

Newsletter

IP·IT·Media

November 2009

New Advertising Law 2009 – Clear as Mud?

Liability Pitfalls in Direct Marketing

Use of Personal Data after the Federal Data
Protection Act Amendment

No Equal Treatment in Injustice

The Eternal Original – How Patents Can Be
Extended by Trademarks

Case-law news ticker – Headnotes and Annotations

Partnership and Practice Group News



Dear readers,

The current issue of the newsletter primarily deals with amendments in advertising law and marketing law. Who does not have a hard time keeping up with these issues? Rules on fair competition, consumer protection, data protection, food and health-related products advertising law and not least on the protection of minors and on health care were amended in numerous points. In addition to the recent amendments to the Act Against Unfair Competition and the Federal Data Protection Act, several court decisions of importance to the legal professional have been issued.

Are you aware of the „black list“ in the Annex of the Act Against Unfair Competition [UWG] designating facts since 01/01/2009 which per se constitute unfair competition (Section 3 UWG)? They originate from an implementation of EU Directive 2005/29/EC. Items 16 (offering products that are able to facilitate winning in games of chance), 17 (untruthful or misleading promises of winning), 20 (no awarding of prizes described) are obvious examples from the field of advertising with prize promotions. Bait advertising and exhortations to purchase directed at children are also covered in the black list.

New court decisions were issued on online marketing, such as in the field of B2B on the questions whether and how an advertiser will be able to fight the exploitation of its promotion by third parties (online game of the advertiser free of charge, offering of „cheatbots“ by third parties for a fee). Another decision deals with the never-ending discussion who will be responsible if someone's e-mail-address has been fraudulently used on the Internet. Touching on these subjects just briefly:

Hamburg Regional Court considered the offering of add-ons to third-party free-of-charge software an impermissible exploitation of the third party's services and granted the injunction petition. In addition, the use of additional software influencing gameplay was regularly excluded in the terms of use so that the players would be induced to breach of contract (LG Hamburg, 308 O 332/09, Decisions of July 09, 2009). Due to the media landscape's increasing fragmentation, online and browser games are getting more and more interesting so that the decision of Hamburg Regional Court, if it is to stand, will be of significance to the advertising industry.

Editorial

Rudolf du Mesnil

New Advertising Law 2009 – Clear as Mud?

Editorial

Of importance is also the decision of Essen Regional Court on the issue whether an entered e-mail address as such already proves that the address owner's consent to use the address is given. The court refers to multiple address misuse and confirms earlier, partly inconsistent case-law, according to which the single-opt-in procedure is not sufficient. The advertiser would be responsible for such unrequested sending of advertising not to occur so that only the double-opt-in procedure could be considered as secure procedure to provide evidence of consent. Upon reconfirmation to his e-mail address, the address owner would have to again actively declare his consent (LG Essen, 4 O 368/08, Judgment of April 20, 2009)

Developments on European law level regarding the prohibition of combined offers provided for in Germany in Section 4(6) UWG and regarding keyword advertising are interesting as well.

While keyword advertising gains in economic importance on a European-wide and an international level, the legal situation regarding the trademark rights of the holder of the mark used as keyword has largely remained unclear so far. The Federal Court of Justice [BGH] was held to decide on three similar cases recently, one of which it submitted to the European Court of Justice [ECJ] by means of preliminary ruling proceedings. The case deals with the use of a third-party trademark as keyword to advertise similar, competing products and services. Similar matters were already submitted to the ECJ from several other European States. Should the use of a mark as keyword at search engines such as Google to be considered use of the mark, the rights holder would be entitled to cease and desist claims and claims for damages. The views held by German appellate courts differ on this issue, as does case-law within the European Community. As long as the information shown after entering the keyword is clearly recognizable as advertising and is offset from the actual search result, at least the BGH has denied a likelihood of confusion.

The discussion on the admissibility of the disputed German prohibition of combined offers in Section 4(6) UWG again gained momentum, following the ECJ judgments on cases C-261/07 and C-299/07 for a similar provision in the laws of Belgium. The ECJ held that the Directive which is the basis to the UWG amendment 2009, was to fully harmonize fair commercial practices law. The Directive would not impose a general prohibition of combined offers, thus without taking account of the specific circumstances. A decision on the German provision has not

Editorial

been issued yet. However, the ECJ is already reviewing a similar German matter.

Daily practice requires a certain level of awareness in sensitive areas of advertising law. This does not only require competent legal counseling, but primarily one's own overview of advertising law provisions. The IP IT MEDIA Practice Group at Heuking Kühn Lüer Wojtek will soon offer you free-of-charge client seminars providing you with the necessary overview by means of workshops in Hamburg, Düsseldorf, Cologne, Frankfurt and Munich geared to real-world solutions. Please contact us for any additional information or to register (werberecht@heuking.de). Watch out for our invitations or request one at the e-mail address found below.

Thanks go out to Thomas Friedrich for his assistance in preparing the above summary.

Yours, Rudolf du Mesnil

Table of Contents

Editorial: New Advertising Law 2009 – Clear as Mud?	page	2
Liability Pitfalls in Direct Marketing		6
Use of Personal Data after the Data Protection Law Amendment		11
No Equal Treatment in Injustice		14
The Eternal Original – How Patents Can Be Extended by Trademarks		15
Case-law news ticker - Headnotes and Annotations		18
Partnership and Practice Group News		28
Credits		30



Liability Pitfalls in Direct Marketing

Florian Geyer, LL.M. (Frankfurt am Main)

Summarized as “Direct Marketing”, the sending of personalized advertising has gained increasing importance in recent years. Especially in times like these, it may be an inviting alternative to rely on personalized advertising instead of expensive, national advertising campaigns in mass media. It is possible to considerably reduce the advertising budget by simultaneously increasing the effectiveness of advertising campaigns.

However, advertising companies are often not fully aware of the legal requirements of sending advertising, or, in any event, they fail to fully take them into account. On the one hand, this may be due to the partially confusing legal situation since the individual advertising media, depending on the likelihood of an improper use, are treated differently. Furthermore, companies cannot even rely on acting in compliance with the law if they have in fact obtained a written declaration of consent by the advertising recipients prior to sending out advertising. The bulk of the (printed form) declarations of consent used in the past may, after all, be invalid according to the most recent case-law of the Federal Court of Justice.

To help to avoid pitfalls under competition law, an overview of the admissibility requirements of direct marketing will be provided below. The central provision on „harassing advertising“ is included in Section 7 Act Against Unfair Competition („UWG“). This provision stipulates when an advertisement is to be regarded as harassing and for this reason contrary to the law. At the same time, the admissibility requirements of an advertising campaign are treated differently depending on the advertising medium (e-mail, text message, fax, telephone or advertising letter).

Most stringent are the requirements for legal advertising by means of fax, electronic mail (including advertising by e-mail, text messages or multimedia messaging service) or by automated calling machines. Without „prior explicit consent“ of the recipient, these forms of advertising are generally prohibited.

Since the UWG provision on harassing advertising implements a European Community Directive into German law, the concept of „explicit consent“ is to be interpreted under European law. Accordingly, any indication of wishes is to be regarded as sufficient

Different treatment of advertising media

Fax/ E-mail / Automated phone calling machines

Liability Pitfalls in Direct Marketing

consent, by which the data subject indicates his agreement to receive advertising, provided that such indication is (i) freely given, (ii) specific and (iii) informed.

„Explicit“ is thus not to be understood in the literal sense. However, it is always required that a consent actually exists. A presumed consent, for instance, because the advertising in question might be in the interest of the advertising recipient, on the contrary, does not suffice. Indeed, the consent is not bound to a particular form. However, a written or electronic consent is common practice and recommended for evidentiary reasons. As a rule, the consent is obtained by requesting that the potential advertising recipient check a box in a form if he would like to receive advertising (opt-in declaration), or check a box only if no advertising is desired (opt-out declaration).

The Federal Court of Justice recently clarified in a landmark decision that in the event of pre-formulated declarations of consent relating to e-mail or text message advertising, an opt-out declaration will be impermissible. Consequently, an advertiser sending out electronic advertising, the receipt of which the recipient has merely declared agreed to in an opt-out declaration, acts contrary to the law, thus risking warnings and judicial proceedings.

The consent must also be „specific“ and „informed.“ A consent given is „specific,“ when it is explicit from the declaration which companies may advertise for which products. However, no excessive requirements may be made for the degree of specificity needed for this purpose. Therefore, a blanket consent may be permissible for the receipt of any advertisement from a certain provider. The respective need for protection and the recognizable interests of the recipient are the determining factors. Therefore, differently stringent requirements are to be established for the declarations of consent to be obtained from consumers and entrepreneurs/companies. The consent requirement to be „informed“ relates primarily to the extent of advertising. Without explicit prior clarification, the quantity of advertising messages should not exceed what is considered socially acceptable. In any event, the daily sending of several advertising messages would be considered to exceed the usual amount. No objection, on the other hand, should be made against the sending of one to two advertising messages per week.

In the event of advertising for one's own similar products or services by e-mail, an exemption from the strict consent requirement

Liability Pitfalls in Direct Marketing

exists under certain circumstances. The sending of appropriate advertising is also permitted without explicit consent if

1. an entrepreneur has received the customer's e-mail address by the customer in connection with the sale of a product or service,
2. the entrepreneur uses the address for the direct advertising for his own similar products and services,
3. the customer has not objected to the use and
4. the customer has clearly been notified at the collection of the address and at each use that he may object to the use at any time without incurring costs other than the basic costs of transmission.

In the case of advertising by telephone, a distinction is to be made between advertising to consumers and to other market participants. Whereas until recently it had been sufficient if a consumer's consent ensued from his behavior, since an amendment of the law that became effective on August 4, 2009, „prior explicit consent“ must exist, just as in the case of advertising by fax, e-mail/text messages or by means of automated calling machines. If telephone advertising is aimed at consumers, without an adequate consent existing, since August 2009, also an administrative fine of up to EUR 50,000.00 may be imposed. However, towards other market participants, such as entrepreneurs/companies, „presumed“ consent will be sufficient.

In the event of a dispute, the advertiser will have to prove the existence of a declaration of consent. In any case, a consumer's consent to advertising calls cannot be concluded exclusively from the existence of business or contractual connections with said consumer. However, in the case of advertising calls to companies, presumed consent is frequently considered.

Thus, it would, for instance, be impermissible if in the context of an existing contractual relationship, a mobile network operator informs a consumer by telephone about offers which are independent of the performance of the existing contractual relationship. This applies even when it is assumed that the customer may have an interest in the relevant information, for example, because he would be able to save money with a change to another rate plan. As a rule, such advertising to corporate customers should, on the contrary, be unobjectionable since under this circumstance presumed consent should be assumed.

Telephone advertising

Liability Pitfalls in Direct Marketing

Other than with the preceding advertising forms, advertising to a consumer is in principle permissible using another means of remote communication (such as letters, brochures or catalogs). Merely the repeated (i.e. at least twice) sending of an advertisement, which the recipient recognizably does not wish, is prohibited.

The opposing wishes of the advertising recipient can be learned from his explicit declaration to the advertiser. Unlike in the case of e-mail or text message advertising, an opt-out solution is here generally also permissible. However, a clause including both consent to postal advertising and to advertising by means of e-mail and text messages, may be altogether invalid if it cannot be divided linguistically and by subject into a permissible (mail) and an impermissible regulating part (e-mail and text messages).

However, an opt-out declaration to be considered may also lie in the affixing of a blocking notice on the mailbox („No advertising material“). Moreover, the advertising recipient may be entered into a „Robinson List“ in order to declare his disapproval of postal advertising messages. The current Robinson List may be ordered via Deutscher Dialogmarketing Verband e.V.

If recognizable disapproval by the advertising recipient is given, it is irrelevant whether substantial expense is associated for the advertiser to remove the advertising from the corresponding mailings for said recipient.

If the blocking notice is not heeded by a delivery service, the advertising company is in principle also liable in addition the latter. To prevent its own liability, the advertising company will have to make sure by sufficient contractual provisions that the company charged with delivering complies with the blocking notices. In particular, the advertiser is to provide for contractual sanctions in case of non-observance (liquidated damages and/or termination of the contract) and to pursue possible complaints.

The Federal Court of Justice considers printed form declarations of consent as terms of business subject to full effectiveness review. Accordingly, non-transparent or inadequate declarations are ineffective. In principle, the purpose and the scope of the advertising to be sent to the consenting parties must be specified in the declaration. Therefore, the character and the content of the advertising material should be specified as precisely as possible.

Printed form declarations of consent frequently invalid

Liability Pitfalls in Direct Marketing

However, even then there is a not insubstantial risk that a declaration of consent is considered ineffective. According to the most recent case-law of the Federal Court of Justice, this may in any event be the case if such declaration of consent applies to advertising, which is not connected to the purpose of the contract, in connection with which the declaration was provided. This applies, on the one hand, to consent to sending advertising of the contractual party even if such advertising is not related to the contract, on the other hand, to consent to the transmission of advertising of a third company.

Consequently, substantial uncertainty exists regarding to which extent consent to the receipt of advertising can be declared in printed form.

Concerns about effectiveness will likely not exist merely where the sending of advertising has already been established in the purpose of the contract. Thus, the Federal Court of Justice deemed it permissible for the contractual partner of a customer retention program to declare his consent for the purpose of receiving advertising materials concerning special offers and price reductions, and indeed not only from his contractual partner, but also from the partner companies participating in the customer retention program. The specific purpose of the contract was directly aimed at obtaining such offers and information.

f.geyer@heuking.de

Conclusion: When judging the permissibility of direct marketing measures, a distinction must be made between the various advertising media. To avoid unnecessary risks it is generally recommended to obtain the recipient's explicit consent prior to sending of advertising. In the case of e-mail and text message advertising, this must imperatively occur by an opt-out declaration. While the sending of advertising by mail is permissible in principle, compliance is required with a wish, recognizable to the advertiser, not to receive advertising.

According to most recent case-law of the Federal Court of Justice, many declarations of consent used in practice in the past may be ineffective. Companies should therefore have the declarations of consent in use examined and should no longer use data collected using deficient declarations of consent for direct marketing purposes. Otherwise, warnings and judicial proceedings for anticompetitive advertising are threatened.

Use of Personal Data after the Federal Data Protection Act Amendment

Astrid Luedtke (Düsseldorf)

At the end of the legislative period, after a long discussion vehemently fought out by different stakeholder representatives, the grand coalition moved forward with another amendment to the Data Protection Act, which took effect as of September 1, 2009. Among other things, this amendment provides for changes in the areas of commissioned data processing and of employees data protection. The focus of the amendment and the main issue that was being discussed, however, was the change to the rules on how data may be used for advertising, marketing and opinion research and for commercially selling addresses.

Collection, processing and use of personal data is generally only permissible where the data subject has granted his consent or in cases where it is legally permitted. Up until now, when personal data was used for advertising purposes, according to statutory provisions this kind of legal permission was provided for in the form of the "list privilege." For purposes of advertising and for market and opinion research, companies were allowed to use specific data that was summarized in the form of a list without the data subject's consent, including when it came to commercially re-selling addresses. Companies were also allowed to transfer such data to third parties, unless there was a conflict with legitimate interests of the data subject. Consumer protection advocates, among others, sought to abolish this list privilege to provide citizens with more rigorous protection from having their data transferred unmonitored for advertising purposes. However, in response to the efforts by the industry affected by this move, as a part of the amendment of the Federal Data Protection Act, the list privilege was merely restricted.

Based on the new rule, the list privilege will continue to exist, even though it will be more limited in its scope. Companies may continue to process and use specific groups of data without the data subject's consent for advertising purposes and for selling addresses. This data is limited to details about persons belonging to certain groups and relate to the person's membership in such group, the designation of the profession, industry or business, the person's name, title and academic degree as well as the address and year of birth of the data subject. Furthermore, the information may only be transferred and used for the following three

List privilege restricted

The latest rule: Processing, using and transferring data to third parties for advertising purposes

Use of Personal Data after the Federal Data Protection Act Amendment

purposes: for the own advertising of the body responsible (this, however, only if the data was collected from lists of addresses, phone numbers, industries or similar lists available to the public), for the purpose of advertising related to the occupation of the data subject at the data subject's business address or for advertising for raising charitable donations. It is permissible to transmit data for advertising purposes if the transmitting body stores the origin of such data and its recipient for a period of two years and upon request of the data subject discloses the origin of his data and the names of third parties that his data was transmitted to. In addition, legitimate grounds of the data subject must not oppose the use and processing of the personal data.

The rule described above also applies to the sale of addresses. The transfer of data to a third party is permissible if the third party to whom the data is transferred is able to credibly present a legitimate interest in having knowledge thereof and there is no reason to assume that the data subject has legitimate grounds, which would preclude the data from being transferred. What is new is that the transferring body is obligated to conduct a sampling procedure and in doing so is also obligated to establish and review that in each individual case the recipient does in fact have a legitimate interest in the data.

A new and independent rule has been added to the amended Federal Data Protection Act concerning collecting and storing data for market or opinion research. It is permissible to collect, process or use personal data for the purpose of market or opinion research if there is no reason to assume that the data subject has legitimate grounds, which would preclude such data from being processed. It is further permissible if said data could be taken from sources available to the public or the body responsible was allowed to publish such data and the legitimate grounds of a data subject, which would preclude the processing of his data do not obviously override the interests of the body responsible. The law does stipulate a strict limitation of use of the data for a specific research project. For any other purpose, personal data may only be processed or used if it is, prior to processing or use, encrypted in such a way that a reference to a person can no longer be made. Generally speaking, personal data must be encrypted to the extent possible based on the purpose of the research project. Until that time, the user of such data is obligated to separately store the characteristics that might provide details that could be used to identify the personal or professional circumstances of a certain person or a person who might be specifically defined.

Commercially collected and stored data for the purpose of transferring to third parties (sale of addresses)

Market research and opinion research

Use of Personal Data after the Federal Data Protection Act Amendment

The requirements relating to the permissibility of the use, processing and transfer of data, which are in part difficult to understand, may be avoided where the data subject has expressed his consent. It is still the case that in order for the consent to be valid, the data subject must be provided detailed information in advance about the reasons why his data is being collected, processed and used, and not until such information has been provided would the data subject be able to decide freely in accordance with the law (informed consent). Generally, the written form requirement still applies, however it is also possible to receive the data subject's consent in another form, such as orally, if said consent is confirmed in writing. Special prerequisites apply to a data subject's electronic consent. If the consent is to be granted in combination with other statements, it must, according to the new legal provision, be highlighted clearly in a printable form. However, it is not necessary to submit a separate statement relating solely to the issue concerning data collection, processing and use.

The principles described above only apply to the consent under data protection laws, thus only to the question whether or not the data subject consents to the use and transfer of his personal data for advertising purposes. If the data subject has consented to the use of his personal data in this form, the data subject has not yet consented to receiving advertising through a specific channel. As relates to the question whether the data subject may receive ads by mail, fax, e-mail or telephone, a separate set of rules described in this Newsletter applies. To this extent, depending on the advertising form, in some cases special consent must be obtained from the data subject.

a.luedtke@heuking.de

Consent granted under applicable data protection laws

Consent under data protection laws is independent from the consent under competition laws

Conclusion: The list privilege was not, as was initially feared, entirely deleted. Yet, the new rules do provide the consumer with more transparency and control. Under certain circumstances, however, it is still permissible to continue using and transferring certain data collected in the form of lists for advertising purposes and for address re-sale purposes. However, as a part of the amendment process, as a whole, the market and opinion research industry was given priority treatment over the advertising industry.



The ECJ is not binding trademark offices to incorrect previous trademark registrations.

With its order of February 12, 2009, the European Court of Justice confirmed the prevailing opinion that where new trademark registrations are concerned, the German Patent and Trademark Office is not bound to previous records of similar trademarks, which might possibly be incorrect. Even though when reviewing this kind of registration, the competent national office will need to give due consideration to decisions made relating to similar registrations and will need to especially focus on the question whether or not its decision should be along the same lines, it is by no means bound to these previous decisions (ECJ, Order of February 12, 2009, C-39/08 and C-43/08 margin no. 17).

The court that submitted the case was the German Federal Patent Court. The background for the submissions were two trademark registration proceedings filed with the German Patent and Trademark Office (DPMA). The trademark applicants had argued herein against the fact that despite previous registrations of similar trademarks, the DPMA had rejected registrations for "Volks.Handy", "Volks.Camcorder" and "Volks.Kredit" or „Schwabenspost". In one case, the trademark applicant had referred to his own previously registered trademark, in another case a similar registration of a competitor was submitted as an argument.

The Federal Patent Court was doubtful that the Trade Marks Directive 89/104/EEC permitted this kind of unequal treatment. Especially Article 3 of the Directive was considered grounds for refusal by the Federal Patent Court. Article 3 of the Directive lists absolute grounds to refuse registration of a trademark. Based on this list, among other things, such trademarks are invalid for registration which are devoid of any distinctive character or are generally descriptive in nature.

The assumption by the Federal Patent Court was that once the DPMA had made a decision that a specific mark was valid for registration, a new registration that was designed in a similar fashion could no longer be refused because of the principle of equal treatment. An exception would only be possible if it were justified as a result of a change in the general conditions (ECJ, loc.cit., margin no. 11). In contrast, the DPMA itself had opined that each registration would need to be reviewed on its own merit and separately.

No Equal Treatment in Injustice

Dominik Eickemeier (Köln)

No binding obligation, but due consideration of previous decisions

German Federal Patent Court in favor of principle of equal treatment

No Equal Treatment in Injustice

ECJ: No Equality in Injustice

In its decision, the ECJ refers, in particular, to its earlier case-law relating to the obligation to conduct business legally (loc.cit., margin no. 18). What follows, so argued the court, was that no one would be able to refer to an incorrect application of the law in favor of another party for the purpose of obtaining an identical decision. The ECJ had already reached a similar decision with regard to the Community Trademark and similar previous registrations (cf. reference to the ECJ case-law in margin no. 13). The ECJ also saw no difference between such cases in which a company refers to its own previous registrations and cases in which a competitor was granted previous registration.

In the end, the ECJ left another question posed by the Federal Patent Court unanswered. With this question, the German Federal Patent Court wanted the ECJ to establish whether or not national legislation would need to officially submit for cancellation the possibly incorrect previous registration in order to correct any unequal treatment as described in the case above by canceling the previous registrations. Whether lawmakers would introduce this kind of proceedings, however, is highly doubtful.

d.eickemeier@heuking.de

The Eternal Original – How Patents Can Be Extended by Trademarks

Dr. Anton Horn (Düsseldorf)

Patents protect technical inventions. This is why companies focusing on technology devote a large amount of effort to patent applications. On the other hand, trademarks are non-technical industrial property rights and protect the name of a product. Skillfully combining patent protection, brand strategy and advertising statements can substantially increase revenue and the value of a company.

Patents are powerful industrial property rights. By protecting a technical invention with a patent, a person or company can effectively keep other products off the market and in doing so create a lucrative monopoly position for themselves. A patent

Patents are powerful

The Eternal Original – How Patents Can Be Extended by Trademarks

is not only enforceable as protection against knock-offs in the strictest sense, meaning a mostly identical clone of a product. Rather, patents can also be used as protection against products, which might look different on the outside, which are, however, based on the same technical idea.

Most suppliers of technical products, such as industrial hoses, valves or chemical raw materials, are convinced that their customers purchase these products because of the technical solutions they offer and their quality, and that these customers are not impressed by high-gloss brochures or fashionable brand names. You can find this mind-set especially among manufacturers of components and parts. Typically, they do not give much in-depth thought to product names and their protection.

However, there are quite a few situations in which, especially for technical products, trademark protection can be very valuable. To begin with, one of the main weaknesses of patent protection for technical solutions is their time limitation. Patent protection ends 20 years after the patent's registration date. Because it often takes several years for a patent to even be granted, oftentimes effective protection is only given for a period of 15 years or less. Trademark protection does not have the same weakness, because a trademark can be extended without any time limitations.

The following scenario is very common: A manufacturer develops a new valve solution and applies for a patent. After five years, the patent is finally granted. Because of the increasing success of the product, knock-offs appear in the market place. Ultimately, the owner of the patent takes legal action against them. The first legal complaint is submitted five years after the patent was granted, thus by now, ten years have passed after the patent was filed. All in all, the legal proceedings take about another five years, but in the end the outcome is successful. There are now just barely another five years left until the end of the 20-year patent protection. In the meantime, alternate solutions begin to appear in the marketplace. After the patent protection period has ended, even though the manufacturer is happy that he was at least able to keep some of the competition at bay, he is not really that satisfied with the results.

What if the manufacturer had used the time needed until the patent was granted to give his brainchild a name? For the technical solution, he would have been able to build up a powerful brand

Technical products do not need a „fashion label“?

Patents expire, trademarks last forever

Oftentimes, patents simply expire just like that

Phase 1: Brand creation with the protection of the patent

The Eternal Original – How Patents Can Be Extended by Trademarks

name and would have even been able to use it profitably to even promote other products after the patent protection expired. In fact, it might have been possible for the story to go something like this:

Because a component used in a valve plays a critical role in the function of the valve and to some extent resembles the shape of a crescent moon, the manufacturer has the name „Red Moon“ trademark protected. He then introduces the valve to the market under this name and from then on consistently markets the “Red Moon Technology.” In time, this term becomes well known.

The term “Red Moon Technology” becomes highly recognized. Customers specifically request the “patented Red Moon valve” and competitors advertise their products by marketing them as being “equal to a Red Moon valve”.

The true benefit of this strategy can be seen once patent protection has expired. Now, the manufacturer still has the option of advertising his product as the “original Red Moon valve”. He can even advertise other products by stating “From the makers of the Red Moon technology.” Because of the trademark protection, no other competitor can call their valve the “Red Moon valve.” In addition, the manufacturer can even make use of the brand’s recognition when advertising other products.

There are several manufacturers that developed a successful strategy for making the transfer from patent protection to a trademark product. Well-known examples are the Swiss Army Knives, Fischer anchors and the “Styropor” foam material. The more a product is exchangeable, the more important it is to have a powerful trademark in order for it to stand out from products offered by the competition. This consciousness is not only important when it comes to men’s socks, but also when it comes to valves, fasteners and hoses.

a.horn@heuking.de

Phase 2: The trademark liberates itself from the patent

Familiar examples

Conclusion: Technical products are not “brand products” such as those in the fashion industry. This is why a trademark strategy should concentrate on what is so particular about a product and be designed to match what potential customers would consider important. This should also include an intelligent advertising concept that links technical statements, patents and trademarks and that is able to underline the product’s strengths.

Competition Law

BGH: On the liability of an eBay account holder

BGH March 11, 2009 (I ZR 114/06), GRUR 2009, 597
– *Halzband*

Leitsatz: If a third party uses another member's eBay account to breach protective rights and to violate competition after it has obtained the access information for such member's account because the owner did not sufficiently protect its account against being accessed by third parties, the owner of the account must allow proceedings to be performed as if it had acted itself as a result of the risk of uncertainty as to who was acting under the membership account in question and against whom a claim can be made in case of breach of contract or breach of protective rights.

Comment: With this decision, the Federal Court of Justice gave its first opinion on the question of whether the owner of an eBay membership account who makes it possible for a third party to access his eBay membership account as a result of insufficient security is liable for the infringement of third party rights.

Plaintiff 1) is the owner of an IR trademark "Cartier", which is protected, among other things, for jewelry; Plaintiff 2) deals in such jewelry. A necklace described as „... Halzband, Art *Cartier* ... Mit kl. Pantere, tupische simwol fon *Cartier* Haus ...“ was sold through the Defendant's eBay membership account. In fact, it was the Defendant's wife who arranged the sales. The latter found the access details in a desk belonging to the Defendant, which was also accessible to her. The Plaintiffs saw this as a breach of their trademark "Cartier", a copyright infringement, as well as a breach of the Act against Unfair Competition and filed for an injunction, order to disclose information, and for determination of the obligation to pay damages against the Defendant.

The Federal Court of Justice affirms the liability of the account holder in the present case. It is the view of the court that the account holder must allow proceedings to take place as if he himself had acted, as a result of insufficient security for the access data. The Federal Court of Justice derives the liability of the defendant from its own fictitious action rather than from the liability law institution of disturbance liability. The insufficient security provided for the access data for the eBay membership account against access by third parties is a breach of obligation to eBay, as well as to the public, which would be grounds for an independent right to attribution against the principles of disturbance liability. An eBay membership account admittedly has a particular identification function for the public. The transferring of the access data allowed doubt to be created as to which person actually acted under the membership account in question and

Competition Law

against whom a claim is to be made. The account holder would then be liable as soon as the third party had committed the first rights infringement, and not, as in the case of disturbance liability, only when the account holder failed to supervise or when he did not take action against illegal activity by the third party of which he had become aware. The fault necessary for a claim for compensation for damages, which was not to be decided in this case, would exist if the account holder should have known that the third party was using the data for illegal activity.

The liability model developed by the Federal Court of Justice strengthens the rights of the injured party to a significant extent because in case of rights infringements it may now make a direct claim against the owner of the eBay account in accordance with the principles developed by the court.

Principle of the GRUR-RR editorial office: The direct comparison of the prices of two electricity tariffs with a simultaneous description of environmental characteristics on the origin of the electricity may create the impression on the reader that also a comparison of these characteristics is made.

Comment: The parties were competitors in the market for electricity customers. Both obtained electricity from renewable sources, but to a different extent. The defendant had promotional brochures distributed, which were intended to get electricity customers to switch to it as an electricity provider. In this advertisement, the defendant compared the costs for various tariffs that it offered with the costs of the electricity tariffs offered by the plaintiff. With regard to its own tariffs, the defendant stated that „over 50% of its electricity“ was “generated by environmentally friendly combined heat and power in the region“ and that the customers pay “a 1.8 cent premium per kWh into the regional electricity fund“ which is used „exclusively“ to promote the construction of new and preservation of existing regional plants for generation of electricity from regenerative sources.“ With regard to the plaintiff’s electricity tariffs presented for comparison, the defendant’s promotional brochure gave only price information, but no description at all of the origin of the plaintiff’s electricity. In fact, however, the environmental characteristics of the electricity offered by the plaintiff with the tariffs used for comparison turned out to be better than those of the defendant. Not only 50%,

OLG Karlsruhe: On price competition with environmental statements

OLG Karlsruhe June 26, 2008 (Case 4 U 187/07),
GRUR-RR 2008, 407

Competition Law

but 100% of the electricity distributed by the plaintiff originated from regenerative sources and the plaintiff paid a premium of 2.5 cent per kWh instead of just 1.8 cent per kWh into a fund with an ecological focus. The Higher Regional Court Karlsruhe therefore considered the advertisement to be misleading. The direct comparison of the prices of both tariffs with a simultaneous description of certain characteristics of the defendant's services inferred to the reader of the promotional brochure that the products and services being compared also corresponded approximately to the defendant's product with regard to the characteristics highlighted. Consumers interested in the environment could only understand from the defendant's description that the plaintiff's products had corresponding characteristics. In fact, however, this was not the case. The differing features of the plaintiff's electricity were essential in the interpretation of the price difference between the tariffs that were being compared. In this respect, the audience being addressed would be misled if it was not informed of these essential characteristics.

Principle: The advertisement by an energy supply company for an "environmentally friendly tariff" stating that the customer would receive 100% environmentally friendly electricity and would receive a secure supply of environmentally friendly electricity, cannot be viewed as misleading because after switching, the customer would also be taking electricity from the grid, into which electricity from various origins is fed.

Comment: In a flyer to private households, the defendant advertised switching over to its offer Y-environmentally friendly electricity. Among other things, it stated that it offered a „secure supply of 100% environmentally friendly electricity.“ The plaintiff attacked this statement as being misleading because the individual purchasers of electricity would continue to receive electricity from the grid, into which electricity from various origins is fed. The grid therefore also contains electricity that was generated from fossil energy sources or from nuclear energy, which means that the electricity obtained by the end user would always consist of an energy mix, which would therefore not be 100% renewable energy. The court nevertheless did not consider the advertisement to be misleading. Electricity providers who offer environmentally friendly electricity in the way that the defendant does enter into an obligation to supply the grid with

OLG Karlsruhe: On an advertisement for switching to an electricity supplier with 100% environmentally friendly electricity

OLG Karlsruhe, December 10, 2008
(Case 6 U 140/08), GRUR 2009, 144

Competition Law

energy generated from renewable sources to the same level that their customers take electricity from the grid. Changing from the traditional supplier to a supplier of environmentally friendly electricity therefore results in higher demand for electricity from renewable sources. Consumers with an average level of knowledge, understanding, and appropriate knowledge of the situation were considered also to be aware of these circumstances because there has been detailed reporting in the media on the liberalization of the electricity market and the associated possibility of switching electricity providers, as well as on climate change and the discussion about different energy sources. The great majority of knowledgeable consumers would therefore not understand the defendant's advertising message to mean that energy taken from the grid is generated directly from a renewable energy source. Consequently, there was no question of the consumer having been misled.

Principles: 1. A TV commercial, in which the advertised skincare cream is presented as winner in a (moisture-) test against the most expensive creams of the leading luxury brands, contains comparative advertising within the meaning of Section 6(1) UWG even if the luxury brands are not designated by name.

2. The advertisement does not refer to verifiable qualities within the meaning of Article 6(2) UWG if no body is mentioned from which information on the modalities of the test carried out can be obtained.

Comment: The decision deals with the requirements on comparative advertising with test results. The respondent advertised its product with a TV commercial that included the following spoken text: „An independent laboratory tested the moisturizing effect of some of the most expensive luxury creams and an “O” cream outperformed them all. The new “O Regenerist Daily 3 Point Treatment Cream” provides intensive and demonstrably longer lasting moisture than all other products in the test – even 150 euro creams.“ While the words were spoken, the following text was shown on the screen: „24-hour moisture test against the most expensive 100 euro creams of the leading luxury brands excluding Internet sales“.

The court held that the attacked advertisement was to be consid-

OLG Cologne: On the verifiability of test result advertising

OLG Cologne February 06, 2009 (Case 6 W 5/09),
GRUR-RR 2009, 181

Competition Law

ered comparative advertising, although no products of competitors were named. For the presumption of comparative advertising it would be sufficient for the comparison to refer to specific products of competitors and the relevant public would be able to identify at least part of those products. Whoever had bought one of the especially successful luxury creams would understand the advertisement such that a cream was offered which featured a moisturizing effect better than the previously used product. Even the majority of users not purchasing luxury creams would in any event have perceptions which creams would be part of that circle.

In the court's view, the attacked advertisement did not comply with the requirements stipulated by Section 6(2)(2) UWG and Art. 4(c) of Directive 2006/114/EC concerning misleading and comparative advertising. It must be allowed for the interested consumer to check the statements made in the comparative advertising. The respondent would therefore have been obligated to name a body to the consumer at which the basic data of the comparison could have been learned. However, the respondent failed to do so. What is more, the details of the test and its results were not made available to the public at all, which is why the respondent had failed to comply with its duties to inform.

Principle: The advertising statement to have been judged as "Good" in a test „as one of only three institutions“ and „thus rank among the test's winners“, is not misleading for the reason that the test result not only awards a final rating, but also features digits behind the comma which, when considered, show that the product in question only won second place.

Comment: The defendant credit institution had advertised with reference to a test that it had been judged as "Good" as only one of three institutions providing loan services and thus would rank among the test's winners. Although the defendant credit institution with the quality rating of „Good (2.4)“ had only achieved the second-best result behind another credit institution rated as „Good (1.6),“ the court did not view misleading advertising in the advertising statement which failed to differentiate between the two results.

In the court's view, the addressed public would not understand

OLG Cologne: On advertising with a test result without rounding differences

OLG Cologne May 28, 2008 (Case 6 W 5/09),
GRUR-RR 2009, 181

Competition Law

the statement as claim of an absolute top ranking, but as appropriate statement on being part of the leading group. The use of the plural form „thus ranks among the test’s winners“ instead of the wording „is the test’s winner“ would sufficiently make clear that the defendant had at least won second place. The defendant would not be obligated to provide additional explanation on the digits after the comma of the respective total results obtained in the test.

Principle of the MMR editorial office (excerpt): An online seal stating „Inspected by ...“ and the linked reference to „the compliance with high quality standards“ violates Sections 5(2)(3), 3 UWG old edition as well as No. 2 Annex I of Directive 2005/29/EC, if the seal of quality may be used after submitting a declaration of voluntary commitment and payment of a license fee and the content of the voluntary commitment exceeds the compliance with statutory provisions, however, the additional services are in no way so substantial that they can be characterized as outstanding compared to other providers.

Comment: The judgment deals with liability under the Act Against Unfair Competition (UWG) in the event of misleading use of a quality mark. The decision apparently is one of the first decisions of a German court dealing with the „black list“ from Directive 2005/29/EC concerning unfair business-to-consumer commercial practices, now No. 2 of the Annex to Section 3(3) UWG.

The complainant, Center for Protection against Unfair Competition, filed a petition to enjoin the owner of a mail-order pharmacy from online advertising with a seal of quality of the German Association of Mail-Order Pharmacies [BVDVA]. Contrary to the pledge „Inspected by GAMOP,“ the seal of quality was awarded without prior inspection exclusively on the basis of a declaration of voluntary commitment, which contains no provisions exceeding the pharmacy provisions, and upon payment of a license fee. Darmstadt Regional Court affirmed a claim to enjoining from the use of the disputed seal of quality based on Sections 5(2)(3), 3 UWG old edition and No. 2 Annex I of Directive 2005/29/EC (now: No. 2 Annex to Section 3(3) UWG).

In the view of the court, anticompetitive misleading exists. It is

LG Darmstadt: Unfair advertising with a quality mark

LG Darmstadt November 24, 2008
(Case 22 O 100/08), MMR 2009, 277 (not final)

Competition Law

the purpose of a quality mark to identify the quality of goods or services and to provide the consumer with neutral, reliable information for his market selection. The seal of quality would suggest to the addressed relevant public that the product or the service has been set apart from competitive products or services by a neutral center authorized for this purpose. However, the purpose of the quality mark would not be fulfilled if no prior inspection had taken place by the indicated issuer of the seal, but the seal was only awarded for money. By using a seal of quality it is not only communicated to the addressed relevant public that the respective competitor has been inspected by the seal issuer. Rather, an advertising purpose was consciously pursued implying that an outstanding service has been confirmed and honored by a neutral center so that competition-relevant behavior within the meaning of the UWG is to be affirmed.

Principle (excerpt): The party ordering a commercial to be distributed online only („viral“) will be liable pursuant to Section 8(2) UWG even if it has not itself uploaded the commercial, but also failed to effectively prevent the commercial’s distribution (headnotes of sender to the GRUR editorial department).

Comment: In this decision, the Cologne Regional Court comments on the issue to which extent the ordering party of an anticompetitive commercial distributed on the Internet („viral“) will be liable to provide information and to compensate damages and which obligations it will have to fulfill regarding the prevention of additional violations of competition.

The parties were competitors in the sale of navigation systems. The defendant had ordered two advertising agencies to prepare commercials in which the plaintiff’s products were represented as fault-prone, unreliable and unsuitable in comparison with the defendant’s products. After the commercials had been presented by the agencies, the defendant prohibited their distribution. Nevertheless, the commercials were subsequently available for download on the Internet platform „YouTube.“ The plaintiff fought this.

The Cologne Regional Court considered the commercials impermissible comparative disparaging advertising pursuant to Sections 3, 6(1) and (2)(5) UWG. The advertising agencies were held to be agents of the defendant within the meaning of Sec-

LG Cologne: Liability for unauthorized Internet commercials (“Virals“)

LG Cologne, May 29, 2008 (Case 31 O 845/07),
GRUR-RR 2009, 154 – Liability for Virals

Competition Law

tion 8(2) UWG so that the defendant would be responsible for their conduct. In addition, the defendant would also be at fault itself since it had not effectively prohibited the broadcasting of the commercials. The court considered it ineffective that the defendant had asked the operators of the „YouTube“ platform to remove the commercials. Rather, the defendant would have to do everything required and reasonable in the specific case to prevent future violations. Since the defendant had been aware of the existence and the content of the commercials, it would have had to effectively enjoin the commissioned agencies from distributing or having distributed the commercials. For this purpose, it would have had to influence the agencies by instructions and to closely monitor their compliance. By failing to do so, the defendant had at least negligently caused damage to the plaintiff.

Trademark Law

OLG Cologne: No advertising with logo similar to the „DSDS“ logo in sweepstakes

OLG Cologne, February 06, 2009
(Case 6 U 147/08), BeckRS 2009 05568

Principle of the editorial department: By using the slogans „S. is looking for Germany’s ugliest children’s/teen bedroom“ and „S. is looking for Germany’s ugliest living room“ in conjunction with a similar logo for sweepstakes, the special attention is exploited that the association with the well-known trademark „Deutschland sucht den Superstar [Germany is looking for the superstar]“ may create. The exploitation of the distinctive character of the well-known trademark of a third party is generally unfair.

Comment: The defendant furniture discount chain had organized two sweepstakes, for which it advertised by using the slogans „S. is looking for Germany’s ugliest children’s/teen bedroom“ and „S. is looking for Germany’s ugliest living room.“ The logo used resembled the oval trademark of „Deutschland sucht den Superstar“ which is used for a well-known TV show.

Based on the complaint by RTL, the broadcaster of the TV show, the furniture discounter was sentenced to enjoin from continuing to use the logo, to provide information and to compensate for damages. The court considered the use of the slogans a use as a trademark exploiting the distinctive character of the well-known „Deutschland sucht den Superstar“ trademark. The disputed mark would refer to the plaintiff’s well-known trademarks. By looking for something ugly, the gag of the advertising campaign would lie in insinuating that the popular success of the TV show advertised with the plaintiff’s trademarks would not only lie in finding a „superstar,“ but also in presenting such contestants who do not come off as shining superstar, but rather as ugly duckling. By doing so, the defendant would exploit the particular attention that the association of a designation with the plaintiff’s well-known trademarks could create. The exploitation of the distinctive character of the well-known trademark of a third party, however, is generally unfair.

The court held that the advertising slogans did not under any understanding fall under the definition of art, but were a pure advertising creation so that the imitation of the plaintiff’s well-known trademark would not be justified under the viewpoint of liberty of art, either. The defendant would also be unable to invoke the right to freedom of expression. Even if one wanted to recognize an expression of opinion in the slogan, such would be fully subordinate to the purpose not protected by constitutional law to create attention for the advertised products.



Since 2009, **Dr. Andreas Walle** has joined our Practice Group at the Hamburg office. Dr. Walle has been a lawyer of the firm since 1998 and Partner since 2003. In addition to his many years of work in the Employment Law Practice Group, he also focused on matters of sports law. A major part of his work in this field concerns the counseling on and the drafting of agency, licensing and sponsoring agreements, in particular TV broadcasting rights and the marketing thereof. Clients are sporting rights agencies, teams and individual sportsmen, but also companies involved in the field of sports sponsoring.

Since January 2009, **Dr. Walter Eberl** has joined our team. Dr. Eberl's main area of praxis is arbitration and litigation. Dr. Eberl is admitted as Solicitor in England and Wales as well as in Ireland. Apart from the English law he also has knowledge in US law. Dr. Eberl possesses special expertise in the field of entertainment law. A major part of his arbitration and litigation practice concerns media law, IT- and IP-agreements and telecommunications law.

Since July 2009, **Dr. Wolfgang G. Renner, LL.M.** (Tulane Univ.) has joined our Practice Group as Partner at the Munich office. Following his university education in Germany and the U.S., he had been working for another large German law firm for several years. Since 2000, Dr. Renner has been dealing as lawyer with public IT projects, for which he provides counsel in public procurement law, public law and IT law. He has successfully structured and supported award procedures in the hardware, software, telecommunications and outsourcing fields. Moreover, he possesses special expertise in data protection law.



In August 2009, the partnership of Heuking Kühn Lüer Wojtek was nominated for the Juve Awards as **Law Firm of the Year** in the „Media“ category. The Juve Awards are considered one of the most important industry awards and are annually presented in 17 categories, including 14 awards for law firms and three for in-house categories. Heuking Kühn Lüer Wojtek was nominated in the „Media“ category in addition to four other law firms.

Partnership and Practice Group News

Growth in Hamburg and Munich

Nomination for Juve Award as Law Firm of the Year in the Media category



In September/October 2009, the IP·IT·Media Practice Group had invited to attend seminars on current legal issues in advertising and marketing. The workshops were held at our offices in Hamburg, Düsseldorf, Cologne and Frankfurt and covered the areas of alternative forms of advertising, green/social advertising, advertising with testimonials and quality marks, customer retention programs, sweepstakes and event promotions as well as rights clearance, data protection and targeting. A further workshop is planned to be held in Munich soon.



For intellectual property rights, court decisions play a major role. In patent infringement proceedings, it is customary and makes sense to refer to court decisions in order to support one's arguments. For this purpose, it is helpful if the most important decisions are readily accessible.

The Düsseldorf-based patent law team of Heuking Kühn Lüer Wojtek has therefore compiled important German judgments on various aspects of patent infringement proceedings, leading to a series of Case Books. The volumes of „Indirect Patent Infringement“ and „Equivalent Patent Infringement“ have now been joined by „Patent Law and Antitrust Law,“ already including the latest Federal Court of Justice „Orange Book Standard“ decision. Currently in preparation are „Pharmaceutical Patent Law,“ „Cross-Border Patent Litigation“ and „Interlocutory Injunctions in Patent Law - Cease and Desist Orders and Inspection“.

Each of the Case Books includes an evaluation of the judgments in table form. In addition, the relevant patent documents are added to the copies of the judgment. All Case Books will be translated into English one by one. English translations of „Indirect Patent Infringement“ are already available, and the translation of „Patent Law and Antitrust Law“ will be completed soon.

The Case Books may be requested as of now. Please refer to your contact person at Heuking Kühn Lüer Wojtek or to Ms. Romy Dziwisch (r.dziwisch@heuking.de). The Case Books will be sent in printed form by mail. The Case Books and shipping will be free of charge.

News aus der Sozietät und der Praxisgruppe IP·IT·Media

Advertising Law seminar series at several of our offices

Valuable Case Books available on Patent Law

This Newsletter does not constitute legal advice. While the information contained in this Newsletter has been carefully researched, it only offers a partial reflection of the law and its developments. It can be no substitute for individual advice appropriate to the facts of an individual case.

Editorial Department:

responsible:

Astrid Luedtke

at the law firm of Heuking Kühn Lüer Wojtek,
Georg-Glock-Straße 4, 40474 Düsseldorf

Evelyn Lüchter (Hamburg)

Dr. Christoph Lüer (Frankfurt am Main)

Kai Oliver Runkel (Cologne)

Berlin

Unter den Linden 10
D-10117 Berlin
T +49 (0)30 88 00 97-0
F +49 (0)30 88 00 97-99

Brussels

Avenue Louise 326
B-1050 Brussels
T +32 (0)2 646 20-00
F +32 (0)2 646 20-40

Chemnitz

Weststrasse 16
D-09112 Chemnitz
T +49 (0)371 38 203-0
F +49 (0)371 38 203-100

Cologne

Magnusstrasse 13
D-50672 Cologne
T +49 (0)221 20 52-0
F +49 (0)221 20 52-1

Düsseldorf

Georg-Glock-Strasse 4
D-40474 Düsseldorf
T +49 (0)211 600 55-00
F +49 (0)211 600 55-050

Frankfurt am Main

Grüneburgweg 102
D-60323 Frankfurt am Main
T +49 (0)69 975 61-0
F +49 (0)69 975 61-200

Hamburg

Bleichenbrücke 9
D-20354 Hamburg
T +49 (0)40 35 52 80-0
F +49 (0)40 35 52 80-80

Munich

Prinzregentenstrasse 48
D-80538 Munich
T +49 (0)89 540 31-0
F +49 (0)89 540 31-540

Zurich

Bahnhofstrasse 3
CH-8001 Zurich
T +41 (0)44 200 71-00
F +41 (0)44 200 71-01

www.heuking.de