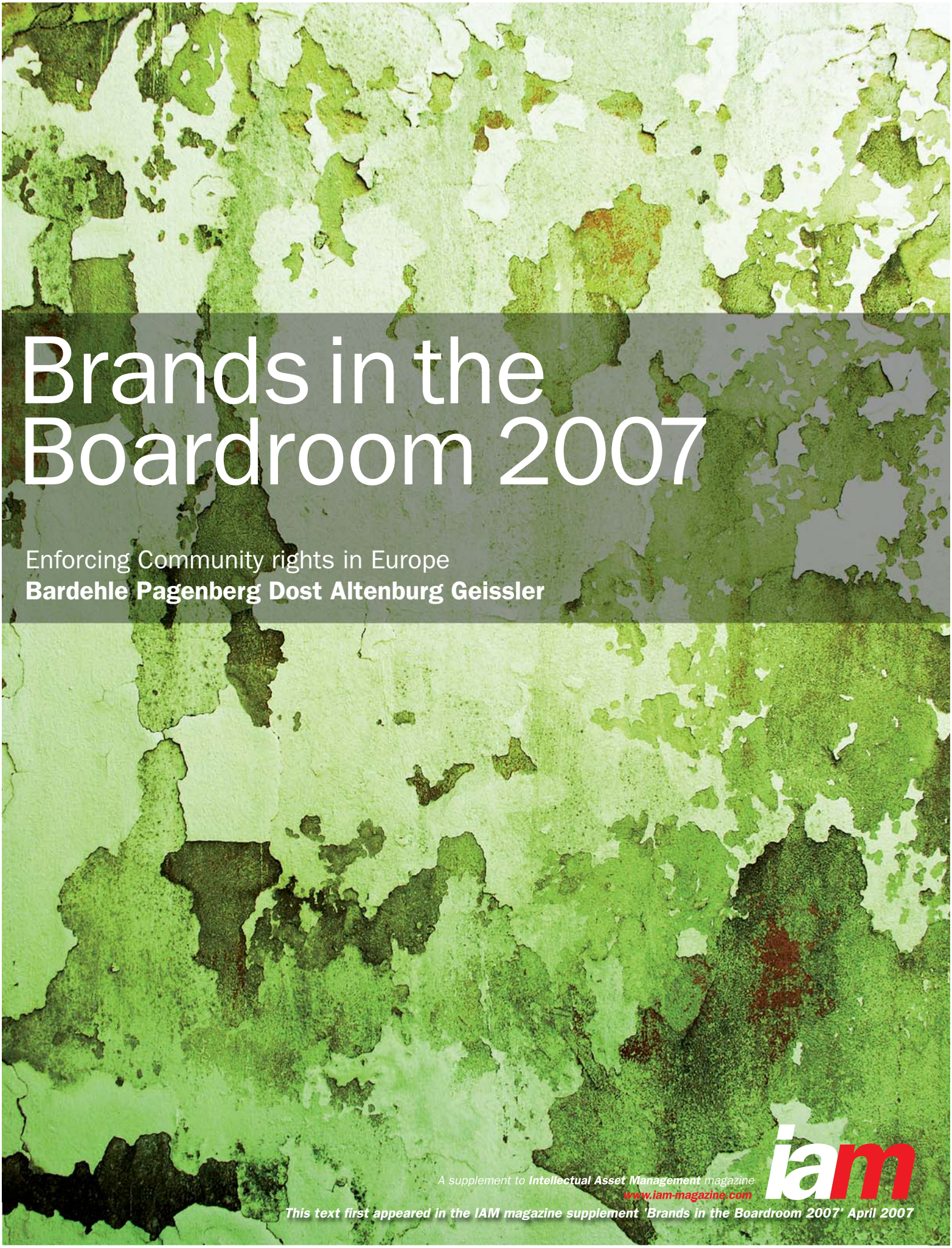


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Enforcing Community rights in Europe

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Enforcing Community rights in Europe

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Beyond doubt, Article 1 (2) of the Community Trademark Regulation (CTMR) and Article 1 (3) of the Community Design Regulation (CDR) are at the heart of European trademark and design rights, respectively. Their unitary character and equal effect throughout the EU, as well as the fact that their use is not prohibited "save in respect of the whole Community", make Community rights particularly attractive to right holders, as they offer advantages that may reach beyond those of non-Community rights, such as European patents or copyrights. Furthermore, the CDR of 2001 tracks the CTMR of 1993 in many respects. Most of the principles, policies, provisions, remedies and competences set forth in the CDR are very similar, if not identical, to the CTMR.

Nonetheless, practitioners often find problems or traps behind this façade that are neither revealed nor solved by the wording of the regulations. Instead, national Community rights courts are called upon to search for an appropriate solution. Among the important issues most recently decided and clarified by courts, at least to some extent, are: the geographical scope of jurisdiction on infringement; pleas relating to exhaustion and declarations of invalidity of a Community right; the staying of proceedings; and the inherent conflict between senior trademark rights and junior design rights.

Geographical extent of jurisdiction on infringement

Whether claimants are entitled to relief covering the whole territory of the EU, which was extended to 27 member states in 2007, is one of the most crucial issues covered by the law of Community rights. Nonetheless, only a few decisions have dealt with this question.

In a recently published decision of 20th April 2006, the Austrian Supreme Court decided that the owner of an allegedly infringed Community trademark was entitled to pan-European relief even if infringement occurred only in one member state. The court argued that this followed from Article 1 (2) CTMR and the related recitals. According to the latter: "Decisions regarding the validity and infringement of Community trademarks must have effect and cover the entire area of the Community, as this is the only way of preventing inconsistent decisions on the part of the courts and the Office, and of ensuring that the unitary character of Community trade marks is not undermined." Interestingly, Recitals 29 and 30 of the CDR are more reserved and do not include such a clear statement as those of the CTMR.

According to the Supreme Court, claimants can decide on the territorial scope of the infringements they pursue. Curiously, the court did not say a word about the geographical extent of jurisdiction on infringement as provided for in Article 94 (1) of the CTMR. The court's decision to ignore the impact and outcome of a provision that confirms jurisdiction only "in respect of acts of infringement committed or threatened within the territory of any of the member states" appears questionable. Does an infringement being committed in Austria mean that further infringement within the territory of any other member states – eg, Greece or Latvia or Iceland – is automatically threatening? Is, for instance, the language of the protected trademark or the specific mode of distribution of the infringing products irrelevant for confirming jurisdiction?

The Austrian Supreme Court's decision, which seems to represent the maximum that a claimant can fairly expect to receive, differs from other rulings. These include an 18th October 2006 decision of the High Court in London in a Community design infringement main action. The court found

that the two claimants – a Japanese company and its subsidiary, a UK company – were entitled to relief covering the territory of the whole EU where consumers in one member state were specifically targeted by advertising on the defendant's website because the website offered user manuals for the infringing products in various European languages, including English, French and Spanish. While the High Court arguably goes beyond the Austrian Supreme Court in justifying a basis for pan-European relief in this decision, it is noteworthy that the court neither discussed the content and scope of Article 83 of the CDR in relation to the case before it, nor addressed the fact that both the defendant, a Chinese company based in Hong Kong, and the first claimant, a Japanese company, were not domiciled and did not have an establishment in any of the member states and, therefore, were not entitled to European-wide relief pursuant to Articles 83 (2) and 82 (5) of the CDR.

Midway between the decisions of the Austrian Supreme Court and the High Court in London, there is a decision of the Hamburg Appeal Court dated 27th January 2005, which appears to be the most thorough and instructive of the three. The Hamburg Appeal Court was called upon to decide, *inter alia*, whether the allegedly infringing use of a Community trademark in Germany, Austria, Denmark, Spain and the Czech Republic was reason enough to affirm jurisdiction on infringement in the sense of Article 94 (1) of the CTMR, in order to grant a permanent injunction covering the geographical extent of the whole EU. The court ruled that with respect to the equal effect of the Community trademark, Article 1 (2) of the CTMR, and the unitary jurisdiction of the Community trademark courts, Articles 93 (1) and 94 (1) of the CTMR, a claim for cease-and-desist due to the use of a sign infringing a Community trademark is justified covering the whole EU, even if acts of infringement are committed within the territory of only some of the member states. According to the court, the defendant carried the burden of proof where it argued that a likelihood of confusion would not occur in specific member states. Since that decision has been appealed and is still pending before the German Federal Supreme Court, it remains to be seen whether the Hamburg Appeal Court's rather moderate position will be upheld.

Lastly, on 5th April 2006, in an action seeking provisional remedies for infringement of a Community design, the French Evry Commercial Court decided that the claimant, a US company with a French subsidiary, was entitled to a ban of the infringing goods in France. Curiously, the court seemed uncertain about whether it had jurisdiction to issue EU-wide provisional relief, which the claimant had initially requested but later modified to France. In particular, and unlike the High Court in London, the court did look at Article 83 (1) of the CDR, but did not feel obliged to decide on its content and scope due to the claimant's modified request. Additionally, a separate UK main action on both the question of infringement – with a requested ban covering the entire Community – and validity of the underlying Community design right was pending at the time. The French court, however, did not find this to be an obstacle for a French interim injunction whose effects would be limited to France.

Pleas relating to exhaustion of a Community right

On 18th October 2006, the High Court in London held that an ECJ precedent regarding exhaustion of rights in the context of Community trademarks is equally applicable to causes of action in Community design rights. Relying on ECJ case law, the London court held that the defence of exhaustion of Community rights was to be denied where products were specifically intended for sale outside the European Economic Area; ie, where goods were packaged in a box clearly labelled "FOR SALE AND USE IN JAPAN ONLY" and accompanied by user manuals almost entirely in Japanese.

This decision gives the first clear guidance on the scope of Article 21 of the CDR. However, since the action was undefended, the London court had no occasion to decide whether the claimants had provided express or implied consent to exhaust their Community rights.

Counterclaim for a declaration of invalidity of a Community right

Pursuant to Article 92 (1) of the CTMR and Article 81 lit d of the CDR, Community rights courts shall have exclusive jurisdiction for counterclaims for a declaration of invalidity of Community rights raised in connection with actions for infringement of such rights. Surprisingly, only a few court decisions on the admissibility and merits of such counterclaims have so far been handed down, as most defendants appear to opt for invalidity proceedings before OHIM's Invalidity Division.

The Vienna Commercial Court did render

Conflict between senior trademark rights and junior design rights

To date, no national case law on the potential conflict between senior trademark rights and junior design rights on the basis of Article 25 (1) lit e of the CDR has been published. However, the Invalidity Division at OHIM decided two cases involving such a collision, between two-dimensional and three-dimensional Community trademark rights and junior registered Community design rights, on 1st March and 24th August 2006. Particularly in the latter case, the Invalidity Division held that the registered Community design made use of the prior trademark by incorporating a sign into the design which was similar to the three-dimensional shape of the trademark. According to this decision, the goods covered by the trademark and the design were identical. Consequently, the owner of the prior trademark had the right to prohibit the use of the later Community design on the grounds of a likelihood of confusion. While some commentators were unhappy with the result of this decision, others complained that the reasoning of the Invalidity Division regarding the comparison of goods involved would leave many questions unanswered. Neither of the decisions is final but they should be tracked carefully since they are likely to come before the Court of First Instance, if not the ECJ.

The voluminous case law produced by the Invalidity Division in the very first years after the CDR came into force is quite impressive. National courts, such as the High Court in London, have mostly confirmed the OHIM decisions rendered so far.

such a decision on 22nd August 2006 declaring the invoked Community trademark – the famous "LINDT" Golden Bunny, registered as a 3D trademark under No 001698885 – invalid. The Austrian court found that, pursuant to Article 51 (1) lit b of the CTMR, the registration was made in bad faith, and consequently handed down a European-wide declaration of invalidity. As luck would have it, the very same Community trademark was enforced in parallel proceedings in Germany before the Federal Supreme Court. When, on 26th October 2006, the Supreme Court decided that the lower Frankfurt Appeal Court's dismissal of the claimant's claims was wrong, the underlying Community trademark had already been declared invalid two months earlier. It appears questionable whether the Frankfurt Appeal Court, to which the German case was referred back, must now stay the German infringement proceedings until a decision on the Austrian invalidity judgment, which is also under appeal, becomes final.

Provisions on the staying of proceedings

Options to stay proceedings are offered by Article 100 (1) of the CTMR and Article 91 (1) of the CDR. Again, surprisingly, only a few national decisions on the content and scope of these provisions have become public so far.

One of these was handed down by the Hamburg District Court on 19th October 2006. In this case, a registered Community design was enforced in Germany and, parallel to this, in the UK before the High Court in London against different defendants. The defendants in the UK infringement action filed a counterclaim, seeking a declaration of invalidity of the invoked Community design. Both the infringement action and the counterclaim were filed in the UK before the infringement action in Germany was filed.

In light of this, the Hamburg District Court decided to stay the German main proceedings. The claimants that had argued against the stay, contending the UK main proceedings would last significantly longer than the German proceedings and the Hamburg District Court had already granted a related interim injunction. The court rejected both arguments.

Further guidance from the ECJ?

The above overview of national court decisions regarding the enforcement of Community rights is not exhaustive and many of the cited cases have not been confirmed by a higher instance. Only in rare cases have the decisions been appealed and in fewer cases were the underlying questions brought directly to the ECJ under Article 234 of the Treaty establishing the European Community. Pursuant to this Article, any national court whose decisions cannot be appealed under national law is obliged to refer the case to the ECJ for a ruling where it considers that a decision on the question, ie, the application of Community law, is necessary to enable it to give judgment. In contrast to national courts of last instance, courts of lower instances are not obliged to do this but can request the ECJ to give a ruling on such a question. However, such an obligation does not arise if the answer to the question does not affect the outcome of the case, if the application of the Community law in question has already been decided by the ECJ or if the correct application of Community law is so obvious as to leave no scope for any reasonable doubt.

In a widely reported decision of 19th January 2006, Germany's Federal Supreme Court decided that a referral to the ECJ was not warranted in a case involving an unregistered Community design. In fact, in an earlier related case the Federal Supreme Court held that a design which enjoyed (or had enjoyed) protection as an unregistered Community design could also be protected under national unfair competition law where the defendant's allegedly infringing design caused confusion as to origin. The Federal Supreme Court considered it obvious that the CDR coexisted with national legislative provisions on unfair competition as expressly stated in Article 96 (1) of the CDR. Moreover, the preconditions for protection and legal consequences of each protection scheme were different.

While the above case was clear, national courts of all instances should not hesitate to take any appropriate opportunity to stay proceedings in order to refer major questions of application of the CTMR or CDR to the ECJ. So far, national courts have not taken a very academic or intellectual approach to their decisions, but have instead considered more practical realities of the marketplace affecting traders. Hopefully, more case law will follow this path.



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Dr Hartwig has published more than 50 articles on IP law and is editor and author of the first Europe-wide up-to-date collection of the emerging national case law on the Community design, Design Protection in Europe. *Parts of his article in* Brands in the Boardroom 2007 *are adapted from the just-published first volume of this collection.*

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