

Enforcement of Intellectual Property Rights under German Private Law

An outline in view of the European Directive on the Enforcement of Intellectual Property Rights (2004/48/EC)

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Intellectual property (IP) rights include patents, Gebrauchsmuster and Geschmacksmuster (“designs”), Urheberrecht (“copyright”), trademarks, and others.

When an IP right is infringed the rightholder can obtain an injunction ordering the infringer to cease infringing the right and/or to take measures to stop the interference with the right.

The rightholder may also have payment claims against the infringer. He may be able to charge the infringer a reasonable licence fee for the unlicensed use of his right even if the infringer was unaware of the right. If the infringer has acted wilfully or negligently the rightholder is entitled to choose between

- payment of a reasonable licence fee,
- compensation for his own lost profit,
- an account of the profit made by the infringer.

In practice the rightholder usually demands payment of a reasonable licence fee because its amount is easier to prove than the rightholder’s lost profit or the profit made by the infringer.

A third party that has made an infringing act possible may also be liable for damages or it may at least be required to take measures to stop an ongoing infringement. It is not entirely clear under which circumstances exactly third parties are liable. The Bundesgerichtshof (Federal Appeals Court) has stated that an injunction is available against third parties in the event of infringements that are “gross and easily perceptible”.¹ The question of how exactly this general rule applies to internet service providers has not yet been resolved. Their responsibility is limited by §§ 8-11 Teledienstegesetz (Tele Services Act). However, according to the Bundesgerichtshof this limitation only concerns criminal law and liability for damages, and it does not exclude an injunction against a service provider. Accordingly, the Bundesgerichtshof held a few months ago that an injunction is available against an internet auction house in the event of a user infringing trademark rights if the auction house could have realised and prevented the infringement by exercising reasonable control.² The court held that while the auction house was not required to check every offer before publication it was legally obliged to block the offer promptly upon notice of the infringement by the rightholder. Furthermore, it had to take precautionary measures in order to prevent any further similar violations of the relevant trademark right.

It is often difficult for a rightholder to prove an alleged infringement and the amount of any compensation claims. He usually needs information from the alleged infringer. Under §§ 142, 144 Zivilprozessordnung (Civil Procedure Act) the court can order a party to a lawsuit – or a third person who is not a party to the lawsuit - to submit documents or other information relevant to the dispute to the court. These rules have been introduced only recently, whereas similar or even far more extensive rules have been in place in England and France for a long time. The German courts are using their new powers under these rules thus far with restraint.

¹ BGH v. 15.10.1998 – I ZR 120/96, NJW 1999, 1960.

² BGH v. 11.03.2004 – I ZR 304/01.

Holders of IP rights therefore rely primarily on specific “rights to be informed” (Auskunftsansprüche), some of which are based on the statutes relating to the relevant IP right³, while others are based on case law.

The infringer is usually obliged to provide information on the extent of the infringement and on the distribution channels of the infringing goods or services unless this would be unreasonably onerous to him.

If the alleged infringer declines to provide information it will be necessary in most cases to obtain a court decision confirming that the right has effectively been infringed by the defendant. Only in “obvious” cases of infringement the right to be informed can be enforced through an interim court order.

The infringer fulfils his obligation by providing statements to the court and to the rightholder. If he has to reveal confidential business information the court can order that the information be provided only to a third party, usually a chartered accountant, who will then filter out the necessary information from the data.

On the European level there are to date few rules regarding the remedies for infringements of intellectual property rights and the procedural rules under which they are enforced. One notable provision is art. 8 of the Directive 2001/29/EC, which is limited to copyright and related rights and which has not been implemented by the German government on the grounds that German law already complied with the requirements.

The Directive “on the Enforcement of Intellectual Property Rights” (2004/48/EC, “Enforcement Directive”), which sets mandatory standards for the national laws of the member states from 29 April 2006, is the first ambitious attempt by the European legislator to harmonise private law remedies and procedural rules in this area of law. Its objective is to establish the highest possible minimum standards in favour of the rightholders and to facilitate the enforcement of their rights. The law was passed in a hurry before the accession of the new EU members in the spring of 2004 because it was feared that the new member states would oppose the bill.

In contrast to the Commission’s original draft the Enforcement Directive only contains provisions on civil law and procedure, and not on criminal law. In other respects, however, its scope is very wide. It applies to all “intellectual property rights”, a term that is not defined by the Directive despite the fact that there is no definitive and universally accepted catalogue of such rights, and it applies to commercial as well as non-commercial infringements. While the more drastic measures the Enforcement Directive provides for are in principle limited to infringing acts on a commercial scale, it is left to the member states’ discretion to decide whether to apply the stricter measures also to non-commercial infringements. Furthermore, the definition of acts carried out on a “commercial scale” is quite broad. It covers all acts “carried out for direct or indirect economic or commercial advantage”; this is said to “normally” exclude acts carried out by end-consumers acting in good faith.

Injunctions will be available not only against alleged infringers but also against intermediaries “whose services are being used by a third party to infringe an intellectual property right”, if necessary without the defendant having been heard beforehand (art. 9 (1) a) and (3) and art. 11 of the Enforcement Directive). These provisions do not apply to infringements of copyright and related rights; to these the aforementioned art. 8 of the Directive 2001/29 remains applicable.

³ § 140b PatentG, § 24b GebrMG, § 9 Abs. 2 HalbleiterSchG with § 24b GebrMG, § 37b SortenschG, § 19 MarkenG, § 101a UrhG, § 14a Abs. 3 GeschmMG with § 101a UrhG.

Furthermore, the court can order the seizure or delivery up of infringing goods so as to prevent their entry into and move within the channels of commerce or to secure evidence. Hitherto infringing goods can be seized only by the police in the course of a criminal investigation or by Customs. It is also possible to seize the alleged infringer's assets and freeze his bank accounts under art. 9 (2) and (3) of the Enforcement Directive without the defendant having been heard beforehand if this is necessary to secure the rightholder's claims for financial compensation. Under the German Civil Procedure Act a party can already apply for a comparable interim remedy called "Arrest" (§§ 916-934 Zivilprozessordnung). However, under the Directive the courts are also empowered to order the communication of bank, financial or commercial documents or appropriate access to the relevant information. The German Association for Industrial Property and Copyright Law (Deutsche Vereinigung für Gewerblichen Rechtsschutz und Urheberrecht) noted in its comments on the draft directive that it does not believe that this can be necessary in order to secure the rightholder's claims for damages.⁴ It means giving the rightholder access to confidential business information of the alleged infringer.

The Enforcement Directive generally aims at improving the rightholders' means of getting information on the alleged infringer and the infringing activity. Firstly, the Directive provides that an alleged infringer may be ordered to present evidence if the rightholder has presented "reasonably available evidence sufficient to support its claims". It remains to be seen whether this formula will be interpreted in such a way that the order will be more easily available to the rightholder than under the current interpretation of the relevant provisions of the Civil Procedure Act (§§ 142, 144 ZPO) by the courts. Furthermore, art. 6 of the Enforcement Directive provides that in the event of an infringement on a commercial scale a party may be required to communicate banking, financial or commercial information, "subject to the protection of confidential information".

If a rightholder has presented "reasonably available evidence" for his allegation that his right is being infringed the "competent judicial authorities" may also order "prompt and effective" provisional measures to secure evidence of the alleged infringement (art. 7 Enforcement Directive). These may include the detailed description and the seizure of the allegedly infringing goods as well as the seizure of "materials and implements used in the production and/or distribution of these goods and the documents relating thereto". The measures may be ordered in the course of litigation or by way of an interim order before a lawsuit has been brought.

The Directive contains numerous vague terms and its provisions often leave room for interpretation. Some questions will be decided in the upcoming legislation process relating to the German provisions implementing any new standards prescribed by the Enforcement Directive, and ultimately the European Court of Justice will decide whether national law does or does not comply with the Directive. In my view the more onerous measures that may be imposed upon the alleged infringer, e. g., the seizure of goods and materials and the communication of, or the granting of access to, banking, financial and commercial documents, ought to be subject to clearly defined and not too lax legal requirements. Furthermore, the courts should be required to consider carefully in each individual case whether or not a measure is proportionate or reasonable in view of the possible damage caused to the alleged infringer. That approach appears advisable considering the experience made in England with the "Anton Piller order" (now called "search order") and the "Mareva injunction" (now called "freezing injunction"), instruments that appear to have influenced the

⁴ S. unter http://www.grur.de/Seiten/Themen/Stellungnahmen/StN_240403.html .

European legislators in drafting the Enforcement Directive, together with the French “saisie-contrefaçon”. After the Court of Appeal had created the “Anton Piller order” in the 1980s the courts initially issued several hundred such orders per year. However, after a few years a number of judges voiced their concern about the way these orders were issued and carried out in practice. According to them, the courts often did not consider carefully enough whether the rightholder’s case was sufficiently strong and whether the defendant was really likely to destroy evidence unless the order was issued without him being heard beforehand. They also maintained that “Anton Piller orders” sometimes caused the defendant irreparable damage that was either unjustified or at least disproportionate to the severity of the infringement the defendant was found guilty of in the end. The fact that “Anton Piller orders” were usually combined with an order freezing the defendant’s property and the seizure of his business documents could lead to the defendant’s business being closed down without the defendant being able to put up any kind of effective resistance. One judge resumed: „It has to be accepted that a common, perhaps the usual, effect of the service and execution of an Anton Piller order is to close down the business which, on the applicants’ evidence, is being carried on in violation of their rights.“⁵ In the following years the number of “Anton Piller orders” declined sharply.

The provisions of the Enforcement Directive relating to the calculation of compensation claims will probably not entail any important changes to German law. In particular, a provision proposed by the Commission under which the rightholder would have been able to demand a lump sum in the amount of the double reasonable licence fee was not adopted. It would have been a novelty for German law, which does not recognise the concept of “punitive” damages and only provides for compensation claims measured by reference to either the actual damage incurred by the plaintiff or the actual illicit gains by the infringer.

However, claims for damages may be affected indirectly by the new rules on evidence and interim measures. As mentioned above, plaintiffs in Germany tend to choose the “reasonable license fee” as compensation because the rightholder’s actual losses or the infringer’s actual profits are difficult to prove. With more information available it should become easier for the rightholder to prove actual losses, which can be considerably higher than the amount of the “reasonable license fee”.

⁵ Scott J in *Columbia Pictures v. Robinson* [1986] 3 All E. R. 338, 369f.