

**The courts' role to ensure an effective and efficient legal protection against any act of infringement of intellectual property rights, especially of trademarks against Infringement of Trademarks on the Internet**

**Dear colleagues, Ladies and Gentlemen !**

**Table 1**

**I.**

The expansion of the World Wide Web has led to an expansion in trademark infringement claims and lawsuits involving the internet with potentially severe legal and economic consequences. Claims of trademark infringement on the internet often arise where the owner of a trademark seeks a relief against

- a) an internet domain name that is identical or at least similar to a trademark, and
- b) banner ads or other advertising using the trademark on the internet.

**II.**

The trademark grants the proprietor an exclusive right enabling him to prevent unauthorised third parties from using the mark in trade without

his consent. More specifically, the trademark entitles him to prevent an unauthorised third party from affixing the registered sign to goods or to their packaging, offering goods, putting them on the market or stocking them for commercial purposes under the sign, or offering or supplying services thereunder, importing or exporting goods under the sign; and using the sign on business papers and in advertising.

If an unauthorised third party engages in any such practices, he is guilty of infringing the exclusive right of the proprietor and counterfeiting his trademark. The trademark owner may protect himself against such fraudulent acts through the actions and measures under both national and international law, like the German Trademark Act or the EU Regulation on the Community Trademark and other regulations laying down measures to prohibit the release for free circulation, export or entry for a suspensive procedure of counterfeit and pirated goods.

### III.

#### **Table 2**

According to Art. 10 ter para. 1 of the Paris Convention for the Protection of Industrial Property of 1883, the signatory countries undertake to assure to nationals of the other Union countries appropriate legal remedies effectively to repress all the acts referred to in Art. 9 - 10bis.

The remedies typically available in intellectual property infringement actions are injunctions, damages and account of profits. Most actions

start with an application for some form of preliminary relief, and in most cases, do not get beyond this stage.

## **1. Preliminary Relief: The Interim Injunction**

The period from the time of commencement of proceedings to the final determination of a case can allow significant damage in the form of lost sales and profits, to reputation, and through other exploitation of material and/or information. Furthermore, the nature of the infringement or other unlawful conduct may be such as to make damages or an account of profits an inadequate remedy.

One of the reasons for this is that the defendant may be impecunious or may disappear. But these will not be the only reasons why, in a particular case, damages may not be an adequate remedy. More often, this is because of the nature of the intellectual property right in question and the difficulty of reaching a precise estimate of the loss suffered as the result of an infringement. If, in such a case, the defendant's unlawful conduct is restrained at the outset, the problem of damages may either disappear from the case altogether or be very much less difficult than otherwise would be the case.

The most useful and used preliminary remedy is the interim injunction, the main purpose of which is usually described as being to preserve the status quo until the hearing of the main action. It is provided for in Article 50, paragraphs 1 and 2 of the TRIPS Agreement.



To meet these requirements, there is, in principle, no need for new legislation but for the courts to apply the well-established existing legal regime in a way that takes the specifics of international IP law into consideration.

To give you an example: Under §§ 935 to 945 of the German Code of Civil Procedure German courts have the competence to grant temporary injunctions in cases of an alleged infringement of any right. This general provision applies also to trademark infringement cases.

Although preserving the *status quo* as at the time of making an application is usually the most appropriate order, this is not the main concern of the interim injunction. The primary matter is the maintenance of a position that will most easily enable justice to be done when the final determination is made. Thus, a court will sometimes order that an earlier position be restored, or that the parties arrange their affairs in some other way that is more in accordance with the requirements of justice.

However, there are cases where interim injunctions are not sufficient to protect intellectual property rights against the threat of continuing infringement. This is often because the evidence needed to sustain an application for both interim and final relief is not readily available. Whereas in a “normal” court case it is for the plaintiff to prove to the court’s conviction the alleged infringement by means of witnesses, expert witnesses, documents or appearance, temporary injunctions may be granted already on a basis of predominant probability and plausibility. The most common piece of evidence is the affidavit.

Similarly, the collection of evidence and even a final judgement in favour of a plaintiff may be to no avail if the defendant has no assets within the court's jurisdiction which can be used to fund any damages ordered. This is a serious problem given the increasing resourcefulness of those attempting to avoid their obligations, the ease with which money can be moved from one country to another, and advances in technology. In order to address this problem the EU is about to pass legislation allowing the execution of judgements throughout the EU by mutually acknowledging the national courts' decisions.

Should the injunction be breached, the plaintiff can move for contempt of court. Disobeying a court's order can be sanctioned by imposing a substantial fine on the defendant or even taking him into custody.

## **2. Final Injunction**

In the normal course, a successful plaintiff in an industrial property action will be entitled to a final injunction. The grant of it is discretionary and only in unusual situations will a permanent injunction be refused. Should the injunction be breached, again, the plaintiff can move for contempt of court, and in the field of industrial property experience shows that such action on the part of a plaintiff is not at all infrequent.

## **3. Damages or Account of Profits**

The assessment of damages in industrial property cases invariably demands as a first step an election by the successful plaintiff as to whether he will take an inquiry as to damages on the one hand, or an

account of profits on the other. Usually a successful plaintiff asks for an order that an inquiry as to damages be taken. When this is done, in a difficult case, the plaintiff may have to endure a fresh trial almost as substantial as the trial as to liability. For this reason, fully litigated industrial property cases seldom go as far as a full inquiry as to damages; they tend to settle when liability has been established.

There is no universally appropriate test or formula for assessing damages. Damages in any IP field are notoriously difficult to assess with any degree of accuracy, and the courts have sensibly taken this into account by declining to lay down general rules. A common approach is to assess damages on the basis of a notional license. Another approach, that is more difficult to prove, is through consideration of sales lost to the plaintiff; in this case he is entitled to the entire lost profit.

#### **4. Criminal Sanctions**

Another remedy for infringement of trademarks are criminal sanctions. According to sec. 143 of the German Trademark Act, possible sanctions for trademark infringement are imprisonment for up to five years or a substantial fine and/or sequestration of assets.

### **IV.**

1. The elements for a successful trademark infringement claim have been well established.

In a nutshell, a plaintiff has the burden of proving that the defendant's use of a trademark has created a likelihood-of-confusion about the origin of the defendant's goods or service. To do this, the plaintiff should first show that it has developed a protectable right in a trademark. The plaintiff then must show that the defendant is using confusingly similar mark in such a way that it creates a likelihood of confusion, mistake and/or deception with the consuming public. The confusion created can be that the defendant's products or services are the same as that of the plaintiff, or that the defendant is somehow associated, affiliated, connected, approved, authorized or sponsored by the plaintiff.

2. Protection may be sought under sec. 14 (2) Trademark Act (Markengesetz), which corresponds to Art. 5 (2), (3) of the European Trade-mark Directive (89/104/EC) that is applicable in all EU Member States and in those of the European Economic Area. In the case of company names and other business identifiers, the relevant provisions are set out in sec. 15 (2), (3) MarkenG.

#### **Table 4**

In addition to those provisions of the trademark law, the general clause of the Act Against Unfair Competition (sec. 1 UWG), as well as the provisions of the Civil Code regarding torts (sec. 12, 823, 826 1004 BGB) may give legal grounds for actions against infringements.

3. As always, everything depends upon the actual circumstances. To analyse whether a particular situation has developed a "likelihood of confusion", courts have generally looked at the following six factors:

**Table 5**

- 1) the characteristic value of the trademark or the distinctive sign that might be infringed,
- 2) the similarity in the overall impression created by the two marks, including the marks' look, phonetic similarities, and underlying meanings,
- 3) the similarity of the goods and services or fields of commercial activities involved,
- 4) the risk of confusion on the side of the addressed and reached public; the risk of confusion criterion is not necessary if the relevant trademark is well-known,
- 5) the physical proximity of the goods and services in the retail marketplace, and
- 6) the likelihood of expansion of the product lines.

The risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion (*CANNON*, ECJ 29 September 1998).

The global assessment, necessary to determine the “likelihood of confusion”, implies some interdependence between the relevant factors, and in particular a similarity between the trademarks and between the goods or services covered. Accordingly, a lesser degree of similarity

between those goods or services may be offset by a greater degree of similarity between the marks, and *vice versa*.

The more distinctive the earlier mark, the greater will be the likelihood of confusion, and therefore marks with a highly distinctive character, either *per se* or because of the recognition they possess on the market, enjoy broader protection than marks with a less distinctive character. It follows that there may be a likelihood of confusion, notwithstanding a lesser degree of similarity between the marks, where the goods or services covered by them are very similar and the earlier mark is highly distinctive.

In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, the national court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other undertakings.

In making that assessment, account should be taken, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered; the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant section of the public which, because of the mark, identifies the goods or services as originating from

a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.

However, it is not possible to state in general terms, e.g. by referring to given percentages relating to the degree of recognition attained by the mark within the relevant section of the public, when a mark has a strong distinctive character. In addition, the global appreciation of the likelihood of confusion must, as regards the visual, aural or conceptual similarity of the marks in question, be based on the overall impression created by them, bearing in mind, in particular, their distinctive and dominant components. The average consumer normally perceives a mark as a whole and does not proceed to analyse its various details.

For the purposes of that global appreciation, the average consumer of the category of products or services involved, is deemed to be reasonably well-informed and reasonably observant and reasonably circumspect. This factor is arguable the most important and difficult, for the court needs to predict the effect of the sign in question on the public (*Gut Springenheide*, ECJ 16 July 1998).

## V.

### Table 6

I would like to give you some examples, where German courts have assumed or denied an infringement of a trademark.

## 1. Trademark / Domain Name Conflicts

Conflicts between trademarks or other distinctive signs and identical or confusingly similar domain names arise in particular in view of the following three aspects in which the interests of trademark owners are afflicted:

- a) by the risk that business may be distracted from them if a person, after having landed on the „wrong“ web site – and even without being confused with regard to the commercial origin of the goods and services offered or as to the relationship between the company offering them and the „true“ right holder – finds that the products or services presented there may be a good substitute for the products or services offered by the trademark owner,
- b) by the risk of a blocking effect, i.e. unlike the situation in ordinary trademark law, when two identical marks may co-exist if they are used for different products or services or on different territories, the registration of a sign as a second-level domain entails a world wide blocking effect in respect of the top-level domain concerned,
- c) by the risk that the person having registered the domain name may use it for the spreading of defamatory messages about the trademark owner or the products or services it stands for.

The first German judgement considering this question did not concern a trademark but the name of the well-known city of Heidelberg (*heidelberg.de*, *celle.de*, *kerpen.de*, *braunschweig.de*). It was, therefore, decided on the basis of sec. 12 BGB – protection of name rights –, but the court's line of argument is, *mutatis mutandis*, applicable to trademark cases as well (*eltern.de*).

However, things may be different if the name – although protectable in its function as a distinctive sign – is viewed by the public as descriptive, at least when used in the context of a domain name. For this reason the District Court of Hamburg denied an infringement by the domain name „bike.de“ of the magazine title „bike“ for a biker-magazine which was protected in principle, yet which remained unknown to a large part of the public. A similar decision was delivered by the Hanseatic Court of Appeal: *handy.de*. However, the plaintiff won that case, because the court said that the term *handy.de* would only be descriptive for trading with mobile phones but not for other goods and services.

The use of the domain name as an infringing sign in commerce is an indispensable prerequisite for a trademark infringement (as well as for the application of sec. 1 UWG). Doubts as to the fulfilment of this criterion typically arise when the web site for which the domain name has been registered is not (yet) used for commercial activities, and when it is uncertain when and for which purposes it will be used in the future.

In general, German courts have held that although a domain name may not be actually used for advertising or selling of goods and services, claims for injunction on the basis of trademark or unfair competition law can be obtained, if the domain name holder obviously prepares to use the domain commercially or engages – or intends to engage – in „trafficking“ in the domain name (*epson.de*, *audi-lamborghini.net*, *commercebank.de*, *commercebank.ch*, *SAP-wap.de*, *ClasseE*). Indications of such an intend may be found in an unsolicited

offer to sell the name back to the right owner (regularly for a very high price), in an offer to sell it to the highest bidder in a public auction, in the fact that the person concerned has registered a (large) number of domain names which are identical or very similar to other person's distinctive signs. All these indications give reasons to believe that the domain name holder is a domain-grabber.

Even without any commercial usage of the a domain, the registration of a domain name that is identical or similar with a well-known company name might constitute an infringement of the name right under sec. 12 BGB (*Rolls Royce*).

One specific problem arises where the domain holder has a right of his own to use the name in question. In cases of conflicts between parties with the same name, e.g. between an individual using his family name as internet domain and a trademark owner using the same name as trademark, the German Federal Court in civil matters (*BGH*) held that the interests of both right holders need to be weighed (*shell.de*). Although it is usually the priority of registration that decides about who's right prevails, the balancing of all relevant factors might lead to a different result,

- if one party is well known,
- if the public expects that the web site comes from that particular party, and
- if the other party, i.e. the domain holder, cannot prove a specific interest in using that particular domain name.

In such a case, the domain holder can be obliged to add some differentiated attributes, like e.g. his first name. In some cases, it might even be sufficient to include some remark on the first page of the web site in question explaining to the user that the web site comes from the name holder and to install a link to the web site of the other name holder (*vossius.de*).

On the other hand, it has been confirmed recently that the use of an internet domain name that is identical with the trademark of someone else does not lead to an infringement of the latter's rights, if the services or goods offered by the parties are different (*exes.de*) and if none of them is particularly well-known.

One of the last cases decided by the *BGH* affected the issue of geographical indications. It was held that the use of the internet domain *champagner.de* to distribute information and commercials about champagne does not conflict unfairly either with the reputation or with the distinctiveness of geographical indication "Champagne".

## **2. Trademark / Banner Ads Conflicts**

Concerning the issue of trademark infringement by banner ads or other advertising on the internet, I would like to refer to a case we had to decide two years ago and that has become quite known.

Estée Lauder and other perfume manufacturers claimed a ban against an internet cosmetic and fragrance counter and the operator of an internet web directory for trademark infringement. What happened was,

that defendant A offered fragrances manufactured by the plaintiffs without being part of their exclusive distribution system. Moreover, defendant A contracted with defendant B so-called keyword-buys. This technology facilitated that whenever an internet user typed the name of the plaintiffs' trademark into the search field of the web directory a banner-ad of defendant A was predominantly inserted on the screen. Moreover, the defendant's A online advertisement showed the plaintiffs' trademarks.

We left it open for further discussion whether the first kind of advertisement, i.e. the banner-ads on specific keywords, amounts to a trademark infringement. The problem was – and still is – the question whether the function of a trademark is just a matter of reference to the origin of the product or service involved or, apart from that, also a means of promotion. Up to now, the courts, including the European Court of Justice in its decision *Hag II*, limit the function to a mere reference to the origin. However, we saw in this an unfair competition, because defendant A exploited the plaintiffs' good name, and defendant B took part in that unfair competition.

Concerning the second kind of advertisement, i.e. the usage of the plaintiffs' trademarks in connection with the internet commerce of defendant A, we decided in favour of a trademark infringement. Defendant A used the plaintiffs' trademarks without their authorization.

**Thank you very much for your attention**