

Dealing with counterfeits at trade fairs

While trade fairs are a valuable way for rights holders to secure international distribution of their goods, they are also common sites for counterfeiting. Brand owners need to act swiftly to take action against infringement as soon as they suspect it

According to a recent statement released by the Association of the German Trade Fair Industry (www.auma.de/en), Germany is the world's number one venue for international trade fairs, hosting approximately two-thirds of the world's leading trade fairs for various industries. Around 150 international trade fairs and exhibitions are held every year in Germany, attended by 180,000 exhibitors and approximately 10 million visitors. The most important feature of German trade fairs is their international appeal. More than half of the exhibitors are from abroad and one-third are from countries outside Europe. In total, trade fair organisers in Germany register a combined turnover of over €3 billion per year. While these figures clearly show the crucial importance of trade fairs to the German export industry, they also illustrate why trade fairs are such tempting targets for counterfeiters.

Rights holders must be ready to take action against any infringements as quickly as possible. In the run-up to a trade fair, they should have evidence of their rights close to hand. This might include registration documents – particularly registration certificates and records of extensions – as well as any court rulings against third parties, especially if any such rulings have been issued against a company that the rights holder suspects might be about to infringe again.

Extra-judicial protection

If a rights holder suspects that its mark is about to be infringed, it can file an application for seizure in advance (eg, pursuant to the EU Customs Regulation (608/2013)) to prevent the goods from being imported into Germany and presented at a trade fair. In addition, most major international trade fairs have effective mechanisms in place which allow rights holders to reach a cost-efficient out-of-court solution through dispute resolution bodies. For example, the IP Rights Council for the Nuremberg Toy Fair (www.spielwarenmesse.de) – the most important event for the toy industry in Germany – facilitates the out-of-court settlement of IP complaints by asking exhibitors to accept its terms and conditions. Exhibitors

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accused of infringing behaviour are then offered the opportunity to respond to the complaint. If the council finds that the complaint is justified, it will advise the alleged infringer to remove the exhibit in question for the duration of the fair. It will also ask the accused exhibitor to sign a cease and desist undertaking if it wishes to avoid the imposition of penalties by the fair. If the accused exhibitor refuses to participate in this out-of-court settlement, the IP Rights Council will notify both the complainant and the fair's management that the dispute has not been settled. Since the fair reserves the right to exclude exhibitors from all future events – in accordance with the IP Rights Council's procedural conditions – it is risky for an alleged infringer to refuse to cooperate.

In the event that a potential infringer will not cooperate or a trade fair's terms and conditions include no provisions on dispute settlement, it is recommended that the rights holders immediately send a cease and desist letter to the alleged infringer, setting a short deadline. While an oral warning can also be given – and may in fact be more effective due to the brief timeframe involved – a written cease and desist letter should still be sent, as it may prove useful in terms of evidence.

Judicial protection

If the alleged infringer persists with its illegal behaviour even after receiving a warning, or if the sending of a warning letter is not appropriate in order to take the infringer by surprise, then the rights holder has no choice but to initiate legal action. As proceedings on the merits take too long, filing a request for a preliminary injunction should be the rights holder's first choice. In addition, in cases of obvious infringement, the rights holder is entitled to be informed promptly of the origin and sales channels of unlawfully identified goods or services. It may then further demand that the counterfeits be seized by a bailiff. A preliminary injunction can be issued overnight or even within a few hours, often without the need for a hearing. However, if the preliminary injunction is served and then



PICTURE: ADRIANO CASTELLI/SHUTTERSTOCK

subsequently cancelled, the applicant must compensate the potential infringer for any damage caused.

Customs control and protection under criminal law

Rights holders can request customs authorities to take action over counterfeit goods – not only in the run-up to a trade fair, but also while the fair is taking place. Alternatively, they can prosecute the infringement under criminal law. Searches and seizures may then be ordered within the scope of the subsequent investigation. However, the rights holder will have little influence over and restricted knowledge of the investigation's progress (eg, by requesting to inspect the files). Measures taken under civil law are thus often much more productive than criminal prosecution.

Three-dimensional designs

Caution is required if the rights holder wants to take action against a three-dimensional (3D) design based on its mark. These cases are often not regarded as infringing use of a trademark and thus often fail. The decision in *Pralinenform II* (I ZR 17/05), concerning round Ferrero Rocher chocolates, is a good example of this. The chocolate had been registered as a trademark. At the International Sweet and Biscuit Fair in Cologne, the defendant exhibited chocolates which, when unpacked, appeared to be of a similar form.

The plaintiff was unable to prove that the defendant had actually offered (ie, sold) the chocolates or put them on the market at the trade fair and thus the claims failed. It was found that the product presentation constituted advertising of the chocolates, against which the rights holder was basically able to take action. However, the Federal Court of Justice had doubts as to whether visitors had actually perceived the defendant's chocolate as a trademark rather than as the product itself. The court in question has the power to assess independently whether a design is being used as a trademark (ie, independent of the registration decision of the Trademark Office).

The fact that in this case the defendant offered only the wrapped chocolates for sale under its own sign suggested that it was not in fact using the shape of the chocolate as a trademark and thus infringing it, as consumers could perceive the form of the chocolate as such only in the short time between unwrapping and consuming it. The case illustrates the inherent weakness of registering 3D marks which represent the form of the product. While consumers will often consider the 3D products of competitors as the goods themselves, they are less likely to see them as an indication of origin.

The same is true of abstract colour marks, since the colour used for competing products is frequently considered merely as a decoration of the packaging and not as a sign in its own right. If the rights holder intends to take action against potential infringers on the basis of a 3D mark representing packaging or on the basis of a colour mark, it is vital to substantiate its claims, if possible, by presenting expert surveys as to the reputation enjoyed by the mark at issue and public perception of the product design. This will involve a significant amount of time and money. Rights holders should have such evidence ready before the fair begins; otherwise, the remedy sought in court could be delayed considerably.

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Expert groups versus general consumers

Another common problem is the issue of what effect possible infringement has if it takes place at a trade fair that exclusively addresses expert groups.

In *Keksstangen* (I ZR 133/13) De Beukelar sued a competitor based on its Mikado biscuit sticks. The



Approximately two-thirds of the world's leading trade fairs for various industries take place in Germany, including the annual International Sweets and Biscuits Fair (ISM) in Cologne

question for resale there. The exhibitor not only exhibited its products at the booth under the TUPPEX mark, but also displayed a catalogue in English for visitors to take away, which the court also considered an indication of an offering – a slightly surprising conclusion, as the catalogue was not in German. In this instance, a disclaimer that the products in question were not for sale could have helped the alleged infringer to deny that it was offering the products for sale.

The importance of whether products have been offered for sale in addition to being advertised should not be overestimated. If it cannot advertise an article, an infringer will find it difficult then to sell it. In contrast, under patent law, it may be decisive for a patent holder that its opponent is enjoined from offering the product, since (in contrast to trademark law – see Article 9(2)(d) of the EU Community Trademark Regulation (207/1999) and Article 5(3)(d) of the EU Trademarks Directive (2008/95/EC)), Section 9 of the German Patent Act does not prohibit mere advertising without the product being offered at the same time.

competitor presented nearly identical biscuit sticks at the International Sweet and Biscuit Fair in Cologne. The packages clearly displayed different manufacturer names.

The Federal Court of Justice decided that there was no anti-competitive deception as to the origin of the biscuits; nor was unfair advantage taken of Mikado's reputation. The court found it decisive that the specialised international fair was exclusively accessible to experts. The plaintiff could not prove that the defendant had advertised its products at the trade fair to consumers, meaning that any misleading conduct in relation to consumers was excluded from the outset. However, the court found that the expert groups had not been misled either. Expert groups generally have more detailed knowledge of the products on the market, their design and their origin than the general public. Therefore, it had to be assumed that the visitors to the trade fair would not confuse the products due to their special expertise, in particular as they would pay attention to the different manufacturer names shown on the packages.

The decision illustrates that it is often more difficult for a plaintiff to take action against a product presentation at specialist trade fairs than at public trade fairs which are accessible to the general public.

Prohibition of individual infringements

The rights holder had more success in a recent case before the Frankfurt Higher Regional Court (6 W 43/15). The owner of the TUPPER mark – which enjoys protection in relation to household containers – obtained a preliminary injunction against a Turkish competitor, which presented household containers under the sign TUPPEX at its booth at a trade fair held in Ambiente, Frankfurt (in connection with the packaging and a catalogue, which was exhibited in English and Turkish). The court considered that the alleged infringer was indeed advertising the product, which was prohibited (Section 14 (3)5 of the Trademarks Act). Moreover, it confirmed that the products were being offered in an infringing way (Section 14(3)2). The rights holder's case was supported by a statement of the fair's organiser which explained on its website that consumer goods had been presented and offered for sale to international expert groups at the fair. The fair's attendees comprised mostly commercial consumers based in Germany, which might thus have an interest in acquiring the products in

Know your audience

Even if the trade fair takes place in Germany, it is not clear that the German courts have jurisdiction over disputes unless domestic trademark infringement has taken place. The Dusseldorf Regional Court had to decide on a special case relating to jurisdiction in preliminary injunction proceedings (2a O 250/14). The opponent had exhibited automotive accessories under the mark CONTINENTAL DIRECT at its presentation in the UK pavilion of international trade fair Automechanika, which is held in Frankfurt am Main. Continental AG took legal action based on its CONTINENTAL mark, which is protected in Germany. The German court sought to deny jurisdiction since – unusually – there was no domestic element in relation to Germany. Presentation by an exhibitor at a trade fair taking place in Germany generally gives rise to the danger that a product is also being offered or at least advertised in Germany, and that the German courts will thus have jurisdiction.

Nevertheless, the German court in this case lacked jurisdiction. In particular, where trade fairs are significant only for a particular sector, as well as for the exhibitor's international business, it is possible to argue that an exhibitor's presented products are not directed at purchasers from the country in which the fair is taking place. However, the alleged infringer must furnish

The IP Rights Council of the toy fair in Nuremberg facilitates out-of-court settlement of complaints in relation to the protection of exhibitors' IP rights



proof of this and argue its case. The opponent provided such evidence by presenting an affidavit signed by its managing director, stating that the range of products it offered was not directed at German purchasers, but primarily at customers from the United Kingdom and Eastern Europe. The opponent had not supplied products to Germany in the past and did not intend to supply them there in future. In addition, the presentation was in English only and the exhibition took place in the UK pavilion. The applicant would have had to substantiate that the German courts had jurisdiction or that a domestic trademark infringement had taken place by providing *prima facie* evidence that the opponent's products were directed at German purchasers. Such circumstances might include carrying out or preparing sales activities in Germany (eg, by approaching German customers at the trade fair, distributing advertising material or establishing corresponding sales outlets). Further, an application for a trademark or an international registration for protection in Germany that is identical to the contested use could have served as an indication that the opponent also sold its products in Germany, or at least intended to do so. However, this was not the case.

It seems questionable as to whether the German court's interpretation on jurisdiction is in line with the European

Court of Justice decision in *Wintersteiger* (C-523/10), which seemed to take a more liberal approach towards jurisdiction. However, without evidence showing a domestic effect, the action will be rejected.

Conclusion

If a rights holder wants an action against counterfeit products to succeed, it must be well prepared, carry out adequate research and secure appropriate evidence as swiftly as possible. Of particular importance are statements as to the type of trade fair presentation (eg, whether advertising materials or complimentary gifts in German or at least in English are distributed or whether the products are offered for sale by the alleged infringer). It is also important to provide the court with information about the trade fair itself – for instance, whether it is a merchandisers' trade fair (including sales to the public) or a mere exhibition show (without sales), whether the fair addresses only experts or also consumers, and whether it is geared towards companies that sell products in Germany. **WTR**



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