Acquiescence (tolerance) to infringement of Intellectual Property Rights

Questions

1) The Groups are invited to indicate if their system of national law provides rules conferring an effect of the tolerance shown by the holder of an intellectual property right with regard to a third party who infringes his/her right.

The forfeiture of a right in German civil law mainly derives from the principle of good faith (§ 242 German Civil Code, BGB). The principle of good faith opens up the possibility to the party against which the claim is directed of pleading the unlawful exercise of a right. Forfeiture falls within this category and is based on the contradictory behaviour of the claimant ("venire contra factum proprium")1. In trade mark law (§ 21 para. 4 MarkenG), there are the additional provisions of § 21 para. 1 and 2 MarkenG and Art. 53 para. 1 GMV.

Does this effect of tolerance apply to all intellectual property rights (patents, designs, trade marks and other distinctive signs) or only to some?

Basically, the plea of forfeiture (estoppel by laches) is a possible defence against all kinds of claims arising from all types of intellectual property rights, because under the general principles of German civil law, all (relative) subjective rights can be subject to forfeiture, i.e. claims as well as rights to alter a legal relationship2. Forfeiture based on § 242 is therefore a provision under the law of obligations and merely relative. It serves to limit relative interests of individuals. Conversely, legal positions concerning the interest of the general public cannot be forfeited3. However, this is only rarely the case with claims arising from intellectual property rights and supplementary competitive rights, see below.

The Groups are also invited to provide the justifications put forward in their country for the introduction of this rule on the acquisition of rights as an effect of tolerance and to define its scope.

According to German jurisprudence, a right is forfeited if the obligor, based on the inactivity of the obligee for a certain period (element of time) had a right to expect, upon objective assessment, and in fact did expect that the obligee would no longer assert his right, and the

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1 MünchKomm/Roth Vol. 2a § 242 no. 296 et seq., BGH GRUR 1988, 776, 778 – PPC.
2 MünchKomm/Roth Vol. 2a § 242 no. 298.
late assertion of the right therefore contravenes the principle of good faith (element of circumstance)\(^4\). The elements of time and circumstance in this context are closely intertwined, and an overall assessment must take into account all of these circumstances\(^5\).

In the dominant opinion, the fact of forfeiture alone does not form the basis of a plea by way of confession and avoidance. Rather, it merely leads to (possibly even just temporary) unenforceability or limitation of the scope of a claim that continues to be valid. Such pleas are referred to as peremptory or dilatory. If the party makes a corresponding submission of facts, such pleas have to be considered ex officio at any stage of the proceedings. The infringer has to show cause and bears the onus of proof\(^6\).

Forfeiture has to be distinguished from a waiver by contract of remission (by act of the parties) on the one hand, and the institution of the statute of limitations on the other (legal directive, the only condition is the element of time)\(^7\).

Finally, the last question is to identify if the rules relating to the acquisition of rights through the effect of tolerance should be the same for different kinds of intellectual property rights.

The purpose of registered industrial property rights naturally varies. In addition to that, patents, utility models and designs serve the purpose of promoting innovation, whereas trade marks help to identify origin. Based on this, registered property rights have different terms, although the claims deriving from them are essentially the same. Above all, trade marks differ from the other intellectual property rights in that trade marks are subject to compulsory use, whereas the other registered rights are not.

These considerable differences, and above all the limited terms of patents, utility models and designs justify that the legal institution of forfeiture is handled differently with respect to these property rights than with respect to trade marks which have an unlimited term.

The German legislator has codified this in § 21 MarkenG, according to which claims for trade mark infringement are forfeited if the holder of the property right tolerates the infringement for more than five years. The obvious assumption is that the term of five years does not only correspond to the five years forfeiture clause of § 49 MarkenG by chance. Therefore, forfeiture according to § 21 MarkenG could be seen as a kind of forfeiture inter partes.

Similar rules do not exist neither for patents, utility models, designs nor other intellectual property rights such as copyrights, and rightly so, because the estoppel by laches is supposed to be the exception and not the rule. The system of protection of intellectual property for a limited period as “reward” for the disclosure would be called into question if e.g. forfeiture similar to that in trade mark law existed in patent law. There are two reasons for this: firstly, it is inherent to patent, utility model and design law that a use of the intellectual property right does not have to take place; and secondly, the relation between the term of the property right and the relevant element of time with respect to forfeiture would be difficult to determine. It seems highly unjustified to codify identical elements of time.

For this reason alone, it seems to be impossible to codify forfeiture for all types of intellectual property rights in a standardized form. In the past, the jurisprudence has exercised due restraint in the assessment of pleas of forfeiture and has considered them as exceptions in order to protect the party against which the claim is directed from the unlawful exercise of a right. The principles established by the jurisprudence (elements of circumstance and time)

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\(^4\) Consistent rulings of the courts, see BGH GRUR 2001, 323, 324 – Temperaturwächter with further references.

\(^5\) BGH GRUR 1993, 913, 915 – KOWOG; Harte/Henning/Bergmann, § 8 no. 58; Baumbach/Hefermehl/Köhler § 11 no. 2.18.

\(^6\) BGH GRUR 1988, 776, 778 – PCC, Harte/Henning/Bergmann, § 8 RdNr.60; Baumbach/Hefermehl/Köhler § 11 no. 2.35.

\(^7\) Baumbach/Hefermehl/Köhler § 11 no. 2.13.
make it possible to apply the doctrine of laches appropriately to the case at hand, and in particular to flexibly take into account the particular facts of the case. To this extent, the existing decisions seem to be able to strike a just balance between exception and unlawful exercise of a right.

This flexibility should not get lost on any account. In the interest of legal certainty, both for the public and the holder of the right, the forfeiture of rights has to take into account the behaviour of the claimant and the criterion of time. Therefore, a codification of forfeiture would merely put down in writing the constituent facts that already exist. Any stipulation of specific elements of time would contravene the principle of absolute protection (right of prohibition) for registered property rights having a limited term.

An equal treatment of forfeiture with respect to the different kinds of intellectual property rights, whether registered or not, above and beyond the very general conditions of jurisprudence, should not take place.

Do national laws make a distinction between intellectual property rights that have been registered and intellectual property rights which are simply conferred by use and not by registration?

Basically, all rights are treated equal. There are, however, some particularities:

a) Registered rights – patent law:

Forfeiture of the right to file a nullity suit against a patent cannot even be pleaded after years of inactivity on the part of the patent infringer, because the patentee always has to be prepared for attacks against his property right and can therefore never attain a protected legal position\(^8\). A forfeiture of the individual’s claim to destruction of the patent is therefore excluded due to the legal system that nullity actions may be filed by everyone (popular action).

b) Non–registered rights – copyright law:

The principle of forfeiture also applies to claims under copyright law. Yet it does not include the protected right of use itself, but only claims arising from the copyright infringement\(^9\). The type and scope of the asserted right are of particular importance with respect to the standards and conditions under which a forfeiture is to be assumed. Claims under copyright are based on a right which derives its value from the underlying creative intellectual achievement and which enjoys protection of the personal and property right based on the constitutional guarantee of the freedom of art and property. This protection does not generally preclude a forfeiture of claims under copyright law, but in a weighing of the interests of both sides, the value of the copyright is high\(^10\).

c) Non–registered rights – competition law:

Claims under § 5 UWG [Unfair Competition Act] are not subject to forfeiture\(^11\), nor are claims under § 3 UWG in conjunction with the provisions to protect the public from misleading advertising, e.g. health–related advertising\(^12\).

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\(^8\) BGH GRUR 1985, 126 – “Rohrverbindung”.

\(^9\) BGHZ 67, 57, 68 – Schmalzfilmrechte.


However, one thing must be noted: Irrespective of forfeiture, it may happen that in consequence of a long and unchallenged use, an actually misleading designation no longer falls within § 5 UWG or the definition of other deceptive practices, in particular if, in a weighing of interests taking into account all circumstances, the general interest has faded so much due to the only small risk of deception, that it exceptionally steps back in favour of particular concerns such as a legally relevant ownership that has been acquired in the meantime.\textsuperscript{13}

2) The acquisition of rights by tolerance remains subject to conditions, in particular, in relation to the duration of this tolerance and the attitude expressed by the third party that is exploiting the prior intellectual property right without authorization.

The Groups are thus invited to indicate the duration necessary for tolerance to confer a right to a third party and deprive the holder of that intellectual property right of the possibility of acting against this third party.

Question 2 shall be dealt with separately for each of the intellectual property rights and fields of law, in view of the partly differing jurisprudence:

1) Trade mark law

In trade mark law – unlike the other fields of law – several rules with respect to forfeiture have to be considered (see no. 1a above). The most important ones are § 21 para. 1, 2 MarkenG and the basic norm of § 242 BGB. Both provide for very different prerequisites:

<table>
<thead>
<tr>
<th>§ 21, para. 1, 2 MarkenG</th>
<th>§ 242 BGB</th>
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<tbody>
<tr>
<td>Infringed party and infringer must be proprietors of their own distinctive mark</td>
<td>Applies to all claims for injunctive relief</td>
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<tr>
<td>Positive knowledge of the infringed party</td>
<td>(Only) negligent ignorance</td>
</tr>
<tr>
<td>Fixed 5–years period</td>
<td>Depends on the individual case (8 months – 20 years), generally more than 5 years</td>
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There are only few court rulings dealing with § 21 para. 1, 2 MarkenG, because it was only possible for the 5–years period according to § 135 para. 2 MarkenG to begin on January 1, 1995 at the earliest. If § 21, para. 1, 2 MarkenG contains final and binding provisions, the general principles of forfeiture cannot apply if the prerequisites are not met – in particular the duration of tolerance.

The provisions of § 21 MarkenG closely follow Art. 9 of the Trade Mark Directive. Art. 9 contains partly mandatory, partly facultative conditions for the forfeiture of claims under trade mark law. The question arises therefore if Art. 9 of the Trademark Directive stipulates minimum requirements which lead to a forfeiture in any event, and if the national legislator is basically free to create further conditions under which a forfeiture is to be assumed, i.e. also within the scope of Art. 9 para. 1 of the Council Directive. This has consequences for the duration of the acquiescence necessary for a forfeiture, too.

According to the received opinion in the literature on trade mark law\(^1\) and jurisprudence\(^2\), both sets of conditions can be applied in parallel: In the decisions that we looked into, the plea of forfeiture (estoppel by laches) is regularly derived from § 21 MarkenG in conjunction with § 242 BGB, which shifts the focus from trade mark law to the conditions of forfeiture under general civil law. In many of the cases discussed, the courts end up applying the general rules relating to forfeiture, because the mandatory 5-years period of § 21 para. 1, 2 MarkenG had not expired yet.

We would like to particularly emphasize the decisions of the OLG Stuttgart (BOSS) and OLG München (Markbeobachtungslast). According to the OLG Stuttgart\(^3\) a forfeiture with respect to time, similar to § 21 para. 1, 2 MarkenG, generally requires the lapse of a period of more than five years. This does not render § 21, para. 1, 2 MarkenG meaningless, at least not with respect to time. Furthermore the OLG München\(^4\) takes up the idea developed by Ströbele/Hacker\(^5\) that § 21 MarkenG implements the obligatory requirements of Art. 9 para. 1 of the Trade Mark Directive. Since, however, the decided case was one under § 21 para. 2 MarkenG and this national provision does not replace the general rules of forfeiture, the Court merely indicated a precedence of § 21 para. 1 MarkenG over § 21 para. 4 MarkenG in conjunction with § 242 BGB. Ingerl/Rohnke also express doubts, yet rightly prefer the approach of the courts because the latter allows a flexible consideration of the individual case.

2) Patent law

Patent law distinguishes between different types of claims:

a) Claim for patent infringement:

Basically, the Federal Supreme Court has adopted a restrictive treatment of forfeiture in patent law as compared to trade mark law, due to the limited period of protection. So far, to our knowledge, a forfeiture of rights under patent law has only been adjudicated upon expiration of the term of the respective property right.

Acquiescence in a patent infringing use for more than three years does not create a basis of trust, at least not if the question of use of the patent is disputed\(^6\). However, a waiting period of 14 years before asserting a claim, knowing about the legal assessment as patent infringement, is considered “unusually long”\(^7\).

b) Priority claim:

The Federal Supreme Court [BGH] says that the priority claim is “forfeited” upon expiration of the priority year. Since the conditions merely relate to time, this does not constitute a “forfeiture” in terms of civil law.

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14 Fezer, Markengesetz, 3rd edition 2001, § 21 no. 21; Ekey/Klippel, Markenrecht, § 21 no. 36.
16 Decision of 21.11.2002, file no. 2 U 29/02 – BOSS.
18 Markengesetz, 7th edition 2003, § 21 no. 73 et seq.).
20 BGH GRUR 1994, 597 – “Zerslegvorrichtung für Baumstämme”.
21 BGH a.a.O. – “Temperaturwächter”.
3) Law relating to employee inventions

Under the law relating to employee inventions, the required period depends on whether the employment still continues (a) or the employee has already left the company (b).

a) Continuing employment:

As concerns the duration of the element of time, the period of limitation used to be 30 years under the law of employee inventions. Taking this into account, a period of three to four years was considered by no means sufficient in order to justify the employer’s trust that the employee would not assert his claim for compensation.

b) Employee has left:

Basically, claims continue to exist after the termination of the employment, and are not subject to a special statute of limitations in connection with the termination of employment. Yet according to the consistent practice of the arbitration tribunal of the German Patent and Trademark Office, an employee is expected to file his claims for compensation as soon as possible after the termination of his employment. In any event, the element of time becomes less important than during the employment, where the failure to assert claims is often based on the desire not to burden the employment relationship. Since the employer has to take this into account, the period after which he can trust that the employee will no longer assert his claims must be longer. The principles established by jurisprudence relating to the beginning of this period, however, also apply if the employee has already left at that time.

4) Copyright law

Under copyright law, the element of time plays no or only a minor role. Rather, the focus is on the element of circumstance, i.e. on the basis of trust (see below) which is regularly not present, so that there is no precise jurisprudence with respect to the element of time.

5) Law of competition

Forfeiture cannot be a result of the lapse of time alone. The period of inactivity is more relevant in creating a basis of trust. The relevant question is, if the infringer had reason to conclude that the holder of the right acquiesced in his behaviour and would not act against him any more (basis of trust). The longer the holder of the right remains inactive, although an assertion of his rights would have had to be expected, the more the infringer’s trust that the holder will no longer assert claims against him becomes worthy of protection. Which period of time is sufficient depends on the individual circumstances. As a rule, short periods of one and a half or two years are not suitable to allow the infringer to assume acquiescence, because the holder of the right has to be allowed an adequate time to observe the infringer’s behaviour, to perform a legal assessment and to weigh the pros and cons of a legal dispute. (For deviations from this principle see b (5) below).

The question raised also involves discerning what the starting point of this duration is and the act that the holder of the right must carry out in order to interrupt this period.

Is positive action by the owner of the prior right necessary in order to start calculating the tolerance period, or can this date also be assumed?

Starting point:

1) Trade mark law

§ 21 MarkenG: The beginning of the use of the trade mark for the goods and services for which it is registered.

2) Patent law

Forfeiture begins with the acquiescence in the infringing act. Yet the beginning of the infringing act alone is not enough; the infringer has to have trusted in the patent proprietor not asserting his rights, and he must have had objective reason to trust. It is therefore rather the element of circumstance than the element of time which is relevant here.

3) Law relating to employee inventions

The following is not to be considered with respect to the element of time: The period up to the grant of the intellectual property right; if there is no agreement on remuneration: the period up to and including three months after the grant of the intellectual property right, i.e. the time after which the employer has the unilateral obligation to fix a remuneration (§ 12 para. 3 ArbEG); the period during which an intellectual property right is still in force and in use, because the employee is generally able to wait before he asserts his claims until he is able to finally quantify them.

4) Copyright law

Under copyright law, the element of time plays no or only a minor role. Rather, the focus is on the element of circumstance, i.e. on the basis of trust (see below) which is regularly not present, so that there is no precise jurisprudence with respect to the element of time and the beginning of this period.

5) Law of competition

See above: What is relevant is that the infringer had reason to conclude that the holder of the right acquiesced in his behaviour and would not act against him any more (basis of trust). The conclusion from his inactivity, however, is only admissible if the holder of the right was legally and factually able to, or could be reasonably expected to become active. One example in this context is the complete ignorance of one’s own right.

In principle, forfeiture is not completely excluded in the case of ignorance. Yet acquiescence cannot be assumed if the infringer has to assume that the holder of the right does not know about his/her claim. Therefore, periods of ignorance must be left out of account.

Reasons for such ignorance could be: The holder of the right resides abroad or infringing products are sold without the usual advertising only in a chain of shops. This has to apply all the more of course if the holder of the right is not aware of his entitlement specifically because of the infringer’s dishonest behaviour.

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25 Busse, § 139, no 190; Schulte/Kühnen, § 9, no.. 78
26 BGH – Blitzlichtgeräte.
27 BGH – Ozon.
28 BGH – Blitzlichtgeräte.
29 BGH GRUR 1969, 615, 616 Champi–Krone; Teplitzky, Kap. 17 RdNr, 6 with further references to jurisprudence.
30 BGH GRUR 2000, 144, 145 f. – Comic–Übersetzungen.
Over time, the position of the holder in the case of ignorance has been subject to considerable limitations. What is relevant now is that the holder of the right must have knowledge of the violation of the right. Accordingly, the holder of the right has an obligation to observe the market, which obligation – within the limits of what can be reasonably expected – extends as far as the holder of the right wants to extend the protection conferred by his right, i.e. also including neighbouring or even more remote industries, provided that the protection is supposed to extend to these industries. The obligation may also include measures such as checking trade directories or entries into the commercial register.

**Limits of ignorance: Obligation to observe the market**

Factors which are particularly favourable to the interaction of lapse of time and creation of a basis of trust:

1) **Factors which favour forfeiture**

The conclusion of the infringer that he will no longer have to reckon with the claims being enforced against him can be favoured by the fact that, from his point of view, the infringed party had particular reason to act soon. This is not necessarily the case if the infringer appears in public with a large-scale advertising campaign. Rather, these cases find their justification in an early participation of the holder of the right, in particular by a positive act. For example, an infringer who has explicitly rejected a claim or who has been threatened with a prohibitory action, may reckon with immediate action on the part of the holder of the right, just as the prevailing party in opposition proceedings in the event that the unsuccessful party now wants to assert its rights in cancellation proceedings.

The same should also apply if the parties involved have a close business relationship or do business in the same place and the same market segment and have many points of contact.

2) **Factors which delay forfeiture**

If two owners of designations which can be easily confused work together, e.g. by joint sales efforts or in some other way, depending on the individual case, this period should not be taken into account as time during which a basis of trust is established. Yet in these cases, it can very well be assumed that after this period, the holder of the right will act very swiftly in terms of 1) above. Otherwise the jurisprudence would be inconsistent with itself.

Periods already ending with an assertion of the right in question cannot be taken into account, either. Still they are not entirely irrelevant, because all of these periods have to gain relevance the longer the holder of the right remains inactive afterwards.

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31 BGH GRUR 1985, 72, 73 – Consilia; BGH GRUR 1988, 776, 778 – PPC; BGH GRUR 1989, 449, 452 – Maritim.
32 BGH GRUR 1985, 72, 73 – Consilia; BGH GRUR 1989, 449, 452 – Maritim; BGH GRUR 1993, 151, 153 – Uni-versatsemble; BGH GRUR 1993, 913, 914 f. – KOWOG.
33 BGH GRUR 1967, 490, 497 – Pudelzeichen.
34 Baumbach/Hefermehl/Köhler § 11 no. 2.20.
35 BGH GRUR 1958, 354 – Sherlock Holmes.
36 BGH GRUR 1963, 478, 481 – Bleiarbeiter.
40 Harte/Henning/Bergmann, § 8 no. 53.
41 BGH GRUR 1963, 478, 481 – Bleiarbeiter.
Conversely, these principles should not apply if the holder of the right has already brought an action to assert his claim or has procured a judgement. Here, too, a forfeiture is not completely ruled out\(^42\), but should be based on extraordinary circumstances together with a considerable lapse of time\(^43\).

**Interruption**

The holder of the intellectual property right has to make sure that the element of time is not supplemented by an element of circumstance. This means, he has to prevent the infringer from acquiring an ownership worthy of protection, because based on the inactivity of the holder of the right, the infringer had the right to be under the impression that the holder would not assert any claims\(^44\). Since the relevant aspect is the inactivity of the holder of the intellectual property right, no strict conditions have to be attached to the quality of the interrupting act. What is relevant only, is that the holder of the right becomes active and makes it clear to the infringer that he will enforce his claims.

Thus, the Groups are invited to answer the question of what the requirements are in order for tolerance to be considered to have been interrupted: is it necessary to initiate legal proceedings or is it sufficient to protest against the alleged infringement, for example, by means of a letter?\(^45\)

See answer to the question of interruption: It is necessary that the holder of the right becomes active and the infringer can no longer rely on the holder of the right not filing any claims or not having any claims. As concerns the quality of the interrupting act, the circumstances of the individual case decide; the jurisprudence has not established clear criteria yet. Ultimately, it is important that the holder of the intellectual property right makes it clear that he insists on enforcing his rights. As a rule, i.e. if the holder of the right has not become active yet, a warning letter or written request to cease and desist should be sufficient.

3) **The tolerance supposes that the holder of the prior right is aware of the existence of the infringement to his right and accepts it in an intentional way.**

The question arises then of recognizing the degree of knowledge of the acts of infringement the holder of the former right must show in order for him to be considered to have accepted the conflictive exploitation.

Can this knowledge be supposed or must it be proven in a positive way?

1) **Trade mark law**

See table above (question 2a): According to § 21 para. 1, 2 MarkenG positive knowledge of the infringed party is necessary; under § 242 BGB, negligent ignorance alone is sufficient.

2) **Patent law**

For a forfeiture of claims to injunctive relief it is regularly necessary to acquire an owner–ship worthy of protection, which can be attained if the holder of the right waits although knowing about the infringement, or although it is deemed necessary to safeguard his interests (e.g. because of fierce competition).

In the case of damages claims, their forfeiture does not depend on the existence of a valuable ownership. What is needed here is merely that the infringer has a trust worthy of protection in holder of the right will not sue him anymore\(^45\).

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\(^44\) Vgl. Busse/Keukenschrijver, § 139, no 191.

\(^45\) BGH, GRUR 2001, 323, 325 – Temperaturwächter.
3) Law relating to employee inventions

For the element of circumstance it is important if the employee had reason to assert his rights. This is the case if the employee knows his claims and moreover recognizes that the employer will draw conclusions from the omitted assertion of the claims.

4) Copyright law

Here the decisive point is not the actual knowledge the holder of the right has of his claims, but what the infringer assumes.46

5) Law of competition

What is relevant here is knowledge of or the necessity to know about the infringement. The yardstick for the necessity to know is the obligation to observe the market, see question 2a above.

4) In the same way, the Groups are invited to indicate the requirements which the third party exploiting the prior intellectual property right without the authorization of its holder must meet. Does this exploitation have to be carried out in good faith? And according to what criteria do the jurisprudence and the national law define this good faith?

The Groups are also invited to indicate if the third party that exploits a prior intellectual property right without authorization must be unaware of the existence of this right in order to be considered to have acted in good faith or if knowledge of the prior right does not exclude good faith?

1) Trade mark law

§ 21 MarkenG: He must be the proprietor of his own distinctive mark.

2) Patent law

The forfeiture of claims for injunctive relief and damages claims has to be assessed differently depending on the element of circumstance. In this context, the jurisprudence established in trade mark law has to be applied to patent law, too, although this does probably not refer to the special provisions of § 21 para. 1 MarkenG, but the general rules of forfeiture on the basis of § 242 BGB which have also been laid down in trade mark law in § 21 para. 4 MarkenG. Generally, even claims under the law of enrichment can be subject to forfeiture.47

a) For a forfeiture of claims to injunctive relief it is regularly necessary to acquire an ownership worthy of protection, which can be attained if the holder of the right waits although knowing about the infringement, or although it is deemed necessary that he safeguards his interests (e.g. because of fierce competition).

b) In contrast to that, for a forfeiture of damages claims it is sufficient if the infringer had a right to expect, upon objective assessment, and in fact did expect that he would not be sued anymore. An ownership worthy of protection is not necessary, but increased demands may be made on the infringer’s trust.

c) In the case of claims under the law of unjustified enrichment, the rules governing the forfeiture of an enrichment do not replace the plea of forfeiture.

46 BGHG GRUR 2000, 144, 146 – Comicübersetzungen II.

47 BGH a.a.O. – “Temperaturwächter”.
The jurisprudence of the Federal Supreme Court also indicates that the infringer must actually have expected that the holder of the right would not assert his claim anymore. The mere objective right to expect this, however, is not sufficient. Yet this principle is generally accepted.

3) Law relating to employee inventions

For the employer’s interests to be considered to be worthy of protection it is important to determine if he excusably erred on a point of law, or if he had full knowledge of his claims and merely relied on the employee no longer asserting his claims. An employed inventor working as head of the patent division and consultant in patent and utility model matters, can therefore be expected to bring his claims to compensation to his employer’s attention, so that these claims can be taken into account in completing the price calculation.

4) Copyright law

Generally, the interaction of the element of time and the element of circumstance applies in copyright law as well. However, this is not so clearly reflected in the court decisions, because here the plea of forfeiture always fails due to the lack of a basis of trust, i.e. the element of circumstance.

The basis of trust necessary for a forfeiture does not exist if the infringer has to assume that the holder of the right does not know about the claim he is entitled to. Therefore, what counts is not the actual knowledge the holder of the right has of his claims, but what the infringer assumes.

There is no basis of trust, either, if it is recognizable that the holder of the right does not assert his claims only because he thinks they are insignificant. At any rate this does not justify trust in that the holder of the right will not assert his claims in the future, either.

The jurisprudence on copyright law requires a valuable ownership on the part of the holder of the right as well, in order to constitute a basis of trust. Yet this presumably applies only to the forfeiture of the claim to injunctive relief. For a damages claim to be forfeited it is sufficient if the infringer, based on the holder’s behaviour, made economic dispositions based on the (rightful) expectation of not having to make any more payments (on patent law see BGH GRUR 2001, 323, 325 – Temperaturwächter).

5) Law of competition

For a lapse of time and the appearance of acquiescence, as already mentioned, the additional requirement of the so-called ownership worthy of protection must be met as a particular feature of such claims under competition law. This requirement has originally been developed for the field of trade mark law. Originally, the requirements were much stricter than today. The former Reichsgericht even required general acceptance in the trade of the infringer’s mark in view of the exclusivity of the rights in question. It was not until later that the Federal Supreme Court developed the criterion of “ownership” which is easier to meet. Accordingly, for a sufficient degree of recognition, general acceptance in the trade or even the registration of the mark is no longer necessary today.

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48 BGH ibid. – “Temperaturwächter” and BGH ibid. – “Zerlegvorrichtung für Baumstämme”.
49 BGH ibid. – Ozon.
50 BGH ibid. – Blitzlichtgeräte.
51 BGH GRUR 2000, 144, 146 – Comic-Übersetzungen II.
52 BGHZ 67, 56, 68 f. – Schmalfilmrechte.
54 BGH GRUR 1988, 776, 778 – PPC.
55 For more details see: Teplitzy Chap. 17 no. 9 et seq.).
56 References in BGHZ 1, 31 – Störche.
57 BGHZ 21, 66, 79 – Hausbücherei.
Definition

Jurisprudence defines ownership as a state or situation under competition law of considerable or notable value\(^{58}\).

As factual and economic basis (operational facilities, assets, provisions, investments) for the future economic activity of the infringer\(^{59}\) ownership may result from the use of marks, advertising statements and images\(^{60}\) as well as the imitation of third party products\(^{61}\). The ownership is deemed valuable if it has a considerable commercial value in relation to the size of the infringer’s – not the infringed party’s – business, but also on its own\(^{62}\). The value consists in the fact that customers have already formed a fixed and permanent idea of the mark etc.\(^{63}\) The onus of proof and demonstration is again the infringer’s\(^{64}\). A substantiated claim of ownership has already been accepted by the courts if forfeiture was claimed while simultaneously claiming that the mark has been maintained for many years\(^{45}\).

The most important – even though not exclusive – criteria for determining ownership are the degree of recognition the mark has attained through the use, and the turnover or profit the user has obtained using the mark. The turn–over in this context has to be evaluated in relation to the size of the business\(^{65}\). In addition to that, the nature and scope of the advertising performed using the mark is another criterion, because it allows to draw conclusions about the degree of recognition of the brand and, with that, the acquired possession\(^{66}\).

The degree of recognition depends on the customers the infringer addresses. Recognition among a smaller number of customers, or upon presence of particular circumstances can be sufficient if the customers are exclusively commercial customers\(^{67}\). In this case, however, the hypothetical question must be asked if the use of another mark would have resulted in any deterioration of the competitive position worth mentioning at all\(^{68}\).

These principles do not rule out that the proof of ownership can be furnished in another way, i.e. whenever the circumstances allow reliable conclusions. For example, an increase in turnover after a warning letter and the bringing of an action would be irrelevant as such. Yet it allows to draw conclusions about a previously existing ownership. A recognition of the mark obtained abroad may also have to be taken into account\(^{69}\).

Worthiness of protection

The element of worthiness of protection is assessed both when considering the creation of the basis of trust, as well as the creation of ownership, i.e. it is possible that the same factual circumstances are subsumed under different constituent facts. For example, a lack of good faith can either effect the creation of an ownership worthy of protection, or the basis of trust. The elements of worthiness of protection are good faith and responsibility for the infringement.

\(^{58}\) BGHZ 21, 66, 79 – Hausbücherei; BGH GRUR 1993, 151, 153 – Universitätsemblem with further references.
\(^{59}\) BGH GRUR 2001, 323, 325 – Temperaturwächter.
\(^{60}\) BGH GRUR 1983, 32, 34 – Stangenglas 1; BGH GRUR 1985, 140, 141 – Größtes Teppichhaus der Welt; BGH WRP 2003, 747, 750 – Klosterbrauerei.\(^{61}\)
\(^{61}\) Baumbach/Hefermehl/Köhler, § 11 no. 2.25.
\(^{63}\) BGH GRUR 1975, 69, 71 – Marbon.
\(^{64}\) BGH GRUR 1988, 776, 778 – PPC.
\(^{65}\) BGH GRUR 1992, 45, 48 – Cranpool.
\(^{66}\) BGH GRUR 1989, 449, 450 – Maritim.
\(^{67}\) BGH GRUR 1981, 60, 63 – Sitex.
\(^{68}\) BGH GRUR 1966, 623, 626 – Kupferberg; BGH GRUR 1981, 60, 63 – Sitex.
\(^{69}\) BGH GRUR 1966, 427, 431 – Prinz Albert.
In general

Forfeiture is also possible if the right has been culpably infringed\textsuperscript{70}, because the plea of forfeiture is neither based on initial nor subsequent good faith. The general rule merely is – in terms of a weighing of interests – that the requirements of forfeiture are all the more stringent the less the infringer has acted in good faith, i.e. the less his infringement appears excusable or understandable\textsuperscript{71}. In accordance with the above observations, the lapse of time alone can never compensate for the initial bad faith in using the mark. Even more so, circumstances are needed which favour the creation of a justified trust or an ownership worthy of protection.

The transition period from a position that was deliberately unlawfully attained to an ownership worthy of protection, is longer compared to an ownership that was in good faith from the beginning. Yet the infringer does not have to become a holder in good faith by now assuming that he is truly authorized. It is sufficient if he justifiably trusted in the holder of the right tolerating his behaviour\textsuperscript{72}.

5) The Groups should also indicate if their legal system provides other conditions (such as for example, the value or the geographical extent of the infringing activity) which the exploitation of the second right by the third party must meet in order to be able to call upon the benefit of the tolerance of this right by the holder of the prior right.

There are no clear conditions. The relevant element is again the element of circumstance, i.e. the question as to whether the infringer, based on the holder’s inactivity, had a right to trust that the holder of the right would no longer assert his rights. If the infringer has to assume that the holder of the right cannot possibly know about the infringement – e.g. because of the minor degree of infringement or the merely small geographical scope of the infringement – then he cannot claim a trust worthy of protection\textsuperscript{73}. The situation is different, if the holder of the right, especially under the law of competition, has an obligation to observe the market.

Another question relates to the conditions that have to be fulfilled by the use of intellectual property rights which are subject to tolerance.

Do national laws impose conditions on this use relating to its importance, duration or continuous nature?

There are no further conditions, see the observations above.

6) If the system of national law provides for the acquisitive effect of tolerance, the question arises of identifying the consequences from the point of view of the rights of the third party who is benefiting from this tolerance.

First of all, the question arises of discerning whether this third party may only continue the same exploitation as that which benefited from the tolerance of the holder of the prior right or if, on the contrary, he may modify the nature as well as the extent of the exploitation which he has undertaken.

The Groups are thus invited to indicate if the jurisprudence and the legal provisions in their country limit the exploitation of the prior right by the third party to the possibility of continuing that exploitation under precisely the same conditions as the exploitation that benefits from tolerance (both from the point of view of the form, the sign, the model or the product that is the subject matter of a patent and from the territorial and economic extent of this exploitation).


\textsuperscript{71} BGH GRUR 1981, 60, 63 – Sitex; BGH GRUR 1963, 478, 481 – Bleiarbeiter.

\textsuperscript{72} See Harte/Henning/Bergmann, § 8 no. 56 with further references.

\textsuperscript{73} See BGH GRUR 2000, 144, 146 – Comic-Übersetzungen II (copyright case); BGH GRUR 2003, 628, 630 – Klosterbrauerei (competition law); Busse/Keukenschrijver, § 139, no. 190.
In addition, the question arises of identifying if the intellectual property right benefiting from tolerance (trade mark or another distinctive sign, design or invention) can be transferred to another third party and if this other third party may also profit from the tolerance from which its predecessor took advantage.

Thus, the question is to recognize if tolerance has an effect that is limited to the person who has benefited from it through the holder of the prior right or if the tolerance is attached to the sign, design or invention which has been used, independently of the person who has carried out this exploitation.

The Groups should explain the solutions adopted on this subject by their national laws.

The forfeiture of the intellectual property rights in question does by no means lead to the extinguishment of the right itself, but only relates to the (relative) claims against the party claiming tolerance. In the event of forfeiture, the proprietor of a mark can no longer enjoin a certain user from using the mark, yet he is still entitled to make unlimited use of it and to assert claims against third parties. In the received opinion, the fact of forfeiture alone does not form the basis for a plea by way of confession and avoidance by a third party. Rather, it merely leads to (possibly even just temporary) unenforceability or limitation of the scope of a claim that continues to be valid. Such pleas are referred to as peremptory or dilatory. If the party makes a corresponding submission of facts, such pleas have to be considered ex officio at any stage of the proceedings. The obligation to state the case and to furnish evidence is with the third party.

The legal position of the third party could be described by the term “acquisition”. This term, used to designate a legal consequence, does however not have an independent meaning in intellectual property law, because it merely refers to the extension of the legal position of the previously non–authorized party in return for the curtailment of the legal position of the initial holder of the right. Looking at trade mark law as an example, this means: The fact that the originally exclusive holder of the right can no longer prohibit the use, corresponds with the authorization of the third party to use the trade mark. This simultaneously sets the limits of this authorization. The apparent acquiescence determines the right. The third party has no right to extend the acquired position. Consequently, he has no right to register the trade mark for himself or even enjoin the original exclusive holder of the right from using the mark. This similarly applies to the other intellectual property rights. The ensuing situation is one in which the earlier priority right and the later priority right co–exist. The principle of trust in an ownership worthy of protection must not lead to a further improvement of the legal situation of the party who is only authorized by way of exception under the principles of good faith. Claims for injunctive relief can only ever be forfeited with respect to a specific status quo. For this reason, a transition from a mere use of the trade mark to the use of the firm is not permissible. A change of the status quo, even if just by registration of the previously used name as a trade mark, is not covered, nor is the use of the name for previously not used
goods or services, activities in a new geographic area or e.g. the use as domain name.

Accordingly, a change of company name in the trade register can still be prohibited as a substantial change of the legal situation, even if the use as company trade mark can no longer be challenged.

Marginal deviations from the previous use, however, which remain within the limits of what appears to be tolerated, are admissible. This should, from a factual point of view, also comprise increases in turnover within the limits of the previously tolerated use.

As far as the succession in title is concerned, it must first of all be stated that in respect of the period of forfeiture the tolerated use of a legal predecessor benefits the successor.

This must be strictly separated from the succession in title to the "acquired" legal position: The plea of forfeiture cannot be assigned separately and cannot be licensed, either. The acquiescence is therefore related to the person and the individual case. A change of the use with respect to these issues is an in-admissible expansion.

7) In the same context, the question of the exhaustion of the right also intervenes.

Indeed, if the products or the signs benefiting from the tolerance are put on the market, the question of the freedom of circulation of these goods arises, since they can hardly be regarded a priori as commercialised with the authorization of the holder of the prior right.

It should thus be discerned if the tolerance is limited to the acts of the exploitation carried out by the person who benefits from it initially or if the tolerance also extends its effects to the third parties that bought products, in particular, for their export abroad.

Forfeiture is a correction of the law in individual cases, resulting from a given basis of trust, and which has a mere relative character. The legal position of the original infringer is based on an acquiescence vis-à-vis him personally. Third parties, with the exception of successors in title, selling infringing products have to meet the requirements of being able to claim forfeiture themselves. The forfeiture of the specific claim against the initial infringer is therefore not relevant. Forfeiture is not intended to enable infringing products to circulate freely, but to deny the enforceability of a specific claim against a certain infringer by way of exception. The strict limitation of its scope is therefore the core feature of the legal institution of forfeiture. The exceptional limitation of the claim does not change the fact that the goods have been put into circulation without the consent of the holder of the right. The question of forfeiture must be strictly separated from the question of exhaustion.

8) The acquisition of rights through the effect of tolerance also raises the question of the definitive and irrevocable character of the acquired right.

One can indeed ask the question of whether it is not possible to call into question the effects of tolerance, for example, by means of a regulation that organizes the coexistence of the two rights.

The Groups are thus invited to indicate if such a regulation is possible in their national systems and how it might be organized.

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85 BGH GRUR 1970, 315, 319 – Napoleon III
86 BGHZ 16, 82 – Wickelsterne; OLG München GRUR 1985, 564, 566 – Champagner unter den Mineralwässern.
89 BGH GRUR 1963, 478, 481 f – Bleiarbeiter; Teplitzky, Wettbewerbsrecht, Chpt. 17, no. 25.
90 BGH Grur 1981, 60, 63 – Sitex; BGH GRUR 1969, 694, 697 – Brilliant.
91 Ingerl/Rohnke, MarkenG, § 21 no. 30; Fezer, MarkenG, § 21 no. 49.
92 Ingerl/Rohnke, MarkenG, ibid.
93 See BGH GRUR 1981, 60, 63 – Sitex.
The formulation above suggests that there are two equivalent rights the coexistence of which could be organized by means of a regulation. Yet the position of the infringer – as stated above – merely mirrors the fact that the holder of the right exceptionally lacks the possibility of prohibition. The infringer has no right to protection of his own. The legal consequence of the exclusion of a claim does certainly not require a separate regulation. A regulation would only become necessary if the institution of forfeiture were attributed an entirely different legal character, i.e. the legal quality of extending legal consequences beyond the relativity which is characteristic of forfeiture. This would be contrary to the character of forfeiture as an exception. In the opinion of the National Group, there is no need for a new conception of the institution, making its legal consequences absolute. From a legal point of view, such a conception would be problematic, too: Apart from the statutory definition of forfeiture, there is a detailed general definition of forfeiture according to the principle of good faith. A legislative intervention would thus entail considerable difficulties.

9) Lastly, the Groups are invited to give their appreciation on the operation of the mechanism of the acquisition of rights by means of the effect of tolerance in their country.

In our opinion, the practice developed by German jurisprudence leads to correct results. It allows to handle unusual cases flexibly while simultaneously providing a high degree of legal certainty. In our opinion there is no basic need for change. Especially the clear distinction between the element of time and the element of circumstance and their interrelation is very convincing. What should be brought out more clearly, also outside the law on employee inventions, is when the element of time begins.

The emphasis on the value of the claims affected by forfeiture also appears to be sensible, as does the weighing of interests performed by the German courts which takes into account all circumstances of the individual case. Since forfeiture is based on the principle of good faith, any schematic view is out of the question, even if such a view would be welcome from the point of view of legal certainty. Rather, the question always is to which extent the trust of the infringer in the non–assertion of claims in the specific case at hand has to be valued higher than the disputed claims of the holder of the right.

And the Groups are also invited to indicate if the rules in their country, as they exist, could be used as a basis for possible international harmonization.

In view of 9a), the answer must be in the affirmative.

II) Proposals for harmonization

The Groups are invited to formulate suggestions on the possible international harmonization of laws of intellectual property in the field of the effect of the tolerance of acts of infringement.

These suggestions should be founded on the evaluation that the Groups make of the legal system of their country, so as to base future harmonization on the legal solutions which appear to be the most effective and easiest to implement.

10) First of all, the Groups should formulate an opinion as to the intellectual property rights which could be damaged by the effect of tolerance of an infringement.

Does this tolerance have to take effect with regard to all intellectual property rights or only for some (for example, for distinctive signs)?

See question 9a above.
11) The Groups are also invited to give their opinion as to the nature of the tolerance, if it were to be the subject of international harmonization: is it to be limited to being a means of defence in the event of infringement proceedings or should it confer a right pertaining to the second user by date?

The treatment of forfeiture as a means of defence in Germany, which, by the way is not treated as a mere objection – to be raised by the infringer – but as a sub-case of the unlawful exercise of a right which has to be dealt with ex officio, appears to be proper. As a rule, the infringer in infringement proceedings will claim forfeiture and then bears the onus of proof for this fact94. The acknowledgement of a right in favour of the infringer would lead to a reversal of interests in intellectual property law: If the infringer were granted his own right of use based on the forfeiture, his position would be strengthened at the expense of the holder of the right. It would lead to a reversal of the burden of proof at the expense of the owner of the intellectual property right, if the infringer had to demonstrate, as a negative feature of the infringement of a property right, so to speak, that the infringer does not have a right of use based on a forfeiture. This is not desirable, because ultimately, we are still looking at an infringement of a protected right. It appears to be expedient in this context to place the burden of proof on the infringer for the circumstances exceptionally exculpating him.

12) The Groups are also invited to formulate suggestions as to the conditions (such as: duration, extent and value of the second exploitation by date, the knowledge of the infringement by the holder of the prior right etc.) which the tolerance should fulfil in order to produce legal effects in the event of possible international harmonization of intellectual property rights.

A codification of forfeiture, e.g. by establishing elements of time, would put the interrelation of the elements of time and circumstance at risk, because the behaviour of the holder of the right should be appropriately considered in an assessment of forfeiture, since his behaviour might justify a considerable shortening of the element of time.

Forfeiture should continue to be considered an exception or a defence to counter the unlawful exercise of a right. Such unlawful exercise of a right can be deemed unjustified for the most different reasons. A codification of forfeiture over and above the general principles might make this legal institution so inflexible that a just balance of interests is no longer possible.

As concerns the late assertion of claims, the party against which the claim is directed is sufficiently protected by the universally accepted, clear statute of limitations.

13) Finally the Groups can formulate any additional opinions as to the possible international harmonization of the rules of intellectual property rights on the conditions and effects of the acquisition of rights by means of the effect of tolerance.

There are no further suggestions.

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Summary
For all intellectual property rights, the plea of forfeiture in fact depends on the interaction of the element of time and the element of circumstance, i.e. the period of acquiescence on the one hand and the additional circumstances that cause the legitimate confidence of the infringer that no claims will be asserted against him. Forfeiture is based on the general legal principle of “good faith”, i.e. legitimate confidence. Only in trademark law, there is a separate statutory provision establishing a time limit of five years, so that the element of time is of higher importance.

Since the plea of forfeiture is based on the principle of good faith and is of exceptional character, the overall assessment of both elements, time and circumstance, is necessary and reasonable. It allows an appropriate weighing of the interests of right holder and infringer in each particular case. Therefore, we recommend to take the German system as an example for an international harmonization.

Résumé
En droit allemand, pour tous les droits de la propriété intellectuelle, la déchéance du droit, en vue des faits, dépend de l’interaction de l’élément de temps et de l’élément de circonstance. Tandis que le premier élément comprend la durée de la contrefaction, le second élément inclut tous les circonstances supplémentaires sur lesquels se fonde la confiance justifiée du contrefacteur que le titulaire du droit ne va plus faire valoir ses droits. La déchéance est fondée sur le principe général de la “bonne foi”, c’est-à-dire de la confiance justifiée. Seulement en droit des marques, une régulation légale séparée existe supposant un délai de cinq ans ce qui signifie que l’élément de temps est d’une importance élevée.

Lorsque la déchéance est fondée sur le principe général de la “bonne foi” et a un caractère exceptionnel, l’évaluation générale des deux éléments, temps et circonstance, est nécessaire et raisonnable. Ceci permet une valorisation d’intérêts du titulaire du droit et du contrefacteur appropriée à la situation particulière. C’est pourquoi, nous recommandons de prendre la situation légale en Allemagne comme exemple pour la harmonisation internationale.

Zusammenfassung