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Christian Pisani

You've got mail: cease and desist notices from Germany

Germany remains an interesting market for the Maltese business community given the long standing track record of good relations between the two countries dating back to the 1960s and the fact that Germany remains the power house of Europe.

In spite of all efforts to harmonise the laws of the different member states within the EU, peculiarities of the various jurisdictions have to be taken into account to make an international venture a success.

In Germany, traders use the rules on unfair market practices to discourage their (international) competitors. This holds true namely in regulated industries such as financial services or i-gaming but also in e-commerce.

On the other hand, a Maltese trader will not be aware of the ensuing pitfalls when entering into the German market given the reluctance of Maltese courts to rule on matters of unfair competition law.

Prior to commencing legal proceedings, German procedural law requires a German trader to ask its (Maltese) competitor to undersign a so-called 'cease and desist notice' (Unterlassungserklärung). Respective proceedings before a German court would indeed be inadmissible in the absence of such a request. In the Unterlassungserklärung the recipient obliges itself to cease from continuing certain acts or making declarations in the future which are – in the eyes of the trader – unfair under the German Act on Unfair Competition. Moreover, the recipient has to submit to the payment of a contractual penalty in the case of a (future) violation of said obligation and pay the accrued legal fees for the Unterlassungserklärung.

In practice, such cease and desist notices are posted to arrive on Thursdays or prior to public holidays to pressurise the recipient as the declaration has to be returned within a short delay. In a recent case, the Landgericht München I (the Higher Regional Court in Munich) even decided that a cease and desist notice can be drafted in German only – notwithstanding whether the recipient has a command of the German language, provided that it has enough time to consult a German-speaking lawyer or translator.

In principle, there are various options for the recipient in Malta: (1) to sign the declaration as it stands, (2) to amend it, or (3) to commence proceedings itself to secure the jurisdiction of the Maltese courts. However, not to react at all is a no-go as in such case the competitor can go to a German court straight away, triggering further legal fees.

Whether it is advisable to submit to the Unterlassungserklärung as proposed very much depends on its wording and should be assessed in conjunction with a (German) lawyer. To undersign an Unterlassungserklärung as proposed can be damaging as the competitor would be entitled to the agreed contractual penalty in the case of a future violation – notwithstanding whether the initial allegation was indeed an act of unfair competition. As it is possible to alter the proposed wording of the cease and desist notice, one should therefore consider this option.

Alternatively, it may be advantageous to secure the jurisdiction of the Maltese courts by commencing a so-called action for a declaration of non-infringement rather than facing legal proceedings before a German court. Indeed, the mere fact that you can fight a legal battle on home turf cannot be under-estimated as a

key consideration when choosing a jurisdiction. Knowing the Maltese legal system and its players may give a strategic plus over an opponent as in most likelihood a foreigner (not active in Malta) cannot rely on an established relationship with a legal professional in Malta. Hence, the courts of Malta are the courts of choice for a Maltese trader in such circumstances.

In order to successfully establish Maltese jurisdiction, the respective decisions have to be taken quickly, however. Article 29 of the Brussels I Regulation requires a court to stop proceedings in a dispute, if the same cause of action between the same parties was already seized by another national court within the EU.

Furthermore, Article 30 of the Brussels I Regulation requires courts to do the same in matters which are not the same but related. These rules on so-called *lis pendens* help to prevent inconsistent judgments in the various member states.

In other words, once Maltese proceedings are duly commenced, a subsequent case on the same matter before a German court would be stayed and ultimately declined as inadmissible. Indeed, it suffices to present in the German proceedings evidence as to the commencement of the Maltese action. If that is the case, a German judge shall not go into the merits. Hence, a Maltese company will not end up arguing its case before a German court.

Further to the question of jurisdiction, the governing law has to be determined. In this regard, Article 6 paragraph 2 of the Rome II Regulation stipulates that the victim of an act of unfair competition can rely on the basic rule of Article 4 of the regulation which provides that the law in which the damage occurs applies. In most cases this corresponds to the law of the injured party's country of residence. In a comparable case, the Higher Courts of Düsseldorf (Urteil vom 15.09.2011, Az. I-2 W 58/10) ruled accordingly and applied German law.

We understand that Maltese courts have also applied Maltese law in the case of a cease and desist letter addressed to a Maltese trader to determine whether the claim to cease made was indeed lawful. Maltese law does not stipulate for specific legislation governing unfair competition. There are, however, various statutes dealing directly or indirectly with the fairness of certain commercial practices. The respective interests of competing traders are namely protected by Article 32 et seqq. of the Maltese Commercial Code.

In any event, the pending court proceedings should be used by the parties for negotiations to resolve the underlying issues rather than waiting for a judge to rule on the fairness of certain commercial practices. Of course, proceedings before a Maltese court would strengthen the position of the Maltese party for the abovementioned reasons.

To conclude, Maltese providers active in Germany should react quickly when challenged by a German competitor and establish Maltese jurisdiction. At the same time, in spite of home state control rules, a Maltese trader should indeed assess the legal consequences of its distribution strategies, including marketing, prior to entering Germany not to give rise to allegations under competition law at all.

Link: <http://www.timesofmalta.com/articles/view/20160123/business-news/You-ve-got-mail-cease-and-desist-notice-from-Germany.599787>

Dr. Christian Pisani is a German-qualified lawyer based in Munich advising Maltese clients on their German activities. The author has acted on various occasions as expert witness on German law before the Courts of Malta. You may contact the author under christian.pisani@pisani-partner.de