

A minefield for legal disputes?

Model names on websites

How seemingly harmless product model names can expose brands to costly trademark disputes.

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“Using unregistered model names without conducting any trademark searches in advance is a gamble.”

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Introduction

Our legal expert, Dr Jochen M. Schaefer, shares a personal experience which highlights how brands could fall into a legal trap if they fail to carry out trademark searches. In particular, we're talking about choosing model names for products displayed in an online ecosystem.

Note: This article is primarily based on the grounds of German substantive laws and the jurisprudence of German courts; the legal situation in other European countries might differ.

I recently represented a well-known sporting goods brand before a German court in temporary injunction proceedings. This experience may serve as a warning to brands and their marketing and sales departments when organizing their online ecosystems and the goods displayed therein, especially when it comes to choosing product model names.

An easy mistake to make?

My client is a long-established manufacturer and seller of high-quality sporting goods products under its well-known brand, which is also part of its company name. These branded products are also offered for sale, DTC, on my client's own websites, targeting consumers in various countries and language versions, including German for the DACH countries.

To facilitate the customer journey in terms of swift orientation and easy differentiation between the hundreds of different products within the broad range of the brand, items displayed on the websites showed not only model numbers but also model names. The majority of these names were only used for a short time, namely for the current spring/summer and fall/winter collections. After that, they were replaced by new model names for the following seasons.

The model names were picked and selected by the brand's marketing and sales department without any involvement from the in-house legal department. No prior trademark searches were conducted before selecting a certain model name. The argument raised by the commercial sales and marketing teams was that it would be too cumbersome and too costly to undergo such exercise in each individual case and that such a procedure would also create unnecessary delays.

They were also sure that it should be clear to anybody that such model names, which only appeared on the respective websites of the brand and the packaging of an article but not on the products themselves, did not constitute a use of a trademark. Rather, these were pure identification factors comparable to number sequences distinguishing one particular product from another. Consequently, the commercial team's overall feeling was that any legal conflicts were very unlikely.

Yet my clients were to quickly find out that their own subjective risk assessment proved to be wrong, and this turned out to be a costly experience for them.

Clients faced minimum €3,500 bill

In early 2023, they received a cease-and-desist (C&D;) letter from a major German law firm specializing in these kinds of scenarios. The firm was obviously systematically screening websites on behalf of its clients, looking for usage of trademark-protected names by third parties not only in identical but also in similar categories of goods.

In line with standard practices widely acknowledged by German courts, the lawyers requested not only the immediate removal of the disputed model name from my client's website but also asked for the reimbursement of their legal fees just for the sending of the C&D; letter. Even at this early

stage, that already amounted to more than €3,500.

In addition, they asked for damage compensation and requested detailed information on the sales of the respective articles, including the names and addresses of the manufacturers, suppliers, purchasers, buyers, and quantities of ordered and delivered goods, as well as their pricing.

Rather than accept these requests unchallenged, my clients decided to defend themselves. Particularly because the German law firm in question was notorious for pursuing such kinds of legal actions, as numerous comments from other German lawyers on blogs and online publications showed. My clients felt almost harassed, and this is where I came into play.

First attempt to settle failed

After my clients had mandated me to represent them, I had hoped that I could settle this matter swiftly by convincing the other side that the use of the respective challenged name – which is part of the common German language but at the same time protected by a German national trademark in a related product class and a registered EU Mark – did not constitute a use in a trademark-like fashion. It was just a temporary model name identification, which was not essential for my clients anyway and which they were prepared to give up on relatively short notice by replacing it with another undisputed generic model name.

However, I also made clear in my first detailed letter announcing my representation that my clients were neither willing to sign the much-too-broadly worded cease-and-desist declaration nor to pay any damage compensation in this specific case since they felt they were unfairly attacked by the other side. I informed the opposing legal firm that the far-reaching claims of their client were basically without merit, explaining why, in our opinion, this was the case.

What I would have expected as a normal reaction to my letter was that my colleague on the opposing side would have contacted me and would have discussed a compromise settlement. This did not happen.

Only one week after receipt of my letter, the other law firm filed a motion to issue a preliminary injunction against my clients without any prior oral hearing. The competent court located in the city where the law firm had its headquarters immediately granted the injunction, which was identical to the various claims the other party and its lawyers had raised in their C&D; letter.

Court urged to consider modern customer journey

Under German procedural laws, one is entitled to object to such kinds of preliminary injunctions and request an oral hearing with the motion to lift the injunction. This required a very detailed written brief outlining both the specific underlying facts and all the technical legal issues surrounding this kind of case.

The plaintiff had taken a heavy-handed approach in its motion, citing lots of case law. However, in my opinion, these were mostly court verdicts issued decades ago and, as such, totally outdated.

The customer journey for ordering goods online today is very different from the one before the internet existed. The remaining verdicts cited looked impressive at first glance, but in reality, they had nothing to do with this case when one took the effort to scrutinize and analyze the respective court decision in detail.

I forwarded a thirty-page written brief plus comprehensive attachments to the competent court. Next, an oral hearing took place. But this proved to be very frustrating.

The judges' verdict

The three professional judges took a highly abstract and formalistic view by referring solely to judgments of the German Federal Court of Justice and verdicts of the European Court of Justice, which had been issued decades ago.

- They did not honor the fact that the disputed name never appeared visibly on the sports product itself but appeared only as a model name on my clients' DTC online store;
- They also did not acknowledge that educated consumers purchasing online care very little (if at all) about such model names. They just want to order a specific product bearing a well-known trademark they have confidence in;
- The fact that my clients had repeatedly expressed their willingness, in writing, to withdraw from using such model names and to remove them from any marketing and sales materials offline and online during a reasonable, defined transition period proved to be of no help either;
- For the three professional judges, it did not play a role that the products for which the adverse party's trademarks were registered were by no means identical to those manufactured and distributed by my clients.

All in all, the court indicated that it would uphold the interim injunction on all points and not grant any relief to my clients.

After I had asked for an interruption of the hearing to be able to get in touch with the General Counsel of my client on the phone, I returned to the courtroom and managed, finally, to reach a fairly reasonable settlement with the plaintiff.

This settlement, however, involved a substantial additional financial commitment on the part of my clients to be able to put an end to the dispute and swiftly close the case out of primarily economic practical considerations.

Lesson learned

The quite negative – and for my clients, very costly – experience during these litigation proceedings provided several take-home lessons, in particular for smaller to medium-sized companies:

- Using unregistered model names without conducting any trademark searches in advance is a gamble;
- Searches can reduce this risk;
- Law firms exist solely to detect such infringements.

A company that gambles on using unregistered model names without conducting any trademark searches in advance might, to a certain extent, be successful over a certain period of time, particularly if only generic model names are chosen. But using other distinctive denominations for model names could trigger costly lawsuits, which also bind substantial resources at a brand's management level.

The risk of clashing with third-party trademark rights in these kinds of scenarios can be substantially reduced by conducting prior trademark searches at the national, EU and even international levels if required. This can be easily done online and takes relatively little time. Even if the results of such searches frequently do not provide the full picture, such a search might at least mitigate risks.

Finally, SMEs, in particular, should be aware of the numerous service providers and law firms systematically screening the internet to detect possible IP infringements, either themselves or with the help of specialized external service providers. This is not negative per se; it only takes on a certain negative connotation if the money-earning aspect is in the foreground and not the legitimate objective to fight illicit offerings on the internet efficiently.

ABOUT THE AUTHOR

Dr. Jochen M. Schaefer is a German practicing attorney based in the Munich area. For several years, he has been representing the World Federation of the Sporting Goods Industry (WFSGI) and the European Federation of the Sporting Goods Industry (FESI) as their legal counsel. He also chairs the WFSGI's legal committee and co-chairs the FESI's digital working group. At the individual client level, he represents a significant number of well-known brands within and beyond the bicycle/sporting goods sector. He is a specialist in national and international distribution topics, intellectual property (IP) and risk management issues, and the drafting and negotiation of comprehensive contracts at the operational level, in particular in the area of European selective distribution schemes.

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