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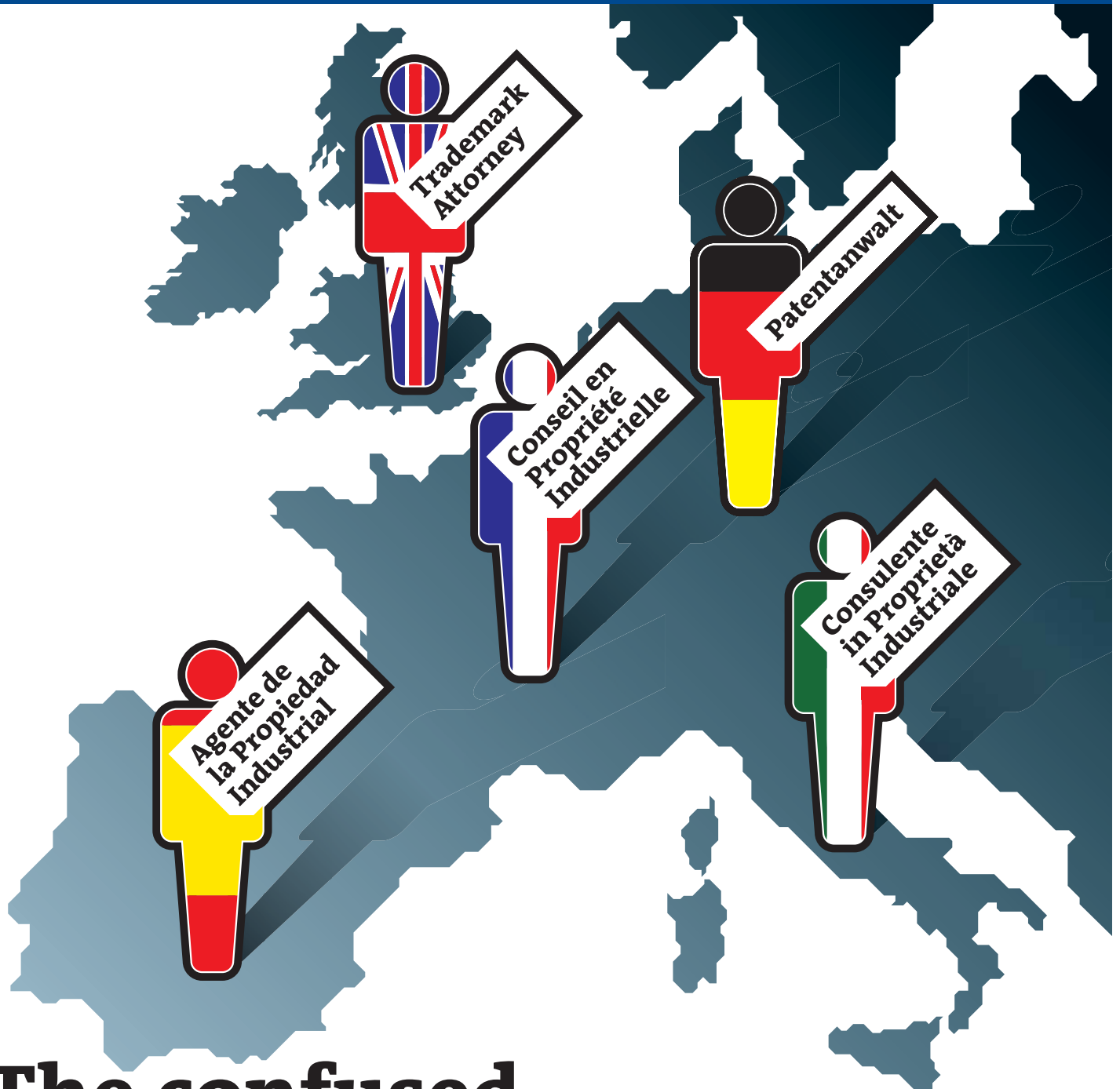
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# World Trademark Review



## The confused continent

Attorneys, lawyers and the tale of a European muddle

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# Europe's trademark powerhouse bounces back

**Germany is an important player in the global economy and the home of a significant number of high-profile brands, but in recent years the market for trademark legal services has slowed down. Now, however, it looks like things could be improving**

The German market for legal services in relation to trademarks went through something of a mini-recession during the early years of the new millennium. However, in general terms, growth is now back on the agenda, mirroring the strengthening of the German economy.

The usual indicator of the strength of the market is the number of applications for registration. "To my knowledge, the number of national and Community trademarks (CTMs) filed by German companies has gone up in the past year," notes Stefan Völker of Gleiss Lutz in Stuttgart. As the number of filings increases, so too does ancillary work such as trademark searches. Of course, applications lead to oppositions. While practitioners perform the nuts and bolts of opposition work, it is also customary in Germany to pursue settlements through negotiation. Thus, the litigation side of the market is driven not only by court cases themselves, but also by the business of negotiation.

Although the filing and prosecution market is showing signs of recovery, growth is nowhere near the level it was during the boom of the early 1990s. For one thing, the big companies are doing more in-house work. In addition, the rise in popularity of the CTM and the international registration system under the Madrid Protocol has had, according to some practitioners, an effect on the number of national registrations being filed. "Personally, I have found that my national filing practice has decreased of late," says Carsten Albrecht of Lovells in Hamburg. "I handle a large number of international clients and many of them now use the CTM system instead of national filings. Germany is traditionally well known for its reliance on the international registration system and this remains the case, particularly as the European Union can now be designated under the Madrid Protocol," he adds.

In spite of the obvious rise in popularity of the CTM, statistically, the number of national filings also continues to increase. Thus, the trend is for parallel growth. Many companies continue to favour national registrations as they can be used as a basis for an international registration. There is less risk of conflict for mark owners if they use a national registration in this way as opposed to a CTM, which is more

open to attack from other parties across the whole of the European Union. "In addition, if one has a well-known mark in Germany, one can obtain special protection," says Völker. "It is far more difficult to obtain such protection for a CTM as the mark owner would have to prove that its mark is well known in all EU member states."

Trademark prosecution and litigation make up one side of the market; on the other, there is brand management, which includes certain aspects of transaction work. "Trademarks always play an important role in the sale and purchase of businesses in the current climate, far more so now than was the case 10 years ago," explains Peter Chrocziel of Freshfields Bruckhaus Deringer in Munich. "At that time, merger and acquisition lawyers hardly ever asked about IP rights. Nowadays IP rights are seen as one of the key issues when assessing a company's value."

## Quality competition











Germany is a market where high-quality legal advice is offered by a considerable number of firms. This means that competition is fierce at all levels. There are a number of big players in the market, such as Lovells, which has a reputed IP department, and Boehmert & Boehmert, one of the larger IP specialists, but smaller boutique firms also have a share. "New firms appear, but they are often spin-offs from general service firms," notes Florian Schwab of Boehmert & Boehmert in Munich. However, over the past two or three years, some of the larger US firms have also got involved.

Although new firms have been created over the last five to 10 years, the lawyers practising inside them have typically already established themselves. "When the US firms entered the German market, for example, they targeted some of the well-known trademark practitioners at existing firms," explains Albrecht. "I would say that this marks a new trend in Germany. The movement of personnel between firms is now far more fluid than it was a few years ago."

Thus, the people performing the work do not really change that much year on year. New players may appear and firm names may change as practitioners move between firms, but the personnel working at the coalface remain relatively static. For example, Bird & Bird recently integrated a German IP boutique into its international network. The firm used to appear under a different German name, but now operates as part of Bird & Bird. There were very few changes in the workforce and the key partners remain *in situ*.

Linklaters, on the other hand, represents part of an interesting trend for general service firms to outsource their trademark filing work. Linklaters now outsources its trademark prosecution work to a new boutique firm set up, under his own name, by former partner Kay-Uwe

## Germany's most valuable brands

Rank 2006 (2005)	Trademark Industry Owner	Value in € million	Logo	Rank 2006 (2005)	Trademark Industry Owner	Value in € million	Logo
1 (1)	<b>DEUTSCHE TELEKOM</b> Telecommunications Deutsche Telekom	23.4		6 (6)	<b>SIEMENS</b> Technology Siemens	13.9	
2 (3)	<b>ALLIANZ</b> Financial services Allianz Group	21.5		7 (9)	<b>E.ON</b> Energy provider E.ON	13.5	
3 (2)	<b>DAIMLERCHRYSLER</b> Motor vehicle industry DaimlerChrysler Group	21.1		8 (10)	<b>RWE</b> Energy provider RWE Group	12.3	
4 (5)	<b>DEUTSCHE BANK</b> Financial services Deutsche Bank Group	17.4		9 (8)	<b>DEUTSCHE POST</b> Carrier services Deutsche Post World Net	12	
5 (4)	<b>BMW</b> Motor vehicle industry BMW Group	16.5		10 (7)	<b>VOLKSWAGEN</b> Motor vehicle industry Volkswagen Group	11.9	

Jonas and a number of other staff from Linklaters' original trademark department in Cologne. The new firm has an ongoing relationship with Linklaters, but is almost entirely independent. "I think this is part of a tendency for general service firms to focus on transaction business as opposed to trademark prosecution work," comments Schwab. Spotting a potential gap in the market, small and medium-sized general service firms have been quick to open, or expand their existing, IP departments.

### Role of the *Patentanwälte*

Trademark legal services in Germany are mainly performed by two sets of professionals, namely attorneys-at-law and patent attorneys (known as *Patentanwälte*). Patent attorneys receive training that is part technical, in order to give them the know-how needed in the patents field, and part legal. The legal training is not as broad as for an attorney-at-law and focuses purely on IP issues.











Patent attorneys are entitled to perform prosecution and can appear before the courts in cooperation with, or accompanied by, an attorney-at-law. "My law firm, Boehmert & Boehmert, is an example of a mixed firm incorporating both attorneys-at-law and patent attorneys," says Schwab. The division of labour between these two groups varies from firm to firm. At Boehmert & Boehmert, the firm is divided in such a way that attorneys-at-law focus mainly on trademark rights, copyrights and aspects of competition law, while the patent attorneys deal with more technical rights. "At other law firms, I understand that patent attorneys work on trademark prosecution and actively participate in litigation matters," adds Schwab.

Fundamentally, patent attorney firms and law firms view each other as competitors in the marketplace. "I think that the situation in Germany is a little different from some other jurisdictions where law firms focus less on trademark prosecution and rely on referral work from patent attorney firms that carry out the prosecutions," explains Völker. "In Germany, many law firms and IP boutiques perform trademark prosecution work as well as litigation and management," he adds.

### A polycentric market

Germany is polycentric in terms of the economic market and also the market for legal services in relation to trademarks. Important business centres include Bremen, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart. Many trademark owners are located in these cities and are an important client base for practitioners.

One of the most interesting aspects of the polycentric market is that it allows for regional forum shopping in certain specific circumstances in trademark matters. The regional district courts are competent to hear trademark disputes and many have specialist tribunals. However, each court has its own approach to the procedure governing an interlocutory injunction as a result of the differences in case law built up over the years. For example, the urgency requirement is far stricter at the Regional Court of Munich than at other courts. "In Munich, there is a strict four-week deadline, whereas the courts in Berlin and Hamburg have a more flexible approach," notes Schwab. An experienced practitioner will know which court will look most favourably on a certain

Rank 2006 (2005)	Trademark Industry Owner	Value in € million	Logo	Rank 2006 (2005)	Trademark Industry Owner	Value in € million	Logo
11 (11)	<b>BASF</b> Chemical BASF Group	10.9	 The Chemical Company	16 (16)	<b>THYSSENKRUPP</b> Technology Thyssenkrupp Group	6.7	ThyssenKrupp 
12 (12)	<b>METRO</b> Retail Metro Group	9.2		17 (18)	<b>TUI</b> Travel services TUI Group	5	 TOURISTIK UNION INTERNATIONAL
13 (15)	<b>SAP</b> Technology SAP Global	7.8		18 (19)	<b>ADIDAS-SALOMON</b> Sports apparel Adidas Group	4.4	 adidas-Salomon
14 (14)	<b>BAYER</b> Pharmaceuticals Bayer Group	7.3		19 (20)	<b>LINDE</b> Energy provider Linde AG	3.5	
15 (13)	<b>HENKEL</b> Consumer goods Henkel	6.7		20 (22)	<b>MUNCHENER RUCK</b> Financial services Munich Re Group	3.4	 Münchener Rück Munich Re Group

Source: **BBDO Consulting** ([www.bbdo-consulting.com](http://www.bbdo-consulting.com))

trademark action. The courts in Cologne, for example, are historically thought to be more receptive to granting injunctive measures for issues involving unfair competition than other courts. Hamburg has also traditionally been viewed as a particularly 'trademark-friendly' court.

Appeals on matters involving interlocutory injunctions go to a regional appeal court as the last instance. There is no centralized appeal to the German Federal Supreme Court in such cases and thus each region is likely to continue to develop its own law in this area, unless national legislative measures are brought in.

#### Efficient enforcement

In addition to its strong regional flavour, the interlocutory injunction system is also efficient and cost-effective. Injunctions can be obtained, depending on the nature of the case and the court with which the application is filed, within a matter of hours or a few days at most. "It is common practice, for the judge to telephone the applicant and give his or her view on the case or request the filing of additional evidence," explains Schwab. If the judge is satisfied with the further information provided, he or she will then grant the injunction. However, if the judge remains unconvinced the applicant can withdraw the motion and the other party will hardly ever obtain knowledge that an interlocutory injunction was requested. "This process is an important way of testing the strength of a case without alerting the alleged infringer," adds Schwab.

The German enforcement regime itself differs from systems such as those in the United Kingdom in that there is not yet any real

discovery procedure, whether pre-trial or during trial. "I would say that this can make building a case more difficult," says Chrocziel. In addition, almost everything takes place in writing and there is only very limited oral argument. Whereas in other jurisdictions there are pleadings and various oral hearings, the German system is more of a discussion between the judge and the attorneys-at-law based on the written briefs. Following examination of the briefs, the court will often indicate a preliminary opinion. The 'losing side' can then, during an oral hearing, bring further arguments in an attempt to sway the court into overturning its preliminary finding. "However, this is rarely successful and in most cases the court will confirm its earlier evaluation in its final decision," notes Chrocziel.

German practitioners agree that, in the main, the decisions of the German courts are well reasoned. The courts have an extensive amount of experience in trademark law and specialist judges hear trademark disputes. "This differs from jurisdictions such as the United States, where parties can find themselves before a judge who has little or no experience in trademark law," says Chrocziel.

#### Key issues before the courts

The courts have been wrestling with a number of key issues over the course of the past year. One topic of debate is the manner in which to implement the decisions of the European Court of Justice (ECJ). The ECJ is the leading court for trademark law across the European Union, as it has the function of interpreting the First Trademark Directive, which is applicable in all EU member states.

## “ The Federal Supreme Court regularly defers to the ECJ by way of requests for preliminary rulings and also tries very hard to follow the case law of the ECJ even where it conflicts with prior national law ”

### Top filers of trademark applications in Germany

(January 1 2006 – December 31 2006)

Position	Representatives	Number of applications
1	Beukenberg	709
2	Boehmert & Boehmert	654
3	Herrn Erich Auer	632
4	CMS Hasche Sigle	508
5	Lovells	480
6	Mayer, Brown, Rowe & Maw LLP	333
7	Prehm & Klare	315
8	Harmsen Utescher	293
9	Linklaters Steuerberater	291
10	Schneiders & Behrendt	274
11	Gruenecker, Kinkeldey, Stockmair & Schwanhäusser	254
12	Bardehle Pagenberg	237
13	Buse Heberer Fromm	234
14	Hansmann & Vogeser	216
15	Habel & Habel	214
16	Meissner & Meissner	210
17	Dr Hoffmeister & Tarvenkorn	197
18	Buschhoff Hennicke Althaus	194
19	Eisenfuehr, Speiser & Partner	157
20	IHR Anwalt 24 Rechtsanwalt-AG	128
21	Fritze Paul Seelig	123
22	Lorenz Seidler Goss	101
22	Stephan Hucke	101
24	Gramm, Lins & Partner	99
25	Weickmann & Weickmann	93

Source: Thomson

The ECJ has issued around 10 to 15 trademark rulings each year since the introduction of the CTM system so there are now in the region of 80 to 100 relevant decisions in total. However, the ECJ's rulings often leave scope for interpretation and therefore finding the correct approach to implement its decisions into German law has occasionally proved problematic. A notable example is the *THOMSON LIFE Case*, in which the Regional Court of Düsseldorf referred questions on composite marks to the ECJ for a preliminary ruling.

The referring court doubted whether it was possible to prevent a third party from appropriating the registered mark LIFE by adding the company name Thomson to form the THOMSON LIFE composite mark. But, according to the case law of the German Federal Supreme Court, which is based on the *Prägetheorie* doctrine ('theory of the impression conveyed'), it would have to deny a likelihood of confusion in the pending case. The *Prägetheorie* calls for an assessment of the similarity of trademarks where individual components of conflicting marks are the same. The court must ascertain whether the common component characterizes the composite mark to the extent that the other components are largely secondary to the overall impression. There is no likelihood of confusion where the common component *merely contributes* to the overall impression. Where a manufacturer's name forms a component of a sign and is recognizable as such, it should, as a rule, be secondary in terms of overall impression. However, the court has to ascertain in each case whether, exceptionally, in the specific market concerned, the indication of the manufacturer is particularly important. In the case at hand, the German court confirmed that, with reference to electronic entertainment goods, such as those at issue, the indication of the manufacturer in a composite sign characterizes the overall impression (even when the other component is more than just slightly distinctive).

In its preliminary ruling, the ECJ held that the composite mark THOMSON LIFE, made up of the company name Thomson and the word 'life', was capable of causing confusion with the registered mark LIFE. The ECJ found that the Thomson company name would not be taken into consideration by consumers in the specific circumstances. The German Federal Supreme Court adopted the *THOMSON LIFE* reasoning in a decision issued in May 2006 involving a word and device mark. The court noted that in addition to taking the *Prägetheorie* into consideration, the courts must apply the *THOMSON LIFE* decision.

"The Federal Supreme Court regularly defers to the ECJ by way of requests for preliminary rulings and also tries very hard to follow the case law of the ECJ even where it conflicts with prior national law," comments Völker. "Another such example relates to colour marks. Originally, the Federal Supreme Court had developed a fairly liberal approach to the registration of colour marks. However, it has moved towards a stricter approach following the ECJ's rulings in this area, which started with the *Libertel Case* in 2003."

However, one notable example indicates that, on rare occasions, the German courts do not necessarily follow the lead of the European courts. In a decision relating to a conflict between the marks SIR and ZIRH, the Regional Court of Hamburg seemingly ignored an earlier decision of the European Court of First Instance (CFI) when it concluded, in complete contrast to the CFI's ruling, that the two marks were confusingly similar.

In his opinion on the case, following an appeal of the CFI's decision, Advocate General Colomer rebuked the Hamburg court, stressing that it was vital to avoid conflicting judgments for CTM law to function properly.

Three-dimensional trademarks also remain a contentious issue in Germany, in terms of both registration and enforcement.

## Case law in Germany

The German Federal Supreme Court has issued numerous trademark decisions over the past year. Below are summaries of some key recent cases.

On May 18 2006 the court ruled for the first time on the issue of whether the use of another party's trademark or company name in the metatags of a website violates trademark law (Case I ZR 183/03). The question had proved controversial in Germany, with various courts coming to different conclusions. The Supreme Court suggested that the use of another party's mark in metatags may be allowed in two cases:

- in cases of admissible comparative advertising pursuant to Directive 97/55/EC on misleading advertising – that is, if a competitor accurately compares its goods or services with the goods or services of the owner of the mark used in the metatags; and
- in cases of admissible use of a third party's mark – that is, where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided that in either alternative such use is in accordance with honest practices in industrial or commercial matters.

On April 27 2006 the court revoked FIFA's trademark FUßBALL WM 2006. FIFA's rights in the separate WM 2006 mark remained in the balance following the court's decision to remit the ruling on that mark

back to the German Federal Patent Court, which initially had found both marks partially invalid (Cases I ZB 96/05 and I ZB 97/05 – see "A year in decisions" on page 25 for more on this issue).

On the same day, the court ruled that the name KOBIL Smart Key was not likely to cause confusion with the name SmartKey (Case I ZR 109/03). The court first pointed out that while both names were used for types of computer software, the similarity of goods was limited because the two programs were quite different from each other. Furthermore, the court held, the names were only slightly similar because one name was dominated by the distinctive word 'KOBIL'.

On December 15 2005 the court held that the shapes of the Porsche 911 and 996 sports cars, as well as the Porsche Boxster, are registrable as three-dimensional marks for motor vehicles because the appearance of all three cars had acquired distinctiveness through use. The court also noted that the shape of new models of established car manufacturers may acquire distinctiveness through use within a short time after launch.

In Case ZR 162/04 of November 17 2005, the court held that a licensee *can* continue to use a licensed IP right when the licensor has been declared bankrupt and the receiver wishes to terminate the licence agreement. The case demonstrated that it is possible to find contractual provisions between the licensor and the licensee that are not caught by the Insolvency Code.

## SUCCESS & BEYOND

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As a full service intellectual property law firm with a traditionally strong emphasis on all trademark matters, we know every facet of the world of brands and names.

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Being ranked among Germany's top 25 filers of trademark applications in 2006 is an incentive for us to reach even higher. Therefore, we do not settle for what we have achieved.

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One area of debate is the filing strategy for three-dimensional signs: a decision needs to be made as to whether to file initially for a design registration, which is an extremely quick method of obtaining protection, or for a trademark. While design registration protection lasts for a period of 25 years only, it may be possible to receive trademark protection during the course of the design registration. "Practitioners and mark owners need to examine carefully which filing strategy is to be preferred in a particular case," cautions Albrecht.

Other big issues in trademark litigation relate to the Internet. "Most major litigation regarding domain names *per se* has been concluded and the law is fairly settled in this area," explains Chrocziel. However, a number of surrounding issues continue to crop up, such as metatags. Trademark owners in Germany are also keen to enforce their rights against online auction houses to ensure that counterfeit goods do not enter the market in this way.

#### Battles at the borders

An efficient and cost-effective litigation system is one thing, but Germany also has an effective border enforcement regime. Late last year, German customs authorities in Hamburg seized what could be the world's largest haul of counterfeit merchandise, made up of 117 shipping containers of products. Nearly 950,000 pairs of fake Nike sports shoes and over 76,000 counterfeit watches, as well as roughly 1,500 fake toys, brought the total genuine brand equivalent value to over €380 million or \$490 million.

Thus, trademark owners are becoming increasingly aware of the importance of stopping infringing goods at the border. They realize that this is an essential way of making sure that they are one step ahead of the infringers. However, there are challenging legal requirements to meet before the destruction of counterfeit goods can be allowed.

In order to facilitate destruction, consent of the owner of the merchandise or a court order replacing such consent is required. Trademark owners can thus either try to reach an out-of-court agreement with the merchandise owner or seek a decision in court. Customs authorities are entitled to surrender the goods to the merchandise owner if no proof of consent or proof of a court action initiated by the trademark owner has been filed with the customs authorities within 10 days (or 20, if the deadline is extended) of seizure. However, bringing an action in court does not automatically entitle the trademark owner to have Customs destroy the goods, since this can be granted only in the final decision handed down by a court.

#### Future trends

Germany's sheer size in terms of population within the European Union and its position of economic strength means that its market for legal services in relation to trademarks is of great importance to mark owners worldwide. In addition, its large body of case law has influenced the development of trademark practice in neighbouring countries such as Austria, the Benelux and Switzerland. These countries tend to look closely at legal developments in Germany simply because there is such a large amount of relevant material available. The weight of influence of German case law has also gone some way towards shaping CTM law. But Germany is also very receptive to the Europeanization of trademark law founded on the CTM itself and the increasing body of case law issued by EU institutions, namely the Office for Harmonization in the internal market, the Boards of Appeal, the CFI and the ECJ.

As the Europeanization of the market develops, it is likely that fewer national German trademark applications will be filed by international entities. "However, German companies will, I believe, continue to register their marks in Germany and use these as a basis for international registrations," says Albrecht. He has also noticed a real interest in searching for and developing new trademarks at present, which suggests that the economy is moving in the right direction once again.

While practitioners report that IP rights in general, and trademarks in particular, have become increasingly valuable to companies, there is a clear tendency for large corporate organizations to do more trademark work in-house. In addition, mark owners appear to be far more discerning in their filing and enforcement strategies.

As the market continues to develop, the battles between mark owners and infringers, particularly those involved in counterfeiting, will become even more intense. As in nearly every market across the globe, mark owners are not yet on top of the trade in counterfeit goods in Germany. "As the technology to make counterfeit products advances, mark owners will have to come up with smarter ways of regaining some control in this area," says Chrocziel.

Based on the effectiveness and relative cheapness of its court system, Germany will remain a popular destination for trademark enforcement litigation as the market moves into the future. At present, multinational companies involved in international disputes will often use the German litigation as a test case and make a decision as to whether to settle worldwide on the basis of the German decision. It is likely that this trend will become increasingly popular as mark owners search for ways of ensuring that their marks are protected as efficiently and as cheaply as possible. **WTR**