

# Case law on trademarks in the European Community

The European Court of Justice and the Court of First Instance of the European Communities frequently give judgements about trademark matters. We have selected a few, which we will discuss below.

**The first** concerns the French fashion company Christian Dior. The main question for Dior in this matter was the following: How do we keep our products and trademark exclusive? A discounter forms a serious threat to that effort. The Court of Justice answers a number of questions on the European Trademarks Directive.

Copad / Christian Dior c.s.  
C-59/08 Court of Justice, 23 April 2009

**Commercial background:**

Christian Dior Couture SA (Dior) has a licence agreement with Société Industrielle Lingerie (hereinafter referred to as SIL). SIL has the right to produce prestigious corsets and distribute these under the trademark CHRISTIAN DIOR, obviously under strict conditions, one of them being the fact that the licensee shall not have the right to sell the product to third parties unless the licensor, Dior, has given written permission to do so.

SIL faced financial difficulties and asked Dior whether it might sell CHRISTIAN DIOR products outside its selective distribution network. Dior gave a negative answer. Nevertheless, SIL was found to be selling products to the discounter Copad S.A.

**Legal background:**

Dior brought the matter to the attention of the French District Court claiming trademark infringement. The Tribunal de Grande Instance de Bobigny and the Cour d'Appel de Paris, however,

adopted the view that failing to observe the licence agreement should not be considered trademark infringement. The Cour de Cassation asked preliminary questions on the matter. In addition, the Cour d'Appel stated that Dior's trademark rights had not been exhausted. The exhaustion of the trademark rights prevents a trademark owner from forbidding trademark use for products which have been marketed in the Community under this trademark by the trademark holder or with his permission. Copad subsequently brought an appeal believing that Dior's trademark rights had been exhausted given the fact that the products concerned had been marketed by SIL.

Judgement by the Court on the first question: Does a stipulation which, for reasons of prestige, forbids the licensee to sell products to discounters, fall under the trademark right?

**The Court argued as follows:**

The essential function of the trademark is to protect the origin of the products allowing consumers to distinguish these without the likelihood of confusion. The trademark owner, if the licence agreement is not observed, and certainly if the quality of the goods is involved, shall have the right to call upon the trademark right. The quality of the prestigious goods results, inter alia, from the allure and prestige which give them a luxurious image. Attacking this image can interfere with the perceived quality of the goods.

Selling products to third parties who are not part of the selective distribution chain could therefore fall under the trademark right.

The national court will need to verify whether the circumstances are such that trademark right is applicable.

### **Question 2: What about the exhaustion of trademark rights?**

The Court found that the licensor must verify the quality of the goods. This is, among other things, possible by including clauses in the licence agreement. Consequently, a licensee markets the goods with permission.

A licence agreement, however, is not tantamount to absolute and unconditional permission from the trademark owner to the licensee. The possibilities of opposing non-observance of a number of licence stipulations are referred to in article 8, paragraph 2 of the Trademark Directive. Therefore the trademark owner's permission does not include trading of products if this involves violation of one of the stipulations of the licence agreement.

The French Court will have to consider the matter further, bearing in mind that the trademark right may well be applicable.

The second decision that we have selected is about benefiting from the success of a reputable trademark. Again, French companies were involved, including L'Oréal S.A.

Court of Justice of the EC, 18 June 2009, C-487/07 L'Oréal c.s./Bellure c.s.

L'Oréal is the owner of well-known perfumes such as Trésor, Miracle, Anaïs-Anaïs and Noa Noa. It has various trademark registrations for these brands.

Bellure is a manufacturer of imitation perfumes, the so-called "knock-offs", and has, among other things, developed an imitation of the Trésor perfume, which it sells under the name La Valeur. Both the bottle and the packaging of La Valeur show a certain similarity to that of Trésor.

In addition, Bellure also sells a perfume called Pink Wonder, which is an imitation of Miracle by L'Oréal. The bottle and packaging of Pink Wonder again show a certain similarity to that of Miracle.

For the purpose of selling the imitation perfumes, Bellure supplies comparison lists to retailers, so that they know which scents are a copy of the original perfumes. For example, all the above brands of L'Oréal appear on these comparison lists, in which the imitations of Bellure are indicated alongside the well-known L'Oréal perfumes.

Since it is not clear when a party gains unfair advantage of the brand by using a sign that corresponds with the reputable brand, the Court gave further explanation.

According to the Court, action can be taken against this unfair advantage if by its use a third party "attempts, through the use of a sign similar to a reputable mark, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without

paying any financial compensation and without being required to make efforts of his own in that regard".

Furthermore, it is not required that there is such a degree of resemblance between the reputable brand and the sign used by the third party that, as a result, it may cause public confusion. It is sufficient that the relevant public makes a link between the sign and the brand.

Consequently, it is not allowed to ride on the coat-tails of a trademark in order to benefit from the success of a reputable trademark, without paying any financial compensation.

This is certainly good news for all owners of well-known brands. Thanks to this judgment from the Court of Justice they can now take action against this unfair advantage if they succeed in proving this "riding on the coat-tails" of a well-known brand.

Finally, we have selected a case of a different nature, illustrating the difference in the position of a trademark applicant in an opposition proceeding in the Community, as compared to the Benelux. How active must a trademark applicant be? Court of First Instance, T-171/06, 17 March 2009 Laytoncrest Limited / OHIM

The trademark legislation in the Benelux and the European Community is generally similar. The Benelux Treaty on Intellectual Property was drawn up in accordance with the European Directive.

The text of the Benelux Treaty on Intellectual Property clearly states that opposition proceedings shall be terminated once the respondent does not respond to the proceedings instituted. In such case he shall be considered to have abandoned his rights to the application.

The Community legislation, on the other hand, states nothing specific about the case in which the respondent fails to respond. Recently the European Court of First Instance focused on the consequences of this, since a similar case had presented itself.

The applicant of the community trademark TRENTON was confronted with an objection from the holder of the LENTON trademark. The applicant did not respond to the opposition, including the appeal, on which the European Trademark Office (OHIM) decided to declare the application of the TRENTON trademark as void due to lack of activity during the applicant's procedure.

The applicant disagreed and filed an appeal to the Court of First Instance. On 17 March 2009, the Court of First Instance ruled in this case making clear how certain articles of the Regulation concerning the Community Trademark should be explained. The significant statement was that OHIM cannot conclude that an applicant who fails to respond to an opposition tacitly relinquishes an application.

The Regulation clearly states that OHIM may deliver judgement about the foundation of the case, even if the applicant has not made any comments.

### Change in numbering of Community Regulation and Directive

The EC Council Regulation on the Community trade mark No. 40/94 has been replaced by Council Regulation No. 207/2009. This has effect from 13 April 2009.

Regulation No. 207/2009 is a codified version of Council Regulation No. 40/94. It incorporates the many amendments to Regulation No. 40/94 since its entry into force. As a result the numbers of many of the Articles will be different. However, the contents will be practically the same. There are no substantive legal changes.

There has been a similar substitution, with no substantive changes, of the Council Directive 89/104 to approximate the laws of the Member States relating to trademarks.

The new codified version of the Directive has been given the number 2008/95/EC. This new Directive has effect as from November 2008.

According to the Court, this too proves that OHIM may not interpret procedural inactivity during the opposition proceedings as the tacit withdrawal of an application for a trademark.

In addition, the Community Trademark Regulation states that OHIM has the right to decide on an opposition in which the applicant has submitted no remarks.

This is in contrast with the stipulations in the Benelux where an applicant must act if an opposition has been submitted against his trademark, because the application would otherwise be considered abandoned. Obviously applicants are advised to take action and defend their application. Both in the Benelux and the Community, an applicant may face opposition soon after submitting the application and will normally have an interest in maintaining its trademark application.



Part of this selection has also been published in World IP.

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