



THE COPYCAT WARS

German Supreme Court shapes law against counterfeiting

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by Dr. Henning Hartwig

Just in time with the latest implementation of the Council Regulation (EC) No. 6/2002 of December 12, 2001 on Community Designs, Germany's Federal Supreme Court (FSC) set new, i.e. higher standards for trademark owners to protect their industrial designs against unlawful copying. As if the German High Court had already anticipated the up-coming European Harmonization on the Community Design, the FSC obviously is heading for a more restrictive treatment of what in Germany used to be called "Supplementary Protection of Achievements" based on Sect. 1 Act Against Unfair Competition (UWG).

Such protection against both confusion of origin and exploitation of reputation goes back to the *Käthe Kruse-Puppen* decision of 1925 and *Sackpflüge* decision dated 1916. By granting Supplementary Protection under Sect. 1 UWG, this case law covers essentially the direct re-use of another product, including identical or almost identical imitation, and complements the law on special protection of intellectual property in the fight against unfair utilization, marketing or other unlawful forms of exploitation. This kind of protection always stood separately next to claims based on trademark, design or copyright law, at least as far as such special



protection was to be denied as held in the FSC decisions *Elektronische Pressearchive* of 1998 (copyright), *MAC Dog* of 1998 (trademark) and *Blendsegel* dated 2002 (design). Until to date, the EU – apart from the Community Design – did not implement in this respect any legal system similar to the German case law. Instead, the European Court of Justice ruled in the *Multi Cable Transit* decision dated 1982 that importing a product coming from another Member State in which it is lawfully marketed but which for no compelling reason is almost identical to another – prior – product and thereby unnecessarily causes confusion between the two products can be stopped under the aspect of fairness in commercial transactions and consumers’ protection, even if this causes obstacles to movement within the Community resulting from disparities between national legislation.

Requirements of Supplementary Protection

As to the confusion of origin, the FSC lately confirmed in its *Viennetta* decision of 2000 that whoever imitates and/or markets another product by copying features which the public associates with a particular manufacturer, without having taken the necessary, possible and expected steps in order to prevent consumers from such – direct or indirect – confusion of origin, violates Sect. 1 UWG. Such direct likelihood of confusion is to be caused if one has to speak of a “sufficient identity of the copied features of the relevant products in view of their function of origin” as could be read in the *Messerkennzeichnung* decision of 2000. In other words: What does not appear as a feature of origin cannot constitute a claim of infringement, even if this feature is copied blatantly. A kind of indirect confusion of origin is to be affirmed should the consumers assume – in the striking words of the *Noppenbahnen* decision dated 2001 – that the copy-cat is either the plaintiff’s sub-brand or that business relations between the parties exist. Thus, the essential meaning of the Supplementary Protection according to Sect. 1 UWG, as the *Betonsteinelemente* decision has held already in 1991, is to protect competition against the manner in which a



specific product is imitated, and not to protect the product against the “knock-off” (plagiate).

This principle which constitutes the main difference to technical or aesthetic rights, also applies in case a risk of exploitation of another’s work reputation is to be feared, that is if this reputation is worthy of protection and in serious danger of being exploited by the introduction and marketing of counterfeiting products. Thus, consumers who do not realize the imitation as such might buy it because of the original’s quality and reputation as already stipulated in the *Tschibo/Rolox I* decision of 1984. No further relevant case law of the Supreme Court has come to our attention since then, a fact that might also show the minor practical relevance which exploitation of reputation does have in comparison with the much more important confusion of origin.

Confusion of origin and exploitation of reputation both require a certain degree of “competitive individuality” of the original. The closer the field of competition, the stronger this individuality and/or the clearer the imitation must be. This so-called “theory of interaction” was again confirmed in the *Viennetta* decision of 2000. It is a key issue in German law against counterfeiting, similar to trademark rules (see *Messerkennzeichnung* decision of 2000), but unknown in German design or copyright law. In this respect, identical imitation might constitute a relevant likelihood of confusion even in case of a relatively low competitive individuality (see *Beschlagprogramm* decision dated 1986). By this, the existing (not the past!) field of competitors’ models plays an important role in legal practice. In particular, these models might be used as evidence that the knock-off could have been designed in any other form.

Supplementary Protection under unfair competition law was rather popular amongst trademark owners in Germany in the past, since this legal means offered a chance to stop the imitation of designs, packaging, slogans and even non-registered sub-brands. Particularly, the broad acceptance amongst marketers and lawyers constituted a protective shield in terms of interlocutory relief. Many contentious matters – different, for instance, from patent litigation – have been decided in interim proceedings



which, as a rule, consist only of two instances and cannot be appealed to the FSC. Request for a preliminary injunction before an infringement court, however, is admissible only within a certain period of time – one or two months since first knowledge of all relevant circumstances – and due to its prompt enforcement constitutes an effect measure to put economic pressure on the other party once the injunction has been granted. Further, in principle, all claims based on Supplementary Protection have to be brought to court within six months after knowledge of all relevant circumstances of the infringement as laid down in Sect. 21 UWG. This strict ruling of the statute of limitation appears to be the other side of the coin and leads even to a prompt conclusion of litigation in most of the cases.

Stricter standards for protecting industrial designs

However, the enormous importance which Sect. 1 UWG enjoyed for the past decades is now diminishing and melting like snow in the sun as a result of the new German Trademark Act of 1994. The FSC's "roll-back doctrine", as it might be called, was first established in October 2000 in the *Viennetta* decision with the rule that in case of different branding (product or manufacturer) a confusion of origin is only to be affirmed if all relevant aesthetic elements of the design are identically imitated, since the consumer, as a rule, is focussing mainly on the branding or the manufacturer, not on the product or packaging get-up.

Stricter requirements as to the proof of the original's reputation were burdened upon trademark owners with the *Noppenbahnen* decision of November 2001 by requesting "a certain reputation of the original with not insignificant parts of the addressed circles of business". Here, the FSC ruled that the moment of the copy-cat's introduction onto the market – not the closing of the main hearing in infringement proceedings – is decisive. This leads to additional onus of proof, but offers the chance of predating priority. In the *Blendsegel* decision dated February 2002, the FSC held that in case the original incorporates a specific "idea" and the copy re-



minds the consumer of this idea (thus even causing a kind of confusion of origin), this effect has to be accepted as long as the concrete overall impression of both the original and the copy differs when they are used in accordance with their inherent function.

A preliminarily last step was made by the FSC with the *Bremszangen* decision of February 2002 in which the court confirmed protection of technical products against imitation of their aesthetic and/or technical elements being distinctive with regard to their overall impression, but denied further protection against the imitation of technical elements as long as these features cannot be exchanged easily, but have to be understood as technically necessary and functional.

Community Design or Supplementary Protection?

A comparison with the recently implemented Community Design is not far-fetched and has already caused a vivid discussion as to whether the unregistered Community Design in practice means the end of protection under Sect. 1 UWG. Basically, it was argued that the requirements for granting protection as an unregistered Community Design were lower than the requirements of the Supplementary Protection under unfair competition law.

However, a closer look at the different details of both systems reveals that the unregistered Community Design grants protection, if at all, only “for a period of three years as from the date on which the design was first made available to the public within the Community” [Art. 11 of the Council Regulation (EC) No. 6/2002], whereas Sect. 1 UWG offers protection against imitation as long as the prerequisites of such protection are fulfilled, especially as long as the original enjoys sufficient competitive individuality. As a consequence, priority of unregistered Community Designs dates back only up to three years from first availability at the maximum, while the German unfair competition law is focussing on the date the knock-off was introduced which might be even earlier. Last but



not least, Art. 19 of the Council Regulation (EC) No. 6/2002 grants protection of an unregistered Community Design only against such use resulting from copying the protected design, and the corresponding burden of proof, in principle, is on the trademark owner. The German “Supplementary Protection of Achievements”, however, does not require such evidence of positive imitation, but works with a kind of prima facie evidence.

Given these specific differences between the unregistered Community Design and the German law against unfair competition, one should predict a peaceful coexistence between both legal systems, in particular, since according to Art. 96 of the Council Regulation (EC) No. 6/2002, the provisions of this Regulation are “without prejudice to any provisions of the law of the Member States concerned relating to unfair competition”. By this, the German “Supplementary Protection of Achievements” will provide a still excellent, but better shaped protection against copy-cats, thus leading to a valuable competition between two legal systems.

© Dr. Henning Hartwig 2002. The author is an attorney-at-law with the Intellectual Property law firm Bardehle Pagenberg Dost Altenburg Geissler, Munich

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