUIDE TO ANTI-COUNTERFEITING 2023

START READING



Germany: EU directives, international treaties and domestic initiatives boost IP protection

Reinhard Fischer and Tamara Moll
COHAUSZ & FLORACK





Germany: EU directives, international treaties and domestic initiatives boost IP protection

COHAUSZ & FLORACK

Authors

[Reinhard Fischer](#) and [Tamara Moll](#)

COHAUSZ & FLORACK

Bleichstrasse 14, Dusseldorf 40211, Germany

Tel: +49 211 90490 0

www.cohausz-florack.de

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;
- the Act Against Unfair Competition; and
- the Trade Secrets Act.

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 virtually identical lookalikes (slavish imitations) that are not within the scope of IP rights, the Act Against Unfair Competition provides for complementary protection if additional unfair acts are committed (eg, an avoidable deception of origin). Requirements are less strict for identical replications. A basic requirement is the imitation of distinctive features of the original that are visible to customers. The complementary protection may even apply where the imitation of appearance is necessary to implement the subject matter of an expired patent, if other equivalent technological solutions are available.

Border measures

A cost-free border seizure application can be filed with the competent customs authority. If this 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 entitled to closely examine these goods. On request, Customs will provide extensive information to the rights holder, including samples of the retained products.

Should the importer or owner of the goods object to destruction, the rights holder may initiate proceedings before a competent court to determine the existence of the IP rights infringement. The rights holder may seek a court order to detain the goods for a longer period.

Criminal prosecution

Wilful infringement of IP rights is punishable under German criminal law. Unless committed by organised crime or on a commercial scale, such violation is normally prosecuted only if the aggrieved party files a criminal complaint. 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 *ex officio* if there is a public interest. Infringing goods may be confiscated. The Criminal Procedure Act also allows the seizure of goods for investigative and evidence collection purposes. The aggrieved party may also claim 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, 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.

Civil enforcement

German infringers may always be sued at their legal seat and, alternatively, at the place where the tort is being committed (this alternative is not available under the Trade Secret Act). Infringers having no domicile or legal establishment may be sued at the place where the tort is being committed (ie, the court that has jurisdiction in the geographical area). Except for infringement claims arising under the Act Against Unfair Competition or the Trade Secrets Act, all



abovementioned acts provide for the *ratio materiae* jurisdiction of specialised courts. In matters governed by the Trade Secret Act, the German Federal States may refer the matters to specialised courts; some of them have already exercised the empowerment.

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 in urgent matters without a hearing. Until recently, such orders were made *ex parte* within a few days. However, recent case law strengthened the defendant's right to be heard. Therefore, the court is relatively likely to exercise its discretion and order oral hearings to take place and grant abbreviated deadlines for written argument, particularly if the defendant had no chance to present its arguments out of court or within a protective letter. Accordingly, it has become more common to hold a hearing before the decision is made.

If a party suspects that it could be wrongly subjected to a future request for an *ex parte* injunction, it may file a protective letter, explaining and demonstrating that it is not infringing. The protective letter is centrally filed with an electronic register and considered if a motion for an interim injunction is filed.

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, the courts will reject the application for a preliminary injunction due to a lack of urgency (this period is not legally defined; it is recommendable that the request for the injunction be filed within one month from the date of taking cognisance of the relevant facts).

The application for a preliminary injunction must be accompanied by documentary evidence providing persuasive *prima facie* proof of:

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

Only evidence that is presented with the submissions or at the hearing will be considered. While witnesses must be heard directly before the court in substantive proceedings, written witness declarations (affidavits) are usually admissible



in preliminary proceedings. The court may, on rare occasions, decide to hear witnesses, but affidavits continue to be accepted (unlike in substantive proceedings).

If a preliminary injunction is issued in the form of an order 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. The preliminary injunction remains enforceable as long as it is not annulled. Only in rare cases will the court – at the defendant's request – decide to temporarily suspend enforcement of the preliminary injunction. The first-instance judgment can be appealed.

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 a provision of security by the opponent 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 to recall infringing goods, which may be a strategy for small entities.

In preliminary *ex parte* measures only some of the available remedies are admissible (particularly injunctive relief comprising an order to cease and desist, but also urgent sequestrations and claims for disclosure of information to prevent further illegal acts, such as information about deliverers and customers or inspection by a court-appointed expert in patent and utility model matters). Claims for damages, for example, can be enforced in substantive proceedings only. According to recent case law, procedural equality of arms may require a hearing before a decision on the motion is issued.

Even if preliminary relief is granted and upheld in opposition or appeal proceedings, it may become necessary to initiate substantive proceedings for the court to confirm the preliminary decision in a substantive proceeding. Such substantive proceedings can be ordered by the court at the infringer's request. The court then sets a deadline initiating substantive proceedings. If the claimant misses this deadline, the court will annul the preliminary injunction on request. The preliminary injunction will also be annulled at the defendant's request if the claim to cease and desist becomes time-barred.

Therefore, unless the infringer does not explicitly accept the preliminary injunction as a final and binding determination of the matter, the claimant should initiate substantive proceedings before the claims enforced by preliminary proceedings become time-barred.

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, and mutual enforcement of court orders is not as-



sured the court may 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, the asserting party (usually the claimant) bears the burden of proof, 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. The parties must assert factual circumstances fully and truthfully, or else risk criminal prosecution. Only facts that are asserted in the party's written submissions will be relevant for the taking of evidence as directed by a procedural order issued by the tribunal. If the party bearing the burden of proof is unable to provide persuasive evidence for an asserted fact, the court will regard this alleged fact as unproven.

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 dismiss the infringement claims 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 it. For example, the validity of EU trademarks and Community designs 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 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.

Enforcement of court-ordered injunctions

If an infringer violates the injunction, at the request of the claimant the court can impose a fine on the infringer, provided that the injunction contained a warning of the fine (which it usually will).

Fines can reach up to €250,000 for each violation. In case of a first violation, fines of around €5,000 (or lower for minor violations) are usual. Unlike contractual penalties in case of a breach of a cease and desist undertaking, the fines



go to the state treasury and not directly to the requester. The fine proceedings are an effective way to ensure compliance with injunctions and guarantee fair treatment in court proceedings.

Cease and desist letter

It is typical to send a cease and desist letter to opponents before initiating court litigation; however, this is not required by law. Where a court order is applied for or a preliminary injunction is obtained without a cease and desist letter, the opponent may acknowledge the claim immediately and apply for an order for costs against the claimant, even if the claim is founded.

Sending a cease and desist letter may be inappropriate if the claimant suspects that the opponent may subsequently attempt to dispose of the counterfeit products. In this case a preliminary *ex parte* injunction comprising a sequestration order without prior warning may be preferable. The courts usually rule that requiring a prior warning is unreasonable in such cases and order the opponent to bear costs, even if the claim was immediately acknowledged.

If a cease and desist request is unfounded, the issuer of the letter is liable for the damages sustained as a result of taking precautionary measures in connection with the request. In certain cases, a lawyer sending the request to cease and desist can be held personally 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 an undertaking to cease and desist providing for an appropriate penalty in case of a future violation thereof, if the claim to cease and desist results from actual infringement (and not merely a danger of first infringement). A cease and desist declaration without contractual penalty is basically legally insufficient.

If the accusation in the cease and desist letter is unjustified, the person being warned may counterclaim against the issuer. Therefore, if the holder of an IP right is uncertain whether a third party can potentially prove justification (eg, invoke a prior user right or exhaustion of rights), it may be preferable to only present the facts to the potential infringer and invite them to send a reply, but not to assert claims for infringement. Many cases can be settled this way.

Anti-counterfeiting online

Offering goods or services infringing a trademark valid in Germany to customers physically located in Germany is a tortious act. According to the applicable EU regulations and the German Code of Civil Procedure, the jurisdiction for dealing with such torts depends on whether the act is committed (ie, has effect) in Germany and the local territorial jurisdiction of the respective court. Many infringements are first detected on the Internet. 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. Pursuant to the European Court of Justice Case C-172/18 (5 September 2019), owners of EU trademarks can also file infringement suits in a country in the territory of which the potential trademark infringer has carried out advertising measures that are



(also) directed at customers in that country, even if these are deployed via the Internet from another EU member state.

However, if there is no evidence concerning infringing acts committed in Germany (aside from the availability of a public offer via the Internet) and the language of the offer is 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 for establishing German jurisdiction and the application of German IP law.

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. DENIC supports the claimant by means of a DISPUTE entry, meaning that the domain cannot be transferred to a third party. To do this, claimants must prove that they might have a right to the domain. After the entry is made the claimant must assert the right against the domain holder, otherwise, it will be removed. The holder of the entry becomes the new domain holder as soon as the domain is deleted or waived by the current owner following a court decision. The DISPUTE entry is initially valid for one year and can be extended if a dispute is still pending.

Previously, online platforms were only held liable as indirect infringers for IP infringements. This means that, for example, if trademark owners identified a violation through third-party listings, taking action against the platform operator was often ineffective.

However, according to a recent decision by the European Court of Justice (ECJ) (Case C-148/21, dated 22 December 2022), this responsibility is no longer unlimited for platforms that not only enable third-party sales but also engage in direct sales themselves. The ECJ has now opened the possibility for platform operators to be considered trademark infringers, even if the infringing offers originate from third parties.

This decision is beneficial for trademark owners, as it allows them to potentially assert claims against the platform operator itself, regardless of whether the operator had knowledge of the trademark infringement. Particularly when third-party sellers are located abroad, pursuing the platform operator may be a more practical approach to effectively combat trademark infringements.

Whether the commonly used, often inconspicuous indications by many platforms that an item is offered by a third-party satisfy the ECJ's requirements for excluding platform liability remains to be seen.

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 to demonstrate how to recognise counterfeit products.



Reinhard Fischer

Partner

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.



Tamara Moll

Attorney-at-law

tmoll@cohausz-florack.de

Tamara Moll, an attorney-at-law at COHAUSZ & FLORACK, specialises in IP law, including trademarks and designs, competition, copyright and employee inventions. Ms Moll also advises clients on trademark strategy, IP rights enforcement and defence, and trademark protectability. With degrees in business studies and law, she brings a strong background in both legal and business expertise to her practice. She previously worked as a business consultant and a business development manager. She later pursued a law degree specialising in IP law in Frankfurt and Bonn. During her studies, she was involved in business start-up consultancy and worked as a research assistant in banking and capital markets law.