

Therefore it must be stated that the protection under Art. 9(1)(c) CTMR/ Art. 5(2) TMD “does establish and was intended to establish a wider form of protection than is laid down in Art. 5(1) [TMD] and that only one of the three types of ‘injury’ covered by Art. 5(2) need to be proved”.<sup>205</sup>

The “anti-dilution” protection under Art. 9(1)(c) CTMR/ Art. 5(2) TMD and Art. 5(5) TMD is strongly affected by unfair competition considerations. While it can be a reasonable solution in jurisdictions such as Benelux, “where unfair competition laws are generally precluded from the sphere of trade marks”,<sup>206</sup> they might prove problematic in the countries with elaborate unfair competition protection, resulting in overprotection of trade marks and limiting the freedom of traders to develop products, which includes the freedom of copying. A detailed analysis of Art 5(5) TMD goes beyond the scope of this thesis as it has been implemented only by the Benelux countries.

## 2. The scope of protection of distinctive signs under unfair competition law

The lack of comprehensive harmonization of law in the EU results in large differences between the treatment of distinctive signs under unfair competition rules. Since Art. 25(1)(e) CDR includes application of national laws, it is necessary to consider the national protection of signs. In this part of the thesis German regulations of such protection will be described.

According to §1 UWG the statute protects against unfair commercial practices, i.e. such behaviours of the market participants which can to an appreciable extent influence the behaviour of competitors, consumers or other market participants. In this respect the parties interested in protection of their distinctive signs under unfair competition will usually be the competitors of the accused design owner. As signs are basically protected under trade mark law, the German case-law<sup>207</sup> developed a rule that the protection under unfair competition provisions will be available when the rules of trade mark law do not provide for a relevant protection or when there has been a gap left on purpose by the legislator.<sup>208</sup> The rationale for such an approach is that the overprotection might hinder the competition when the owners of signs could use both exclusive rights and unfair competition to exclude others from using the same subject – matter and thereby

205 Christopher Morcom, *L’Oreal v Bellure – Who Has Won?* [2009] E.I.P.R. 627, 634.

206 Cornish/Llevellyn/Aplin, *supra* note 48, 792-793.

207 BGH GRUR 1999, 161, 162 - *MAC Dog*.

208 Wirtz in: Horst-Peter Götting and Axel Nordemann, *UWG. Handkommentar* [2010] Nomos §3, para.83 (hereinafter: Götting/Nordemann); BGH NJW-RR 2003, 1551, 1552 - *Tupperwareparty*, English translation available in [2004] IIC 459, 461.

stretch the boundaries of trade mark law.<sup>209</sup> Hence the German courts rightly, it is submitted, try to avoid overlaps of protection under IP and unfair competition laws.<sup>210</sup> It has also been proposed in the literature, that due to the fact that the unfair competition protection under §4 Nr 9(a) UWG relies on the same considerations as the trade mark law, it should be available only to subject-matter not eligible for trade mark protection.<sup>211</sup>

On the other hand, since the interests protected differ, the applicability of general rules of civil law, unlike trade mark law, does not exclude protection under unfair competition.<sup>212</sup>

Due to the fact that the German trade mark law protects also unregistered trade marks, the unfair competition protection becomes most relevant for signs which, even though distinctive, are precluded from the trade mark protection. Accordingly, in the context of distinctive signs and design rights, the cases actionable under unfair competition provisions are those of product imitation exemplified in §4 No. 9 UWG. This protection is related to the goods or services, rather than to the sign as such<sup>213</sup> and is available even for shapes that are excluded from trade mark protection e.g. because of their functionality,<sup>214</sup> however the requirement of unfairness of the behaviour of the alleged infringer must not be based on considerations of a purely trade mark nature, because otherwise would lead to bypassing the compulsory requirements of trade mark eligibility.<sup>215</sup>

The protection under §4 No. 9 UWG will therefore be applicable for goods which due to their distinctiveness can be qualified as sign, but are excluded from protection by the trade mark law. It is granted where there exists a competition between the products in question, the allegedly infringing design includes a copy of the sign seeking protection, and the behaviour of the design owner is considered unfair towards the owner of the prior sign under a general assessment of all circumstances of the case.

209 Ohly 2007, *supra* note 50, 737.

210 BGH GRUR 1996, 581, 583 – *Silberdistel*, however overlapping protection has been accepted in the case of an unregistered Community design, see: BGH GRUR 2006, 79, 80 – *Jeans I*.

211 Joachim Bornkamm, *Markenrecht und wettbewerblicher Kennzeichenschutz. Zur Vorrangthese der Rechtsprechung* [2005] GRUR 2005, 97, 102.

212 Wirtz in: Götting/Nordemann *supra* note 208, §3, para. 84.

213 Reinhard Ingerl, *Der wettbewerbsrechtliche Kennzeichenschutz und sein Verhältnis zum MarkenG in der neueren Rechtsprechung des BGH und in der UWG-Reform* [2004] WRP 809, 817; whereas the good itself, or its characteristics may serve as a distinctive sign.

214 Art. 7(1)(e)(ii) CTMR, Art. 3(1)(e) TMD.

215 Nordemann in: Götting/Nordemann *supra* note 208, §4 No.9, para. 9.26.

## a) Competition between the products

The rules of law on unfair competition may be applicable only if there exists a competitive relationship between the applicant and the holder of the design in question.<sup>216</sup> Therefore the unfair competition will not step in where the products are so far apart that their consumers differ, e.g. fast moving consumer goods and nuclear power plants technology.

This requirement might become problematic in the case of luxury goods. Even where there is no confusion as to source of the imitation, the owner of the luxury sign might rely on the protection for taking unfair advantage of the reputation of his sign. But if the products do not compete with each other, especially where it can be clearly established that they are sold via different trade channels and bought by different consumer groups – the protection against unfair competition might nevertheless be unavailable for the proprietor of the sign. Such an approach was taken by the Federal Supreme Court in the *Handtaschen* case,<sup>217</sup> where the protection under unfair competition was denied for undoubtedly famous Hermès “Kelly” and “Birkin” bags, i.a. due to the fact that the sale of the allegedly infringing bags was carried out via different channels of trade.

## b) Copying

The German law has acknowledged two types of use of the enforced sign that can be described in the design context as: the exact copying (identity of signs, in terms of trade mark law), which includes changes or additions which are so insignificant that can be considered irrelevant taking into account the sign’s overall impression (similar approach as that of the ECJ in *LTJ Diffusion*<sup>218</sup>) and incorporating the sign into the later design, with changes or additional elements, that still allow for the recognisability of the underlying sign (similarity, in trade mark terms).<sup>219</sup> However, unlike trade mark law, the similarity in unfair competition terms requires that the alleged infringer knows the sign that he is using, which is assumed in the case when the design is subsequent. Consequently, a proof of independent creation would immune the design holder from liability.<sup>220</sup> In this respect Nordemann suggests an application of the copyright considerations which distinguish between a derivative work (which leaves the elements of the original

216 Ohly in: Piper/Ohly/Sosnitza, *supra* note 54, §4 No.9 para. 9/31.

217 BGH GRUR 2007, 795, 799 - *Handtaschen*.

218 ECJ Case C-291/00 - *LTJ Diffusion SA v Sadas Vertbaudet SA*, 2003 ECR I-02799.

219 BGH GRUR 1966, 503, 509 - *Apfel-Madonna*.

220 Ohly in: Piper/Ohly/Sosnitza, *supra* note 54, §4 No.9, para. 9/45.

recognizable and therefore infringes the rights of the author of the original) and a result of a mere inspiration (where the characteristics of the original work fade taking into account the effort provided by the author of the derivative).<sup>221</sup>

The comparison between the sign and the design is based on the overall impression both of them create in the relevant public. However the conclusion as to the existence of copying can be drawn only on the basis of identity or similarity of those elements of the sign claiming protection that convey the message as to the source of the goods.<sup>222</sup> This makes the comparison of signs similar to that made upon the assessment of the trade mark likelihood of confusion.

### c) Additional circumstances (§4 No 9 (a)-(c) UWG)

Under the unfair competition rules, imitation as such, even of a product that has a competitive individuality, is not regarded as unallowable. There is a need to establish the existence of additional circumstances that make the copying unfair.

The time of judgement as to the unfairness of the behaviour is tied to the nature of the provisions which protect the market participants and their actions. Therefore, unlike trade mark law,<sup>223</sup> the German unfair competition does not recognize post-sale confusion or taking unfair advantage. The assessment is to be taken at the time of the allegedly infringing action.<sup>224</sup> It is submitted that the assessment for the purposes of Art. 25(1)(e) CDR should be taken at the time of registration of the design, since it is the existence and not the use of the design which is being challenged.

The examples provided in §4 No 9 (a) – (c) UWG do not exhaust the possibilities of an infringement. Any action that is unfair and able to influence the behaviour of market participants may result in liability under the general clause of §3 UWG.<sup>225</sup>

221 Nordemann in: Götting/Nordemann, *supra* note 208, §4 No. 9, para. 9.47.

222 Dissmann in: Stöckel/ Lüken, *supra* note 53, 496.

223 ECJ Case C-206/01 – *Arsenal Football Club plc v Matthew Reed*, 2002 ECR I-10273, para. 57.

224 e.g. offer for sale, BGH GRUR 2005, 349, 352 - *Klemmbausteine III*.

225 Rolf Sack, *Markenschutz und UWG* [2004] WRP 1405, 1424.

## (1) Avoidable confusion as to source

The first, and most important<sup>226</sup> case of unfair behaviour is causing avoidable confusion as to source of the goods, §4 No 9 (a) UWG. It has been submitted that the assessment of confusion requires similar judgement as that under trade mark law,<sup>227</sup> i.e. the comparison should be based on the overall impression made by both signs, taking into account their distinctive elements and not be taken side by side but taking into account how the sign and the design are encountered.<sup>228</sup> The BGH however has not recognized such an approach and requires either that the product seeking protection is known on the German market or that the comparison could be made *in abstracto*, side-by side.<sup>229</sup> This has been criticized, as the requirement of certain awareness of the public in Germany discriminates against foreign market participants and the abstract comparison ignores the interests of unfair competition protection which include the regulation of behaviour on the market.<sup>230</sup>

The judgement on whether the confusion as to source exists is made from the point of view of the consumer of the product in question, similarly as in trade mark infringement. Hence, the characteristics of such a consumer must be taken into consideration.<sup>231</sup> Furthermore it is sufficient that the relevant consumer knows the product, it is not required that he is able to ascribe the product to a certain source.<sup>232</sup>

The additional requirement that the confusion as to source was avoidable, inquires whether the accused design owner did undertake all the necessary steps, according to the circumstances of the case, in order to avoid such confusion that could objectively have been avoided. A confusion as to source that could not have been avoided requires only that the accused acted against it.<sup>233</sup> The steps to be taken include i.a. putting information onto the products as to their source,<sup>234</sup> or adding a disclaimer. However the use of any elements of the prior sign (product) that are not capable of indicating origin<sup>235</sup> or that form part of the public

226 Covering about 90% of the case-law on unfair competition according to Nordemann in: Götting/Nordemann, *supra* note 208, §4 No. 9, para. 9.52.

227 Art. 9(1)(b) CTMR, Art. 5(1)(b) TMD.

228 Nordemann in: Götting/Nordemann, *supra* note 208, §4 No. 9, para. 9.58.

229 BGH GRUR 2009, 79, 83 - *Gebäckpresse*.

230 Nordemann in: Götting/Nordemann, *supra* note 208, §4 No. 9, para. 9.58.

231 BGH GRUR 1996, 210, 212 - *Vakuumpumpen*.

232 BGH GRUR 2006, 79, 82 - *Jeans I*.

233 BGH GRUR 2002, 275, 277 - *Noppenbahnen*.

234 Although confusion despite indicating the source of the goods was found in BGH GRUR 2007, 984, 987 - *Gartenliege*.

235 *Towel Hooks* (I ZR 131/02) BGH [2006] IIC 348, 351.

domain and are freely accessible to everybody may not be seen as infringing and must be accepted even if it might cause confusion.<sup>236</sup> Furthermore, only reasonable steps can be required from the alleged infringer, therefore the interests of the owner of the sign and the design proprietor must be balanced and that is done by the courts under consideration of all relevant facts of the case, although the copying of aesthetic features may not generally be excused, while copying of technical features is generally allowed.<sup>237</sup> In case of doubts, the rule of freedom of copying should prevail, since it satisfies the public interest in the use of the elements of products designs.

## (2) Unfair advantage or damage to reputation

The second type of behaviour covered by §4 No 9 (b) UWG occurs when unfair advantage is taken of or the reputation of the competitor's goods is damaged.

The considerations behind this type of infringement are similar as in trade mark "dilution"<sup>238</sup> cases. Therefore, even though the existence of the reputation of a sign is not an explicit requirement, it must be shown that the sign seeking protection is to a certain extent known among the consumers.<sup>239</sup> The taking of unfair advantage requires a substantial transfer of the market success of the sign. It is not sufficient that the design brings the sign into mind, a stronger association must be created.<sup>240</sup> The examples of taking unfair advantage include causing confusion as to source and causing association with the renown sign,<sup>241</sup> even when no confusion can be found, which can be relied on only if the protection under Art. 9(1)(c) CTMR / Art. 5(2) TMD is not available. Due to the fact that the German trade mark law protects also unregistered trade marks, company symbols and work titles,<sup>242</sup> the unfair competition protection steps in also for

236 BGH GRUR 2007, 339, 344 - *Stufenleitern*.

237 Nordemann in: Götting/Nordemann, *supra* note 208, §4 No.9, para.9.64; copying of technical elements is prohibited when the sign claiming protection consists of a multitude of technical and functional elements and the entire combination is copied in the design, Michael Loschelder *Der Schutz technischer Entwicklungen und praktischer Gestaltungen durch das Marken- und das Lauterkeitsrecht – Versuch einer Bewertung der Rechtsprechung der letzten zwei Jahre* [2004] GRUR Int 2004, 767, 770. Furthermore, technical features that need to be copied will not be seen as possessing competitive individuality and if the copied solution is appropriate – the risk of confusion has been recognized as unavoidable in *Towel Hooks* (I ZR 131/02) BGH [2006] IIC 348, 351.

238 Art. 9(1)(c) CTMR / Art. 5(2) TMD.

239 Dissmann in: Stöckel/ Lüken, *supra* note 53, 498.

240 Ohly in: Piper/Ohly/Sosnitza, *supra* note 54, §4 No.9, para. 9/67.

241 BGH GRUR 1985, 876, 878 - *Tchibo/Rolex I*.

242 §§ 1,4,5,14,15 MarkenG.

those signs in cases where the design is not used as source indicator or when the goods or services are not similar to those covered under trade mark law, also in the cases of lack of likelihood of confusion, on the condition that that use leads to a competitive disadvantage on the part of the owner of the sign. The unfair association can also lie in using the sign in such a way that the positive image associated with the sign or its advertising power is negatively influenced<sup>243, 244</sup>.

Causing detriment to the sign's reputation requires that the use of the design results in lowering the opinion and positive image connected to the quality or the luxury image of the sign seeking protection.<sup>245</sup> These considerations correspond to those covered by protection of marks with a reputation under Art. 9(c) CTMR / Art. 5(2) TMD.

### (3) Breach of confidence

Breach of confidence is the third type of product imitation situation and covers two types of behaviours: acquiring the know-how in a dishonest way, e.g. by industrial espionage<sup>246</sup> and classical breach of confidence which includes public use of legally obtained information (e.g. during employment or negotiations that did not lead to signing of a contract) against a secrecy clause, which can also be implied<sup>247, 248</sup>.

### d) General assessment and interplay of factors

Unfair competition protection requires balancing of interests of the persons involved. Therefore there is a certain interdependence between the "level of competitive individuality, kind, way and intensity of copying and the additional circumstances of the behaviour".<sup>249</sup> The higher the level of the competitive individuality or the bigger the similarity of signs, the lower is the required level of unfairness of the behaviour.<sup>250</sup>

243 BGH GRUR 1995, 57, 59 - *Markenverunglimpfung II*.

244 Piper in: Henning Piper and Ansgar Ohly, *Gesetz gegen den unlauteren Wettbewerb* [2006] C.H. Beck, §4 No.9 para. 9/80.

245 Ohly in: Piper/Ohly/Sosnitza, *supra* note 54, §4 No.9, para. 9/70.

246 BGH GRUR 2003, 356, 357 - *Präzisionsmessgeräte*.

247 BGH GRUR 1983, 377 - *Brombeer-Muster*.

248 Ohly in: Piper/Ohly/Sosnitza *supra* note 54, §4 No.9, para. 9/73.

249 Ohly 2007, *supra* note 50, 734.

250 BGH GRUR 2003, 356, 357 - *Präzisionsmessgeräte*; Nordemann in: Götting/Nordemann, *supra* note 208, §4 No. 9, para. 9.29.

### 3. Scope of protection of company symbols and work titles

The scope of protection of company symbols and work titles under §15 MarkenG, resembles closely that of trade mark. Although §15 MarkenG does not include double identity, the protection against confusion as to source (§15(2) MarkenG) and protection of indicia with reputation (§15(3) MarkenG) cover most cases of infringement.<sup>251</sup> These provisions are regarded as *lex specialis* towards §12 BGB and therefore this general clause cannot be a ground for protection for a distinctive sign whenever there are grounds for the owner to rely on §15 MarkenG.<sup>252</sup> On the other hand, HGB provisions can be relied on additionally.<sup>253</sup>

Company symbols and work titles are protected against confusion. However, instead of comparison of goods or services for which the sign is used, under protection of company symbols it is rather the comparison of the scope of activities of the owner of the sign seeking protection and the design proprietor. Whereas the complete identity of those fields is not required, it is sufficient that both fields show some crossovers.<sup>254</sup> The interdependent factors that need to be taken into account, include an assessment of identity or similarity of the signs, the level of distinctiveness of the prior sign and the fields of activity in which both signs are used.<sup>255</sup> Therefore in this case the comparison seems more straightforward than under trade mark law – regardless of goods or services for which the symbol and the design are used, it is the field of activity of their owners that needs to be taken into account and hence, unlike trade mark law, the corresponding factual situations are being compared. Of course, when establishing the field of activities, it is necessary to take into account the goods offered or the services rendered by both entities, however these will not be the only circumstances under assessment.

MarkenG in §15(3) provides for protection of company symbols and work titles with reputation. It corresponds to the provision of §14(2) No 3 MarkenG,<sup>256</sup> and so it has been submitted in the literature that due to the fact that company symbols usually constitute also the company's trade mark or are at least signs eligible for trade mark protection, the applicability of §15(3) MarkenG should correspond closely to that of §14(2) No 3 MarkenG. In addition, because of the broad understanding of the concept of confusion under §15(2) MarkenG, the

251 Lükén in: Stöckel/ Lükén, *supra* note 53, 255.

252 BGH GRUR 1998, 696, 697 - *Rolex-Uhr mit Diamanten*.

253 Ingerl/Rohnke, *supra* note 24, §15 para. 27, Nach §15 para. 164.

254 Lükén in: Stöckel/ Lükén, *supra* note 53, 255.

255 Hacker, *supra* note 19, 296, citing decisions of the BGH.

256 Implementing Art. 5(2) TMD.