



#### THE CASE

- Deutsche Post AG
- Federal Supreme Court of Justice, Germany
- 23 October 2008

#### AUTHOR

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## 🌐 Trademark protection through use by monopolies?

By **Florian Traub** of Hammonds LLP

**D**eutsche Post AG (German for German Mail plc), the incumbent in the German postal market, achieved an important victory in the struggle to secure its trademarks rights in the term “POST” (“MAIL”) in Germany before the Federal Supreme Court of Justice (“Supreme Court”). In a decision dated 23 October 2008,<sup>1</sup> the Supreme Court overturned an earlier ruling of the Federal Patent Court<sup>2</sup> (“Patent Court”) which had confirmed the cancellation of Deutsche Post AG’s German word mark “POST” by the German Patent and Trademark Office (“GPTO”).

The campaign will, however, continue as the Supreme Court referred the case back to the Patent Court for further consideration. Additionally, even if Deutsche Post AG eventually prevails and keeps its German

trademark registration, it does not necessarily mean that the incumbent will be in a position to prevent its competitors from using the term “POST” in combination with other word elements, such as “Die Neue Post” (The New Mail) or “City Post” (City Mail). This follows the Supreme Court’s earlier decisions dated 5 June 2008 in the cases POST<sup>3</sup> and CITYPOST.<sup>4</sup>

#### Background

Postal services are of major economical impact, as they profoundly affect other commercial sectors. Although the tradition of writing personal letters and keeping pen friends is slowly (and in a way sadly) being diminished by its modern electronic counterpart, the internet, in particular e-commerce, has triggered further growth of

the postal market. E-commerce giants like Amazon are dependant on postal services for the delivery of millions of parcels to customers. The postal sector in Germany generated a turnover of approximately 23 billion Euros in 2007.<sup>5</sup>

The EU postal sector has been significantly liberalised, with a gradual opening up of the market.<sup>6</sup> Although the speed of liberalisation has varied from Member State to Member State, the last monopoly boundaries are set to disappear. Member States must abolish any remaining competition restraints by 2010 at the latest, with the possibility of some Member States postponing full market opening by a maximum of two further years.

In Germany, the monopoly on postal services had been a longstanding institution. The postal privilege was given to the House of Thurn and Taxis in the 15th century, and the family maintained it for many centuries. Eventually, after the Second World War, Deutsche Bundespost (German Federal Mail) was the holder of the monopoly until its privatisation in the 1990s. Deutsche Post AG is the successor to the former German state-owned mail operator.

The last monopoly on the distribution of letters below 50g (1.76oz) in Germany ended on 31 December 2007. However, while competitors have been able to establish their services in the market for the distribution of parcels and express business mail in the fully liberalised postal sector, the market for the distribution of letters must still be regarded as widely dominated by Deutsche Post AG. In fact, the vast majority of consumers is likely to observe the incumbent as the only full service operator in Germany.

In the light of the threats of liberalisation, and understandably from Deutsche Post AG's commercial perspective, the company is attempting to use its strong market position to extend its monopoly. Deutsche Post AG's strategy includes safeguarding extensive trademark rights; in fact, the company currently owns approximately 700 German trademark applications and registrations.

In 2000, Deutsche Post AG filed an application for the word mark "POST" seeking protection for various goods and services relating to the postal sector. The application was rejected by the GPTO due to lack of distinctiveness and the need to keep the term freely available for competitors. Deutsche Post AG did not

agree and filed a new application for "POST" claiming acquired distinctiveness. This time, the GPTO accepted the application and registered the mark.

Deutsche Post AG's trademark registration was soon challenged by competitors as a restraint on the liberalisation of the postal market in Germany. On receiving an application for cancellation, the GPTO cancelled the registration for the majority of the goods and services relating to postal services. On appeal, the Patent Court confirmed the GPTO's decision, and the further appeal to the Supreme Court resulted in the decision at hand.

### The ruling<sup>7</sup>

There is no dispute in relation to the fact that the term designates the purpose of the goods and services in question. Both courts ruled that the term "POST" is descriptive in respect of the postal services for which Deutsche Post AG sought registration. As a consequence, following the provisions governing absolute grounds for refusal of protection of a trademark,<sup>8</sup> the term "POST" would not be eligible for registration. However, the absolute grounds for refusal, namely descriptiveness of the term and the need to keep the term freely available for third parties, could be overcome if the mark "POST" had acquired distinctiveness through use. Pursuant to Section 8 (3) of the German Trade Mark Act,<sup>9</sup> the absolute grounds for refusal do not apply if the mark, before registration, as a result of its use in relation to the goods and services in respect of which registration has been applied for, has acquired distinctiveness among relevant consumers.

The GPTO originally allowed Deutsche Post AG's claim of acquired distinctiveness and therefore registered the trademark in 2003. In the cancellation proceedings at hand the key issue is therefore whether the mark had in fact acquired distinctiveness at the time of its registration or, as a result of the use made of it subsequently, has acquired distinctive character since registration.

The Supreme Court emphasised the fact that mere doubts as to whether the mark has acquired distinctiveness or not are not themselves sufficient to justify cancellation of the trademark. Deutsche Post AG had presented to the GPTO and the courts the results of consumer surveys showing that almost 85% of consumers surveyed recognised the term "POST" as an indication of commercial origin. This figure, the

Supreme Court argued, did not justify the inevitable assumption that the mark has not acquired distinctiveness through use.

**“ The Patent Court criticised the way in which the consumer surveys were carried out on behalf of Deutsche Post AG ”**

The Patent Court criticised the way in which the consumer surveys were carried out on behalf of Deutsche Post AG. The Supreme Court, reviewing the case only on points of law, was not called upon to decide whether the method of Deutsche Post AG's consumer surveys served as an adequate basis for the assessment of acquired distinctiveness. However, the Supreme Court ruled that mere doubts on how these surveys were conducted were not sufficient alone to justify cancellation. Instead, the Patent Court should have arranged its own consumer surveys. The GPTO or the Patent Court must collect expert evidence to put themselves in a position to rule on the question of acquired distinctiveness. Consequently, the Supreme Court referred the case back to the Patent Court which will now have to review the case again.

### Interpretation

Registration of a trademark on the basis of acquired distinctiveness must be regarded as a useful breach of the underlying principle that descriptive terms should be kept freely available for everyone's use. It is therefore not surprising that a relatively high number of disputes concerning the question of acquired distinctiveness eventually reach court. This is particularly true when the trademark monopoly is, as in the present case, achieved by a formerly state-owned monopoly because of the incumbent's strong position in the market following liberalisation.

The judgment is in line with previous decisions regarding the delicate subject of acquired distinctiveness. Following the judgement of the European Court of Justice ("ECJ") in *Philips v Remington*,<sup>10</sup> a factual monopoly by the applicant in the relevant market does not mean that the applicant would not be able to register a mark on the basis of distinctiveness acquired through



use. The ECJ ruled that, where a trader has been the only supplier of particular goods to the market, extensive use of a sign may be sufficient to give the sign distinctive character for the purpose of Article 3 (3) of the Trade Marks Directive in circumstances where, as a result of that use, a substantial proportion of the relevant class of persons associates the sign with that trader and no other undertaking or believes that goods bearing the sign come from that trader. The ECJ stressed that it is for the national court to verify whether the circumstances in which the requirement of acquired distinctiveness is satisfied are shown to exist on the basis of specific and reliable data, that the presumed expectation of an average consumer of the category of goods or services in question, who is reasonably well-informed, reasonably observant and circumspect, are taken into account and that the identification, by the relevant class of persons, of the product as originating from a given undertaking is as a result of the use of the mark as a trademark.

The German Supreme Court followed the ECJ's interpretation in the LOTTO case.<sup>11</sup> The Supreme Court ruled that the registration of a descriptive sign is only justified if it has become capable of providing an indication of origin, following the use which has been made of it. For assessing whether a mark has acquired distinctive character, it is not sufficient to rely on abstract data such as predetermined percentages only. However, according to the court's judgement in the LOTTO case, the assumption of acquired distinctiveness through use requires, in particular with regard to inherently descriptive terms, a considerably higher proportion than 50% of the consumers identifying lottery games marketed with the sign "LOTTO" as originating from a particular undertaking.

Deutsche Post AG had presented consumer surveys showing that 85% of the polled

consumers recognised the term "POST" as an indication of origin. If this figure is confirmed in further consumer surveys that the Patent Court will probably arrange to be carried out in the further proceedings, the Patent Court will have to determine whether it justifies the assumption of the trademark being "well-established" because of its "longstanding and intensive" use.<sup>12</sup>

#### Outlook

Whereas it is correct that monopolies should also benefit from the possibility of acquiring distinctiveness through use like every other company, particular diligence should be applied when conducting consumer surveys. Only the use of a term in a trademark sense, i.e. as an indication of the commercial origin of the goods and services, should lead to acquired distinctiveness. Therefore, a clear distinction must be drawn, on the one hand between the consumer's reference to a descriptive term because consumers are accustomed to the monopoly in the goods and services, and the consumer's recognition of a term as an indicator for the differentiation of the commercial origin of the goods and services from one undertaking from those of another.

Although the ruling appears to be a clear victory for Deutsche Post AG, the company will not necessarily benefit from its positive outcome. This is because the Supreme Court has made reference to its earlier decisions in *Die Neue Post* and *City Post* ruling that even if Deutsche Post AG prevail in registration of the word mark "POST", it will not be in a position to prevent its competitors from using the term "POST" in combination with other word elements, such as "Die Neue Post" (The New Mail) or "City Post" (City Mail), as part of their company name. The Supreme Court held in these previous judgements

that competitors were entitled to use their company names irrespective of Deutsche Post AG's trademark registration, in accordance with Section 23 (2) of the German Trade Mark Act. According to this provision, third parties may use a trademark to explain the very nature of their services, unless such use is immoral.

As a result, the extent of the German incumbent's trademark protection will not only depend on whether Deutsche Post AG will be able to obtain registration of its trademark "POST", but also on how the courts will in infringement proceedings assess the mark's distinctiveness when assessing the likelihood of confusion between "POST" and combinations of that sign with other word or logo elements, and, second, whether the exemption of Section 23 (2) of the German Trade Mark Act applies. ☺

#### Notes

- 1 Reference number I ZB 48/07.
- 2 Decision of 10 April 2007, reference number 26 W (pat) 24/06.
- 3 Reference number I ZR 169/05.
- 4 Reference number I ZR 108/05.
- 5 Press Release of the Federal Ministry of Economics and Technology dated 27 November 2008.
- 6 Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service; as amended by Directive 2002/39/EC of 10 June 2002 with regard to the further opening of Community postal services; and as amended by Directive 2008/06/EC of 20 February 2008 with regard to the full accomplishment of the internal market of Community postal services.
- 7 At the time this article was written, the Supreme Court had not handed down the reasons given for its judgement. The article is based on the press release of the court dated 24 October 2008.
- 8 Section 8 (2) No 1 and 2 of the German Trade Mark Act.
- 9 Cf. Article 3 (3) of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relation to trade marks.
- 10 Decision of 18 June 2002, C-299/99, para. 65.
- 11 Decision of 19 January 2006, I ZB 11/04.
- 12 Cf. decision of the ECJ in the *Chiemsee*