

Enforcement of Intellectual Property Rights

Teaching materials

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I. JUDr. Jindřiška Munková

**Legal framework of the enforcement of intellectual
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**Valid legal standards – explanation of the most
important terms**

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1. Introduction

When we want to be engaged with the enforcement of intellectual property rights, we have to understand that we will have to deal with a vast complex of legal standards which both define what the intellectual property rights are, how they arise and what protection they should be given, and also set who can exercise these rights, by what means and where.

It is thus obvious that this complex of legal standards comprises various branches of law, which include both private and public law, and substantive and procedural law within this framework. We also have to keep in mind that this whole issue is not a matter of national law only. As the production and trade spread beyond the country borders, intellectual property rights became subject matter of international and multinational law when the need to overcome the consequences of territorial exclusivity of the granted rights arose. Besides that, even the procedural regulations have their specific instrumentarium depending on whether they concern procedural law, which governs enforcement of substantive law claims or procedural provisions of public law, namely administrative and penal law. (An overview of currently valid regulations can be found in the appendix).

It is probably good to say why the formerly unknown term – “prosazování práv” which is a Czech translation of the English term “enforcement” or the German “Durchsetzung” has become commonly used in the Czech legal language. This term has indisputably wider meaning compared to the previously used term “recovery” as it includes intellectual property right owner’s entitlement to demand protection of their rights but also the double duty of the government – to create appropriate legal regulations and also to establish a system of bodies with specific focus on implementation of this protection and equip these bodies with adequate competence.

As we will see further on, intellectual property rights arose gradually and they were also

gradually given differently graded legal protection in individual countries, which was always limited to the territory of the country, which provided such protection through its laws. Their connection with trade is also without doubt as all of them relate to products sold at the market in one way or another. As soon as the trade relations spread beyond the borders of countries and the trade became increasingly international as a result of the industrial revolution in the 19th century, it was necessary to somehow coordinate these particular national regulations so that these would not obstruct trade. Therefore there was international effort for harmonization, particularly in the sections concerning so-called industrial property rights and right to a denomination, as the businessmen considered and still consider a trade name or firm, a trademark, a patent and a utility model or an industrial design important property which requires protection. The only means of harmonization in the 19th century was stipulation of interstate/international agreements in the intellectual property field which set uniform conceptual criteria and scope of provided protection and bound the member countries to abide by the agreement both by creating appropriate national laws and by the same treatment of this agreement.

Economic integration of the first six western European countries in the second half of 20th century which was gradually extended to comprise other countries aimed to create single market without internal borders, primarily trade borders in the Treaty Establishing the European Economic Community (EEC 1957). The first wording of the so-called Rome Treaty already comprised the means of establishing a customs union and the so-called four freedoms, i.e. the principle of free movement of goods, persons (including the freedom of settlement) services and capital were drawn up. This enabled easier movement of goods across the country borders on one hand, but on the other hand it elicited the differences in national regulations governing intellectual property rights both in respect of substantive

law, and in respect of their enforceability in practice.

The principle of free movement of goods is mainly implemented through Article 28 of the Treaty Establishing the European Community (TEC) which forbids quantitative restriction of the movement of goods (e.g. import licences) or any equal measures which also include intellectual property rights due to their personal and territorial exclusivity. Their enforcement can lead to the closing of markets, which is in direct contradiction to the aims of European integration. Exceptions from the rule in Art. 28 are then regulated in Art. 30 of the TEC which includes the protection of industrial rights among obstacles which the member countries are allowed to use to hinder free movement of goods; however, the second sentence of the quoted article binds member countries not to contribute to disguised restriction of trade between member countries, particularly with national laws. However, individuals cannot directly rely on these TEC provisions within the framework of protection and enforcement of intellectual property rights.

Selected institutes and terms in the field of intellectual property rights

When interpreting the legal framework for the enforcement of intellectual property rights, we will encounter a range of terms used in individual kinds of law which arise from the previous legal regulations on one hand or arose from adjudication practice of European courts on the other.

Even though the integration treaty tried to create functioning legal environment for the existence of a single internal market by removing all obstacles that would hinder free movement of goods, the intellectual property rights field still remained a rather specific issue. We have to keep in mind that intellectual property rights – as the name itself implies – are property/ownership rights and has always been very difficult intervene in ownership rights through their restriction or forfeiture. The Treaty on the European Union thoroughly respects regulation of ownership in individual member countries of the EU. It was upon the European Court of Justice

jurisprudence to interpret the abovementioned Art. 30 of the Treaty Establishing the European Community and thus show the way how to joint the principle of free movement of goods with exclusive rights arising from intellectual property right granted by the state, within the framework of which it established several institutes which concern the exercise of some intellectual property right or other rather than their essence of.

1.1 Ownership versus the exercise of intellectual property rights

The ECJ dealt with the problem of relationship between ownership and the exercise of rights by separating the right to certain immaterial goods on the one hand and its exercise on the other. Unless the granted right itself is questioned in a lawsuit, then its exercise can be submitted to assessment whether it is in conformity with the law or whether it breaches any binding regulations. It is not an unusual construction. Let's remind the protection of ownership in the constitutional order of the Czech Republic which explicitly says that the ownership is binding. And even though this maxim is not specified in any way, there is no doubt that ownership binds to its due, but particularly decent exercise.

However, the fact that intellectual property rights are property rights with appropriate exclusiveness on the basis of which it is possible to prevent everyone from infringing upon them also has consequences from the public law point of view even though it is fundamentally private right which exactly arises from the abovementioned constitutional principle – ownership is binding. On the other hand, decency of exercise of this property right requires that it is not used to hinder technical development. The institute of compulsory licence is derived from this as we will see later.

This differentiation between the existence and the exercise of intellectual property rights has a great importance in protection of economic competition during which the companies often use their intellectual property rights inappropriately and they try to strengthen their position at the expense of other companies, often damaging the

consumers. The European Court of Justice does not even question the right of a company or a natural entity to intellectual property in such connection. It assesses solely its exercise, which may constitute a breach of some interdictory standard of the competition law, namely the prohibition of abuse of dominant position under the circumstances of the given case. This applies within the Czech Competition Law as well.

1.2 Exhaustion of rights

The interpretation also gave rise to the institute of exhaustion of rights, which we will deal with in more detail in connection with some kinds of intellectual property rights. As has already been mentioned, its origin lies in ECJ jurisprudence, which uses it to oppose the efforts of individuals who are trying to protect their position by using territorial exclusivity to protect their domestic market against import of products, which duly circulate in the country of export in a way for which the owner of the right is responsible. Besides the principle of national exhaustion pursuant to which the owner/proprietor of the given right exhausts their right by introducing their product to the market, namely on their own or through a third party with their consent, there is also the principle of Community exhaustion which is valid for trade between the member countries: pursuant to the constant jurisprudence of the ECJ “the owner of an industrial right which is protected in conformity with legal regulations of the member country may not refer to these regulations to prevent import or sale of a product which has been put into circulation in the other member state by, or with the consent of, economically dependent on them.”

(ECJ 1982, Keurkoop/Nancy Keen Gifts). This principle was later extended to the territory of the European Economic Area, i.e. it also includes Iceland, Norway and Liechtenstein besides the European Union.

1.3 Duration of protection

The common attribute of intellectual property rights, especially those based on registration principle is that they have certain limited duration and they are forfeited or have to be

renewed after its expiry. The duration of protection is stated in each regulation governing the given intellectual property right. Exceptions include protection of the designation of origin and geographical indication, which do not expires and know how the protection of which expires once it has become well-known.

1.4 Licences

A licence is an authorization to use certain immovable property/intellectual property given to the recipient of a licence without forfeiting the proprietary right of its proprietor/owner. It is usually granted through a contract and that for a certain territory and usually for payment.

Licences are divided pursuant to their legal basis to:

- a) contractual which are granted via a contract (either independent or within another contractual type); licence contracts for industrial rights are governed by Section 508 and the following of the Commercial Code and contracts for copyright are governed by the Copyright Act in Czech law;
- b) legal;
- c) compulsory licences which the correspondent authority grants to a person who is interested in using an intellectual property right after certain time for which the given intellectual property right has not been used by its proprietor (owner) without any justifiable reason.

Licences can also be divided according to the scope of licence rights namely to

- a) exclusive licences in which the licensor undertakes not to grant a licence for the given territory to another person and eventually that they will not exercise their intellectual property rights in such territory either;
- b) non-exclusive licences which grant their licensee the right to use the given intellectual property rights but the proprietor can grant the licence for the same territory to other persons and also use the given intellectual property right themselves.

1.5 Assignment of intellectual property rights

It is necessary to thoroughly differentiate between a licence contract and assignment of intellectual property rights when the proprietary relationship is significantly modified and the right to intellectual property is assigned to a new owner. When a licence is granted, the original proprietary relationship does not change. However, granting of an exclusive licence can be very close to assignment of the given industrial property right from the economic point of view.

1.6 Disguised restriction of trade

This term used in Art. 30 of the TEC comprises various government measures which namely concern rules for various technical or technological processes whose thorough application to goods produced in another country using other procedures resulting in prohibition of its import and sale is an example of disguised restriction of trade aimed at the protection of domestic producers and giving them unfair advantage against the foreign ones. One such example might be the judgement in the matter of Cassis de Dijon (ECJ 1979), concerning prohibition of import of the liqueur to Germany as it had lower alcohol content than it was allowed by German regulations. The ECJ expressed an opinion that such prohibition “represents an obstacle to trade incompatible with Art. 30 of the TEC.” Therefore, if some goods has been duly manufactured and put into circulation in one member country, its import to another member country may not be prohibited just on the basis that the regulations of such state have different requirements towards domestic producers.

2. Intellectual property rights, their nature and classification

For better lucidity we will first deal with intellectual property rights from the general point of view including their nature and classification, then with basic terms of

individual rights and last but not least with the legal framework of their enforcement.

2.1 The term “intellectual property”

Legal orders do not offer uniform definition of the term “intellectual property”. The term itself came to Czech legal language from English; however, it appears in international conventions mainly in connection to the rights, which the individual kinds of intellectual property grant to their owners. Czech legal theory – if it looked for a certain collective term for these individual kinds – usually spoke about immaterial goods rather than about movable or immovable material goods. Immaterial goods is ungraspable in a way, it does not have to be necessarily expressed materially, but, being a creation of human mind or skill or specific denomination of certain origin of the product, it belongs to the person who has created it and its creator therefore has rights which they can exercise against everyone who tries to infringe upon it. The term of rights to immaterial goods, which are basically a synonym to the intellectual property rights as, mentioned mainly in the Agreement on Trade Related Aspects of Intellectual Property Rights which is a part of the wider Agreement Establishing the World Trade Organization (WTO 1967) is then derived hereof.

2.2 The nature of intellectual property rights

A characteristic property of all immaterial goods as opposed to material goods is the fact that it can be used by anyone (basically by an unlimited amount of persons acting independently on each other), anywhere (its use is not limited to a certain place) and anytime (the use does not depend on any time period). Here lies one of the reasons why immaterial goods are difficult to protect and the rights belonging to its owners are difficult to enforce.

Another characteristic feature of these rights is their exclusivity. First of all, it is their territorial exclusivity. Nearly all of them with the exception of copyright and related rights and know-how are based on the registration principle, i.e. they have to be applied for at a relevant state body and if there are no objections (and that either statutory ones or

objections raised by third parties) against such application, they are entered in a corresponding register administered by such state body and eventually certified with a deed. It is obvious that the state body can grant the rights to such immaterial goods only for the territory in which it is authorized to perform such action. However, it is also possible to take advantage of international agreements and bodies constituted by these and apply for intellectual property rights valid in the territory of more countries, which are members of the given agreement, but this also represents mere obtaining of national protection in the countries for which such application was submitted. It is possible to achieve protection of a given intellectual property right with effects for the European Economic Area territory within the framework of unification of some intellectual property rights in the common market.

Second, it is their personal exclusivity. The nature of rights that are connected with immaterial goods and belong to its creator in the widest sense of this word is derived from the fact that immaterial goods is a creation of human mind or skill or marks certain origin of a product and therefore has its material value. Intellectual property/immaterial goods rights are thus subjective property rights, i.e. rights belonging to a certain entity, either a natural or a legal one. These are rights which take effect against everyone (*erga omnes*) and their proprietor/owner may – as we have already mentioned – require everyone not to infringe upon these rights without authorization in any way. In this stage, i.e. in the stage when the rights have already been granted, it is upon the proprietor/owner to exercise these rights and enforce them against an infringer. If the proprietor/owner of such rights gives consent to exercise these rights to a third party, this shall happen through a licence contract (compare Copyright Act, or eventually Section 508 and the following of the Commercial Code). It is obvious that this territorial and personal exclusivity can be a significant obstacle to the development of trade. This is where the efforts – as we have already mentioned – to allow protection of one intellectual property right or other beyond the borders of one country in which this right may be

fundamentally applied for on one hand, and establish some – if not directly uniform – then at least considerably harmonized catalogue of the contents of these rights and harmonized scope of provided legal protection. Therefore international agreements concerning individual kinds of intellectual property rights which allow all the abovementioned to the member countries and which also lead to harmonized regulation in national laws are very significant in this context.

Czech legal regulations for individual kinds of intellectual property have recently been influenced by their Community regulations which significantly influence their legislative interpretation and which have functioned as directly valid law in the Czech Republic territory in many cases since the accession of the Czech Republic to the European Union.

Note:

Community law/European Community law does not constitute a comprehensive legal order; it merely regulates some of its fields. Some provisions of this law are directly valid in the territory of member countries without having been transferred to any national legal order, i.e. they have become part of the legal orders of these countries. Other Community provisions have to be transformed to national legal orders, some acts, namely court judgements are individual acts which are binding for their recipients but if their significance goes beyond the given lawsuit they become constant case law.

Community law sources are governed by Art. 249 of the Contract as follows:

The primary law – binding for all member countries and also for their citizens – is the Treaty on European Union.

The secondary law includes decrees, directives and decisions/individual legal acts.

a) Decrees are generally binding and directly applicable both for member countries and for other subjects participating in the relations governed by such decree. Therefore decrees must not be transferred in national legal orders, unless the decree allows or presumes this (e.g. if it is necessary to

establish an institution supervising abidance by this decree in a given country), and quite exceptionally in cases when the decree is too complicated for direct application.

b) A directive is binding for member countries. In order to produce legal effects in the given country, it must be projected/transformed to a national generally binding regulation and that within a deadline set in this directive. Member countries are essentially given free hand to select the means of transformation, but on condition that the result required by the directive is legislatively reached, both from formally legal and practical application point of view. Execution of the directive in practice is called implementation.

c) Decisions are individual legal acts – decisions of the Commission and decisions of the European judicial authorities.

All their parts are binding for their recipients, i.e. either member countries or particular natural and legal entities.

Community law in the widest sense includes jurisprudence of the European Court of Justice and the Court of First Instance which interprets Community law and its terms, no matter if it happens during deciding of lawsuits or deciding about the so-called preliminary question at the request of the national court in a lawsuit held before it when the court needs to find out how it should interpret its national law and apply it from the Community law point of view.

Non-binding legal acts include recommendations or statements as well as various informative notifications of the Commission, rules, instructions and information, which are summarily called soft law. The Commission illustrates how it interprets various terms used in their decisions on the basis of ECJ decisions in these documents. Even though they are not formally binding, they are still of great practical significance and enjoy considerable respect.

2.3 Classification of intellectual property rights

There are various kinds of classification of intellectual property rights depending on from which point of view we look at them.

If we have the origin of the given immaterial goods in mind, then we can differentiate between two basic groups, namely the right to performance of creative activity with the subgroup of right to perform non-creative activity and the right for denomination.

If we take rather utilitarian point of view, then we can divide them to industrially applicable rights, commercially exploitable rights and personality rights, i.e. author's work, even though practically the same problems as in case of industrially applicable rights arise at authors' works due to the current state of technology.

All these classification have their specific purpose, but it is more theoretical than from practical usability point of view. We will use the classification to author's work, industrially applicable rights and commercially exploitable rights for our purposes. In this respect we will get acquainted with the basic terms of individual intellectual property rights, prerequisites for their existence and the subject of protection with regard to the subject of this course.

2.3.1 Copyright and related rights

Copyright stands rather aside and peculiarly from other intellectual property rights. It is markedly a right of creative nature and that even in cases when rights related to copyright such as artistic performances, which are also noted for particularity, are concerned. This fact shows itself in the means of disposal of this right when the recording of this work becomes a commercial product due to development of technology. Peculiar problems have also been caused by assignment of computer programs to copyright.

The fundamental regulation is the Act no. 121/2000 Coll., as amended.

Definition of work

Author's work, which is the subject of copyright protection, is determined both positively and negatively in the Copyright law. Literary work or other work of art and scientific work can be considered author's work if it meets three cumulative conditions. It must be of unique appearance, it must be the result of creative activity of the author and it

also must be captured in objectively perceptible form.

Negative determination of the work, i.e. definition of what shall not be considered author's work is mentioned only demonstratively in the law. Mere scheme, daily news, data, idea, principle, method, mathematic and similar formulas etc. do not constitute work.

Computer programs and databases are also considered author's work.

Definition of authorship

The positive definition of work as a creative activity of its author implies that only a natural entity can be the author. Therefore Copyright ranks among so-called personality rights and even though its result can become and usually becomes the subject of commercial activity, it belongs in its substance to the framework of civil law as far as staking of claims arising from infringement upon copyright is concerned. Authorship cannot be assigned to a legal entity as it cannot be an author, but a legal entity can exercise property rights to some works under certain circumstances.

The Copyright Act establishes so-called legal presumption of authorship, which means that an entity whose name is stated in the work or in connection with the work shall be considered its author if the work is recorded in the register of the subjects of protection administered by the correspondent collective administrator. However, this does not mean that copyright is based on registration principle; such record of work and its author can only serve as evidence in a dispute on whether the authorship of a certain work belongs to a natural entity or several natural entities in case of joint authorship.

Personality and property copyrights

An author of a work has both property rights and personality rights which arise from the creative nature of the work and which they cannot waive.

Personality rights include author's right to authorship and decision on whether and how this authorship shall be presented upon publication of the work, the right to a decision on publication of the work and right for inviolability of the work.

The right for inviolability of work is regulated in the law through a catalogue of individual rights, which an author can exercise. This namely concerns the right to give one's consent to any modification of work and the right to inspect whether the work is not used in a way slandering the work or its author. This right also includes the right for author's proof in case of literary works.

Property rights namely include the right to make use of the work, or eventually to grant the right to make use of the work to another party via a licence contract.

The right to make use of the work shall be understood as the right to copy a work, right to rent or lend the original of the work or its copy and particularly the right to perform the work either live or from a recording, the right to broadcast the work in the radio or on television and the right to perform radio or television broadcast of the work.

Property rights further include author's right to a remuneration, including the right to additional remuneration which belongs to the author of a work of art if the original copy of such work which they sold or gave as a present to a certain person is further sold for a price which exceeds EUR 1.500,- if such sale is attended by an art merchant (e.g. a salesroom, a gallery etc.)

Authors of published works which can be copied for one's personal use also have the right for remuneration from manufacturers, suppliers or recipients of equipment for making copies and unrecorded carriers and that at the time of import, receipt or first sale of such products and carriers.

Besides that, they shall have the right to remuneration from providers of copy printing services (copy shops etc.). This right ranks among rights, which are compulsorily collectively administered by a correspondent national collective administrator, just like the right to remuneration in the previous case.

Licence contract

The Copyright Act governs independent licence contracts and therefore it is not possible to use the Commercial Code as in the case of industrial rights and rights to denomination.

By signing a licence agreement the author undertakes to provide the right to use the work in an agreed way to a third party, and that for remuneration, which must be stipulated, or at least the means of its calculation must be determined in the contract; if this is not the case, the contract shall be deemed invalid. Should the licence be provided free of charge, it must be explicitly stipulated in the contract.

A licence can be granted as an exclusive or a non-exclusive one. If it is granted as an exclusive licence, it must be explicitly stated in the contract and the contract must be in written form. If the type of licence is not explicitly stated in the contract then a legal presumption that the licence has been granted as non-exclusive shall apply.

The licensee is obliged to make use of the licence. Non-use or insufficient use of the licence may constitute the grounds for author's withdrawal from the licence contract. We must keep in mind that only property rights are granted through a licence and that even the licensee may not infringe upon the author's personality rights within the performance of these property rights. The Copyright Act mainly regulates publisher licence contracts.

Copyright limitation

Despite the specific nature of an author's work and rights arising thereof, it is possible to limit copyright in two cases, namely in the form of a so-called free use of work or a legal licence.

Free use of work shall be understood as the use of the work for one's personal needs. Such use shall not be considered use of work in the sense of the Copyright Act and author's consent is not necessary. However, copying of a computer program or a database or recording of an audiovisual work during its performance or broadcast shall not constitute free use of a work.

As far as the gratuitous legal licences are concerned the Copyright Act includes a catalogue of examples which includes quotations, licence ex officio and news licence, use of the work at civil or religious ceremonies, library licences, licences for social services, exhibition and some other licences.

Period of protection

It ensues from the nature of personality copyright that it expires with the author's death. However, there is a rule saying that not even after the author's death may a third party assume the authorship to a work and that the author's name must always be stated when the work is presented.

Author's ownership rights last during the author's life and further 70 years after their death.

Claims arising from infringement upon rights
In contrast to industrial rights and rights to denomination, the claims the author may assert if their rights are infringed upon are not governed by Act no. 221/2006 Coll., on Enforcement of Industrial Property Rights (even though the relevant decree based on which this Act was prepared includes copyright regulation as well) but traditionally directly by the Copyright Act.

However, the catalogue of possible claims is basically the same, extended only by a declaratory claim. An author may thus claim the offender to restrain from or suppress their activity, provide information, adequate satisfaction and compensation for damage and surrender unjust enrichment and they can also claim publication of the judgement.

Copyright related rights

Affinity of these rights to the copyright is given by the fact that they are also partially of personal creative nature – namely in case of rights of performing artists to their performance – and they are partially related to it if this performance is presented in objectively perceptible form, e.g. in sound and audiovisual recording.

These rights which are subject-matter under dispute more often than the copyright itself, as there are more cases of infringement, namely upon property rights in connection with them, include namely sound recording producer's right to their recording, audiovisual recording producer's right to their recording or radio or television broadcaster's rights to their broadcast. Even these rights belong to immaterial goods category regardless the fact that they are finally produced on a corresponding carrier of such recording for practical use.

The period of protection of performing artists' property rights shall be 50 years after the production of performance, or if you like after publication of such performance. Property rights of a performing artist are unassignable just like author's rights.

Legal licence for radio or television broadcasting applies to producers of sound recording and - contrary to author's rights - producer's rights can be subject-matter of assignment. Sound recording producer's rights are protected for 50 years after the recording is made, or if you like, after it has been released, or eventually broadcast (e.g. via the Internet).

On the other hand, a producer of an audiovisual recording shall not have the obligation of onerous legal licence for broadcasting in a radio or on television; in this case, the licence arises from a contract. Audiovisual recording producer's rights shall be protected for 50 years after the recording or eventually broadcasting of the recording. Radio and television broadcaster's rights include a right to recording of the broadcast and its reproduction and distribution of such copies and to communicating the broadcast to the public. This right shall also last 50 years and that from the first broadcast.

Copyright and related rights and the principle of free movement of goods

The right to distribute these immaterial goods is a subject of business activity and at this moment they come into view of the principle of free movement of goods, as these are rights allowing putting such copies on the market, renting their performance etc.

The uniformity of the common market is secured by the institute of exhaustion of rights. Only the right to distribute material copies

can be exhausted, which means that once a particular copy of an author's work has been rightfully produced and sold (or given as a present) in the territory of any member country of the EU or the EEA, such copy can be further sold (or given as a present) without the author's consent and that in any member country of the EU or the EEA (co-called community exhaustion of a right). Author's exclusive property rights to distribute this particular copy have been exhausted in the

first assignment of property rights to this copy. Other property rights shall remain unchanged, though.

If anyone wants to rent, lend, broadcast, etc. such copy, they can only do so with the consent of the holder of the rights. Similarly, if renting of the copy or the original copy of author's work takes place; any other renting is possible with the rights owner's consent only.

2.3.2 Industrially applicable rights

This group namely comprises rights which are of creative nature just like the copyright, but which are in direct relation to the technology field. It includes patents, utility models, lay-out designs of semiconductor integrated circuits and know how.

2.3.2.1 Patents

The fundamental national legal regulation is the Act no. 527/1990

Coll., on Inventions and Rationalization Proposals, as amended.

A patent is defined as a certificate on certain solution in the technology field, which must meet requirements defined by law. The Act on Inventions and Rationalization Proposals calls such solution an invention whereas the Utility Models Act does not use the term invention. The only difference between a patent and a utility model is in the inventive step which is higher in case of a patent than in case of utility models, and therefore patent protection is also more difficult to obtain.

Patent protection is based on registration principle. The difference again lies in the fact that granting of a patent is preceded by complete examination of patent application, whereas utility models are preceded by formal examination only.

Two kinds of patents take effects in the Czech Republic territory pursuant to the current regulation: the first are national patents granted by the Industrial Property Office while the second are so-called European patents granted by the European Patent Office on the basis of the European Patent Convention. However, these take effect only on condition that they have been duly validated pursuant to Section 35 of the

Patent Act. This means that a European patent owner first presents translated patent application to the Office and pays administrative fee for its publication in the Office Journal and once they are granted the European patent, they present translation of the patent specification and pay administrative fee for publication in the Journal. They shall do so within 3 months after the European patent is granted to them. Failure to comply with this time limit cannot be excused.

Definition of an invention

An invention, which is certified with a patent, is the subject matter under protection. Four conditions must be cumulatively met before the certificate can be awarded: the invention must be a new technical solution, it must be the result of inventive activity and it must be industrially applicable.

On the other hand, it is not possible to grant a patent for other intellectual activity products specifically determined by law, such as certain methods for performing mental acts, playing games, computer programs or mathematical methods unless these are a part of the technical solution for which the patent can be granted under the abovementioned conditions. Aesthetic creations cannot be patented either. However, this applies only in case that the patent application concerns these activities only. If they are part of the invention, they can also become part of the patent.

Conditions for granting protection

The definition of an invention determines basic conditions, which must be complied with before a patent is granted to the invention.

The solution must be a result of an inventive activity; this applies when it does not arise from prior art in an obvious way from an expert point of view. However, the solution must be described clearly and completely in the patent application so that a specialist can implement it.

The solution must be new and it must meet the criterion of so-called inventive step. Complete patent application examination is carried for this purpose in order to find out whether the given solution is a part of prior art. Its novelty is assessed globally.

Another condition is that the solution must belong in the technical field, i.e. technical means must be used to solve a certain problem, not that the solution must exclusively concern a technical problem.

The last condition is that the invention must be industrially applicable.

Patent effects /scope of protection

A patent can only be granted to the author of an invention who has a right to it. This right is assignable to other parties with the consequence that the author loses all rights, which the other party acquires. Patents are more often dealt with through licence contracts.

The patent owner has the right to use the invention him or herself, to assign the patent or give consent to third parties to use the invention via a licence contract. In order for the licence contract to become effective, it is necessary to enter it into the patent register.

Just like in case of other industrial rights, patent owner's rights to protection are limited by so-called exhaustion of rights which means that the patent owner cannot prevent simultaneous imports of patent products from other member countries of the EEA if these products have been put into circulation on this market either by the owner or by a third party with the owner's consent. This shall apply regardless whether the same patent protection applies in all EC member countries. The ECJ stated in this matter beyond Community-wide exhaustion that patent owner cannot even prevent simultaneous imports from countries in which no patent protection exists if they have put the products on the market in this importing country (ECJ 1981 Merck/Stephar).

On the other hand, a patent owner may prevent simultaneous

imports of a product which "originates in a member country in which it cannot be patented if the product in consideration has been manufactured without their consent" (ECJ 1971, Centrafarm/ Sterling Drug).

The patent owner not only has the right, but they also have the obligation to make use of the patent, either directly or indirectly. If they fail to do so, the Office has the right to grant so-called compulsory licence to a party, which is interested in making use of the

patent. Granting of a compulsory licence does not deprive the patent owner of the right to corresponding licence fees. The Office cannot decide to grant the compulsory licence sooner than after the expiry of so-called waiting period during which the patent owner decides whether they will make use of the invention themselves or whether they will assign it or allow its use by a third party through a licence contract. This period lasts four years.

Period of protection

Patents are protected for 20 years after the filing of application.

Legal protection measures

There is a wide range of claims against unauthorized use of a patent by a third party, which the patent owner can assert at a relevant court. These include claims to restrain from or suppress the unlawful situation, the catalogue of which is included in Act no. 221/2006 Coll., the right to compensation for damage, surrender of unjust enrichment and publication of the final judgement.

2.3.2.2 Utility models

The fundamental national regulation for utility models is the Act no. 478/1992 coll., on Utility Models, as amended

Definition of a utility model

A utility model, sometimes called small patent, shall be understood as a new technical solution, which is beyond the framework of mere technical skill and is industrially applicable.

The difference between a utility model and a patent lies in the fact that a patent is granted for a result of inventive activity, whereas in case of a utility model it is sufficient to exceed the framework of technical skill. Utility models are based on registration principle just like patents.

Negative definition of a utility model, i.e. what is not considered a utility model is again identical to the negative definition of a patent.

All other provisions are basically in conformity with patent regulations, especially when utility model owner's rights and legal means of protection are concerned.

2.3.2.3 Industrial designs

The fundamental legal regulation governing industrial designs is Act no. 207/2000 Coll., harmonized with the Directive (EC) no. 98/71 of the European Parliament and of the Council, and Decree (EC) no. 6/2002.

Definition of an industrial design

An industrial design (sometimes also called decorative design) shall be understood as the appearance of a product or its part, which namely lies in the features of lines, contours, colours, shape, structure or material of such product.

Technical or construction layout of a product, means or procedure of its production, inner mechanism of the product or architectonic layout of a building, etc. cannot be considered an industrial design. A product shall be understood as an industrially produced or handcrafted item including spare parts, packaging, design, graphic symbol and topographic feature. It does not concern computer programs.

Effects and scope of industrial design protection

Similarly to a patent, an industrial design must also meet the requirement for novelty. If a spare part of some product is concerned, it meets the prerequisites of an industrial design if it is visible as a whole.

A design is considered a novelty unless an identical industrial design or a design differing in irrelevant details has been made public before filing of the application or before to the day on which the right of priority originates. The decisive element is the point of view of consumer public – whether the design leaves an impression, which is significantly different from the impressions of other designs.

Making the design public shall be understood as any publication,

e.g. at an exhibition, use in the commerce which is not limited solely to the expert circles. etc.

The owner of a registered industrial design has the exclusive right to use the industrial design, give consent with its use to third parties through a licence contract, or eventually assign it to third parties. They also have the right to prevent everyone from using the design without their consent. Use of the

design shall be understood as production, offering, putting into circulation, export, import or using of a product in which the industrial design is substantialized, or eventually its storing.

The period of protection is five years since the day of filing the application.

Limitation of industrial design rights

Even industrial design rights are considered exhausted when an industrial design is put into circulation at the national market or eventually at Community market by the producer or by a third party with the producer's consent.

Besides that, the owner of a registered industrial design is limited by prior user's rights if it is proven that this user had already started using an industrial design which had been created independently on the registered industrial design in the Czech Republic by the time the application was filed or before the day on which priority rights originated.

Legal protection measures

Legal measures governed by Act no. 221/2006 Coll. can be used to assert claims arising from infringement upon industrial design rights. These include the usual claims to restrain from or suppress the unlawful activity with specification of possible measures stated in the abovementioned Act, claims for compensation of damage and surrender of unjust enrichment.

Legal regulations in the EU

If you want to own an industrial design valid at the common market, it is possible to submit industrial design application valid for the EEA on the basis of the Decree (EC) no. 6/2001 at the Office for the Harmonization in the Internal market in Alicante where industrial designs are adequately registered once the application has been processed.

Similarly to the case of prior user's rights, even unregistered industrial designs are protected within the Community if they have been published, exhibited, used or otherwise made available to the public through the means by which an industrial design might have reasonably become well-known in the relevant business circles. The period of protection in this case is three years since

the day on which the industrial design in question is first made available within the Community.

2.3.2.4 Lay-out designs of semiconductor integrated circuits

The basic national legal regulation is the Act no. 529/1991 Coll., as amended.

The Act was passed as one of the first regulations harmonized with EC law when the need to join the initiative of the USA whose Act on the Protection of Semiconductor Integrated Circuits passed in 1984 gave rise to global regulation of protection of lay-out designs of semiconductor integrated circuits arose in the Community.

Definition of a lay-out design of a semiconductor integrated circuit

A lay-out design of a semiconductor integrated circuit is a series of embedded or coded interrelated schemes of three-dimensional lay-out of layers consisting of various materials which the semiconductor product consists of.

Conditions of protection

The subject matter under protection is the lay-out design of a semiconductor product; the protection applies to external lay-out of the semiconductor product or its part.

The lay-out must be the result of the author's inventive activity, which means that it must be new in a sense that the selected lay-out is not common. Novelty in the sense of the abovementioned Patent Act is not required.

Effects and scope of protection

The right to protection belongs to the author or their successor in title. However, as these products are usually created on the basis of a specification in the form of a contractual relationship between the author and a client, the right to protection of a semiconductor product belongs to the client. The right can be assigned or a licence may be provided for it.

The right to protection can be exercised by Czech citizens or persons, who have a domicile or headquarters in the Czech Republic. Other persons may submit applications of a lay-out design of

semiconductor integrated circuit on reciprocity basis.

The right to protection is based on registration principle and it is exercised on the basis of an application filed at the Industrial Property Office.

It is not permitted to copy, produce or make a projection of a lay-out design of semiconductor integrated circuit for the purpose of manufacturing or commercially use them without the proprietor/rights owner's consent.

Legal protection measures

Claims, which the proprietor/owner of protected rights may assert due to encroachment of their exclusive rights, are governed by Act no. 221/2006 Coll. (see below).

2.3.2.5 Know How

Know how is a special industrial right which is not based on registration principle and which is very close to trade secret. Whereas trade secret is a wider term as it includes everything which an entrepreneur protects including an overview of their clients and marketing practices, know how is limited to a secret of manufacturing or technical nature.

Definition of know how

Know how has been defined in Art. 1 of the Regulation (EC) no. 772/2004 on Technology Transfer as "unpatented practical knowledge which is gained through experience and experiments and which is secret in the sense that it is not generally known and easily accessible, which is significant, meaning that it is important for production of contractual products, and which has been identified, meaning that it is sufficiently comprehensively described, so that it is possible to verify whether it meets the criteria of secrecy and importance".

As know how constitutes an industrial right, it can be provided to third parties on the basis of licence contracts (compare Section 508 and the following of the Commercial Code), or it can eventually be assigned.

Licence contracts must also be in conformity with the corresponding competitive regulation, e.g. Regulation (EC) no. 772/2004 on Technology Transfer which directly

applies not only for relations with so-called Community reach, i.e. concerning trade between member countries, or better, at the Community market or eventually its significant part, but also for purely domestic relations in the sense of Section 4 para. 1 of the Act no. 143/2001 Coll., on the Protection of Competition as amended.

Legal protection of know how

Know how is protected until it becomes generally known and available. As there is no independent regulation in a special act for this, it is possible to fight against infringement upon know how through legal measures used in connection with trade secret pursuant to Section 17, or eventually Section 51 of the Commercial Code if the trade secret is breached in connection with economic competition. In both cases the owner of this right can use a lawsuit to assert their claims to restrain or suppress the unlawful activity but mainly the claims to compensation for damage and surrender of unjust enrichment.

2.3.3 Commercially applicable rights/rights to denomination

This group includes rights to a business name/firm, or eventually to another name, trademark rights and a right to designation of origin, or better, to geographical indication.

2.3.3.1 Trade name/firm

Definition of a firm

Pursuant to Section 8 of the Commercial Code, a firm (sometimes also trading company or trade name pursuant to older terminology) shall be understood as a name under which an entrepreneur is recorded in the Commercial Register and under which they perform their legal acts. A firm can only be made of words; it cannot be a representation like in the case of a trademark. However, a firm name can become a trademark if it meets the requirements for a trademark and if it has been entered in relevant evidence/register.

A firm is not identical to an enterprise or a person. However it represents independently protected immaterial goods and if it represents a generally known firm with good reputation, it has great accounting value as such.

A trade name of a natural entity shall always include name and surname, but it can contain additions distinguishing an entrepreneur or kind of business.

A trade name of a legal entity including trading companies and cooperative societies, which are established by incorporation in the Commercial Register, shall be a selected name which can be a personal name of the entrepreneur as well as an invented name and which is incorporated in the Commercial Register. An obligatory part of a legal entity trade name is an addition defining its legal form (e.g. incorporated company, Inc., Limited liability company, sometimes also abbreviated Ltd.)

A name of a place of business (e.g. Green Tree Inn) in which the natural entity/entrepreneur not incorporated in the Commercial Register performs their entrepreneurial activity is not considered a trade name. Even though this name is not a trade name, it does not mean that it does not have to abide by correspondent legal regulations and it especially may not violate honest practices of competition and on the other hand, it does not mean that it is deprived of all means of legal protection.

However, provisions of Sections 8 – 12 of the Commercial Code apply only to trade names of entrepreneurs incorporated in the Commercial Register, not to other non-trade names, e.g. names of the places of business.

Trade name formalities

The Commercial Code sets certain formalities concerning trade names:

Prohibition of confusion in Section 10 – a trade name must not be confusable with a trade name of another entrepreneur and it must not create deception. As we cannot avoid the possibility of two persons with the same name operating in the same place and using trade names consisting of a their name and surname, it is recommendable to put a suitable addition to the trade name which would distinguish between individual

entrepreneurs in such case. This is necessary especially in case that these entrepreneurs carry their business in the same or somehow related field. This shall also apply to legal entities for which the variety of compulsory additions defining their different legal form is not sufficient.

Prohibition of deception in Section 11– the law does not request that a trade name must change in all circumstances in case there is a change of entrepreneurial subject. A trade name (especially an established trade name) constitutes immaterial goods, often with significant financial value and therefore the new assignee will be concerned with preservation of the original trade name. To prevent deception of clients, the trade name must contain an appropriate addition if its owner changes. The consent of the previous owner or heirs is necessary.

Trade name is bound to an enterprise – it constitutes immaterial goods but it is not independently assignable. The law explicitly forbids transfer of a trade name without simultaneous transfer of an enterprise but it allows connection of a trade name to a part of the transferred enterprise on condition that the remaining part will operate under a different trade name.

Legal protection of a trade name

There are two forms of trade name protection:

a) First of all, the trade name itself is protected (Section 12 of the Commercial Code). Everyone whose rights have been infringed upon by unauthorized use of their trade name by another party shall have the right to protection. Entrepreneurs are actively legitimate, but this right can be exercised even by other persons, e.g. heirs who have not given their consent to use the trade name to a new enterprise owner.

Claims, which an authorized user/owner of the trade name may assert, include claims to restrain or suppress the unlawful activity, a claim to surrender eventual unjust enrichment, eventually a claim to damage compensation. A successful complainant may (no legal claim is given here) also request publication of judgement at the expense of the party, which was unsuccessful in the dispute.

b) Besides that, trade name is also protected by regulations against unfair competition, namely pursuant to Section 47 of the Commercial Code concerning the danger of confusion with a name which has been legally used by another entrepreneur. This concerns cases of identical names, which do not constitute direct infringement upon firm rights, but nevertheless cause confusion between the trade name of an entrepreneur incorporated in the Commercial Register and the name, which another competitor used for their competition purposes.

c) The abovementioned provision of Section 47 of the Commercial Code provides protection even to names, which are not trade names as stated above, but only names of the places of business. Claims, which can be asserted by reason of unfair competition, are the same as in case of trade name protection, i.e. to restrain or suppress the unlawful activity, surrender eventual unjust enrichment or compensate for damage as well as a claim to eventual publication of the judgement.

2.3.3.2 Trademarks

The fundamental national regulation concerning Czech trademarks is Act no. 441/2003 Coll., on Trademarks, as amended. Community trademarks are governed by Regulation (EC) no. 40/1994, the harmonization regulation is EEA Directive no. 89/104.

Definition of a trademark

A trademark is a mark which the producer or seller uses with the goods they make (so-called works marks) or sell (so-called brand) to prove its genuineness on one hand and to differentiate their products from similar products made by other companies on the other hand. Trademarks can also be used for services with the same intention.

A mark must meet certain legal requirements to become a trademark to all intents and purposes.

In positive definition, every mark capable of graphic representation, namely words including personal names, colours, drawings, letters, numbers, product shape or its packaging can be considered a trademark – on condition that these marks are able to

differentiate products or services of one person from the products or services of another person. This is a purely Czech specification in relation to the definition of the term trademark in other legal orders, or better, in Regulation (EC) no. 40/94, on the Community Trademark which bind a trademark to an enterprise. This difference is the consequence of a dispute whether the term “enterprise” in an objective sense as it is defined in Section 5 of the Commercial Code is a fundamental obstacle to using the term “enterprise” in its meaning as a subject as well. The predominant opinion was the one that the definition in the Commercial Code, although it has been explicitly intended for the purposes of the Commercial Code, represents such obstacle and this forced Czech legislature to a range of breakneck formulations which sometimes – like in this case – have serious legal consequences. The wider meaning of the term “person” as compared to the term

“enterprise”, allows everyone not only a direct producer or seller or provider of services to file a trademark for protection which gives the possibility to file speculative trademarks.

Negative definition of a trademark, i.e. definition of what cannot be considered a trademark, is based only on taxative definition of reasons for unregistrability of a trademark.

Protection of trademark rights is based on registration principle, but also on priority principle. Trademark beneficiary of the protection pursuant to Czech trademark law can thus be a mark, which has been registered, in a correspondent register as well as a previously registered trademark. Protection in the territory of the Czech republic is provided to

1. domestic trademarks, i.e. trademarks filed at the Industrial Property Office and recorded in the register administered by this Office;
2. international trademarks, i.e. marks registered pursuant to the Madrid Agreement Concerning the International Registration of Marks with effect for the Czech Republic;
3. Community trademarks registered in conformity with Regulation (EC) no. 40/94 at

the Office for Harmonization in the Internal Market.

Well-known trademarks are protected in the Czech Republic without being registered with effect for the Czech Republic, and that pursuant to Art. 6bis of the Paris Convention. The protection is based on achieving notoriety (renown in former terminology).

Legal definition of so-called previously registered trademarks is based on priority principle.

Specific terms in trademark field

The below mentioned terms are primarily used to refer to trademarks, but they can also be used by competitors to exercise their rights against conduct contributing towards mistaken identity pursuant to Section 47 of the Commercial Code.

a) Distinctive character

Distinctive character or distinctiveness is the property of a trademark which shows itself in the relation to goods/services and contributes to their individualization as far as their origin is concerned, and also in relation to other trademarks as to what extent they are/are not similar. The distinctiveness of the designation is thus examined case after case and that from several points of view: the visual one (to what extent the marks are similar or identical in some features), the phonetic and semantic one, from the point of view of dominant features and other features (to what extent they constitute distinctive character etc.), and how the given trademark functions as a whole. The decisive viewpoint for the distinctiveness of a trademark is the point of view of an average consumer with average memory and average knowledge as to whether the trademark gives the impression of certain identity with the goods to which it relates and with the producer of such goods. Even a designation which is not distinctive itself can get over the obstacle of the lack of formal distinctiveness as a result of long-term use, if it is proven that the trademark is safely associated with a certain product or service by consumers or in customer circles.

b) Deceptiveness

Trademark must not be deceptive, i.e. it must not deceive the public, especially with regards

to the origin of goods denominated with this mark regardless whether it concerns geographical origin or origin at a certain producer or service provider. Deceptive features have experienced significant extension in interpretation so that they now include both various data even concerning the properties of the product or service and the possibility of confusion with other products, manufacturers and their trademarks.

c) Possibility of confusion

The basic function of a trademark is to guarantee the identity of the origin of the product or service to the consumer/customer by helping them differentiate it from other similar products or services, which are of different origin. Therefore trademarks should show sufficient amount of distinctiveness. However, it is necessary to look not only at formal features or elements but also at all factors, namely market consciousness of the trademark and similarity between the trademark /brand and a product or service. Possibility of confusion is examined from the same points of view as distinctiveness.

d) Registrability

Not all graphical representations are registrable, i.e. suitable to be registered as a trademark in the correspondent register. Besides the definition of a trademark, Czech law does not explicitly define which trademark meets the prerequisites for registration. However, it taxatively defines what shall be understood under so-called non-registrability, which is sometimes referred to as negative definition of a trademark in literature. Marks which cannot become trademarks in this sense namely include marks which lack distinctiveness, which are deceptive (and that even from the point of view of appellation of geographical origin), as well as marks which are based on general data used in trade or consist solely of the shape of the product which should rather be protected as industrial designs, marks which are in contradiction to the peace or standard practises, marks which contain emblems or coats of arms or religious symbols if their use is a subject of public interest, marks which are in contradiction with other legal regulations or obligations

arising from international treaties, and most recently, marks the application for which was obviously not submitted in good faith.

e) Exhaustion of rights

The institute of the exhaustion of rights (see above) was introduced into the Czech trademark law in connection with expansion of the Czech market to the common market. It is associated with the proprietor/trademark owner's right to forbid all persons who do not have their consent to use the trademark in question with goods or services, which are identical to those for which the trademark was registered. However, this right to prohibition does not apply to cases when a product designated by this trademark has been put into circulation by the owner or by a third party with their consent. This exhaustion of rights applies not only to the Czech market (so-called national exhaustion), but also to the Community market, or better, markets of the countries, which constitute the European Economic Area (so-called Community exhaustion).

This institute is of special importance in connection with so-called parallel imports, i.e. situations when a product designated with a trademark has been put into circulation in a certain country by the manufacturer or by a third party with the manufacturer's consent and a third party imports this product to the same country without the manufacturer's consent. According to the Community case law the manufacturer cannot effectively prevent such imports in the Community territory if their products have been duly put into circulation in one member country; moreover, not even national legislature can modify its trademark law and the institute of exhaustion in its framework if it is likely to cause limitation or forced splitting of the common market.

However, the Czech Republic (and the whole Community as well) uses different approach to parallel imports from third countries, which are not member countries of the EU, or eventually the EEA. It must be understood, that the right to put goods bearing a trademark to a certain market is exhausted by a single application; as regards the other imports from different countries, the stronger right of trademark owner who can effectively

prevent these imports in the territory in which they have already exhausted their right applies.

f) Repackaging

Special attention should be paid to so-called "repackaging" i.e. selling of brand products (usually pharmaceuticals) in packages different from those in which the manufacturer has put them into circulation. Trademark owner shall have the right to prevent sale of repackaged goods if the repackaging might influence the condition of these pharmaceuticals or threaten the reputation of the trademark (ECJ: C -427, 429, 436/93 Bristol-Myers-Squibb). Trademark owner cannot prevent parallel import if the following conditions are cumulatively met: claiming trademark rights would contribute to a forced separation of the common market and the parallel importer has repackaged the goods due to legitimate reason, e.g. to abide by national regulations concerning packaging of pharmaceuticals, neither the condition of the product nor the reputation of the trademark are endangered and the parallel importer has notified the manufacturer about their intention to repackage the goods. If the modification of packaging leaves the trademark on the original packaging visible, the trademark owner cannot have any objections against such packaging (ECJ: 1/81 Pfizer).

Effects of a trademark/scope of protection

A proprietor (owner in the former terminology) of a trademark has an exclusive right to use their trademark in connection with products for which it has been registered and they have the right to defend themselves against third parties using identical or similar denomination for identical or similar products or services in the trade without the proprietor's consent. Similarity of products or services is not required in case of trademarks with good reputation in the Czech Republic if the use of such similar denomination unfairly profits from the distinctiveness of the trademark or causes damage to it.

However, an exception from this provision applies to holders of so-called unregistered denomination if the right to it arose prior to the filing of trademark application and this denomination is used in conformity with legal order.

A trademark owner is not authorized to prohibit its use with products, which have been put into circulation in the Czech Republic or in the common market by, or with the consent of the owner, as their right has thus been exhausted.

Consent with the use of a trademark shall be given via a licence contract pursuant to Section 508 and the following of the Commercial Code.

On the other hand, a trademark owner is also obliged to use their trademark. Failure to use it may result in its cancellation by the Industrial Property Office upon a third party's request.

Legal protection measures

Pursuant to Act no. 221/2006 Coll., a trademark owner may defend themselves against encroachment of trademark rights through an action at the court in which they may request - besides the claims to restrain or suppress the unlawful activity - compensation of damage, surrender of unlawful unjust enrichment and reasonable satisfaction.

Besides that, they can also request withdrawal, or eventually destruction of the products whose denomination infringes upon the trademark rights as well as other measures as we will see further on in association with the Intellectual Property Rights Enforcement Act.

As regards trademarks registered contrary to Section 4 or 6 of the Trademark Act (meaning that a designation which cannot be a trademark or a designation which is identical to a previously registered trademark with the right of priority has been registered), such trademarks may be invalidated upon a third party's request as well as from the initiative of the Office. Such trademarks are regarded as unregistered trademarks.

Notice

Regulation (EC) no. 40/94 on the Community Trademark.

After the accession of the Czech Republic to the European Union, it is also possible to apply for a trademark at the Office for Harmonization in the Internal Market in Alicante with effects for the whole

Community. Czech trademark right regulation is basically identical to this Regulation.

However, it was necessary to fundamentally modify coexistence of the Community trademark and national trademarks. The regulation solved this question with the result that the existence of a previously registered national trademark is a relative obstacle to the registration of the Community trademark. The risks for the applicant, which are associated with this, are mitigated by the possibility to transfer the application to national application procedure or to an application procedure for an international trademark pursuant to the Madrid Agreement Concerning the International Registration of Marks.

2.3.3.3 Designations of origin and geographical indications

Appellations of origin had belonged in the framework of industrial rights in the Czech Republic even before the issue of the Directive (EC) no. 2081/92 and it had been governed by Act no. 159/1973 Coll., in addition to the Lisbon Agreement for the Protection of the Appellations of Origin and their International Registration, pursuant to whose Art. 2 the designation of origin shall be understood as "the geographical name of a country, region or locality which serves to designate a product originating therein, the quality and characteristics of which are due exclusively and essentially to the geographical environment, including natural and human factors."

However, the abovementioned Act issued in 1973 referred to the designation of origin only, without extra attention to the geographical indication of a country where the product originates. The legal regulation is not very successful, as the Czech lawmakers tried to maintain the former concise definition of the designation of origin and at the same time include the definition arising from the abovementioned Community regulation due to harmonization reasons.

The currently valid law is Act no. 452/2001 Coll., on the Protection of the Appellations of Origin and Geographical indications.

The EC regulation is Decree (EC) no. 2081/92.

Definition of the designation of origin and geographical indication

The currently valid legal regulation includes two terms, whereas:

Designation of origin shall be understood as the geographical name of a country, region or locality which serves to designate a product originating therein, if the quality and characteristics of such product are exclusively or mainly given by the special geographical environment with its characteristic natural and human factors and if the production, re-enactment and preparation of such product takes place in a restricted territory. Appellations of origin of agricultural products or foodstuffs even include traditional geographical and non-geographical indications for goods originating in a restricted territory if it meets all prerequisites in the abovementioned sense.

Geographical indication is a name of a territory used for denomination of goods originating therein if the goods has certain quality or reputation or other properties which can be attributed to such geographical indication if the production or processing of such goods takes place in a restricted territory.

Both forms of denomination are based on registration principle,

The protection begins on the day of incorporation in the register administered by the Industrial Property Office. Both Czech and foreign natural or legal entities/producers' associations can apply for registration, and that on reciprocity basis. A Czech natural entity may apply for registration only in case they are the only one who manufactures processes or prepares the goods in question in the given territory.

Conditions of protection

Registered designation of origin or geographical indication can be used by everyone who meets the conditions for the given goods pursuant to the abovementioned Act, even if they are not formally registered.

Contrary to other industrial property rights, registration of the designation of origin or geographical indication is not an exclusive

right of individual manufacturers. With regard to this fact, it is not possible to grant a licence for designation of origin.

Effects of registration /scope of protection

Registered appellations are protected against any misuse, imitation or reminiscence by comparing the kind of product, against all untrue or deceptive indications of geographical origin and properties of goods and against any activity intending to mislead the public about the origin of goods.

Legal means of protection

Legal action against infringement upon the right to designation of origin or eventually geographical indication can be brought against all prohibitions to use this appellation on comparable goods if it does not meet the requirements of this Act. The scope of claims arises from Act no. 221/2006 Coll.

International and global protection of the designation of origin

International designation of origin can be applied for by applicants from the member countries of the Lisbon Agreement for the Protection of the Appellations of Origin and their International Registration, including the Czech Republic. Thus registered appellation is protected in all member countries of the Lisbon Agreement.

In the European Union, it is possible to apply for registration of a geographical indication on the basis of Decree no. 2081/92 but only for agricultural products and foodstuffs. The Decree does not apply to wine and spirits. The decree explicitly states that a registered denomination cannot become a generic name.

3. Enforcement of intellectual property rights

As we have said in the introduction, the term enforcement of intellectual property rights shall be understood as both enforcement of the given right by its owner/proprietor at the relevant state authority and the obligation of the government to establish adequate legislative framework and a system of bodies with adequate competences.

For practical reasons, we will deal with these issues against the background of Community legislature as this is where the effort to get over territorial exclusivity of intellectual property rights through harmonization of substantive law with Community regulations and imply trends of further development in this field originates. The most recent directive issued for this purpose is the European Parliament and Council Directive (EC) no. 2004/48 on the Enforcement of Intellectual Property Rights, which was incorporated, in Czech legal order through Act no. 221/2006 Coll., on Enforcement of Intellectual Property Rights.

The enforcement of intellectual property rights, or better, their protection is not only in private but also in public interest which the government ensures through administrative bodies.

Intellectual property rights – as has already been said – belong to private law, as they are property rights. They are based on registration principle with the exception of know-how, i.e. they are granted to their owner/proprietor by authoritative decision of a state authority. Appropriate legal protection is based on these two facts.

On one side, it is important not to grant a certain industrial right to some person when it is already owned by another person. This shall be the subject matter of an administrative procedure at the Industrial Property Office, namely in the application procedure for individual intellectual property rights in the framework of which the aggrieved persons may raise observations and objections against registration of the given subject of intellectual property and in case such right has already been registered, they can seek cancellation of such right. This administrative procedure at the Industrial

Property Office does not apply to rights to know-how, though.

On the other hand the nature of the intellectual property rights as property rights gives their owners/proprietors entitlement for their protection and the obligation of the state to ensure such protection from the legislative and procedural point of view through its administrative bodies.

3.1 Civil protection of intellectual property rights

The legal framework for this protection is ensured via the abovementioned Act no. 221/2006 Coll., but only for the industrial rights field (i.e. for rights which are industrially and commercially applicable), not for the copyright field. Besides this act, there are also other regulations concerning protection of intellectual property rights, particularly regulations against unfair competition (Section 41 and the following of the Commercial Code in the CR).

The quoted act thus rather elaborates and supplements regulations concerning protection of intellectual property rights, which already exist in the Czech Republic. Its purpose and importance lies mainly in the fact that it summarizes legal means of enforcement of industrial property rights and defines

- a) actively legitimate person, i.e. a person who is authorized to enforce the right in question,
- b) regulates their right to information,
- c) determines claims this person may assert,
- d) determines the court at which the authorized person can assert their claims.

Ad a)

Actively legitimate person is particularly the owner/proprietor of the industrial property right in question which has been granted to them by a state decision pursuant to correspondent law, e.g. an owner of a patent, a utility model or an industrial design.

A person who makes use of the given industrial property right on the basis of a licence, is thus a person directly actively legitimate to defend the rights from an attacked industrial right, but only when they act with the consent of the proprietor/Owner of the right. They act as a mandatory on a basis of a power of attorney then. The same regulation arises from Section 514 of the Commercial Code concerning licence contracts.

However, the licensee can become a person directly actively legitimate to enforcement of a given industrial right and thus act without authorization if the proprietor/owner of the given right fails to start the proceedings within one month after receipt of a notification

about infringement upon or threat to the provided right from the licensee.

Ad b)

Regulation of the right to information is also a regulation of passive legitimization; this provision enables the proprietor/owner of an industrial property right to demand finding of the person who can be, or better, should be sued for infringement upon the given right. Industrial property right infringement is usually discovered after the goods, which infringes upon some industrial property right has been put into circulation and it is usually not the direct seller who infringes upon this right. Pursuant to this provision, the proprietor/owner of the infringed right has the right to demand the

person who has put the goods in circulation to give them information about who the goods or service which infringes upon the given industrial property right came from. The important fact is that the owner may claim this information in the court, namely within right infringement proceedings if it is not given voluntarily and in reasonable time. However, this determination of obligation in the court is limited by the aspect of suitability in relation to the threatened or infringed right.

Ad c)

The claims the proprietor/owner of industrial rights may assert in the court include the usual claims to restrain or suppress the unlawful activity, claim to compensation of damage and surrender of unjust enrichment and publication of the judgement as has already been mentioned in connection with individual acts governing concrete intellectual property rights.

The new act gives more detailed definition of what shall be understood by “suppressing of the unlawful situation“, as the suppressing claims are usually formulated in the Czech regulations. These include

1. withdrawal of the unlawful products from the market,
2. permanent disposal or destruction of the unlawful products
3. withdrawal, permanent disposal or destruction of material, tools and equipment which served in activities infringing upon the industrial property right in question.

The court will not order destruction if the right can be infringed upon by other means and if the destruction would be inadequate to this infringement.

The aggrieved party may enforce these claims not only against counterfeiters but also against persons whose resources or services the third parties use to infringe upon their rights.

Ad d)

The issue of intellectual property rights is a very specific one and it requires significant amount of expert knowledge and therefore it should be dealt with in a specialized court to prevent too divergent judgement in individual cases and ensure uniform jurisprudence.

Therefore the competence of the courts in the matter of industrial property has particularly been amended. The first instance is focused in the Municipal Court in Prague and that both for disputes concerning national intellectual property rights and disputes dealing with Community trademarks and Community industrial designs.

Besides that, the Municipal Court in Prague acts as a body for reviewing administrative decisions of the Industrial Property Office in administrative action procedures pursuant to the Administrative Procedure Code (Act no. 150/2002 Coll.)

However, this act is not the only one on the basis of which it is possible to assert one's claims on infringement or threat to intellectual property rights. It is possible to seek protection – as will be mentioned further on – in disputes concerning unfair competition which is quite common in practice as infringement upon intellectual property rights is usually a part of unfair competition activity.

However, unfair competition disputes are decided by Regional courts as the courts of first instance. It is necessary to wait for the decision-making practice to solve a possible competence conflict, but it is beyond dispute that – unless unfair competition issues are dealt with concurrently – simple enforcement of intellectual property rights will only be processed by the Municipal Court in Prague.

Protection against unfair competition

The legal instrumentarium for the enforcement of intellectual rights also includes protection against unfair competition. These rights are usually infringed upon with competitive intention and therefore the application of competition regulations is perfectly legitimate, and even coincides with specific protection of individual kinds of industrial property rights in some cases. This namely takes place in case of deceitful marking of goods and services pursuant to Section 46 of the Commercial Code and in case of the danger of confusion pursuant to Section 47 of the Commercial Code. If know-how is infringed upon, this kind of protection is the only one available as has already been said.

To apply this kind of protection in practice, the infringement upon the given industrial rights must be induced by activity in economic competition which is in contradiction to honest practices of competition and capable of causing damage to competitors or consumers. These requirements specified in the general clause in Section 44 of the Commercial Code must be cumulatively met in all cases. If a particular activity seemingly corresponds to some special facts of the case of unfair competition but all three signs of the general clause are not concurrently met, it is not possible to claim protection against unfair competition.

Unfair competition activities are civil offences conceived as threatening offences, which means that no particular damage or harm has yet arisen from the given inappropriate activity, but there is a danger that some may arise.

Pursuant to Section 46 of the Commercial Code, deceitful marking of goods and services shall be understood as “every denomination which is able to cause illusion that the goods or services it marks originate in a certain country, territory or place, from a certain manufacturer or that they show special characteristic properties or special quality”, whereas it does not matter whether this happened “directly or indirectly”. This provision concurrently says that it does not influence rights and obligations arising from a registered designation of origin, trademarks and protected varieties of plants and breeds of animals protected by special laws. This is

because protection against deceitful marking of goods and services is much wider in this sense than these special laws define. Even an indirect indication that the goods comes from a certain territory which is characterised by a special quality of the given product (e.g. French names for perfumes, Italian names for fashion products and vermouths, depiction of an especially typical landscape etc.) is considered a deceptive marking.

Pursuant to Section 47 of the Commercial Code, confusion can be caused both by the use of a person’s name or special company name rightfully used by another competitor or the use of special company names or special appearance of the products or activities, or eventually imitation of other products or activities unless it is imitation of elements which are functionally, technically or aesthetically predetermined and the imitator took all measures which can be required from them to limit or exclude the danger of confusion, all that on condition that these activities are able to cause confusion or misleading notion on being associated with the company, trade name, special denomination or products and activities of another competitor.

It is obvious from these two facts of the case that it is also possible to assert claims arising from encroachment of industrial property rights and rights to denomination through them. These claims are completely identical to those which can be asserted in the proceedings on the infringement of industrial rights pursuant to the abovementioned Act no. 221/2006 Coll. Courts also take advantage of many terms included in some other acts, e.g. the terms “possibility of confusion” or “deceptiveness”, when assessing individual actions belonging to the abovementioned facts of the case.

Applicable law

As far as disputes with international element are concerned, it is necessary to decide about the applicable substantive law. In this sense it implies from the territorial effects of the granted intellectual property rights that the decisive law pursuant to which the whole issue shall be assessed is the Czech law, on condition that the appealed court is competent; if procedural regulations are concerned then it is fundamentally a matter

of Czech procedural law (compare Act no 97/1963 Coll. on Private and Procedural International Law).

3.2 Statutory protection

The function of state authority bodies arises from the public interest in abiding by legal regulations in the field of intellectual property rights. This is ensured through issuing of administrative acts particularly when constitution of intellectual property rights is concerned.

This is the function of the Industrial Property Office through whose decision on the granting of intellectual property rights to an applicant this applicant becomes proprietor/owner of the given right and gains legal entitlement to its protection.

Basically speaking, there are two problematic issues – first to make sure that the applied intellectual property right meets all formal requirements demanded by the law and second, to make sure that these rights are not granted to a person who does not meet the prerequisites for its granting.

To ensure the first issue, the corresponding laws provide formal examination of the applied rights whereas the second issue is ensured by the publication of application against which third parties may raise objections and secure their (alleged) rights in this stage. The Office may subsequently cancel the already granted intellectual property right under conditions and prerequisites set in the corresponding law.

Main resources used in this document:

Dausés and Co.: Economic Law Manual, ASPI, 2002

Munková, Svoboda, Kindl: Competition Law, C.H.Beck, 2006

Munková: Laws Against Unfair Competition, Comments, C.H.Beck, 2004

Horáček and Co.: Trademark Act, Act on Protection of Appellations of Origin and Geographical indications C,H,Beck, 2005

Telec, I.: Copyright Act, Comments, C.H.Beck,

Šámal,Půry,Rizman: Criminal law, Comments, C.H.Beck, 2004

However, the office is not competent to decide about claims arising from intellectual property rights infringed during their factual use in trade.

However customs authorities whose powers include security of aggrieved goods as well as decision about fines and confiscation of goods infringing intellectual property rights may intervene in factual circulation of goods infringing upon some intellectual property right. The Czech Trade Inspection authorities have similar powers concerning seizure of goods infringing upon intellectual property rights.

All decisions issued in administrative procedures can be a subject matter of both objection proceedings and judicial examination in judicial administrative proceedings pursuant to Act no. 150/2002 Coll.

Criminal protection

In case of serious breach of intellectual property rights it is even possible to seek adequate protection through criminal law.

Part four, Chapter 2, Sections 149-152 of the Criminal Code include facts of the case of criminal offence concerning unfair competition (Section 149), infringement upon trademark rights and protected designation of origin (Section 150), industrial property rights infringement (Section 151), and finally infringement upon copyright, related rights and database rights (Section 152).

We have to keep in mind that in order to use this kind of protection the activity concerned must not only constitute infringement upon the given intellectual property right but it must also be a criminal act. The properties of a criminal act are regulated by Section 3, which determines that criminal act is an act, which is dangerous for the society, its features are regulated by individual facts of the case, and it is also an act which requires wilful misdeed, unless the law explicitly determines that negligence is sufficient. However, none of the abovementioned provisions include such exception, which means that all cases concern wilful misdeed.

We should namely mention the amendment of the facts of the case of infringement upon copyright and related rights and rights to databases which counts with extended penalty up to 5 years imprisonment is the

offender gained considerable benefit or commits such crime in considerable scope.

Attachment:
Overview of regulations concerning intellectual property rights

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Legal regulation of intellectual property rights enforcement

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1. Introduction

The enforcing of intellectual property rights, which means of copyright and related rights and rights from industrial property, i.e. to legally protected inventions, utility models, industrial designs, topographies of semiconductor products, trademarks, geographical indications and designations of origin has become in the last years a significant part of commercial and other entrepreneur activities, mainly because of the fact that the rights are often infringed.

In the infringing of intellectual property rights, the absolute rights are infringed which are acquired by their owners or holders by the creation of an author's work and the grant of industrial-law protection, i.e. by the grant of a patent to an invention or by a record in the register administered by the Industrial Property Office as concerns utility models, industrial designs, topographies of semiconductor products, trademarks, geographical indications and designations of origin. As regards non-protected industrial protection objects, the infringement of relative rights within economic competition can occur, for instance in manufacturing, operational or commercial activities under the provisions of the Commercial Code.

When the legislation on the protection of the object of industrial and other intellectual property has been created and made effective and the holders of such objects acquired exclusive rights to use and dispose of them, cases when these rights are violated by both business subjects and individuals occur repeatedly, as well as cases when, on the other hand, both businessmen and individuals are unreasonably accused of the rights infringements. The purpose of this article is therefore to look closely into both the active forms of the enforcement of intellectual property rights by their holders and the passive forms of the opposition by those accused of the rights violations.

The category of author's rights includes copyright², which consists of the rights of an author to his work, rights related to copyright and the right of a database creator to the created database. As rights related to copyright are considered the rights of performers to their performances, rights of audio and audiovisual records producers, rights of radio and television broadcasters to their broadcastings, rights of publishers to works still unpublished whose property rights validity period has expired and the rights of publishers to remuneration in relation to the reproducing of works published by them for personal use.

Industrial rights usually consists of rights to inventions protected by grants of patents as well as rights to utility models, industrial designs and topographies of semiconductor products³ protected by the record in the state register at the Industrial Property Office. Further, these are rights to denominations, i.e. rights to trademarks, trade name and rights to designations of origin and geographical indications, also registered in the above mention register, as well as the information on goods provenance⁴. Also rights to new plant varieties can be mentioned, for which the Ministry of Agriculture issued a certification⁵.

² Act No. 121/2000 Coll., On Copyright, Rights related to Copyright and on the Amendment of Certain Acts (Copyright Act), as amended

³ The topographies of semiconductor products were included in the term industrial property in the Trade Related Aspects of Intellectual Property Rights (TRIPS) concluded within the framework of the World Trade Organization (former GATT).

⁴ Industrial property protected by these industrial rights is a stricter sense of the term intellectual property; the intellectual property includes besides industrial property also rights to literary, artistic and scientific works, rights to performances of performers, audio records and radio broadcasting, scientific discoveries and all other rights in relation to intellectual activity in the scientific, literary and artistic field – see the Paris Convention for the Protection of Industrial Property and the Convention Establishing the World Intellectual Property Organization

⁵ The granting of protection for plant varieties was delegated by Act No. 408/2000 Coll. directly to the Central Institute for Supervising and Testing in Agriculture; the Ministry of Agriculture, as the central

Besides rationalization proposals, also unfair competition and experience from production or operation often described as know-how can be included among industrial rights.

With the development of international exchange of goods, the enforcement of rights related to intellectual property, i.e. of author's and industrial rights, gains increasing significance in connection with the rights infringements.

The assortment of goods infringing intellectual property rights has been broadening in recent years. Former assortment of faked consumer goods, textile, footwear and audio-visual records have spread into such fields as are fakes of medicals, electronics, car parts, illegal software and other special goods. Also the means of sales changes, from primitive market places to giant ones, shops and e-shops, market chains and hypermarkets. More large-scale stores of fake products arise, as well as secret workshops for the production of fakes and for illegal designating of exported "no name" products with foreign valuable trademarks.

These facts, which are not specific for the Czech Republic, caused the adopting by the European Parliament and the Council of Directive No 2004/48/EC on the enforcement of intellectual property rights of 29 April 2004, which is a result of the necessity to eliminate the differences in the means of intellectual rights enforcement still existing in the European Union member countries. The Directive imposes on the European Union member countries to make effective acts, regulations and administrative directives necessary to achieve compliance with the Directive by 29 April 2006 and notify the Commission of it immediately. The adopting of the Directive was motivated by an effort to fight falsification, piracy and intellectual property rights enforcement which presents a serious threat to the national economies and member countries governments. The directive also pursues the

protection of intellectual property, which is important not only for the encouragement of innovation and creativity but also for the growth of employment and competitive strength in the individual member countries of the European Union.

The protection of intellectual property rights and their enforcement should make it possible for their creators and owners to gain rightful profit from the object of protection. On the other hand, the Directive creates conditions for the greatest proliferation possible of the works, ideas and new knowledge.

On the basis of the mentioned Direction of the European Parliament and the Council No. 2004/48/EC on the enforcement of intellectual property rights and on the basis of international treaties by which it is bound, especially the Trade Related Aspects of Intellectual Property Rights (TRIPS), the Czech Republic adopted in view of the legislation harmonization and the prevention of the break-up of our legal system a separate Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights, and amended Copyright Act No. 216/2006 Coll. From the same reason, also Act No. 34/1996 Coll., on Consumer Protection, was amended. In this way, the legislation process consisting in the past years of legal regulation by individual directives on industrial property protection and Act No. 191/1999 Coll., on measures concerning import, export and re-export of goods infringing certain intellectual property rights.

2. Intellectual Property Rights

The copyright protection and legal protection of the objects of industrial property are created in completely different ways. While the copyright protection is created automatically with the creation of a work and the expressing of the work in an objectively perceivable form, it is necessary to apply for the grant of the legal protection of the objects of industrial property and the protection starts only after the decision on the grant of such protection by a body authorized to it by a generally effective legal

state administration authority, decides only on appeals against decisions of the Institute

regulation⁶. As far as the validity and effects of the legal protections, there are differences between them, which will be explained later.

2.1 Creation of the protection by copyright

As already mentioned, the copyright to a work is created when such work is expressed in any objectively perceivable form. Copyright protection is not territorially restricted, but applies to all countries, which bound themselves to observe the protection by relevant international treaties⁷.

The object of copyright is in particular a literary or other artistic work or a work of science which is a unique result of a creative activity of the author and which is expressed in any objectively perceivable form including electronic form, either permanently or temporarily, regardless of its extent, purpose or significance.

Also computer program is considered a work on condition it is original in the sense that it is the author's own intellectual creation. Computer program, regardless of the form in which it is expressed, including the preparatory concept materials, is protected as a literary work. In contrast to the protection of a computer program by a patent, the ideas and principles which create bases for each element of the computer program including those on which the connection of the program with another one are based are not protected under copyright⁸.

A database is seen as a work as well which is by the way of choice or by the arrangement of the content the author's own intellectual creation and whose parts are systematically or methodically arranged and

made public individually in electronic form or by any other way. The database is treated by the copyrights as a collection work. Also photographs and similar works, which are original, are protected as photographic works⁹.

As concerns computer programs, databases and photographic works, unlike literary and artistic works or works of science it is not required that the work should be unique, i.e. irreproducible.

In most countries in the world the creation of copyright protection is not conditioned by registration. In some countries, however, it is possible for the work authors to register voluntarily for a comparatively small fee; however, the existence of copyright is not conditioned by such registration. Copyright protection is not conditioned in most countries by the ©¹⁰ mark. This mark is presently attached to most literary works in order that the user of the work is explicitly warned of the existing copyright and could not in a possible dispute on the right infringement argue that he was not aware the right's existence.

2.2 Creation of industrial-law protection

The most important issue in the protection of industrial property is the granting of the protection to its individual objects, i.e. for instance to inventions or trademarks, in the country where we wish to gain the protection. The basis for the legal protection is created by specific laws on industrial property protection, which not only define the conditions and way of acquiring of such legal protection, usually through the Industrial Property Office, but also stipulate the effects and possibilities of the rights protection.

The enforcement of rights arising from industrial-law protection can be realized by means of administrative proceedings before

⁶ Such authority is usually the Industrial Property Office, Patent and Trademark Office or similar

⁷ In particular the Berne Convention for the Protection of Literary and Artistic Works, revised several times, see Notice No. 133/1980 Coll.

⁸ Section 65 of the Copyright Act. This provisions complies with the Trade Related Aspects of Intellectual Property Rights (TRIPS), according to which the protection by copyright does not apply to the idea as such, but only to the external expression of such idea

⁹ Section 2 of the Copyright Act

¹⁰ This designation can be usually seen on books, where this symbol is followed by the surname and initials of the name of the author or co-authors, possibly also the title of the publisher and year of publication

the Industrial Property Office, but also before other authorities, such as the customs bodies, the Czech Commercial Inspection or the Police of the Czech Republic. The infringement of the industrial property rights can be resolved also by the discussions on the granting of a licence or on the transfer of the right. A number of disputes resulting from rights to industrial property can be resolved by direct dealings with the alleged infringer, or through mediation, reconciliation, arbitration proceedings. If these means fail, then court proceedings are an option.

2.2.1 Registration of industrial property to legal protection

The legal protection of the objects of industrial property rights, i.e. for instance inventions, utility models, industrial designs and trademarks does not start automatically by the creation of such objects in a form perceivable by human senses, as it is with copyright, but on the grounds of an application for legal protection granting filed with the relevant state authority which decides on the application in the proceedings under industrial property protection laws¹¹ and grants the right provided that the required conditions are met. The authorized body usually is the Industrial Property Office, which is the case of the Czech Republic.

As regards solutions on the inventions level, it is possible to submit the application for their registration in a form of a patent grant (also an application for registration in the utility models register can be an option). Patents are granted to inventions, which are new in the international scale, are a result of inventive activity and are industrially exploitable. A patent is a form of industrial protection of an invention. Especially

scientific discoveries, esthetical creations, plans, rules and ways of conducting intellectual activity, playing games, business activities, providing information and computer programs are not considered as patents. The two lastly stated objects and activities are however excluded from patentability only on condition that they concern solely the objects or activities as such. The ways of surgical or therapeutic treatment of human body or animals and related diagnostic methods are not considered as industrially exploitable. This however does not apply to products, especially stuffs or mixtures, designed to be used in these ways of treatment and diagnostic methods. Such products are patentable.

Inventions, whose utilizing would be against public order of good morals, cannot be protected by a patent. This nevertheless cannot be derived only from the fact that the using of the invention is prohibited by a legal regulation. Also, patents are not granted to new plant varieties¹² and animal breeds or in essence biological means of plants growing or keeping livestock. This however does not apply to microbiological means and products gained by them.

If the patent to an invention is granted to the applicant, the applicant becomes an owner (holder) of the patent and according to Patent Act acquires absolute exclusive right to use the invention, give assent to the use of the invention by third persons by the granting of a licence and transfer the patent such third persons.

As for utility models, these are technological solutions, which are new in the international scale, exceeding limit of mere skilled craft, and are industrially exploitable. They are protected by means of registration in the

¹¹ Act No. 527/1990 Coll., on Inventions and Rationalization Proposals, as amended
Act No.478/1992 Coll., on Utility Models, as amended
Act No. 207/2000 Coll., on Industrial Designs Protection, in the wording of Act No. 474/2004 Coll.
Act No. 529/1991 Coll., on Topographies of Semiconductor Products, as amended
Act No. 441/2003 Coll., on Trademarks
(all these and further stated acts are as amended)

¹² Plant varieties can be protected in the Czech Republic under Act No. 408/2000 Coll., on the Protection of the Rights to Plant Varieties; the Ministry of Agriculture of the Czech Republic grants cultivating certificates to new plant varieties through the Central Institute for Supervising and Testing in Agriculture; this institute is the registration point for plant varieties and also carries out the requested examination of their registration capability. In some countries, such as the USA, patents are granted for plant varieties

register of utility models at the Industrial Property Office. The conditions of the legal protection of utility models are analogical to those of patent, with the variation that also solutions on lower inventive levels can be registered in the register, i.e. it is sufficient to exceed the limits of mere skilled craft (in contrast to inventive activity in relation to patent protection). Production and other procedures and work-related activities¹³ are presently excluded from the protection by utility model. The exclusions of legal protection are analogical to the patent protection. Computer programs, mere external modifications of products, discoveries, scientific and mathematical methods, plans, rules, ways of conducting of intellectual activities and mere stating of information are under no circumstances not considered technological solutions capable of protection by utility model. Prior to the registering in the utility models register, the Industrial Property Office examines only those requirements for the capability to be recorded, which do not require a search of the state of the art.

The effects of protection resulting from registered utility model are the same as the effects of inventions protected by patents, i.e. no one can produce, distribute or use in his economic activity the technological solution protected by utility model without a consent of the utility model owner. The utility model owner should also give his consent (licence) with the use of utility model by other persons, or to transfer the utility model to them. The difference is in the validity period, which is 20 years from the filing of application for a patent, but 6 years for the utility model, which can be extended twice by 3 years (for maintaining fee).

Similar system of gaining legal protection at the Industrial Property Office applies also to topographies of semiconductor products (this issue will not be further dealt with as

the frequency of their registration in the Czech Republic is neglectable).

A new design of a product, which is of individual character, can be protected by registering in the register of industrial designs. Industrial designs are also registered for legal protection at the Industrial Property Office. It is possible to include several industrial designs in one application, with the exception of industrial designs consisting in decoration, where such collective application can be filed only for designs, which fall under the same class of international classification of industrial designs.

The registration of industrial design gives to the holder also exclusive right to use the industrial design, i.e. produce it, offer to sell, launch to the market, import or export it, prevent third persons from using it without the owner's permission, give permission to use it to third persons or transfer the industrial design to them. The validity period of the industrial design protection is 5 years, which can be extended four times by another 5 years

If the invention, utility model, topography of semiconductor product or industrial design was created by its creator within work, member of other labour-law relationship towards an employer or contractor (as regards industrial designs), it is employee's invention or design. The right to the legal protection in such cases is transferred from its creator to his employer, on condition the employer exerts his right in three months since the time, when he was notified by the creator of the creation of the solution.

For business activities, the registration of trademark, designations of origin and geographical indications is highly significant, by an application for registration in the trademarks register at the Industrial Property Office.

In the trademarks register, it is possible to record designations which can be described graphically, especially those created by words including personal names, by colour, drawing, letters, numbers or shape of the

¹³ The new patent act currently under preparation assumes also in relation to utility models the possibility of protection of production and other processes and work activities. Also, the absolute exclusion of computer programs is not being considered, only the exclusion of programs as such.

product or by its packaging, on condition they have the capability to distinguish products or services of one person from products or services of another one.

The Act on Trademarks excludes from the possibility to be recorded in the trademark register denominations, which is not covered by the above mentioned term “trademarks” as well as denominations, which lack the capability to distinguish, which consists exclusively of denominations or data, which serves in the market to indicate the class, quality, quantity, value, geographical denomination or time of production of products, time of rendering services or labelling of other properties.

Further, excluded from registration is a denomination consisting solely of denomination or data which became usual in the general language or in fair trade, which consist solely in a shape, which results from the character of the product as such, which is necessary for the achieving of technological result or which gives a considerable utility value. Excluded is also a denomination, which is in contradiction with public order or good morals, or which could deceive public as the character, quality or geographical indication of the product or service, including the denomination of wines or spirits containing geographical denomination without the wine or spirit was of the indicated geographical origin. Also excluded are denominations containing a designation enjoying protection under the Paris Convention¹⁴, designation containing other signs, emblems and coat of arms, if their use is a subject of a special state interest, unless an authorized person gave permission to the registration, as well as denominations containing a sign of high symbolic value, especially a religious symbol. Lastly, excluded from the

¹⁴ Article 6ter of the Paris Convention binds the member countries to refuse of cancel designation containing armorial bearings, flags and other symbols of state sovereignties of the Union member countries, official signs and hallmarks indicating control and warranty adopted by them and any imitation from a heraldic point of view, abbreviations and names of international intergovernmental organizations of which one or more countries of the Union are members.

registration in the trademarks register are denominations whose uses contradict a provision of another legal regulation or is in contradiction with the obligations from international treaties. Newly, a new reason for the refusal of registration is when the application was not filed in good faith.

If the Industrial Property Office, on having conducted the search, comes to the conclusion that the registration of the designation in the trademark register would comply with the law, it publishes the application, in order that the entitled persons whose interests could be injured by the registration could in the period of 3 months file objections against such registration. If no objections are received, or are found unjustified, the denomination is registered in the trademark register.

By the registration, the applicant becomes the owner of the trademark. The trademark owner has an exclusive right to mark his products or services by the trademark registered for such products or services, or use it in connection with them. He is entitled to grant licences for all or some products or services for which the trademark has been registered or transfer the trademark to another person. The trademark owner is entitled to use together with the trademark also the ®¹⁵ symbol.

The registration of designations of origin and geographical indications is analogical to the registration of trademarks. An association of manufacturers or processors can apply for the registration of designation of origin or geographical indication at the Industrial Property Office. The application can concern goods produced, processed or prepared in the territory corresponding with the given designation of origin, if at the time of the filing of application the association is the only one producing the goods in the given territory.

The designation of origin means the name of a region, certain place or a country which is used to designate goods originating in the

¹⁵ Symbol TM can be frequently seen in foreign trademarks

territory, on condition that the quality or characteristics of the goods are exclusively and predominantly conditioned by the special geographical circumstances and its typical natural and human factors and if the production, processing and preparation of such goods is carried out in the given territory. As concerns agricultural products or foodstuffs, also traditional geographical and non-geographical denominations of goods originating in a given territory are considered as designations of origin. For agricultural products and foodstuffs listed by the Ministry of Agriculture, the application for registration must be accompanied by a specification defining the characteristics and specifics of the given territory.

The only requirement for geographical indications is that the quality, goodwill or other characteristics of the goods are attributable to the geographical origin and that the production, processing or preparation is carried out in the given territory.

If the designation of origin or geographical indication meets the requirements defined by law, the Industrial Property Office record it in the register. The protection period is unlimited.

In particular, the registered designation of origin or geographical designation can be placed on goods by anyone producing, processing or preparing the goods in the corresponding quality in the defined restricted territory. It is therefore impossible to give a licence for designation of origin or geographical indication, neither can they be pledged.

3. Intellectual property rights infringement

Although both the author's rights and industrial rights infringement occurs simultaneously, also in this respect there are certain specific differences concerning these legal protections.

3.1 Author's rights infringement

The protection of copyright is defined in Part 5, provisions of sections 40 to 44 of the Copyright Act.

The copyright infringement under section 40 and following of the Copyright Act occur most often in cases of unauthorized production, unauthorized sales, unauthorized import or export of the original, reproduction or imitation of the work, unauthorized communication of the work to the public as well as unauthorized propagation including advertising or other promotion.

Under the Copyright Act, the copyright infringes also a person, who evades the technological means of rights protection according to the copyright, as well as a person, who produces, exports, receives, disseminates, sells, rents, promotes the sales or renting or keeps for trade purposes equipment designed for such purposes. The copyright also infringes a person, who without the author's authorization causes, enables, facilitates or conceals copyright infringement by removing information identifying the work, author or other bearer of the right as well as information on ways and conditions of the use of the work or any numbers or codes representing such information.

Furthermore, a person violates the copyright when he uses for his work a name or design already rightfully used by another author for a work of a same kind, if doing so could cause a danger of the mistaking of the works, unless something different ensues from the work nature or its purpose.

3.2 Industrial property rights infringement

The rights to subjects of industrial property are infringed when a person or persons start using such rights without obtaining permission to such use by the rights owner or other entitled person or without having the rights transferred to them by the entitled person

As concerns legally protected inventions, utility models and industrial designs, the infringement of rights occurs when they are in the economic competition produced or launched into circulation without the rights holder's permission or if the subject of protection is utilized. In respect of inventions to which a patent has been granted, the infringement can occur when the process protected by the patent is used. It is also possible to infringe the rights by export or import of a product to which the rights to a protected patent, utility model or industrial design apply.

As regards legally protected topographies of semiconductor products, i.e. those registered in the Industrial Property Office register, the rights can be infringed, besides the producing of a semiconductor product containing the protected topography, also in ways specific to such topographies defined by the law. First, it is the reproduction of the topography or its independently useable part or producing of images of such topographies for production purposes, or the rights can be violated by the commercial use of the semiconductor product containing the topography or its separately usable part.

As for a trademark registered in the register of the Industrial Property Office, the rights can be infringed if someone starts to use without the trademark owner consent the trademark or designations interchangeable with it for the same or similar products or services for which the trademark is registered, or to use the trademark in connection with such products or services. This concerns in particular the attaching of the trademark to the products or their packages, the selling or launching to the market of products designated by such trademark or the storing of such products with this purpose. Also the import and export of products with the designation as well as its using in a trade name, correspondence or advertisement is considered as the infringement of the rights.

Rights to registered designation of origin or geographical indication can be according to

the law¹⁶ infringed if an unauthorized person starts to appropriate or imitate them, even if such imitation is accompanied by terms as "class", "type", "manner", "imitation" or similar. Also any deceitful or misleading information on geographical origin, nature or characteristics of the goods stated on the inner or outer packaging, promotional materials or documents are seen as the infringing of rights to a registered geographical indication.

4. Intellectual property rights enforcement

The author whose rights have been infringed or whose rights are in danger of being infringed can claim¹⁷ especially the prohibition of endangerment of his right. He is entitled to be notified of the way and extent of the infringement, on the origin of the unauthorized reproduction or imitation of the work, of the way and extent of the use of such reproduction or imitation, its price and price of the service related to the unauthorized use of the work, as well as of persons participating in such unauthorized use of the work including the persons to which the concerned reproductions or imitations of the work were intended for the purpose of supplying them to a third person.

According to this provision the author may require the right to information from the person, who infringed his right or endangered unlawfully his right and further also from person, who owns the unauthorized reproduction or imitation of the work for the purpose of direct or indirect economic or commercial profit, who unlawfully infringes or infringed the rights of the author or who endangers or endangered them. Rights to information has also the author from the person, who provides or provided services for the purpose of direct or indirect economic or commercial profit, activities of which unlawfully endangered the rights of the author or person, who participate in acquisition, production or distribution of unauthorized reproduction or

¹⁶ Section 23 of Act No. 452/2001 Coll. on the Protection of Designations of Origin and Geographical indications and on the Amendment of the Consumer Act

¹⁷ Section 40 of the Copyright Act

imitation of the work, or providing services infringing the right of the author or endangering them.

In case of infringement of author's rights or the infringement eventuates, the author may require the removal of the results of infringement, especially withdrawal of the unauthorized reproduction or imitation of the work or equipment, product or parts from the commercial or other use. Further he may require withdrawal from the commercial use and destruction of the unauthorized reproduction or imitation of the work or equipment, product or parts or removal of material, tools and equipment used explicitly or mainly for the production of the unauthorized reproduction or imitation of the work.

When the industrial property rights were infringed, the owner of the infringed right can claim especially the prohibition of such infringement and removal of the infringement consequences. The industrial property right owner or holder can defend and enforce his rights either at court or extra-judicially. The specific kind of defence or enforcement of the given industrial right is an offer to the infringer to conclude a licence agreement or an agreement on the right transfer.

Rights acquired from industrial-law protection can be enforced either under private or public law. Under private law, the rights are enforced in court proceedings. Public-law means of the industrial property rights enforcement are realized in the administrative proceedings before the Industrial Property Office or before other bodies, such as customs authorities, the Czech Commercial Inspection and the Police of the Czech Republic. The infringement of industrial property rights can be resolved also in dealings on the granting of licence or the right transfer. A whole range of disputes resulting from industrial property rights infringements can be resolved by direct discussions with the

alleged infringer or through the mediation, reconciliation or arbitration¹⁸ proceedings.

4.1 Possibilities of extra-judicial enforcement of intellectual property rights

The possibilities of extra-judicial enforcement of intellectual property rights include the dealings with the alleged infringer of these rights as well as the possibilities resulting from the effective legislation.

As concerns the dealings of the owner with the alleged infringer of the authors or industrial rights, it consists primarily in the notification of the infringer of the existence of rights to the subject he produces or to the procedure he uses, sells or otherwise disposes with without authorization. In this notification, called also as a letter of warning, which must be always done in written (in view of possible following court proceedings and claim for damages) it is necessary to state the details on the infringed author's right or on the subject of industrial protection, i.e. in particular the number of the patent, date of priority and date of the grant, as well as disclose to the infringer the wording of the patent claims or possibly the description of the whole invention. Similarly, for a trademark, it is advisable to provide the wording or image, number of the record in the register, date of priority and list of goods or services for which the trademark was registered.

This part of the dealings of the right owner with the alleged infringer seldom ends directly by the acknowledgement of the right. Usually, the infringer argues that he does not violate the copyright in his business using a different solution which is not covered by the granted legal protection to the invention, utility model or industrial design, or that the given solution created on his own and thus has the right of previous user, or possibly that he uses the solution on the basis of state of art known before the filing of the application on the basis of which the patent or design was registered.

¹⁸ Act No. 216/1994 Coll., on Arbitration Proceedings and the Execution of Arbitration Rulings

As concerns the decision whether the challenged invention or utility design is used or not, any of the participants in the dispute can approach the Industrial Property Office with an application for assessment¹⁹ whether the subject of the dispute, i.e. produced product or used process is covered by the given patent or utility design under section 67 of Act No. 527/1990 Coll. The decision of the Office on the application for assessment can serve as an item or proper evidence²⁰ in possible court proceedings. Such assessment can be conducted also by the court itself (usually with the aid of an expert). In relation to industrial designs, such assessment is always conducted by the court, as the Office does not carry out the assessment procedure any more.

If the challenged person argues that he started to use the invention, industrial design or utility model independently of the right owner or his predecessor already before its priority and the owner refuses to acknowledge the right of previous user, the challenged person can demand that he acknowledges the right under sections 17 and 60 of Act No. 527/1990 Coll. and section 13 of Act No. 478/1992 Coll. If the right owner fails to do so, the challenged person can request a court decision in this respect. The court proceeding for the acknowledgement of the right of previous owner is rather complex, as it has to prove a thorough independence of the originator and owner of the patent in the course of the acquiring of the solution through which the right should be proved.

If the challenged alleged infringer of the industrial right argues that he did not utilize the protected invention, design or model but the literature or another open source accessible before the priority or before the filing of the application on the basis of which the industrial right was granted, he should

prove his argument. If the opponents in the dispute fail to reach an agreement, the challenged can try to cancel the industrial right and file a motion for a patent cancellation or a motion for the expungement of industrial design or utility model. Similar would be the procedure concerning semiconductor products topographies. As the cancellation of a patent or expungement of a utility model or industrial design takes effect since the very beginning of the creation of the right (ex tunc), such cancellation is effective as if the right has never been granted. Therefore, if the challenged person was successful in the industrial right cancellation, the subject matter of the dispute would cease to be relevant (with the exception of an action for the above mentioned unfair competition such as the slave fakes).

As for trademarks, designations of origin and geographical indications, the owner of a trademark or registered designation usually warns the alleged infringer that he marks, imports or exports goods with designation which is registered in the state register as a trademark, designation of origin or geographical indication.

The trademark owner has a right towards anybody who places or intends to place in the market products or services to information on the origin of such products, accompanying documents or services marked by designation which is identical to or could be mistaken with his trademark. The trademark owner shall prove his rights by the certificate of the trademark registration or by an excerpt from the register of the Industrial Property Office.

The trademark owner further has a right according to Act. 191/1999 on Measures concerning import, export and re-export of goods infringing certain intellectual property rights on the amendment of certain other acts to require the customs office not to release goods of commercial character into free circulation regime if the designation of such goods infringes the rights resulting from his trademark.

¹⁹ More details for instance in Netušil, J. and collective: Contentious proceedings before the Industrial Property Office, published by Industrial Property Office, Prague 1998

²⁰ Prior to the Patent Act amendment, the decision of the Office was binding for courts and other state authorities

The trademark owner is also entitled to require the publisher of a publication in which the trademark is to be reproduced to state that it is a trademark and give the number of its registration in the register. In this way the owner can prevent that the trademark becomes generic, i.e. that his trademark comes into general use to refer to the generic class of products or services and thus lose capability to distinguish the goods or service of a certain entrepreneur.

On the other hand, we should keep in mind that in accordance with the European legislation, the Trademark Act presently effectively restricts the rights resulting from a trademark in certain cases. Thus, a trademark owner is obliged to tolerate if third persons use in the course of the trade the name, surname, pseudonym, designation or trade name, address, indication of class, quality, amount, purpose, value, geographical origin, production date or rendering of service as well as other attributes of the product, even if such indication is identical or mistakable with the trademark, or create a part of a trademark. This however applies only on condition that the indication is used in accordance with business custom and standard practices of competition.

The trademark owner is further obliged to tolerate if third persons use in the course of the trade a designation identical with the trademark when it is necessary to indicate the purpose of the products and in particular its accessories, spare parts or class of the service (authorized services and services of proprietary products), providing that such designation is used in compliance with the business custom and standard practices of competition.

The trademark owner is also obliged to tolerate the use of identical or mistakable designation by its holder if such designation of such holder has become capable to distinguish identical or similar products or services in the previous two years.

Also the provision of the law on the trademark right exhaustion should be taken into account. Under this provision the

trademark owner is not authorized to prohibit the use of the trademark for products, which were launched to the market under the trademark by him or with his consent. An exception would be if after the launching of the products to the market their condition or attributes would significantly change or deteriorate.

As concerns trademarks, the extra-judicial opposition of the challenged person is an option already in the processing of the trademark registration application, on the basis of which the contestable designation could be recorded in the trademark register, in the framework of objection proceedings.

The alleged infringer of the trademark right often argues that the designation on his products is not identical or mistakable with the designation registered as a trademark, or that he has used the designation long before the priority of the given trademark, so that he has to the designation a certain right of a previous user of a non-registered designation. Such argument, however, would have to be proved in case of a dispute, either in objection proceedings in the publication of the trademark registration application, expungement proceedings or as a part of court proceedings.

4.2 Offer to conclude licence agreement and agreement on the right transfer

If the owner of a copyright or industrial right is interested in this right being used by third persons, it is possible for him to offer the infringer of his right to enter into a licence agreement. The offer to enter into a licence contract can naturally make also the infringer of the right. As for industrial rights, also an agreement on the transfer of the rights is possible.

Such solution is the most advantageous from the right owner's point of view if he is interested in the broader use of the subject of the protection, for instance if he himself does not produce or use the subject of protection at all or is not in a position to be able to cover the prospective market by himself.

The concluding of a licence agreement with the infringer can be in fact seen as optimal solution provided that such fees and other conditions of the licence are agreed which are generally advantageous for the right owner. The licence fees for industrial rights subjects range usually between 0.5 and 5 %, exceptionally 10 % of the net selling price of the goods or services. The consideration or the price for the licence depends on a number of factors, especially on whether the granted licence is exclusive or non-exclusive, i.e. whether the right owner will for instance produce the subject of a patent on his own or if he intends to sell the licence to other interested persons. Naturally, the price of the licence will depend on the value of the solution for the licensee, on whether the solution or the trademark is protected only within the country or also abroad and similar.

If the right owner is not interested in or does not have good conditions for the use of the subject of the protection, also the transfer of the right is an option. This is in fact the sale of the right, which means that its owner is changed. As concerns trademarks, it is possible to transfer the right or grant the licence only for some products or services for which the trademark was registered in the Industrial Property Office register. The price for the right transfer is usually much higher, for instance twice the amount, than that for a licence.

The author's proprietary rights are under section 26 of the Copyright Act non-transferable, unlike industrial rights. For copyright, section 12 of the Copyright Act makes it possible to give by means of a contract authorization to another person to execute the right. This right is granted by a licence agreement.

4.3 Industrial property rights pledging

Not only tangible assets and rights, but also legally protected subjects of industrial property (with the exception of designation of origin) can become the subject matter of legal relations, provided that their value can be expressed in money. The right of pledge serves to secure a debt in case that the debt is not paid in time. In that instant the debt

can be settled by the proceedings of the pledge without the consent or even against the will of the owner. It should be also appreciated that the right of pledge devolves to any other owner of the given subject.²¹

If the industrial rights owner wishes to pledge the right, he has to ask an expert²² to state the monetary value of the given industrial right. The evaluation of industrial rights subjects is conducted in compliance with Act No. 151/1997 Coll., on Property Valuation and Decree of the Ministry of Finance No. 279/1997 Coll., implementing certain provisions of the Act on Property Valuation. Industrial rights are usually evaluated by the income approach, on the basis of licence analogy, as a sum of discounted future net yearly incomes from the use of these subjects, for the maximum of five years for inventions, utility models and industrial designs and ten years for trademarks.²³

The pledge is realized on the basis of a pledge contract concluded between the pledgee and the pledgor. The pledge contract is entered in the register administrated by the Industrial Property Office.

5. Intellectual property rights enforcement in court proceedings

In case of unauthorized interference with intellectual property rights, the right owner is entitled to sue in order that he right infringement or endangerment and that the result of such infringement is removed; he can also claim reasonable compensation, even monetary. The right to the surrender of

²¹ For more details see for instance Kupka, P.: To pledge or not to pledge or the value of industrial property as a subject of the right to pledge, Industrial Property 5-6/2003, pages 109-116

²² Expert, expert institution or organization registered under the Act on Experts and Interpreters in the register of experts administered by regional courts in the jurisdiction of which the experts permanently lives; the central evidence is administered by the Ministry of Justice

²³ More details for instance in Čada, K., Knížek, M.: Industrial property and licence in market economy, Industrial Property Office, Prague 1997 and 2002

unjustified enrichment and to damages remains intact.

The right owner is further entitled to claim damages incurred as a result of the infringement of his right as well as reasonable compensation.

The right owner has towards anybody endangering or infringing his rights a right to information on the origin of the products or document accompanying the products or services; the decision on this right is within the competency of a court, which rejects the charge if there is a disproportion of the gravity of the endangerment or infringement.

The intellectual property right holder can demand that a court orders the person infringing or endangering his right to withdraw from the market and destroy products by the production, launching to the market or storing of which his right has been endangered or infringed, or destroy the material and instruments designed or used exclusively or mostly for the activities endangering or infringing the right. The court shall not order the destruction unless the products are the property of the person, against which the motion is directed, or when the right infringement or endangerment could be removed in a different manner and the destruction would be inadequate to the endangerment or infringement. The removal of the designation or faked trademark from the product prior to the launching of the product to the market is acceptable only exceptionally.

If the trademark has been registered in the name of an agent without the consent of the trademark owner (trademark registered in the name of an agent hereinafter), the owner has a right to prohibit the use of the trademark by the agent, unless the agent duly justifies his conduct.

If reproduction of the trademark published in a dictionary, encyclopaedia or similar work makes an impression that it is a generic name of goods or services; the trademark owner has a right to require the publisher to accompany the trademark in the next

publishing of the work at the latest by information that it is a registered trademark.

The author, his representative or collective administrator exercises the entitlements from copyrights pursuant to the provision of sections 40 and following of the Copyright Act.

The claimant claims the entitlements from industrial rights, i.e. in matters of patents, utility models, industrial designs, topographies of semiconductor products, trademarks, designations of origin and geographical indications in accordance with Act No. 221/2006 Coll., on Industrial Property Rights Enforcement.

Actions resulting from unfair competition are resolved in compliance with the provisions of Section 53 and following of the Commercial Code (No. 513/1991 Coll.), those relating to business name in compliance with the provision of Section 12 of the same act.

The right to damages and the surrender of unjustified enrichment resulting from copyright is resolved based on relevant legislation. Under the provision of Section 40, paragraph 4 of the Copyright Act, instead of actual lost profit, the author can claim compensation in the amount of remuneration, which would be customary for the obtaining of a licence for the work using at the time of the unauthorized use of such work.

The amount of unjustified enrichment on the part of the unauthorized person using the author's work without obtaining a proper licence is double the remuneration customary for the obtaining of such licence at the time of the unauthorized use of such work.

Claiming damages incurred by industrial rights infringements is based on the provisions of the above mentioned Act No. 221/2006 Coll. and Section 415 and following of the Civil Code, on damages, or on Section 757 of the Commercial Code if a contract is concerned and Section 451 and

following of the Commercial Code in case of unjustified enrichment.

5.1 Preliminary measures

Directive 2004/48/EC of the European Parliament and the Council on the enforcement of intellectual property rights imposes in its Article 9, on provisional measures and guaranteeing measures, to the member states that their courts could at a request issue a provisional court order to prohibit the impending infringement of intellectual property right of the claimer or the continuing of the alleged infringement of such rights, either as concerns the right infringement or an agent providing services to a third person. Within this process, it is then possible to order the confiscation or surrender of goods suspected of infringing of these rights, so that the entering of such goods into commercial channels and circulation is prevented, as well to order the emergency confiscation of both real estates and movable property of the alleged infringer of these rights, or also the freezing of the infringer's bank accounts or other property when the injured person proves the existence of such circumstances which could endanger the compensation of incurred damages.

The provision of this directive is in fact contained in Act No. 59/2005 Coll., amending Act No. 99/1963 Coll., the Code of Civil Procedure, as amended. Under this act, a court can issue a emergency ruling imposing on the infringer to abstain from the production, offering to sale, selling or otherwise disseminating goods infringing intellectual property rights of the claimant. Section 74 and following of the same act regulates implicitly the right of the claimant to demand the imposing of duties by provisional measures also towards persons other than the participant of the proceedings, provided this can be justified – for instance where such person possesses goods which is the property of the infringer and which infringes the claimant's rights. By provisional measures, the claimant can in particular claim that the court orders the obligor to refrain from using certain things or rights, or to perform, abstain from or suffer something. The court can order the agent to

refrain from further distribution of goods that he possesses in order to prevent further infringing of rights and avert the danger of the rights infringement.²⁴

Under the amended Code of Civil Procedure, the claimant has to pay the court at the latest on the date of the filing of the petition for emergency ruling security in the amount of CZK 50,000, or, in commercial matters, of CZK 100,000, to provide for damages or other injury which can be incurred in connection with the preliminary measures. Without meeting requirement the chairman of the senate rejects the preliminary measures petition. Finally and conclusively adjudicated damages or other injury are then satisfied from this security.

Besides petitions for emergency ruling aiming at enforcing intellectual property rights, especially registered trademarks, industrial designs, utility models and patents to inventions, also petitions for preliminary measures in relation to domain names have recently started to appear, where petitioners claim to issue an order to abstain from using the domain and transferring it to another person in particular.²⁵

In compliance with the Act, petitions for the preliminary measures are resolved without hearing of the participants. The resolution on preliminary measures is, with statutory exceptions, enforceable by its issuing. The statement of enforceable preliminary measures resolution is binding only for the participants of the proceedings and for those on whom a duty has been imposed by such ruling, in the absence of a different provision of the Act.

²⁴ Pomaizlová K.: Implementation of the Directive on the industrial property rights enforcement, in the Memoir from the Conference on industrial property rights enforcement in relation to fakes and imitations held on 5 May 2006 at the University of Public Administration and International Relations in Prague

²⁵ More details in Macek, J.: Current news from the decision practice of the High Court in Prague in the area of industrial rights and unfair competition, organized by the Association of Mediators and Arbitrators in intellectual property matters, Prague, May 2006

5.2 Directive No. 2004/48/EC on the Enforcement of Intellectual Property Rights

On 29 April 2004, the European Parliament and Council adopted Directive No. 2004/48/EC on the enforcement of intellectual property rights, induced by the necessity to eliminate the still existing differences in the instruments of intellectual property rights enforcement between the individual European Union member states. The directive binds the European Union member states to enforce laws and regulations necessary to comply with this directive before 29 April 2006 and advise the Commission accordingly. The adopting of this directive was motivated by endeavour to eliminate counterfeits, piracy and intellectual property rights infringement, which constitutes a serious risk for national economies and member states governments. The directive also aims at the intellectual property protection, which is not only important to support innovative and creative activities, but also contributes to employment and competitive strength increase in the individual European Union member states.

The intellectual property protection and intellectual property rights enforcement should enable the inventor or creator to gain rightful profit from his invention or creation. On the other hand, the directive creates conditions suitable for the widest possible dissemination of works, ideas and knowledge.

The Czech Republic fulfilled the obligation the above-mentioned EC Directive in part by the amendment of the Copyright Act and partly by the adopting of Act No. 221/2006 Coll., on Enforcement of Industrial Property Rights, and Act No. 229/2006 Coll., which amends Act No. 634/1992 Coll., on Consumer Protection.

As far as the amendment of the Copyright Act is concerned, the above stated principles of the EC Directive have been incorporated chiefly in the newly integrated provisions included in Part 5, on copyright protection, in Sections 40 to 45.

As for the amendment of the Consumer Protection Act, in Act No. 229/2006, the EC Directive principles have been implemented especially in Section 23, paragraphs 5 and 6, which include i.a. the duty of trade licensing and customs offices to supervise the observance of the provision of Section 8, on the prohibition of consumer deception. Under paragraph 2 of this provision, also the offer to sell or selling of goods or products infringing some of intellectual property rights as well as the storing of such goods or products to offer or sell them is considered as deceiving the consumer.

The provisions of the EC Directive in industrial rights area was implemented by Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights.

As the lastly stated act applies systematically the principles of the above-mentioned EC Directive implemented by both the Copyright Act and the Act on Consumer Protection, its text will be explained in more details.

5.2.1 Act on Enforcement of Industrial Protection Rights

Act No. 221/2006 Coll., on Enforcement of Industrial Property Rights of 25 April 2006, is based strictly on the principles included in Directive 2004/48/EC, on the enforcement of intellectual property rights. It was designed with the purpose to ensure high, equivalent and homogenous level of protection of all industrial property subjects without prejudice to the use of economic competition rules and the broadest possible applicability of the Act, in order that it includes all industrial property rights covered by national legislation.

This Act, which regulates legal instruments of industrial property rights enforcement, defines which persons are entitled to claim these rights, what information can an entitled person demand from an infringer or a third person, what corrective measures can the entitled person claim on authorized interfering with the rights as well the provisions on the rights of the entitled

person on the rights infringement. In its second and third part this Act includes the provisions on court jurisdiction in matters related to industrial property; in the fourth part, amendments in the individual regulations on industrial property are included.

5.2.1.1 Persons authorized to enforce industrial property rights

Under this Act, a right owner or holder is entitled to enforce rights on industrial rights infringement, as well as a person authorized to use such rights, in particular a licensee or rights protection professional organization duly acknowledged in the country of origin as an organization authorized to represent industrial rights owners or holders (“authorized person” hereinafter).

A licensee can enforce a right only with the consent of the right holder or owner; such consent is not required if the right holder or owner himself failed to commence proceedings related to the right infringement or endangerment within 1 month after the delivery of the licensee’s announcement of the right infringement or endangerment. The licensee can however exercise these rights only within the scope of the licence granted.

5.2.1.2 Right to information

The authorized person, i.e. the industrial right owner or holder or the licensee can demand information on the origin and distribution networks of the goods or services infringing a given industrial right of persons infringing such right or persons participating or having participated in any way in such right use. These information must include the name and surname or business name and the permanent address or the seat of the entity manufacturing, processing, storing, distributing, supplying or previously holding the goods or services which infringe the right, data on the manufactured, processed, supplied, stored, accepted or ordered quantity and the price of the given goods or services.

As stated in the explanatory report to this Act draft, this right to information should strengthen significantly the position of the

industrial right owner or holder, or of the licensee, in the fight against the rights infringement. Further, it allows for actions not only against the concrete detected infringer, but also to uncover the chain of entrepreneurs, such as both wholesome and retail customers according to the Directive No. 2004/48/EC on the Enforcement of Intellectual Property Rights, participating within their trade on the infringing of industrial rights. The information on the quantity and price of the goods or services then enable to determine a just damages and unjustified enrichment amount. The right to information can be exercised only in relation with proceedings resulting from a right infringement and cannot be applied in pre-trial proceedings.

If such person fails to volunteer the information on the origin and distribution networks of the goods or services infringing the right in a reasonable time period, the authorized person can claim the information by petition at a court in the proceedings resulting from the right infringement. However, the court shall reject such action would be disproportional in relation to the importance of the right infringement or endangering.

In Section 3, the Act on Enforcement of Industrial Rights provides exhaustive list of persons from which an authorized person can demand such information:

- a) which for the purpose of direct or indirect economic or commercial benefit possessed the goods infringing the right, or
- b) which for the purpose of direct or indirect economic or commercial benefit used the services infringing the right, or
- c) of which it has been ascertained that for the purpose of direct or indirect economic or commercial benefit it rendered services used in the course of activities infringing the right, or
- d) which has been designated by a person mentioned in paragraphs a), b) or c) as a person participating in manufacture, processing, storing or distribution of goods or rendering services.

The person obtaining the information has however responsibility for the abuse of the right to information, the duty of reticence towards third persons in relation to the content of the gained information as well as the duty to observe the regulations on information sources protection and personal data processing (Act No. 101/2000 Coll., on the Protection of Personal Data).

5.2.1.3 Remedial measures on industrial rights infringement

The Act on Enforcement of Industrial Property Rights applies Article 10 of Directive No. 2004/48/EC, on the Enforcement of Intellectual Property Rights, with the purpose of facilitating industrial property rights enforceability not only as concerns the infringing products as such, but also in relation to the materials and instruments which mostly were or are used for such products manufacture. It should be noted that the Czech legislation actually incorporated such measures previously, mainly when implementing the principles of the TRIPS agreement into our legal order. Nevertheless, the Act on Enforcement of Industrial Property Rights harmonizes this issue with the above stated directive, which will undoubtedly contribute to the consolidation of European countries practices.

On infringement of a right, the authorized person can seek a judicial decision that the infringer or the person using the means or services leading to the right infringement refrains from acts by which the right is infringed or endangered, and that the consequences of the endangering or infringement are removed, namely

- a) by recalling of the products by whose manufacturing, placing in the market or storing resulted in the right endangering of infringement,
- b) by permanent removal or destruction of products whose manufacturing, placing in the market or storing resulted in the right endangering of infringement,
- c) by recalling, permanent removal or destruction of materials, tools or equipment intended for or used exclusively or mostly in the course of

activities endangering or infringing the right.

The court however shall not order the destruction where the infringement of the right

can be removed in a different manner and the destruction would be inadequate to such infringement. Should the remedial measures aim at products, materials, tools or equipment not owned by the infringer of the Right, the court shall take into consideration the interests of the third parties, in particular consumers and persons acting *bona fide*. The removal of label or counterfeited trademark from the products before launching thereof may be permitted only in extraordinary cases stated for instance in Section 7 of Act No. 64/1986, on Czech Trade Inspection, or in Act No. 191/1999 Coll., on Border Measures, as amended.

Instead of the above-mentioned measures, the court can order the payment of a pecuniary compensation to the authorized person, namely where the infringer neither knew nor was able to know, where these measures would cause him an inadequate injury and the pecuniary compensation to an authorized person appears to be sufficient.

The court can grant the authorized person whose motion has been satisfied a right to make the judgment public at the costs of the infringer who was defeated in the litigation, and also, as the case may be, specify the extent, form and manner of such publication.

5.2.1.4 Determining of damages on industrial property right infringement

The authorized person is entitled to damages, the surrender of unjust enrichment acquired by the infringer as a result of the right endangering or infringement, and an appropriate compensation where an injury other than proprietary has been suffered. An appropriate compensation can consist also in a pecuniary fulfilment.

The provision of Section 5 of Act No. 221/2006 Coll., on enforcing rights, in itself does not contribute anything new from our point of view. The hitherto existing possibility

to determine damages incurred by infringing industrial property rights is however for the court or the expert determining the damages in an expert opinion difficult and easily contestable by the parties of the proceedings, which naturally results in the increasing of judicial costs as well as the proceedings duration. In view of this, the provision of the Act on the possibility to determine the damages in compliance with Directive 2000/48/EC in a flat amount seems to be very useful.

In accordance with Section 5 of the Act on right enforcement, the court can determine the damages incurred as a result of the endangering or infringement of the right by the infringer as well as the unjust enrichment and appropriate compensation in a flat sum amounting to at least double the license fee which would have been usual upon the acquisition to use the right at the time of its infringement.

This for instance means that when rights to a trademark have been infringed or endangered for the last for years and goods or services in the aggregate purchase price of CZK 1 million has been sold or rendered during this period, then, with the average license fee for the trademark in question being 2 % of the purchase price of the goods sold or services rendered, the damages, unjustified enrichment and appropriate compensation shall be determined in the amount of CZK 40 thousand.

If the course decides that in the course of his activities, the infringer neither knew nor was able to know that his acts constitute an infringement of the rights, the court shall determine the damages as a flat sum amounting to at least the license fee which would have been usual upon the acquisition of a license to use the right at the time of its infringement. In the above stated example of the infringement of rights to a trademark, the damages and pecuniary settlement of appropriate compensation would be CZK 20 thousand.

The above stated provisions on the manner of the determining of a flat sum for industrial

rights infringement are directive by nature, which means that it is within the court's discretion to determine the damages, the amount of unjustified enrichment and the appropriate compensation in a different manner. The court, if it considers it appropriate in a given case, will take into consideration all relevant circumstances, such as undesirable economic consequences including a profit loss suffered by the authorized person, the unjustified enrichment of the right infringer and possibly also to issues other than economic, such as a moral injury inflicted by the infringer on the authorized person. In a number of cases, however, the determining according to the Act on rights enforcement will be rational and suitable in the given circumstances.

5.2.1.5 Determining of the amount of damages by standard procedures

As concerns the evaluation of damages caused by infringing of rights to subjects of industrial property, there is a lack of experience in our country considering the hitherto relatively low frequency of disputable cases, or rather the judicature related to them²⁶. This is exactly why the provision of Act No. 221/2006 Coll. on the determining of flat amount of damages from industrial property rights infringement should be considered as really advantageous. Nevertheless, in reality, a situation can occur in the decision making process, where the amount of damages defined only on the basis of the amount of usual licence fees, which the infringer would have paid to the industrial rights owner for the licence granting appears as totally out of proportion. Because of this, following is a short survey of other possibilities how to calculate the amount of damages incurred by industrial rights infringement.

From the literature available it is however possible to learn, or deduce, that in disputes resulting from industrial rights infringing the right owners abroad claim especially these types of damages:

²⁶ See for instance Jakl, L.: Damages from the infringements of rights to subjects of industrial property, Industrial Property 1-2/1996, Prague

1.loss of profit caused by unauthorized selling of products or providing services covered by industrial law protection,

2.loss of profit caused by promotional activities directed at future sales of the products or services which forced the industrial rights owner to reduce the price or production,

3.loss of profit caused by the forced reduction of products or services in relation with placing in the market rival products or services infringing the owner's industrial rights,

4.loss of profit caused by the reduction in the sales of spare parts for products or applications, such as services rendering programs to which the given industrial right is related,

5.loss of profit caused by the reduction in the sales of products or rendering of services which are not a subject of industrial right, which were however sold or rendered by their owner in connection with the sales of products or rendering of services which are or were the subject of the owner's industrial rights,

6.loss of profit from sales of protected products or rendering protected services, which could be conducted still in the period after the expiry of the given industrial rights,

7.loss of fees, which the industrial rights owner could have gained from their transfer or from the granting of a licence to other entrepreneurs.

This list of types of damages related to industrial rights infringements is not exhaustive; on the other hand, they will not always come to consideration.

The assessment of the issue of the amount of the reduction of profit or of the loss from the industrial rights infringement will have to be based always on the particular situation and actual possibilities of the protective

rights owner, especially when concerns the assessment of the estimated production and profit. In reality, it will be rather difficult to assess, whether the industrial right owner would be able to increase his production of the products or services in question, and if so, of what amount. The industrial right owner usually evidences that without his rights infringements, he would be able to increase the production at least in the scope of the infringer's production. The courts in their decision making often resort to the assumption that the loss of profit caused by the unauthorized sales of products or rendering of services, to which the given industrial right relates is 50 % of the profit realized by the infringer. However, this percentage will undoubtedly depend on the contribution of the subject of protection, such as an invention, on the sales of products or rendering of services.

The loss of profit caused by promotional activities of the infringer related to the future sales of the products or services in question and forced reduction of sales and price of these products and services placed in the market by the owner of industrial rights will be, in general, difficult to establish, mainly because the causality between the facts will be not entirely clear. In this case, also, it will be necessary to conduct expert assessment of the profit loss based on the comparison of changes, which occurred in the given period at the right owner and the infringer. However, from the rights owner, it is desirable to determine the loss.

Loss of profit caused by the reduction in the sales of spare parts for products or applications, such as services rendering programs, to which the given industrial right is related, will be comparatively easy to calculate, or estimated, from the infringer's production. Similarly to the determination of profit losses caused by unauthorized sales or products or rendering of services, it could in practice be based on approx. 50 % of profit realized by the infringer. Also the assessing of profit loss caused by the reduction of the sales of products or rendering of services which are not a subject of industrial right, which were however sold or rendered by their owner in

connection with the sales of products or rendering of services which are or were the subject of the owner's industrial rights, could be assessed in a similar way.

The determining of the loss of profit from sales of protected products or rendering protected services which could be conducted still in the period after the expiry of the given industrial rights could be based on those products or services manufactured or prepared for selling still in the duration of the legal protection validity.

As concerns losses incurred by the owner of legal protection caused by the fact that he failed to gain fees from licences of from the transfer or the rights to other persons, or more precisely, to entrepreneurs, the assessment will have to be based on the real possibility of such fees. On establishing that the industrial rights infringement frustrated the concluding of a licence or transfer fee, the percentage of loss would be taken into consideration according to the percentage of probability of their acknowledgement. As for the loss as such, it would be based on the current percentage of the percentage margin of licence fees or from the payment for the transfer of the industrial right in question. As for licences, it is usually 2 to 10 % of the purchase price of the licensee's production for inventions and utility models, mostly for the period of up to 10 years. For industrial designs and trademarks, this percentage is considered to be within the range from 0.5 to 5 % of purchase price of the licensee's production. These percentages are lower for large-scale productions and in cases of lower share of the subject of protection in the product or service, or rather in the profit gained by the sale of such products or services. The percentages are also often lower after five year period of using of the subject of protection.

On industrial rights transfer, the assessment is based on the amount of fees, which the industrial rights owner would have gained, by the use of his rights in his business activities and from licence fees, which he would probably collect within the period of the rights validity. Similarly to licences, the

territorial scope of the protection would be considered.

It can be derived from the above stated facts that the damages or losses caused by the infringer to the industrial rights owner can often be far greater than the profit gained by the infringer due to industrial rights violation. This is also why the court decision can reflect this fact.

5.2.1.6 Establishing of courts jurisdiction in disputes related to intellectual property

Act No. 221/2006 Coll., on the Enforcement of Industrial Property Rights, regulates also the issue of the courts jurisdiction in the area of disputes related to industrial property rights.

In industrial property matters, the Municipal Court in Prague is competent both locally and matter-of-factly as the court of first instance. Therefore, it decides also in claims resulting from industrial property, claims from industrial property rights infringements or endangerments and in claims for the surrender of unjustified enrichment gained to the detriment of the person entitled from industrial rights.

In compliance with Article 92 of the Council Regulation (EC) No. 40/1994 of 20 August 1993, on the Community Trademark, and the Council Regulation (EC) No. 6/2002 of 12 December 2001, on Community Designs, the Municipal Court in Prague decides in the Czech Republic as the court of first instance for Community trademarks and industrial designs.

The Municipal Court in Prague also re-examines the final and conclusive decisions of the Industrial Property Office under specific legal regulations⁶⁾. It acts and decides in specialized senates consisting of a chairman and two judges.

⁶⁾ Act No. 150/2002 Coll., Code of Administration Justice, as amended

6. Sanctions for intellectual property rights infringing

Under the provision of Section 24 of Act 634/1992 Coll., on the Protection of the Consumer, customs authorities as well as authorities of Czech Commercial Inspection, Czech Agricultural and Food Inspection and municipal trade licensing offices can on detecting of the selling or storing of goods or products infringing some to the intellectual property rights according to the provision of Section 8, paragraph 2 of this Act impose a fine in the amount of up to CZK 50 million (prior to the amendment it was CZK 1 million).

These authorities can impose a fixed penalty for and administrative delict in the amount of up to CZK 5,000, on condition that the breach of duties was positively established and the person breaching the duties agrees to pay the fine.

The authority, which started the proceedings, imposes the fine; the authorities advise one another on the commencement of the proceedings.

The revenue from fines is an income of the budget of the Czech Republic; fines imposed by municipal trade licensing authorities are nevertheless the income of the relevant municipality. The fine can be imposed within three days from the day when the duty was breached. The responsibility to pay damages is not prejudiced. The exacting of fines, which are the income of state budget, is in the charge of customs offices, the exacting of fines, which are the income of a municipality budget in the charge of the trade licensing authority, which imposed them.

According to the provisions of Sections 150 to 152 of Act No. 140/1961, Criminal Code, as amended, the intellectual property right owner can also enforce his rights in the form of penalties for the crimes of the infringing of trademark rights, industrial rights, copyright, rights related to copyright and rights to databases through investigative, prosecuting and adjudicating bodies.

Any person who imports, exports or places into circulation products or services designated without authorization by a trademark to which the exclusive rights are owned by another person, or by denomination easily mistakable with such trademark, shall be punished under Section 150 of the Criminal Code by imprisonment for up to two years, a fine or the confiscation of the thing. A person who in order to attain commercial success uses without authorization a business name or any other designation mistakable with such business name, places in circulation products designated without authorization by designation of origin, to which the exclusive rights are owned by another person, will be under the same provision punished by imprisonment for up to two years, a fine or the confiscation of property.

A person who infringes rights to a protected invention, industrial design, utility model or topography of semiconductor product shall be under Section 151 of the Criminal Code punished by imprisonment for up to two years or a fine.

A person who infringes rights to legally protected rights to an author's work, artistic performance, audio or audio-video record, radio or television broadcast or rights to a database shall be punished under Section 152 of the Criminal Code by imprisonment for up to two years, a fine or the confiscation of property.

Under the same provision, by imprisonment for 6 month to 5 years, a fine or by the confiscation of such person will be punished who gains by the above stated act considerable unlawful profit from property or perpetrates such crime in a considerable extent.

A person conducting activities violating the regulations governing economic competition or the customs of economic competition customs, if injures the goodwill or endangers the operation or development of the competitor's company, shall be punished under Section 149 of the Criminal Code by imprisonment for up to one year, by a fine or by the confiscation of property.

7. Competencies of customs offices in intellectual property rights enforcement

The entitlements of the industrial rights owners, especially of the rights to trademarks, or rather, the enforceability of such rights, was enforced significantly in the Czech Republic when Act No. 191/1999 Coll., on Measures Relating to Import, Export and Re-Export of Goods Violating some Intellectual Property Measures and on the Amendment of Certain Acts (the “Act on Border Measures” hereinafter).

Issuing this Act, the Czech Republic also meets its obligations arising from the European Treaty of Accession between the Czech Republic and the European Communities and their member states, signed in Luxembourg on 14 October 1993 (published under No. 7/1995 Coll.) and in the Trade Related Aspects of Intellectual Property Rights (TRIPS), signed in Marrakesh on 15 April 1994 (published under No. 191/1995 Coll.). The draft was based on Council Regulation (EC) No. 3295/94, the draft of Council Regulation amending Council Regulation (EC/98/0018 (ACC)) No. 3295/94 of 28 January 1998, No. COM (1998) 25 final, 98/0018 (ACC) and implementary Commission Regulation (EC) No. 1367/95.

The procedures of customs offices in the monitoring of intellectual property rights observance were defined in Sections 23b and 23c of Act 229/206 Coll., amending Act No. 634/1992 Coll., on Consumer Protection²⁷; this act reinforced considerably the competencies of customs offices. On the other hand, such competencies have been restricted only to goods under customs supervision.

Act No. 191/1999 Coll., on Border Measures, stipulates conditions for customs offices to take measures on substantiated suspicion that the goods is counterfeit or pirated goods which is destined for free

²⁷ On the basis of the Council Regulation (EC) No. 1383/2003 and Commission Regulation (EC) No. 1891/2004 Coll.

circulation or import regime, for which a re-export application has been submitted or which were detected in the course of conducting customs supervision or customs inspection.

It also defines authorities of customs offices to order the destroying or other disposing of goods adjudicated as counterfeit or pirated goods as well as to deal with minor and administrative offences perpetrated in relation to the violation of this Act²⁸.

In compliance with the principles of EC Regulation, the competencies of customs offices has been enlarged also by amendment to Act No. 229/2006 Coll., on Consumer Protection, when into its original Section 23 a part on customs offices has been implemented in Sections 23b and 23c. This legal regulation i. a. defines the obligation of customs offices to carry out supervision over the observance of Section 8, on consumer deception. Under paragraph 2 of this provision, also offering or selling products or goods infringing some of intellectual property rights, as well as storing such products or goods with the intention to offer or sell them is considered consumer deception.

7.1 Intellectual rights enforcement by customs offices

The entitlements of intellectual property rights holders, especially of copyright and industrial rights, were enhanced in the Czech Republic by the issuing of Act No. 191/1999 Coll., on measures concerning import, export and re-export of goods infringing certain intellectual property rights and on amendments of certain other acts (Act on Border Measures hereinafter)²⁹.

By the issuing and several amendments to this Act, the Czech Republic also meets the obligations arising from the Treaty of Accession between the Czech Republic and

²⁸ For more details see Jakl. L.: Industrial property rights enforcement, in the Memoir from the Conference on industrial property rights enforcement in relation to fakes and imitations held on 5 May 2006 at the University of Public Administration and International Relations in Prague

²⁹ Lastly amended by Act No. 255/2004 Coll.

the European Communities and their member states.

The Act on Border Measures defines conditions for customs offices actions against persons owning, holding or selling goods whose manufacture or modification infringes intellectual property rights in the customs territory of the European Communities (only Communities hereinafter) according to the directly binding Community regulation.³⁰

Act No. 229/2006 Coll., amending Act No. 634/1992 Coll., on Consumer Protection, gives in Section 23 paragraph 6 customs offices authorities in the supervision over obligations related to the prohibition of consumer deception by offering or selling of goods or products infringing some of intellectual property rights or by storing of such goods or products with the intention to offer or sell them.

Storing of goods or products means keeping of such goods or products in storage facilities, means of transportation, offices or other non-residential areas and in sales outlets including stalls selling. A product is any thing that has been manufactured, extracted, or otherwise acquired, regardless of the degree of processing or manufacture, which is intended to be offered to consumers.

The Act on Border Measures stipulates conditions under which customs offices are authorized to:

- a) seize goods if there is justified suspicion that by the manufacture or modification of such goods some intellectual property rights have been infringed
- b) provide for the goods destruction,

³⁰ The Council Regulation (EC) No. 3295/94 Coll., laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure and the Council Regulation (EC) No. 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights

- c) eliminate from trade or other disposing with of goods adjudicated as goods by whose manufacture or modification some intellectual property rights has been infringed, or
- d) deal with minor offences and administration delicts on this Act violation.

For the purposes of this act,

- a) customs offices actions are acts carried out by customs offices in accordance with this Act,
- b) humanitarian purposes – activities performed with the aim to provide basic needs for people in difficult circumstances or in emergency, where the using of emergency material resources is justified.

7.1.1 Counterfeit and other goods infringing intellectual property rights

Council Regulation (EC) 1383/2003 defines in its Article 2, paragraph 1, goods infringing intellectual property rights. These are mainly counterfeit or pirated goods and other goods infringing intellectual property rights.

For the purposes of this regulation, counterfeit goods means goods, including packaging, bearing without consent of the holder of such trademark a mark identical to or mistakable with a national or Community trademark³¹ registered in respect of the same type of goods, which thus infringes the trademark-holder's rights. Such goods include also items bearing any identical or similar trademark symbols, such as logos, labels, stickers, brochures, instructions for use or guarantee documents.

Counterfeit goods also include packaging bearing a mark identical to or mistakable with a trademark, even if such packaging does not contain any goods. Also any mould or matrix designed or adapted specifically for the manufacture of the counterfeit

³¹ CTM – Community Trademark

trademark or goods infringing intellectual property rights is considered as counterfeit goods, as well as a computer model of a trademark.

Pirated goods means especially goods which are or contain copies of goods protected by copyright or related right or industrial design registered under national legislation or under Council Regulation (EC) No 6/2001 on Community Design³². The making of such copies without the consent of the holder or a person authorized by the holder of those rights in the country of the manufacture of the goods constitutes an infringement of those rights under the national legislation of the country in which the application for customs actions has been made.

Other goods infringing intellectual property rights include also goods which under the legislation of the Member State in which the application for customs action has is made infringes rights from a granted patent, supplementary protection certificate for medicinal products and for plant protection products³³, registered rights to new plant varieties³⁴ and registered rights to geographical indications and designations of origin.³⁵

Also moulds or matrixes designed or adapted especially for manufacture of goods infringing intellectual property rights are considered as goods infringing intellectual property rights, if the use of such moulds or matrixes infringes or could infringe the holder of such rights.

7.1.2 Goods to which the Act on Border Measures does not apply

Act No. 191/1999 Coll., on Border Measures, refers in its Section 1, paragraph 1, to the Council Regulation (EC) No 1383/2003, concerning customs action against goods suspected of infringing

certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

According to Article 3 of this Council Regulation (EC) No. 1383/2003, these measures do not apply to goods bearing a trademark, designation of origin or geographical designation or goods protected by a patent or a supplementary protection certificate, by a copyright or related right or by a design right or a plant variety right, which have been manufactured with the consent of the right holder but are placed in one of the situations as stated in this regulation.

Under Article 3, paragraph 2 of the same Council Regulation (EC), customs office actions do not apply to goods in travellers' personal baggage within the limits of the duty-free allowance and where there is no indication that the goods will be a part of commercial traffic.

7.1.3 Application for customs action preventing the infringement of rights

An application for border measures, which has to be submitted on a prescribed form in written, can concern goods which are designed for release for free circulation or export regime or is in the process or re-export subject to an application, or is placed under a suspensive procedure or in a free zone or free warehouse.

A person authorized to submit such application is an owner or co-owner of a patent, an owner of authors certificate, an owner of copyright, related right or another right protected by copyright, or an owner of registered industrial design right or utility model right, a representative or other authorized person. An authorized person who believes that there are such goods within the territorial jurisdiction of the relevant customs authority, which is counterfeit goods, or pirated goods can apply in written that customs action preventing the right infringement is taken. Such request is submitted by the right owner to the Customs Directorate in Hradec

³² RCD – Recorded Community Design

³³ Act No. 527/1990 Coll., on Inventions and Rationalization Proposals, as amended

³⁴ Act No. 408/2000 Coll., on the Protection of Rights to Plant Varieties

³⁵ Act No. 452/2001 Coll., on the Protection of Appellations of Origin and Geographical Designations

Králové, which decides on the accepting or refusing of the request.

The request for action must contain all the information defined in Article 5 of the Council Regulation (EC) 1383/2003, i. e. information enabling customs authorities to identify the goods in question.

This means in particular an accurate and detailed technical description of the goods which enabling the goods in question to be identified, as well as other facts substantiating the suspicion that the goods infringes the given right.

Also the name and address of the contact person appointed by the right holder must be stated in the application.

Under Article 6 of the Council Regulation (EC) 1383/2003, applications for action have to be accompanied by declaration of the right holder accepting liability for possible damages in the event that the goods in question are subsequently found as unjustified and by a document evidencing the ownership of the enforced right. The evidence of ownership or co-ownership of industrial property rights is usually in the form of a document on the right registration in a relevant registry of the Industrial Property Office.

The right owner should preferably supply also further information, such as the value of the goods in question, place where the goods is to be found or to which are intended, data on the goods or the goods packaging identification, data on the goods arrival or entry, means of transportation, information of the goods importer, exporter or holder, information on the country of origin of the goods, ways of the goods transport and other technical details which can enable to discern between the original and pirated goods.

If necessary, customs authorities can request from the applicant other information and documents enabling them to assess whether the request for the action is justified.

The submitting of an application for customs authority action could be in compliance with Section 3, paragraph 3 of Act No. 225/2004 connected with the reimbursement of costs by the applicant in the event that the initiated proceedings are discontinued owing to an act or omission of the right holder or if it is subsequently found that the relevant goods are not goods whose manufacture infringes intellectual property rights or if the action for determination fails to prove that the goods infringes the given intellectual property right.

7.1.4 Discovery of pirated goods by customs supervision

In the course of its statutory supervisory and inspection activities, a customs office can come to a conclusion that although the request for action has not yet been filed, the goods in question are counterfeit or pirated goods of an object protected by legislation on industrial and other intellectual property protection. In that event, the customs office notifies promptly the right holder, if known to the authority, in writing or by electronics means, of the established potential infringement of his right so that he can submit an application for customs authority action and provide him with information on the actual or expected amount of the goods and their nature. Similar procedure applies in a case where goods are submitted to the customs office by another authority under specific regulation.

The customs office can detain goods suspected of infringing intellectual property rights regardless of third-party rights. A decision on such detention of goods is delivered to the person holding the detained goods with instruction on the possibility to lodge an appeal against such decision within stipulated period.

The customs office can leave such detained goods with the person holding the goods and order that this person must not use alienate or otherwise dispose with the goods. A person, to whom the decision on the detention has been delivered, is obliged to submit these goods to the customs office. If the detained goods are not submitted to the customs office on its request, they may

be withdrawn from the person, who currently holds the goods. An official protocol shall be drawn up of submitting or withdrawal of goods and this protocol shall be signed by two customs officers and the person, who submitted the goods or from whom the goods were withdrawn, including the specification of the number and description of the goods. The customs office delivers to the person, who submitted the goods or from whom the goods were withdrawn, a counterpart of the official protocol.

If a sanction of forfeiture or a protective measure of confiscation of the detained goods cannot be imposed within the proceedings on minor offence or the proceedings on an administrative delict, or if a decision cannot be made on their destruction, the goods is then returned to the person, from whom they were detained. If another person exercises a right to the detained goods and the customs office has doubts as to whether this person or the person, from whom the goods were detained, is the owner of the goods, it proposes to these persons that they enforce their claims with the courts within a deadline stipulated by the customs office for this purpose.

The state is not liable for damage incurred:

- a) by the right-holder by the fact that the customs office has not detected goods, whose manufacture or modification infringed intellectual property rights, or that these goods have been released or that a measure has not been taken for the purpose of detention of these goods, unless this damage is subject to liability of the state under a specific regulation,
- b) by persons, who are affected by the action of the customs office, if a loss or damage has been incurred during control performed by the customs office within customs proceedings and prior to submission or after receipt of an application, unless this damage has been caused by an illegal decision or incorrect administrative procedure of the customs authority.

The civil liability of the right-holder is governed by the Civil Code.

7.1.5 Decision of a custom office on the request for an action

If the Customs Directorate in Hradec Králové decides on the approval of an customs authority action request, it promptly notifies the customs office that is to perform the action and send this decision to the right-holder.

The customs office, to which the Customs Directorate in Hradec Králové has delivered a decision on approval of an application and that has detained goods sends to the right holder, on his request in writing or by electronic means a notice including the name or names, as appropriate surname and permanent address, or the name or commercial name and registered office name or names of an individual who operates a business, and permanent address of the declarant, owner or holder of the goods, and, if known to it, also the name, surname and permanent address or the name or commercial name and registered office of the consignee and the consignor, as well as information on the origin and provenance of the goods, whose manufacture or modification infringed intellectual property rights, so that he can protect his right.

The customs office can submit or send the taken samples to the right holder on his explicit request only for the purposes of analysis and facilitation of further proceedings.

The right-holder is obliged to notify the customs office in writing or by electronic means without undue delay of the commencement of proceedings on determination whether the goods involved are goods whose manufacture or modification infringed intellectual property rights. In relation to this, the Act refers to Article 10 and following Article 13 of the Council Regulation (EC) No 1383/2003, which stipulate that if the customs office fails to obtain from the right holder within 10 working days a notification that the action to determine has been filed at a court, the

goods will be released or the detention discontinued.

If the goods holder applies for the releasing of the goods into free circulation and the proceedings to determine whether a right was infringed were initiated, or if a period for the issuing of a preliminary ruling lapsed while all customs formalities were met, and if the customs office approves such application, it also sets a duty to the goods owner or their declarant, importer, holder or recipient to pay security in an amount sufficient to protect the interests of the industrial right owner. The security can be paid in cash to into the account of the customs office or be replaced by a bank guarantee. The submission of a cheque, whose payment is guaranteed by a bank, is considered as paying of cash into the account of the customs office.

7.1.6 Disposing with goods infringing intellectual property rights

If goods, whose manufacture or modification infringed intellectual property rights of the holder, have been detained, the customs office makes a decision, on request of the owner, of destruction of the goods and provide for the destruction under the supervision of three customs officers. An official protocol about the destruction is prepared signed by all three customs officers, which also includes specification of the amount and description of the goods. Prior to the destruction, samples are taken, which the customs office keeps for possible court proceedings.

7.1.6.1 Destruction of goods

The detained goods can be destroyed in two cases:

1. The customs offices carries out the destruction of the goods, if the right holder notifies the customs office in writing or by electronic means within ten working days, or three working days in the case of perishable goods, of receipt of the notification of detention of the goods, that the goods concerned are goods, whose manufacture or modification infringed intellectual property rights, and provide the customs office with an agreement, made in writing or by

electronic means, of the declarant, the owner or the holder of the goods with destruction of the goods, or provides such information directly to customs office by the owner or the holder of the goods. This agreement is then presumed to be accepted when the declarant, the owner or the holder of the goods has not specifically raised objections against destruction within the prescribed period. This period may be extended by a further ten working days where circumstances warrant it. The destruction is carried out at the expense of the declarant, owner or holder of the goods.

2. If the court makes a final decision that the goods concerned are goods, whose manufacture or modification infringed intellectual property rights, or where concerns goods whose manufacture or modification infringed intellectual property rights which have been abandoned in favour of the state and that have not been destroyed by the declarant, the owner or the holder himself, and if a decision has not been made on forfeiture or confiscation of these goods, the customs office provides for the destruction of these goods at the expense of the declarant, the owner or the holder of the goods. If the owner or the holder of the goods, whose manufacture or modification infringed intellectual property rights, is not known to the customs office or if his identity is not determined, the customs office shall provide for their destruction at the expense of the right-holder.

If the court makes a final decision that, prior to further management of counterfeit goods it will suffice to remove trademarks from these goods, the customs office shall provide for their removal and destruction at the expense of the declarant, the owner or the holder of the goods. If forfeiture or confiscation of the counterfeit goods was imposed in the given case, the customs office provides for removal of the trademarks.

At the expense of the person, who has committed a minor offence or administrative delict, the customs office provides

a) with the consent of the right holder made in writing or by electronic means, for removal of the trademarks from the forfeited or confiscated counterfeit goods according to the court decision, so that they can be managed in a manner other than their sale,

b) with the consent of the right-holder made in writing or by electronic means for other modifications to the forfeited or confiscated counterfeit goods, unless this changes the nature of the goods, so that they can be managed in a manner other than their sale, or

c) for the destruction of the forfeited or confiscated counterfeit goods, whose manufacture or modification infringed intellectual property rights, of the trademarks removed pursuant to letter a), and of waste and remainders produced in other modifications pursuant to letter b).

If the person who committed a minor offence or and administrative delict is not known or if this person could not be punished, the customs office shall provide for destruction of the goods whose manufacture or modification infringed intellectual property rights and which were confiscated within the proceedings on a minor offence or within the proceedings on an administrative delict, at the expense of the right-holder.

7.1.6.2 Use of goods for humanitarian purposes

A customs directorate, according to information provided by a customs office, on the basis of a final decision on forfeiture or confiscation of counterfeit goods, and provided that the right holder grants his consent to the use of counterfeit goods modified for humanitarian purposes in writing or by electronic means, the customs directorate decides which validly forfeited or confiscated counterfeit goods are suitable for securing humanitarian needs and which of these goods could be transferred free-of-charge for humanitarian purposes to a beneficiary specified by this Act and specific regulations. Counterfeit goods that are clearly detrimental to health can not be transferred free-of-charge for humanitarian purposes. Counterfeit goods shall be

transferred free-of-charge according to the purpose and use or according to the urgency of needs, with respect to the order of received requests.

Beneficiaries can include:

a) organizational units and contributory organizations of the state or territorial self-governing units, established for the purpose of providing social care or active in the area of health care or education; or

b) other legal persons, provided that they meet the following requirements:

1. they were not established for the purpose of operating a business;

2. the object of their activities includes only activities in areas specified in letter a);

3. they have been providing humanitarian aid for a period of at least 2 years; and

4. they prove by means of a certificate of the competent authority that is not older than 3 months that they have no outstanding taxes, premiums for social security and contribution to the state employment policy, including penalties, or payable outstanding premiums for public health insurance, including penalties. For the purposes of this Act, payable outstanding premiums for social security and contribution to the state employment policy includes outstanding premiums including penalties, for which payment in instalments has been permitted pursuant to specific regulation.

The beneficiary is obliged to:

a) adopt measures to prevent misuse of counterfeit goods and their repeated introduction to the market,

b) under the conditions stipulated by the customs directorate and at its own expense provide for removal of trademarks or other modifications and destruction of the removed trademarks, waste and remainders after these modifications,

- c) provide for marking of all modified counterfeit goods with the sign "humanitarian" made by an irremovable paint in such a manner that the sign is not clearly visible thus avoiding the diminishing of the dignity of the persons using these counterfeit goods,
- d) keep records of and store documents on acceptance of counterfeit goods and of the manner of management thereof, for a period of 3 years from the instant of the transfer free-of-charge; this in no way prejudices the provisions of special regulations providing for keeping records and storing the set documents.

The General Directorate of Customs concludes a written agreement with the beneficiary on the transfer of counterfeit goods free-of-charge for humanitarian purposes, which must always include, in addition to the usual essential elements, specification of the type and amount of counterfeit goods transferred free-of-charge, the conditions set by the customs directorate pursuant to paragraph 8 (b) above, as well as a clause on a contractual fine in case of breach of the obligation to transfer the counterfeit goods free-of-charge exclusively for humanitarian purposes, and the specific purpose, for which the beneficiary will use the counterfeit goods.

The customs office is authorized to control at the beneficiary the fulfilment of the obligations, to which the beneficiary undertook in writing in the agreement. It notifies the customs directorate of the results of such control.

7.1.7 Minor offences, administration delicts, sanctions

Besides already stated sanctions, starting with the form of the discontinuing of a customs procedure on goods on the border up to the goods destruction, there are sanctions for minor offences perpetrated by an individual on the border and administration delicts perpetrated by a legal entity or an individual which is an entrepreneur.

An individual commits an offence or administrative delict by submitting a customs declaration for releasing goods, whose manufacture or modification infringed intellectual property rights, to free circulation or to an export procedure or to one of the procedures with conditional exemption from customs duties, or violating customs regulations and thus ensuring the releasing of goods, whose manufacture or modification infringed intellectual property rights, to free circulation or their placement in a free customs zone or free customs warehouse. Also a person, who submitted and application for the releasing of the goods whose manufacture or modification infringed intellectual property rights into re-export procedure or their placement in a free customs zone or free customs warehouse, as well as a person, who imported or exported counterfeit or pirated goods committed a minor offence or an administrative delict. Further, a person owning, holding, storing or selling in the territory of the Czech Republic counterfeit and pirated goods or a person violating conditions for the disposing with detained goods under this Act on Border Measures commits a minor offence or an administrative delict. As concerns administrative delicts, they could consist also in the failing to comply with the conditions for the disposing with goods provided free-of-charge for humanitarian purposes.

For a minor offence or an administration delict, the customs office can impose a fine or a forfeiture of goods, or both. Besides a fine, a forfeiture or confiscation of goods can be imposed separately.

A fine of up to CZK 20 mill can be imposed for a minor offence or an administrative delict, according to their type, gravity, period or duration and the consequences of the unlawful conduct (for more details see Section 16 and 24 of the Act). A fine is payable within 30 days of the day when the decision imposing the fine becomes final and conclusive. The fines are collected and enforced by the customs office, which has imposed them. The fines constitute revenue of the state budget.

In addition to fines, a sanction in the form of the goods forfeiture or confiscation can be imposed. The ownership of the forfeited or confiscated goods passes to the state.

A minor offence or an administration delict is treated by the customs office, in which territorial jurisdiction the individual permanently lives, or the legal entity has its registered address. If the person does not live or the legal entity fails to have its registered office in the Czech Republic, the administration delict is treated by the court in whose territorial jurisdiction the delict has been detected.

The administration delict is treated by the court in whose territorial jurisdiction the delict has been detected even though it was perpetrated in a different jurisdiction.

7.1.8 Proceedings before customs bodies

In the absence of a provision to the contrary in Act 191/1999 Coll., as amended (Act No. 255/2004 Coll.), the proceedings before customs bodies are regulated by Act No. 500/2004 Coll., Administrative Procedure Code. The decisions of customs offices must contain, apart from explicit ruling and substantiation of such ruling, also instruction on appeal against such decision.

Under the Code of Administrative Procedure, there is a possibility to file an appeal against the imposing of a sanction for a minor offence or administrative delict. An appeal against a decision on the imposing of a sanction for a minor offence or administrative delict has suspensive effect.

Nevertheless, the appeal against the decision of customs offices has no suspensive effect if the customs body does not permit it from substantive reasons, if justified interests of an authorized person concerned in the decision require so, and if it would embarrass the enforcing of fines or if a general interest prevents it.

According to Section 54 of the Code of Administrative Procedure, an appeal has to be filed within 15 days of the announcement of the decision at the body, which issued the

challenged decision. The first superior body of higher level decides of the appeal.

The appeal body is obliged to state in the ruling rejecting the appeal against the challenged decision the possibility of a court action on the reassessment of such decision on appeal, stating the period in which such action can be filed.

The authorities of customs offices in the enforcement of intellectual property rights were further enhanced by Act No. 229/2006 Coll., amending Act No. 634/1992, on Consumer Protection.

Under Section 23b of this Act, the customs offices are authorized to perform checks of both legal entities and individuals who manufacture, store, distribute, import, export, purchase or supply products and goods to the national market or carry out any similar activity on the national market; in doing so, the customs authorities act either in concert with the Czech Commercial Inspection or independently, providing there is justified suspicion that products or goods violate certain intellectual property rights.

Performing their checks, customs offices are under this provision authorized to enter retail outlets or storage facilities of which they hold a justified suspicion that they offer, store or sell product or goods infringing certain intellectual property rights. The government is liable for any damage caused at that and cannot be exempted from such liability.

Performing their checks, customs offices are under this provision authorized to enter the premises of a manufacturer, importer or distributor and require the presenting of relevant documentation and the provision of truthful information. Manufacturers, importers or exporters can be instructed by a customs officer to obtain and submit professional opinions by a professionally qualified person on the subject of supervision, or, a customs officer may request presence, for consideration, of a professionally qualified person during the check. Customs offices are also authorized to require all necessary documents,

information and oral or written explanations from the checked persons.

Performing their checks, customs offices are under this provision authorized to seize from the checked persons for compensation, required samples of products or goods for assessing whether or not a respective product or good is violating certain intellectual property rights with respect of consumer deception. Checked persons receive compensation for any seized samples of products or goods, in the amount of the price for which the product or good is offered at the time of the sample seizure. No compensation will however be furnished if waived by the checked person. No title to compensation will arise if a final and conclusive decision is taken on the product or good concerned that it is goods infringing certain intellectual property rights.

Performing their tasks arising from this Act, customs officers identify themselves with an authorisation issued by the customs authority and with a custom officer's service ID card. They are obliged to maintain confidential any facts constituting a business secret that have come to their attention in performing their supervisory tasks or duties relating to such secret, except for disclosure of information required for the purposes of and relating to criminal proceedings.

The customs authority is authorised to invite persons professionally qualified under specific legal regulations to a check, where justified by the nature of the supervisory activity. Such persons shall have rights and obligations identical to those of the customs officers, in the extent of authorisation issued for them by the customs authority. Professionally qualified persons cannot be authorised to impose measures or penalties under this or other acts:

A customs officer, on established instance of offer, sale, storage, distribution, or export or import of products or goods, or supply of products and goods to the national market, or carrying out of any similar activity on the national market, referred impose seizure of such products or goods. On such measure to seize products or goods, the customs

officer informs orally the checked person or person present at the check and makes an official record without undue delay stating out a reason of the seizure, description of the seized products or goods and their quantities. The customs officer hands over a copy of the official record to the checked person.

The customs office is authorised to deposit seized products or goods out of the checked person's reach. The checked person is obliged to surrender the seized products or goods to the customs officer. If the checked person refuses such surrender, the products or goods are dispossessed from the checked person. The customs officer prepares an official record of the seizure or dispossession. Costs of dispossession, transport and storage are to be paid by the checked person. The checked person pays the costs if it established that the products or goods do infringe intellectual property rights.

The checked person may lodge objections in written with the customs office director against the imposed measure to seize the products or good within 3 workdays from the date when such person became familiar with the imposed measure. Such objections have no dilatory effect. The customs office director shall decide on the objections without undue delay. His or her decision is final. A written decision on the objections is then delivered to the checked person.

The seizure of products or goods lasts until a conclusive and final decision is taken on their forfeiture or confiscation, or until they are proved not to be the products or goods violating certain intellectual property rights. Cancellation of a measure to seize the products or goods that are then proved not to infringe certain intellectual property rights must be made in writing by the customs office director. The decision is delivered to the checked person. If the measure of seizure is cancelled, the checked person is returned the seized products or goods intact and without undue delay, except for the products or goods used in the assessment. The customs officer makes a written record of the return.

The customs office director imposes by a decision in addition to a fine also the forfeiture or confiscation of the products or goods. The ownership of the forfeited or confiscated goods passes to the state. The customs office director shall determine that the confiscated or forfeited products or goods will be destroyed. On decision that the forfeited or confiscated products are to be destroyed, such destruction is carried out officially, under supervisions of a three-member commission appointed by the customs office director. The commission makes a record of the destruction, signed by all three members of the commission. The destruction is to be carried out at the expense of the checked person who offered, sold or stored the products or goods.

If the forfeited or confiscated products or goods are suitable for humanitarian purposes, the director can instruct to use them for such purposes, free of charge. Humanitarian purposes shall be understood to include activities carried out with an aim to provide for the basic needs of citizens who have been exposed to a situation of personal distress or suffered from an extraordinary event, when use of extraordinary subsistence resources is justified. The Act defines in detail which organization can accept such products for humanitarian purposes.

An author can also demand adequate satisfaction for a non-financial damage, in particular, in the form of an apology or pecuniary satisfaction. The amount of such pecuniary satisfaction is determined by a court, which takes into account especially the gravity or the damage incurred and the circumstances of the infringement. This does not preclude a settlement.

The court may recognise in its judgment the right of the author, whose claim has been acquitted, to publish the decision at the expenses of the unsuccessful party and, depending on circumstances, also determine the scope, form and method of such publication.

The entitlement to compensation for damage and to the surrender of unjust

enrichment pursuant to a special law remains unaffected; in lieu of the actual loss of profit, the author can claim compensation for the loss of profit, in an amount that was a rule paid for obtaining the respective licence at the time of unauthorised disposition of the work. The amount of unjust enrichment gained on the part of whoever unlawfully disposed of the work without being granted the necessary licence is considered to be double the remuneration that would have been awarded under habitual conditions at the time of unauthorised disposition of the work.

Under the provision of Section 42 and following of the Copyright Act, the author or his representative or relevant collective administrator can require the customs authorities and the authorities providing statistical service to provide him with information on the content and extent of imports or acceptance of goods which is a reproduction of his work or an audio, audiovisual or other record or his work, or are intended as a device to make such reproductions, or goods designed for the circumvention of technical security means.

In exercising supervision and control based on Act No. 185/2004 Coll., on Customs Administration, the customs authority can detain any item where it suspects that the holder of that object infringes copyright, if such an item represents the goods of the Community³⁶, for a period not longer than 1 month of the date of issue of the decision on the detention. This period must not be exceeded if in relation to the detained item a motion for preliminary ruling has been filed, or a claim was lodged, and the respective decisions are still pending. There is no possibility to appeal against the decision on the detention of an item.

The customs authority that detained such an item delivers without undue delay a written notification of the detention of the item to the author, the relevant collective administrator, legal entity authorised to defend authors'

³⁶ Article 4 paragraph 3 of the Council Regulation (EEC) 2913/92, establishing the Community Customs Code Official Journal

interests or to the persons having the statutory authorisation to exercise the economic rights in respect of the work. Such a notification is simultaneously delivered by public notice for a period of at least 15 days.

The author, the relevant collective administrator authorised to defend authors' interests or the person having the statutory authorisation to exercise the economic rights in respect of the work, notifies the customs authority in writing not later than within 15 days of the delivery of the notification of the detention of the item whether he intends to bring his claim for copyright protection before a court. If within that period he states in writing that he does not intend to bring his claim before the court or if the period specified in the first sentence lapses to no effect, the customs authority returns the detained items to the person from whom those items were seized; such a person shall not be entitled to compensation from the government for damage to his property.

If the court decides finally and conclusively that copyright was infringed, the customs authority delivers the detained items to the person who sought copyright protection in the court, and makes a record about the fact in the files. All the costs connected with the detention, storage and delivery of the detained goods shall be paid by the person, from whom the items were seized. These costs are imposed by a customs authority by its decision. Appeal against the decision of the customs authority has no suspensive effect. The costs are due for payment within 30 days of the date of delivery of such decision. If the costs are not paid by the due date, the customs authority that imposed those costs collects and enforces them in accordance with a specific legal regulation governing tax administration. Such collected costs is a revenue of the state budget.

Intellectual property rights are also protected based on Act No. 634/1996 Coll., Consumer Protection Act, as amended, under whose provision of Section 8, considered as deceiving a consumer is also offer or sale of goods or products violating certain intellectual property rights as well as storage

of such goods or products with the purpose of offering or selling the same. Storage of goods or products violating intellectual property rights means the placement of such goods or products in storage facilities, means of transportation, offices or other non-residential areas as well as points of sale, including stalls selling. The compliance with the duties arising from this Act is supervised by the Czech Commercial Inspection and as concerns Agricultural, food, cosmetics, soap, detergent and tobacco products also by the Czech agricultural and Food Inspection. Under Section 23, paragraph 7, also customs offices carry out such supervision.

8. Competencies of the Czech Commercial Inspection

The enforcement of industrial and intellectual property rights is reinforced also by the activity of the Czech Commercial Inspection. The competencies of the Czech Commercial Inspection are set by Act No. 64/1986 Coll., on the Czech Commercial Inspection and the provision of Section 23 of Act no. 634/1992 Coll., on Consumer Protection, as amended.

The activities of the Czech Commercial Inspection is focused on the inspection of both legal entities and individuals selling of supplying products and goods to the inner market of the Czech Republic, or provide services or conduct other similar activity in this market³⁷. It inspects especially the ensuring of quality of goods or products, the compliance with agreed or defined conditions and quality of provided services, compliance with other conditions stipulated by special legal regulations and whether consumers are deceived. The special regulation includes, of course, also regulations on industrial and other intellectual property protection.

Under Section 23 of Act 634/1996 Coll., on Consumer Protection, as amended by acts adopted in the following years, the Czech

³⁷ the authorization does not apply to the supervision of foodstuffs, food and tobacco products, with the exception of the inspection of honesty of sale

Commercial Inspection carries out supervision over the compliance with the duties set by this Act. In the area of intellectual property rights, it is in particular supervision over the compliance with Section 8 of this Act.

Under this provision, no one may deceive consumers, particularly by providing untruthful, unsubstantiated, incomplete, inaccurate, unclear, ambiguous or exaggerated information, or by concealing information about the real properties of products or services or the quality of purchasing conditions. Considered as deceiving a consumer is also offer or sale of goods or products violating certain intellectual property rights as well as storage of such goods or products with the purpose of offer or sell them.

Anybody cannot be released from the liability for deceiving consumers by claiming that the necessary or correct information was not provided by the manufacturer, importer or supplier. Terms such as "guarantee" or "guaranteed" as well as other terms with a similar meaning can be used only when the content and conditions of the guarantee are specified at the same time.

For the purposes of this Act, storage of goods or products violating intellectual property rights means the placement of such goods or products in storage facilities, means of transportation, offices or other non-residential areas as well as points of sale, including stalls selling.

Product or goods infringing certain intellectual property rights are counterfeit goods, which is goods, including packaging, bearing without consent of the holder of such trademark a mark identical to or mistakable with a national or Community trademark registered in respect of the same type of goods, which thus infringes the trademark holder's rights. Such goods include also items bearing any identical or similar trademark symbols, such as logos, labels, stickers, brochures, instructions for use or guarantee documents, even if stated separately, and separate packaging bearing such designations.

Such product is also pirated goods, which is a product or goods which is a reproduction or includes a reproduction manufactured without the consent of the holder of copyright or rights related to copyright, or without the consent of an owner of rights to an industrial design, if the making of such reproduction infringes such rights. Also, products or goods infringing the rights of an owner of a patent or utility model or rights of an owner of supplementary certificate for medicinal products or for plant protection products or a rights from a registered appellation of origin or geographical designation.

Holders and co-holders of a patent, holders of a copyright certificate, holders of trademarks, holders of copyrights or other rights protected under the Copyright Act, and holders of rights for a registered industrial design or utility model or their representatives (hereinafter "holders of intellectual property rights") must upon request submit to the supervisory authority³⁸ documentation necessary for assessment of goods or products within 15 business days of receiving such a request.

Holders of intellectual property rights are responsible for ensuring that such documentation is truthful, accurate, complete and effective. They must inform the supervisory authority of any changes, which may be material for the accuracy of an assessment of goods or products. If the supervisory authority has doubts about the acceptability and objective correctness of submitted documentation, the authority shall inform in writing the holder of intellectual property rights about this fact. The holder of intellectual property rights shall provide a written statement concerning the ascertained deficiencies in the documentation with 15 days of receiving such a notice.

³⁸ The term "supervisory body" is not listed in the definition of terms under the provision of section 2 of the Act No. 634/1996 Coll. It can be deduced from the provision of section 23 that in these cases the term means authorized officers, especially the inspectors of the Czech Commercial Inspection

If the supervisory authority conducts an investigation based on a complaint of a holder of intellectual property rights or another party that demonstrates legal interest in the matter, such parties must pay an adequate deposit (hereinafter "deposit") for the purpose of covering expenses of the supervisory authority in the event that the results of the investigation show that the complaint was unsubstantiated. The amount of the deposit is determined by the director of the supervisory authority. The deposit is calculated based on the average cost of work performed by one inspector per day during the preceding year. The deposit is to be paid by the holder of intellectual property rights or another party that demonstrates legal interest in the matter to the account of the supervisory authority within 15 days of the filing of a complaint. If the deposit is not paid by the applicable deadline, the supervisory authority is under no obligation to investigate the complaint.

If the results of an investigation show that a complaint was substantiated, the supervisory authority is obliged to refund the deposit within ten days of the completion of investigation. If the complaint is found to be unsubstantiated, the supervisory authority calculates the actual cost of the conducted investigation. If the sum of actual costs is lower than the deposit, the supervisory authority refunds the difference to the holder of intellectual property rights or another party that demonstrates legal interest in the matter within ten days. If the sum of actual costs is higher than the deposit, the holder of intellectual property rights or another party that demonstrates legal interest in the matter pays the difference within ten days of receiving a notice to this effect.

In the event that a holder of intellectual property rights submits to the supervisory authority untrue, incorrect, incomplete or ineffective documentation, the holder of intellectual property rights is liable for such damages.

The inspectors of the Czech Commercial Inspection have in performing their duties rather extensive authorities in respect of the authority to enter the premises of

manufacturers, importers or distributors, identifying the controlled persons, requiring the necessary documentation, taking samples for further evaluation and so on.³⁹

Based on the conducted inspection, by the time the corrective measures are taken, inspectors are entitled to prohibit purchase, sale or other use of products or goods that fail to satisfy requirements of special legal regulations and possibly decide on the storing of such goods out of reach of the checked person. Inspectors can impose to the inspected person a fine of up to CZK 5,000, and directors of up to CZK 50,000. If the inspected person pays the fine in case of an established case of a fault on the spot, there is not a possibility of an appeal. Otherwise, the checked person can lodge an objection in written against the imposed measure within three working days of the date when such person was notified of the imposed measure at the relevant inspectorate. However, such objections have no suspensive effect.

Inspectorate directors can apart from a fine and a forfeiture or confiscation of products or goods also decide on the destruction of such products or goods at the expense of the inspected person who offered, sold or stored them. Inspectorate directors also can impose on a person who has breach conditions stipulated by special regulations or who failed to comply with the measures imposed a fine up to the amount of CZK 1,000,000. A fine up to the amount of CZK 2,000,000 may be imposed for a repeated breach.

9. Competencies of the Police of the Czech Republic

The competencies of the Police of the Czech Republic in intellectual property rights enforcement is defined by the Act on the Police of the Czech Republic No. 283/1991 Coll., on the Police of the Czech Republic, as amended. Within the discharge of their duties to detect crime, identify their perpetrators and act in the investigation of

³⁹ For more details see for instance Kupka, P.: Legal instruments of the industrial property protection, Legal Advisor 5/2003

crimes and detection of minor offences, the Police of the Czech Republic also conducts task related to intellectual property rights protection. The specific procedures and authorities of the Police of the Czech Republic are included in other regulations, especially in the Criminal Procedures Code⁴⁰, Administrative Procedure Code⁴¹ and the Act on Offences⁴².

The activities of the Police of the Czech Republic cover also the criminal-law area, which is independent of the decision of the injured person to enforce his rights also by means of civil law. Criminal-law protection is provided in respect of industrial rights, especially trademarks, industrial designs, utility models and invention, but also in relation to unfair competition.⁴³ The activities of the Police of the Czech Republic are based in the detection and investigation of such crimes on their status of one of investigating, prosecuting and adjudicating bodies pursuant to the provision of Section 12, paragraph 1 of the Criminal Procedure Code. Within the organization structure of the Police of the Czech Republic, such activities are then within the competencies of the Police officers assigned to the Criminal Police Service and the Offices of Investigation.

10. Mediation and arbitration as a means of enforcing intellectual property rights

Out-of-court possibilities or the combating of industrial property rights enforcement consist in the first place of a range of dealings with the supposed infringer. The industrial right owner takes part in out-of-court dealings either personally or via his lawyer, patent attorney or a third party –

⁴⁰) Act No. 141/1961 Coll., Criminal Procedures Code, as amended

⁴¹) Act No. 500/2004 Coll., Administrative Procedures Code, as amended

⁴²) Act No. 200/1990 Coll., on Offences, as amended

⁴³) Švamberk, L.: The competency of the Police of the Czech Republic in the industrial property rights protection, in the Memoir from the Conference on industrial property rights enforcement in relation to fakes and imitations held on 5 May 2006 at the University of Public Administration and International Relations in Prague

either an individual or a legal entity. He can also act via the Association of Mediators and Arbitrators in Matters of Intellectual Property, modelled in the Czech Republic on the example of other countries with greater experience and longer tradition in the area or industrial rights infringement.

The dealings of an owner of industrial rights with a supposed infringer of such rights consist primarily in the notifying of the supposed infringer of the existence of rights to an item of his production or a procedure used.

In such notification, which has to be made in written because of the necessity to secure evidence for possible court proceedings and demanding of damages (a letter of consent), it is necessary to provide information relating to the subject of protection, such as the number of a patent, the date of priority and of the patent grant of the patent, as well as provide the infringer with the wording of the patent entitlements, possibly together with a description of the patent. In regard of a trademark, it is its wording or image, number or the record in the registry, date of priority and the list of products or services in respect of which the trademark has been registered.

In sporadic cases the notification by the industrial owner addressed to the infringer ends with the acknowledging of the industrial rights. The infringer frequently objects that he uses in his business solution different from the one covered by the protection granted to the invention, utility model or industrial design, or that he developed the given solution himself and therefore has a right or a previous user. Or, he claims that he uses the solution based on the state of the art known prior to the submitting of the application on the basis of which the patent, industrial design or utility model has been registered.

In case that the industrial right owner fails to reach agreement with the supposed infringer, but there is a mutual will to achieve an out-of-court settlement, both parties have possibility to carry out dealings where a qualified mediator is present selected or

accepted by them, who only provides professional assistance in the dealings, or they can agree that such mediator will take the role of arbitrator, whose decisions they will accept. Such dealings can be conducted either directly or with the assistance of the Association of Mediators and Arbitrators in Matters of Intellectual Property⁴⁴, constituted in the Czech Republic based on the registration of the Ministry of Interior, which associates a whole range of experts from the area of industrial property and unfair competition.

Also possible is a mediation proceedings and resolving of disputes before the Arbitration and Mediation Centre, which is a part of the World Intellectual Property Organization in Geneva and which specializes in the resolving of complaints lodged against generic domains, where industrial property rights are frequently infringed in relation to registered trademarks.

The parties to the disputes can decide on undertaking an extra-judicial proceedings based on Act 216/1994 Coll., on Arbitration Proceedings and the Execution of Arbitration Rulings,⁴⁵ directly or via the Association of Mediators and Arbitrators, the Court of Arbitration at the Chamber of Commerce of the Czech Republic or Chamber of Agriculture of the Czech Republic. Arbitration ruling issued within arbitration proceedings based on the mentioned Act is enforceable by court.

Owing to the activities of the Arbitration and Mediation Centre in Geneva at the World Intellectual Property Organization, discussions started concerning the issue of the creation of a possibility to resolve disputes in the area of intellectual property rights out of court also in the Czech Republic. Such discussions resulted in the constitution of the Association of Mediators and Arbitrators in Matters of Intellectual

Property Rights in 1997, and its registration at the Ministry of Interior of the Czech Republic.

It was not the first case of out-of-court resolving of disputes in the territory of the present Czech Republic. Such possibility existed already in the First Republic of Czechoslovakia (1918 – 1939) after the year 1918. Then, the arbitration proceedings were generally possible based on the civil procedure code taken over from the former Austria-Hungary, which was replaced in 1950 by the provision of a new Civil Procedure Code No. 142/1950. This new civil procedure code, however, allowed for arbitration proceedings only between legal entities, i.e. not for instance between an inventor and a manufacturer. Such possibility was allowed for only based on a special regulation only within arbitration procedure obligatory for instance before the initiating of court proceedings on the remuneration for an invention. The parties to the dispute were nevertheless bound by the ruling of the arbitration procedure, and if they did not accept such ruling, they had to start court proceedings.

Later, in 1962, there was a certain possibility of arbitration proceedings owing to Act 121/1962 Coll., on Economic Arbitration, which was amended and complemented several times in the following years. Such possibility was however fundamentally restricted to the resolving of disputes between so called socialistic subjects and was frequently rather of the nature of the then frequent administrative, directive procedure.

In the area of international commerce, the arbitration proceedings were regulated in relation to foreign subject by Act No. 98/1963, on Arbitration Procedure in International Commercial Intercourse and on the Enforcement of Arbitration Rulings. Although this Act allowed for ad hoc arbitration proceedings, it was not used in practice; on the contrary, a form of an arbitration proceedings at the then only permanent arbitration court existing and operating at the Czechoslovak Commercial and Industrial Chamber.

⁴⁴ Residing at Novotného lávka 5, 116 68 Prague 1

⁴⁵ For more details see Mothejzliková, J., Steiner, V. and collective: Act on Arbitration Proceedings and the Execution of Arbitration Rulings with annexes, Commentary, C.H.BECK, Prague 1996

The presently applicable Czech Act No. 216/1994 Coll., on Arbitration Proceedings and the Execution of Arbitration Rulings, regulates in compliance with international legislation the decision-making of disputes on property by independent and unprejudiced judges, as well as the execution of arbitration rulings issued within such decision-making.

The parties to the dispute can agree that one or two arbitrators or a permanent arbitration court shall decide the disputes on property between them.

The manner in which the dispute shall be resolved is determined in the arbitration contract. An arbitration contract can be validly concluded if the rival parties could make a settlement on the subject matter of the dispute.

The arbitration contract is invalid unless made in written. It can concern an individual, already arisen dispute, in the form of a contract on arbitrator, or all disputes that can possibly occur in the future (arbitration clause). An arbitration contract is also binding for the lawyers of the parties, unless this is explicitly ruled out by the contract. An arbitration contract usually shall also determine the number and persons of the judges or set a way to determine the number and persons of the judges. The final number of judges must always be odd.

An arbitrator can be a Czech citizen or a foreigner who is of age and competent to legal acts. If a person accepts this function, he is obliged to conduct his duties in compliance with the law and other regulations. The accepting of the position has to be done in written. An arbitrator can resign from the position only from serious reasons or with the agreement or both parties. The parties either can decide on the appointing of a new arbitrator or the arbitrator is appointed by a court upon request of either of the parties. Arbitrators are obliged to maintain secrecy of facts they learned in connection with the conducting of their function of arbitrator, unless the rival parties release him from such duty.

Besides the possibility of resolving disputes by arbitrators, the Act on Arbitration Proceedings and the Execution of Arbitration Rulings allows for the disputes to be resolved before a permanent arbitration court established on the basis of the law. Presently, such permanent arbitration court is constituted at the Chamber of Commerce of the Czech Republic and the Chamber of Agriculture of the Czech Republic.

Arbitration proceedings are commenced by filing of an action to an arbitrator or a permanent arbitration court. The filing of such action has effects the same effects as if it was filed with a court. The rival parties in the arbitration proceedings are of equal standing and have to be given a full opportunity to enforce their rights. Unless the parties agree to the contrary, the proceedings are non-public.

Arbitration proceedings end with the issuing of arbitration ruling. Such arbitration ruling has to include the statement of the reasons, unless the rival parties agree to the contrary. In their decision-making, arbitrators act in compliance with substantial law applicable for the given dispute. However, they can decide according to the principles of justice, but only when the parties gave them explicit authorities to do so, for instance in the arbitration contract.

The arbitration ruling is final and binding for the parties, unless the parties agreed in the arbitration contract on a possibility of a re-assessment on request of one or both of the parties by another arbitrator.

An arbitration ruling has to be delivered to both parties into their own hands. After it has been delivered, the arbitrator or arbitration court attaches to the ruling a clause on its becoming final and conclusive.

The parties to a dispute also can agree in the course of the arbitration proceedings on the dispute settlement. On their request, it is possible to make a settlement in the form of arbitration ruling. If the parties make a settlement outside the arbitration proceedings, they repeal the action and the

arbitrator discontinues the arbitration proceedings by a ruling.

As stated on the very beginning of this contribution, the Association of Association of Mediators and Arbitrators in Matters of Intellectual Property Rights ("Association") was established in the Czech Republic in 1994, which is a voluntary, independent, autonomous and selective expert, state-registered organization, associating professionals and employees in the area of industrial and other intellectual property. The Association is a member of the Czech Association of Scientific and Technical Societies. The members are top experts in the field of rights to intellectual property, both in the area or practice and theory.

The activities of the Association is focused in particular on:

- a) the settlement of disagreements and disputes resulting from the creation, enforcement and assessment of intellectual property subjects, especially in terms of inventions, industrial designs, utility models, rationalizations suggestions, production and operational experience (know-how), unfair competition, trademarks, designations of the origin of goods, computer programs and other subjects of copyright protection and the protection of rights related to copyright,
- b) the organizing and conducting of dealings of the members of the Association with the participants of disagreements and disputes and preparing of necessary documentation,
- c) the organizing of meetings, conferences and trainings in relation to the mission and activity of the Association,
- d) the conducting of study and publication activities directed at the improving of the mediation and arbitration activities, with the aim to resolve disagreements and disputes out of court,

- e) the providing of information and consultancy to rival parties by means of contractual and other ways of out-of-court disputes and disagreements and
- f) the monitoring of the development in the area of the settlement of disputes and disagreements in the area of intellectual property rights, maintaining contacts, acquiring and exchanging experience with similar international organizations and associations.

The activities of the Association are regulated by the Rules for arbitration and mediation dealings and decision-making within the regulations of the Association of Mediators and Arbitrators in Matters of Intellectual Property Rights. Under these regulations, the Association associates mediators and arbitrators pursuant to these regulations, and arbitrators pursuant to the already cited Act No. 216/1994 Coll., on Arbitration Proceedings and the Execution of Arbitration Rulings.

Within the framework of settling disputes and disagreements in the area of intellectual property, the Association organizes for the mediators and arbitrators:

- a) mediation proceedings conducted by a mediator or mediators which should result in a settlement of a dispute acceptable for both the parties,
- b) arbitration proceedings conducted by an arbitrator or arbitrators when the parties agreed beforehand in the agreement that they will respect the arbitrator or arbitrators, and
- c) arbitration proceedings carried out under Act No. 216/1994 Coll., according to principles outlined in the previous part of this contribution.

The principles of resolving disputes within both mediation and arbitration proceedings are similar and basically do not differ from the principles applied by the WIPO Arbitration and Mediation Centre in Geneva.

Munich, July 2007

III. Dr. Hans-Georg Landfermann

The president of the Federal Patent Court a. D.

Enforcement of intellectual property rights in Germany

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1. Introduction

Intellectual property protection plays a very important role in the modern economy. Anyone who produces a record or a book can work economically only if their work is protected against copying by the competition. People engaging in distribution of high-quality brand clothes would have to forget about their business if the same trademark could be used for cheap imported goods. A pharmaceutical company investing⁴⁶ millions of Euros in development of a new medicine can get the invested funds back only if no one will be able to freely imitate such medicine once it has been introduced to the market.

Not all countries and cultures take protection of intellectual work against counterfeiting for granted. The great Chinese philosopher Confucius, for example, considered imitating of masters praiseworthy. Fortunately, Central Europe has a different tradition, which dates back several hundreds of years. The Kingdom of Bohemia significantly contributed to the creation of modern patent law. The Czech King Wenceslas II. codified the Jihlava Mining Law, so-called "Constitutiones Juris Metallici Wenceslai Secundi" around 1300 AD. The resulting codex governed the conditions under which the privilege of mining in a certain area could be granted. We assume that the same rules subsequently applied to the use of inventions in mining. Several years later, namely in 1315, the king John of Luxembourg granted a privilege concerning a device for pumping water from a mine to a certain person⁴⁷.

Nowadays, we not only have national codifications but also agreements on the

protection of intellectual property, which are valid in the whole world. The most important of them is so-called TRIPS Agreement, or "Agreement on Trade-Related Aspects of Intellectual Property Rights". What do the terms "Intellectual Property" and "Intellectual Property Rights" mean in the sense of this agreement? The text implies that these expressions namely describe rights to:

- patents protecting technical inventions;
- trademarks, i.e. marks distinguishing the goods or services of one company from the goods or services of other companies;
- industrial designs, i.e. industrially applicable designs or models with certain typical features; it is thus protection of the goods or its design against counterfeiting;
- geographical indication and designation of origin associated with certain properties of goods;
- copyright, e.g. of writers and artists.

More detailed provisions concerning all these rights are included not only in the TRIPS agreement but also other globally valid agreements, e.g. the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works

Intellectual property rights in the European Union are markedly harmonized through directives; this particularly applies to copyright and trademark rights.

Despite that, intellectual property rights are basically national legal items, which apply only in the particular country. A person who comes with a technical invention and wants to have it protected against counterfeiting both in the Czech Republic and in Germany needs both Czech and German patent for that purpose.

Now you can object that it is possible to apply to the European Patent Office in Munich to grant a European Patent, which would be valid both in the Czech Republic and in Germany. You are right, but in this case it is not an actual exception from the principle of national character of intellectual property rights. So-called European patents

46 E.g. the statement of a parliamentary named Belder in plenary discussion in the European Parliament on 29th September 2005

47 see Öhlschlegel, On the History of Industrial Rights Protection (Zur Geschichte des gewerblichen Rechtsschutzes), Information for German Patent Attorneys 1978, 201-204; shortly, World's History of Protection of Inventions, pg. 74.

are granted in single proceedings at the European Patent Organisation for more member countries, but once they are granted, they are split into a set of national patents whose effects is always governed by the relevant national law. The effects of the Czech part of the European patent correspond to a Czech patent whereas the effects of the German part correspond to a German patent.

National rights basically comprise trademarks and industrial designs, geographical indications and appellations of origin as well as copyright. The effect of a Czech trademark or a Czech industrial design is limited to the Czech Republic territory. However, a range of exceptions concurrently exist in the European Union:

- Community trade marks which are registered by the Office for Harmonization in the Internal Market in Alicante, Spain;
- Community industrial designs which are also registered in Alicante;
- registration of geographical indications and appellations of origin for agricultural products and foodstuffs at the European Commission in Brussels.

Supranational legal items with uniform effect all over the European Union are exceptionally established in these three cases.

All these rights, national and supranational legal items are enforced through appointed national courts and national administrative institutions. European institutions – the European Court of Justice and the European Court of First Instance in Luxembourg, the European Commission in Brussels and the Office for Harmonization in Alicante – have only supplementary function, mainly in connection to registration of rights with effect for the whole Community.

European Union member countries are obliged to provide effective procedures for the enforcement of intellectual property rights as implied in the Directive on the enforcement of intellectual property rights

enforcement of 29th April 2004⁴⁸. A chapter concerning enforcement of these rights is also included in the TRIPS Agreement. These globally valid obligations are - quite naturally - formulated rather generally.

In the second part of my lecture, I would like to return to the issue of how the protection of patents, trade marks and other protective rights concerning intellectual property is enforced in Germany and how the competitors can prevent granting of a patent or a trademark.

The third part will speak about enforcement of intellectual property rights before civil courts, particularly about an action brought by a patent owner against their competitors who are infringing upon this patent and actions brought by other rights owners.

In the fourth part I am going to mention an important tool, which is the seizure of counterfeit goods by customs authorities (so-called confiscation) at the border.

Criminal prosecution of offences against intellectual property plays only an unimportant role in Germany. I will refer about this in the short part five.

2. Establishment of intellectual property rights

2.1 Patents

a) Anyone who creates a technical invention can ask the German Patent and Trademark Office to grant them a patent for such invention. The most important prerequisites which must be met are the following (Section 1 para 1 of the Patent Act):

- the invention must be new; it must not be previously published or otherwise well-known.
- it must be an outcome of inventive activity, which means that it must not arise from the contemporary state of the art when closely examined by an expert.
- it must be industrially applicable, it must be usable for economic purposes.

⁴⁸ Directive 2004/48/EG of 29th April 2004, Journal L 195 of 2nd June 2004, pg. 16.

The Parent Office thoroughly examines whether these prerequisites really exist. It employs more than 700 patent experts with technical knowledge who spent several years gaining experience in the industrial sector after they finished their studies. If the patent is granted, it means that nobody else than the patent owner may use the invention (Section 9 of the Patent Act). All the others have to ask permission from the patent owner which is usually granted in the form of onerous licence contract. The duration of the patent can be extended to 20 years from the day of application (Section 16 of the Patent Act).

An objection may be raised against the grant of a patent. Competing companies may thus prevent the patent owner to gain exclusive rights to use their invention.

Objections must be raised within three months after the notification about the grant of a patent. Objections are decided by the Patent Office Committee presided by the chairman of the correspondent department. An appeal against such decision can be filed at the Federal Patent Court within one month. If, exceptionally, serious legal issues must be clarified, another means of appeal is available – legal appeal to the Federal Court of Justice⁴⁹.

A person who misses the deadline for appeal can bring action for revocation of the patent before the Federal Patent Office at any time in the duration of the patent. I will deal with this case later.

b) Prerequisites for grant of a German patent which I have already mentioned – novelty, inventive activity and industrial applicability – also apply to patents, which the European Patent Office may register for more European countries. They are also stated in the Czech Patent Act⁵⁰, as these provisions are also included in the TRIPS Agreement (see Article 27 f.), and they are even more united within Europe in connection with the European Patent

Organization. I have already mentioned that the effects of European patents are governed by national law. They are also harmonized by the TRIPS Agreement (art. 28, 33).

However, legal remedies against the grant of a European Patent are different from national legal remedies:

Objections can be lodged with the Opposition Division of the European Patent Office within nine months. An appeal against its decision can be filed within one month and it must be decided by the Board of Appeal of the European Patent Office⁵¹.

2.2 Utility models

a) A utility model is a so-called small patent. You would search for it in international agreements in vain. It is neither governed by legal documents of the European Union yet. However it is well-known both in Czech and in German law⁵², and therefore I have decided to include it in my lecture.

Utility models also protect technical inventions, but only those, which refer to physical objects, not inventions connected with methods. The prerequisites for entering the utility model in the Patent Office Register are not that strict. It is neither examined for novelty, nor for inventive step or industrial applicability.

Request for cancellation addressed to the Patent Office Industrial Design Cancellation Department is filed instead of objections. An appeal against its decision can be lodged at the Federal Patent Office again.

Not until the cancellation procedure is it verified whether the requirements for novelty, inventive step and industrial applicability have been met. If any of these prerequisites is missing, the registered utility model is cancelled.

b) The lawmakers also tried to make utility models more attractive by requesting less

⁴⁹ see particularly Sections 59, 61, 73 and 100 of the Patent Act.

⁵⁰ 3 para. 1 of Czech Patent Act of 27th November 1990.

⁵¹ see particularly Art. 99, 101, 108 and 110 of the European Patent Convention.

⁵² Czech Utility Model Act of 24th September 1992.

amount of inventive step for this right than for a patent. As the Patent Act (Section 1 para 1) says, “inventive activity” is necessary to grant a patent whereas the Utility Model Act (also Section 1 para 1) requires “inventive step” only. Pursuant to the law, this term shall impose less demand for the level of invention than the term stated in the Patent Act⁵³. However, differentiation between the two levels of inventive activity has turned out to be very difficult in practice. In my opinion, this is due to the fact that the European Patent Office allows only very small level of inventive step to grant a patent and that not even the German Office or German courts have managed to avoid this tendency. Therefore the difference between this low level of inventive activity in the Patent Act and the contemporary state of art is not wide enough to allow incorporation of another clearly defined stage of the inventive step for a utility model between them.

Due to these problems, the Federal Court of Justice waived this differentiation in its decision of 20th June 2006⁵⁴: it declared that the inventive step in the law concerning utility models was not distinguished by any lower level of inventive activity than the one required by the Patent Act. This decision of the Federal Court was different from what the lawmakers had intended and it constituted a breakthrough in the current dogma, and thus it did not come as a surprise when it was widely criticized in literature⁵⁵. However, in my opinion, the Patent Office and the courts will finally adopt the opinion of the Federal Court of Justice as the application of law would become significantly easier if the difficult differentiation was avoided.

2.3 Trademarks

a) The possibility to gain protection of one’s trademark markedly widened European Union Directives issued in 1988. Besides the traditional verbal and figurative marks, the German Trademark Act of 25th October

⁵³ Federal Parliament print 10/3903, pg. 18.

⁵⁴ GRUR 2006, 842 – Demonstrationsschrank

⁵⁵ see only Hüttermann / Storz NJW 2006, 3178-3180.

1994, which executes this directive, also accepts acoustic marks or colours as trademarks. Three-dimensional marks, e.g. protection of bottle shape or rendition of a car body are gaining increasing importance. All features, which can be graphically interpreted and are suitable to distinguish between goods or services of one company and goods or services of other companies can be protected as a trademark, as Article 2 of the Trademark Directive implies⁵⁶. The same provision applies in German law as well (Section 3 para 1, Section 8 para. 1 of the Trademark Act and in the Czech

Trademark Act of 21st June 1995 (Section 1 para. 1).

German trademarks gain protection exclusively through registration at the German Patent and Trademark Office. Trademark protection may be established even without registration, though, namely if the trademark is used in trade so intensively that it becomes distinctive (Section 4 para 2 of the Trademark Act). Global protection has also been granted to unregistered trademarks, which are “commonly known” in the sense of art. 6bis of the Paris Convention for the Protection of Industrial Property.

Trademark lasts ten years from the filing of application, but its duration can be extended by further ten years at any time (Section 47 of the Trademark Act).



One example of a trademark registered by the German Patent and Trademark Office for a Czech company is “Budweiser Budvar“

⁵⁶ Directive (EU) Nr. 89/104 of 21st Dec 1988, Journal Nr. L 40 of 11th February 1989.

verbal and graphically represented trademark, which belongs to the brewery in České Budějovice (Budweis).

Trademarks in Germany are not examined for third parties' rights preventing their registration. If someone is the owner of a previously registered trademark, which is identical with the new trademark or can be confused with it, they can file objections against registration within three months after its publication (Section 42 of the Trademark Act). It is then possible to lodge an appeal to the Federal Patent Court against the decision of the Patent Office concerning the objections (Section 66 of the Trademark Act). If the owner of the previously registered trademark fails to file objections in the set deadline, they still have the possibility to file a request for cancellation of the registered trademark. I will speak about this later.

A dispute between owners of similar trademarks can be solved peacefully by so-called distinguishing agreement. Trademark owners are often interested in using their trademark purely for specific goods. The centre of interest of the competitive trademark owner may lie in completely different goods. The two owners can then regulate how they will use the mark without interfering with each other's interests in the agreement.

b) Pursuant to Community Trademark Regulation⁵⁷, of the European Union, Community trademarks can only be obtained through registration. Besides this Regulation, the prerequisites for their granting are also simultaneously governed with a directive; there are thus even acoustic trademarks, three-dimensional trademarks, etc. (see art. 4). Applications for registration are decided by the Office for Harmonization in the Internal Market in Alicante.

The examination of whether a registered Community trademark collides with a previously registered trademark only takes place on the basis of an objection. Objection procedure takes place before the

registration though: the application is first published and the owner of the previously registered trademark can file an objection within three months after the application. Registration can only take place after the objection has been settled (see art. 40 – 45 of the Community Trademark Regulation).



An example of a Community trademark, which has been applied for but not registered yet due to an objection, is the “Budweiser” trademark application filed by Anheuser-Busch from the USA.

An appeal against the decision of the Office for Harmonization in the Internal Market concerning an objection can be lodged within two months. It is decided by the Board of Appeal of the Office. However, the legal course does not end here. You can bring an action against the decision on the appeal to the European Court of First Instance in Luxembourg and another appeal against its decision can be lodged to the European Court of Justice⁵⁸. An unbelievably long procedure! It resulted in situation when the European Court of Justice had to deal with the issue of whether the term “Baby dry” could be registered as a trademark for nappies⁵⁹.

2.4 Industrial designs

An industrial design can be used to protect product appearance, its design, e.g. pattern of a cloth or unusual shape of furniture or

⁵⁷ Directive Nr. 40/94/EU of 20th December 1993, Journal L 11 of 14th January 1994.

⁵⁸ see Art. 63 of the Community Trade Mark Regulation

⁵⁹ EuGH GRUR 2001, 1145.

household equipment. I will only mention it briefly as there are many similarities to a trademark.

The right to an industrial design is harmonized by the European Union directive⁶⁰ just like the right to a trademark. Therefore German and Czech laws concerning industrial designs are inevitably significantly different. Community industrial design exists concurrently with Community trademark⁶¹. The German Industrial Design Register is administered by the German Patent and Trademark Office, while the European register can be found in the Office for Harmonization in Alicante. However, the European regulation is also familiar with unregistered Community industrial designs, which are, established when the design is made available for the public.

Only such product appearance, which is new and unique, can be considered an industrial design (Section 2 para 1 of the Industrial Design Act). However, these prerequisites are not examined before registration. If someone wants to prevent registration in the German Industrial Design Register, they can file action for patent revocation at a proper court (Section 33 of the Industrial Design Act). Community industrial designs even have the possibility of proceedings before the Office for Harmonization, which can be used for revocation of industrial design⁶².

2.5 Geographical indications and appellations of origin

When goods is marked in trade, its origin in a certain town or a certain area is often stated. In principle, it is used to emphasize special quality of goods. Examples include Lübecker Marzipan or Spreewald Gherkins.

In Germany it is forbidden to use designation of origin or geographical indication for goods not originating in the given area in a misleading way pursuant to Section 127 of the Trademark Act. If a

certain quality demand is connected with the designation of origin or geographical indication, this denomination can only be used if the products meet this quality demand. Registration of designation of origin is not expected in German law.

Besides that, European law also grants protection limited to geographical indications of particular agricultural products and foodstuffs.

This protection can be requested by incorporation in the register administered by the European Commission in Brussels. The first legal background was Regulation no. 2018/92/EEC of 14th July 1992, which was recently amended by Regulation No. 510/2006/EC⁶³.

A multistep procedure must take place before the registration to the Brussels register. Application for registration must be filed at a national office (in Germany it is the German Patent and Trademark Office). This office shall examine whether there are any objections against the registration from the national economy point of view. If no objections are found, the Office transfers the application to Brussels. Other member countries will have the opportunity to express their opinions regarding the application there.

Geographical indications enjoy protection neither pursuant to the German law nor pursuant to European regulations, as they have become generic names through general use of language. Therefore the term "Wiener Schnitzel" is used in Germany for a piece of meat prepared by certain means and it does not mean that this kind of preparation comes from Vienna. Similarly, the term "Pilsner" does not mean that the beer comes from Plzeň (Pilsen), but it is used to describe beer brewed in a certain way. On the other hand, the producers of "Lübecker Marzipan" and "Nuremberg Gingerbread" managed to prevent the designation of origin to evolve into mere generic term and they even managed to

⁶⁰ Directive 98/71/EU of 13th October 1998, Journal L 289 of 28th October 1998, pg. 28.

⁶¹ see Art. 52, 25, 4 of Community Industrial Design Regulation

⁶²

⁶³ Regulation of 20th March 2006, Journal L of 31st March 2006, pg.12.

have it registered in the Brussels register⁶⁴. “Camembert de Normandie“ is also a designation of origin of cheese protected all over Europe. However, the very name “camembert” is a generic name, which can be, used freely⁶⁵.

2.6 Copyright

Copyright protects the authors of literary and scientific works as well as works of art. This protection is granted to writers, composers, sculptors and film producers. It is established without registration, only by creating a perceptible form of individual work with certain creative level.

Individual rights, which an author can enjoy, are based on national copyright acts. Despite that they are harmonized through a range of international agreements and European Union directives. Basically, the author is protected against copying or other use of their work without their consent.

Pursuant to German law, copyright expires 70 years after the author’s death (Section 64 of the Copyright Act), the same time limit applies in Czech law⁶⁶. Therefore the works of Prague poet and journalist Franz Kafka who died in 1924, are free since 1995 both in the Czech Republic and in Germany.⁶⁷

3. Enforcement of intellectual property rights at civil courts

3.1 Patents

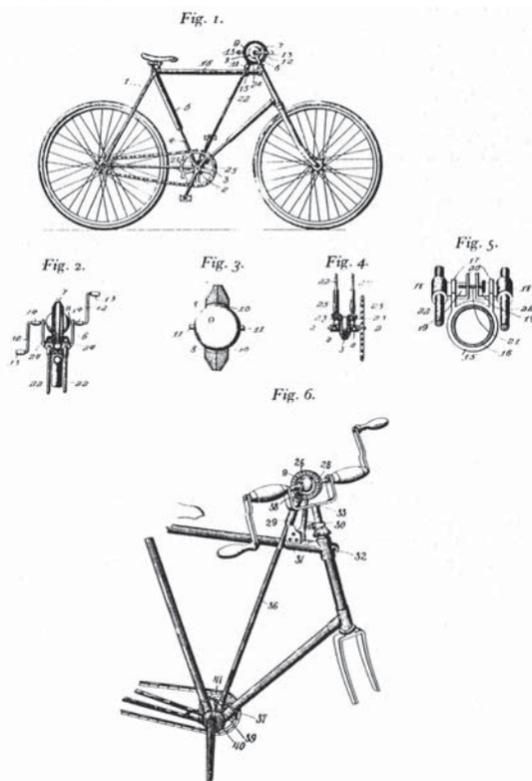
3.1.1 German patent, Inter-German state of facts

When a German patent owner wants to enforce their rights against a tenacious competitor and they have certain doubt, they

can choose the way through a legal action at civil courts.

Let me show you one example:

Manufacturer A manufactures bicycles. He owns a patent for construction in which the bicycle is propelled not only by pedals, but also by two cranks placed on the handlebars.



He first sells a lot of these unusual bicycles, but then the sale decreases rapidly. The manufacturer finds out that his competitor; manufacturer B from Stuttgart is offering a bicycle of similar construction all over the Germany. The bicycle produced by manufacturer B differs from that of the manufacturer A only by having one crank instead of two on the handlebars.

Manufacturer A asks his legal representative for advice and then takes the following steps:

a) He sends a “warning” to his competitor B: a letter in which he expresses opinion that the crank-propelled bicycles, which B is manufacturing, infringe upon A’s patent. He concurrently asks B to sign a declaration in which he undertakes to (1) stop selling similar bicycles, (2) tell A how many such bicycles he has already sold, (3) provide compensation for damage caused by patent

⁶⁴ see the Commission Regulation (EC) Nr. 263/96 of 1st July 1996, Journal Nr. L 163 of 2nd July 1996, pg. 19 and following.

⁶⁵ see Ströbele/Hacker, Trademark Act, 8th edition 2006, Section 135 Rn. 14.

⁶⁶ Section 27 of Czech Copyright Act of 7th April 2000.

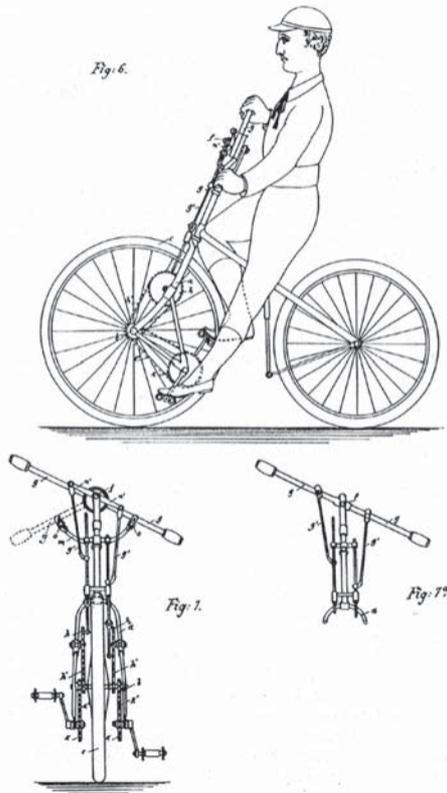
⁶⁷ An example taken from a manual called Industrial Rights Protection by a Munich attorney Nordemann/Czychowski, Chapter “Copyright and related rights“ published by Hasselblatt, 3rd edition 2004, pg. 1703, 1817,

infringement and (4) reimburse A's expenses for legal representation which has already been incurred.

B seeks advice at his lawyer. They both discuss the legal situation and conclude that A's patent had been invalid from the outset as it is not a result of inventive activity. Similar constructions had already been known before A registered his patent.

AUGUST VONHAUSEN IN WIESBADEN.

Antriebsvorrichtung für Fahrräder mit Hand- und Fußbetrieb. (1894)



Moreover, they discover a previously registered patent, which shows a bicycle, propelled both by pedals and by tilting handlebars transversely to the travel direction.

The difference between this well-known construction and A's invention are allegedly not that significant to talk about "inventive activity".

Moreover, as B and his attorney argue, the construction of B's one-crank bicycle is not identical with the two-crank technology of A's bicycle. Even if A's patent was valid, B's bicycle would not encroach upon it at all. Therefore, B will not sign the declaration sent to him by A.

b) A and his attorney will now prepare civil action against B. To which court will they bring it? Twelve regional courts are competent to deal with actions against infringement upon a patent in Germany. Out of these the first competent court is the one in the defendant's place of domicile – it is Stuttgart in our case, but also every district court in whose district the patent infringement took place (Sections 17 and 32 of the Civil Court Regulations). As B has been selling his bicycles all over Germany, A can choose any of the twelve district courts, which deal with actions against patent infringement in Germany. He selects the District Court in Düsseldorf whose patent judges have very good reputation in Germany.

A brings legal action against B at the District Court in Düsseldorf and he asks the court to sentence B to (1) cease future sale of bicycles encroaching A's patent and (2) provide information on how many bicycles of this type B has already sold. In addition, A asks the court to state that B has to compensate for the damage caused by the infringement upon A's patent. He cannot request concrete financial amount as a compensation for damage as he does not know the exact scope of the infringement.

c) A's attorney points out that that the decision in the action against patent infringement will take some time. A must definitely count with one year. To prevent B from selling competitive bicycles encroaching A's patent, A requests issue of preliminary injunction with the aim to preliminarily forbid B to further sell his bicycles.

The District in Düsseldorf hears B in the issue of whether there has been a patent infringement. It considers the outcome of the dispute open on the basis of B's counterarguments. Therefore it refuses to issue preliminary injunction.

d) B asks his attorney for advice how to best defend himself against the action for patent infringement. The attorney points out that validity of a patent from the outset is not

examined in German patent infringement proceedings. If somebody considers the patent invalid from the outset, they must exert their opinion in separate proceedings; they must bring action for revocation at the Federal Patent Court. This principle of division – separation of patent infringement proceedings and revocation proceedings – is completely contrary to legal situation in majority of other European countries⁶⁸.

In these countries the defendant may object during the patent infringement proceedings that the patent has been invalid from the outset and the court must deal with this issue before it can state patent infringement. In Germany, the court hearing the patent infringement has the possibility to suspend the proceedings until the Federal Patent Court decides in the matter of patent invalidity before it rules that the patent has been infringed upon. The court hearing the case of patent infringement may not act by itself as if the patent was invalid.

e) B then brings action for revocation of the patent to the Federal Patent Court. This court has a correspondent board dealing with actions for patent revocation, which comprises of three judges-technicians and two judges-lawyers. The federal Patent Court is the only court in Germany that employs judges-technicians. These are judges appointed for life, just like their colleagues – lawyers. They underwent technical or scientific studies, then they gained experience in the industry for several years and then they worked many years as patent controllers at the German Patent and Trademark Office. Subsequently they were appointed judges at the Federal Patent Court. The Federal Patent Court employs about 60 judges – technicians altogether. The decision on revocation of a patent can only be made by those who have experience in the given expert field to which

⁶⁸ An overview of legal situation in individual member countries of the European Union is stated in a document no. 11622/07 of the Council of the European Union of 12th July 2007. Pursuant to this document, “dual system for invalidity/infringement actions: Invalidity before the National Office and appeal before administrative courts. Infringement before civil courts” applies in the Czech Republic

the patent belongs. The validity of the bicycle patent owned by manufacturer A will be decided by three judges-technicians with special knowledge in the field of mechanical engineering and propulsion together with a lawyer as the chairman of the board and another lawyer acting as an associate judge.

Parties to the proceedings A and B first exchange written arguments in the form of action, comments on the action and other written documents. B states that there is a previously registered patent, which includes swinging handlebars and therefore the invention that A patented lacks inventive activity. A will defend himself that only a slight difference from the state of the art is sufficient for the invention to be patented.

The Revocation Board orders oral proceedings at which its chairman announces the preliminary opinion of the Board and openly discusses it with both parties. The chairman also mentions the possibility of peaceful settlement between the two parties. He/she may for example propose that A will allow B to use the invention on the base of a licence contract and B will pay A licence fee together with certain compensation for the past, and both the action concerning patent infringement and the action for revocation will be withdrawn.

Let us suppose that the parties will not agree with chairman’s proposal of settlement. The attorneys will deliver their statements; the Board will discuss the issue, usually immediately after the proceedings and the chairman will then announce the outcome.

In our case the action is dismissed. The patent remains valid. The senate has considered the inventive activity sufficient: the construction using two cranks significantly differs from the construction using swinging handlebars.

It is not a case of further development not arising from the state of the art for an expert.

B could now lodge an appeal against this judgement, which would be dealt with by the

Federal Court of Justice in Karlsruhe. After consulting this with his attorney, B refrains from appealing. The appeal procedure before the Federal Court of Justice is time-consuming and costly, as the court does not employ judges-technicians and therefore it usually demands opinions of authorized experts on technical issues.

f) The District Court in Düsseldorf suspended the patent infringement procedure until the decision about the revocation action and it now resumes the procedure again. The parties exchange written arguments concerning mainly the issue of whether the area of protection of A's patent which concerns the construction with two cranks is so wide that it comprises B's bicycle with one crank as well. The correspondent Federal Court Board comprising three judges – lawyers orders oral procedure and it finally decides after a meeting.

The Chamber concludes that the patent has been infringed upon. Pursuant to German statutes, patent infringement takes place even when construction used by someone else is not stated in the wording of the patent but it still implements the invention in equivalent way. In the opinion of the court defendant B acted on purpose as he had certainly known A's bicycle and the patent based on which this bicycle is manufactured. The judgement of the Chamber thus sentences B to cease selling the bicycle, provide the requested information and compensate for damage incurred in conformity with A's request, whereas the amount of damage remains open for the time being.

g) B could appeal against this sentence to the Supreme District Court and then appeal again to the Federal Court of Justice against the decision of the Supreme District Court. Let us suppose that he will not choose to do so. The parties have to clarify the amount of the damage compensation then.

If a patent has been infringed upon deliberately, then, pursuant to German law, its owner may select from three kinds of calculation of the damage incurred:

- (1) he can liquidate loss which has been truly incurred to him including lost profit; or
- (2) he can require the trespasser to surrender the profit which he has earned; or
- (3) he can require the trespasser to pay adequate licence fee.

These three possibilities of calculation of the damage incurred apply even if other intellectual property rights are infringed upon.

Each of these possibilities of calculation has its disadvantages. Patent owner's lost profit can only be determined hypothetically. If the trespasser has to pay adequate licence only, he will not be anyhow disadvantaged compared to a person who has behaved correctly from the outset. In case of calculation of profit achieved by the trespasser, which is the second possibility of calculation, the trespasser usually tries to include as high manufacturing costs as possible in order to decrease the profit. The Federal District Court recently helped aggrieved owners of the rights in this issue⁶⁹, when it declared that general expenses of a company must not be taken into account when calculating trespasser's profit. Only such expenses can be deducted from trespasser's profit, which are directly related to manufacturing and sale of the subject infringing upon someone's protective rights.

In our case legal representatives of both parties have managed to stipulate the amount on the basis of this judgement without including the court again.

Regulations concerning calculation of damage are also stated in the European Union Directive concerning enforcement of intellectual property rights. The enforcement of the directive in German law is still in legislative proceedings. However the abovementioned provisions concerning the

⁶⁹ BGH 2nd November 2000, GRUR 2001, 329 – Share of overhead expenses. The decision was issued for the law concerning registered industrial designs. For application of this case law to patent law see OLG Düsseldorf 2nd June 2006, German patent attorneys' announcement 2006, 553.

calculation of damage are conformable with the directive in the opinion of the federal government, so the implementing act⁷⁰ will probably not change the legal situation very much.

We have rather efficient proceedings concerning disputable patents in Germany. The specialities of German law include separation of action against patent infringement and action for its revocation as well as decision about the action for revocation by judges-technicians and judges-lawyers. These specialities enable simple revocation procedure before the Federal Patent Court, which is favourable from the expense point of view. We are currently concerned about too long appellation procedure before the Federal Court of Justice concerning revocations. We have been discussing measures, which should relieve the Federal Court of Justice of the statement of fact, which should namely save the obtaining of expert opinions.

3.1.2 European patent, international infringement upon the patent

In the abovementioned example with a manufacturer producing bicycles I explained the inter-German state of facts. The case concerned a German patent; both competitors had their base in Germany and sold their products in Germany. However, purely national cases are not so usual any more. The European Union constitutes a uniform economic area in which companies from all member countries compete against each other. If someone wants to use a patent to get a head start on the competition, they need patent protection in more countries – not necessarily in all member countries, just in those in which the competitors make their products and where the most important sales markets for the products are situated.

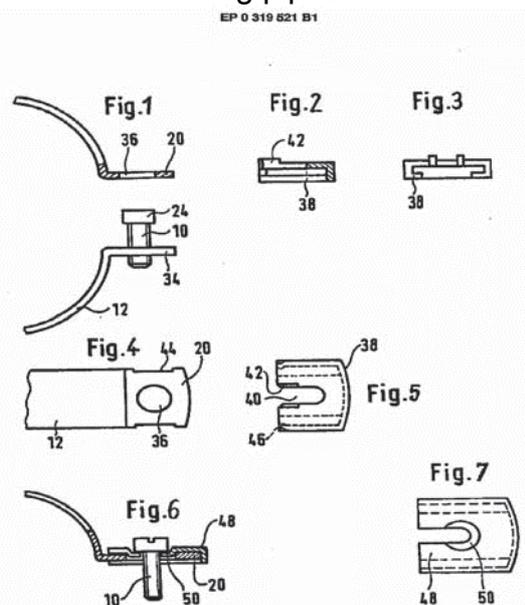
Manufacturers who also offer their products outside their home country in the European Union often have their inventions protected with a European patent, a patent which the

European Patent Office grants for certain countries selected by the applicant.

When patent owner's competitor sells a product, which the patent owner considers infringement upon their patent in more European countries, it will be more difficult for the patent owner to prevent such illegal competition. The action against patent infringement in Germany, which is based on the German part of the European patent, can only be used to defend the owner against production and sale in Germany. The owner is thus forced to bring parallel action in more European Countries always at the corresponding court. These parallel processes are not only associated with high costs, but they can also lead to different results. The patent owner may win in one country and lose in another. A French court may consider the patent invalid from the outset

– or more precisely, the French part of the patent – and therefore dismiss the action against infringement of the patent while a British court may consider the same patent – its British part – legally valid and assign damage compensation to the patent owner.

One such example is the case concerning the European patent for a "pipe clamp", a device for attaching pipes.



The patent owner brought an action against infringement of the patent in Germany, France and Spain. The German Court of Justice issued the final decision. It interpreted the patent claims described in

⁷⁰ see the government draft act on improvement of intellectual property rights enforcement, Federal print 16/5048, pg. 33.

comparison with the subject matter of patent restrictively and based on this it concluded that there has been no infringement upon the patent. The Cour de Cassation in France also dismissed the action against patent infringement, but the Swiss Federal Court acknowledged infringement upon the patent. Lower instance courts in Germany and France partially acknowledged infringement upon the patent⁷¹ as well.

3.1.3 Draft European Patent Litigation Agreement (EPLA)

No wonder that the economy does not consider this legal state satisfactory. There is a project which could cure it: a working group established by the governments of the member countries of the European Patent Organization has put forward a draft agreement concerning the European patent judicial system - the European Patent Litigation Agreement or EPLA.⁷²

Pursuant to this draft, actions, which concern infringement upon some European patent or invalidity of such patent from the outset, shall be dealt with by European patent courts in the future. Regional Chambers which will be based in various European countries, namely in those whose courts are already dealing with a great amount of patent procedures are expected to function as first instance courts. There would be the advantage that experienced national patent judges could be concurrently appointed judges at these European courts. The central court of appeal, which would ensure uniform judicature, should serve as the second instance court. Cases at all these courts of the first and second instance should be decided by judges-technicians together with their lawyer colleagues. The legal languages should be the same as the official languages of the European Patent

⁷¹ The case is documented in papers to the 11th European Patent Judges' Symposium in Copenhagen in September 2002, Special edition Nr. 2 to the European Patent Office Gazette 2003, pg. 76 and the following.

The outcome of the proceedings are stated on page 88

⁷² Information about EPLA can be found at the European Patent Office website, see <http://www.epo.org/patents/law/legislative-initiatives/epla.html>

Organization, namely English, French and German.

Draft agreement containing these provisions was welcomed by economists, lawyers and judges alike in the inquiry in the European Commission for the development of the patent system in Europe last year. Despite that, the current chances for its implementation are very small. French government declared that such judicial system could be established within the framework of European Union only, not as further development of the European Patent Organization. It found many allies among South European countries. However, if the new judicial system is incorporated to European Union structures, there is a danger of impracticable solutions, e.g. all languages in the Union would become legal languages. This problem already caused failure of the efforts to establish a Community Patent, i.e. a patent with the same effect as a Community Trademark in the European Union.

3.1.4 National court decisions with international effect

If European courts are the issue of distant future – could national courts issue decisions, which would also take effect in neighbouring countries? The courts in Netherlands and in Germany attempted to issue such internationally effective decisions in patent infringement proceedings.

A dispute concerning patent infringement between two German parties took place before the District Court in Düsseldorf. The patent owner claimed that a French part of this patent had been infringed upon, not the German one. The District Court considered itself competent to decide in this matter as the defendant was also based in Germany. The problem was that the alleged trespasser opposed the invalidity of the patent from the outset and pursuant to European regulations on international jurisdiction⁷³ for actions concerning validity of patents which were applied to this case, only the courts in countries in which the patent takes effect are competent to deal with such case. The

⁷³ Art. 16 Nr. 4 EuGVO

British High Court of Justice concluded from these regulations that the action against infringement of foreign patent cannot be dealt with at British courts if – as is usually the case – the alleged trespasser defends themselves by plea of invalidity of the patent from the outset.⁷⁴

This dispute concerned interpretation of European law, and therefore the issue could be submitted to the European Court of Justice for decision. The ECJ preferred the British interpretation last year. A court cannot decide in the matter of validity of a foreign patent, not even in case that its invalidity from the outset is raised only as an objection during patent infringement proceedings.⁷⁵

This means that deciding of disputes concerning patent infringement with international effect is practically impossible. The need for the European Patent Court has increased even more.

3.2 Utility models

An owner of a German utility model can intervene against infringement of their rights through an action at a district court just like a patent owner. One speciality is that novelty or inventive step are not examined before the registration of a utility model. The defendant may thus object to invalidity of a patent from the outset in the course of patent infringement proceedings. It cannot be assumed during infringement proceedings that a utility model is valid due to the absence of examination. Novelty and inventive step of the model are eventually examined during the proceedings. The defendant does not have to initiate an extra utility model cancellation procedure.

3.3 Trademark

Let us suppose that a businessman in Munich sells automobile spare parts under “BMW” brand but in fact they are manufactured in the Far East without BMW

knowing about it. This would be an obvious case of infringement of “BMW” trademark, which is registered both in German and in European register. What measures can BMW take?



Trademark rights in Germany are mainly enforced in the following way: The owner first notifies the trespasser of their trademark rights and then they bring an action before a civil court. However, we have to distinguish between the enforcement of national trademarks and the enforcement of Community trademarks. BMW company whose products are protected by national and Community trademarks tries both means.

3.3.1 National trademarks

Particular regional courts are competent to deal with actions against infringement upon a German trademark – identically to the situation in patent law. Even here the rights owner can request the trespasser to cease the illegal activity and even seek compensation for damage if the infringement was done on purpose. Another significant claim is the claim to destruction of products, which have been marked as unlawful (see Sections 14 and 18 of the Trademark Act). To prevent further infringement upon trademark rights in a short time it is recommended – just like in the Patent Act – to file a request for preliminary injunction.

In our case BMW requests preliminary injunction at the District Court in Munich⁷⁶ with the aim to order the businessman to cease further sale of forged spare parts and surrender the remaining goods to the distrainer. BMW concurrently brings an action on cessation of trademark infringement, provision of information on the scope of infringement, statement of the

⁷⁴ High Court of Justice GRUR Int 1999, 784.

⁷⁵ EuGH of 13th July 2006, legal dispute C-4/03, GAT/LuK, GRUR Int 2006,839.

⁷⁶ There are two district courts in Munich.

obligation to compensate for the damage incurred and on destruction of the incorrectly indicated goods seized at the businessman at the same court. The court complies with the action.

Even in the procedure concerning trademark infringement, it is possible to appeal to the Supreme District Court against the decision of a District Court and then appeal to the Federal Court of Justice.

3.3.2 Community Trademarks

A Community Trademark is European protective right with uniform effect in the whole European Union. An action against infringement of a Community Trademark should actually be dealt with at the European Court. However, there is no European Court for civil suits between private persons yet. Therefore, the Community Trademark Regulation authorizes national courts to enforce Community Trademark rights. It uses a special trick: member countries of the European Union must appoint existing national courts of the first and second instance for their territory and these shall be competent for disputes concerning Community Trademarks. If these national courts act in supranational function, they shall act as "Community Trademark courts". Metaphorically speaking, a national judge puts on a European hat when deciding a procedure concerning a Community Trademark. For example, Düsseldorf and Munich I in Germany are competent not only for actions against infringement of international trademarks but also for actions against infringement of a Community Trademark.

Which of the many "Community Trademark courts" all over Europe is now competent to deal with the action against Community Trademark infringement initiated by BMW? The internationally competent courts primarily include the courts in the country where the defendant is based. These courts can decide legal disputes with all-European effect. Besides that the courts in every country in which the activities infringing upon the Community Trademark took place are also competent. However, these courts

can only decide about those actions, which were committed in the territory of their country (see Art. 94 of the Community Trademark Regulation).

BMW company can thus address the Munich I District Court to deal with the infringement of their trademark. As this court is situated in the country where the defendant is based, it can even adjudge compensation for damage caused by actions infringing upon Community Trademark rights in other European countries to BMW.

3.3.3 Plea of ineffectiveness of a trademark

The question of whether a trademark is effective does not play its role in proceedings concerning infringement upon trademark rights so often, as compared to the role of the question of whether a patent is effectively used in patent disputes. Nobody will dispute whether BMW brand is efficiently legally protected in these proceedings. However, if its validity is disputed one day, the same things as in the case of patent infringement proceedings shall apply in trademark rights infringement proceedings: a registered trademark is a verified right as the office examines whether there are any so-called absolute obstacles to the trademark before its registration. The court dealing with trademark infringement should thus not examine legal validity of the trademark at all. It is bound by the registration⁷⁷. A person who is marked as the one that has infringed upon the trademark and who disputes its validity must file their request for cancellation of the trademark at the German Patent and Trademark Office (Sections 50 and 54 of the Trademark Act).

The liability of a court dealing with trademark infringement to acknowledge the validity of a registered trademark shall not apply if the defendant owns earlier rights, particularly if he/she is the owner of the same trademark, which was registered earlier than the plaintiff's trademark. A

⁷⁷ see Ströbele/Hacker, Trademark Act, 8th edition, Section 14 Rn. 13.

trademark is not examined for existence of earlier rights before its registration. These earlier rights can be exercised in opposition procedure before the Patent Office and they can also be enforced through action for revocation at a civil court (Section 51 para. 1 of the Trademark Act). Thus the invalidity of the plaintiff's trademark from the outset can be enforced even in trademark infringement proceedings and that either through cross-action or through an objection against the action on trademark infringement.

The speciality of civil proceedings against the breach of a Community Trademark is that the defendant can dispute the legal effect of the trademark even within the trademark infringement proceedings. They can bring cross-action against invalidity of the trademark from the outset and thus raise the questions, which were already examined in the registration procedure (Art. 95 para. 1 of the Community Trademark Regulation) again. In my opinion, this is excessive legal protection, which unnecessarily prevents enforcement of Community Trademarks.

3.3.4 Interpretation of trademark law by the European Court of Justice

We often encounter problems with the interpretation of the legal regulations, which are based on the European Union Directive concerning trademark rights in the proceedings concerning trademark infringement. In such cases, there is a possibility to let the European Court of Justice decide about the correct interpretation.

In 1999, the European Court of Justice decided about the very difficult issue of the exhaustion of trademark rights⁷⁸ which is very important in practice: Article 7 of the Trademark Law Directive implies the following: a trademark owner who introduces goods using their mark on a market may not intervene against further selling of the goods under this mark all over Europe. When goods bearing a trademark is put into circulation, the trademark rights concerning such goods are "exhausted". Some countries understood this provision

during enforcement of the directive to their national law that the rights are exhausted even in case a trademark owner introduces the goods at a market outside the European Union, e.g. to the USA. The European Court of Justice refused this interpretation. "Silhouette" trademark owner who introduces their jeans on the US market under this brand does not have to tolerate reimporting of these jeans to Europe under the same brand by a third party. The trademark rights are not "exhausted".

The owner may thus prevent so-called parallel import of their goods from the USA to Europe.



3.4 Industrial designs

Enforcement of an industrial design at civil courts takes place practically concurrently with trademark enforcement. Even here there is the possibility to choose between national and Community law. Material prerequisites for the creation of industrial design (i.e. novelty and individuality) are not examined before the registration and therefore it is possible to oppose its invalidity due to the absence of these prerequisites in all proceedings concerning infringement of industrial design.

3.5 Geographical indications and appellations of origin

Geographical indications and appellations of origin differ from other intellectual property rights in the fact that the protected legal items do not belong to one concrete person or company but to all producers of the given goods in the given territory. "Lübecker Marzipan" can be used to designate goods of all producers of this delicacy based in Lübeck. If a producer who is not based in Lübeck uses this denomination, an action can be brought against them by any of the Lübeck producers but also by institutions

⁷⁸ EuGH GRUR Int 1999, 870 – Silhouette -.

like the local Industrial and Commercial Chamber or the Consumers' Association. This applies to infringement of national protected geographical indications and appellations of origin, as well as to infringement of geographical indications and appellations of origin which are registered in the Register of Agricultural Products and Foodstuffs of the European Commission (see Sections 128, and 135 of the Trademark Act, always in connection with Section 8 para. 3 of the Unfair Competition Act).

3.6 Copyright

Civil courts even prosecute copyright infringement pursuant to the already known pattern: if someone makes unauthorized copies of a new musical composition, a new film or a new computer program they can be requested to cease such unlawful activity, compensate for the damage incurred and destroy all illegal copies. There is no need to go into details. The competence to deal with these actions against copyright infringement is also concentrated at particular district courts.

4. Confiscation of goods at the borders

4.1 Generally speaking

The second pillar of intellectual property protection in Germany – and in Europe in general – is the confiscation of goods at the borders, seizure of goods which might infringe upon intellectual property rights by customs authorities, namely during import. I cannot describe you any practical experience here, but I will present basic features of the confiscation of goods as it is carried out in Germany⁷⁹

First I will give you one example, which explains the significance of confiscation of goods at the borders: the German Customs Office seized 117 containers with

⁷⁹ see the following Wagner, Activity of customs authorities (confiscation at the border) in Munich attorney manual Gewerblicher Rechtsschutz, published by Hasselblatt, 2nd edition 2005, pg. 272 – 289; Cordes, Die Grenzbeschlagnahme in Patentsachen, GRUR 2007, 483 – 490.

counterfeits of brand products in Hamburg port during a few weeks in 2006. They mainly contained sports shoes, textile, watches and toys. The sales value of the original goods would have been more than EUR 383 million⁸⁰.

4.2 Legal background and prerequisites

The most important legal background for confiscation of goods at the borders is the European Union Directive. It is currently valid in the wording of 22nd July 2003⁸¹. The Directive allows action by customs authorities if goods suspected of infringement upon certain intellectual property rights (namely patents, trademarks, industrial designs, geographical indications and appellations of origin or copyright) is to be transported across the border. The customs office can act both in case of import and export of goods. It can even intervene if the suspicious goods is only transited across the European Union territory; thus has been decided by the European Court of Justice⁸².

The Directive cannot be applied to trade within the European Union, i.e. to transportation between member countries. National law, which also works with the seizure of forged goods at the border, applies as a supplement here. German law concerning confiscation at the borders also fills in other gaps in the European directive: it considers infringement upon a utility model a serious offence⁸³. ; Pursuant to German law, it is also possible to confiscate original products which are imported from third countries and which infringe upon trademark rights. I have already mentioned that rights arising from a trademark shall not be considered “exhausted“ if its owner introduces their goods marked with this trademark to a market outside the European Union; the trademark owner may prevent

⁸⁰ Annual Report 2006 of the Central Office for the Protection of Industrial Property Rights of the customs administration (ZGR), pg. 5.

⁸¹ VO (EG) Nr. 1383/2003, Journal L 196 of 2nd August 2003, pg. 7.

⁸² EuGH GRUR Int 2000, 748, 750 – The Polo / Lauren Company - (to the previous wording of the Directive).

⁸³ Section 25a of the Utility Model Act.

import of their goods to the European Union, so-called parallel import. The European Directive concerning confiscation at the borders does not want to occupy customs officers with the duty to inspect whether original goods is imported lawfully. However, provisions on confiscation of goods at the borders in German Trademark Act allow the Customs Office to act in case of unauthorized parallel import⁸⁴.

4.3 Proceedings

Pursuant to the European Regulation, the customs office may intervene in the right of their office if there is a suspicion that forged goods is going to cross the border. However, in practice, the customs authorities act exclusively upon rights owners' request. Such request can be made at the Central Office for the Protection of Industrial Property Rights (ZGR) of the Customs Administration based in Munich. Applications are usually filed by businessmen who have a reason to believe that counterfeit copies of their products are to be imported to Germany. The application must contain detailed statement saying which intellectual property rights belonging to the applicant might be infringed upon, which counterfeit copies might be imported and how these can be distinguished from the original goods. The applicant must also declare that they will bear all costs associated with the seizure of goods and that they will compensate for any damage incurred. The applicant must also appoint a contact person whom the customs officers can quickly contact should the need arise.

The Central Office may refuse the request if they assume that there is a lack of prerequisites for the confiscation of goods at the borders. Otherwise, the Central Office grants the request for one year and hands it over to individual customs offices. The one-year period can be extended upon the request of rights owner.

The application is usually directed to actions of German customs authorities. If the applicant has all-European protection – a

Community Trademark, a Community Industrial Design or a geographical indication and designation of origin registered in Brussels – it can apply in all member countries of the European Union. German Central Office transfers it to the central offices of other European countries. The Czech Republic is the base of so-called Customs Directorate in Hradec Králové.

If customs authorities discover a suspicious delivery of goods in the months that follow the application, they preliminarily seize the goods and inform the owner of the intellectual property rights who requested the confiscation of goods at the border. The Owner can obtain more information (e.g. by inspecting the suspicious goods) and they have to initiate a lawsuit with the aim of stating infringement of their legal protection in ten days. This can be done through ordinary action against infringement of rights before a district court; it is not yet clear whether a request for preliminary injunction is sufficient⁸⁵. If judicial proceedings are initiated in time, the goods remains seized until the matter is settled in court.

Simplified procedure is possible if the owner of the goods or a person authorized to dispose of the goods declare that they agree with immediate destruction of the goods. Pursuant to Article 11 of the European Regulation, the national law can assume that such consent has been given if the person authorized to dispose of the goods is notified about the destruction of the goods and fails to lodge an objection within ten days. This provision is to be enforced in the German law through an act, which is currently being discussed in the German Parliament, and through which the directive concerning enforcement of intellectual property rights will be transformed in the German law.

So much for the confiscation at the borders pursuant to the European Regulation. Pursuant to German law, there is a procedure for confiscation of goods at the borders the major part of which corresponds to the abovementioned procedure and it

⁸⁴ see Section 146 para. 1 of the Trademark Act and the Federal Financial Court GRUR Int 2000, 780 – Jockey -

⁸⁵ see Cordes GRUR 2007, 486.

differs only in minor facts, e.g. that German law requires infringement upon someone's rights to be "obvious" to allow intervention by customs authorities, as mere suspicion is not enough.

4.4 Statistics

The Central Office for the Protection of Industrial Property Rights of the German customs administration published their Annual Report in 2006 which included a range of numbers showing where the crux of confiscations at the border was⁸⁶.

German customs authorities intervened in 9 164 cases of suspicious goods in 2006. If this had been original goods its value would have equalled EUR 1 175 million. 90 % of the goods value was involved in trademark infringement followed by patent infringement with 8 %. Most of the interventions concerned air transportation. Frankfurt airport is the centre of the activity of customs authorities. The list of countries where the counterfeits originated is dominated by China; 44 % of interventions concerned deliveries from China, including Hong Kong. Confucius' praise of imitation still has a strong influence nowadays. Surprisingly, the second place is occupied by the USA with 12,7 %. However, I would like to mention that majority of cases concerned parallel import of original goods. Turkey ranks third with 8,7 closely followed by Thailand 8,6 %. The Czech Republic is at the eleventh place with 0,8 % of interventions; this constitutes very pleasing development as the Czech Republic ranked third behind Thailand and China and slightly before Poland in 2003.

5. Criminal protection of intellectual property

Each German act concerning intellectual property also contains criminal regulations, i.e. provisions, which threaten with a punishment for infringement of intellectual property rights.

For example, pursuant to Section 142 of the Patent Act, a person who manufactures a product which is the subject matter of a patent or puts it into circulation without the patent owner's consent can be penalized with imprisonment for up to three years or with a fine. If the offender acts as an entrepreneur, the maximum period of imprisonment can be five years.

The same penalty is stated in Section 143 of the Trademark Act for cases when a mark, which is identical to or confusable with the trademark, is illegally used in trade.

A corresponding provision is also included in the Copyright Act (Sections 106 and 108a). This concerns cases of copying, distribution or other exploitation of copyright protected work.

Criminal sanctions for infringement upon intellectual property rights are of little practical significance in Germany though. The last known punishment for patent infringement was given in 1933⁸⁷. It will be understandable if we focus more closely on the amendment of criminal rules. Offences are usually not prosecuted from the initiative of the Office but rather upon the aggrieved party's request. The state prosecution has the possibility to look away from the action itself and encourage the aggrieved person to bring so-called private charge (Section 374 para. 1 No. 8, Section 376 of the Rules of Criminal Procedure).

However prosecution of copyright infringement still has some sense. Unauthorized copying of computer programs is an actual position where both the state prosecution and the police see public interest in criminal prosecution. The statistics of the Federal Criminal Office prove that 2 647 police investigations due to "software piracy" were carried out in 2006; 727 cases concerned commercial activity and 1 920 cases copying in private sector.⁸⁸

⁸⁷ Cordes GRUR 2007, 487 with reference to RG GRUR 1933, 288.

⁸⁸ The Federal Criminal Police Office, Crime statistics 2006, pg. 236 (see www.bka.de/pks/pks2006 webpage)

⁸⁶ published on the Internet at www.ipr.zoll.de

6. Final note

I would like to give you the full citation of the great Chinese philosopher Confucius to protect his honour.

“There are three methods of gaining wisdom. The first is reflection, which is the highest. The second is imitation, which is the easiest. The third is experience, which is the bitterest“

We all should see to it that most of the people choose the highest method of reflection, which leads to inventions, new creations, literary, works and works of art. We should apply such sanctions to unauthorized imitation that it will no longer be the easiest method. Whoever infringes upon the intellectual property, they should gain the bitter experience that it is not worth the risk.

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**Systems of intangible property rights enforcement
abroad (Germany),
collaboration of respective German institutions,
information and experience exchange**

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1. Introduction

German law provides an extensive system of intellectual property system, which increasingly corresponds with the European law. The rights can be enforced either in civil or administration proceedings. The protection is further complemented by various regulations of criminal law and law related to minor offences. I will not, however, talk about those. The individual possibilities of protection then depend on the kind of right, which is why I have to make a short discourse into the protective rights, which we focus on, and the creation of such rights in particular.

First of all, it is necessary to distinguish the broader term intellectual property from industrial protective rights. These two areas do not overlap entirely. Intellectual property includes copyright and industrial protective rights, which are basically defined by the act on industrial designs, patent act, act on utility models and act on trademarks. I will talk about these most significant intangible property rights later. Less significant are the Act on the protection of semiconductor products topographies, which together with Patent Act and the Act on the protection of utility designs falls under the category of technological protective rights, and the Act on the protection of rights to plant varieties. Also the Act on unfair competition and the Trusts Act can be ranked under the industrial legal protection in the broader sense. The present describes the following act:



1.1 Patents

The national patent protection begins with the grant of the patent by the German Patent and Trademark Office. The national patent as well as the Community and international patents (PCT) are verified protective rights. This means, that the office administrating the register verifies prior to the grant of a patent whether legal requirement of patent protection are met, i.e. whether the invention to be registered is new and a result of inventing activity. The protection period of a patent is 20 years.

1.2 Utility model

To a certain extent, utility model can be described as a small patent. Also the utility model must be a result of inventing activity and must be new. The protection of an utility model starts with the application and the record in the register, which again is administrated by the German Patent and Trademark Office. The registration procedure is however much simpler then that for patents, as the German Patent and Trademark Office does not verify the protection requirements. This is also why the right to a utility model is not a verified right. The decisive disadvantage of the utility model is the duration of the protection period, which is 10 year at the maximum. The protection period is thus just half of the protection period of a patent.

1.3. Industrial design

Industrial design enables in the first place the protection of a design. The precondition of a registration of an industrial design is the novelty and individuality of the design, which has to differ from all previously known forms. Similarly to utility models, the protection of national industrial design follows the record in the register administrated by the German Patent and Trademark Office, and, similarly to utility models, also the right to an industrial design is not a verified right. The protection of the industrial design can last up to 25 years. On the European level, Council Regulation (EC) No. 6/2002 of 12 December 2001, on

Community Industrial Designs, defines besides the registered Community industrial design also the protection of non-registered industrial design, which however lasts 3 years at the maximum.

1.4 Protection marks and other designations

Also the protection of a mark begins fundamentally with the filing of application and the registration of the protective right. However, there are some exceptions from this rule. A non-registered trademark, provided that it is generally known in the Federal Republic of Germany, enjoys the protection even without registration due to its discerning capability, as an internationally known trademark. When a national trademark is being registered, the German Patent and Trademark Office verifies the preconditions of protection, particularly whether the trademark has sufficient discerning capability to differentiate goods and services of one enterprise from goods and services on another one. It means that the right is verified. The charm of a trademark consists in the fact that it provides time unlimited – there is no maximum protection period.

Besides protection marks, also protection of factory or commercial mark can be granted in Germany, by using the mark to designate an enterprise or a company. The protection of such marks is then created simply by their using. The protection of a factory or brand name is very similar to a protection of a trademark.

The right to a Community trademark is regulated by Council Regulation (EC) No. 40/94 of 20 December 1993, on the Community Trade Mark. The registration at the Office of Harmonization for the Internal Market in Alicante results in the protection in all of the member countries of the Community. However, factory or commercial marks are not protected at the European level.

1.5 Copyright

Individual intellectual creation is solely protected by Copyright. The protection depends only on the creation of a work, not on its registration in a register. Copyright expires as late as 70 years after the author's death.

2. Claims from infringements

The infringement claims of protective rights are primarily dependant on a manner, in which such rights were violated. Thus, for instance at frequent breaches of trademarks or copyrights on the Internet, entitlements to the destruction of the products infringing the protective rights do not come into question. Similarly, the individual damages in these cases are calculated differently from cases of product piracy. The system of entitlements can be best explained at an example of a classical product piracy, where a whole range of claims comes into question. The following example can serve as an explanation:

A orders in China 2,000 of branded safety razor blades. Their Community trademark G of a company of the same name has been registered since 1990. 1,000 of the safety razor blades were delivered in July 2007. A sells 700 of them through Internet auction E at a price of EUR 3.00 for ten pieces. The following delivery, the next 1,000 pieces of blades, is confiscated by the customs in Frankfurt airport in September 2007. At the same time, A registers G trademark with the German Patent and Trademark Office.

The injured person can file a number of claims. The most urgent one at the beginning is usually a wish that the infringer refrains from his unlawful conduct. Further, the injured person is entitled to be informed on the extent of the breach and to damages. Eventually, in particular in cases of product piracy he can demand the goods infringing protective rights to be destroyed.

2.1 Refraining from infringement

The wish of the protective rights holder is for the infringer to refrain from the infringing of the holder's protective rights, i.e. that he

does not distribute his products on which he printed the trademark, or books by whose sales he infringes the copyright of a third party, and that he withdraw the existing goods from the market. Legal formulation of this claim considers the culpability as irrelevant. This fact is of decisive significance, as only in this way it is possible to ban further sales of products to a merchant who sales or distributes pirate products without knowing that such products are fakes.

First, G can demand from A that he shall not offer to sell or sell the remaining 300 blades. The prohibition applies also to any preparatory dealing. If the goods were bought by a third party who re-sells them in good faith, such third party is still obliged to desist from further selling, as the culpability is irrelevant.

2.2 Information of the infringement extent

The right to information serves to prepare subsequent claim for damages, whose amount depends on the number of sold products, on the turnover gained by the sales of such products as well as on other circumstances in the sphere of the infringer. The aggrieved who must calculate, describe and evidence the damages in the claim, is thus in disadvantageous situation, as he fails to have the necessary information. From this reason, the laws on protection of intellectual property take the right to information partially into account. If not, the judicature acknowledges the general right to information, according to which the aggrieved has a right to be notified of all circumstances necessary the calculation of damages. Besides the information on the number of products and amount of turnover there is usually also a right to information on the producer and supplier, which enables the injured person to raise a claim also upon other participants in the distribution chain.

G has to reveal that he sold 700 of safety razor blades at a price of EUR 3.00 for 10 pieces, that he has 300 more blades still at his disposal and that he has ordered further 1,000 blades. Further, he must state the name of his supplier.

The infringer often attempts to disguise the amount of his turnover. When in doubts on the truthfulness of the information, the aggrieved can demand that the infringer declares the information in lieu of oath, with the result that a possible incorrect statement shall be punishable.

2.3 Damages

In case of intellectual property infringement, the damages can be calculated in three ways. The injured person can: draw the turnover which the infringer gained through his unlawful conduct, demand profit lost through the infringement of his rights or fictitious licence fee.

The calculation of the lost profit can be rather difficult. For the selling of products infringing trademark rights, the injured person would have to evidence that the consumers would buy original product for possibly significantly higher price instead of the fake.

The claim to draw turnover gained by selling the product infringing protective rights is easier to enforce. The infringer is however entitled to deduct the production and sales costs encumbered in relation to the particular product. The overhead costs are nevertheless as a rule not deductible. These are general costs to maintain the business operation, general marketing costs or similar.

As it is probably difficult for G to ascertain what profit he lost, he will demand either the turnover of A (EUR 2,000.00 for 70 packs of ten blades, EUR 3.00 each), minus purchase cost, or the fictitious licence fee for each sold blade, whose amount depends on the value of the trademark.

2.4 Destruction

The injured person can further demand that the infringer destructs at his own expense the products infringing the injured person's rights, or that the infringer agrees with such destruction. I will mention the claim to

destruction later, when describing the customs proceedings (in part III, point 4).

G thus can claim the destruction of the remaining 300 safety razor blades, which are the property of A and the 1000 of blades confiscated by the customs.

3. Claims enforcement

3.1 Extrajudicial proceedings

The German legislation system requires that the aggrieved always approaches the infringer prior to the commencement of further proceedings, usually through his lawyer, claiming his rights. Unlike the law regulating conditions of economic competition, the rule is not explicitly stated in laws on intellectual property, the judicature however acknowledges it.

Although the injured person does not block his way to courts if he omits the pre-trial warning, denoted as remonstrance, as the pre-warning is not a prerequisite of the claim enforcement, he however runs a risk of considerable court costs consideration. For when the infringer in a process commenced without previous warning immediately acknowledges the claimed entitlement, or entitlements, stating that he would acquit in case of a warning and the trial was unnecessary, the court imposes on the claimant to settle the court costs. The disputes resulting from industrial rights protection are of considerable value, often six-digit one and the court costs can range from EUR 5,000 to 15,000.

As for the content, the remonstrance has to contain the description of the matter of facts of the infringement, short explanation where the remonstrator states his entitlements from the infringed protective rights and an appeal to the remonstrator addressee to commit himself out of court to satisfy the entitlements. In virtue of his entitlement to the abstention from infringement, the aggrieved summons the infringer to deliver to him a statement that the infringer will refrain from further infringement of his protective rights, otherwise the infringer is due to pay the set contractual fine. The amount of the fine usually ranges from EUR

5,000 and 10,000. Further, it is customary to commit oneself to pay the contractual fine, which is calculated, individually for each creditor depending on the significance of the infringement. The amount of such fine can however be reassessed by court. Only by the delivery of such statement can the infringer prevent the risk of repetition and avert court proceedings.

As concerns other entitlements, the creditor usually requires information and an explicit acknowledgement of the obligation to pay incurred damages without having actually calculated the amount of the damages. The remonstrator in principle sets a really short time for the delivering of the statement, most often around one week. If the addressee of the remonstrator fails to deliver the statement, the next step is usually the court procedure in accordance with the remonstrator. In exceptional cases it is possible to desist from the remonstrator, especially if such previous warning could obstruct the rights.

3.2 Court Proceedings

Injured person who wishes to use the powers of court has two possibilities: apart from standard action he can attempt to obtain a preliminary ruling.

3.2.1 Preliminary legal protection

This is only a preliminary guarantee issued in an accelerated court proceedings. However, it is impossible to ensure all the entitlements in this way. For instance, the entitlement to damages cannot be enforced by a preliminary injunction, as it would mean that the result of the main proceeding would be anticipated. It is nevertheless possible to ensure the entitlement to the abstention from further infringement. Besides, there is a possibility in some cases to have some products examined in order to secure evidence by means of emergency. Also the right to information can be enforced in such proceedings.

3.2.1.1 Proceedings on the issuing of preliminary injunction

The proceedings on the issuing of preliminary injunction are fundamentally different from the usual action. It is commenced by an application in written, which is similar to an action. The application describes and correctly evaluates the facts of the case. It is easier for the claimant, as the fact need not to be evidenced by trustworthy proofs, but, unlike a usual accusatory procedure, statements in lieu of oath are sufficient. These can be even made by the claimant himself, or, in case of a legal entity, by its bodies. This is somewhat strange, as in normal proceedings these persons cannot give evidence as witnesses because of their interest in the matter.

The prerequisite of the issuing of preliminary injunction is apart from the description of the claim also the explanation of reasons for the imposing of preliminary measures, i.e. the danger of delay. The period between the time when the claimant learned about the infringement and the submission of the application must not be too long. The limit is usually around two months, or even only one month according to some of the courts. On receiving the application, the court can, similarly to accusatory procedure, set a term of oral proceedings, and mostly actually does so. The court often fails to hear the defendant, i.e. the injured party. This fact is increasingly criticised in the expert legal literature, where it is objected that the defendant is deprived of legal hearing.

The proceedings is often conducted in such a way that the court, when in doubts about the legitimacy of the issuing of the preliminary ruling or when in need of another pleading, summons for summons the applicant or a person acting on the applicant's behalf, without the defendant being notified about that. The defendant can on the issuing of emergency ruling lodge an objection.

The term of the oral proceedings, which previously did not take place, is then set, but the defendant is already disadvantaged to a considerable extent, as the emergency ruling already exists and he must not distribute the goods, which allegedly infringes the protective trademark rights.

This disadvantage that the claimant can obtain emergency ruling on the basis of even one trustworthy instrument in the form of his own statement in lieu of oath is compensated by the fact that the law imposes on him the responsibility regardless of the culpability in case of possible abolishing of the emergency ruling.

The defendant can secure for himself the court hearing prior to the issuing of the emergency ruling if he on the receiving of the remonstrance notifies the court in written of the possibility of the submission of the application for the issuing of emergency ruling and describes the facts of the case from his point of view (such submission is denoted as defence submission). This instrument is not regulated by law, however, is acknowledged by the judicature. The difficulty presents the fact that the defendants are often unaware of which court the opponent filed his application for emergency ruling issuing at, especially when the cases of infringement occurred on various places and the applicant thus can choose from several courts. This is why the defence submissions are frequently filed with several courts. The register of defence submissions has been created on the Internet

(www.schutzschriftenregister.de), which should by the administration of central register abolish the necessity to file the submission at several courts. However, there is no guarantee so far that the courts will really view the register.

3.2.1.2 Further proceedings

The next significant particularity of the proceedings on the issuing of the preliminary injunction is that the

applicant has to deliver the court decision to the opposing party (usually through a judicial executor). If he fails to do so in one month after receiving the decision from the court, the decision can be abolished regardless of it being correct from the content point of view or not.

The preliminary injunction has no legal effect. It serves only to preliminary security and can only prevent the lapse, not prohibit permanently. This is why the applicant on the termination of the proceedings also files the usual action in order to obtain a final and decisive decision. Usually, the injured party sends after a certain period from the delivering of the emergency ruling a letter to the infringer demanding that the infringer prevents an action resulting from the subject matter by voluntarily acknowledging the preliminary injunction as a final settlement. The infringer frequently at least seriously contemplates this possibility, as the court rejected his arguments already in the proceedings on the preliminary injunction issuing and unless the infringer can state fundamental new facts in the main proceedings he has a minimum chance to change the court opinion. The infringer thus can in this way prevent incurring further costs. The courts presently require that the injured party, if previously obtained the preliminary injunction, sends such letter prior to the filing of an action in the core of the matter. If he fails to do so, he incurs the danger that he will be ordered to settle the court costs of the claimant, if the infringer acknowledges the claims.

If the defendant is satisfied that he will win the main proceedings, he can ask the court to set a time period for the applicant to file the action in the core of the matter. If the applicant fails to do so the emergency ruling will be abolished regardless of its content. The request that the court determines a time period for the applicant to file the action is advantageous especially in that case where the applicant in the proceedings

on the issuing of the emergency ruling leans in particular on his own statement in lieu of oath and in the normal proceedings to which he is a party can not give evidence as a witness and thus can not have at his disposal other suitable means of evidence.

3.2.1.3 Refraining from infringement

By means of emergency ruling, especially the entitlement to refraining from the infringement can be enforced. When the claim is successful, the defendant must discontinue his conduct by which he infringes the rights, for instance receive the goods, distribute them, promote or even import them. If he fails to comply he incurs the danger of a fine in the amount of up to EUR 250,000 or an imprisonment. The prohibition usually is for an unlimited period, but of naturally ends with the end of the main proceedings, which the opponent can claim as stated above.

In the above case, A will enforce by means of emergency ruling involving a threat of a fine in the amount of up to EUR 250,000 or imprisonment in case of non-compliance the prohibition of import of razor blades with G trademark, their promotion and/or distribution, unless these are G products.

The infringements of trademarks and copyright are probably the most frequent cases of the application of emergency ruling. Copyright is very difficult to describe. The enforcement of patent rights is often impossible because of the technological complexity in the proceedings on the issuing of emergency ruling.

3.2.1.4 Examination

In exceptional cases the emergency ruling can order the examination of the goods infringing protective rights with the aim to secure evidence. However, here, again, the result of the main proceedings is presumed, as the examination cannot be withdrawn, which is why strict conditions must be met. The

requirements were defined by the court in Düsseldorf, which is why we talk about the Düsseldorf proceedings on securing of evidence.

What is important in these proceedings is to ensure the interests of the defendant in the secrecy of internal commercial matters. From this reason, the municipal court in Düsseldorf grants access only to a person authorized by the claimant in the proceedings, if such person commits himself to secrecy towards the claimant. The provision is usually connected with a separate evidence proceedings, which comes into question generally solely where a patent has been infringed.

3.2.1.5 Information

In respect of the entitlement to information, the result of the main proceedings is necessarily presumed, which is why it can be enforced by means of emergency ruling only exceptionally. The act on trademarks explicitly assumes this in case of obvious infringements of rights.

If in the above case G is a famous trademark and the delivery confiscated by the customs obviously does not originate from G, the entitlement to information can not be enforced by way of emergency ruling.

3.2.2 Main proceedings

The main proceedings in the process resulting from protective rights infringement lasts in the first instance depending on the court and chamber usually between four and eighteen months, sometimes even longer. In the main proceedings, it is possible to make all above stated claims in form of a complex action. It is more advantageous from the costs point of view than separate proceedings, and, besides, the facts of the case can be described only once. Also the evidence, if necessary, can be presented just once.

The entitlement to refraining from protective rights infringement is again enforced in such a way that the infringer is threatened by a fine or imprisonment unless he acts in compliance with the court decision.

The entitlement to information is enforced with the above stated exception only in the main proceedings. The obligation of the infringer to swear to the correctness of his information can be ensured if necessary. The claim is enforced by means of a penalty.

The entitlement to damages can be as a rule calculated only after the providing of necessary information. From this reason it is impossible to submit a calculated application. The injured person thus usually sues only for the ascertaining whether the infringer is obliged to pay the damages incurred as a result of an unauthorized using of a protective right. The calculated claim is then usually enforced in a separate process. Also structured action comes is a possibility in some cases.

The entitlement to destruction can be enforced only in main proceedings. The emergency ruling is impossible from the very beginning because of the definitiveness of such destruction.

The last entitlement is the entitlement to expungement of later registered protective instrument, which can be enforced by action filed at civil courts. The application requires that the agreement with expungement is granted to the German Patent and Trademark Office. The agreement is substituted by a decision.

G can claim in the main proceedings the refraining from protective rights infringements, providing of information, acknowledgement of the obligation to pay incurred damages and the destruction of the remaining razor blades. On acquiring information he will probably enforce also damages. At the same time, G can demand the

expungement of the later registered trademark A.

register. The protective capability of the mark would not be verified.

3.2.3 Technicalities of individual protective rights

The course of the procedure depends in the considerable extent on which of the protective rights is claimed. If the injured party refers to a registered and verified protective right, i.e. trademark or patent, the infringer can not object in the proceedings resulting from protective rights infringements that the designation or the patent should not have been registered, for instance because the trademark is solely descriptive, or that the invention on the bases of which the patent was granted is not new. He has to commence expungement proceedings at the German Patent and Trademark Office. Usually he is not even successful in having the process resulting from protective rights infringement adjourned till the decision in the expungement proceedings. Registered and verified protective rights give better position to the injured person in the proceedings resulting from protective rights infringement.

As regards non-verified but registered protective rights, i.e. industrial designs and utility models, and non-registered protective rights as copyright and rights from factory marks, also the existence of protective right is ascertained in proceedings resulting from protective rights infringement. The injured person has to evidence in more details since what time was used for instance the factory mark and for what goods and services it is used. Moreover, the court and defendant can argue that no protection has been created, as the designation is simply descriptive or that from the injured party point of view the work protected by copyright fails to have the sufficient creative level. In these cases, the process depends on many unknown factors.

In the proceedings, G would have to present only a copy from the trademark

3.2.4 Local jurisdiction

It was already mentioned that the injured person can choose from several courts. However, it must be noted that individual countries concentrated the jurisdiction in the field of intellectual property, so that only one or two courts are competent in this field in each country. The courts then established specialized chambers. This practice proved to be, in view of a very special substance, highly advantageous.

3.3 Proceeding at the German Patent and Trademarks Office

Besides court proceeding, administrative proceedings before German Patent and Trademark Office are a possibility for the injured person in certain cases.

3.3.1 Trademark proceedings

The proceedings at the German Patent and Trademark Office can be commenced on condition that the infringement of a right to a trademark consists in the fact that the infringer registered his trademark later. It is then possible to commence objection procedure in the period of three months from the publishing of the registration of the mark in the trademark register. In comparison with court proceedings, the objection procedure has the advantage of being favourable from the price point of view. The fee, which has to be paid to the German Patent and Trademark Office, is only EUR 150. The defendant's costs are as a rule not compensated in case of failure. If the proceedings escalate in further instances to the Federal Patent Court and flowingly even to Federal Court of Justice, the incurred costs can be considerable. The injured person often waits even longer for the administrative decision than for the court decision, which he can obtain when he – which is possible – files a claim for expungement at the same time.

It means that G has a choice. Either he can lodge an objection within three months from the publishing of the registration of the trademark G by A company, or – before or after the three-month period – file an action for expungement.

3.3.2 Patent rights

As concerns national patents, the owner of an older protective right can lodge an objection in three months from the publishing of the grant of the patent by the injured person.

3.4 Customs proceedings

As concerns product piracy, the above-described proceedings cannot ensure effective protection of intellectual property. The injured person would have to rely on a chance, or would have to employ great investigation means of his own. From this reason, the protection is ensured by confiscation proceedings conducted by customs offices on borders, which in many cases make the export protective rights infringing goods more difficult. The process is coordinated by the Central Office for the Protection of Industrial Rights and Rights and Rights of Entrepreneurs in Munich (ZGR), which is a part of Supreme Financial Directorate in Nuremberg (OFD). The proceedings at customs offices are increasingly important. In 2006, 525 enterprises cooperated with ZGR, which decided on 748 of applications.⁸⁹

3.4.1 Confiscation proceedings on the border

3.4.1.1 Overview

The confiscation proceedings on the border enable the customs officers to confiscate products infringing protective rights. The term confiscation on the border is somewhat misleading, as the

confiscation of the goods is possible not only on the border, but, by means of Mobile Control Groups also during the transport of the goods within the Community. The confiscation proceedings start with an application of the protective right holder. Further procedure then depends on whether the customs offices shall act under Community regulations, or according to national legislation relating to protective rights.

As for the goods, which are not goods transported within the Community, the customs offices act in accordance with the Community Law. Under Council Regulation (VO (EC) No 1383/2003, on product piracy (PPVO hereinafter), it is possible to suspend the releasing of such goods for free circulation, or detain goods which are not goods transported within the Community and on which the customs officers find during inspection indicia raising suspicion that protective rights have been infringed. The goods are first detained for inspection and the rights holder is informed. Usually, court proceedings follow, in which it is decided whether the goods infringe protective rights.

Confiscation under national legislation is secondary and can be realized only when it is not possible to apply the regulation on product piracy, for instance because the goods infringing protective rights were found during an inspection of goods transported within the Community. If the authorized agent does not object, the customs order to confiscate the concerned consignment. In such a case the consignment is usually destroyed. The customs offices thus make the final resolution themselves.

If the authorized agent objects to such measure, the right holder has in two weeks claim his rights at a court and acquire in four weeks at the latest an enforceable judicial title ordering to the storing of the goods or another disposition restriction. The custom offices then pass the proceedings on relevant institutions together with the confiscated goods. As far as the customs are concerned, the proceedings are then

⁸⁹ Source: Federal ministry of finance, *Customs Annual Report – Industrial Rights Protection 2006*, Berlin, January 3007, pages 36 and following (*Customs Annual Report 2006 hereinafter*). Can be found on the internet on: http://www.bundesfinanzministerium.de/lang_de/nn_32380/nsc_true/DE/Service/Broschueren_Bestellservice/Zoll/60170,templated=renderPrint.html

closed and the relevant courts will decide definitely what in what way the goods should be treated.

3.4.1.2 Details of the confiscation on the border

3.4.1.2.1 Step 1: Filing of application

The custom offices act in principle on the request of the protective rights owner. The application must be submitted at the Central Office for the Protection of Industrial Rights and Rights of Entrepreneurs (ZGR) in Munich. There are no differences in the proceedings on the application within the European Community. The procedure of the proceedings on the application conducted solely under the German national law is similar to that of the proceedings under the Community Law. The request for confiscation under the national law is attached as Annex A. The most important differences are the following:

- In confiscation on the border for the infringing of geographical designation and appellation of origin the German law does not recognize any applicant. The customs offices confiscate the goods ex officio.
- Under Article 4 of PPWO the customs offices can ex officio, i.e. in the absence of a request, when in doubts, detain the goods infringing protective rights, if the customs proceedings are to be conducted under the Community Law. The customs inform the rights holder who then can submit an application within three days. Under national legislation, such ex officio customs intervention is not possible. If a customs office discovers suspicious goods infringing protective rights, it cannot detain the goods in the absence of the necessary request.

This difference is rather significant in everyday practice. The proceedings under Article 4 PPVO, i.e. ex officio confiscation, means considerable costs and in actuality is often unsuccessful, as it is often too demanding for the injured

persons who fail to submit a request on their own, and for this reason, they often fail to carry out the necessary following measures. Even if they decide to act on the phone warning of the customs, neither they nor their legal representatives are not familiar with the proceedings. According to the experience of the customs officers, this often results in the office having to spend more time explaining the procedure to the involved legal representatives. Frequently, they even fail to submit the application within the three-day period. The whole effort of the custom officers is then of no avail, from the initiate dispute with the importer/exporter of the suspicious goods to all the bureaucratic prevarications and storing the goods.

(a) Suitable evidence of protective rights ownership

When filing the application, the applicant has to prove that he is the owner of the protective rights. The requirements depend on the kind of the protective right. To give the proof, the protective rights owner presents

- a verified copy of a trademarks register record for a registered trademark
- a verified copy of the granted patent
- a verified copy of an register record for an industrial design or utility model.

Similar to the proceedings resulting from protective rights infringements, the evidence procedure of non-registered protective rights, i.e. copyright and non-registered trademark or factory mark, is more difficult. The ownership must be substantiated by different means, for instance the ownership of a factory mark by extract from the commercial register or promotion materials. Also previous court decisions on the protective right present suitable aid. If the applicant is not the owner of the rights and is only authorized to use them, or was appointed by the representative, he has, apart from the rights, substantiate also his authorization and power of attorney to the claiming of rights. This is usually done by the presenting of the relevant contracts.

(b) Supplementary information facilitating the recognition of the goods infringing protective rights

Besides the description of the protective rights as such, the application should include also supplementary information, which will make it easier for the customs offices to recognise the goods infringing protective rights, or will enable such recognising.

The customs offices present in their information brochures instruction on what information they can use in the searching for the goods infringing protective rights. The more detailed and extensive the information on the product itself and the fakes are, the greater is the probability that the goods infringing protective rights will be discovered. If the data provided by the applicant are insufficient, the applications can be rejected.

(c) Security

In order that the authorized agent is protected against the damage caused by the possible unjustified confiscation, the customs offices generally require from the applicant security in the form of severally liable bank guarantee. The necessary form can be obtained at the office (Annex B). The value of the security has to be in such amount as to cover the supposed costs of the proceedings and possible costs of the liquidation, as well as the value of damages possibly incurred by the agent by the unjustified confiscation. In reality, the amount is most often around EUR 10,000. The required sums rather tended to decrease in the previous years, for the cases when it is really necessary to pay the damages are in fact only rare.⁹⁰

In reality, the security however does not represent a prerequisite of the confiscation on the border, as it is often impossible to wait till the paying of the security by the applicant without the

purpose of the measures being frustrated. In these cases, the customs offices abide by the affirmation of the applicant that he will pay the security. Nevertheless, the damages occur in fact only rarely, as there is a number of control mechanisms in place and possible unjustified confiscations are abolished again in a short time.⁹¹

(d) Processing fee

In compliance the regulation on product piracy, no costs arise in connection with the application under the Community Law. This is also why under the German Regulation on customs costs, no fees are imposed for the application processing.

(e) Decision/notification

The Central Office for the Protection of Industrial Rights and Rights of Entrepreneurs (ZGR) is obliged to process the applications within 30 work days on the receiving and notify the applicant in written of the decision.

Every decision made in connection with the application and detailed instructions during its validity are announced to all customs offices as well to all customs points in Germany and to the Customs Criminal Office. Moreover, the application for confiscation on the border is published by the Federal Ministry of Finance in the Federal Finance Administration Regulations Collection.

Since July 2002, the Customs Administration operates electronic information system, which can transfer applications and instructions to the customs offices even faster and more effectively. In this information system named EAGENT, the customs offices can find all information necessary to their interventions:

- the images of protective rights in colours and high resolution
- contact addresses

⁹⁰ Association Internationale pour la Protection de la Propriété Intellectuelle, Executive Committee Meeting in Sorrento 2000, Q 147 – The effectiveness of border measures after TRIPS, Report Germany (hereinafter mentioned as AIPPI Q 147 report).

⁹¹ AIPPI Q 147 report

- trends and overview of the market

(f) Validity of the application

The period of the application validity depends on whether the application applies only to one particular case or on generally on the goods of the company. In the first case, the application is settled by confiscation. As for the general application, under national law the offices act for two year, under the application under the Community Law as a rule one year. The application cannot be prolonged.

(g) Legal instruments in case of application refusal

The applicant can lodge an objection against the refusal of the application for the confiscation on the border. The objection is dealt with by the Supreme Financial Directorate in Nuremberg. If the objection is not successful, the applicant has a possibility of court procedure at financial courts.

3.4.1.2.2 Step 2: Order of confiscation on the border and following measures

(a) Order of confiscation on the border

The customs offices order the confiscation on the border if they believe that they found goods infringing protective rights.

The confiscation on the border differs according to whether the procedure is conducted under the Community of the German national law.

Under the regulation on product piracy, the detained goods, which are „suspected“ from the infringement of protective rights, shall be detained. To substantiate the suspicion, any indicia pointing at the infringement of protective rights are sufficient. Under the German law, the confiscation is conducted only on condition that the infringement of

rights is evident. The infringement of protective rights is evident when it is absolutely clear even to average customs clerk. The comparison with the Regulation on product piracy then shows that the condition of the confiscation according to the German law is – at least in theory – stricter then the conditions according to the European law.

The requirements for reasonable evidence that it is clear on the first sight that the suspected goods infringes the applicant's protective rights depends on the kind of the concerned protective right and on the form of its infringement.

Experience from everyday practice shows that it is often rather difficult for custom officers to recognize the goods infringing protective rights, even when there is excellently prepared application, chiefly because there is great number of concurrent applications difficult to orientate in. Naturally, the most probable to be detected is then the goods designated by well-known trademarks. On the other hand, goods infringing protective rights resulting from less known trademarks or goods not designated by a trademark where the original product is unknown to the customs officer are often not recognized as suspicious goods. It is almost impossible for the customs officers in everyday practice to go through the list of all applications first. Even more difficult it is for them to discover the infringement of patent rights, where complex technical details are involved, especially as far as the detection of protective rights infringement of fitted parts is concerned.

(b) Consequent measures

On the conducting of the confiscation, the customs offices order either the suspension of the releasing of the goods into free circulation, or the detention of such goods.

The releasing of the goods into free circulation is ordered when the customs declaration has been submitted. In all

other cases the detention of goods is ordered. The consequent legal effects are nevertheless almost identical for both cases.

3.4.1.2.3 Step 3: Further proceedings

When the confiscation is ordered the customs office must inform without delay the applicant, the clearance agent and, where appropriate, the owner of the confiscated goods (the authorized agent). This way, the authorized agent has a possibility to oppose the confiscation. The applicant receives together with the application an opportunity to start the necessary (court) procedures to withdraw the suspected goods definitely from circulation.

(a) Participants notification

The notification is delivered to the applicant without any requirements as to the form. In view of the speeding of the process it is often delivered by fax. The applicant can examine the suspected goods. Often a sample is provided to him solely with the view to the carrying out of an analysis. It is also possible to send a sufficiently descriptive image. The court enforcement of the claim to examine the goods is not necessary in such cases. The authorized agent of the confiscated goods has identical possibilities.

Experience from everyday practice show that the stated information are often insufficient for the correct classification of the infringement. This is true especially in cases where the authorized agent violates a number of separate rights. When only a small amount of goods pertain to individual right owners, it is hardly possible to correctly estimate the significance of the infringement.

(b) Simplified proceedings

As concerns the confiscation under the Community legislation, Article 11 of PPVO assumes simplified proceedings on the seizure of the products infringing protective rights for liquidation. Article 11 of PPVO however needs a

transformation into the national law, is not directly applicable. The transformation is to take place together with the transformation of Directive 2004/48/EC on the enforcement of intellectual property rights of 29 April 2004 as early as this year. Currently, only government bill exists.

In practice, the Community Customs Code is presently in use (Council Regulation No 2913/92), which in case of the cumulative accord of the applicant and authorized agent assumes the possibility of the destruction of the detained goods. On the order to suspend the release of the goods for free circulation the authorized agent has apart of the agreement with the destruction of the goods take back also the customs clearance, otherwise the customs offices would be unable to destroy the goods. In reality, a pre-formulated affirmation of the abolishing of the customs clearance is sent to the authorized agent together with the agreement of the destruction of the goods (Annex C). This is often done in connection with the remonstrations of the protective rights holder, who at the same time claims also other entitlements of the refraining from infringement, providing information and damages.

If the current government proposal for the amendment of Article 11 PPVO comes into effect, the applicant can on being notified of the confiscation of goods suspected of protective rights infringement file an application for the destruction of the goods in simplified proceedings. The authorized agent must be informed of this, but his agreement is taken for granted unless he raises an objection in a certain period.

The simplified proceedings already in place as well as the expected proceedings under the Community Law differ in one significant point from the proceedings under the German national law. First of all, no submission of an applicant for the commencing of simplified proceedings is required. If the

person injured by the customs confiscation fails to lodge an objection against the confiscation in two weeks on receiving of the notification, the goods seized by the customs office will be confiscated without a court decision. Such simplified proceedings stems from the experience that in most cases of confiscation the infringements of rights were admitted and the detained goods yielded without the necessity of a court procedure.⁹² If the authorized agent fails to act in the defined period, which is also possible in theory, but it almost never occurs in reality, he has further legal instruments against the detention order. When the detention order comes into effect, the goods become a property of the state and the customs offices shall decide on the final destiny of the goods. Generally, the goods are liquidated.

(c) Court proceedings

In all instances where the simplified proceedings cannot be conducted court proceedings must be commenced. Under national law, the jurisdictions differ in relation to the confiscation on the border issues.

(aa) Proceedings under national law

The person injured by the confiscation on the border under the national confiscation proceedings can choose between an objection and an application for a court decision. The further procedure than depends on the choice.

The objection has to be addressed to the customs office, which ordered the confiscation. The customs office decides on the applicant's objection. The applicant then has to decide whether he considers his application in the given case as justified, or if he prefers to withdraw it. With regard to the risks of the guarantee he often decides to withdraw it when in doubts whether the confiscated goods infringes protective

rights. If the applicant fails to withdraw the application, he is obliged to present an enforceable court decision to the customs office in two weeks. This period can be prolonged by another two weeks at the maximum. In reality, the customs offices prolong the period on condition the applicant can prove that he has filed an application for a court decision but has not received the decision yet. The applicant has several possibilities how to obtain the court decision. Among others, the he can choose also the civil court proceedings. The confiscation under criminal procedure law in compliance with section 94 of StPO is the decision on the protective right. The goods infringing protective rights are accepted into central custody by the State Prosecution and the proceedings on the border are thus closed. If the criminal court finds in the final decision that the protective rights were infringed it orders to confiscate such goods. The goods then become a property of the state. As the state must not redistribute goods infringing protective rights lest it should commit the infringing of protective rights, the goods is as a rule destructed.

However, the civil court procedure is more often the choice, as the civil courts decide in the form of emergency ruling in a more flexible way then the criminal courts. The fact that the emergency ruling as described above is only of a preliminary character and is effective only till the main proceedings have been finished is not an issue. On the basis of the application the protective rights infringing goods are submitted to the judicial executor, who accepts the goods into custody. The proceedings on the confiscation on the border are then finished by the accepting of the goods by the judicial executor. The final destiny of the goods is then decided in the accusatory procedure, the result of which is generally the destruction of the goods.

The authorized agent can instead of lodging an objection against confiscation on the border file an application for court decision. His right to the submission of

⁹² The substantiation of the Product Piracy Act, Blatt für Patent-, Muster-, und Zeichenwesen (BIPMZ) 1990, 173, 186

the application is not bound by any period. The authorized agent can file a protest against the confiscation order and particularly against on the confiscation dealt with because of the assumed agreement in the simplified proceedings. The period for the lodging of the protest is two weeks from the delivery of the confiscation notification.

The decision is in the jurisdiction of district courts. The remedy against the court decision is a complaint, on which the Supreme Municipal Court decides.

(bb) Proceedings under the Community Law

Further court proceedings in the process of the confiscation on the border under the Community Law differ in a number of points from the above described court proceedings under the German national law.

In the confiscation process under the Community law the authorized agent can lodge an objection against the detention of the releasing of the goods for free circulation or against the detention of the products in one month. The objection should be submitted at the customs offices, which ordered the confiscation. The issued decision on the objection can be opposed at financial courts.

Contrary to the confiscation procedure according to the German national law the applicant is not obliged to present a court decision. He is only obliged to evidence that he has commenced a judicial procedure in a period of ten workdays, which can be prolonged by another days at the maximum. Because of this, it is possible in the proceeding under the Community Law to file also main action on the destruction of the goods. The further procedure of the court proceedings under the Community Law does not differ from the above-described court proceedings conducted solely according to national law.

(b) Destruction of the goods as a typical example

The goods infringing protective rights are usually destroyed. In the German practice, however, there exist several exceptions⁹³:

An exceptional case can occur in case of parallel import, which is in contradiction with the German law. In this case, the courts consider total destruction of goods, which is in fact original unreasonable and order only ban on the import. Such decision is however often incorrect, as the deterring affect is lost which is the purpose of the total destruction of the goods and the authorized agent can attempt another import.

Another exception can occur in relation to rights to geographical indications and appellations of origin: if the customs office detects a violation of geographical indication, the total destruction of the goods infringing protective rights is usually not ordered, but only the removing of the fake designation. Even here the deterring effect is not sufficient and the false geographical designation can be easily placed on the goods again.

It is also possible to refrain from the total destruction in individual cases in relation to the violations of technological protective rights. This occurs for instance in cases where the protective rights applies only to a small part of the goods.

(c) Import of small amount

The provisions of the national legislation neither the legislation of the Community do not apply to the goods infringing protective rights in a small amount.

The sales circles interested in the distribution of pirate goods have obviously detected this weak point long ago. They derived from this rule that private acquiring of pirate goods is acceptable. The import and distribution is disguised as an alleged private affair. If more pieces of protective rights infringing goods are concerned, it is usually

⁹³ AIPPI Q 14 report

explained that the products are as a purchase for family, neighbours, sports club members or colleagues from work⁹⁴.

This way, especially fakes of trademarks are systematically supplied to the Federative Republic of Germany ("ant transport"). The smugglers cross the border several times a day to transport the goods in small quantities.

(d) Collaboration

The collaboration based on mutual trust between the individual responsible authorities and other participants is necessary for the intellectual property protection. Primarily, it is essential to increase in this manner the popularity and acceptance of the proceedings. The Central Office for the Protection of Industrial Rights and Rights of the Entrepreneurs (ZGR) is trying to achieve these goals among others also by the following means⁹⁵:

- organizes lectures and informative meetings for federations and organizations and issues information brochures, such as annual reports. In them explains the formalities which are to be observed in for instance confiscation proceedings and presents suggestion for the improving of company structures, such as product security
- offers professional support to customs offices of other EU member countries and other Eastern Europe countries
- organizes live information exchange between the producers of the control instruments again trademark and product piracy
- provides professional advice to local customs offices during customs operations directly in the place
- closely cooperates in particular with the Customs Criminal Office and local Customs Investigation Offices. The

Customs Criminal Offices and the local Customs Investigation Offices subjected to it acts as customs criminal police and has authorizations identical to those of the police

- the customs administration also administrates its own internet site on www.zoll.de where information, applications and forms can be obtained. The site is regularly updated.

⁹⁴ AIPPI Q 147 report

⁹⁵ Customs Annual Report, 2006, page 7

Bürgschaftsurkunde

1. _____ in
_____ hat
bei der Oberfinanzdirektion Nürnberg - Zentralstelle Gewerblicher Rechts-
schutz - Sicherheit für alle Auslagen sowie den etwa entstehenden Schaden
aus _____
_____ auf Grenzbeschlagnahme nach _____

zu erbringen.

2. Wir leisten hiermit für diejenigen Beträge, welche der/die unter Ziffer 1
Benannte und/oder ein von ihm/ihr Vertreterer Auftraggeber aus dem oben
bezeichneten Anlass der Bundesrepublik Deutschland (Bundesfinanzverwal-
tung) / oder einer von einer Maßnahme nach o. a. Rechtsvorschriften be-
troffenen Person/ bei Beginn des Bürgschaftsverhältnisses bereits schuldig
ist oder künftig schuldig werden wird (nachstehend Hauptschuldner ge-
nannt), dergestalt Bürgschaft, dass wir Zahlung bis zur Gesamthöhe von
_____ in Buch-
staben: _____ EUR so-
fort, sobald die Oberfinanzdirektion solche von uns fordert, zu leisten
versprechen.

3. Die Bürgschaft ist unbefristet. Wir behalten uns vor, den Zeitraum, in dem
die durch die Bürgschaft gesicherten Forderungen entstanden sein müssen,
durch eine Kündigung zu begrenzen. Die Kündigungsfrist beträgt mindestens
einen Monat. Im Falle der Kündigung gilt die Bürgschaft für alle Forderun-
gen, die bis zu dem Zeitpunkt entstanden sind, zu dem die Kündigung wirk-
sam ist, unbefristet weiter.

- 1) Bei gerichtlich eingetragenen Firmen muß die Bezeichnung hier mit der Eintragung übereinstim-
men.
2) Die nicht in Betracht kommenden Angaben sind ggfs. zu streichen.

0134/1 Bürgschaftsurkunde gewerblicher Rechtsschutz (2004)

4. Wir verpflichten uns hierdurch, falls wir die Gläubigerin nur teilweise
befriedigt haben, die auf uns übergehenden Forderungen nicht zum Nachteil
der Gläubigerin geltend zu machen. Insbesondere verpflichten wir uns, für
den Fall der Eröffnung des Insolvenzverfahrens über das Vermögen des
Hauptschuldners alles, was wir aufgrund der auf uns übergehenden Forderun-
gen vor der vollen Befriedigung der Gläubigerin erhalten, bis zur gänzli-
chen Tilgung der verbürgten Forderung an die Gläubigerin zu zahlen.

5. Als Gerichtsstand wird der Sitz der Oberfinanzdirektion Nürnberg - Zent-
ralstelle Gewerblicher Rechtsschutz - vereinbart, der diese Urkunde über-
geben wird.

_____ 20_____

Unterschrift(en)

0134/2 Bürgschaftsurkunde gewerblicher Rechtsschutz (2004)

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60534 Frankfurt am Main

Antrag auf Aufhebung einer bereits angenommenen Zollanmeldung und Vernichtung
von Waren unter Zollamtlicher Überwachung

Hiermit beantrage ich die Aufhebung einer bereits angenommenen Zollanmeldung und
die Vernichtung der nachstehend bezeichneten Waren unter zollamtlicher Überwa-
chung:

Einzelheiten:

Bezeichnung des Zollamtes:	
Hauptzollamt Frankfurt am Main Flughafen [REDACTED]	
Zollanmelder: [REDACTED]	
Annahmedatum der Zollanmeldung: 11. Mai 2007	
Stückzahl	Warenbezeichnung
2060 Stück	[REDACTED]

[REDACTED] (Ort) [REDACTED] (Datum) [REDACTED]

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