

Preliminary injunction proceedings in German intellectual property disputes

Askan Deutsch*

In German intellectual property litigation, preliminary injunction proceedings ('einstweiliges Verfügungsverfahren') can be a very efficacious method of obtaining rapid conflict resolution. However, the decision whether to apply for a preliminary injunction before the civil courts has to be evaluated carefully, because some legal requirements are quite strict and can lead to a full loss of the case, including payment of costs of the court and the other party's counsel. In other respects, requirements are not as strict as in regular court proceedings and provide for a fairly effective means of pursuing and swiftly resolving intellectual property matters, especially when compared with other European countries.

This article provides an overview of the legal requirements and of the most recent case law in the different fields of intellectual property law, as well as reviewing some strategic issues which must be addressed when conducting preliminary injunction proceedings.

Jurisdiction: the competent court

The motion for a preliminary injunction under ss 935 and 940 of the German Code of Civil Procedure, *Zivilprozessordnung* (ZPO), can be filed with the same court as a potential regular court proceeding, ie where the defendant has his place of business, or with any court in whose district the allegedly infringing conduct has occurred.¹ For example, in trade mark matters any district court in Germany will be competent where the designation is intended to be retrieved from a website by Germany consumers and the business is not merely of local significance, eg where a shop is also selling via the internet with the possibility of ordering online anywhere within Germany.² Moreover, German courts are also competent to deal with infringing uses, eg on foreign websites where there is a minimum contact to

The author

- Askan Deutsch received his LL.M. Degree from St. Louis University. He is a dual-qualified Attorney at Law (Rechtsanwalt) in Germany and New York. He is also a Specialized Intellectual Property Attorney (Fachanwalt für Gewerblichen Rechtsschutz).

This article

- In intellectual property matters, the preliminary injunction proceeding can be a very effective means for obtaining quick solutions for conflicts in Germany.
- However, whether or not to apply for a preliminary injunction before the civil courts has to be evaluated carefully, because some of the requirements are rather strict and can lead to a complete loss of the case, including the court costs and the fee of the opponents' counsel, whereas other requirements are not as strict as in regular court proceedings and provide a rather effective means to pursue and quickly resolve intellectual property matters, especially compared to other European countries.
- The article provides an overview of the legal requirements and the most recent case law in the different fields of intellectual property law as well as some strategic issues when conducting a preliminary injunction proceeding.

Germany (as where the text is in German or includes a German flag symbol and provides for a possibility to order or book online). Among several competent courts, the applicant may choose the one in which he wishes to

* Email: deutsch@fps-law.de.

1 *Zivilprozessordnung*, German Code of Civil Procedure (ZPO), ss 32, 937, 919.

2 Cf the German Trade Mark Act, s 140; the Act against Unfair Competition, s 14; Federal High Court GRUR 2012, 621—OSCAR;

GRUR 2005, 431—*Hotel Maritime*; GRUR 2010, 461—*The New York Times*; District Court of Hamburg MMR 2011, 594—*Fliegender Gerichtsstand*; Bettinger/Thum IIC 2000, 285.

file his request. Although theoretically all courts should be equally competent in intellectual property matters in Germany, there are significant differences in local practice, eg regarding the issue of urgency and competence levels, so that choosing the most suitable among the competent courts is the first important issue for the applicant/plaintiff.

In terms of subject matter jurisdiction, the different states ('Länder') in Germany have installed specific intellectual property chambers to deal with most intellectual property matters, with special expertise in trade mark, copyright and patent cases, among others. Specific intellectual property chambers do not normally exist for unfair competition cases, but any district court can take the case if it is competent under the general statutory provisions (proper venue, proper subject matter jurisdiction etc). In other matters, in particular trade mark, copyright and patent cases, specific state ordinances provide for a concentrated competence for one or two specialized chambers, where all such matters are handled.³ If these courts decide on cases with EU-wide context, eg based on a Community trade mark or a Community design, they can render a ruling which has a Community-wide effect.⁴

However, the German legislature is currently discussing whether the choice of forum should be abrogated inter alia in unfair competition matters, leaving plaintiffs in both preliminary and regular court proceedings only with the possibility of suing the defendant at the court of their place of business.⁵ This new development would take away the plaintiff's potential 'home-field' advantage and also require all district courts in Germany to take on intellectual property matters irrespective of their usual field of business, which, in turn, would most likely create more legal uncertainty for both parties.

This development also counters the tendency in Germany and within the European Community to establish specialized intellectual property chambers, which already exist eg in Community trademark matters pursuant to s 125e of the German Trade Mark Act in connection with Article 95 of the Community Trade

Mark Regulation, which have exclusive jurisdiction over the infringement and validity of a Community trade mark.⁶ Similar rules exist for infringement proceedings in patent (s 143 of the Patent Act), design (ss 52 et seq and 63 of the Design Act) and unfair competition cases (s 14(2) of the Act against Unfair Competition). Moreover, the proposed changes run counter to the accepted rules for subject matter jurisdiction in tort cases (s 32 ZPO and Article 5(3) of the corresponding EU Directive on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters).⁷ Therefore, there are significant doubts as to whether the draft legislation may enter into force.

Finally, a corresponding motion for preliminary injunction can theoretically be filed with several competent courts in Germany.⁸ Even after one court has rejected a request, the same application may be filed with another court, while the adversary may still not have become aware of such request. While the same matter cannot be officially simultaneously pending before different courts⁹ and such procedural behaviour (so-called 'forum-shopping') is construed as misconduct by German courts,¹⁰ it is sometimes worth a try to file the request with a different competent court in Germany after it has been rejected, provided that other requirements, in particular the issue of urgency, are still fulfilled. Although many courts disagree with this strategy, they usually have no means of preventing such behaviour, because courts do not become aware of a co-pending request at another court after it has been withdrawn. Needless to say, the applicant has to bear the court fees for each court proceeding initiated by him.

Contents of a motion for preliminary injunction

The subject matter of a preliminary injunction can be any claim to cease and desist comprising, but not limited to, the field of trade mark law, the law of trade and service names, copyright law and unfair competition law as well as the law of publicity and personal

3 The current list of competent chambers is available from the GRUR website. <http://www.grur.org/de/grur-atlas/gerichte/landgerichtszustandigkeiten.html> (accessed 04 December 2012)

4 Regarding Community trade marks, see ECJ GRUR 2011, 518—*Chronopost*; Federal High Court GRUR 2008, 254—*The Home Store*; High Court of Hamburg of 19 July 2007, 3 U 91/05, BeckRS 2008, 13691.

5 See the draft legislation for a new Act against dubious Trade Practices ('Gesetz gegen unseriöse Geschäftspraktiken'). This draft, which is not officially published, has been criticized inter alia by Maaßen GRUR-Prax 2012, 252.

6 See Official Journal of the European Union of 24 March 2009, L 78, p 1 which justifies the need for few national courts under preliminary remark no (15): 'In order to strengthen the protection of Community trade

marks the Member States should designate, having regard to their own national system, as limited a number as possible of national courts of first and second instance having jurisdiction in matters of infringement and validity of Community trade marks.'

7 See Council Regulation 44/2001; the ECJ in GRUR 2012, 654—*Wintersteiger/Products 4U* and the Federal High Court in BGH GRUR 2012, 1065—*Parfumflakon II* only recently confirmed the applicability of these rules.

8 High Court of Hamm MMR 2008, 178—*Forum Shopping*.

9 High Court of Hamburg GRUR-RR 2010, 266—*Forum Shopping*.

10 High Court of Hamburg GRUR 2007, 614—*Forum Shopping*.

rights. In cases involving patent and utility model law, courts used to be reluctant to take on such cases on account of their complexity which is better dealt with in regular court proceedings.¹¹ However, in recent years, certain courts in Germany (ie Düsseldorf, Hamburg, Mannheim/Karlsruhe and Munich) have developed an expertise even in complex technical issues and are less reluctant to take on such cases, where the violation seems obvious and does not require expert witnesses.¹²

One of the core issues and challenges when filing a request for preliminary injunction is the wording of a claim to cease and desist ('Antrag auf Erlass einer einstweiligen Verfügung'). Generally, the courts accept wording and/or pictures taken from the specific contested use, eg the particular advertising, website or slogan as it appears in flyers, newspapers, on websites etc.¹³ Applicants often try to generalize a certain kind of behaviour by employing less specific wording, eg by taking the most relevant slogans, wording or pictures without the specific context of the contested behaviour. The purpose is to obtain a court order which effectively prohibits the defendant from using the particular wording in any other context in the future and not just in the specific context which the applicant became aware of in the first place. The problem is, however, that too general a wording may lead to a partial refusal in cases where certain uses of the particular wording may still be legal in other hypothetical contexts. A corresponding later restriction of the wording in a request for a preliminary injunction could then lead to a partial refusal on the part of the costs, eg the court will order the applicant to pay a percentage of the costs of the proceeding. Thus while injunctive relief is granted with a revised, relatively specific wording comprising eg only the particular advertising flyer, the restriction is construed as a partial withdrawal of the claim for a more general wording of the slogan used in this advertising flyer.¹⁴ As a consequence, some courts order the applicant to bear a share of the statutory costs of about 20–30 per cent.¹⁵

In addition to the wording of the court order sought, particular emphasis needs to be placed on the

reasons underlying the application for each of the (potentially numerous) claims. According to most recent case law, it is up to the applicant to frame the legal basis for the court order applied for in the application writ.¹⁶ If the requested court order can be based on several legal grounds, eg trade mark law and unfair competition, the applicant must differentiate among and put in order the different legal bases. Failure to do so may result in a partial refusal and a partial liability for the costs, even if one of the legal bases proves to be well-founded.¹⁷

Beyond the core claim for cease and desist, further claims for renunciation and abatement may be asserted in a preliminary injunction request, provided this does not create a *fait accompli*. However, claims for information, cancellation of a trade mark or compensation generally cannot be asserted in preliminary injunction proceedings as they would provide the parties with accomplished facts, which could not be reversed if the injunction were lifted later on. Exceptions apply, eg in product piracy cases and certain additional claims for inspection in patent proceedings.¹⁸ Requests for preliminary sequestration are also of some importance. In order to circumvent a *fait accompli* in this regard, a corresponding request should only call for a seizure conducted by an official Court Marshal, subject to his preliminary custody.¹⁹ If the injunction were lifted in the end after an oral hearing, the goods could then still be returned to the defendant.

Urgency

The core advantage of a preliminary injunction proceeding is that it is possible to obtain an enforceable court decision on the merits within a fairly short time—sometimes only a few days—which addresses the same issues as regular court proceedings. Moreover, this short time frame is used in most cases as an argument to justify the fact that the defendant is not given prior notice of the request, although under procedural rules it rests in the discretion of the court to inform

11 District Court of Düsseldorf GRUR 1980, 989—Sulfaveridin; more recently High Court of Düsseldorf GRUR-RR 2008, 329—Olanzapin.

12 For the requirements compare High Court of Düsseldorf of 18 May 2009; MittlPatA 2009, 429, BeckRS 2009, 18590; InstGE 12, 114—Harnkatheterset; High Court of Karlsruhe GRUR-RR 2009, 442—Vorläufiger Rechtsschutz.

13 Federal High Court GRUR 2011, 742—Fassung des Unterlassungsantrags; GRUR 2001, 453, 454—TCM-Zentrum; High Court of Hamburg of 03 May 2012, 3 U 155/10, BeckRS 2012, 18681.

14 See eg High Court of Hamburg GRUR-RR 2010, 244.

15 High Court of Hamburg of 21 May 2008, 5 U 92/07, BeckRS 2009, 25046; High Court of Düsseldorf of 28 September 2010, 20 U 41/09, BeckRS 2010,

24698; High Court of Stuttgart of 05 August 2010, 2 U 53/10, BeckRS 2011, 21252; for the German costs system compare details supra page 145.

16 Federal High Court GRUR 2011, 521—TÜV; GRUR 2011, 1043—TÜV II; the court may have to provide applicant with a remark, see Federal High Court of 29 April 2012, I ZR 86/10, BeckRS 2012, 20355, GRUR 2012, 1145 - Pelikan.

17 Federal High Court GRUR 2011, 521, GRUR 2011, 1043 and GRUR 2012, 1145 above, n 16; compare also the practical comments by Schwippert GRUR-Prax 2011, 233; Teplitzky GRUR 2011, 1091.

18 Trade Mark Act, s 19(7); Design Act, s 46(6); Copyright Act, s 101(7); Patent Act, s 150b(7); and others.

19 High Court of Hamburg WRP 2007, 1253; District Court of Hamburg GRUR-RR 2004, 191—Flüchtige Ware.

him. This abrogation of the basic right of due process of law ('rechtliches Gehör') is justified by the preliminary character of an injunction and the later possibility of opposing it.²⁰

The downside is that preliminary injunction proceedings are only available if the matter is indeed urgent and the applicant had not already been aware of the potential infringement for a long time. Although the applicant usually has to show urgency, the Law of Unfair Competition provides that urgency is presumed unless proven otherwise by the defendant (s 12(2) of the Act against Unfair Competition). This provision is, however, not applicable by way of analogy in copyright law, patent and utility law as well as—according to some courts—in trade mark law.²¹ In these areas common law established the requirement of urgency pursuant to ss 935 and 940 ZPO in preliminary injunction proceedings by balancing the interests concerned.

As a result, it is accepted case law that a matter is no longer urgent if under particular circumstances too much time has lapsed since the applicant had become aware of or lacked knowledge without gross negligence of the act of infringement and of the infringer.²² But merely overlooking the infringement by simple negligence does not trigger urgency, as there is generally no obligation to observe the market.²³ In trade mark matters, for example, knowledge of the application of a German trade mark would be sufficient, whereas knowledge of an actual use of this mark would trigger a new urgency, which could give rise to another request for a preliminary injunction.²⁴

Accordingly, urgency is rebutted when the applicant waits for no reason for a longer period of time despite being aware of the infringing party and of the object of the infringement. The time frame from the moment the applicant first became aware of the infringement until filing of the court request varies among the different German court districts. Most courts assume that the period of one month is still acceptable, while some extend the period even beyond two months, depending on the particularities of the case at hand.²⁵ However, to be on the safe side, the request should be filed before

one month had elapsed so as to prevent any risk of a lack of urgency. The applicant then still would have the possibility of filing a regular court action, which would last significantly longer and also generate significantly higher costs.

Before the expiration of this one-month period prior to the filing of a motion for preliminary injunction the defendant should be sent a cease-and-desist letter with a customary deadline of about one week. Without such prior warning letter, he could simply accept a potential court order after it has been served and all of the sometimes quite significant costs (discussed below) would be borne by the applicant (s 93 ZPO). Therefore, a further one-week period for the warning letter should be taken into account when calculating an approximate month before filing.

If the applicant does try out several courts by withdrawing the request from one court and filing it at another, this approximate month would still have to be met in both proceedings so as to maintain the urgency requirement.²⁶

Further proceedings after filing the request

A preliminary injunction is ordered based on the facts and legal arguments presented by the applicant ('Antrag auf Erlass einer einstweiligen Verfügung'). Another core aspect of the application process is that the defendant does not generally become aware of the proceedings until the applicant has served the court order on him. This is one of the main advantages of a preliminary injunction as the applicant will usually receive the court opinion before the defendant gets to file arguments in defence.

The judge usually examines the file after only a few days and either renders a decision or informs the applicant that he believes that the request is unfounded. This being so, the applicant has an opportunity to withdraw the request, still without the involvement of the adverse party. In reality the judge usually telephones the applicant. However, in fairly rare cases, the

20 Federal Supreme Court NJW 1995, 2477 and NJW 2004, 2443.

21 See eg High Court of Düsseldorf GRUR-RR 2012, 146—*E-Sky*; High Court of Frankfurt WRP 2002, 1457; Hamburg WRP 2010, 953; compare a comprehensive overview in Helmut Köhler and Joachim Bornkamm *Wettbewerbsrecht* (30th edn Verlag C.H. Beck, München 2012) § 12 no 3.14 and Reinhard Ingerl and Christian Rohnke *Markengesetz* (3rd edn Verlag C.H. Beck, München 2010), preliminary remarks to §§ 14–19 d no 194.

22 High Court of Hamburg GRUR-RR 2010, 57.

23 High Courts of Karlsruhe WRP 2010, 793, 794; Hamburg WRP 1999, 683; and Cologne GRUR-RR 2003, 187, 188.

24 High Court of Hamburg WRP 1998, 326—*Kellogg's/Kelly*.

25 Compare eg Hamburg: about 1 month, depending on the circumstances of the case, possibly longer, High Court of Hamburg GRUR-RR 2008, 366—*Simplify your Production*; Cologne: about 5 weeks, High Court of Cologne GRUR 2000, 167; Munich: 1 month WRP 2008, 972, 976; Düsseldorf: about 2 months possible, NJWE-WettbR 1999, 15; Berlin: 2 months may not be too long, NJWE-WettbR 1998, 269; details in Köhler and Bornkamm, above, n 21, § 12 no 3.15 b.

26 High Court of Hamburg GRUR 2007, 614—*Forum Shopping*.

judge may inform the defendant and eventually even order an oral hearing before deciding on the request.

The underlying reason for these one-sided proceedings is that the involvement of the defendant could sacrifice their urgent character, providing the defendant with, for example, an opportunity to get rid of infringing goods. The surprise element is an important aspect of preliminary injunction proceedings, for which German law provides a basis in ss 935 and 940 ZPO, thus limiting the basic right of due process of law and the right to be heard.²⁷

If the judge believes that the core preliminary injunction request is well founded, he issues a court order ('Beschlussverfügung') for the applicant only, which usually takes only a few days after filing of the request. It is then for the applicant to serve this court order on the defendant within the one-month period (s 929(2) ZPO).

The court may also deliver a regular decision ('Urteil'), if an oral hearing has taken place beforehand. This exceptional case is only pertinent in relatively complicated cases or where the judge believes that it is necessary to involve the defendant before rendering a decision. In this case, the court usually arranges a summons for an oral hearing on quite short notice and provides the latter with a short period in which to respond to the complaint. Although this procedure is fairly unusual, it rests within the discretion of the judge in charge whether to involve the defendant earlier.

Contents of a decision

A preliminary injunction order usually contains only an order to cease and desist and no reasons unless, for example, a foreign defendant is involved, in which case a short statement of reasons is sometimes included at the discretion of the court.²⁸ Usually, the defendant is merely ordered to refrain from doing the act to which the application relates, under a penalty of up to € 250 000 payable for each breach of the court order, or under the penalty of any other statutory compulsory measures, such as imprisonment in the event of repeated breaches.²⁹ This order is based on and limited to the request as originally filed by the applicant. For this reason it is extremely important to express the

scope of a potential prohibition: a broader wording of the decision provides the applicant with a basis for filing motions for statutory penalties not only for identical breaches but also for similar new uses.³⁰ The issue is then whether such differing uses can still be subsumed under the original decision or whether they differ significantly so as to make up a new case. Courts apply the so-called theory of nucleus ('Kerntheorie'), according to which the characteristics of the original decision can be found in the new breach, even if this extends the decision beyond its wording.³¹

A decision may also include a preliminary order for removal or even preliminary sequestration, but only to the custody of an official court officer ('Gerichtsvollzieher') pending the final outcome of the case.³²

A decision also includes an order regarding the costs of the proceedings, since, according to German law, the losing party must reimburse all costs incurred by the winning party or, in the case of a partial refusal, a certain percentage thereof. The actual amount to be reimbursed following a cost order is pursued in an ancillary cost fixation proceeding after service of process.³³

The court order has basically the same effect as a regular court decision: it can be enforced with compulsory measures if the defendant does not follow the court order. With orders to cease and desist, this would mean that following a breach a further motion can be filed for punitive administrative measures to compel a particular conduct. These measures can consist of an administrative fine ('Ordnungsmittel') or detention ('Ordnungshaft'). Depending on the specifics of the case at hand, such fines usually amount to a few € 1000s for the first case of a culpable breach, up to several 10 000s in case of a repeated breach, or even above € 100 000 in severe cases of repeated breach. These fines are payable to the State and not to the applicant.

Further proceedings after a court order

After a preliminary injunction decision is rendered, the applicant is obliged to serve the injunction to the other party within one month (s 929(2) ZPO). Failure to do so would provide a basis for lifting the injunction. In order to meet the formal requirements, a certified copy

27 Ibid. See also Federal Supreme Court NJW 1995, 2477 and NJW 2004, 2443.

28 High Court of Hamburg 03 May 2012, 3 U 155/10, BeckRS 2012, 18681, NJOZ 2012, 1926 with further references.

29 See the wording in ZPO, above, n 2, s 890.

30 Compare above, pp. 138–9.

31 Federal Supreme Court GRUR 2007, 618—*Organisationsverschulden*, no 20; Federal High Court GRUR 2010, 855—*Folienrollos*, no 17; See Köhler

and Bornkamm, above, n 22, § 8 nos 1.37, 1.52; § 12 no 6.4; Otto Teplitzky *Wettbewerbsrechtliche Ansprüche und Verfahren* (9th edn Carl Heymanns Verlag, Köln 2007), ch 57, nos 12 and 14.

32 See above, n 1, regarding the claim for sequestration; High Court of Hamburg WRP 2007, 1253; *Flüchtige Ware*, above, n 19.

33 'Kostenfestsetzungsverfahren' pursuant to ZPO, above, n 2, ss 104 et seq.

of the decision should be served on the defendant personally via the local courts, if an attorney has not yet officially taken over representation. If an attorney was already mandated with the preliminary injunction proceeding—eg if he was named as a representative by the defendant explicitly regarding a potential court order or perhaps due to a previous mandate due to an existing protective brief and the attorney is mentioned as representative in the court order—the court order must be served on the attorney directly. If there is any uncertainty as to whether an adverse counsel was meant to be involved, the injunction should be served on both, within the statutory one-month period, because the risk that the injunction is lifted solely for lack of proper service of process is simply too high.

From a strategic standpoint, it is sometimes useful merely to threaten with a service of process within the one-month period and start negotiations with one's adversary. After service of process, he will have to follow the court injunction in order to avoid an official fine for each breach. Threatening with service of process is therefore a highly effective means with significant consequences. For this reason, negotiations before service of process can be most fruitful. The applicant can try to include in a potential settlement not only the claim to cease and desist but also a final solution to ancillary claims, eg the cancellation of a trade mark or business name, as well as to issues of information, compensation and reimbursement of attorneys' fees, perhaps by offering a period of time within which to use up the existing stock of infringing goods in return. In this manner, a regular, long-lasting court or Office proceeding can be prevented, and an overall solution can be reached after a court of the first instance has already expressed its legal view on the merits of the preliminary court order.

Remedies of the applicant

If the court disagrees with the applicant, the judge will usually inform the applicant by telephone that the injunction will not be granted, leaving it to the applicant either to withdraw the request or to ask for a decision which could then be appealed.

If the applicant withdraws the request, the proceedings are terminated and the defendant will remain unaware that the request was filed. If the application is withdrawn, the applicant has to bear the court fees as well as the applicant's own attorney's fees, which are usually (absent an individual agreement) also based on

the presumed amount in controversy according to the German Law on the Remuneration of Lawyers.³⁴ Thus, in cases where the chances of success are somewhat uncertain, a preliminary injunction proceeding is a good means of ascertaining the court's opinion at a relatively low cost.

If an appeal is filed within the four-week deadline after the court of the first instance has rendered the decision including reasons, the Higher Regional Court will decide on the case, usually still without the defendant's involvement. This normally takes significantly longer than in the first instance. Nevertheless, the Higher Regional Court will also inform the applicant, usually by telephone. At this stage of the proceedings, the applicant can still withdraw the appeal, which would reduce the court fees in second instance. Otherwise, the applicant could have the Higher Regional Court render a decision with reasons, which can no longer be appealed in the preliminary injunction proceedings (s 542(2) ZPO). For reasons of cost, it usually makes no sense to have a court of second instance decide on the case as well, if it has indicated that the contested decision will not be overruled.

The defendant usually remains unaware of the proceedings even if they lasted for months in the second instance. In both instances, it rests with the discretion of the court whether it issues a summons for an oral hearing and involves the defendant in exceptional cases.

Remedies of the defendant

Protective brief

After the defendant has received a cease-and-desist letter, but before a potential request for preliminary injunction has been filed, the defendant has, as a precautionary measure, the opportunity to file a so-called 'protective brief' ('Schutzschrift') in every competent district court. This way, and in addition to (or instead of) a simple letter of reply, the defendant can provide the courts with all necessary facts and arguments if he believes that a potential request for preliminary injunction is unfounded. Most district courts are linked to an online register which has been implemented for this purpose,³⁵ but some courts, eg in Berlin, Munich and Cologne, are not linked to this database, even though they are of some significance, so request papers have to be filed separately with them via fax and regular mail.

A protective brief may include any relevant arguments, such as lack of urgency or lack of a claim on

34 'Rechtsanwaltsvergütungsgesetz' (RVG).

35 See www.schutzschriftenregister.de (accessed 26 November 2012).

the merits. In order to refute urgency, the defendant may for example provide arguments that the applicant was actually aware of the alleged infringement for a lengthy period of time, usually more than one month, thereby rebutting the presumption that the matter is urgent. However, for positive knowledge it is not sufficient simply to show that the applicant could have known of the alleged infringement earlier; rather, it is usually necessary to show that the persons actually responsible for pursuing intellectual property matters in the company and/or the managers positively became aware of the infringement, eg by email or in person, or that they could not possibly have overlooked a potential advertisement with the alleged infringement.³⁶ If prior knowledge is proved, the entire motion for preliminary injunction will be rejected. In cases of doubt, it rests with the discretion of the court to issue summons for an oral hearing in due course, for example where there are contradictory facts.

The request may also be refused if the arguments in the protective brief prove that the matter is unfounded on the merits, being based on additional facts, which were not presented in the application papers or simply if the legal evaluation of the facts differs from that presented in the motion for preliminary injunction and the previous warning letter. In that case, too, the motion is rejected in its entirety.

Usually, the defendant applies for the refusal of the request in a protective brief as well as submits an ancillary request that a decision not be rendered without an oral hearing. However, these procedural aspects remain within the discretion of the court whether they call for an oral hearing or whether they inform the applicant that the request will not be granted, providing the applicant with an opportunity to withdraw the request. The court can also override the protective brief and render the court order without informing the defendant further, even if requested, after considering all arguments in the protective brief.

The costs of a protective brief are recoverable according to German law, if it proves to be well founded. They are usually non-recoverable if the applicant does not file a preliminary injunction request. If the request for preliminary injunction is filed, but withdrawn or refused without oral hearing, the costs for the protective brief of the defendant are also reimbursable, even if it was filed after the motion.³⁷ However, the costs are not reimbursable if the protect-

ive brief is filed after the applicant has already withdrawn the motion or a refusal was pronounced.³⁸

The decision to file a protective brief depends on the chances of success of the defence. If for example the chances are low on the merits, but there are indications of prior knowledge of the applicant, a protective brief may be a good opportunity to defend the case and perhaps even obtain recovery of fees. At the same time, or in the course of the injunction proceeding, however, a final declaration on the merits could be provided to the defendant in order to prevent an additional regular court action, which could still be filed without the requirement of urgency. A core aspect in favour of filing a protective brief depends on whether the client still has a vital interest in selling the product, knowing that an enforceable preliminary court order could jeopardize the client's current business. If the current product or advertising were changed or are no longer relevant, it may be sufficient simply to wait for the outcome of the preliminary injunction proceedings or even a regular follow-up court action.

The negative declaratory judgment ('negative Feststellungsklage')

Alternatively, or in addition to a protective brief, the defendant is generally entitled to file a request for a negative declaratory judgment after receipt of a warning letter ('negative Feststellungsklage').

This measure of defence requires filing a regular court action with a competent court. It is aimed at obtaining a declaration from the court that the alleged claims do not exist or are unfounded on the merits. It is not a preliminary proceeding, so all usual and additional requirements of a regular court action must be met, including the longer duration of the proceeding and payment of court fees in advance. In particular, the defendant will have to pay the court fees in advance and await the usual procedural measures of the court, which would last weeks or even months. In the meantime, preliminary injunction proceedings by the applicant are usually finalized. If the applicant files a reciprocal regular court action with the same matter in dispute (perhaps even in addition to a preliminary court order), the request for a negative declaratory judgment becomes inadmissible and has to be declared to be settled by the plaintiff pending the regular court action in order to prevent rejection. In this scenario

36 High Court of Cologne WRP 1999, 222—*Einfach billiger Telefonieren*.

37 Federal High Court GRUR 2003, 456—*Kosten der Schutzschrift I*; GRUR 2007, 727—*Kosten der Schutzschrift II*; High Court of Frankfurt WRP 1996, 116; High Court of Berlin WRP 1997, 547.

38 High Court of Karlsruhe WRP 1981, 37; Federal High Court GRUR 2008, 640—*Kosten der Schutzschrift*; *Kosten der Schutzschrift II*, above, n 37; *Kosten der Schutzschrift I*, above, n 37.

the court would only decide on who bears the costs based on whether the original request was justified.³⁹

This procedural defence may be useful where the defence arguments are fairly strong and the client wishes to impose more pressure on his adversary. Also, this measure at least gives the defendant an opportunity to choose the forum.⁴⁰

Opposition (s 924 ZPO)

After a successful preliminary court order and a service of process, the defendant has the opportunity to file an opposition, in which he can assert—just as in a protective brief—all relevant arguments, in particular contesting urgency and the existence of a claim on the merits or asserting that the applicant failed to serve the injunction properly within the one-month time limit. The defendant may also accept the claim on the merits, but only file an opposition regarding the costs with all the arguments mentioned above.⁴¹ This saves some costs for the further proceedings and is recommended, for example, where the defendant has lost interest in the prohibited behaviour. He may also accept the injunction and simply ask the applicant to bear the cost where he was not informed of the alleged claims via a warning letter before the court order. There is no deadline to file an opposition, which may thus be filed months or even years later.⁴²

After an opposition and the statement of grounds for the opposition are filed, the court will call the parties to an oral hearing in which the arguments can be discussed. After the oral hearing, a regular decision ('Urteil' or 'Endurteil'; compare s 925 ZPO) is rendered by the court, which can then be appealed by the losing party.

Opposition is the most common defence. It provides the defendant with a fairly swift possibility of asserting all of the defence arguments on the merits and under procedural aspects, eg the lack of urgency. Even if a protective brief is not filed, the court will consider all arguments and discuss the matter in the oral hearing. It will then render a final decision which either confirms the preliminary injunction or lifts it, sometimes only in part. As the facts and the legal issues are in many cases the same as in a regular court action, the outcome after an opposition is often accepted as the final decision by the

parties, obviating the need for an additional court proceeding.

Order for regular court action (s 926 ZPO)

The defendant can alternatively (or in addition to an opposition request from the applicant) file a regular court action. Such a measure is sometimes useful where the factual situation is unclear and must be resolved with numerous witnesses. Such additional regular court proceedings are completely separate proceedings, which would incur significant additional cost, while the legal arguments are usually the same as in the preliminary injunction proceeding. Thus, this defence strategy is only recommended where the cases are of major (financial) importance or where the factual situation is indeed unclear, so that it cannot be solved in a preliminary injunction proceeding. Alternatively, the defendant could himself file a request for a negative declaratory judgment that the claim is unfounded.

Repeal due to changed circumstances (s 927 ZPO)

The defendant can also apply for a repeal of the injunction where the circumstances or the evidence at hand have changed significantly, for example after expiration of the statute of limitations (ss 203, 204(1) no 9 and 204(2) of the German Civil Code), if regular court proceedings prove the claim to be unfounded, or in cases where the statutory law or the High Court common law has changed.

Compensation after repeal (s 945 ZPO)

A preliminary injunction, as well as compulsory measures based on a preliminary injunction, which later prove to be unfounded for any reason, can in turn lead to claims for compensation by the defendant. However, such a counterclaim does not occur often; it also requires full proof of actual damage, which must be directly caused by compliance with the unfounded court order.

Further proceedings after service of process

After service of process and if the defendant chooses not to respond (which is not mandatory), the applicant has in theory the opportunity additionally to file a

39 Köhler and Bornkamm, above, n 21, § 12 no 2.20; Federal High Court GRUR 2006, 217—Detektionseinrichtung I.

40 Federal High Court GRUR 2011, 828, 829—*Bananabay*; GRUR 1994, 846, 848—*Parallelverfahren II*; which, as pointed out before, may be overturned by the plaintiff if he files a regular court action himself at a different venue.

41 So-called 'Kostenwiderspruch', compare Köhler and Bornkamm, above, n 21, § 12 no 3.42.

42 With the possibility of asserting the defence of the statute of limitation.

regular court action, since the preliminary injunction provides only a preliminary regulation for the dispute. Before filing a corresponding regular court action as a follow-up, and after a further term of at least two weeks, the applicant can send a final cease-and-desist letter to the defendant ('Abschlusschreiben'), asking him to accept the preliminary ruling as a final settlement of the conflict and to refrain from filing any potential defensive measures, as described above. Such additional regular court action is, as a matter of law, recommended in order to avoid the original preliminary injunction being lifted under the statute of limitations.⁴³

If the defendant does not agree or react, the applicant is entitled to file a regular court action, in which basically the same claims can be asserted as in the preliminary proceeding as well as, inter alia, further claims for information, compensation, cancellation of a trade mark or design, seizure and reimbursement of fees. In view of the significant costs for such secondary proceedings, the defendant is usually well advised to answer at least this final warning letter within another two-week period. Just like the costs for a well-founded warning, the costs of such a final warning letter are also reimbursable under German law.⁴⁴ In order to prevent the court action, the defendant will therefore, upon request or voluntarily before expiration of a customary two-week period from receipt of the preliminary injunction, in an effort to reduce the cost, have to provide the applicant with a formal final declaration of acceptance ('Abschlussklärung'), if the adversary decides not to defend the contested behaviour.

Costs

In German preliminary injunction proceedings, just like in any court proceedings, the statutory basis used to calculate attorney fees and court fees of court actions is generally the Law on the Remuneration of Lawyers and the respective schedule of charges.⁴⁵ The basis to calculate the individual fees is the value of dispute. Unless a specific amount is in dispute, this amount is to be estimated by the court in view of possible damages to be paid by the infringer and the economic interest in stopping future infringements. The applicant's motion should state the estimate of the value in dispute which is ultimately determined by the court based on the information provided. If the amount stated by the plaintiff is within a reasonable range, the court will most likely agree to it. In intellectual property matters the

values range between approximately €25 000 in copyright or unfair competition matters of minor significance, €50 000 in a typical trade mark case up to €500 000 or more, mainly in patent cases.

These statutory attorney fees are minimum fees and German lawyers are, according to the RVG, obliged to charge at least these fees. Party and attorney(s) may agree on a higher amount to be paid to the attorney(s), eg based on an hourly rate. It is not unusual that trial lawyers handle cases on the basis of an hourly rate.

Civil court proceedings in Germany are subject to the principle that the losing party must reimburse all costs resulting from the court action, including those of the other party. In the event of a partial award, costs are apportioned accordingly. However, the amount to be reimbursed by the losing party would still be determined by the court only based on the above statutory fees only, and not a potential hourly rate.

The exact amount of the fees is calculated by reference to a somewhat complicated table, which lists for each instance certain basic fees for the court and each of the parties, the proceedings as well as for an oral hearing. These basic fees then cover all work that is done during the respective instance in civil court proceedings. Further basic fees apply if a settlement is reached at any stage of the proceeding. Again, these fees are only basic fees, whereas the parties are free to agree on (usually higher) hourly fees for their respective attorneys.

Unique and advantageous

Preliminary injunction proceedings in Germany have numerous advantages. First, they provide fairly quick solutions and give the applicant an easy opportunity to find out the court's opinion, usually without the involvement of the defendant. If a preliminary court order has been rendered, it provides the applicant with a fairly effective means of negotiating with the 'support' of the court. On the other hand, in the event that the court disagrees and the request is withdrawn, the costs are relatively low, but the applicant should know that it is probably not worth the time or the effort to conduct a regular court or office proceeding with potentially significantly higher costs.

Even after service of process and assuming that the court would not change its prior evaluation of the case, the oral hearing before the court is often an excellent opportunity to settle the case, using the pressure of the

⁴³ See ZPO, above, n 2, ss 203 and 204(2).

⁴⁴ Federal High Court GRUR 2010, 103—Kosten für Abschlusschreiben; GRUR-RR 2008, 368—*Gebühren für Abschlusschreiben*.

⁴⁵ RVG and the corresponding ordinance for the schedule of charges ('Vergütungsverzeichnis').

court and obtaining a full solution not only for the cease-and-desist claim but also for the ancillary claims for information, compensation, reimbursement of fees etc. In addition, other issues can be included in such a settlement before the court. For example, in trade mark disputes, this may be a potential (partial) cancellation of a trade mark. Like this, long-lasting and in the end probably more expensive opposition proceedings before the German or the European Offices can be prevented.

Finally, a quick solution is often in the interest of both parties in order to obtain legal certainty, rather

than waiting for a regular court proceeding to be finalized, which can take up to a year, or longer. In today's business world, such long legal actions often are outdated by the technological and business developments during protracted proceedings. Accordingly, the German preliminary injunction system provides many advantages in intellectual property disputes when compared to regular court proceedings and Office proceedings in Germany and the EU, as well as compared to the existing procedural possibilities in many other countries.