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INTELLECTUAL AND INDUSTRIAL PROPERTY

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FOREWORD

For the third year running our Firm takes pleasure in sharing its **YEARBOOK of European IP Case Law** with its clients, colleagues, and friends. In the times we live in news makes the rounds right away, and the race to post it on the web can at times get in the way of unhurried meditation and an overview of the problems encountered in defending IP rights. The YEARBOOK is intended as an impartial compendium of decisions that serve to illustrate developments in case law in the European Union.

In a year of unusual abundance, this year's YEARBOOK reviews 33 decisions using the format originally developed by our Firm's Editorial Board, background, findings, and remarks. While the brunt are judgments by the Court of Justice of the European Union, this compilation also takes in case law from Spain's Community Trade Mark and Design Court, decisions by the European Patent Office's Board of Appeal, and even judgments by the European Court of Human Rights.

The YEARBOOK is a collective labour by a kernel of our Firm's practitioners acting out of our awareness that service to our clients also means devoting efforts to research and teaching activities. Our appreciation to all for their disinterested industry and diligence.

It is our hope that this YEARBOOK will be a useful tool to everyone in their work. Comments by our readers will naturally be welcomed.

Alberto de Elzaburu
Executive President

Antonio Tavira
Managing Partner

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TRADEMARKS

1. Criteria for attesting to the existence of a risk of dilution of reputed marks. Judgment of the Court of Justice of 14 November 2013, Wolf (C-383/12).

1. *Background.* On 9 March 2006 the company Environmental Manufacturing filed the following Community trademark application:



The application claimed the following goods in class 7: “*Machines for professional and industrial processing of wood and green waste; professional and industrial wood chippers and shredders*”. The company Elmar Wolf opposed the application on the basis of various earlier reputed French and international figurative trademarks, namely:



Environmental Manufacturing appealed to the General Court for annulment of the decision issued by the OHIM's Board of Appeal, which had concluded that there was a likelihood of confusion between the trademarks. In its ruling the General Court upheld the Board of Appeal's decision and specifically stated that there was a risk of dilution of the earlier reputed marks. In this regard, the General Court referred to the judgment of the Court of Justice in the Intel Corporation case (C-252/07), which ruled that it was up to the proprietor of the earlier mark to submit evidence that use of the later mark would be detrimental to the distinctive character of the earlier mark (risk of dilution). The General Court also found that the proprietor of the earlier mark could not be required to effectively demonstrate that an infringement had actually occurred and that submitting evidence that a risk of infringement could occur in the future would be sufficient. The General Court concluded by indicating that the said proprietor could not be required to demonstrate that the use of the later mark had an effect on the economic behaviour of the average consumer.

2. *Findings.* The Court of Justice did not share the position taken by the General Court, recalling that, as it had ruled on previous occasions, proof that use of the later mark is or would be detrimental to the distinctive character of the earlier mark requires evidence of an actual or potential change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered. Since the General Court had not assessed this requirement, the Court of Justice held that the General Court had erred in law and consequently set aside that court's judgment without expressing its position on the merits of the case.

3. *Remarks.* This new judgment not only confirms the stance taken by the Court of Justice in the Intel Corporation case (C-252/07) but also sets out the criteria that the proprietor of an earlier reputed mark needs to follow to prevent registration or use of a similar mark detrimental to the distinctive character of the earlier mark. To this end, evidence will need to be provided that use of the later mark has changed the economic behaviour of the average consumer or that there is a serious likelihood that such a change will occur in the future. In addition, an “*analysis of the probabilities*” will need to be conducted and normal practice in the relevant commercial sector taken into account.

In conclusion, assessing whether there has been a change in the economic behaviour of the average consumer will necessitate a specific study in each individual case, since the Court of Justice did not indicate how this requirement is to be evaluated or explain the means for doing so, for instance the nature of the analysis of the probabilities. **Marta RODRÍGUEZ**

2. Discretionary power of the Board of Appeal relating to facts and evidence submitted to the Opposition Division after expiry of a time limit. Judgment of the Court of Justice of 3 October 2013, Proti Snack (C-120/12 P).

1. *Background.* Mr. Rintisch filed opposition to a Community trademark application for PROTI SNACK on the basis of several earlier German trademarks. To prove the existence and validity of the cited marks, he submitted certificates of registration and extracts from the database of the German Patent and Trademark Office. The extracts contained the renewal dates of the trademarks. Translations into the language of the proceedings were submitted for the certificates of registration but not for the extracts.

After the time limit for submitting facts, evidence and arguments had expired, Mr. Rintisch once again submitted extracts from the database of the German Patent and Trademark Office together with a declaration issued by the said Office (duly translated into the language of the proceedings), which stated that the opposing marks had been renewed before the date on which the notice of opposition was filed.

The Opposition Division rejected the opposition, pursuant to rule 20.1 of the Implementing Regulation, because the translations into the language of the proceedings of the extracts from the database of the German Patent and Trademark Office attesting to renewal of the trademarks had not been submitted in due time. The documents submitted afterwards (see the preceding paragraph) were rejected because they had been submitted late.

The appeal lodged against the decision was dismissed by the OHIM's Fourth Board of Appeal, which concurred with the Opposition Division. It also ruled that neither the Opposition Division nor the Board of Appeal itself had discretion under Article 74.2 of the Community Trade Mark Regulation to take into account documents that had not been filed within the term set, since Rule 20.1 of the Implementing Regulation prevented them from doing so. The Board of Appeal added that, even if it were to have enjoyed such discretion, it would still not have accepted the documents that had been filed late.

In the action seeking annulment of the decision issued by the OHIM's Board of Appeal, the General Court upheld the Board of Appeal's reasoning.

The matter was subsequently brought before the Court of Justice.

2. *Findings.* The Court of Justice ruled that the General Court erred in its interpretation of Rule 50.1 of the Implementing Regulation, which provides that the provisions relating to proceedings before the department which has made the decision against which the appeal is brought are to be applicable to appeal proceedings *mutatis mutandis*, the relevant provisions in this case being those relating to the opposition.

This prompted the General Court, and before it the Board of Appeal, to apply Rule 20.1 of the Implementing Regulation, which stipulates that an opposition is to be rejected without any examination as to its merits if proof of the existence, validity and scope of protection of the opposing marks is submitted late.

None of the said earlier instances took into account that Rule 50.1 contains a third subparagraph, which is a special rule applicable to appeal proceedings brought against decisions by the Opposition Division.

This third subparagraph specifically allows the Board of Appeal to examine additional facts and evidence not submitted within a time limit pursuant to Article 74.2 of the Regulation, a possibility that is not available to the Opposition Division pursuant to Rule 20.1, and the General Court erred in deeming it to be applicable to the Board of Appeal as well.

Even though the Court of Justice found that the General Court had committed an error of law by virtue of its incorrect interpretation of the rules, it still dismissed the appeal.

The dismissal was grounded on the fact that the contested decision was well founded for other legal reasons.

Indeed, in its decision the Board of Appeal had stated that, if it had enjoyed a discretion to decide whether or not it was necessary to take into account documents submitted late by the opponent, it would have dismissed the opponent's appeal. The reason for this is that the Board considered that there was no justification for the opponent's delay in attesting to the existence and validity of his opposing marks. The Court endorsed this assessment and thus dismissed the request to annul the contested decision.

3. *Remarks.* This judgment serves to highlight the great importance of submitting proof of the existence, validity and scope of protection of the opposing marks in due time and in the language of the proceedings.

Although evidence submitted late may not be taken into account by the Opposition Division, it may be accepted by the Board of Appeal pursuant to the third subparagraph of Rule 50.1 of the Implementing Regulation. However, the Board must exercise its discretionary power restrictively and may only allow late filing of such evidence if it is justified by the circumstances.

It is therefore advisable to be highly diligent in attesting to earlier opposing rights within a time limit in opposition proceedings. **Javier ÚBEDA-ROMERO**

3. Unauthorized sales of luxury items via the Internet. Trademark infringement and unfair competition. Judgment of the Spanish Community Trademark Court of 3 October 2013, Websales.

1. *Background.* Various companies in the luxury and high-end cosmetics sector, many of them owners of reputed brands of global standing, lodged a trademark infringement and unfair competition action against Websales Ibérica S.L., a company specializing in online sales of goods on the www.outletbelleza.com and www.outletbelleza.es websites.



The plaintiffs benefited from a system of selective distribution in Spain, authorized by the Spanish Board for the Defense of Competition, which allowed them to distribute their goods solely and exclusively in conditions that would safeguard their image and prestige. In the opinion of the plaintiffs, the defendant, which did not belong to the selective distribution network and did not fulfil the conditions required of network members, was infringing the trademarks in question by taking unfair advantage of the marks' well-known character and reputation and the efforts of their owners.

The Community Trade Mark Court dismissed the complaint on grounds of the principle of the exhaustion of rights. However, the appeal judgment ruled that the defendant had infringed the plaintiffs' trademarks and ordered sales of the goods in question to cease and damages to be paid for the harm sustained. Dismissal of the action claiming unfair competition was upheld on appeal.

2. *Findings.* The Court began by dismissing the idea that the Internet is *in itself* a pernicious channel for the image of any trademark. The judgment noted that virtual commerce conducted online serves to improve the service offered by distributors, by enabling goods to be ordered remotely, with no time limits and easy access to information on the products as well as the ability to compare prices. The issue of whether the trademarks had been infringed or whether, by contrast, exhaustion of rights was applicable was resolved on the basis of weighing other questions, which resulted in acceptance of the appeal and the declaration of infringement.

First of all, the Court considered whether selective distribution based on qualitative criteria in the luxury cosmetics sector is an *instrument of the trademark's function as a means of concentrating prestige*. According to the judgment, maintaining a specific brand quality indicative of a certain level of quality in terms of the status that ensues from belonging to the most exclusive market segment comes not only from product quality and the manufacturers' efforts to consolidate their standing in the sector through advertising and marketing but also from access to certain sales methods guaranteeing presentation of the goods at the point of sale in a manner that will enhance their image. *Mass distribution* in which trademark owners have no possibility whatsoever of ensuring that their products are being sold in the proper conditions entails a risk of debasing the presentation of the goods at the point of sale, which could damage their "*luxury image*" and, by extension, the very nature of the goods in question.

In the second place, the Court took up whether the selection criteria included by the plaintiffs in the agreements signed with their dealers served as an adequate guarantee of that function of trademarks. Although the plaintiffs' goods can share a space with goods bearing other brands at the point of sale, the requirement for the goods in question to be presented to the web user in a manner that serves to enhance their image can be considered legitimate, which can be taken to mean that the plaintiffs' marks may not be presented with other goods having a different nature or lower quality, or even with other goods in the same display area unless they are adequately separated from other general goods of lower quality.

Third, the judgment considered whether or not the website's domain name might also affect the image and prestige of the plaintiffs' trademarks. In this case, the Court observed that the "*outletbelleza*" [beauty outlet] domain name is sufficiently expressive of a form of commerce that that happens to be precisely the opposite of the most exquisite and exclusive service rendered in commerce. According to the Court, the name used on the website serves to project into the minds of consumers the idea of discontinued or remaindered or outdated goods, or else goods that were in some way flawed and thus offered cheaper because the services ordinarily associated with the product or brand under normal conditions of sale had been dispensed with, something completely at odds with the image that the brands were seeking to promote.

On the basis of an expert assessment at the earlier stage, the Court ordered the defendant to pay the following as damages: for harm to the trademark image and prestige, 2% of the minimum turnover calculated by the expert, i.e., 2,878.40 euros; as damages for the hypothetical cost of a license, 12,000 euros by way of an upfront payment and 6% of the minimum turnover, that is, 8,635.23 euros, which resulted in total damages of 20,635.23 euros.

3. *Remarks.* The unstoppable rise of electronic commerce, coupled with the opportunities it offers trademark owners, is not without its risks. The proliferation of websites allowing the indiscriminate sale of goods belonging to highly diverse categories and segments may affect a brand's reputation and prestige. However, this is not attributable solely to the fact that the goods are sold online, paradoxical given current attitudes exalting the web as the ideal channel for commercial transactions. Rather, the illegality of these sales derives from the conditions under which the goods are offered online. This was the Court's understanding, offering a case-based approach to the problem of determining whether Internet resale comes under the general principle of exhaustion of rights or the exception laid down in the law itself. Even when it comes to high-end goods, the conclusion could vary depending on the case: comparing the conditions set by the trademark owner in establishing its distribution network and the conditions under which the goods are sold on the web, in the light of the trademark's function as means for heightening prestige, will be key to the conclusion reached in each case. **Antonio CASTÁN**

4. Registration of trademarks containing devices likely to be associated with the Red Cross emblem. Judgment of the Spanish Supreme Court of 27 September 2013, Cruz Roja.

1. *Background.* The following trademark application was filed for “medical, clinical and hospital services” in Class 44, and claiming the colours red and black:



The Spanish Red Cross filed an opposition at the Spanish Patent and Trademark Office, followed by an administrative appeal also to the Office when the opposition was rejected. The Red Cross subsequently lodged a contentious-

administrative appeal against the decision to dismiss the administrative appeal with the High Court of Justice of Madrid. On dismissal of the contentious-administrative appeal by the High Court of Justice, the Red Cross lodged a cassation appeal with the Spanish Supreme Court.

The briefs of complaint submitted by the Red Cross at all stages were mainly based on absolute bars to registration pursuant to the protection accorded to the Red Cross emblem under the First Geneva Convention of 12 August 1949 (“For the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field”) and on the prohibition against registering trademarks containing misleading indications of the characteristics and origin of services.

2. *Findings.* The judgment expressly underlined the special protection to be accorded to the exclusive use of the Red Cross emblem: the reputation and activities of the Red Cross should lead not to weakening of that protection but “*in each and every case*” to more restrictive standards concerning the grant of any signs that may give rise to an association with that emblem.

The Court called attention to the fact that the goal is not so much to apply a relative bar to registration but an absolute bar to registration, such that signs with devices that are more or less similar to red crosses may only be allowed to proceed to registration where there can be no doubt whatsoever as to their ability to coexist with the emblem without giving rise to confusion.

Turning to the device element in the contested mark, the Court indicated that the decisive factor was that its basic structure was consistent with that of a cross.

The Court also that the word component in the contested mark was of no relevance in the comparison of the marks, because the public, perceiving it next to the red cross emblem, could conclude that it referred to a hospital or facility connected with the Red Cross.

3. *Remarks.* This is the clearest judgment yet handed down by the Supreme Court in relation to protection of the Red Cross emblem.

It is further materialization of the protection afforded to the Red Cross emblem, an express statement that this is an absolute bar to registration which calls for a different type of assessment than relative bars to registration, again affirming the tendency towards overall comparison when comparing two trademarks.

The Court underlined the importance of applying the provisions of international conventions, not only the prohibitions expressly provided for under the Trademark Act (*“and especially when the source is an international convention”*).

The judgment makes clear that when applying the rules protecting the Red Cross emblem it does not matter if the device included in the contested sign is described in a manner unlike that of a cross (here *“angular symmetric strokes having rounded, opposing vertices”*), but rather it suffices for a cross-like structure to be created.

Also important is the clarity used to affirm that the addition of word elements to a mark in no way diminishes the association, because the public *“may be prompted to conclude that it is a hospital group (or facility) related to the Red Cross as an organization.”*

This judgment bears out and strengthens a line of case law that advocates strong protection for the Red Cross emblem, e.g., previous judgments handed down by the High Court of Justice of Madrid in 2012 (9 February 2012, Mistol case, appeal 973/2008) and a few months after that the judgment discussed here (4 December 2013, Clínica del Pilar case, appeal 221/2011). **Miguel Ángel MEDINA.**

5. Consent on the part of the proprietor of a trademark to the use, by a third party, of an identical sign within a shared use situation. Possibility for the proprietor to regain exclusive use of the mark. Judgment of the Court of Justice of 19 September 2013, Martin Y Paz Diffusion (C-661/11).

1. *Background.* By a contract concluded by Mr. Baquet, a leather goods manufacturer, and Martin Y Paz (hereinafter MYP), the former sold the name of his company, “Nathan”, to the latter for use on a range of small leather goods. Mr. Baquet retained the property in the name for the manufacture of handbags. MYP undertook not to compete with Mr. Baquet with respect to these goods and Mr. Baquet in turn guaranteed MYP the exclusive use of “Nathan” in respect of small leather goods.

Mr. Baquet subsequently sold his business to Mr. David Depuydt, manager of Fabriek van Maroquinerie Gauquie (hereinafter Gauquie). The agreement

included the Benelux word mark “Nathan” registered in 1991 for goods in Classes 18 and 25 and referred to the undertaking given by Mr. Baquet with regard to MYP.

In August 1998 MYP registered two Benelux trademarks in its name, both figurative and consisting of the letter “N” and the word “Nathan” in Classes 18 and 25. Subsequently, in 2002, MYP also registered the Benelux word mark “Nathan Baume” in the same classes. Both MYP and Gauquie consented to the use of these marks on small leather goods and handbags, respectively.

Relations between the two companies deteriorated, and in May 2005 Mr. Depuydt and Gauquie filed a complaint with the Nivelles Commercial Court (Belgium) seeking to have the three marks registered in the name of MYP declared invalid or, in the alternative, declared valid only with respect to small leather goods.

The said court dismissed the complaint. MYP subsequently petitioned that same court to order Gauquie to cease using the signs “N” and “Nathan Baume” for goods in Classes 18 and 25. Gauquie responded with a counterclaim seeking an order for MYP to cease using the marks. MYP's claim was dismissed and the said company was ordered to cease manufacturing or marketing handbags identical or similar to those distributed by Gauquie under the signs “N”, “Nathan” and “Nathan Baume”.

MYP appealed to the Brussels Court of Appeal. The Court held that Gauquie could not use these marks for goods other than handbags and shoes and that MYP could not use the marks for the said goods. The Court also declared that MYP had always consented to Gauquie's use of the signs, that the company's consent was irrevocable, and that seeking to prohibit use by Gauquie was an abuse of its exclusive right and a possible act of unfair competition.

MYP then lodged a cassation appeal. It admitted that it had consented to use by Gauquie but maintained that consent could be withdrawn at any time, and it also argued that its application for Gauquie to be prohibited from using those signs at all was in no way abusive but a legitimate exercise of the exclusive right conferred by its marks.

The Belgian Court of Cassation asked the Court of Justice for a preliminary ruling on whether Article 5 of the Trademark Directive precludes the proprietor of certain trademarks which, in a situation where there was previously shared

use, had consented to the use by a third party of signs identical to its marks in respect of goods covered by those marks, and which at some point sought to prohibit that use, from being deprived of any possibility of asserting the exclusive rights conferred by its marks.

2. *Findings.* In its judgment, the Court of Justice specified that consent such as that granted by MYP to Gauquie gives rise to exhaustion of the exclusive right only with respect to individual items of goods first put on the market in the European Economic Area by the beneficiary of the consent. The Court added that the third party beneficiary of the consent (Gauquie) could no longer invoke that exhaustion after withdrawal of the consent.

The Court of Justice added that if, since the expression by MYP of its wish to exercise its exclusive right against Gauquie the latter company is still using signs identical to those of MYP without its consent, it corresponds to the national court to assess whether such use is detrimental or could be detrimental to some of the essential functions of those marks (inter alia, guaranteeing to consumers the origin of the goods or services in question, as well as their quality). If such a detriment or risk of detriment were to exist, it would have to be held that depriving MYP of the possibility of exercising its exclusive right against that use exceeded the limitations arising from Articles 5 to 7 of Directive 89/104.

The Court of Justice concluded that Article 5 of the Trademark Directive precludes a proprietor of trademarks which, in a situation where there has previously been shared use, had consented to the use by a third party of signs identical to its marks in respect of goods covered by those marks, and which no longer consents to that use, from being deprived of any possibility of asserting the exclusive rights conferred by its marks against that third party and of itself exercising that exclusive right in respect of goods identical to those of that third party.

3. *Remarks.* This judgment confirms earlier case law regarding the exhaustion of trademark rights (cases C-173/98 Sebago vs. Maison Dubois and C-127/09 Coty Prestige Lancaster Group) and reminds us that a trademark owner which had consented to use by a third party may regain exclusive use and cause that third party to cease using the mark if consent is withdrawn, with a view to guaranteeing the essential functions of its trademark. **Luis SORIANO**

6. Trademark protection in cases of selective distribution: re-establishment of *jus prohibendi*. Judgment of the Spanish Community Trademark Court of 24 July 2013, L'Oréal.

1. *Background.* The L'Oreal Group owns numerous Community trademarks, Spanish trademarks, and international trademarks having effect in Spain for cosmetics and perfumery products.

The defendants, Cosmetic Club Perfumería Online, S.L. and Mr. Francisco, sell perfumery products branded with the said trademarks on their www.cosmeticclub.es website without complying with the conditions of the L'Oréal Group's selective distribution system.



The L'Oreal Group lodged a complaint with the Community Trade Mark Court joining actions claiming trademark infringement and unfair competition. All the actions were dismissed, prompting the plaintiffs to appeal the decision.

2. *Findings.* The Court began by recalling some relevant case law, above all, its judgment of 14 October 2008 recognizing the right of a trademark owner to legitimately oppose the subsequent marketing of a product whose distribution does not fulfil the conditions it has set, except in cases where it can be shown that:

- The opposition will illegally restrict competition;
- Marketing by a channel other than that of the exclusive distribution channels does not harm the reputation of the trademark and its owner; or
- There is no way to meet all the conditions of the exclusive distribution system pursuant to the marketing model and, where the basis conditions are fulfilled, sales cannot be shown to harm the reputation of the trademark and its owner.

In the case at hand, the plaintiffs submitted a document containing a series of conditions that need to be fulfilled by online sales of its goods. In any case, the Court ruled that, even when no proof of any such conditions is submitted, where offline sales of goods are subject to strict guidelines, online sales of such goods should be subject to the same conditions.

The Court went on to state that on the defendants' website there was no exclusive space for the luxury goods branded with the plaintiffs' trademarks. The goods were normally discounted or on sale and appeared alongside other goods of different types sold at far lower prices (for instance, next to two combs priced at 2 euros each). Furthermore, there was no advertising for the plaintiffs' products.

In view of the foregoing, the Court reiterated the conclusions it had reached in its judgment of 14 October 2008 in which it stated that *"equating one trademark with another without any physical or intangible distinction amounts to a negative levelling of quality, which objectively affects the image of the mark for which protection is sought precisely by means of specific rules governing distribution comprising separation from goods that debase the mark's image....The contrast between the manufacturer's attitude towards its brand by setting specific marketing standards and actual online marketing carried out without regard for those standards adversely affects the mark, a blemish on the reputation of the brand and therefore on one of the specific functions of the trademark the owner is entitled to protect (under Article 9 CTMR and 34 Spanish Trademark Act for national marks), in that the trademark confers the right to prevent conduct of this type even in the case of goods for resale previously put on the market by the owner or with his consent (Article 13.2 CTMR)."*

Based on the above reasoning, the Court concluded that the L'Oréal Group had legitimate grounds for opposing sales of its goods in the manner effected by the defendants and hence that the plaintiffs' right of *jus prohibendi* was re-established. The Court thus accepted the L'Oréal Group's trademark infringement action, with all the attendant consequences (compensation for damages, cessation, and publication of the judgment).

3. *Remarks.* According to the judgment, when opposing online sales of goods that are normally sold through a selective distribution system there is no need to attest to the specific conditions that have been set up to regulate sales of such goods on the web. It will be assumed that the conditions in place in the

offline distribution system will also be required and fulfilled in an online setting.

As a consequence, the owner of a trademark used on goods subject to a selective distribution system will regain his right to take action where, in the conditions in which they are carried out, subsequent sales of the said goods may be detrimental to the image. **Ana SANZ.**

7. *Jus utendi* of the owner of a Spanish trademark registration over the prior third-party trademark rights. Judgment of the Spanish Supreme Court of 24 July 2013, Radio Canarias

1. *Background.* The company Editorial Prensa Canaria, S.A. runs a radio station under the distinctive sign Radio Canarias, duly registered as Spanish trademark no. 1001743. The said company filed a complaint against Radio Pública de Canarias S.A. on grounds of unfair competition for its use of Canarias Radio in the same sector of radio broadcasting, claiming acts of confusion, acts of bad faith, and unfair advertising.

In defense, Radio Pública de Canarias, S.A. claimed, by way of an exception, that it was simply using Spanish word mark no. 2800152 CR Canarias Radio with the consent of its owner.

The complaint was accepted at the first and second instances, with the appellate court concluding that the defendants did not use trademark no. 2800152 as registered but significantly altered by eliminating the letters CR.

2. *Findings.* The Supreme Court accepted the extraordinary appeal for review on grounds of breach of procedure lodged by the defendants, ruling that the appellate court's decision was inconsistent in exceeding the scope of the action brought before it. The inconsistency derived from the fact that the circumstance relating to the change in the form in which of trademark no. 2800152 was used, which was key to the decision taken in the conflict, had not been duly put forward by the parties during the proceedings and had not even been addressed in the first instance ruling.

As a consequence, the Supreme Court assumed the functions of the lower court and handed down a new judgment taking into account the arguments set forth in the cassation appeal. From this standpoint the Court dismissed the complaint on the grounds that the defendants' use of the Canarias Radio sign was duly

covered by trademark registration no. 2800152, the validity of which had not been challenged.

3. *Remarks.* In its judgment the Spanish Supreme Court applied its own settled doctrine pursuant to which a Spanish trademark registration grants its owner a right to use – *jus utendi* – which affords protection vis-à-vis a claim of infringement brought on the basis of an earlier mark so long as the validity of the trademark registration cited in defense is not challenged prior to, or at the same time as, the infringement proceedings. This doctrine was set out in, inter alia, the Supreme Court's judgment of 15 January 2009.

The Spanish Supreme Court clearly diverges from the Court of Justice of the European Union's ruling in its judgment regarding Community trademarks handed down on 21 February 2013, *Fédération Cynologique Internationale* (C-561/11), which held that the owner of a Community trademark registration may bring an infringement action against the owners of later Community trademark registrations without having to previously institute an action invalidity proceedings. In contrast to the Spanish Supreme Court, the Court of Justice places the exclusive right of the owner of the prior mark ahead of the right of the proprietor of the later mark to use that mark. **Carlos MORÁN.**

8. Bad faith in the registration by a distributor in registering a trademark similar to the trademark of its principals. Judgment of the Spanish Community Trademark Court of 19 July 2013, Medop.

1. *Background.* The company Medop, S.A. (Medop) are the exclusive licensees of various Spanish and Community trademarks, including Spanish trademark no. 786430, consisting of the following sign:



The company also owns Community trademark no. 3596921, consisting of the following sign:



These marks are considered reputed in the field of personal protective equipment for the workplace.

The company Méndez Pro-Tec, S.A. (Méndez), distributors of Medop products, registered Spanish trademark no. 2776185, consisting of the following sign:



Against this background, Medop lodged a complaint against Méndez with the Community Trade Mark Court joining petitions for invalidity on absolute grounds of bad faith and on relative grounds of likelihood of confusion by Spanish trademark no. 2776185, a claim of infringement of its earlier marks, and a claim of unfair competition.

2. *Findings.* The Court partially vacated the contested decision and substantially accepted the complaint, declaring the trademark MEPROT to be invalid on the absolute grounds of bad faith and holding the earlier MEDOP marks to have been infringed by reason of the existence of a likelihood of confusion.

In its ruling on the petition for invalidity on grounds of bad faith in applying for the trademark MEPROT, the Court identified a series of objective circumstances which, when assessed globally, revealed bad faith in the applicants' intentions. These circumstances were: similarity of the signs; the identical nature of the goods concerned; the defendants' evident knowledge of the MEDOP mark as a result of their condition as distributors of the corresponding goods; and, lastly, explicit recognition of the mark's well-known status.

As a consequence, the Court concluded that the defendants “*could have applied for a sign that did not share as many similarities with the MEDOP mark, which they were perfectly aware of in view of their position as distributors, thus taking advantage of the high degree of knowledge and reputation enjoyed by the MEDOP trademark in the same sector. In other words, Méndez purposely sought a sign that encroached on the well-known MEDOP mark in order to take advantage of its standing in the marketplace*”.

Having declared the trademark invalid on absolute grounds, the Court deemed it unnecessary to assess the petition for invalidity on relative grounds. However, the Court did enter into an in-depth examination of the claim of infringement of the plaintiffs' earlier marks, applying the traditional case law criteria of comparing the trademarks to ascertain the existence of a likelihood of confusion or association between them.

The Court accepted the claim of trademark infringement and ordered the defendants to cease their infringing conduct, remedy its effects, and pay the plaintiffs compensation for damages and losses sustained. However, the Court refused the petition for advertisement of the judgment.

Finally, the Court dismissed the claim of unfair competition pursuant to the settled case law doctrine that reliance on trademark law precludes the possibility of relying on unfair competition law when judging the same facts.

3. *Remarks.* In its judgment the Community Trade Mark Court cited and applied the criteria set out in the Court of Justice's judgment of 11 June 2009, *Chocoladefabriken Lindt & Sprüngli*, C-529/07, which it had already followed in its previous judgment no. 325/09, of 9 September. In the case at hand the Court concluded that bad faith is present where a distributor registers a trademark that is confusingly similar to an earlier mark that is reputed in its sector, given that, by virtue of being distributors of the mark, the defendants would be aware of its existence and would thus take advantage of its reputation.

The case of a distributor that registers a trademark similar to that of its principals is a typical example of bad faith registration, with numerous precedents in the case law. The interest of the judgment discussed here lies in the Court's reliance on the criteria set out in the CJEU's previously mentioned judgment of 11 June 2009. Pursuant to the said criteria, the Court assessed the objective circumstances of the case and thus reached the conclusion that there was bad faith in the defendants' intention when filing the application, resulting in the declaration of invalidity of the trademark. **Carlos MORÁN**

9. Figurative mark used as part of a composite mark. Importance of colour as a factor when assessing possible trademark infringement. Judgment of the Court of Justice of 18 July 2013, Specsavers (C-252/12).

1. *Background.* The company Asda, owners of a chain of supermarkets in the United Kingdom, launched an advertising campaign for optical products targeting the Specsavers group, a famous chain of opticians in the UK and Asda's main competitors. As part of that campaign, Asda used the slogans "Be a real spec saver at Asda" and "Spec savings at ASDA" as well as the following logos:



Specsavers brought an action before the High Court of Justice (England & Wales) (Civil Division) against Asda, alleging infringement of the following figurative Community trademarks:



The court held that Asda had not infringed the trademarks of Specsavers and



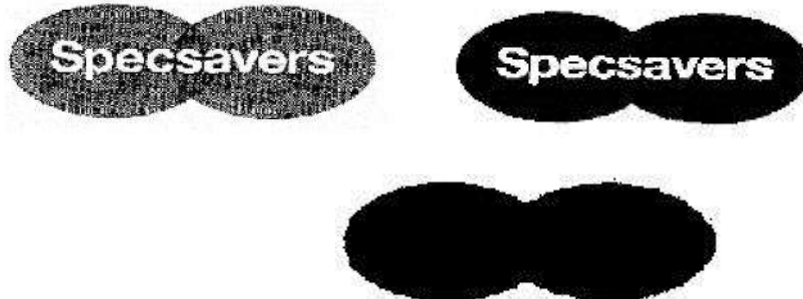
also revoked the

trademark on grounds of non-use.

Specsavers appealed to the Court of Appeal (England & Wales) (Civil Division), which ruled that Specsavers were entitled to prevent Asda from using the slogans "Be a real spec saver at Asda" and "Spec savings at Asda" and the logo. On the other hand, the court considered that in order to rule on the aspect of the dispute concerning the wordless logo mark, it was necessary for it to refer

a series of pretrial questions for rulings by the Court of Justice of the European Union.

The court raised the question as to whether the use of the trade marks



constituted use of the mark.



In addition, the CJEU was asked to rule on whether the enhanced reputation of the device in the colour green, which Specsavers has always used to represent its logo, could be taken into account despite the fact that the said mark was registered in black and white. Furthermore, again in connection with the colour, the referring court asked whether the fact that green was also the colour that consumers associated with the allegedly infringing party was relevant to the assessment.

2- *Findings.* The Court of Justice held that the use of the wordless logo mark with the superimposed word sign "Specsavers" could be considered genuine use of the wordless logo mark as such, to the extent that the figurative mark retains an independent distinctive role in the overall design and the differences between the form in which the mark is used and that in which it was registered do not alter the distinctive character of the mark as registered. The Court added that this conclusion was not affected by the fact that the word sign "Specsavers" and the combination of the wordless logo with the superimposed word sign "Specsavers" are also registered as Community trademarks.

Turning to another of the questions raised, the Court found that when a mark is not registered in colour but the proprietor has used it extensively in a particular colour or combination of colours so that it has become associated in the mind of a significant portion of the public with that colour or combination of colours, the colour or colours which a third party uses in order to represent a sign alleged to infringe that trademark are relevant in the global assessment of the

likelihood of confusion or unfair advantage taken of another's reputation. According to the Court, the fact that Asda used a similar colour to that used by the Specsavers group is a factor that should be taken into account in order to ascertain whether it can be held that unfair advantage is being taken of the distinctive character or reputation of the trademark.

Finally, the Court held that the fact that the alleged infringer is associated in the mind of a significant portion of the public also with the same colour as that used by the owner of the registered trademark is a factor that must likewise be taken into account in the global assessment of the likelihood of confusion or unfair advantage.

3. *Remarks.* There is no doubt that this judgment is favourable to the position of the proprietors of figurative trademarks. In this regard, it concludes that where the figurative element of a trademark that also contains a word element is recognized by consumers as a mark in itself, the inclusion of the word element is not considered an alteration of the distinctive character of the registered mark and, as a result, use of the composite mark serves to prevent revocation of the device only mark on grounds of non-use. This means that the advisability of registering trademarks consisting solely of the figurative element of a sign should always be considered, even in cases in which the figurative element is accompanied by the word element in the trademark as used. On the one hand, a purely figurative mark is always a stronger basis for challenging visually similar marks; on the other, where the device retains its own distinctive character in the overall design, use of the composite mark containing both the device and the word element could be considered valid use of the purely figurative mark.

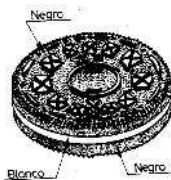
Another noteworthy aspect of the judgment is that the Court has stated that the colour in which the marks have been used must be taken into account in the global assessment of the possible likelihood of confusion or unfair advantage taken of another's reputation. In the case at hand, both the earlier mark and the allegedly infringing mark used the colour green in their presentation and as their corporate identity in the marketplace. With this in mind, the Court of Justice held that the said colour must be taken into account when assessing the alleged infringement. It did not find that colour increased or diminished the likelihood of confusion or unfair advantage in the case in question, it simply found that this is a matter that will need to be examined by the national referring court (in this case the Court of Appeal of England & Wales). In conclusion, even where a mark has been registered in black and white, the fact

that both the earlier mark and the allegedly infringing mark are used in a colour that consumers could associate with a specific business origin is a factor to be taken into account in assessing the conflict. **Fernando ILARDIA**

10. Taking unfair advantage of the reputation of three-dimensional trademarks. Judgment of the Spanish Community Trademark Court of 5 July 2013, Kraft (Galletas Oreo and Chips Ahoy!).

1. *Background.* The Kraft Group (Kraft) owns two Spanish trademark registrations and a Community trademark registration for its “Oreo” product:

Three-dimensional trademark no.1997588



Figurative trademark no. 2845539



Three-dimensional trademark no. 8566176



Kraft also owns a Spanish trademark registration and a Community trademark registration for its “Chips Ahoy!” product:

Three-dimensional trademark no. 2576774



Three-dimensional trademark no. 830794



The company Galletas Gullón, S.A. (Gullón) manufactures and sells cookies (biscuits) under the “Morenazos” and “Cookies” brands, packaged as follows:



In view of this situation, Kraft filed a complaint against Gullón with the Community Trade Mark Court joining actions claiming infringement of their earlier marks and unfair competition by reason of acts of imitation, confusion, and misappropriation of another's reputation. The complaint was accepted in part, and the court declared that the trademarks for the “Chips Ahoy!” product had been infringed on the basis of a likelihood of confusion. The remaining please were dismissed. Both parties appealed the judgment.

2. *Findings.* The Community Trade Mark Court began by upholding the dismissal of the revocation action on grounds of non-use of three-dimensional Community trademark no. 1997588 brought by Gullón by way of a counterclaim. The Court indicated that the use requirement may be considered fulfilled where a trademark is used in a manner differing in elements which do not significantly alter the distinctive character of the mark in the form in which it was registered. In the case in point, Kraft had duly demonstrated that the three-dimensional mark was used together with the term “Oreo”, a composite form that was also a registered a trademark.

Next, the judgment considered the reputation of the plaintiffs' three-dimensional marks, a claim rejected by the lower court. It conducted a thorough assessment of the evidence submitted by Kraft and concluded that widespread knowledge of three-dimensional Spanish trademark no. 1997588 by the relevant public had not been proven sufficiently.

By contrast, it agreed that widespread knowledge of three-dimensional Community trademark no. 8566176 (the image of the “Oreo” cookie) by the relevant public had indeed been proven. The Court considered a market survey revealing a high recognition rate for the trademark by respondents to be particularly useful. On the same basis, the Court considered that the reputation of composite Spanish trademark no. 2845539, for the image of the packaging, had also been duly proven.

After assessing the reputations of the trademarks, the Court went on to consider whether or not the defendants' “Morenazos” product infringed a reputed mark within the meaning of the provisions of Articles 9.1.c) of the Community Trade Mark Regulation and 34.2.c) of the Spanish Trademark Act. With respect to Community trademark no. 8566176, the Court concluded that the conflicting signs (the cookies) were not sufficiently similar for the relevant public to

establish a link between them, a necessary condition pursuant to the Court of Justice's judgment of 18 June 2009, L'Oréal, C-487/07.

However, the Court did rule that reputed Spanish trademark no. 2845539 had been infringed, since the market survey had proven that the relevant public established a link between the said mark and the packaging of the “Morenazos” product. In addition, the Court declared that the defendants had taken, or had the potential to take, unfair advantage of the distinctive character or repute of the plaintiffs' mark.

Turning to the trademarks for the “Chips Ahoy!” product, the Court set aside this part of the lower court's decision, holding that there was no infringement on grounds that the reputation of Community trademark no. 830794 and Spanish trademark no. 2576774 had not been proven and that there was no likelihood of confusion between the packaging of the “Cookies” product and the said marks.

Finally, the Court dismissed the claim of unfair competition by reason of imitation of the “Oreo” cookies. In contrast, with respect to the “Chips Ahoy!” product, the Court ruled that the defendants were guilty of unfair acts of confusion by reason of imitation of the plaintiffs' packaging and of taking unfair advantage of another's reputation, duly proven by the plaintiffs for the cookie sector.

3. *Remarks.* On the issue of trademark revocation, the Community Trade Mark Court applied the criterion set forth in the Court of Justice's judgment of 25 October 2012, Rintisch, C-553/11, which ruled that use of a registered trademark in a manner differing in elements which do not alter the distinctive character of the mark was valid use. The difference here is that this criterion was applied to a three-dimensional mark – a cookie shape – which was always used in combination with a word element stamped on the product.

The most noteworthy aspect of the judgment as concerns infringement of a reputed mark is the Court's rigorous assessment of the evidence submitted by the plaintiffs seeking to attest to the reputation of their marks and the establishment of a link in the minds of consumers between the said marks and the other party's goods. In this regard, the Court held that certificates issued by trade associations cannot be deemed sufficient unless they are accompanied by the source documents supporting the associations' conclusions. Finally, the Court required market surveys to be carried out correctly, with respondents being asked questions germane to the case at hand. **Carlos MORÁN**

11. Unauthorized use of a trademark as a keyword. Judgment of the Spanish Community Trademark Court of 27 June 2013, Bornay.

1. *Background.* Bornay Aerogeneradores, S.L. (“Bornay”) lodged a complaint against Sonkyio, S.L. (“Sonkyio”) with the Community Trade Mark Court claiming infringement of its Community trademark rights in BORNAY (or variants thereof) as a keyword on an internet referencing service.

The complaint was accepted and the Court ordered Sonkyio to cease using BORNAY and its variants. Sonkyio appealed the decision.

2. *Findings.* The judgment of the Community Trade Mark Court began by referring to the Court of Justice's ruling of 23 March 2010 issuing a preliminary ruling on the use of a trademark as a keyword, which established that:

- Use of a sign identical to a registered trademark as a keyword on an Internet referencing service comes under the concept of use “in relation to goods or services” set out in Article 5.1.a) of Directive 89/104;
- The owner of the trademark may oppose use of its trademark as a keyword to advertise goods and services identical to those for which it is registered where the said advertising does not enable an average Internet user to ascertain whether the goods or services referred to therein originate from the owner of the trademark or a company economically connected to it or, on the contrary, originate from a third party.

In the case at hand, the Court ruled that no detriment had been caused to any of the essential functions of the trademark, in that:

- Pursuant to Court of Justice case law, use of a trademark as a keyword did not cause detriment to the advertising function of the trademark;
- Similarly, here, the function of indicating origin was not affected, since the average Internet user would be able to ascertain that the advertisement in question was a third-party advertisement, not a natural result of the search conducted; and
- The way the advertisement is presented does not suggest the existence of a connection between Sonkyio and Bornay.

In view of the foregoing, the Court concluded that there was no infringement of the BORNAY trademark, accepted the appeal, and set aside the lower court's decision.

3. *Remarks.* The judgment follows the Court of Justice's case law regarding keywords and concludes that merely stating that a trademark is being used as a keyword on an Internet referencing service is not in itself sufficient. Rather, for infringement to exist, the use in question must give rise to confusion in the average consumer regarding the origin of the advertised goods and services. **Ana SANZ.**

12. Concept of “bad faith”. Whether the applicant knows of the existence of a foreign mark. Judgment of the Court of Justice of 27 June 2013, Malaysia Dairy Industries (C-320/12)

1. *Background.* In 1965 Yakult registered a plastic bottle as a design for a milk drink, subsequently registered as a trademark in Japan and a number of



other countries, including various EU Member States.

In 1980, Malaysia Dairy managed to register a plastic bottle with a design similar to that of Yakult in Malaysia. In 1993, Malaysia Dairy and Yakult entered into an agreement which laid down their rights and mutual obligations concerning use and registration of their respective plastic bottles. In 1995, Malaysia Dairy registered its plastic bottle as a three-dimensional mark in Denmark. Yakult opposed the said registration on the grounds that Malaysia Dairy was aware of the existence of identical earlier marks in the name of Yakult in other countries. The Danish office rejected the opposition. In the framework of the proceedings, the Danish Supreme Court (the Højesteret) requested a preliminary ruling from the Court of Justice on interpretation of the concept of bad faith within the meaning of Article 4.4.g) of Directive 2008/95.

2. *Findings.* There are three noteworthy aspects of the Court of Justice's ruling:

Firstly, the Court of Justice held that the concept of bad faith is an autonomous concept in European Union law which must be given uniform interpretation in the EU.

Secondly, the Court of Justice affirmed that it is necessary to carry out an overall assessment of bad faith, taking into account all the relevant factors which pertained at the time of filing the application for registration. According to the Court, however, the fact that the applicant may, at the time of filing, know that a third party is using a similar mark is not sufficient, in itself, to attest to the existence of bad faith.

Thirdly, the Court added that the provision in question must be interpreted as meaning that it does not allow Member States to introduce a system of specific protection of foreign marks which differs from the system established by that provision and which is based on the fact that the trademark applicant knew or should have known of an earlier foreign mark.

3. *Remarks.* The significance of this judgment is twofold. On the one hand, it acknowledges that the concept of “bad faith” is an autonomous concept in European Union law which must be given a uniform interpretation in all EU Member States. At the same time, the Court of Justice accords national courts a wide margin of discretion to decide whether or not bad faith is present in any specific case. **Enrique ARMIJO CHÁVARRI**

13. Trademark infringement on websites. Promotion of goods intended for sale in Hong-Kong. Judgment of the Spanish Community Trademark Court of 31 May 2013, Bodegas Romero de Ávila Salcedo.

1. *Background.* The company Lidl Stifting & Co. KG brought an action claiming infringement of the Community trademark MAJESTAT for sparkling wines against the company Bodegas Romero de Ávila Salcedo S.L. The action was directed against the promotion of certain wines under the trademark GRAN MAJESTAD on the www.bodegasromeroavila.com website.



The Court was asked to consider whether or not use of a trademark on a website for goods that were *intended for sale in Hong Kong*, where the defendant owned a trademark registration for GRAN MAJESTAD, constituted trademark infringement. The premise for the judgment was the ruling by the lower court that the signs in dispute were confusingly similar.

The Court upheld the lower court's finding of infringement and ordered the defendants to withdraw the online promotion and compensate the plaintiffs for the harm suffered.

2. *Findings.* The Court rejected the defendants' allegations based on the Joint Recommendation by the Paris Union and WIPO concerning the protection of marks on the Internet, whereby use of a trademark on the Internet should only be taken into account for purposes of determining whether a right has been infringed under the law of a Member State if the said use has a *commercial effect in the said State*. The defendants held that in view of the fact that the

goods promoted on their website were not intended for sale in the European Union, the plaintiffs' mark had not been infringed.

The Court's ruling was based on Article 9 of the Regulation, which confers a right to take action against the export of goods under the sign and against the use of the sign on business papers and in advertising. The Court found that even though the goods were being offered for sale in Hong Kong, the goods bearing the conflicting trademark were being sold *from Europe*. In the Court's opinion, advertising of placement of the mark on goods sold by the defendants contributed to the creation of a market for the said goods *from Europe*, which was not dispelled by the notice that the wines bearing the Gran Majestad mark were unrelated to the plaintiffs' wines uploaded after the counterstatement had been filed.

The Court added that if a sign is used in a public manner and aimed at the foreign market, as is the case here, with a view to creating or consolidating a market for specific goods, there is use of the sign which can indeed conflict with earlier signs in the area in which such use takes place. The Court concluded that: *“even though wine bearing the Gran Majestad mark may be intended for sale to the Asian market, i.e., part of its production is for export or intended for export outside the geographical scope of the EU, marketing – and thus advertising – on the company's general website, accessible to consumers globally, including from the EEA, there can be no doubt that infringement has taken place within the meaning set out in Article 9 in terms of what constitutes use of a sign as laid down in Article 15 of the Regulation, since it is impossible to prevent the advertising from being indiscriminate, without splitting the markets up, and even if the markets were segregated, infringement would still arise because the infringing sign is presumably being used for export, in that there is no evidence that production is taking place outside of the European region, which amounts to use and thus comes under the aegis of the plaintiffs' right of exclusion.”*

Finally, the Court likewise dismissed the possibility of opposing the plaintiffs' rights on grounds of subsequently acquired trademark rights, because *“in the European Economic Area the plaintiffs own the earlier mark, which has jus prohibendi effects vis-à-vis later third-party marks, especially when they are clearly created to produce an appearance that cannot enjoy greater value than that recognized in the territory where they are registered, and under no*

circumstances can they be extended to the territory of Europe, for the reasons already set out above.”

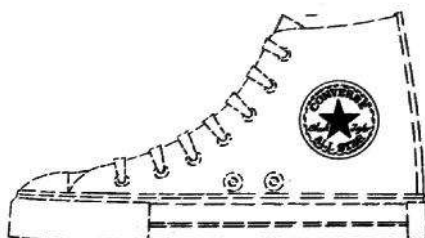
3. *Remarks.* The manufacture of goods for export has traditionally been recognized by law as a form of trademark infringement. The uniqueness of the case considered in this judgment lies in the fact that the trademark was being promoted via a website which named a country outside of the European Union as the target market. To a certain extent, it is common to come across cases in which a trademark is being infringed in a specific country when goods that can be ordered from that country are offered on a website operated from another country. However, it is far less common to see the opposite case, as here. The Court's ruling is not without its logic: assuming that the trademark owner's exclusive right encompasses use for export and use for advertising purposes, the promotion of product on a website, even if intended for sale to another country, necessarily amounts to an infringement of that right. **Antonio Castán.**

14. Trademark infringement by a third-party owner of a later Spanish trademark registration. Judgment of the Spanish Community Trademark Court of 18 April 2013, Converse.

1. *Background.* The company Converse Inc. (Converse) owns Spanish trademark no. 1253007, for goods in class 25 (footwear), consisting of the following sign:



It also owns Community trademark no. 7485725, for goods and services in classes 24, 25 (footwear), and 35, consisting of the following sign:



The defendant, Ms. Monserrat, linked to the companies Bonovo Calzados and Eurogloria Calzados, S.L., owns Spanish trademark no. 2873584, for goods in class 25 (clothing, headgear, footwear), as shown below:



Converse lodged a complaint with the Community Trade Mark Court joining petitions for invalidity of Spanish trademark no. 2873584 on absolute grounds of bad faith and on relative grounds of likelihood of confusion as well as actions based on the unfair advantage taken of the reputation of the mark and detriment to that reputation, infringement of the earlier marks, and acts of unfair competition. All the actions were accepted except for the one that relied on unfair competition, and the defendant appealed.

2. *Findings.* The Court vacated the declaration of invalidity on absolute grounds of bad faith, concluding that the existence of bad faith had not been proven. The Court ruled that mere similarity between the marks does not amount to bad faith, even if the earlier mark is reputed, and that it is necessary to assess the applicant's intention at the time of filing on the basis of facts.

The Court upheld the declaration of invalidity on relative grounds, indicating that there was a likelihood of confusion between the marks in dispute, in that the arrangement of elements in the signs and the designs thereof were identical, as were the goods respectively covered. The likelihood of confusion was all the greater in view of the distinctive character of the earlier marks and the fact that the goods covered were mass-market products intended for consumers without demanding any special level of attention.

The Court confirmed that unfair advantage had been taken of the reputation of the earlier marks, which also risked being tarnished. In this regard it stated that if use of the later mark were allowed to continue, the distinctive character of the earlier marks would be diluted due to the risk that the image projected by the defendant's goods would be transferred to those of the plaintiffs, giving rise to a risk of detriment because the goods were lesser in quality and lower in price.

Turning to the infringement action, the Court applied the Court of Justice's judgment of 21 February 2013, *Fédération Cynologique Internationale*, C-561/11, pursuant to which the exclusive right of the owner of a Community trademark to prohibit any third party from using signs identical or similar to the owner's mark in trade is extended to third-party proprietors of subsequent Community trademarks, without need of a prior declaration of invalidity of the latter. This reasoning was followed to in case at hand, in which the third party is the owner of a later national mark, and the declaration of infringement was upheld.

Finally, the Court upheld the damages claimed, underlining the *ex tunc* effects of the declaration of invalidity of the later mark.

3. *Remarks.* The first interesting aspect of this judgment is the assessment of bad faith in filing the trademark application as grounds for invalidity. The Community Trade Mark Court applied the criteria laid down by the Court of Justice in its ruling of 11 June 2009, *Lindt*, C-529/07, according to which the fact that the trademark applicant knows of the existence of an earlier confusable trademark is not sufficient to determine that bad faith is present, but that fraudulent intent on the part of the applicant is required.

Thus, the Community Trade Mark Court concluded that bad faith needs to be inferred from *de facto* situations predating filing of the application. The Court referred specifically to the existence of some type of contact or relationship between the owner of the sign and the applicant of the later mark. This is the criterion that has traditionally been followed in Spanish case law.

Also noteworthy is the Community Trade Mark Court's position in relation to the doctrine established by the Court of Justice in its judgment of 21 February 2013, *Fédération Cynologique Internationale*, C-561/11, which it extended not only to a dispute between two Community trademarks but here also to a conflict between a prior Community trademark and a subsequent national trademark registration. However, this position is contrary to that taken by the Spanish Supreme Court, which holds that the success of infringement proceedings against the owner of a later mark requires a prior or simultaneous action to invalidate that mark. **Carlos MORÁN**

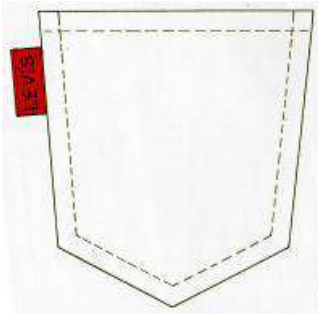
15. Genuine use of a trademark used only as an element of a composite mark or in combination with another mark. Judgment of the Court of Justice of 18 April 2013, Levi's (C-12/12).

1. *Background.* Levi Strauss & Co. (“Levi Strauss”) lodged a complaint with the German courts against Colloseum Holding AG (“Colloseum”) claiming infringement of its trademark rights in, inter alia, the following trademark registrations:

Marca comunitaria
denominativa

LEVI'S

Marca alemana mixta
 (“marca n° 3”)



Marca comunitaria de
color
 (“marca n° 6”)



Colloseum opposed the complaint lodged by Levi Strauss on grounds of insufficient use of trademark no. 6. However, the court of first instance accepted Levi Strauss's claim and the appeal court subsequently dismissed the appeal brought by Colloseum.

In the subsequent appeal to the Bundesgerichtshof, the appeal court's decision was set aside and the case sent back to the lower court. However, the said court again dismissed the appeal lodged by Colloseum and the matter ended up before the Bundesgerichtshof once more.

The Bundesgerichtshof found that there was a likelihood of confusion between trademark no. 6 and the trouser styles marketed by Colloseum. However, the German court stated that the result of the appeal depended on interpretation of Article 15.1 of Regulation (EC) No. 40/94, particularly whether a registered mark which is part of another mark and has acquired distinctive character as a result of the use of that other mark can also be put to genuine use within the meaning of Article 15.1 on the basis of the use of that other mark.

In the circumstances the German court decided to stay the proceedings and refer the matter to the Court of Justice for a preliminary ruling with a view to ascertaining whether the requirement of genuine use within the meaning of Article 15.1 of the Regulation is met when a registered trademark, which has become distinctive as a result of the use of another composite mark which it forms part of, is only used via the composite mark or together with another mark and, in addition, both marks are registered together as a trademark.

2. *Findings.* The judgment began by recalling that, as regards the acquisition of distinctive character by a trademark for the purpose of its registration, the Court of Justice had held that acquisition of distinctive character may result both from the use, as part of a registered trademark, of a component thereof and from the use of a separate mark in conjunction with a registered trademark and that, in both cases, it is sufficient that, in consequence of such use, the sectors of interest actually perceive the goods or service, designated exclusively by the mark applied for, as originating from a given undertaking (judgment of 7 July 2005, Nestlé, C-353/03).

The Court extended the conclusion reached in the judgment handed down in the Nestlé case to the concept of “*genuine use*”. In the Court’s opinion, if it is possible to acquire trademark protection for a sign through a specific use made of the sign, that same form of use must also be capable of ensuring that such protection is preserved. However, the Court pointed out that, for use to be covered by the term “*genuine use*”, the trademark that is used as part of a composite mark or in conjunction with another mark must continue to be perceived as indicative of the origin of the product at issue.

In light of the above consideration, the Court concluded that “*the condition of genuine use of a trade mark, within the meaning of Article 15(1) of Regulation (EC) No. 40/94, may be satisfied where a registered trademark, which has become distinctive as a result of the use of another composite mark of which it constitutes one of the elements, is used only through that other composite mark, or where it is used only in conjunction with another mark, and the combination of those two marks is, furthermore, itself registered as a trademark.*”

3. *Remarks.* The judgment takes the conclusions reached in the Nestlé case in relation to the acquisition of distinctive character as a consequence of use of a trademark and extends their scope to the interpretation of the concept of “*genuine use*” in Article 15.1 of the Regulation.

The conclusion reached by the Court seems clear: a trademark that is used only as part of a composite mark or in conjunction with another mark can indeed fulfil the requirement of genuine use set out in Article 15.1 of the Regulation. However, there is a nuance in the Court's judgment that will continue to give rise to some uncertainty: for the use of the mark in question to be considered genuine, the relevant public must perceive it as indicative of the origin of the product at issue. **Ana SANZ.**

16. Decline of so-called “immunity by virtue of registration” in the Community. Judgment of the Court of Justice of 21 February 2013, Fédération Cynologique Internationale (C-561/11).

1. *Background.* The Fédération Cynologique Internationale, owners of Community trademark no. 4438751 FCI FEDERATION CYNOLOGIQUE INTERNATIONALE in classes 35, 41, 42 and 44, filed an action with Alicante Community Trade Mark Court No. 1 claiming infringement of the said trademark against Federación Canina Internacional de Perros de Pura Raza, owners of various Spanish trademark registrations for the expression FCI (one of them prior to the plaintiffs' Community trademark), as well as a figurative Community trademark registration for FCI.



In the context of the case the Alicante Community Trade Mark Court raised the question of whether the owner of a Community trademark could enforce the right to prevent use conferred by registration against the owner of another registered trademark or whether a claim of trademark infringement is conditional on a prior or simultaneous application for a declaration of invalidity against the defendants' Community trademark.

The Spanish court thus decided to stay the proceedings and refer the corresponding pretrial question to the Court of Justice with a view to ascertaining the precise scope of Article 9.1 of Council Regulation (EC) no. 207/2009 on the Community Trade Mark, in particular whether the phrase “*any third party*” excluded a party using its own trademark registration until such time as that subsequent trade mark registration had been declared invalid.

2. *Findings.* The judgment (paragraph 33) ruled unequivocally that “*Article 9.1 of the Regulation does not make any distinction on the basis of whether the third party is the proprietor of a Community trade mark or not*” and added that, as already held for Community designs (judgment of 16 February 2012, Celaya, C-488/10) “*that provision grants the proprietor of a Community trade mark an exclusive right to prevent ‘any third party’, not having its consent, from using, in the course of trade, any signs liable to infringe its mark*”.

But the Court did not stop there. It affirmed that “*the proprietor of a Community trade mark is entitled both to apply to OHIM for a declaration of invalidity of the later Community trade mark and to oppose its use through infringement proceedings before a Community trade mark court*”. Thus, the entitlement is viewed as an alternative, an option available to the holder of a Community trademark.

The Court interpreted this legal precept in the light of the “*priority principle*”, under which the earlier Community mark takes precedence over the later Community mark

The Court concluded by affirming that “*if the proprietor of an earlier trade mark, in order to prevent the use by a third party of a sign that is liable to affect the functions of its trade mark, were required to await the declaration of invalidity of the later Community mark held by that third party, the protection accorded to it by Article 9.1 of the Regulation would be significantly weakened*” (paragraph 51).

3. *Remarks.* The Court's judgment takes precisely the same stance as in respect of Community designs (judgment of 16 February 2012, Celaya, C-488/10). It amounts to a clear guarantee to the proprietor of the earlier trademark registration, whereas the position of the owner of a subsequently registered trademark will be weaker and vulnerable during the initial years of use.

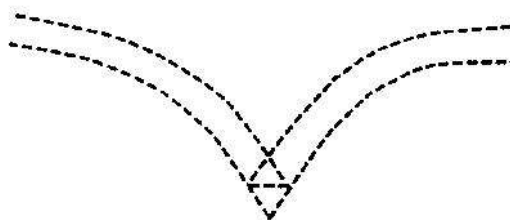
However, in its judgment the Court of Justice did not take up the final reflection made obiter dicta by the Advocate General in paragraph 55 of his conclusions, “*were the Court to accept the interpretation of the term ‘third party’ (...), that interpretation would have also to include a third party who is the holder of a later registered trade mark in a Member State, regardless of the substance of the relevant national legislation.*”

It is important to note here that the Court of Justice's reasoning is, to some extent, different from that of the Spanish Supreme Court, which holds that a declaration of infringement and subsequent order for the payment of damages require a prior or simultaneous declaration of invalidity of the later mark (judgments of 4 April and 29 June 2012 of Chamber One of the Supreme Court).

This difference will certainly need to be taken into account when considering whether or not to bring court proceedings and, above all, when deciding whether it is preferable to register a Spanish or a Community trademark. There is also the possibility that the Spanish Supreme Court will change its position in light of the Court of Justice's ruling. Time will tell. **Luis BAZ.**

17. *Ficta confessio* re damages claimed from infringement of Community trademark rights. Judgment of the Spanish Supreme Court of 5 February 2013, Levi's

1. *Background.* The company Levi Strauss & Co. owns a series of Spanish and Community trademark rights having the following device as the principal element:



The company Industrias Textiles Richard Davis, S.L. registered Spanish industrial designs nos. 29082 and 22423 [embodiment H], similar to the Levi Strauss device marks, and was using them on the back pockets of the jeans it

manufactured, in a manner similar to the way Levi Strauss & Co. used the designs on its own jeans.

For this reason, the latter company brought infringement and invalidity proceedings against the other party's industrial designs before Spain's Community Trade Mark Court. The complaint was accepted, including the damages claimed, in the amount of €31,633.11 as profits earned by the defendant as a consequence of the infringement during the five years preceding the complaint.

2. *Findings.* Industrias Textiles Richard Davis, S.L. lodged an extraordinary appeal claiming breach of procedure and a cassation appeal against the appeal court's decision to uphold the lower court's judgment in full. The appeals were directed against the calculation of the amount payable as damages, which had been quantified on the basis of an expert opinion at the first instance.

When drawing up the opinion, the expert had only been able to calculate the profits earned by sales of the infringing goods in the first half of 2009, given that the defendants' accounts did not include figures relating to the cost of manufacturing and marketing the goods between 2004 and 2008. As a result, in calculating the amount for that period, the court of first instance had applied the relevant percentage profits obtained by the defendants in 2009.

The Supreme Court ruled that in upholding the lower court's decision on this point the appeal court had acted in a manner that could not be regarded as either illogical or arbitrary. Furthermore, in the Supreme Court's view, the lower court's reasoning was justified by the procedural conduct of the infringers, at the very least negligent, which effectively served to obstruct preparation of the expert opinion, in that information should be readily obtainable to even the most poorly organized company was not made available to the expert.

3. *Remarks.* In this judgment the Supreme Court endorsed the practice of the Community Trade Mark Court and the specialized divisions of the Madrid and Barcelona Provincial Appellate Courts in calculating damages resulting from infringement of industrial property rights on the basis of the data and information available – whether disclosed by the defendant or supplied by the plaintiff.

The courts have used this method to put an end to attempts by certain infringers to prevent damages from being calculated by concealing accounting documents and otherwise obstructing efforts to gather evidence for this purpose.

In this regard, the courts rely on a broad interpretation of Article 329 of the Code of Civil Procedure, applying the traditional legal mechanism of *ficta confessio* to the unjustified refusal to disclose relevant accounting documents.

Carlos MORÁN.

Notas

18. International legal jurisdiction in matters of copyright infringement on the Internet. Judgment of the Court of Justice of 3 October 2013, Pinckney (C-170/12).

1. *Background.* In this conflict, the plaintiff – Mr. P. Pinckney –, a resident of Toulouse, claimed to be the author of a series of musical works that had been reproduced without his consent by an Austrian company – Mediatech – and subsequently marketed by two UK companies over the Internet, such that the works in question were available to the public on various Internet sites accessible from the plaintiff's home in France. Mr. Pinckney filed a complaint against Mediatech with the Tribunal de Grande Instance de Toulouse (the Toulouse Regional Court) seeking compensation for damage caused by infringement of his rights. Mediatech, meanwhile, challenged the jurisdiction of the French courts. The court dismissed the plea of lack of jurisdiction and the Austrian company appealed to the Cour d'appel de Toulouse (the Toulouse Court of Appeal), which subsequently found that the Tribunal de Grande Instance de Toulouse lacked jurisdiction on grounds that the defendant is domiciled in Austria and the place where the damage occurred could not be situated in France. Mr. Pinckney appealed to the French Court of cassation, which decided to stay the proceedings and refer a series of questions to the Court of Justice regarding the interpretation of Article 5.3 of Council Regulation No. 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (“Brussels I” Regulation).

2. *Findings.* The said provision expressly states that: “*Persons domiciled in a Member State may be sued in the courts of another Member State: [...] in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur*”.

The basic question raised in this case is whether a court in whose territory the content of a work whose distribution has not been authorized by the author may be accessed online, the said territory being different from the territory where the infringement has taken place, has jurisdiction to hear a complaint seeking damages or whether the content has to be specifically directed at the public located in that Member State.

The Court of Justice replied to the pretrial question referred in the affirmative, the main argument being that the likelihood of damage deriving from copyright infringement materializing in a specific Member State depends solely on whether (i) the rights which the plaintiff claims to have been infringed are protected in the territory of the Member State and (ii) whether it is possible to access the work in question from that Member State through an Internet site. However, the Court also held that the court seized only has jurisdiction to adjudicate with respect to the harm caused in the territory of the Member State to which it belongs, which is consistent with the principle of territoriality that applies in matters pertaining to the protection of intellectual property rights.

3. *Remarks.* As the Court of Justice previously held in its judgment of 7 March 1995 (Shevill case), the expression “*place where the harmful event occurred or may occur*” refers both to the place where the harm was caused and to the place where the harmful event occurred. For obvious reasons, this dichotomy takes on particular relevance when it comes to infringements that occur online. With this judgment, which continues the reasoning previously set out in its decisions of 25 October 2011 (eDate advertising) and 19 April 2012 (Wintersteiger), the Court of Justice affords rightholders the possibility of bringing claims for damages against infringements resulting from making their works and other subject matter available to the public on the Internet. **Patricia MARISCAL**

19. System for fair compensation for private copying levied on intermediaries who sell recording media. Judgment of the Court of Justice of 11 July 2013, Amazon (C-521/11).

1. *Background.* The Court of Justice handed down its judgment in a conflict between Amazon.com International Sales Inc. and several of its subsidiaries (“Amazon”) on one side, and the Austrian collecting society “Austro-Mechana” on the other. The latter claimed payment to rightholders by Amazon of the fair compensation for private copying provided for under Austrian law, ensuing from sale by Amazon of recording media in Austria from 2002 to 2004. At the first and second instances Amazon was ordered to provide the accounting information necessary to calculate the amount due. The matter reached Austria's Oberster Gerichtshof [court of last resort], which decided to stay the proceedings and refer a series of questions to the Court of Justice with a view to verifying whether the system of fair compensation established under the Austrian Copyright Law met the relevant criteria laid down in Directive 2001/24/EC.

2. *Findings.* The first of the questions asked whether a fair compensation scheme such as that established under Austrian law – which is applied without distinction to all recording media marketed in the territory, and which is paid by intermediaries and distributors of the media in question, with the possibility of reimbursement of the amounts levied in the event that the final user of the media does not use them to make private copies – is in conformity with Community law. According to the Court, Member States have broad discretion in determining who is to pay fair compensation, which also applies to the form, arrangements, and amount of such compensation. Although it is true that, in principle, it is up to the person who causes the harm to the rightholder (who copies the work for his own private use) to remunerate the rightholder by paying compensation, it is compatible with the provisions of Article 5.2.b) of Directive 2001/29/EC to establish a system that charges compensation to those who make digital reproduction equipment and media available to private persons, as long as those who make that equipment available are entitled to pass the levy on to the private persons who acquire them. Within this framework, the right to reimbursement must be effective and not excessively difficult.

In keeping with the foregoing, the Court also ruled that establishing a rebuttable presumption of private use of recording media and equipment is in conformity with Community legislation, in that, on the whole, a system that requires verification of the effective use made by the final user of the said media and equipment is not viable. In this regard, it is up to the national court to verify whether there are indeed practical difficulties in determining the final private use of the said media which justify establishing such a presumption.

Thirdly, the Court held that it is not necessary for all of the compensation for private copying to be paid to rightholders in cash but that a system of indirect compensation through the intermediary of social and cultural establishments set up exclusively for the benefit of rightholders can be set up for payment of a part of the revenue collected by the corresponding societies for fair compensation for private copying.

Finally, in relation to the possibility that those responsible for paying the levy may be exonerated from having to make the said payment if payment has previously been made in another Member State, the Court affirmed that the harm suffered by the holders of the exclusive right of reproduction must be remedied by payment of the corresponding compensation in the Member State in which the private copying has taken place. The Court added that, in this respect, it is of no bearing on the obligation to pay compensation that, in the case of distance selling arrangements, the commercial seller who makes

reproduction equipment and media available to purchasers is established in another Member State in which compensation has previously been paid.

3. *Remarks.* In this judgment, the Court of Justice continues the line of case law previously set out in its earlier judgments of 21 October 2010, 16 June 2011 and, most recently, 27 June 2013 (cases C-467/08 “Padawan”, C-462/09 “Stichting”, and C-457/11 to C-460/11 “VG Wort”). The judgment draws a necessary causal link between the harm caused and payment of compensation and holds that EU law allows for systems to be put in place in which the party under obligation to pay could be an intermediary third party if this facilitates the collection of compensation, so long as the burden of paying compensation falls on the final users who, on a private basis, effectively reproduce a protected work. The reason behind the acceptance of such a system is the obligation imposed on the Member States that have introduced the private copying exception into their national laws to guarantee effective collection of the fair compensation levy for rightholders. Consequently, when collecting the compensation presents difficulties, the Member State may resolve them by means of legal fictions of this type. **Patricia MARISCAL**

20. Interpretation of the system of fair compensation for private copying pursuant to Article 5.2 of Directive 2001/29/EC. Judgment of the Court of Justice of 27 June 2013, VG Wort (C-457/11 to C-460/11).

1. *Background.* VG Wort, a collecting society for authors and publishers of literary works in Germany, lodged a complaint against various manufacturers of computers, printers and other computing equipment (namely, Kyocera, Epson, and Xerox) claiming outstanding amounts owed by these companies to the plaintiff as fair compensation for private copying from 2001 to 2007. The conflict reached Germany's Bundesgerichtshof, which before issuing a decision referred some questions relating to the scope of Article 5.2 of the so-called Information Society Directive to the Court of Justice for preliminary rulings.

2. *Findings.* The judgment has addressed various issues. First of all, it raised the question of the time from which national courts should interpret their internal law in conformity with the content of a Directive. Specifically, the German court asked if Directive 2001/29/EC was applicable in Germany from the date of entry into force or from the final date for transposition. According to the Court of Justice, the obligation to interpret national law in accordance with

the provisions of a specific directive has effect only after the period for the transposition of the directive has expired.

By the fourth and fifth questions the Court was asked to rule on the possible impact of certain circumstances on the obligation to provide fair compensation to rightholders. Specifically, the question was raised as to whether authorization of reproduction of a work by a rightholder has any impact on the fair compensation provided for, and, where appropriate, whether such authorization may mean that no compensation is due. The Court's reply in this regard is clear: where a Member State – e.g., Germany – has decided to exclude the right of rightholders to authorize reproduction of their works or other subject matter in specific circumstances under the said Article 5.2, any authorizing act by rightholders would be devoid of legal effects under the law of that State. The same applies for cases in which rightholders adopt technological measures aimed at preventing reproduction of their works: fair compensation is not excluded, inasmuch as these measures are wholly compatible with the private copying exception. However, there is nothing to prevent Member States from making the actual level of compensation dependent on whether or not the said technological measures are applied.

By the first and second questions the Court was asked to render judgment on whether or not reproduction carried out using a personal computer and a connected printer is to be considered a private copy subject to the obligation to pay fair compensation. In its reply to this question, the Court made a distinction between the medium (the material element on which a work is reproduced) and the means (process) used for reproduction. Although the latter can be any process that has an effect similar to that obtained via any kind of photographic technique, private copying can only be carried out on an analogue medium (paper). This means that a copy contained in a file stored on a computer is not a private copy, even though the latter can, together with a printer, be used to reproduce a document in analogue format.

Finally, the Court addressed a question relating to the famous dichotomy between who bears the obligation to provide compensation and who is liable for payment. In this regard the Court held that it is up to the party that causes harm to make good the harm suffered by financing the compensation to be paid to rightholders. However, in view of the practical difficulties associated with the system of compensation, nothing prevents the Member States from charging for compensation by placing a levy on those who manufacture, import, or distribute

devices intended to make reproductions, for them, in their turn, to pass the costs of the levy on to private users.

3. *Remarks.* This judgment elaborates on the content of the Court's earlier judgments of 21 October 2010 and 16 June 2011 (cases C-467/08 “Padawan” and C-462/09 “Stichting”) in relation to interpretation of the private copying exception and fair compensation provided for under Directive 2001/29/EC. The Court's ruling that technological protection measures are compatible with a system to provide fair compensation serves to dispel any lingering doubts on this issue. In addition, from the standpoint of our own peculiar system of providing fair compensation from the federal budget, it is interesting to note the causal link which, according to the Court, must necessarily exist between the cause of the damage (making private copies) and payment of compensation.

Patricia MARISCAL

21. Live streaming of works via the Internet by an organization other than the original broadcaster constitutes a new act of communication to the public within the meaning of Directive 2001/29/EC even where the retransmission is directed solely at those users who may lawfully access the original broadcasts. Judgment of the Court of Justice of 7 March 2013, TVCatchup (C-607/11).

1. *Background.* The plaintiffs in these proceedings were various British television companies who hold copyright in their broadcasts and in much of the content included therein. The defendant, TVCatchup (TVC), is an entity that offers Internet streaming of free-to-air television broadcasts, including those of the plaintiffs. The main feature of TVC's service is that it is only offered to users who have a valid television license to access the content. In addition, the system used to make the information available to the public is not free-to-air, rather, each individual packet of data is addressed to an individual user, not to a class of users. The service is funded by advertising displayed on the user's computer, which allows the advertising originally inserted by the television companies to be maintained.



The plaintiffs brought an action against TVC before the High Court of Justice (England and Wales) (Chancery Division) for breach of copyright in their broadcasts, specifically, for communication of the works to the public prohibited under section 20 of the Copyright, Designs and Patents Act of 1988.

The High Court of Justice referred a series of questions to the Court of Justice with a view to clarifying whether the concept of “communication to the public” set out in Article 3.1 of Directive 2001/29/EC extends to broadcasting via the Internet of terrestrial television broadcasts to members of the public that would have been entitled to access the said broadcasts on their own television sets or laptops in their own homes.

2. *Findings.* According to the Court, pursuant to recital 23 of Directive 2011/29/EC as well as Articles 2 and 8 of Directive 93/83, the right of communication to the public must be interpreted in a broad sense, covering all types of transmission or retransmission of a work to the public not present at the place where the communication originates. Given that the right of communication to the public cannot be exhausted, each of these acts must be individually authorized.

The making available to the public via the Internet of terrestrial free-to-air television broadcasts uses a specific technical means different from the means used to effect the original communication and, as such, must be considered a new act of communication that requires authorization by the rightholders.

With regard to the concept of public, Article 3.1 of Directive 2001/29/EC refers to an indeterminate number of potential recipients and implies a large number of persons. While in the case at hand the potential recipients access the works via a one-to-one connection, this does not prevent a large number of persons from having access, since the cumulative effect of making the works available must be taken into account. Also, the fact that the public to which the

retransmission is directed is not a new public is irrelevant, since the act of communication is carried out by different means and is therefore new.

3. *Remarks.* This judgment can be added to the now extensive list of Court of Justice decisions on communication to the public within the meaning of Directive 2001/29/EC (cf., inter alia, the Court's judgments of 7 December 2006; C_306/05, 4 October 2011; C-403/08, and 13 October 2011; C-431/09). Once again, the Court of Justice has highlighted the broad scope of the concept of communication to the public. **Patricia MARISCAL**

Notas

PATENTS**22. No second SPC on the basis of the same patent and two different MAs. Judgment of the Court of Justice of 12 December 2013, Actavis (C-443/12)**

1. *Background.* Sanofi are the owners of a European patent for an innovative active ingredient (irbesartan). Sanofi obtained two Marketing Authorizations (MAs) on the basis of that patent. The first MA was for a medicinal product (Aprovel) containing that ingredient as its single active ingredient. The second MA was for a medicinal product (CoAprovel) containing irbesartan in combination with another active ingredient (a certain diuretic) not protected as such in the basic patent. On the basis of these two MAs, Sanofi obtained two Supplementary Protection Certificates (SPCs): one for the irbesartan and a second for the combination of irbesartan and a diuretic (hydrochlorothiazide).

With a view to preparing the ground to market generic versions of the two medicinal products (Aprovel and CoAprovel), Actavis lodged an appeal in the UK contesting the validity of the second SPC for the irbesartan-hydrochlorothiazide combination. In the context of this case, the High Court of Justice (England and Wales), decided to stay the administrative proceedings and request a preliminary ruling from the Court of Justice on the interpretation of Articles 3.a) and 3.c) of Regulation No. 469/2009.

2. *Findings.* The Court of Justice pointed out that Article 3.c) of Regulation No. 469/2009 precludes the grant of a second SPC in cases in which an SPC has already been granted for the product, but it admits the possibility that where a patent protects several products, various SPCs may be obtained for the different products, as long as each is protected as such by the basic patent within the meaning of Article 3.a) of the said Regulation.

However, the Court of Justice held that this possibility was not admissible in the case at hand, in that, first, the active ingredient protected by the basic patent identified the core inventive advance of the said patent and, second, the other active ingredient (hydrochlorothiazide) with which the medicinal product was marketed under the second MA, was not protected as such by the said patent. The Court of Justice concluded that in view of this situation it was not

appropriate to grant various SPCs in connection with irbesartan, given that the SPCs would in fact be connected, wholly or in part, with the same product.

3. *Remarks.* This judgment serves to confirm the doctrine laid down by the Court of Justice in its judgment in the Georgetown University II case (C-484/12), issued on the same date, holding that various SPCs may be obtained in connection with a single patent where the patent covers several different products. The Court of Justice also clarified that if, in the case at hand, the active ingredient not protected as such had been the subject of a new patent within the meaning of Article 1.c) of Regulation No. 469/2009, the latter patent could, in so far as it covered a totally separate innovation to that cited as the basis of the first SPC, confer entitlement to a second SPC for the new combination subsequently placed on the market. **Enrique ARMIJO CHÁVARRI.**

23. Possibility of obtaining various SPCs on the basis of the same patent. Judgment of the Court of Justice of 12 December 2013, Georgetown University II and others (C-484/12)

1. *Background.* In 2007 Georgetown University was granted a patent claiming protein L1, active against human papillomavirus. The patent protected a combination of four active ingredients (HPV-6, HPV-11, HPV-16, and HPV-18), the combination of two active ingredients (HPV-16 and HPV-18), and the different active ingredients taken individually. In addition, Sanofi obtained a Marketing Authorization (MA) for the medicinal product Gardasil, containing HPV-6, HPV-11, HPV-16, and HPV-18 purified proteins and GSK obtained an MA for the medicinal product Cervarix containing HPV-16 and HPV-18 purified proteins.

In December 2007, Georgetown University filed eight SPC applications with the Dutch Patent Office in connection with its earlier patent and the aforementioned MAs for the medicinal products Gardasil and Cervarix. Two of the applications were granted: (i) for the combination of HPV-6, HPV-11, HPV-16, and HPV-18 and for the combination of HPV-16 and HPV-18; (ii) however, the application referring to HPV-16 individually was rejected on grounds that the product had not been subject to an MA within the meaning of Article 3.b) of Regulation No. 469/2009. An appeal against the decision was lodged with the referring court.

The Dutch court considered that, following the judgments handed down by the Court of Justice in the Medeva (C-322/10) and Georgetown University I (C-

422/10) cases, pursuant to Article 3.b) of Regulation No. 469/2009, an SPC could not be refused for the active ingredient HPV-16. However, the court also held that refusal to grant an SPC could be based on Article 3.c) of Regulation No. 469/2009, given that Georgetown University had already obtained two SPCs on the basis of the same patent. For this reason, the Dutch referring court decided to stay the proceedings and request a preliminary ruling on interpretation of this provision from the Court of Justice.

2. *Findings.* In contrast to the position taken by the Advocate General, the Court of Justice upheld the possibility of granting various SPCs on the basis of: (i) the same basic patent covering a number of products (within the meaning of Article 3.a) of Regulation No. 469/2009); and (ii) an MA for a medicinal product consisting of a combination of several active ingredients, where the SPC application refers to an active ingredient which, individually, is also protected by the said patent.

3. *Remarks.* In its judgment the Court of Justice has revised the doctrine set out in the Biogen (C-181/95) and AHP Manufacturing (C-482/07) cases, which held that only one SPC could be granted for each basic patent. The Court of Justice has argued that the situation in the case at hand is different from the circumstances assessed in the two preceding cases. The Court underlined that the basic patent here protected or may protect various products.

The judgment under discussion here has been welcomed by the innovative pharmaceutical industry, in that it serves to considerably broaden the scope for action under Regulation No. 469/2009. The lesson to be gleaned from the judgment is clear: when drafting the claims of patents covering various products, the holders must take care to ensure that they protect not only combinations of the various active ingredients but also the active ingredients individually. **Enrique ARMIJO CHÁVARRI.**

24. Interpretation of Article 3(a) of Regulation (EC) No. 469/2009. Judgment of the Court of Justice of 12 December 2013, Eli Lilly (C-493/12).

1. *Background.* Human Genome Science (HGS) are the holders of a European patent for the protein Neutrokin- and the antibodies that bind specifically to that protein.

Eli Lilly wanted to market a pharmaceutical composition with an antibody (LY2127399) as the active ingredient, but that antibody binds specifically to

Neutrokine- . Eli Lilly were aware that marketing of that composition during the lifetime of HGS's patent would infringe the patent.

Thus, Eli Lilly applied to an English court for a declaration of invalidity of any SPC relying, for its legal basis, on HGS's patent and based on an MA for a medicinal product containing LY2127399.

Eli Lilly claimed that this antibody was not covered by the basic patent.

The High Court of Justice (England and Wales) decided to stay the proceedings and refer the matter to the Court of Justice of the European Union for an interpretation of Article 3.a) of Regulation No. 469/2009. The referring court asked, in essence, whether, for an active ingredient to be regarded as protected by a basic patent, the active ingredient must be identified in the claims of the patent by a structural formula or whether it suffices to identify it by means of a functional definition or formula.

2. *Findings.* The Court replied that identification by means of a structural formula was not necessary. Nevertheless, the Court specified that this would be the case on condition that it is possible to reach the conclusion on the basis of the claims of the patent, interpreted in the light of the description of the invention as required by Article 69 EPC and the Protocol on the interpretation of that provision, that the claims relate implicitly but necessarily and specifically to the active ingredient in question, which is a matter to be determined by the referring court.

In its response the Court also affirmed:

- An active ingredient that is not referred to in the claims of a patent by means of a structural definition or even a functional definition may not in any case be regarded as protected within the meaning of Article 3.a) of Regulation No. 469/2009.
- For determining whether a product is protected by a basic patent, recourse may not be had to national rules governing infringement proceedings, inasmuch as such rules fall outside the scope of European Union law.
- Consequently, the fact that marketing by Eli Lilly of the active ingredient during the lifetime of the patent would constitute an infringement of the patent would not be a crucial factor in determining whether the said active ingredient is or is not protected by the basic patent.

- The Court of Justice does not have jurisdiction to interpret the provisions of the EPC or to furnish guidance to the referring court concerning the manner in which it is to determine the extent of the claims of a European patent issued by the EPO.

3. *Remarks.* This judgment holds out considerable interest in that it provides a more open and flexible interpretation of Article 3.a) of Regulation No. 469/2009 than the Court's own ruling issued in the Medeva case (Case C-322/10) two years ago. **Enrique ARMIJO CHÁVARRI.**

25. Patentability of pharmaceutical products initially granted as patents for production processes under the TRIPs Agreement. Judgment of the Court of Justice of 18 July 2013, Sanofi-Aventis (C-414/11).

1. *Background.* Daiichi Sankyo were the holders of a national patent in Greece on 21 October 1986 relating to the chemical compound ‘levofloxacin hemihydrate’, the active ingredient in an original medicinal product distributed by Sanofi-Aventis in Greece. The application for the said patent was filed on 20 June 1986 and contained a claim for protection of the levofloxacin hemihydrate product as such and another for its process of manufacture. The duration of the patent was extended via an SCP until 2011.

In 2008/2009 the competent Greek authority granted the pharmaceutical company Demo Avee Farmakon (‘Demo’) authorization to market generic pharmaceutical products containing levofloxacin hemihydrate as the active ingredient. Daiichi Sankyo and Sanofi-Aventis instituted legal proceedings against Demo to prevent the corresponding product from being marketed.

The referring court explained that pharmaceutical products were not patentable in Greece before 7 October 1992, hence the patent filed by Daiichi Sankyo on 20 June 1986 and granted on 21 October 1986 did not initially protect the active ingredient levofloxacin hemihydrate as such but only its production process. However, the court in question added that the rules laid down under Article 70 of the TRIPs Agreement together with the patentability of pharmaceutical products stipulated in Article 27 of the said Agreement may have, as a consequence, extension of the patent rights of Daiichi Sankyo to the said active agent from entry into force of the Agreement. In view of the uncertainty regarding the scope of the TRIPs Agreement in this regard, the Greek referring court raised the corresponding question for a preliminary ruling.

2. *Findings.* Before examining the merits of the case, the Court of Justice began by setting out two premises. First, it stated that the provisions of Article 27 of the TRIPs Agreement relating to patentable subject matter fall within the scope of the common commercial policy, not that of the internal market, and that the said provisions are part of the framework for liberalization of international trade, not harmonization of the laws of EU Member States. Second, the Court pointed out that Article 27 of the TRIPs Agreement must be interpreted to the effect that, if none of the exclusions provided for in paragraphs 2 and 3 of the said Article are applicable, the invention of a pharmaceutical product, such as the active chemical compound of a medicinal product, may be patentable pursuant to the conditions set out in paragraph 1 of the said Article.

The Court subsequently proceeded to examine the Gordian knot of the pretrial questions referred: whether, pursuant to the rules laid down in Articles 27 and 70 of the TRIPs Agreement, a patent granted prior to the entry into force of the said Agreement from an application claiming as inventions both a pharmaceutical product as well as process of manufacturing that product, *but which was granted solely to protect the production process*, nonetheless also affords protection as an invention to the said pharmaceutical product.

The patent in question was a Greek *national* patent which at the time of grant was still subject to the Hellenic Republic's reservation with respect to pharmaceutical products, a reservation that expired on 7 October 1992. The Hellenic Republic ratified the TRIPs Agreement with effect from 9 February 1995. As a consequence, the provision that could be considered to cover the product claims was Article 70.2, according to which "except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement."

The Court pointed out that Article 27 of the TRIPs Agreement does indeed require WTO Members to provide for the possibility of obtaining patents for pharmaceutical products, but that this requirement cannot be understood to mean that WTO Members which, in a period anterior to the date of the Agreement's entry into force, excluded protection of inventions of pharmaceutical products claimed in patents granted for inventions of processes

of manufacture of those products, must, from that date, regard those patents as covering those inventions of pharmaceutical products. Thus, the Court replied to the pretrial question as follows: by reason of the rules set out in Articles 27 and 70 of the TRIPs Agreement, a patent obtained following an application claiming the invention both of the process of manufacture of a pharmaceutical product and of the pharmaceutical product as such, but *granted solely in relation to the process of manufacture*, has to be regarded from the entry into force of that Agreement as covering the invention of that pharmaceutical product.

3. *Remarks.* Although the judgment derives from a dispute that arose in the Hellenic Republic, it is difficult to escape the parallels between this case and the conflict between the innovation industry and the generic industry that Spain has experienced in recent years. Differences aside, the core of the conflict is not without overall similarities, namely, the applicability of the TRIPs Agreement to European patents granted, pursuant to the Spanish reservation, as process patents to be later reconverted into product patents. The fact is that the criterion applied by the Court of Justice stands in contrast to the stance taken by Chambers One and Three of the Spanish Supreme Court in numerous civil claims and contentious-administrative appeals brought on this basis. Last year's edition of this Yearbook included a commentary on the judgment of 5 December 2012. This disparity in criteria has to some extent reopened a dispute that appeared to have been almost completely settled. **Antonio CASTÁN.**

26. Prolonged delays in administrative proceedings to register a patent infringe Article 6.1 of the European Convention on Human Rights. Judgment of the European Court of Human Rights of 2 May 2013, Kristiansen (Case 25498/08).

1. *Background.* On 30 November 1990 Arne Kristiansen (a Norwegian citizen) filed application for a patent which the Norwegian Industrial Property Office (“NIPO”) for a method of propulsion of aircraft and sea vessels, which was assigned no. 19905214.

The preliminary opinion issued by NIPO on 21 March 1991 was adverse and required the applicant to perform a test at an independent research institute to demonstrate the technical effects of the invention.

On 30 September 1990 the applicant submitted his reply, questioning the need to perform the test in view of the high cost but reporting that prototypes were

under construction and could be tested in the presence of representatives from NIPO.

Subsequently there was an exchange of correspondence between the applicant and NIPO, which concluded with the latter's decision to shelve the case on 18 February 2000.

The applicant decided to lodge an appeal with the Parliamentary Ombudsman for Civil Matters, as a result of which NIPO annulled its earlier decision and reopened prosecution of the case on 30 August 2001. However, on 2 October 2001 NIPO once again decided to refuse the application.

On 27 November 2001 the applicant lodged an appeal before NIPO's Board of Appeals. The Board of Appeals indicated that the part of the application corresponding to sea vessels might be patentable. After various exchanges with the applicant, on 14 November 2005 the Board of Appeals returned the application to NIPO.

In 2006 NIPO suggested to the applicant that specific changes be made to the patent claims in order to render the subject matter of the application patentable. However, the applicant disagreed and the application was refused due to lack of novelty on 20 June 2007.

On 20 August 2007 the applicant lodged a second appeal to NIPO's Board of Appeals. This time the Board ruled that the conditions for granting a patent had been fulfilled in respect of sea vessels but not aircraft and proposed that the application be divided into two parts, one for sea vessels and the other for aircraft.

On 22 September 2008 the Board of Appeals upheld NIPO's decision to refuse the application, indicating that it lacked novelty in respect of aviation and that it could have succeeded if the claims had been limited to sea vessels. The applicant did not appeal this decision to the Norwegian courts.

Subsequently, Arne Kristiansen and Tyvik SA (a Norwegian company that had acquired 50% of the patent application) lodged a complaint against the Kingdom of Norway with the European Court of Human Rights under Article 34 of the Convention on Human Rights. The applicants argued that, as a result of the excessive length of the proceedings before the national patent authorities and the 20-year limitation on patent protection (protection would have expired

on 20 November 2010 at the latest), their right of access to the courts within a reasonable time frame had become “illusory”, which amounted to a violation of Article 6.1 of the Convention.

2. *Findings.* The Court emphasized that the average prosecution time for patent applications without priority before NIPO was two to three years, whereas in the case at hand it had taken eighteen years. In this regard, the Norwegian government admitted delays by the patent authorities in this case totalling six years but alleged that the first applicant had also contributed to extending the proceedings.

After deeming the complaint admissible, the Court accepted the arguments of the applicants that, in practice, the duration of the administrative proceedings before the patent authorities in this case meant that their right of access to a court was indeed illusory, concluding that Article 6.1 of the Convention had been breached in respect of the said access to a court.

In addition, the applicants requested damages from the Norwegian Government amounting to nearly 400 million euros on the basis of various claims. The Court ruled that fair compensation could only be based on the fact that the applicants did not have the benefit of all the guarantees of Article 6.1 of the Convention and observed that it could not speculate as to the outcome of any judicial review proceedings that the applicants could have pursued in other circumstances. As a consequence, the Court awarded only a total amount of 15,000 euros as moral damages.

3. *Remarks.* The judgment is a wake-up call to patent authorities to ensure that administrative proceedings of examination and appeal are not subject to excessive delay.

The case at hand clearly demonstrates the need for Patent Offices to pay more attention to more complicated or special cases, making their resources available to the applicant and acting with due diligence.

This case has certain parallels with Harvard College’s famous “OncoMouse” patent application, filed with the European Patent Office in June 1985, and, after a long and drawn-out opposition procedure, the final decision of the EPO's Board of Appeal was at long last issued in July 2004. **Pedro SATURIO**

27. Petition for review granted. Proceedings reopened. Decision R0015/11 of the Enlarged Board of Appeal of the European Patent Office of 13 May 2013.

1. *Background.* By decision T832/09 announced at the end of oral proceedings the Board of Appeal of the European Patent Office dismissed the appeal against the decision of the Examining Division to refuse European patent application no. 03009955.0.

With the appeal the applicant submitted a proposed main claim, which the Board found to lack inventive step, and a supplementary proposal whose first claim was found to by the Board to lack clarity pursuant to Article 84 EPC.

The applicant filed a petition for review of the said decision on 23 September 2011 claiming that the Board of Appeal had committed a fundamental violation of the petitioner's right to be heard.

In support of its petition the applicant indicated that:

- On discussing the supplementary proposal of claims during the oral proceedings, there was some discussion of support for the amendments in the description and inventive step.
- Following these explanations the oral proceedings were broken off for the Board of Appeal to deliberate. The Board resumed the proceedings to issue its final decision, indicating that it had concluded that the supplementary proposal did not comply with the requirements of Article 84 EPC.
- The applicant tried to reply to the objection. However, the Chairman cut him off and refused to allow him to speak, stating that the decision had already been taken and that the allegations concerning lack of clarity would be furnished in writing.
- The objection on the grounds of lack of clarity had not been raised previously during the proceedings.

The petitioner requested that decision no. T832/09 be set aside, the proceedings be re-opened and the members of the Board of Appeal who had participated in the decision under review be replaced.

2. *Findings.* The Enlarged Board of Appeal deemed the petition for review admissible even though the petitioner had not complied with the requirement to raise a formal procedural objection under Rule 106 EPC during the appeal

proceedings. The Enlarged Board of Appeal considered that the total and final refusal by the Chairman of the Board of Appeal to hear the petitioner had prevented the applicant's representative from raising an objection under Rule 106 EPC.

The Enlarged Board of Appeal further granted the petition for review on finding that there was no indication in the appeal proceedings that lack of clarity of the supplementary proposal had been raised as an objection or discussed.

No document in the record of the proceedings, in particular no document submitted by the parties, no official communications, the minutes of the oral proceedings or the reasoning for the decision, contained any indication that the petitioner was aware or could have been aware that compliance with Article 84 EPC was at issue.

Taking into account all these documents, the Enlarged Board of Appeal considered that a violation of the petitioner's rights to be heard had occurred and set aside decision T832/09, ordering the proceedings to be re-opened. However, it did not concur that the members of the Board of Appeal who had participated in the decision under review had to be replaced.

3. *Remarks.* Review procedures were introduced into the European Patent Convention in its revised version of 13 December 2007. Before that there was no mechanism to review Board of Appeal decisions in place. However, review procedures are intended solely to remedy fundamental procedural defects or certain criminal acts.

Since entry into force of this procedure only four petitions for review have been granted out of the 118 filed to date. Although petitions for review filed with the Enlarged Board of Appeal allow for reconsideration of final decisions issued by the Board of Appeal, the aforementioned figures suggest that this option is quite limited and seldom applied.

In the case at hand, the granted petition for review was based on grounds that there had been a fundamental violation of Article 113 EPC, that is, the right to be heard. Violation of the right to be heard was likewise the basis for the other three cases granted, which clearly indicates that petitions for review based on Article 113 EPC have the best chance of success. **Ruth SÁNCHEZ**

28. Court of Justice dismisses the appeals brought by Spain and Italy against the Council Decision authorizing enhanced cooperation in the area of the creation of unitary patent protection. Judgment of the Court of Justice of 16 April 2013 (joined Cases C-274/11 and C-295/11).

1. *Background.* Spain and Italy contested Council Decision 2011/167/EU of 10 March 2011 authorizing enhanced cooperation in the area of the creation of unitary patent protection, appealing to the Court of Justice of the European Union (CJEU). The two appellant States argued that a) in authorizing enhanced cooperation the Council had circumvented the requirement for unanimity and brushed aside those two States' opposition to the Commission's proposal relating to language arrangements for the unitary patent; b) Article 20 of the Treaty on European Union (TEU) authorizes enhanced cooperation only as a "last resort", not the case here; and c) the protection conferred by the unitary patent contributes neither to greater uniformity nor, in consequence, to greater integration compared with the situation obtaining from enforcement of the provisions of the Convention on the Grant of European Patents (EPC).

2. *Findings.* In its judgment of 16 April 2013 the CJEU dismissed in full all the grounds for annulment put forward by Spain and Italy. The judgment is significant for a number of reasons, for instance, because it

- a) is the first interpretation of "enhanced cooperation" as provided for under Articles 20 TEU and Articles 326 to 334 of the Treaty on the Functioning of the European Union (TFEU), tying it in not so much with integration as with surmounting the requirement of unanimity;
- b) provides that creating European intellectual and industrial property rights falls within the ambit of the internal market rather than competition rules;
- c) holds that "falling within the sphere of non-exclusive competences" is a necessary and sufficient condition for enhanced cooperation;
- d) accords the Council broad discretion in deciding when an issue is a "last resort" within the meaning of Article 20 TEU.
- e) reiterates that acts by the institutions are only misuse of power where there is objective, relevant, and consistent evidence that they have been taken solely, or at the very least chiefly, for ends other than those for which the power in question was conferred or with the aim of evading a procedure specifically prescribed by the Treaties for dealing with the circumstances of the case;
- f) anticipates that in application Article 118 TFEU and Article 142 EPC will probably clash to the extent that the focus of the former is the European Union and that of the latter the Member States;

- g) endorses an "incremental" model of integration, with partial integration being better than none at all;
- h) posits that enhanced cooperation being possible in this context, creation of European intellectual and industrial property rights that do not encompass the entire territory of the Union, taking in instead only a certain number of Member States while leaving others out, should also be possible and that this is neither detrimental to the internal market nor a distortion of competition;
- i) concludes that the competences, rights, and obligations of Spain and Italy have not been infringed in the course of this process.

3. *Remarks.* The CJEU's judgment of 16 April 2013 is significant for at least three reasons. first, because it is the first interpretation of the concept and scope of enhanced cooperation; second, because it deals, also for the first time, with Article 118 TFEU, drafted in the aftermath of the stillborn European Constitution and intended as the way out of the morass of over fifty years of negotiations on the Community patent; and finally, because it once again restrictively interprets the doctrine relating to misuse of power and discretionality by the Council which could fuel uncontrolled abuse by majorities on such sensitive subjects as language issues.

The CJEU's conclusions are, frankly, disappointing, not so much for the responses to the underlying issues – which were expected – as for the reasoning leading to them. The court has thrown away a golden opportunity to lay the groundwork for a teleological interpretation of such fundamental concepts as "enhanced cooperation", "internal market", "competition rules", and though its position is clear, it has preferred not to go deeply into such others as the circumstances in which authorization to establish enhanced cooperation may be requested and the Council's discretionality for authorizing enhanced cooperation.

The Council Decision of 10 March 2011 paved the way for adoption of Regulation (EU) No. 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection and of Council Regulation (EU) No. 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. At the end of March of this year Spain launched challenges to both Regulations (Cases C-146/13 and C-147/13), so the final decision in this now long, drawn out chapter will have to wait until early 2015.

Manuel DESANTES

COUNTERFEITING**29. Freedom of expression no exculpation from copyright infringement. Judgment of the European Court of Human Rights of 19 February 2013, *The Pirate Bay* (40397/12).**

1. *Background.* During 2005 and 2006 Mr. Fredrik Neij, a Swedish national, and Mr. Peter Sunde Kolmisoppi, a Finnish national, were involved in the organization, administration, programming, financing and operation of one of the world's largest file sharing services on the Internet, the "The Pirate Bay" website. This service used the "BitTorrent" protocol and allowed users to come into contact with each other through torrent files, which in practice function as Internet links. Users could then, outside the "The Pirate Bay" computers, exchange digital material by sharing torrent files.

2. *Findings.* Mr. Neij and Mr. Sunde Kolmisoppi were charged, inter alia, with complicity to commit crimes in violation of the Swedish Copyright Act. The prosecutor accused them of furthering other persons' opportunity to upload torrent files to "The Pirate Bay", providing a database linked to a catalogue of torrent files, including the opportunity to search for and download torrent files, and providing the means to allow individuals wishing to share files to contact each other through a tracker function.

The defendants alleged that the users were responsible for the files that they supplied and shared with others and that "The Pirate Bay" should be regarded as a service provider in accordance with the Swedish Electronic Commerce Act.

On 17 April 2009 the Stockholm District Court convicted the two to one year's imprisonment and ordered them, together with other defendants, to pay damages amounting to approximately 3.3 million euros.

On 26 November 2010 the Swedish Court of Appeal reduced the prison sentence of Mr. Neij to ten months and that of Mr. Sunde Kolmisoppi to eight months but increased their joint liability for damages to approximately 5 million euros.

On 1 February 2012 the Swedish Supreme Court refused leave to appeal.

The appellants lodged an appeal with the European Court of Human Rights on grounds that their criminal conviction violated their right to freedom of expression under Article 10 of the European Convention on Human Rights which, in their view, enshrines the right to offer an automatic service of transferring unprotected material between users, according to basic principles of communication on the Internet, and within the information society, adding that their right to receive and impart information had been violated by their conviction for other persons' use of "The Pirate Bay".

In the judgment discussed here, the European Court of Human Rights rejected the appellants' arguments as manifestly ill-founded. The Court reiterated that Article 10 of the Convention guarantees the right to receive and impart information on the Internet, including the exchange of copyright protected material, and that, as a result, the conviction interfered with the appellants' right to freedom of expression. However, the Court went on to state that the interference by the Swedish authorities was prescribed by law and that the Court had to weigh the two opposing interests protected under the Convention: the right of the appellants to facilitate the sharing of information on the Internet and the rights of copyright holders to enjoy protection against infringement.

The Court concluded that the Swedish authorities had a wide margin of appreciation to decide on such cases, in that the information in question did not enjoy the same level of protection as that afforded to political expression and debate, and that their obligation to protect intellectual property rights in accordance with the Copyright Act and the Convention were weighty reasons for the restriction of the appellants freedom of expression. The Court also found that, since that the appellants had not taken any action to remove the copyrighted material, despite having been requested to do so, the prison sentence and award of damages could not be regarded as disproportionate.

3. *Remarks.* Although the right to freedom of expression is recognized under Article 10 of the European Convention on Human Rights and, domestically, under Article 20 of the Spanish Constitution, under no circumstances is it an absolute right. As with other rights, it also has its limitations: the existence of other rights protected by the State on the basis of national laws.

It is important to assess the specific type of information imparted and distributed, since freedom of expression cannot be regarded as automatically taking precedence over intellectual property.

The judgment amounts to affording greater weight to the system of “take down notices”, given that failure to remove copyrighted material when requested to do so may furnish grounds for a criminal conviction. **Juan José CASELLES.**

Notas

GEOGRAPHICAL INDICATIONS

30. Proof of use of appellations of origin cited as grounds of opposition as signs used in the course of trade of more than mere local significance. Judgment of the General Court of 22 January 2013, Bud (Joined cases T-225/06 RENV, T-255/06 RENV, T-257/06 RENV and T-309/06 RENV).

1. *Background.* This judgment relates to case C-96/09, presented in our 2011 Yearbook (item 24, pages 53 to 55).

After interpreting specific requirements for application of Article 8.4 of the Community Trade Mark Regulation (CTMR) in relation to the citation of appellations of origin protected in certain EU Member States under the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration and bilateral treaties having effect in those States, the Court of Justice referred the case back to the General Court for judgment on the merits, in that it lacked the probative elements to be able to issue a judgment itself.

2. *Findings.* In light of the interpretation of the requirements for applicability of Article 8.4 CTMR set forth in judgment C-96/09, the General Court examined the proof of use of the “bud” appellation of origin in France and Austria, which had been deemed insufficient by the OHIM's Board of Appeal.

One of the General Court's findings was that the same proof of use now deemed insufficient had previously been deemed sufficient by the OHIM in another case but that no amendment of the current assessment was required, in that decisions ensue from application of regulations and are not discretionary.

The Court added that cases must be decided on the basis of the CTMR, not on the basis of earlier practice, and the principle of equal treatment must be consistent with compliance with the principle of legality. Furthermore, the principle of legal certainty also required stringent and full examination of the signs cited in support of an opposition.

The General Court disregarded invoices for France dated after the date of filing of the contested application. Similarly, the Court also considered that three deliveries of a total volume of 87 litres in three French towns between 1997 and

2000 were insufficient proof of use in the course of trade of a sign of more than mere local significance.

The Court likewise observed that the documentation submitted in respect of Austria failed to attest to any use beyond mere local sales on grounds that the average annual sales of beer with the appellation in question were negligible in relation to the average annual consumption of beer in that country, both in quantity and economic value. In addition, certain publications covered only a brief time period and the geographical coverage of the publications and the relevant target public were not clearly reflected.

3. *Remarks.* The judgment is noteworthy in that it presents a practical application of the examination of proof of use as it relates to Article 8.4 CTMR for appellations of origin protected under the Lisbon Agreement and bilateral treaties.

In principle, the judgment has no particular relevance nor significance other than adding to the growing amount of case law on these questions and the long-running conflict between these well-known Czech and U.S. breweries.

The findings of main interest in terms of legal content were made in the interpretation of the criteria for examining proof of use in relation to the Article set out in the judgment that referred the case back to the General Court, since in its judgment the General Court has simply applied those findings to the facts as presented to the best of its understanding and ability. **Miguel Ángel MEDINA**

Notas

UNFAIR COMPETITION AND ADVERTISING

31. Scope of the conditions for classifying a commercial practice as misleading. Judgment of the Court of Justice of 19 December 2013, Trento Sviluppo (C-281/12).

1. *Background.* The Italian companies Trento Sviluppo and Centrale Adriática, members of the COOP distribution group, launched a promotion of various products – one of which was a laptop computer – the corresponding advertising leaflet containing the phrase “*reductions of up to 50% and many other special offers*”. A consumer went to a store while the offer was valid, and when he inquired after the computer, he was told that the product in question was not available.

The consumer filed a complaint against Trento Sviluppo and Centrale Adriática on grounds of misleading advertising, alleging infringement of Article 6.1 of Directive 2005/29 concerning unfair commercial practices. Under this provision, a practice is deemed to be misleading when the information provided is false or is likely to deceive the average consumer and when, in either case, it causes or is likely to cause the consumer to take a transactional decision that he would not have taken otherwise.

The various lower courts found in favour of the consumer, prompting the defendant companies to appeal to the Italian Supreme Court. The Court had doubts regarding the scope of the conditions required for application of Article 6.1 of Directive 2005/29, so it asked the Court of Justice whether the said conditions were cumulative, or whether, on the other hand, only the first of the conditions (information that is false or likely to deceive) was sufficient for the provision to be deemed applicable.

2. *Findings.* The conditions in Article 6 of Directive 2005/29 are cumulative and, as such, a commercial practice is to be classified as misleading when that practice not only contains information that is false or likely to deceive the average consumer but is also likely to cause the consumer to take a transactional decision that he would not have taken otherwise. In addition, the concept of “transactional decision” covers any decision directly related to the decision whether or not to purchase a product.

3. *Remarks.* The judgment refers to cases that occur with a certain regularity in the business. To lure consumers to their stores, advertisers bait by advertising goods of scant or zero availability to attract consumers to the store. This

achieves advertising's main goal, i.e., arousing consumer interest at the possibility of purchasing a product.

This judgment has two quite important aspects. The first is the fact that the Court of Justice clearly states that the conditions required to classify a commercial practice as misleading are cumulative. Consequently, not only will it be necessary for the advertising claim to be false or likely to deceive, the said claim will also have to cause the consumer to take a transactional decision that he would not have taken otherwise. This could, though, furnish legal support for what could, for example, be termed “advertising hype”, where, even though all hype entails some untruth, consumers do not change their decision, because they readily recognize the advertising claim as hype.

Another important aspect of the judgment is the Court of Justice's interpretation of the concept of “transactional decision” which, according to the Court, includes acts preparatory to the purchase of a product, such as the consumer's trip to the shop or the act of entering the shop. In other words, the Court states that this concept encompasses not only the decision to purchase a product, but anything that is connected with doing so, in particular the decision to enter the shop. This leads to a very important conclusion, namely, that there is no need for a consumer to actually be misled in a real and effective manner; rather, just the possibility of giving rise to error suffices for a commercial practice to be classified as misleading. **Jesús GÓMEZ MONTERO.**

32. Requirements for classifying a commercial practice as misleading. Judgment of the Court of Justice of 19 September 2013, Tem4 (C-435/11).

1. Background. Team 4 is a travel agency that organizes skiing lessons and snow holidays in Innsbruck (Austria) for groups of school children from the UK. Team 4 had entered into agreements with Austrian hotel groups for bed quotas, whereby the hotels in question had committed to an exclusive arrangement with Team 4, as reflected in the corresponding contracts. However, the hotels breached their contractual obligations by making bed pre-bookings with another company (CHS).

Unaware of this situation, Team 4 distributed brochures indicating the exclusive character of the advertised hotels. CHS considered the said statement of exclusivity to be misleading, to which Team 4 replied that when drawing up its advertisements it had acted with the “professional diligence required” and that,

on the date the brochures were sent out, it was not aware of the contractual arrangements concluded between CHS and the hotels in question.

CHS filed a complaint against Team 4 on grounds that it had incurred in unfair commercial practices. However, the Austrian courts rejected the complaint, ruling that Team 4 had complied with the “requirements of professional diligence”, since it had guaranteed the pre-bookings under the corresponding exclusive agreements and could legitimately be entitled to expect that the other parties (the hotels) would honour their obligations.

The Austrian Supreme Court referred the following question to the Court of Justice: in accordance with Unfair Commercial Practices Directive 2005/29, a commercial practice can be regarded as unfair if it is contrary to the requirements of professional diligence and materially distorts or is likely to materially distort the economic behaviour of the average consumer contrary to the requirements of professional diligence [Article 5.2 a)]. In addition, that same Directive states that a practice may be deemed misleading when the information provided is false or untruthful and is likely to cause the consumer to take a transactional decision that he would not have taken otherwise (Article 6.1).

The Court thus asked whether classifying a commercial practice as misleading only requires fulfilment of the conditions of Article 6.1 of the Directive or whether non-fulfilment of the requirement of professional diligence of the party in question [laid down in Article 5.2 a)] also needs to be demonstrated.

2. *Findings.* If a commercial practice satisfies all the criteria specified in Article 6.1 of the Directive for being categorized as a misleading practice, it is not necessary to determine whether such a practice is also contrary to the requirements of professional diligence as referred to in Article 5.2 a) of the Directive in order for it to be prohibited.

3. *Remarks.* To understand the scope of this judgment, it is necessary to take into account the purpose of the Directive concerning unfair commercial practices, which is to provide rules to govern relations between traders and consumers, as well as the spirit of the Directive and its goal of setting up rules to properly safeguard consumers' rights. In this regard, the judgment is extraordinarily important, in that it very clearly states the reference criteria for assessing whether a commercial practice or advertisement should be classified as misleading, with the Court clearly opting for the provisions of Article 6.1 of

the Directive. This leads to a final consideration I regard as being of crucial importance in my opinion, namely, the reference criterion for regarding a commercial practice or advertisement as unfair is how it is viewed by the average consumer targeted by the practice or advertisement.

Other consequences ensue from this conclusion (at least in the sphere of civil law), namely, first, the intention of the advertiser in implementing its practice or drawing up its advertising is of little importance, and, second, it also does not matter whether the advertiser has made every effort or acted with the required diligence to avoid the misleading act. In this context, a clear criterion arises: the consumer's interpretation will prevail. Consequently, if the information provided in an advertisement is false, or if the consumer (even where the information is true) interprets it in a way that causes him to be misled, the advertising or commercial practice is to be regarded as unfair, irrespective of whether or not the advertiser acted with due diligence and irrespective of the advertiser's intent in implementing its practice or drawing up its advertising.

Jesús GÓMEZ MONTERO

33. Concept of commercial advertising. Use of Metatags. Judgment of the Court of Justice of 11 July 2013, Best (C-657/11).

1. *Background.* The company Belgian Electronic Sorting Technology NV (hereinafter BEST) sells sorting machines and sorting systems incorporating laser technology. A former employee of BEST (Mr. B. Peelaers) established a company (Visys NV) specializing in the same field of activity. Mr. Peelaers was the owner of the domain name www.bestlasersorter.com, and it was ascertained that when the words ‘Best Laser Sorter’ were entered in the search engine Google the first result to appear was BEST's website, followed by a link to the website of Visys since the latter company used for its website specific metatags such as “Helious sorter, LS 9000, Genius sorter, Best + Helious, Best + Genius [...] Best NV”.

Successive claims brought by BEST on the basis of its registered trademarks were dismissed. However, the Belgian courts did rule that the registration of the domain names and the use of metatags on Visys' websites was unlawful and hence was in breach of the law on advertising.

Given that the said circumstance bore on Community law – specifically the concept of advertising set out in Article 2.a) of Directive 2006/114 concerning misleading and comparative advertising – the Belgian Supreme Court asked the

Court of Justice whether the concept of advertising included in the Directive encompassed, on the one hand, the registration and use of a domain name and, on the other, the use of metatags in a website's metadata.

2. *Findings.* The Court of Justice expressly stated that the concept of advertising as defined in Directive 2006/114 must be interpreted in the sense that it covers the use of a domain name and that of a website's metatags. By contrast, the registration of a domain name, as such, is not encompassed by that term.

3. *Remarks.* Article 2.a) of Directive 2006/114 defines advertising as “*the making of a representation in any form in connection with a trade, business, craft or profession in order to promote the supply of goods or services, including immovable property, rights and obligations*”.

When interpreting this precept, doctrine and the Court of Justice itself (judgment of 25 October 2001, Toshiba case, C-112/99) hold that the definition of advertising is very broad, as can be inferred from the first few words of the provision, describing advertising as “*the making of a representation in any form*”. If advertising is defined as any form of representation, then, for purposes of classifying a specific representation as advertising, how a message is expressed, the nature of the medium employed to disseminate or carry that message, as well as – as maintained by certain commentators – the number of people targeted by the representation could be said to be irrelevant.

What defines the concept of economic advertising is the purpose it pursues, which is clearly commercial (in legal terms, advertising is intended to promote the supply of goods and services). With this in mind, the Court of Justice concluded that the use of metatags – in the sense that they are a means of allowing a consumer to access information or offers concerning a specific product or a company or a range of goods and services that the company sells – must be considered promotional and, as a result, a form of advertising.

Classifying the use of metatags as advertising could have important implications bearing in mind that on occasion such use cannot be prosecuted on the basis of the rights trademarks confer on rightholders, who may instead have to rely on unfair competition law, in particular advertising law. In this regard the Court of Justice has made it clear that no element used for advertising falls outside the rules of unfair competition. Such rules are laid down, inter alia, in Directive 2006/114 concerning misleading and comparative advertising which,

to some extent, helps strengthen the position of trademark owners against use of their marks by third parties on the Internet without their consent. **Jesús GÓMEZ MONTERO.**

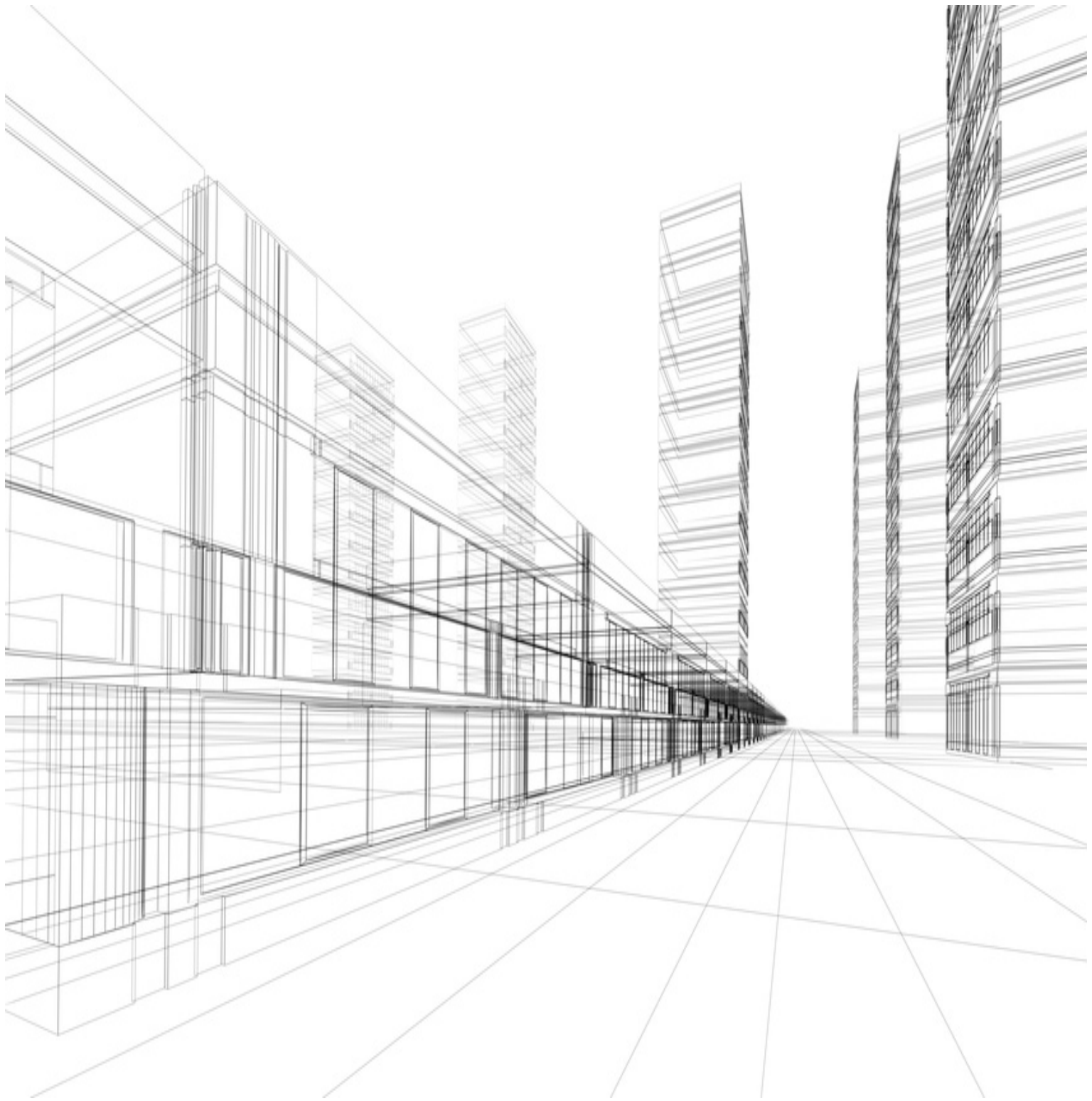
Notas

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