

**ELZABURU**

**Estab 1865**

**ANNUAL REVIEW**  
**ELZABURU 2016**

**EUROPEAN CASE-LAW**

INTELLECTUAL AND INDUSTRIAL PROPERTY

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**AE-2016**

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**INTELLECTUAL PROPERTY**

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**INTELLECTUAL PROPERTY**

**ELZABURU**

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## Foreword

This Review that you, the reader, are holding contains a selection of no less than 39 judgments intended to reflect current EU case-law on the subject of intellectual and industrial property.

The judgments are essentially from the Court of Justice of the European Union, which continues to show a predilection for this category of rights and continues to surprise us with findings that leave no one indifferent. However, the Review also includes decisions from the Spanish Supreme Court and the European Union Trademark and Design Court in Spain, which reveal how EU law is interpreted and applied in this country.

For the sixth year running, a large group of our Firm's professionals has worked selflessly on this project, which we hope will benefit our clients, colleagues and friends.

Our thanks go out to them for their work and, of course, to our readers.

ALBERTO ELZABURU  
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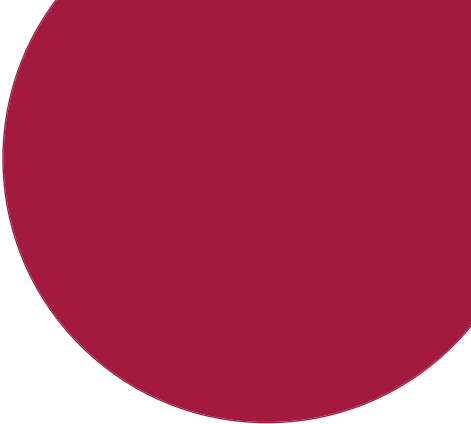
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# Trademarks



1. The exclusive trademark right covers all goods for which the mark was registered for the first five years, irrespective of use. Judgment of the Court of Justice of 21 December 2016, Länsförsäkringar (C-654/15).

■ **1. BACKGROUND.** The Swedish banking and insurance company Länsförsäkringar AB is the holder of a European Union trademark registration covering various services, including building construction, repair and maintenance, and installation services in Class 37. The mark consists of the following device:



The Estonian company Matek A/S, which manufactures and assembles wooden houses, was using a mark, for which a national registration had been secured for non-metallic building materials and other related goods in Class 19, consisting of the following device:



Länsförsäkringar brought proceedings against Matek for infringement of its EU trademark, in which it requested an order prohibiting the

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defendant from using its figurative mark in Sweden. Although the action prevailed at first instance, the decision was nevertheless set aside by Stockholm court of appeal, which held that despite the fact that the marks were similar, there was no likelihood of confusion given that the examination of the similarity of the goods and services had to be carried out on the basis of the activities actually carried out by Länsförsäkringar in the financial sector, not on the basis of the formal registration of its mark.

Matek lodged a cassation appeal against the decision in the Swedish Supreme Court, arguing that for the first five years following registration of a trademark, the exclusive right covers all the goods and services for which the mark has been registered.

The Swedish Supreme Court decided to stay the proceedings and make a reference to the Court of Justice for a preliminary ruling on the interpretation of Article 9.1.b) of the [European Union Trademark Regulation](#) (EUTMR) in relation to whether it applies during the initial five-year period following registration of a trademark.

**■ II 2. FINDINGS.** In its judgment, the ECJ interprets the literal wording of Article 9.1.b) EUTMR read in conjunction with Article 15, which lays down the legal requirement to use the trademark once five years have passed since its registration, and Article 51, which establishes the consequences of failure to comply with that use requirement.

After examining those two provisions together, the ECJ comes to the conclusion that the rights of the trademark holder cannot be declared to be revoked in respect of either some or all of the goods or services for which the mark is registered until the legally established five-year period has expired. The court considers that those two provisions confer on the trademark holder a “grace period” for beginning use of the mark, during which time the holder may rely on the exclusive right conferred by the registration in relation to all the goods and services designated by the mark, without having to demonstrate use.

The ECJ ultimately rules that Article 9.1.b) EUTMR shall apply regardless of the activities carried out by the trademark holder in the market, or the use made of the mark, during the initial five-year period following registration, no matter how much those activities may differ from those carried out by the alleged infringers of the mark.

■ **3. REMARKS.** This judgment supports the continuous practice of the national courts of the Member States concerning the scope of a trademark holder's exclusive right. The initial five-year period following registration, laid down in both the EUTMR and in the Trademarks Directive, constitutes, as the judgment indicates, a "grace period" during which time there are no limitations on the trademark holder's exclusive right in respect of use of the mark.

Therefore, the defence mechanisms established by law in favour of third parties using an identical or similar sign for goods and services that are not similar to those for which the mark relied on is actually being used can only come into play once that five-year period has expired. Allegations relating to differences in the commercial activities of the companies involved will therefore prove an ineffective means of opposing a trademark infringement action before that time period has expired. **Carlos MORÁN**

## 2. Parallel imports: repackaging a product in new packaging upon which the trademark is reaffixed. Conditions under which the trademark holder may oppose. Judgment of the Court of Justice of 10 November 2016, *Ferring* (C-297/15).

■ **1. BACKGROUND.** Ferring BV markets a medicinal product under the trademark KLYX in a number of European Economic Area (EEA) Member States. The product is sold in those States in two kinds of packaging, namely, in packets of one and ten units. Orifarm A/S purchases KLYX in Norway in packets of ten. The goods are then imported into Denmark after having been repackaged in packets of one, upon which the KLYX mark is reaffixed. Ferring opposes the contested repackaging claiming that it is unnecessary for the purpose of marketing the imported product and that it is justified only by Orifarm's attempt to secure a commercial advantage. Meanwhile, Orifarm contends that the repackaging is necessary in order to gain access to the Danish market.

The ECJ has declared that the trademark holder is entitled to oppose the repackaging of a product where the exercise of that right does not constitute a "disguised restriction" that contributes to "artificial partitioning" of the markets between EEA Member States. That

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partitioning is deemed to occur where the repackaging is “necessary” in order to enable the product to be marketed in the importing State.

The proceedings between Ferring and Orifarm therefore seek to determine whether the repackaging of the medicinal product KLYX in packets of one is “necessary” in order for the product to be marketed in the importing State.

In those circumstances, the national court hearing the main proceedings decided to make a reference to the ECJ for a preliminary ruling on the interpretation of Art. 7.2 of the [Trademarks Directive 2008/95](#). As a limitation on the exhaustion of rights conferred by a trademark, that provision entitles the holder to oppose further commercialisation of the product –which has been put on the EEA market by the trademark holder or with his consent– where there exist legitimate reasons, and particularly where the condition of the goods has been changed or impaired after they have been put on the market (as in the case of repackaging). The referring court essentially asked the ECJ whether that provision should be interpreted as meaning that the holder of a trademark may object to the marketing of a medicinal product by a parallel importer where the importer has repackaged that product in a new, outer packaging upon which the trademark has been reaffixed.

**■ II 2. FINDINGS.** In order to reply to that question, the ECJ departs from the following premises:

First, the repackaging of a product by a parallel importer without the authorisation of the trademark holder entails a risk for trademark rights insofar as the trademark’s primary function is to guarantee the origin of the product. Hence the trademark holder is entitled to oppose the repackaging where there are legitimate grounds for doing so.

Nevertheless, that right of opposition, as an exception to the principle of the free movement of goods, is not absolute. The trademark holder will not be able to oppose where such opposition constitutes a disguised restriction on trade between EEA Member States. The opposition will be deemed to constitute a disguised restriction where it contributes to artificially partitioning the markets between the EEA Member States in the event that the repackaging is done in such a way that the legitimate interests of the trademark holder are respected. In that regard, it is

considered that the trademark holder's opposition to the repackaging in cases where it is "necessary" in order for the imported product to be able to be marketed in the importing State contributes to artificially partitioning the markets between the EEA Member States.

This case specifically concerns determining whether the subsequent repackaging and reaffixing of the trademark is "necessary" in order to market the product in the importing State. The ECJ answers the question by declaring that the holder of a trademark may object to the marketing of a product by a parallel importer where that importer has repackaged the product in a new, outer packaging and reattached the trademark, provided that the medicinal product in question can be marketed in the importing State in the same packaging as that in which it is marketed in the exporting State. That is unless there is a rule in the importing State that only permits a certain kind of packaging, or where, even in the absence of such a rule, the importer can only commercialise the product in a limited part of the importing State's market. In any event, the burden of proving those exceptions lies with the parallel importer.

■ II **3. REMARKS.** This judgment consolidates ECJ case-law on parallel imports and product repackaging established, inter alia, in *Boehringer Ingelheim* (C-348/04) and *Orifarm* (C-400 and C-207/10). On the one hand, it confirms the trademark holder's right to oppose the repackaging of products where doing so does not constitute a disguised restriction aimed at artificially partitioning the markets between EEA Member States (which would occur, in particular, where the repackaging is necessary in order to market the goods in the importing State) and, on the other hand, it affirms that it is for the parallel importer to prove the existence of the conditions preventing the trademark holder from lawfully opposing the repackaging in question.

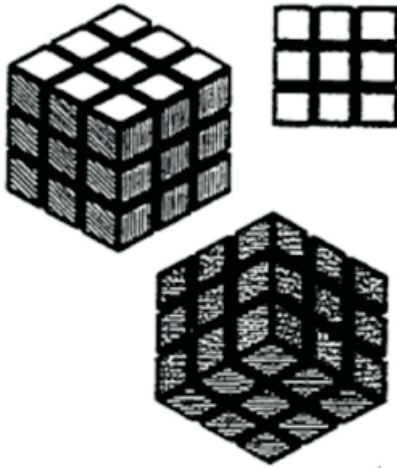
**María CADARSO**

### 3. Rubik's cube: technical result or distinctive sign?. Judgment of the Court of Justice of 10 November 2016, *Simba Toys* (C-30/15 P).

■ II **1. BACKGROUND.** In 1999 the British company Seven Towns Ltd. registered EU three-dimensional trademark No. 162784 consisting of

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the shape of Rubik's cube in respect of "three-dimensional puzzles" in class 28.



*EUTM No. 162784, the mark at issue*

In 2006 the toy manufacturer Simba Toys GmbH & Co. KG filed an application for a declaration of invalidity. The EUIPO dismissed that application and Simba Toys then lodged an appeal with the General Court claiming, essentially, that the mark embodied a technical function, consisting of the rotatable nature of the product itself, and therefore came under one of the absolute prohibitions on registration. However, in its judgment ([case T-450/09](#)) the General Court upheld the decision of the EUIPO and confirmed the validity of the registration upon concluding that:

- The black lines are not at all suggestive of the rotatable capacity of the individual elements of the cube and therefore do not perform any technical function.
- The rotating capability of the cube (the technical result) stems from an internal mechanism which is not visible in the graphic representations of the cube.



- The registration of this mark does not entitle the proprietor to prohibit the sale by third parties of any three-dimensional puzzle with a rotating capability. The preclusive right is restricted to three-dimensional puzzles in the shape of a cube with a grid structure on each of its surfaces.

The General Court thus held that the representation of the cube had sufficient distinctive character to qualify for registration as a trademark in that, among other reasons, the existence of the internal mechanism could not be inferred from the grid structure in the representation of the cube.

Simba Toys then took the case to the Court of Justice.

**■ II 2. FINDINGS.** In its judgment (C-30/15 P) the Court of Justice held that the *essential characteristics of the sign at issue* (the cube and the grid structure) *must be assessed in the light of the technical function of the actual goods concerned* and that it is necessary also to take into account elements which are not visible in the graphic representation of the shape and the rotating capability of the individual elements of a three-dimensional puzzle of the Rubik's cube type.

As it contains no arbitrary or decorative elements, the shape of the Rubik's cube does not qualify for registration as a trademark, as such a registration severely limits the freedom of other traders to market products characterized by the same or a similar technical result, i.e., that of a *three-dimensional puzzle to be resolved through positioning moveable elements in a logical order*.

Now the EUIPO will have to deliver a fresh decision taking into account the findings of the Court of Justice.

**■ II 3. REMARKS.** The outward appearance of goods has an ever greater influence on the decisions taken by consumers at the time of making a purchase. Hence the increasing interest of traders in registering three-dimensional trademarks as a means of protecting shapes with the capacity to exert that influence.

However, a three-dimensional trademark cannot and must not act as a means of protecting technical results. For that purpose there are more

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suitable legal instruments, such as patents or utility models, whose limited life span is essential to the correct functioning of the system for the protection of inventions.

The protection of marks of this kind, consisting of the shape of a product without anything else, has always been a controversial issue. The problem lies in striking a balance between granting an exclusive trademark right and avoiding the creation of a monopoly in the marketing of the product and at times it is difficult to determine whether a three-dimensional representation really performs the function of identifying the business origin of the product rather than that of protecting its technical features.

The prohibition on registration addressed in the judgment of the Court of Justice seeks to limit the trademark prerogative by preventing the grant of an exclusive right, for an unlimited period of time, in a shape which is necessary to obtain a technical result. According to the judgment, in the case of the famous Rubik's cube the acknowledgment of such a right would have the effect of perpetuating a monopoly in a technical solution in the form of rotatability ensuing from the shape of the product.

In its assessment of the scope of the prohibition, the Court of Justice draws on the criteria followed in the cases which gave rise to the judgments of 18 June 2002, *Philips* (C 299/99), of 14 September 2010, *Lego Juris v OHIM* (C 48/09 P), and of 6 March 2014, *Pi-Design and Others v Yoshida Metal Industry* (C 337/12 P to C 340/12 P), where the competent authority would not have been able to analyse the shape concerned solely on the basis of its graphic representation without using additional information on the actual goods. **Soledad BERNAL**

## 4. Trademark infringement and unfair competition by a distributor. Judgment of the European Union Trademark Court of 10 October 2016, *Breezair* (ECLI:ES:APA:2016:2938).

■ **1. BACKGROUND.** The plaintiff, who holds the EU trademarks BREEZAIR and ICON, registered for heating and refrigerating products, signed an exclusive distribution agreement with the defendants in

relation to a number of BREEZAIR and ICON products. Once the distribution agreement had ended, the defendants continued to use the BREEZAIR and ICON trademarks despite the fact that the time limits stipulated in that agreement for ceasing use had expired and that the rightholder had requested the cessation of such use. Specifically, the use that the ex-distributors were continuing to make of the trademarks in question was not just aimed at selling off leftover stock of the BREEZAIR and ICON products but also –according to the plaintiff- at using that publicity to attract clientele to their own “equivalent” products (such as the BIOCOOL evaporative cooler), offered when customers enquired into the plaintiff’s BREEZAIR and ICON products. In view of this situation, the holder of the BREEZAIR and ICON trademarks sued the distributors for trademark infringement (Article 9.2 [EUTMR](#)) and, in the alternative, for unfair competition, on the grounds that they had infringed the general clause on good faith with regard to competition ([Article 4](#) of the Spanish Unfair Competition Act).

The complaint was dismissed at first instance in respect of both trademark infringement and unfair competition. The grounds for the dismissal were as follows:

*Trademark action.* Since the products marketed by the ex-distributors had been acquired from their proprietor, who had placed them on the market in the EEA, the trademark rights had been exhausted. The judge also considered that the exception to the exhaustion of trademark rights laid down in Article 13.2 EUTMR –cited by the plaintiff-, relating to the ex-distributors’ advertising use of the BREEZAIR and ICON trademarks in order to offer their own brands, did not apply, since such use did not dilute the plaintiff’s trademarks or take unfair advantage of their prestige.

*Unfair competition action.* The defendants’ advertising of the BREEZAIR and ICON products, together with the fact that they were offering customers their own BIOCOOL products, would not lead to a distorted image or exceed the bounds of reasonable professional diligence, since the offering of the plaintiffs’ brands was not excluded.

The plaintiff lodged an appeal against that decision. It essentially held that, in relation to the trademark action, the first instance judgment had incorrectly applied the principle of the exhaustion of trademark

rights because, in the first place, the defendants had not demonstrated that they possessed stock of the plaintiff's brands that they were advertising, and so the objective requirement for exhaustion was not satisfied; and secondly because, in any event, the use in question was not being made in accordance with honest practices in industrial or commercial matters. As regards the unfair competition action, the plaintiff argued that the judgment had incorrectly applied the law, since the infringing conduct did not refer to commercial practices with consumers –as the lower court had mistakenly understood– but rather practices among professionals.

■ ■ **2. FINDINGS.** Alicante Court of Appeal fully dismissed the appeal on the following grounds:

*Trademark action.* First, the defendants had proven that they held stock of the BREEZAIR and ICON-branded products that they were advertising, and so the objective requirement established for the exhaustion of trademark rights had been satisfied. Second, the principle of exhaustion cannot be limited contractually or by negotiations. Third, the concept whereby trademark use must be made in accordance with "*honest practices in industrial or commercial matters*", provided for in Article 12 EUTMR, cannot be included under the concept of "legitimate reasons" that would justify the exception to exhaustion by virtue of Article 13.2 EUTMR. The former would only apply in the specific cases described in Article 12 EUTMR (use of the name, address, descriptive indications, and use of the third-party trademark in relation to accessories or spare parts). The court also considered that there were no "legitimate reasons" for opposing exhaustion on the basis of the defendants' bad faith in making advertising use of the trademarks, since the exhaustion of trademark rights also extends to such usage.

*Unfair competition action.* The court first of all examines the compatibility of trademark and unfair competition actions based on the doctrine of relative complementarity established by the Spanish Supreme Court in a number of judgments. This doctrine essentially considers that unfair competition legislation may apply in a supplementary capacity where the conduct deemed to be infringing under that legislation is not covered or penalised under intellectual property laws. The court confirms that unfair competition legislation may apply to the case at hand insofar as the action brought under

Article 4 of the Spanish Unfair Competition Act is aimed at examining an issue that is “clearly related to the market” and not covered by trademark legislation, namely: whether the use of third-party trademarks –permitted from a trademark perspective– in order to disseminate and offer one’s own products objectively infringes the requirements of good faith with regard to competition.

The court finds that the defendants’ conduct likewise cannot be prohibited under the general clause constituting Article 4 of the Spanish Unfair Competition Act, which bars conduct that is objectively contrary to the dictates of good faith. In that regard, the court considers that the offering of a company’s own products when advertising third-party brands (which the company is entitled to use and advertise) is a valid commercial strategy, provided that such practice does not take unfair advantage of another’s reputation or give rise to a likelihood of confusion in respect of the parties’ products, circumstances which did not occur in this case.

■ ■ **3. REMARKS.** This judgment is interesting from two perspectives. On the one hand, it develops the interpretation of the “*legitimate reasons*” which may be cited by a trademark holder in order to oppose the exhaustion of its rights (Article 13.2 EUTMR): not only may the rightholder oppose that exhaustion where “*the condition of the goods is changed or impaired after they have been put on the market*” (a reason that is expressly mentioned in the provision), but also where there are other “*legitimate reasons*” provided, of course, that it is demonstrated that the subsequent marketing is capable of giving rise to confusion or takes unfair advantage of, or damages, the trademark’s prestige or well-known character. On the other hand, it confirms the possibility of examining the use of a trademark in the marketplace – permitted under trademark legislation- from the perspective of the general clause laid down in the Spanish Unfair Competition Act (which prohibits conduct that is objectively contrary to the dictates of good faith with regard to competition).

This judgment nevertheless opts for a restrictive analysis of the two issues mentioned above. In this case, the same rationale underlies the dismissal of both the trademark action and the unfair competition action: the need to favour free competition in the European Single Market and prevent operators who, based on exclusive rights, could

cause artificial compartmentalisation of markets or unjustifiably restrict the freedom of competitors. Free competition certainly has its limits, and specific market conduct could be prohibited, particularly if it infringes exclusive rights or breaches the rules on fair and honest competition. In this case, however, the court finds that the defendants' conduct, consisting of advertising the plaintiff's trademarks to offer not just that party's products but also their own equivalent products, is permitted by both trademark and unfair competition legislation. **María CADARSO**

## 5. Territorial limitation of the effects of a finding of infringement of a European Union trademark. Judgment of the Court of Justice of 22 September 2016, *combit Software* (C-223/15).

■ **1. BACKGROUND.** The German company *combit Software*, holding German and EU "COMBIT" trademark registrations, sued the Israeli company *Commit Business Solutions* in the German courts for infringing those trademarks by using the "COMMIT" trademark to market software, which could be purchased on its website from Germany.



At first instance, the Landgericht Düsseldorf dismissed the principal claim consisting of an order to prohibit use of the "Commit" sign throughout the European Union, but it upheld the alternative claim for an order to prohibit use of the sign in Germany.

The plaintiff lodged an appeal with the Oberlandesgericht Düsseldorf, requesting that it accept its principal claim. The court considered that the defendant's use of the word sign "COMMIT" gave rise, on the part of the average German-speaking consumer, to a likelihood of confusion

with the EU trademark "COMBIT". Nevertheless, in its view, there was no likelihood of confusion on the part of the average English-speaking consumer, who could readily understand the conceptual difference between the English verb *to commit* and the term "combit", made up of the letters "com" for computer and "bit" for binary digit.

In those circumstances, the Oberlandesgericht Düsseldorf, in its reference for a preliminary ruling, asked the ECJ which of the two consumer groups should be taken into account when assessing the likelihood of confusion, and whether the EU trademark must be deemed to have been infringed throughout the whole of the European Union or whether the Member States must be differentiated individually.

**■ II 2. FINDINGS.** In response to the questions referred, the ECJ first of all considers that where there is a likelihood of confusion in one part of the European Union –in this case, in the German-speaking part of the EU– it must be concluded that an EU trademark has been infringed, even if there is no such likelihood of confusion in other parts of the European Union.

The ECJ then goes one step further and assesses the consequences of such a finding of infringement. In that regard, it concludes that in a situation such as the one brought before it by the Oberlandesgericht Düsseldorf, the EU Trademark Court must issue an order to cease using the infringing sign throughout the whole of the European Union barring the part of that area for which there has been found to be no likelihood of confusion.

The Court nevertheless points out that it is for the defendant to demonstrate that there is no likelihood of confusion in part of the European Union. In this situation, the EU Trademark Court must, in its decision, identify with precision that part of the EU that is excluded from the order to refrain from using the infringing sign. In this regard, the ECJ indicates that in the case under analysis the term "English-speaking" employed by the German referring court is not sufficiently precise.

**■ II 3. REMARKS.** The ECJ's response to the question relating to the finding of infringement of the EU trademark is in keeping with the solution adopted in similar cases concerning oppositions to EU trademark applications, where it will suffice for there to be a likelihood

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of confusion with an earlier mark in just one part of the EU for registration to be denied.

As regards the prohibition order deriving from that finding of infringement, and the possibility of limiting its territorial scope, the ECJ supports its reasoning with doctrine established in its earlier judgment of 12 April 2011, *DHL Express France*, [C-235/09](#). In that judgment, the ECJ had ruled that a prohibition on proceeding with acts which infringe or would infringe an EU trademark must, as a rule, extend to the whole of the EU. It nevertheless established the proviso –paragraph 48 of the judgment– whereby the defendant had to prove that the use of the infringing sign could not adversely affect, particularly for linguistic reasons, the trademark’s function in a given part of the EU, in which case the EU Trademark Court had to limit the territorial scope of the prohibition order.

At first glance, this solution seems to contradict the principle of the unitary character of the EU trademark. The ECJ is aware of this apparent contradiction and therefore states in the judgment that the interpretation that has been adopted does not undermine that principle because the right of the trademark holder to prohibit all use which adversely affects the functions inherent in that mark is preserved. However, the logic by which the ECJ links those concepts is not made clear in the judgment. **Carlos MORÁN**

## 6. EU trademark infringed due to removal of traceability codes: exception to rights exhaustion. Judgment of the European Union Trademark Court of 25 July 2016, Bulgari ([ECLI:ES:APA:2016:1966](#)).

■ **1. BACKGROUND.** The Italian company Bulgari, S.p.A. sued the Spanish company VICINANZA TRADING, S.L. for the unauthorised distribution of genuine BVLGARI perfumes after removing the traceability code from the products.





The European Union Trademark Court in Alicante accepted the complaint in full on the grounds that the sale of BVLGARI products by the defendant infringed the plaintiff's EU trademark, since the removal of the traceability codes from the products meant that the principle of exhaustion did not apply.

The court considered that the removal of the codes directly affected the mark's prestige "*insofar as it reveals defective marketing*" and held that it also constituted compelling evidence that the products had come from outside the European Economic Area (EEA) and had therefore not been put on that market by the trademark holder or an authorised third party.

The judge sitting in the lower court did not, however, find that the plaintiff's trademark rights had been infringed because of the fact that the goods were sold outside the selective distribution system, given that it had not been demonstrated that the retail establishments to which the defendant had sold the BVLGARI products did not meet the conditions of sale required in order to preserve the mark's prestige.

The judgment was appealed by both parties.

**■ II 2. FINDINGS.** The European Union Trademark Court first of all confirms the findings relating to the infringement of Bulgari's trademark rights due to the removal of the traceability codes from the products that were being marketed.

In that regard, the Court of Appeal agrees that the rule of exhaustion did not apply, since although the plaintiff did not demonstrate that the goods had come from outside the EEA, the defendant failed to prove otherwise, and furthermore, the removal of the traceability codes was regarded as an indication that the goods were parallel imports.

The judge adds that the removal of the traceability codes would in any case rule out the principle of exhaustion and constitute infringement, since such conduct affects the value of the trademark, damaging the image of reliability and quality inherent to the products and the trust that the mark is capable of inspiring among the relevant public (see the European Union Trademark Court's judgment no. 116/16 of 6 May) ([ECLI:ES:APA:2016:1272](#)).

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Secondly, the court disagrees with the lower court's reasoning in respect of the absence of infringement caused by the marketing of the goods outside the selective distribution system. In that regard, the judgment points out that the defendant cannot dodge liability for the products that it supplies and instead hold its retailers liable on the grounds that it is they who must ultimately comply with the conditions of sale imposed by the selective distribution system. The court effectively believes that, as a wholesaler, the defendant must "*actively require retailers, under penalty of ceasing the supply, to observe the conditions of the selective sales system*" (see judgment of Barcelona Court of Appeal of 29 October 2014). ([ECLI:ES:APB:2014:11516](#)).

The judgment thus concludes that the marketing of the products outside the selective distribution system infringes the plaintiff's trademark rights, since the products were supplied without any control mechanisms in place and without requiring any means of safeguarding the prestige and value of the BVLGARI trademark.

**■ II 3. REMARKS.** A number of points can be drawn from this judgment. Firstly, the European Union Trademark Court has definitively confirmed the criteria followed in previous judgments, according to which the removal of traceability codes provides an obvious clue that the goods are parallel imports and that, in the absence of evidence to the contrary, such an act constitutes infringement.

A second point that we can take from the judgment is that removing the traceability codes can be deemed to impair the condition of the goods for the purpose of applying the exception to the rule of exhaustion laid down in Article 13.2 of [Regulation \(EC\) 207/2009](#) on the European Union trade mark, and that such an act need only affect the trademark's inherent image, prestige, reliability or quality for it to constitute infringement.

Lastly, we can conclude that although we cannot make the generalisation that selling to retailers who do not form part of a particular brand's selective distribution system constitutes infringement *per se*, there is nothing to prevent the wholesaler from being held liable for damage to the mark's image if it is considered that that party has not acted with due diligence to try and safeguard the value and prestige of the brands that it sells. **Joaquín ROVIRA**

## 7. Invalidity of trademarks applied for in bad faith. Judgment of the European Union Trademark Court of 15 July 2016, Ray-Ban (ECLI:ES:APA:2016:1969).

■ ■ ■ **1. BACKGROUND.** Luxotica Group SpA is the holder of an EU trademark and two Spanish trademarks for RAY-BAN in Class 9. The graphic representations of those marks are shown below:



The defendant is the holder of a Spanish trademark registration, in Class 9, with the following graphic representation:



If we rotate that mark, the resulting sign bears a resemblance to Luxotica Group SpA's trademarks:



Moreover, the defendant is using its mark in the following manner in trade:



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In those circumstances, Luxotica Group SpA filed: (i) an invalidity action on absolute grounds against the defendant's trademark, based on the argument that it had been applied for in bad faith; (ii) in the alternative, an invalidity action on relative grounds due to that registration's confusing similarity to its well-known RAY-BAN trademarks; and (iii) an action for infringement based on the existence of a likelihood of confusion and on the special protection granted to well-known trademarks.

The action was accepted in full at first instance.

**■ II 2. FINDINGS.** The appeal court first of all examines the appeal lodged by the appellant/defendant against the declaration of invalidity of its trademark based on bad faith.

Referring to its judgment no. 396/12 ([ECLI:ES:APA:2012:3010](#)) of 27 September, the appeal court lists the criteria to be followed in order to establish bad faith. It concludes that, in light of those criteria, the contested mark had been applied for in bad faith insofar as:

- Even though the registered trademark would appear to differ from the earlier trademarks, when it is rotated, we are left with a sign that displays a high degree of similarity to those marks;
- In order to achieve this, the appellant uses fanciful signs that prevent potential confusion with earlier trademarks from being detected during the opposition phase;
- The plaintiff's trademarks are well known, and therefore, the fact that the appellant was aware of them reveals its parasitic conduct, contrary to the rules of good faith; and
- Persons close to the appellant (residents at the same address) had tried to apply for similar trademarks to no avail.

The appeal court then examines the defendant's ground for appeal relating to an alleged incongruity in respect of the finding on damages.

In this regard, the court finds that even though the lower court did not examine the premises for the infringement action, acceptance of that

action should be deemed implicit insofar as the structural elements of the invalidity action on relative grounds –which were examined- can be extrapolated to it due to the fact that there is a likelihood of confusion.

With respect to the infringement action, the appeal court confirms the doctrine established by the ECJ (judgment of 21 February 2013, case [C-561/11](#)) regarding the possibility of bringing proceedings for infringement against a third-party proprietor of a later trademark, and thus concludes that since there is no doubt as to the likelihood of confusion in this case, the infringement action should be accepted.

Lastly, the appeal court refers to the plaintiff's opposition regarding the bases for assessing damages established in the lower court's judgment, and concludes that the judgment contained several errors.

The appeal court therefore ordered the amendment of the lower court's finding concerning the assessment of damages which, as requested by the plaintiff, were fixed at 101,857 Euros.

■ ■ ■ **3. REMARKS.** The very nature of the trademark application at issue, i.e., the way in which it is represented, can also be a relevant factor when assessing whether it had been filed in bad faith. **Ana SANZ**

## 8. Relationship between Regulation 44/2001 (Reg. Brussels I) and the Benelux Convention on Intellectual Property (Trademarks and Designs). Judgment of the Court of Justice of 14 July 2016, *Brite Strike Technologies* ([C-230/15](#)).

■ ■ ■ **1. BACKGROUND.** Brite Strike Technologies SA, a company established in Luxembourg and a distributor of the tactical illumination products made by the U.S. corporation Brite Strike Technologies Inc., registered the trademark "Brite Strike" in its own name at the Benelux Intellectual Property Office. In September 2012 the U.S. corporation filed an action before the District Court of The Hague to seek the invalidation of that trademark on the ground that it had been registered in bad faith. The defendant then raised an objection of lack of jurisdiction, maintaining that the action should have been brought in Luxembourg and not at The Hague, whereupon the court perceived a need for interpretation of articles 71 and 22.4 of [Regulation 44/2001](#)

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on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Reg. Brussels I) in order to determine whether the [Benelux Convention](#) on Intellectual Property (Trade Marks and designs) (BCIP), rather than Reg. Brussels I, could be applicable to the case. In the affirmative, jurisdiction would correspond to the courts of Luxembourg; in the negative, to those of the Netherlands.

As article 71 of Reg. Brussels I stipulates that *"this Regulation shall not affect any conventions to which the Member States are parties and which in relation to particular matters, govern jurisdiction or the recognition or enforcement of judgments"*, the first question put to the ECJ by the referring court was whether article 4.6 BCIP was or was not applicable to the case, in the sense of whether the BCIP should be considered a convention earlier than or subsequent to Reg. Brussels I. If the BCIP was not deemed to be applicable, the second question was whether it followed from article 22.4 of Reg. Brussels I that the courts of Belgium, the Netherlands and Luxembourg all had jurisdiction. In the negative, then the third question was whether it was possible to apply article 4.6 BCIP in order to determine, in a given case, which of the three had jurisdiction.

**■ II 2. FINDINGS.** The ECJ replied to the first question by stating that article 71 of Reg. Brussels I:

- a) does not demand that all the Member States be a party to the international convention or that third countries necessarily be a party;
- b) prohibits the introduction of new rules, something which does not occur in the present case because article 4.6 BCIP reproduces literally the [Uniform Benelux Law](#) on Marks of 1971;
- c) must be interpreted in the light of article 350 of the Treaty on the Functioning of the European Union ([TFEU](#)), which provides that EU law does not preclude the existence or completion of the regional union of Belgium, Luxembourg and the Netherlands, insofar as the objectives it pursues are not attained by the application of the treaties.

Consequently, the rules on international jurisdiction laid down in article 4.6 BCIP prevail with respect to article 22.4 of Reg. Brussels I in that the following two requirements are met: a) the Benelux Union has in place

a regional trademark system governed by entirely uniform rules and is further advanced than the internal market; b) article 4.6 BCIP must be deemed indispensable for the proper functioning of the Benelux regime of trademarks and designs, given that, within the framework of a decentralized, multilingual system, it permits disputes to be heard by the courts of Belgium, Luxembourg or the Netherlands, rather than solely by those of the Netherlands pursuant to article 22.4 of Reg. Brussels I. The ECJ cites, in addition, the judgment of 4 May 2010 in *TNT Express Nederland*, [C-533/08](#), and concludes that article 4.6 BCIP is in accordance with the principles of legal certainty and the sound administration of justice enshrined in Reg. Brussels I.

In view of this response to the first question, the ECJ finds no need to answer the other two.

■ **3. REMARKS.** This judgment is relevant inasmuch as the Court seeks to clarify the extremely complex matter of the dividing lines between the extent of application of acts of the EU and that of international conventions in the same field.

In my view, the ECJ errs in its approach on considering it proved that both article 22.4 of Reg. Brussels I and article 4.6 BCIP are applicable to the question under debate: international jurisdiction to deal with an action for the invalidation of a Benelux trademark. In the context of the Benelux Union, article 4.6 BCIP ought not to be considered a rule of international jurisdiction but instead one of a territorial nature. Then, once it has been determined that the courts of Belgium, Luxembourg and the Netherlands have exclusive jurisdiction pursuant to Reg. Brussels I, the next step is to find the specific competent court. To that effect reference may be had to the criteria laid down in article 4.6 BCIP, which logically have nothing to do with the place of registration. **Manuel DESANTES**

## 9. Revocation of consent and interim relief. Order of the European Union Trademark Court of 7 July 2016, *Culdesac* ([ECLI:ES:APA:2016:110A](#)).

■ **1. BACKGROUND.** Two individuals holding the EU trademark CULDESAC brought proceedings for infringement against CULDESAC

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COMUNICACIÓN, S.L. The action included a petition for the following interim measures:

- 1) The immediate cessation and temporary prohibition of all activities concerning the production, provision, offering, promotion, distribution and marketing of products, services or activities under the infringing CULDESAC sign.
- 2) The removal, detention and judicial attachment of the goods displaying the infringing sign and of all media, documentation and advertising and office material on which the sign is used, including websites.

The situation is basically one where the holders of an EU trademark who, having assigned use of the mark to a company in which they hold shares, subsequently revoke that consent. The co-holders of the CULDESAC sign (since March 2006) had founded the company Culdesac Comunicación, S.L. in July 2006 along with two other people, and had later registered the sign as an EU trademark in the knowledge of, and unopposed by, the aforesaid company.

The defendant had been using the mark by virtue of an atypical verbal collaboration agreement until July 2015 when, due to a change in the company's business strategy, the trademark holders revoked the consent, to that end sending the pertinent notice.

The interim relief petition was accepted at first instance, and the appeal was dismissed.

**■ ■ ■ 2. FINDINGS.** The court begins by stressing that in interim relief proceedings the parties cannot seek (*"and this court has seen that there are quite a few cases, particularly concerning industrial property, where this occurs"*) a ruling on the merits of the case which, by law, cannot be "prejudged" by the court. The court can only make a *"provisional and circumstantial assessment"* based on the information, arguments and evidence offered by the applicant of the interim relief.

The order then points out that this assessment of likelihood or plausibility as regards *fumus boni iuris*, or the presumption of a sufficient legal basis, rests on two premises: First, the probability of the



facts. If the facts seem implausible in view of the evidence that has been offered, the court will consider that the plaintiff does not have a prima facie case. Second, the probability of the legal consequences that the party draws from those facts. Without prejudging the merits of the case, it is necessary to analyse whether, at first sight, the law applicable to the facts supports the plaintiff's petition.

In the case at hand, in order to determine whether the plaintiffs had a sufficient legal basis for the purpose of the measures that had been requested, the court turned to the ECJ's judgment of 19 September 2013 (case [C-661/11 \*Martín y Paz\*](#)) and the Advocate General's [opinion](#) preceding it. The doctrine that can be inferred from those reference points is that the Trademarks Directive permits the revocation of consent and that exclusive rights must prevail in such a case, except where revocation of the consent can be categorised as an abuse of rights.

In this context, from a *fumus boni iuris* perspective, the plaintiffs' ownership of the trademark, as well as their revocation of the consent to use the mark that had been granted to the assignee, will suffice for the purpose of considering that the trademark may be suffering infringement.

The court also examines the *periculum in mora* requirement. In this regard, the order highlights the fact that interim protection is not strictly aimed at ensuring the enforcement of the judgment but at bringing forward the effectiveness of any legal protection conferred in the judgment. The court adds that if there is a prima facie case, allowing the allegedly infringing situation to go on would "constitute an intolerable status quo for the right that has, in principle, been infringed". For that reason, there is a virtually automatic connection between *fumus boni iuris* and *periculum in mora* in such cases.

The court concludes its order with the following finding: "*In our view, the fact that the plaintiffs' trademark has been used for quite a number of years, without causing them any harm whatsoever, does not rule out the existence of this requirement, since continuing with such use, despite the rightholders' objection, could lead –due to the duration of the proceedings- to irreparable damage to the trademark (insofar as it is being used against the rightholder's will) and dissociation between the rightholders and the company that is using the mark in trade*".

■ **3. REMARKS.** Judging from orders such as this one, interim measures concerning industrial property matters are clearly no longer unfinished business in Spain, and the Spanish EU trademark court is now more sensitive to this issue and more inclined to grant such relief. Under normal circumstances, the revocation of consent to use a trademark, seemingly due to differences among the partners of the authorised company, would not have led to the grant of the measures, considering that they sought to alter a status quo –use of the trademark in the marketplace– that had been the case for a long time.

However, the substantive argument –ECJ case-law on the effects of revoking consent– and the procedural argument –a systematic interpretation of the *fumus boni iuris* and *periculum in mora* requirements– are flawless. The lesson to be learned from this judicial precedent is obvious: nowadays, nothing can be taken for granted as far as industrial and intellectual property lawsuits are concerned.

**Antonio CASTÁN**

## 10. Court of Justice obliges EUIPO to accept staggered partial renewals Judgment of the Court of Justice of 22 June 2016, Nissan (C-207/15 P).

■ **1. BACKGROUND.** Nissan had a trademark which was registered in three classes. Within the six months preceding the due date they submitted a request for partial renewal (in just two of the three classes). Subsequently, although within the six-month grace period beyond the due date, they requested the renewal of the trademark in the remaining class. The OHIM (as it then was) turned down that request for renewal in the third class.

■ **2. FINDINGS.** The EUIPO maintained that the request for partial renewal in just two of the three classes in which the trademark had been granted registration entailed the simultaneous surrender of the third class. In support of this position the Office argued that reasons of legal certainty entered into play, given that the partial renewal in two classes had already been entered on the records, Nissan had been notified thereof, *erga omnes* effects had consequently been created and Nissan could therefore not be allowed to go back on its initial decision not to renew the trademark in the third class.

The EUIPO thus interpreted article 50 of [Regulation 208/2009](#) (relating to surrender) broadly and article 47 (relating to renewal) narrowly, contrary to the interests of Nissan in both cases.

However, in its judgment the ECJ has held that *"it is not apparent from those provisions that the submission, during the periods referred to in Article 47(3) of Regulation No 207/2009, of requests for renewal of an EU trade mark, staggered over time and relating to different classes of goods or services, is prohibited"*.

The fact is that the wording of article 47(3) could hardly be clearer when stating that:

*3. The request for renewal shall be submitted within a period of six months ending on the last day of the month in which protection ends. The fees shall also be paid within this period. Failing this, the request may be submitted and the fees paid within a further period of six months following the day referred to in the first sentence, provided that an additional fee is paid within this further period.*

Nor does article 50(1) easily lend itself to differing interpretations:

*1. A Community trade mark may be surrendered in respect of some or all of the goods or services for which it is registered.*

**■ ■ ■ 3. REMARKS.** It seems strange that both the EUIPO and the General Court should have interpreted those provisions in a manner adverse to the interests of the trademark owner, rather than in favour thereof, when the controversy arose out of a gap in the regulations and the registrant and its representative acted entirely within the bounds of the law (at least according to the German, Portuguese, Finnish and Dutch language versions of article 47.3)

It is also rather surprising that the EUIPO should have come out so strongly in defence of legal certainty when we all know perfectly well that there is a six-month grace period for the renewal of an EU trademark and, therefore, that one should never assume that the registration may have lapsed until that term has expired. It appears to us that we should be equally cautious and draw no conclusions until after the expiry of that term in cases where the registration has been renewed but only partially.

We all look for legal certainty, but in doing so we ought to be consistent. From this standpoint, to deny a trademark owner the right to renew a registration in two stages, while the grace period is still running, would not seem logical when, in contrast, insufficient attention is paid to the need to keep the information on the status of the trademarks in the EUIPO databases current. On occasions updates are subject to significant delays and this circumstance evidently does generate uncertainty.

Indeed, in its judgment the ECJ mentions information measures which the EUIPO ought to implement in order to ensure that the rights of users of the EU trademark system may be safeguarded in the event of these “staggered renewals”. **Ramón CAÑIZARES**

## 11. Damages for infringement of an EU trademark application. Judgment of the Court of Justice of 22 June 2016, Nikolajeva (C-280/15).

■ **1. BACKGROUND.** In the main proceedings which prompted a reference for a preliminary ruling to be made to the ECJ, the plaintiff - and holder of an EU trademark- filed a complaint for unlawful use of her trademark as a “hidden keyword” on a website. The use referred to in the complaint had commenced prior to the publication of her trademark application and continued beyond publication of the registration.

The plaintiff put forward three heads of claim, namely: (i) an application for a declaration of trademark infringement; (ii) an application for compensation for the advantage improperly obtained on account of the infringement, calculated by multiplying the duration of the infringement by the amount of the fee set in the licence agreement; and (iii) an application for compensation for the moral damage suffered as a result of the infringement.

The referring court had a number of doubts in respect of the plaintiff's claims and decided to refer three questions to the ECJ.

■ **2. FINDINGS.** The first question referred to the ECJ was whether Article 102.1 [EUTMR](#) should be interpreted as meaning that an EU

trademark court must issue an order prohibiting a third party from proceeding with acts of trademark infringement even though the trademark holder had not made such a claim in that court.

The ECJ replied that Art. 102.1 EUTMR does not preclude, under certain principles of national law on the conduct of civil proceedings, an EU trademark court from refraining from issuing an order which prohibits a third party from proceeding with acts of trademark infringement on the ground that the holder of the trademark concerned has not applied for such an order.

The referring court's second and third questions allude to the second sentence of Article 9.3 EUTMR, concerning damages, and concern two aspects in particular, namely:

(i) Whether the holder of an EU trademark can claim compensation in respect of acts of third parties occurring before publication of the application for registration of the trademark concerned; and

(ii) Whether, in the case of acts occurring after publication of the application for registration of that mark, but before publication of its registration, the concept of 'reasonable compensation' in that provision means damages intended to compensate for all the harm suffered by the trademark holder, i.e., recovery of the usual value derived by the third party from use of the mark and compensation for the moral damage suffered.

The ECJ's reply to the first question is unequivocal: the second sentence of Article 9.3 EUTMR lays down an exception that is strictly circumscribed to the rule whereby an EU trademark cannot prevail against third parties before the date of publication of its registration (first sentence of Article 9.3). Therefore, no compensation whatsoever can be claimed in respect of acts which occurred before publication of the application for registration of that mark.

In order to reply to the second question, the ECJ interprets the concept of "reasonable compensation" based on the following aspects:

- The rights conferred by an application for registration of an EU trademark are conditional, inasmuch as there is still no certainty that the trademark application will be granted.

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- The reasonable compensation that can be claimed in action based on a trademark application must therefore be smaller in scope than the damages that can be claimed by the holder of a registered trademark.
- The type of action in each case is differentiated in Article 96 EUTMR. In (a), reference is made to any infringement action, whilst (b) refers to any action brought as a result of acts referred to in the second sentence of Article 9.3 of the Regulation.
- Article 13 of [Directive 2004/48](#) lays down rules concerning damages which, on the one hand, provide for full compensation for the harm actually suffered –which may include moral prejudice– in the event of acts of infringement committed knowingly, and on the other hand, the recovery of profits or the payment of damages –which may be pre-established– where the acts of infringement have not been committed knowingly.

This confirms that the “reasonable compensation” laid down in the second sentence of Article 9.3 EUTMR must have a narrower scope than the damages which may be claimed by the holder of an EU trademark for acts of infringement occurring after registration of the mark, and it must be limited to recovery of the profit actually obtained by third parties from use of the mark during that period, excluding moral prejudice.

In light of this reasoning, the ECJ replies to the referring court’s questions in the following terms:

*“1) Article 102(1) of Council Regulation (EC) No 207/2009 of 26 February 2009 on the European Union trade mark must be interpreted as not precluding an EU trade mark court from refraining, pursuant to certain principles of national procedural law, from issuing an order which prohibits a third party from proceeding with acts of infringement on the ground that the proprietor of the trade mark concerned has not applied for such an order before that court.*

*2) The second sentence of Article 9(3) of Regulation No 207/2009 must be interpreted as precluding the proprietor of an EU trade mark from being able to claim compensation in respect of acts of third parties occurring before publication of an application for registration of a trade*

*mark. In the case of acts of third parties committed during the period after publication of the application for registration of the mark concerned but before publication of its registration, the concept of 'reasonable compensation' in that provision refers to recovery of the profits actually derived by third parties from use of the mark during that period. On the other hand, that concept of 'reasonable compensation' rules out compensation for the wider harm which the proprietor of the mark may have suffered, including, as the case may be, moral prejudice."*

■ II **3. REMARKS.** On establishing that infringement has occurred, it will be appropriate to claim reasonable compensation for the acts taking place as of the date of publication of the trademark application. That reasonable compensation will include the profit actually obtained by third parties from use of the infringing trademark but will not include redress for the wider harm potentially suffered, including moral prejudice. **Ana SANZ**

## 12. Infringement of well-known trademarks. Registration and use of domain name and company name. Judgment of the European Union Trademark Court of 10 June 2016, [Orange \(ECLI:ES:APA:2016:2017\)](#).

■ II **1. BACKGROUND.** Orange Brand Services Ltd. is the holder of several well-known EU and Spanish trademarks containing the term ORANGE and covering services in Classes 35 and 38. A number of those trademarks are figurative, with the following graphic representations.



The defendant, Orange Mobile, S.L., being a distributor of a competitor of the plaintiff's (Vodafone), offers goods and services relating to mobile telephony –in an establishment open to the public– using its

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company name "ORANGE MOBILE" and the website [www.orangemobile.es](http://www.orangemobile.es), on which the following device is displayed:



The plaintiff brought proceedings for infringement of its trademarks on the basis of Article 9.1.a), b) and c) [EUTMR](#) in relation to [Article 41](#) of the Spanish Trademark Act.

The complaint was accepted at first instance except in respect of the declaration of infringement regarding adoption of the domain name <orangemobile.es>.

**■ II 2. FINDINGS.** First of all, the court rejects the argument that the defendant is using the infringing sign with due cause insofar as the plaintiff's trademarks have been registered and well known in the EU since long before the defendant was making use of the ORANGE MOBILE sign.

Secondly, the appeal court considers that even if the plaintiff's trademarks were not known by part of the public in Spain prior to a certain date, it cannot be ruled out that a commercially significant part of that public were familiar with the trademarks, and the defendant, as a company belonging to the telecommunications sector, would form part of that "commercially significant" public and could not be unaware of the existence of a link between the plaintiff's trademarks and the sign used to promote its products and services.

Thirdly, with respect to the registration and use of the domain name <orangemobile.es>, the appeal court confirms that the plaintiff's trademarks have been infringed for the following reasons:

- The domain name hosted a website which offered products and services relating to a competitor of the plaintiff's (Vodafone), and such conduct is capable of giving rise to a likelihood of confusion;



- While the website was under construction, it displayed the infringing sign and thus led users to believe that it offered products relating to mobile telephony, with the likelihood of confusion with the products identified by the plaintiff's trademarks that this entailed;
- The cancellation of the domain name is not a disproportionate measure for avoiding the repetition of infringing conduct; and
- The fact that the defendant renewed the domain name and replied to the plaintiff's cease and desist letter by stating that any change would require an offer of financial compensation to be made shows that this is a "speculative" domain name aimed solely at claiming monetary compensation from the trademark holder if that party requests its transfer.

Fourthly, the appeal court refers to the registration and use of the company name Orange Mobile, S.L. and denies that it is being used solely for legal purposes and not in the course of the defendant's activities in the marketplace, insofar as:

- The defendant's website reveals that that party is using its company name to identify itself in trade (leaving out the letters "S.L.");
- A figurative sign that coincides with the company name is used on the website;
- The defendant (under its company name) appears among the results of searches for mobile telephone establishments conducted on third-party search engines; and
- The defendant's use of the company name is not made in accordance with honest practices in industrial or commercial practices: (i) the use of the company name Orange Mobile, S.L. denotes a link between the goods and services marketed by the appellant and those identified by the plaintiff's trademarks; (ii) the defendant could not ignore the fact that such a link could be established on the basis of that company name; and (iii) the connection between the company name and the plaintiff's marks is accentuated due to the latter's well-known character.

Lastly, the appeal court upholds the damages and costs awards.

■ **3. REMARKS.** This judgment analyses a clear-cut case of infringement of well-known trademarks concerning a domain name and company name that have been registered and used in obvious violation of the plaintiff's prior rights. **Ana SANZ**

**13. The possibility of securing interim relief when the defendant is the proprietor of a trademark registration. Order of the European Union Trademark Court of 12 May 2016, Hartford (ECLI:ES:APA:2016:65A).**

■ **1. BACKGROUND.** In 2015, Impala World Inc. filed proceedings for infringement of the European Union word mark HARTFORD, covering goods in Classes 9 and 25, in relation to Divaro, S.A.'s marketing of glasses under the HARTFORD trademark. The action included a claim of ownership –or, in the alternative, a declaration of invalidity– of a Spanish composite trademark registration that the defendant had obtained in 2012.

The image shows the word "Hartford" written in a highly stylized, black cursive script. The letters are thick and elegant, with prominent flourishes, particularly on the 'H' and 'f'. The overall appearance is that of a classic, high-end brand logo.

In parallel to the complaint, the plaintiff applied for the following interim measures: 1) that the defendant immediately cease and/or desist from offering sunglasses and frames for prescription glasses or eyeglasses and accessories thereof in the market, and be temporarily prohibited from carrying out such conduct; 2) the removal of all the aforementioned products located at points of sale, even if they are in the possession of third parties; 3) the impoundment of all the goods bearing the contested signs located in the defendant's facilities and warehouses and those of its distributors; 4) entry of a caveat concerning the proceedings on the Spanish Patent and Trademark Office (SPTO) register.

The first instance court granted the first and fourth measures. In appeal, the debate centred exclusively on satisfaction of the *fumus boni iuris* requirement with respect to the cessation measure.

■ ■ ■ **2. FINDINGS.** The EU trademark court essentially analyses whether a preliminary injunction to cease the conduct at issue can be granted when the defendants are marketing glasses identified by a registered Spanish trademark against which the plaintiff had never filed opposition.

The court points out that the appellant's argument is based on so-called *immunity through registration*, by virtue of which the use of a sign protected by a registration that is valid and in force cannot constitute an unlawful act. However, that reasoning was overcome by the ECJ's judgment of 21 February 2013 ([C-561/11](#)) and by Spanish Supreme Court case-law established in the judgment of 14 October 2014 ([ECLI:ES:TS:2014:5089](#)).

The judgment concludes that if proceedings for infringement can be brought against a later trademark registration, there should be no obstacles in the way of ensuring the effectiveness of findings in favour of the plaintiff by means of interim relief that seeks to implement one of those findings in advance, namely, cessation of the infringing acts.

The judgment also considers that there is a likelihood of confusion between the signs at issue, despite the fact that they are not registered for the same goods, insofar as one product is offered in the market as an accessory for the other. It can be inferred from the evidence submitted that glasses are often a clothing accessory and form part of the same fashion line or trend.

Although subsequent analysis was no longer necessary, the judgment also examines the territorial scope of the well-known character of the plaintiff's trademark. It appears that the mark had been deemed well known in France, but there was debate as to whether the effects of that well-known character also extended to Spain. The EU trademark court, based on doctrine established in the ECJ's judgment of 3 September 2015 ([C-125/14](#)) and the documents submitted by the plaintiff, concludes that the requirements for the heightened protection conferred on well-known trademarks to apply in Spain were satisfied,

given that party's numerous distributors in Spain, its significant sales turnover in 2010 and advertising in specialist magazines.

■ ■ **3. REMARKS.** The tsunami wave triggered by the ECJ's judgment in [C-561/11](#) has finally reached the shores of interim relief. The argument could not be more logical: if registration of a trademark does not preclude infringement proceedings, then it cannot obstruct interim measures aimed at ensuring the effectiveness of those proceedings either.

However, there is one question that remains unanswered. Although registration of a trademark at the SPTO does not confer a right of use, or *ius utendi*, which immunises its proprietor against infringement proceedings filed by the holder of an earlier trademark, does it not at least give the defendant a prima facie case that will counter the plaintiff's own *fumus boni iuris*?

It is, moreover, surprising that in a case in which the defendant's trademark was registered three years previously, the *periculum in mora* requirement inherent to all interim relief does not appear to have played any role in the dispute. **Antonio CASTÁN**

## 14. Exception to the principle of trademark rights exhaustion where a brand's luxurious and prestigious image is damaged. Judgment of the Spanish Supreme Court of 22 April 2016 (ECLI:ES:TS:2016:1669).

■ ■ **1. BACKGROUND.** A number of companies belonging to the L'Oréal group brought proceedings for infringement of several of their perfumery and cosmetics brands against the unauthorised marketing of authentic products on websites going by the name "outletbelleza". The plaintiffs argued that the sale of the products outside the selective distribution network for those brands, in conditions that harmed their luxurious and prestigious image, rendered the exception to the principle of trademark rights exhaustion applicable.

The complaint was substantially upheld in the second instance. The defendant lodged an appeal on a point of law, which has been partially accepted by the Spanish Supreme Court.

■ **2. FINDINGS.** The Supreme Court commences its examination of the case by clarifying the fact that the marketing of products outside the selective distribution network established by the manufacturer, even if it is carried out online, does not in itself constitute legitimate grounds against the application of the legal principle of trademark rights exhaustion. On the contrary, it will be necessary to determine whether the specific circumstances in which the goods are marketed are capable of damaging the trademarks.

The Supreme Court therefore analyses those circumstances in the case at hand. It first of all considers the lack of a physical point of sale, the absence of a consultancy service and the fact that customers cannot try the products, by means of testers, before purchasing them when they are sold online. In that regard, the Supreme Court considers that imposing such requirements could in fact mean that traders who do not have a physical establishment that is open to the public are prohibited from selling such products online. Therefore, contrary to the Appeal Court's decision on this point, the Supreme Court believes that such requirements are not justified by the properties of the products and constitute an unwarranted restriction on free competition. Consequently, in its view, they cannot be considered as legitimate grounds for ruling out the application of the principle of trademark rights exhaustion.

For this reason, the Supreme Court partially revokes the lower court's judgment, removing the declaration that the defendant is infringing the plaintiffs' trademark rights by commercialising the marked goods "*in breach of the selective distribution criteria*", and ordering that party to cease and desist from marketing products "*not commercialised in accordance with the rules governing the authorised selective distribution system*", on the grounds that those findings are excessively generic.

By contrast, the Supreme Court considers that the remaining circumstances taken into account by the Appeal Court, referring to the name of the website, the manner in which the products are displayed, basically alphabetically, alongside other lower quality products, the limited product range, the limited stock, lack of new products and the fact that product returns are not allowed, were objectively liable to have an adverse impact on the reputation of the plaintiffs' trademarks,

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damaging the aura and image of prestige that confer a feeling of luxury on the products.

Consequently, the Supreme Court agrees with the Appeal Court in that there were legitimate grounds for application of the exception to the principle of trademark rights exhaustion, and so the opposition to the marketing of the plaintiffs' products on the defendant's websites was justified.

To conclude, the Supreme Court ordered the amendment of the operative part of the lower court's judgment, which was subsequently worded as follows:

*«b) We declare that the defendant has infringed the exclusive rights of the plaintiffs by marketing products of the plaintiffs' brands in the manner reflected on the websites [www.outletbelleza.es](http://www.outletbelleza.es) and [www.outletbelleza.com](http://www.outletbelleza.com); we therefore:*

*»1) Order the defendant to accept and abide by the above finding*

*»2) And to immediately cease and desist from marketing the products identified by the plaintiffs' trademarks, using the term «outletbelleza» in the domain name, on a website which conveys a weak image of the luxury brands due to an essentially alphabetic search system, lack of products, limited stock, lack of new products and refusal to allow product returns».*

**■ II 3. REMARKS.** The findings set forth in this judgment by the Spanish Supreme Court are in line with ECJ case-law on the subject.

Indeed, as regards establishing marketing requirements that make it practically impossible to sell products outside physical establishments, the Supreme Court relies on doctrine established in the ECJ's judgment of 13 October 2011, *Pierre Fabre*, [C-439/09](#). Although that judgment examined those conditions from the standpoint of their potentially antitrust nature, the Supreme Court considers this doctrine applicable to the subject of exceptions to rights exhaustion.

Meanwhile, the issue of damage to a brand's luxurious image and to its prestige consolidating function is examined in accordance with the parameters laid down in the ECJ's judgment of 4 November 1997, *Parfums Christian Dior*, [C-337/95](#). On applying those parameters, the

Supreme Court feels the need to specify the overly generic terms of the lower court's ruling in order to identify the specific circumstances of the defendant's manner of marketing the plaintiffs' products which, in its view, justify the exception to the principle of trademark rights exhaustion. **Carlos MORÁN**

**15. Agreements under which a company domiciled in an EU Member State is obliged to assign the rights in a trademark to another domiciled in a third country. Clause conferring international jurisdiction, tacit prorogation of jurisdiction and qualification of the obligation as contractual or as a right in rem. Judgment of the Court of Justice of 17 March 2016, Taser International (C-175/15).**

■ ■ **1. BACKGROUND.** In the year 2008 Taser international, a U.S. corporation, entered into certain non-exclusive distribution agreements with the Romanian company Gate 4. Under those agreements the latter undertook to assign to the former the Taser International trademarks which it had registered or had applied for in Romania.

As Gate 4 subsequently refused to fulfil that obligation, Taser International brought a legal action before the District Court in Bucharest, even though the agreements between the parties contained clauses conferring jurisdiction on a court in the United States. The defendant entered an appearance in the proceedings without contesting the jurisdiction of the Romanian court. In due course the court delivered a judgment upholding the complaint and ordering the defendant to proceed with the assignment.

When the Bucharest Court of Appeal upheld that judgment, Gate 4 took the case to the Romanian High Court of Justice which, on the understanding that, although the parties had never challenged the jurisdiction of the Romanian courts, it should rule on the issue of its own motion, stayed the proceedings and referred three questions to the ECJ for a preliminary ruling. The first is whether there may be tacit prorogation of jurisdiction in accordance with article 24 of [Regulation 44/2001](#) on jurisdiction and the recognition and enforcement of

judgments in civil and commercial matters (Reg. Brussels I), now article 26 of [Regulation 1215/2012](#) (Brussels I recast), despite the existence of a clause in the contract conferring jurisdiction on the courts of a third country. If the answer is affirmative, then we come to the second question which is one of extraordinary relevance for intellectual property: should a request for enforcement of a contractual obligation to assign rights in trademarks be regarded as coming within the scope of a right in rem and therefore be subject to the exclusive jurisdiction of the courts of the state where the marks have been registered, in accordance with article 22.4 of Reg. Brussels I (article 24.4 of Brussels I recast), or should it be considered nothing more than a contractual obligation and therefore be subject to the general scheme of the Regulation? Lastly, the third question is whether the court seised is precluded through article 24 (article 26 of Brussels I recast) from declaring of its own motion that it does not have jurisdiction when the defendant has entered an appearance before that court without contesting the jurisdiction.

**■ II 2. FINDINGS.** The ECJ responds affirmatively to the first and third questions, interpreting in a broad sense article 24 of Reg. Brussels I as it had already done in previous judgments (e.g., that of 11 September 2014, CCP Vienna Insurance Group, [C-112/09](#)): the general rule concerning the tacit prorogation of jurisdiction always applies other than in the exceptional cases specifically mentioned in that same provision, and the express prorogation of jurisdiction in favour of the courts of a third country is not among those exceptions. However, the ECJ falls short of our expectations in leaving the second question unanswered on the ground that it is of no relevance in this particular case because jurisdiction, whether stemming from article 22.4 or from article 24, would in any event correspond to the Romanian courts.

**■ II 3. REMARKS.** There are two relevant aspects to the judgment discussed here. On the one hand, it is thereby confirmed that there may indeed be tacit prorogation of international jurisdiction in favour of the courts of a Member State even though the agreement between the parties contains a clause specifically conferring jurisdiction on the courts of a third country. Thus, provided that Reg. Brussels I is applicable (bearing in mind that if in this case the clause in the contract had, for example, designated the courts of Mexico the answer would have had to come from the [Hague Convention](#) on Choice of Court Agreements



of 2005 and not from Reg. Brussels I), the (later) tacit prorogation prevails over the (earlier) express prorogation, irrespective of whether the court tacitly chosen by the parties corresponds to the defendant's domicile (as it does in this case) or not, and of whether the clause in the agreement refers to the courts of a Member State or to those of a third country.

The second aspect, however, is one clearly open to criticism. The ECJ has missed an excellent opportunity to define the scope of the provision relating to exclusive jurisdiction in the field of intellectual property rights. Nor is it possible, unfortunately, to draw inspiration from the conclusions that Advocate General Szpunar might have reached in that regard, given that the court decided, at his request, to proceed to judgment without an opinion.

The ECJ has avoided that issue on the basis of reasoning that is, in my view, mistaken: that the question is devoid of interest because, in the final analysis, the courts of Romania have jurisdiction in the one way or the other. There are two reasons why that is not so. First, article 22 (exclusive jurisdiction of the courts of the State of registration) only determines international jurisdiction, whereas article 24 (sole jurisdiction of the court of a Member State before which the defendant has entered an appearance) affects both international jurisdiction and internal territorial jurisdiction. Second, and more important still, the consequences in the one case and the other are very different. On the one hand, no exceptions are contemplated in the case of exclusive jurisdiction, which is applicable in a specific list of circumstances and prevails over any agreement between the parties, be it express or tacit, obliges the court to determine of its own motion whether it has jurisdiction (article 25 of Reg. Brussels I, now article 27 of Brussels I recast), and constitutes a ground for contesting the recognition and enforcement of the judgment (article 33.2 of Reg. Brussels I, now article 45.1e(ii) of Brussels I recast). On the other, when stemming from a tacit agreement jurisdiction is sole (not exclusive), is open to exceptions and nuances, is of a general character, obliges the court to determine whether it has jurisdiction only when the defendant is domiciled in a Member State (article 26 of Reg. Brussels I, now article 28 of Brussels I recast), and the non-application thereof in a given matter does not prevent the judgment from being recognized and enforced in the other Member States.

In my opinion, therefore, the ECJ should have responded to the referring court's second question and should have done so by interpreting article 22.4 of Reg. Brussels I restrictively, confining the exclusive jurisdiction of the courts of the Member State of registration to issues specifically relating to matters of registration, which do not extend to those stemming from a contractual obligation such as, in the present case, the obligation to assign the rights in a trademark. **Manuel DESANTES**

## 16. Unauthorised use of a trademark in advertisements published online without the advertiser's consent. Judgment of the Court of Justice of 3 March 2016, Daimler (C-179/15).

■ **1. BACKGROUND.** Daimler AG is the holder of the figurative trademark MERCEDES-BENZ for motor vehicle parts.

In 2007, Mercedes-Benz Hungaria Kft., Daimler's subsidiary, signed an after-sales services contract with Együd Garage Gépjárműjavító és Értékesítő Kft. ("Együd Garage"), a company engaged in the retail sale of motor vehicles and their repair and servicing, which authorised the latter to use the MERCEDES-BENZ trademark and to describe itself as "*felhatalmazott Mercedes-Benz szerviz*" ("authorised Mercedes-Benz dealer") in its own advertisements. That contract expired in March 2012.

While the contract was in force, Együd Garage hired a company to publish an online advertisement on the website [www.telefonkonyv.hu](http://www.telefonkonyv.hu), naming it as an authorised Mercedes-Benz dealer. The publication of that advertisement had to be limited to the 2011 to 2012 period.

Upon termination of the contract signed with Daimler's subsidiary, Együd Garage directly approached the only company that it had ordered to publish an advertisement, as well as the operators of several websites, in an effort to remove any advertisements published on the Internet which named it as an authorised Mercedes-Benz dealer. Its requests were nevertheless disregarded.

In view of the continued use of its trademark, Daimler brought the corresponding proceedings.

In its defence, Együd Garage demonstrated that the only advertisement that it had placed on the Internet was the one published on the website [www.telefonkonyv.hu](http://www.telefonkonyv.hu) and that the other advertisements had been published against its will.

In those circumstances, the Budapest Court stayed the proceedings and referred the following question to the ECJ:

*“Must Article 5(1)(b) of [Directive 89/104] be interpreted as meaning that the trade mark proprietor is entitled to prevent a third party named in an advertisement on the internet from making use, for services of that third party identical to the goods or services for which the trade mark is registered, of a sign likely to be confused with the trade mark, in such a way that the public might be given the mistaken impression that there is an official commercial relationship between the undertaking of that third party and the trade mark proprietor, even though the advertisement was not placed on the internet by the person featuring in it or on his behalf, or it is possible to access that advertisement on the internet despite the fact that the person named in it took all reasonable steps to have it removed, but did not succeed in doing so?”*

**■ ■ ■ 2. FINDINGS.** In its reply to that question, the ECJ begins by defining the objective of the question and reformulating it as follows:

*“(…)whether Article 5(1)(a) and (b) of Directive 2008/95 must be interpreted as meaning that a third party, who is named in an advertisement published on a website, which contains a sign identical or similar to a trade mark in such a way as to give the impression that there is a commercial relationship between him and the proprietor of the trade mark, makes a use of that sign which may be prevented by that proprietor under that provision, even where that advertisement has not been placed by that third party or on his behalf or where that third party took all reasonable steps to have it removed, but did not succeed in doing so.”*

Having established this, and after briefly referring to how Article 5.1.a) and b) has been interpreted to date, the ECJ, in view of the particular circumstances of the case, affirms that although the online publication, on a referencing website, of an advertisement that mentions another

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person's trademark is attributable to the advertiser who ordered that advertisement and upon whose instruction the operator of that site acted, that advertiser cannot be held liable for the acts or omissions of such a provider who, intentionally or negligently, disregards the express instructions given by that advertiser who is seeking, specifically, to prevent that use of the mark.

According to the ECJ, where the provider fails to comply with the advertiser's request to remove the advertisement at issue or the reference to the mark contained therein, the advertiser cannot be considered to be using the mark.

With respect to the advertisements published on other websites without the advertiser's knowledge or consent, the ECJ holds that the advertiser cannot be held liable for the independent actions of other economic operators with whom it has no dealings and who do not act by order and on behalf of the advertiser.

The Court justifies its reasoning by first of all referring to the ordinary meaning of the expression *"zu benutzen"*, *"using"*, *"faire usage"*, *"usare"*, *"het gebruik"*, *"használ"*, used respectively in the German, English, French, Italian, Dutch and Hungarian versions of Article 5.1 of the Directive, which involves active behaviour and direct or indirect control of the act constituting the use. In the ECJ's view, there has been no such active behaviour when the act is carried out by an independent operator without the consent of the advertiser, or even against that party's express will. In that regard, the ECJ also refers to the fact that Article 5.3 of the Directive, when listing the types of use that may be prohibited by the trademark holder, only mentions active behaviour (*"affixing the sign"*, *"using the sign"*, *"offering"*, etc.).

Lastly, the ECJ also refers to the purpose of Article 5.1 of the Directive in support of its response. That purpose is none other than to provide rightholders with a legal instrument allowing them to prohibit, and thus to prevent, any use of their trademark by a third party without their consent. Nevertheless, only a third party who has control of the act constituting the use is able to stop that use and therefore comply with that prohibition. The ECJ thus holds that interpreting Article 5.1 in such a way that, in a situation such as this one, the trademark holder

were allowed to prohibit the advertiser from making the use at issue, would go against the purpose of that provision and conflict with the principle *impossibilium nulla obligatio est*.

Based on all the above, the ECJ replies to the question that had been referred to it in the following terms: "*that Article 5(1)(a) and (b) of [Directive 2008/95](#) must be interpreted as meaning that a third party, who is named in an advertisement on a website, which contains a sign identical or similar to a trade mark in such a way as to give the impression that there is a commercial relationship between him and the proprietor of the trade mark, does not make use of that sign that may be prohibited by that proprietor under that provision, where that advertisement has not been placed by that third party or on his behalf or, if that advertisement has been placed by that third party or on his behalf with the consent of the proprietor, where that third party has expressly requested the operator of that website, from whom the third party ordered the advertisement, to remove the advertisement or the reference to the mark contained therein.*"

■ ■ ■ **3. REMARKS.** Although the ECJ states in its judgment that its finding does not affect the possibility for the trademark holder to claim reimbursement of any financial advantage that the advertiser may have obtained on the basis of national law, nor that of taking action against the operators of the referencing websites concerned, it seems, in practice, that the action available to the trademark holder will certainly be limited. **Ana SANZ**

## 17. Case-law criteria for determining whether use of a third-party trademark as a keyword in a search engine is lawful. Judgment of the Spanish Supreme Court of 26 February 2016 ([ECLI:ES:TS:2016:620](#)).

■ ■ ■ **1. BACKGROUND.** Maherlo Ibérica, S.L., the holder of European Union trademarks nos. 008729881 MASALTOS.COM and 08729907 MASALTOS, brought infringement proceedings against Charlet, S.A.M. for selecting signs identical to its registered trademarks as keywords in the *Google AdWords* sponsored links service to improve the search ranking of its website <bertulli-zapatos.es>.



The complaint was nevertheless dismissed by the first instance court, which considered, in line with ECJ case-law, that the defendant's use of signs identical to the plaintiff's registered trademarks as keywords in Google AdWords did not impair the functions of the trademarks, namely, their indication of origin, advertising and economic functions, and that the use was therefore atypical.

The judgment was later upheld by the Appeal Court, and a cassation appeal was lodged against the decision in the Spanish Supreme Court. The purpose of the appeal was to determine whether the use of registered trademarks as keywords in a search engine is lawful.

**■ II 2. FINDINGS.** This issue has been addressed by the ECJ on numerous occasions. In this judgment, the Supreme Court offers us a brief summary of the doctrine established by the ECJ and the criteria applied to date in order to determine the legality of such usage.

First of all, the Court reminds us that those criteria depart from the premise that the exclusive rights conferred by a trademark are not absolute, and so the use of a mark as a keyword can only be deemed infringing if it is being used as a trademark.

Therefore, the use of registered trademarks as keywords in search engines shall be considered lawful where the following requirements are satisfied:

- (i) The use of the trademark is not detrimental to its indication of origin function;
- (ii) The use of the trademark does not damage its economic function either; and
- (iii) It is clear to the average Internet user that the products and services advertised do not come from the trademark holder or a company linked thereto.

The ultimate aim of these three requirements is to prevent a likelihood of confusion from arising.

With regard to well-known or reputed trademarks, the use can also be considered lawful where it does not damage or take unfair advantage of the mark's distinctive or well-known character.

Therefore, on the basis of ECJ case-law, the Supreme Court concluded that the defendant's use of the signs MASALTOS and MASALTOS.COM as keywords in the Google AdWords service did not give rise to a likelihood of association or confusion with the plaintiff's trademarks inasmuch as the advertisement to which the search engine redirected did not contain any of those expressions.

■ **3. REMARKS.** The debate as to the lawfulness of using a trademark as a keyword in a search engine has already been tackled on numerous occasions by the Spanish and European courts. The Supreme Court's judgment is another example of how the terms of the debate are being refined and how we are gradually shedding light on the realm of uncertainty without, however, managing to dispel all doubts.

In these circumstances, if the Supreme Court reached the conclusion, in its judgment of 19 February 2016 ([ECLI:ES:TS:2016:516](#)), that the use of trademarks as keywords infringed trademark rights because the signs appeared in the sponsored ads, and it subsequently concluded, in its judgment of 26 February 2016, that the use was lawful precisely because the signs did not appear in the sponsored ad, it can be inferred that, in the Supreme Court's view, the use of registered trademarks as keywords in search engines does not in itself impair the trademark's functions, and that in order for that to occur, the registered sign must at least appear in the advertising shown on the basis of the keyword. **Joaquín ROVIRA**

## 18. Scope of protection of figurative trademarks versus three-dimensional trademarks. Judgment of the Spanish Supreme Court of 25 February 2016 ([ECLI:ES:TS:2016:627](#)).

■ **1. BACKGROUND.** Mery y Celim, S.A. is the holder of two figurative trademarks (Spanish and EU) covering the following graphic representation:

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That same graphic representation is covered by the Spanish industrial design held by Robest, S.L.

Both companies brought proceedings for trademark and design infringement, as well as unfair competition, against Betis Textil, S.A., which manufactures and markets a lilac mop head under the name "GENIAL COLOR". The design of that mop head is as follows:



The action was dismissed in its entirety at first instance and in appeal. Both findings have been upheld by the Supreme Court in its judgment.

■ ■ ■ **2. FINDINGS.** The Supreme Court first of all analyses the claim of trademark infringement, in respect of which it points out that the first aspect which must be taken into account when comparing the signs at issue is the sign covered by the trademark registrations on which the action is based. In the present case, this is a two-dimensional figurative mark consisting of a frontal view of a mop head in a combination of various tones of lilac.

In that regard, the Supreme Court indicates that *"the scope of protection of the exclusivity conferred by trademark rights is determined by the registration of the trademark, and specifically by the type of trademark that is registered, (...)".*



In this case, both marks were registered as figurative trademarks, and so their protected subject matter is not the shape of a lilac mop head, which could be protected by means of a three-dimensional trademark.

As regards the other aspect of the comparison, the Supreme Court points out that what can infringe the plaintiffs' exclusive rights is not the product marketed by the defendant but the sign which that party is using as a trademark. In this case, this would be the plastic wrapper for the mop head, which contains word and figurative components.

When comparing both elements, the Supreme Court concludes that there is no similarity whatsoever between the sign protected by the trademark registrations providing the basis for the action and the composite sign used by the defendant to identify its products. It therefore rules out all likelihood of confusion.

The Supreme Court then refers to the design on which the action is also based and confirms both the definition of the informed user given in the appealed judgments and the comparison carried out between the designs at issue, precluding any infringement.

■ ■ ■ **3. REMARKS.** The analysis of the likelihood of confusion between two trademarks must be based on the sign that is actually protected - as it has been registered- and the sign used by the defendant to identify its product, not the product *per se*, which will not be perceived as a trademark. **Ana SANZ**

## 19. No need to register a licence for an EU trademark in order for the licensee to be able to bring proceedings for infringement. Judgment of the Court of Justice of 4 February 2016, Hassan (C-163/15).

■ ■ ■ **1. BACKGROUND.** Breiding Vertriebsgesellschaft mbH is the holder of a licence, which is not registered in the Register of EU trademarks, relating to the word mark ARKTIS, which covers, *inter alia*, bedding and blankets. The licence agreement stipulates that Breiding is to bring proceedings for infringement of the trademark in its own name.

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Breiding filed proceedings for infringement against Mr. Hassan in relation to use of the ARKTIS mark on down duvets, and its complaint was accepted at first instance. Mr. Hassan lodged an appeal questioning Breiding's standing to bring proceedings for infringement of a European Union trademark when the licence had not been entered in the Register, as required under Article 23.1 of the European Union Trademark Regulation (EUTMR).

The Oberlandesgericht Düsseldorf decided to stay the proceedings and refer questions to the Court of Justice for a preliminary ruling.

**■ II 2. FINDINGS.** The Court of Justice begins by admitting that the provision in question, read in isolation, could be interpreted as meaning that the licensee cannot, if the licence has not been entered in the Register, rely on the rights conferred by that licence vis-à-vis third parties, which would include those who infringe the trademark.

The Court nevertheless goes on to state that rules of EU law cannot solely be interpreted on the basis of their literal wording, but their context and the objectives that they pursue must also be taken into account. From that perspective, it considers that the rule established in Article 23.1 [EUTMR](#) is intended to protect a person who has, or may have, rights in an EU trademark as an object of property.

It thus concludes that the requirement to register the licence should not apply in situations where a third party has infringed the trademark rights. It considers that Article 23.1 EUTMR must be interpreted as meaning that the licensee may bring proceedings alleging infringement of the licenced trademark even if the licence has not been entered in the Register.

**■ II 3. REMARKS.** The issue of requiring registration of the trademark licence in order for licensees to be able to bring proceedings for infringement in their own name has traditionally met with diverging responses in the national courts of the Member States. The Spanish courts have imposed that requirement, dismissing actions brought by unregistered licensees. With regard to EU trademarks in particular, Alicante Court of Appeal, acting in its role as the European Union Trademark Court in Spain, had issued a number of rulings in that sense (for instance, its judgments of 23 January 2009 ([ECLI:ES:APA:2009:425](#)),

22 January 2013 ([ECLI:ES:APA:2013:291](#)) and 30 January 2014 ([ECLI:ES:APA:2014:246](#)).

In these circumstances, the Court of Justice's decision will certainly be welcomed, not just by trademark licensees, but by other legal practitioners as well in light of the necessary clarification of the law that it provides. National courts, such as the Spanish courts, which had interpreted the law in a different light, will now have to modify their doctrine.

It should nevertheless be borne in mind that once the new Spanish [Patent Act](#) of 24 July 2015 comes into force, the situation will not be the same for Spanish trademark registrations as it is for EU trademark registrations. [Article 117.1](#) of the new Patent Act explicitly requires the registration of patent licences in order for licensees to be able to bring proceedings for infringement; and this provision will also apply to trademarks by virtue of the First Additional Provision of the Spanish Trademark Act.

Furthermore, the Court of Justice has extended the doctrine established in this judgment to Community design registrations in its later judgment of 22 June 2016, *Thomas Philipps*, [C-419/15](#). In that decision, not only does the Court of Justice confirm the standing of a licensee of a registered design to bring proceedings for infringement of that design even if the licence has not been entered in the Register, but it also clarifies that the licensee may claim compensation for damages in those proceedings. **Carlos MORÁN**

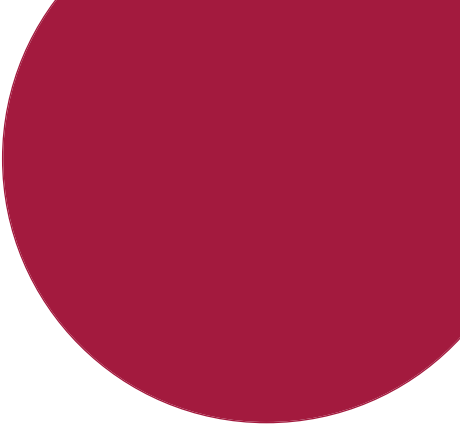
*Notes*





Copyright,  
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## 20. Harmonisation of the term of protection of copyright in the EU does not restore the protection of works in the public domain. Judgment of the Court of Justice of 20 October 2016, *Montis* (C-169/15).

■ ■ **1. BACKGROUND.** These proceedings concerned the Dutch companies Montis Design, the holder of rights in the design of a dining room chair and an armchair (*Chaplin* and *Charly*, respectively) and Goossens, the proprietor of a number of furniture shops in the Netherlands. Goossens had allegedly been marketing a chair model (“Beat”) that was very similar to Montis’ designs, which prompted the latter to bring legal proceedings.

*Chaplin* and *Charly* had been registered as international designs in 1988, and they were protected under that system until 1993 when the term of protection expired. Under the Dutch law in force at that time, a design or model of outstanding artistic character was eligible for protection under both copyright and design laws. However, the extinction of the design rights upon expiry of the term of protection (5 years) meant that the copyright was also extinguished unless the proprietor of the design or model submitted a special declaration seeking to maintain their copyright.

Montis never submitted a declaration of that kind, and so –in theory– both the design rights and copyright would have expired in 1993. Nevertheless, that law was repealed in 2003 on the grounds that it did not comply with the [Berne Convention](#), which prohibits the protection conferred by copyright from being subject to any formalities. In Montis’

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view, the repeal of those provisions would have subjected those designs to the provisions of [Directive 93/98](#) on the term of protection, which establishes a minimum term of protection of 70 years *post mortem auctoris* for the rights. Goossens, meanwhile, contended that said Directive could not apply to works that were in the public domain at the time when it came into force (1 July 1995), as was the case with Chaplin and Charly.

The court did not rule in Montis' favour at first or second instance, and it was the Hoge Raad which stayed the proceedings and referred questions to the ECJ for a preliminary ruling.

■ ■ ■ **2. FINDINGS.** Split into three questions posed consecutively, the essential issue to be resolved by the ECJ was whether Directive 93/98, which established a term of protection for copyright in the EU, could retroactively apply to works that were already in the public domain on the date when it came into force as a result of a national law that was incompatible with the Berne Convention.

According to the ECJ, the term of 70 years *p.m.a.* established in [Directive 93/98](#) cannot apply to the chairs at issue because neither of the two requirements laid down in Article 10.2 is satisfied, i.e., the works must be protected in at least one Member State on 1 July 1995, or they must meet the criteria for protection under [Directive 92/100](#).

The ECJ has taken a categorical stance in this matter. In its view, if, pursuant to national law, the copyright in a work is extinguished prior to 1 July 1995, the 70-year term of protection does not apply to the work in question, even if the extinction occurred as a result of a provision of national law that does not comply with the [Berne Convention](#). In that regard, the ECJ argues that the object of Directive 93/98 is not to determine the conditions under which a work must be protected but merely to harmonise the term of protection.

The Court also argues that even though EU law must comply with the Berne Convention (under Article 9.1 of the TRIPS Agreement), this was not binding on the EU until 1 January 1996, and Directive 93/98 was adopted prior to that date.

■ ■ ■ **3. REMARKS.** An overly strict and literal interpretation of the law can sometimes lead to results that are contrary to the objective that it



ultimately pursues. The aim of Directive 93/98, besides harmonising the term of protection, is to achieve a high level of protection in all the EU Member States, despite the fact that -as indicated by the Court- the Berne Convention was not binding on EU law until 1996. It is therefore surprising that the Court should state that EU law does not preclude a provision of national law which, in principle, does not comply with the Berne Convention on the basis of a strict application of the terms of protection. According to this reasoning, the ruling would have been different had the Directive been adopted 3 years later.

Irrespective of the above, it should be noted that it was not even necessary to enter into this debate in order to resolve the matter referred for a preliminary ruling since, under Article 2.7 of the Berne Convention, the Member States reserve the authority to determine the extent of the protection of their laws to works of applied art, designs and models. This freedom that has been granted to the Member States enables the protection of such works to be subject to conditions that might not respect any of the principles established *iure conventionis*, such as the absence of formalities. Consequently, the Dutch law might not be incompatible with the Berne Convention and might not, therefore, contravene EU law either. **Patricia MARISCAL**

## 21. A private copying levy system must include effective exemption mechanisms for persons to whom it does not apply. Judgment of the Court of Justice of 22 September 2016, Nokia et al. (C-110/15).

■ ■ ■ **1. BACKGROUND.** Italian copyright law provides for a system of fair compensation for private copying which is financed by means of a levy on devices and media that can be used for making private copies. Although the party who ultimately pays the levy is the natural person who makes the private copies, under the Italian system the manufacturers, importers and distributors of the devices and media are obliged to pay the compensation, which is then passed on to the final user when that equipment is purchased. In the event that the final purchaser is not going to use the devices and media to make copies for personal use, that party may request reimbursement of the levy from the SIAE (Italian society for authors and publishers).

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This reimbursement mechanism does not benefit manufacturers or distributors, who may nevertheless be exempted from payment if they reach agreements with the SIAE, with whom the law entrusts the task of concluding agreements with trade associations and adopting “application protocols” establishing when the levy should apply and when it should not.

Against that backdrop, a number of companies that manufacture recording media, mobile telephones, personal computers and cameras lodged several appeals seeking the annulment of the law in question. They argued that it was contrary to EU law because it forced persons acting for purposes clearly unrelated to private copying (essentially, legal persons) to pay the levy, and it gave the SIAE exclusive power to designate the persons to be exempted from payment of the levy, as well as those entitled to request reimbursement of the levy after having paid it.

The Council of State stayed the main proceedings in order to refer questions to the ECJ on the compatibility of EU law with legislation that: (i) allows the criteria for an *ex ante* exemption from the levy in the case of media and devices acquired for purposes clearly unrelated to private copying to be determined by a state entity with an absolute monopoly on copyright management; and (ii) only enables the final user, not the manufacturers or distributors, to be reimbursed with the cost of the levy.

**■ II 2. FINDINGS.** The ECJ resolves this reference for a preliminary ruling on the basis of a series of principles that it has recently been laying down in respect of fair compensation for private copying:

(i) Although it is for the final user, who is the one making the copies for personal use, to make good the harm caused and thus finance the compensation payable to the rightholder, the intermediaries who have the devices and media (manufacturers, distributors, importers, etc.) may be obliged to pay, provided that they can pass on the amount of the levy to the final user.

(ii) In any case, in order to render it compatible with EU law, a system of placing levies on devices and media irrespective of their intended

purpose must contain a mechanism for reimbursement of the levy in cases where it is not required, and that system must be swift, simple and effective.

(iii) The levy should nevertheless not apply to the supply of reproduction equipment, devices and media to persons other than natural persons, for purposes clearly unrelated to private copying.

The Italian system does not provide for a mechanism that enables exemption from payment in cases where the devices and media are clearly not intended to be used for private copying. Such an exemption can only be achieved through agreements with the SIAE, which is discriminatory against manufacturers and distributors who do not conclude such agreements. In that regard, the ECJ points out that exemption from payment cannot be subject to the conclusion of an agreement with the state copyright collecting society, since that would violate the principle of equal treatment of distributors and manufacturers in comparable situations. Such an exemption system would therefore have to be regulated by a generally applicable provision in accordance with objective and transparent criteria.

The Court goes on to state that a system that only enables the final user, not intermediaries, to request reimbursement of the levy would only be compatible with EU law if, at the same time, it contained objective exemption mechanisms in favour of those intermediaries, which is not the case with the Italian system.

■ ■ ■ **3. REMARKS.** This judgment joins a long list of ECJ decisions on the subject of fair compensation for private copying. Through its judgments of 21 October 2010 (*Padawan*) [C-467/08](#), 16 June 2011 (*Stichting de Thuiskopie*) [C-462/09](#), 11 July 2013 (*Amazon International*) [C-521/11](#), 5 March 2015 (*Copydan*) [C-463/12](#) and 9 June 2016 (*EGEDA*) [C-470/14](#), as well as the one discussed here, the ECJ has defined and reinforced the idea that payment of compensation must go hand in hand with the causing of damage, and so it is necessary to provide for mechanisms that genuinely and effectively enable persons who neither make private copies nor distribute devices or media intended for that purpose to either be exempted from payment or be reimbursed with the amount that has been paid. **Patricia MARISCAL**

## 22. Awareness of the unlawful nature of a link as a deciding factor in classing it as an act of communication to the public. Judgment of the Court of Justice of 8 September 2016, *GS Media* (C-160/15).

■ ■ ■ **1. BACKGROUND.** Sanoma, the publisher of Playboy magazine, was exclusively authorised to publish a number of photographs in the online edition of the magazine. It had previously acquired the rights to those photographs. GS Media operated a website (GeenStijl), presented in the style of a blog/digital magazine which publishes “*news, scandalous revelations and investigative journalism with lighthearted items and wacky nonsense*”. Before the photographs were published on the Playboy website, a hyperlink to a website (Filefactory) from which the photographs in question could be accessed was posted on the GeenStijl website. Sanoma warned GS Media that the content to which its website was linking was unlawful and asked it to remove the hyperlink. GS Media nevertheless disregarded that demand. On the contrary, the photographs appearing on the Filefactory website were removed.

Sanoma filed proceedings against GS Media claiming that posting hyperlinks to unlawful content, as well as a cutout of one of the photographs, infringed the copyright of the photographer –Mr. Hermés– and the publisher. Sanoma’s claims were accepted at first and second instance. Amsterdam Court of Appeal considered that even though the photographs in question had already been made public on the Filefactory website, the inclusion of the hyperlinks and the publication of a cutout of one of the photographs encouraged visitors to GeenStijl to view the photographs. Had those hyperlinks not been posted, it would not have been easy to find those photographs.

GS Media lodged a cassation appeal, and the Supreme Court of the Netherlands stayed the proceedings and referred questions to the ECJ for a preliminary ruling on the grounds that it could not be inferred with sufficient certainty from the *Svensson* judgment [C-466/12](#) or the *BestWater* order [C-348/13](#) whether there is a ‘communication to the public’ if the work has indeed previously been published, but without the consent of the rightholder.

■ ■ ■ **2. FINDINGS.** By means of its three questions, the referring court asks the ECJ whether the posting on a website of a hyperlink to

protected works which are freely accessible on another website without the consent of the copyright holder constitutes a “communication to the public” within the meaning of Article 3.1 of [Directive 2001/29/EC](#), and whether the hyperlinker’s awareness of the fact that the linked content was not authorised by the rightholder is important for the purpose of elucidating that issue.

The ECJ concludes that such awareness is decisive for the purpose of establishing that there is an act of communication to the public. In order to evaluate that “awareness”, the Court identifies two situations that must be addressed differently, basically depending on whether or not the hyperlink is posted for commercial gain. Where a profit-making purpose is pursued, the hyperlinker can be expected to make the “necessary checks” to ensure that the linked work has not been made available illegally, and in such cases there shall be a presumption of awareness that must be disproved by the hyperlinker. Nevertheless, where the hyperlinker does not pursue a profit-making purpose (essentially, where that party is an individual), the burden of proof will be reversed, since it can be particularly difficult and costly for such persons to conduct those checks.

In the main proceedings, it was established that GS Media had pursued a profit-making purpose by posting the hyperlinks to the photographs on the Filefactory website and that, in any case, Sanoma had warned them of the unlawful nature of their conduct. Consequently, the ECJ considers that the posting of the hyperlinks by GS Media constitutes a communication to the public within the meaning of Article 3.1 of [Directive 2001/29](#).

■ ■ ■ **3. REMARKS.** If the ECJ had surprised us in the *Svensson* judgment [C-466/12](#) by introducing the concept of “new public” as a deciding factor when classing a link as an act of communication to the public, it has certainly done so again with the notions of profit-making purpose and awareness of illegality. From a technical standpoint, the decision can be criticised for its vagueness regarding these new concepts and the obvious interpretive uncertainty arising in their regard. However, that might have been the only way in which to put unfair situations right without leaving the path that had previously been set out in *Svensson*, and to prevent tools such as links, which are essential for the smooth operation of the Internet and the free exchange of information and

opinions, from potentially being used, under the law and case-law, to illegally benefit from the intellectual work of others. **Patricia MARISCAL**

## 23. Financing the levy from the General State Budget is incompatible with EU law. Judgment of the Court of Justice of 9 June 2016, EGEDA (C-470/14).

■ ■ ■ **1. BACKGROUND.** In 2011, Spain abolished the existing scheme for fair compensation by means of a levy and introduced a new procedure, the main feature of which was that it was financed from the General State Budget. The legislation regulating this new system was opposed by all the Spanish copyright collecting societies in the Contentious-Administrative Chamber of the Spanish Supreme Court. The plaintiffs sought the annulment of the law in question on the grounds that it was incompatible with EU law. They argued that the principle established in ECJ case-law whereby the fair compensation should ultimately borne by the natural persons who make private copies is not respected in a system such as the Spanish one, in which the compensation is borne by all taxpayers without drawing any distinctions. They also argued that financing the fair compensation from the General State Budget did not guarantee its fairness.

The Supreme Court stayed the proceedings and made a reference for a preliminary ruling to the ECJ, essentially asking whether a scheme consisting of financing compensation from the General State Budget, which does not ensure that the cost of the compensation is borne by the users of private copies, and in which that cost is set within the budgetary limits established for each financial year, is compatible with Article 5.2.b) of [Directive 2001/19/EC](#).

■ ■ ■ **2. FINDINGS.** The Court begins by stating that a scheme for fair compensation for private copying which is financed from the General State Budget is not necessarily incompatible with EU law. However, such a scheme must respect the principle, established in previous judgments, whereby the debtor of the compensation cannot be a legal person, since such persons will never be able to benefit from the private copying exception. A different matter is the fact that they can be considered as liable for payment, provided that they can subsequently pass the cost

on to the natural persons making the private copies, who are ultimately those who must actually be liable for payment of that compensation.

According to the ECJ, since the Spanish system does not provide for the definite allocation of revenue to particular expenditure, the budgetary item intended for the payment of the fair compensation is financed by all taxpayers, including legal persons, and there is no mechanism whatsoever that enables such persons –who are nevertheless excluded from the scope of Article 5.2.b)– to apply for exemption from the obligation to contribute towards the financing of that compensation or at least seek reimbursement. It thus considers that a scheme for financing fair compensation for private copying from the General State Budget, such as the system that has been implemented in Spain, must be considered as incompatible with EU law, and specifically, with the provisions of Article 5.2.b) of [Directive 2001/29](#).

■ **3. REMARKS.** The judgment in question can be considered as the culmination of a whole series of warnings and findings on the incompatibility of the Spanish scheme for financing compensation from the General State Budget with [Directive 2001/29/EC](#), voiced even before that scheme came into being. It is worth noting that the Spanish levy-based scheme for fair compensation, in force until 2011, had been analysed by the ECJ in *Padawan* (judgment of 21 October 2010, [C-467/08](#)) precisely because it did not guarantee that the natural persons who benefited from private copying were the ones who actually paid the levy. Later decisions by the ECJ on this subject (*Stichting de Thuiskopie* [C-462/09](#), *Amazon Internacional* [C-521/11](#), or *Copydan* [C-463/12](#)) merely highlighted the fact that this peculiar compensation scheme was doomed to fail. **Patricia MARISCAL**

## 24. Compensation for moral prejudice and hypothetical royalties as cumulative criteria in damages claims. Judgment of the Court of Justice of 17 March 2016, *Liffers* ([C-99/15](#)).

■ **1. BACKGROUND.** Mr. Liffers, the director, scriptwriter and producer of the audiovisual work entitled *Dos patrias, Cuba y la noche* (Two Homelands: Cuba and the Night), sued the producer Mandarinina and the Spanish television channel Telecinco in relation to an

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audiovisual documentary on child prostitution in Cuba, which included certain passages of the work *Dos patrias, Cuba y la noche*.

The plaintiff's work related six personal and intimate stories concerning various inhabitants of Havana (Cuba), whose common denominator was the fact that they were all homosexual or transsexual. Meanwhile, the documentary dealt with child prostitution in Cuba and portrayed criminal activities recorded using a hidden camera.



The plaintiff claimed compensation of 6,740 Euros for infringement of exploitation rights based on hypothetical royalties that would have been due to him had the use been authorised, and an additional sum of 10,000 Euros for the moral prejudice claimed to have been suffered.

The question referred to the Court of Justice concerns the issue of determining whether compensation for moral prejudice may be claimed where the plaintiff has opted for redress based on the hypothetical royalties criterion. In [Directive 2004/48/EC](#) of the European Parliament and of the Council, of 29 April 2004, on the enforcement of intellectual property rights, and in Spanish law, compensation for moral prejudice is categorised within the context of negative economic consequences.



■ **2. FINDINGS.** The court begins by pointing out that the first subparagraph of Article 13.1 of Directive 2004/48 lays down the general rule whereby the competent judicial authorities must order the infringer to pay the aggrieved rightholder damages ‘appropriate to the actual prejudice suffered by him/her as a result of the infringement’, and that moral prejudice, such as damage to the reputation of the author of a work constitutes, provided that it is proven, a component of the damage actually suffered by that party.

The judgment also points out that the purpose of Directive 2004/48 is to ensure a “high, equivalent and homogeneous” level of intellectual property protection in the Internal Market, and that the measures, procedures and remedies provided for should be determined in each case in such a manner as to take due account of the specific characteristics of that case. Consequently, the calculation of the damages payable to the rightholder must seek to ensure that the latter is compensated in full for the ‘actual prejudice suffered’ by him, which also includes any moral prejudice.

Based on those premises, the court concludes that setting the amount of damages due as a lump sum on the basis of hypothetical royalties alone covers only the ‘material damage’ suffered by the intellectual property rightholder concerned. Therefore, in order to secure full compensation, that rightholder must be able to seek, in addition to the damages calculated in that manner, compensation for any moral prejudice which he has suffered.

In short, Article 13.1 of Directive 2004/48/EC must be interpreted as permitting a party injured by an intellectual property infringement, who claims compensation for material damage calculated, in accordance with heading (b) of the second subparagraph of Article 13.1, on the basis of the amount of royalties or fees which would have been due to him if the infringer had requested his authorisation to use that right, also to claim compensation for moral prejudice under heading (a) of the second subparagraph of Article 13.1.

■ **3. REMARKS.** The incorrect systematic categorisation of compensation for moral prejudice in Directive 2004/48 had raised a number of questions regarding the possibility of claiming such damages in cases where the holder of the infringed right had opted for the hypothetical royalties criterion to compensate for material damages.

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This legislative defect has been corrected by the Court of Justice in this judgment with a finding that, despite being obvious, is no less relevant. If the nature of compensation for moral prejudice is different from that of compensation for material damage, and the Directive seeks to provide the rightholder with 'appropriate' compensation with regard to the prejudice 'actually' suffered, why should the criteria concerning each type of damage not be cumulative?

The significance of the judgment goes beyond copyright: the problem of accumulating compensation for moral prejudice and hypothetical royalties also exists in trademark, patent and design legislation.

**Antonio CASTÁN**

*Notes*

# Patents



## 25. Poisonous priorities. Decision of the EPO Enlarged Board of Appeal of 29 November 2016 ([G 0001/15](#)).

■ ■ **1. BACKGROUND.** The expression “poisonous priorities” is used in situations where a patent application with an acknowledged priority right becomes novelty destroying state of the art under [Article 54 \(3\)](#) EPC for a parallel application (divisional or parent), for which the priority right has been refused. The refusal of the priority right occurs when the claims are broadened or are a generalisation of the disclosure of the priority document and partial or multiple priority, i.e., different priority dates for alternative subject matters of a claim, is not granted.

As the problem of poisonous priorities had been giving rise to differing jurisprudence for years, it was finally referred to the Enlarged Board of Appeal which delivered its decision on the subject on 29 November 2016.

■ ■ **2. FINDINGS.** The Enlarged Board of Appeal concluded that, under the EPC, entitlement to partial priority may not be refused for a claim encompassing alternative subject matter by virtue of one or more generic expressions or otherwise, provided that said alternative subject matter has been disclosed for the first time, directly, or at least implicitly, unambiguously and in an enabling manner in the priority document.

In its analysis the Enlarged Board of Appeal focused on the [Paris Convention](#) and the [EPC](#), especially on articles 4F and 4G of the former and paragraphs 2 to 4 of article 88 of the latter, and also reviewed the “Travaux Préparatoires” to the EPC, in particular Memorandum C, where the problem of multiple priorities had already been discussed.

In this respect, particular relevance was attached to decision [G 2/98](#) and, above all, to the interpretation of point 6.7 thereof, where it is stated that: *“The use of a generic term or formula in a claim for which multiple priorities are claimed [...] is perfectly acceptable [...] provided that it gives rise to the claiming of a limited number of clearly defined alternative subject matters”*.

■ ■ ■ **3. REMARKS.** In numerous decisions point 6.7 of decision G 2/98 has been interpreted as not allowing multiple priorities to be claimed in cases where there is a broadening of a chemical formula, of a range of values, of chemical compositions or other generalisations. However, in other cases, multiple priorities have been acknowledged for one claim, mainly by interpreting that the claim could be divided into two groups: (i) the subject matter disclosed in the priority document and (ii) the remaining subject matter in the claim. As a result, since the parallel application with valid priority disclosed the same subject matter as the priority document, said parallel application could not anticipate the claim under Article 54 (3) EPC.

In the present case the ruling of the Enlarged Board of Appeal is along the lines that most of the *amicus curiae* had suggested and limits the possibility of a parallel application (divisional or parent) destroying the novelty of a patent application whose description and priority it shares.

After assessing the relevance of the priority right and, in particular, of partial or multiple priorities, the Enlarged Board of Appeal concludes that the EPC does not contain other requirements for recognising the right of priority beyond “the same invention”. In this regard, decision G 2/98 unifies the criteria and is consistent with the approach used in novelty and added matter, upon stating that this requirement is fulfilled when the disclosure test is passed, i.e.: when a skilled person can derive the subject matter of the claim directly and unambiguously, using common general knowledge, from the previous application as a whole.

Therefore, in future cases of possible poisonous priorities, it will be necessary to assess the subject matter disclosed in the priority document and to determine whether said subject matter is encompassed by the generic claim of the subsequent application. If it is, one will simply have to divide the claimed subject matter into two: (i) that disclosed in the priority document, and (ii) that not disclosed in the priority document.

In the event that there is any state of the art published between the priority date and the filing date, its relevance should be assessed only for the subject matter not disclosed in the priority document.

This decision of the Enlarged Board of Appeal ends with a paradigmatic scenario in which two applications with the same description and priority could collide and the one would destroy the other. The logic underlying the concept of the priority right, which protects the applicant in the event of subsequent disclosure of the subject matter already disclosed in the priority document, has prevailed. Thus, the numerous proceedings that had been stayed because their result depended on the outcome of this decision can now be resumed.

**Patricia SALAMA**

## 26. Duration of an SPC in relation to a product for which the first MA was granted in a Member State prior to that State's accession to the EU. Judgment of the Court of Justice of 5 October 2016, *Hoffman-La Roche (C-572/15)*.

■ ■ ■ **1. BACKGROUND.** This judgment stems from a reference for a preliminary ruling made by the Estonian Supreme Court in the context of patent proceedings between F. Hoffmann-La Roche AG ("Roche") and Accord Healthcare Limited ("Accord") concerning the latter's manufacturing of a generic drug that allegedly infringed the former's patent rights. The events that gave rise to the dispute can be summarised as follows:

Roche is the holder of a patent and SPC in Estonia for its medicinal product "Xeloda". Accord was preparing to launch a generic drug containing the same active substance as Roche's "Xeloda" on the Estonian market. In view of that situation, Roche filed a preliminary injunction petition with the Estonian Courts aimed at preventing Accord from launching the aforementioned generic on the market on the grounds that it infringed its patent rights in the "Xeloda" product, protected by the aforementioned SPC. Accord opposed the preliminary injunction arguing, inter alia, that Roche's SPC had expired.

As regards the period of validity of SPCs, [Regulation \(EC\) 469/2009](#) (hereinafter the "SPC Regulation for medicinal products") establishes

that the duration of the SPC must be calculated on the basis of the date of the first MA in the EU for the product covered by the certificate. In this case, Roche had obtained the first MA for the “Xeloda” product in Estonia when that country was not yet an EU member, and a second MA in an EEA Member State. In that regard, Roche argues that since the first MA for the medicinal product had been granted in Estonia before it joined the EU, the SPC was subject to Estonian law, not the SPC Regulation for medicinal products. If the EU Regulation were applied, thus taking the date of the first MA in the EEA as a reference for calculating the duration of the SPC, Roche’s SPC would have expired. If, however, Estonian law were applied, according to which the date of the first MA to be taken into consideration would be the date on which it was granted in Estonia, the SPC would still be valid.

The first instance court accepted Roche’s arguments and granted the preliminary injunction petition that had been filed against Accord. The appeal court nevertheless revoked that decision on the grounds that the SPC had expired. The appeal court considered that the SPC Regulation for medicinal products was applicable in view of the transitional provision established in Art. 21.2, according to which the Regulation shall apply to SPCs that have been *“granted in accordance with the national legislation of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia prior to 1 May 2004 and the national legislation of Romania prior to 1 January 2007”*.

Roche appealed that decision in the Estonian Supreme Court. It held that the court’s interpretation of Art. 21.2 of the SPC Regulation for medicinal products would be contrary to law since it would mean retroactively applying the EU Regulation to SPCs granted under national law, which would infringe the fundamental principles of EU law on the protection of acquired rights and prohibition of retroactive effect of law.

In those circumstances, the Estonian Supreme Court decided to refer two questions to the ECJ for a preliminary ruling: firstly, whether Art. 21.2 of the SPC Regulation for medicinal products should be interpreted as applying to an SPC for a medicinal product granted by a Member State prior to its accession to the EU; and secondly, in the event that the first question were answered in the affirmative, whether that provision should be deemed valid in light of the general principles of EU law on



the protection of acquired rights and prohibition of retroactive effect of law.

■ ■ ■ **2. FINDINGS.** The ECJ first of all discusses the validity of the provision in question. In that regard, it indicates that this provision arises from the adjustments made to [Regulation \(EEC\) 1768/92](#) upon signature of the [Act](#) concerning the conditions of accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic to the EU. The ECJ adds that those adjustments were subject to an agreement between the Member States and the applicant State and do not constitute an act of an EU institution, but are provisions of primary law which may not be suspended, amended or repealed by procedures other than those laid down for the revision of the original Treaties. The ECJ concludes that it does not have jurisdiction to rule on the validity of that Article. Although the operative part of the judgment refers to the Act concerning the conditions of accession of the Republic of Croatia, we understand that this reference is incorrect and that the ECJ is actually referring to the Act concerning the conditions of accession of the 10 Republics referred to previously.

Secondly, the ECJ indicates that Art. 21.2 of Regulation (EC) 469/2009 must be interpreted as meaning that it applies to an SPC relating to a given medicinal product granted by a Member State (in this case Estonia) prior to its accession to the European Union. This finding leads the ECJ to state that in the event that said medicinal product had been the subject, within the EEA, of an MA before that granted in that Member State and, as the case may be, before its accession to the EU, only the first MA must be taken into account for the purposes of determining the duration of the SPC. In that regard, the ECJ highlights the fact that the effects of a first MA granted in the territory of an EEA Member State are equivalent to those of a first MA in the EU for the purposes of Art. 13 of the Regulation in question.

■ ■ ■ **3. REMARKS.** It should be noted that this judgment rejects Roche's argument that the application of the SPC Regulation for medicinal products to the SPC concerned (granted in Estonia prior to its accession to the EU) infringed the principles of the protection of

acquired rights and prohibition of retroactive effect of law. In the case at hand, the basic patent expired after Estonia joined the EU, and so when the SPC started to take effect (upon expiry of the patent), the Regulation was already in force in Estonia.

In this judgment, the ECJ basically confirms that the purpose of the SPC Regulation for medicinal products is to guarantee uniform protection in respect of SPCs throughout the EU. Indeed, as the ECJ points out in paragraph 38 of the judgment, the only interpretation that ensures that the extension of protection of the product covered by an SPC will expire at the same time in all of the Member States in which it was granted is that account should be taken of the first MA granted in an EU (or EEA) Member State. **Enrique ARMIJO CHÁVARRI**

## 27. Expanding scope of legal cost claims. Judgment of the Court of Justice of 28 July 2016, [United Video Properties \(C-57/15\)](#).

■ **1. BACKGROUND.** United Video Properties brought patent infringement proceedings against Telenet in Belgium. A counterclaim was filed seeking the invalidity of the patent in suit. The latter action prevailed and the plaintiff was ordered to pay costs.

In the subsequent claim, the court fixed the legal costs at 11,000 Euros, the maximum amount provided under Belgian law. Telenet contended that it had incurred much greater expense and requested 185,462.55 Euros for lawyers' fees and 40,400 Euros for the assistance provided by an agent specialised in the field of patents.

■ **2. FINDINGS.** The first question analysed by the judgment is whether Article 14 of [Directive 2004/48/EC](#) must be interpreted as precluding national legislation that establishes a flat-rate scheme which provides for an absolute reimbursement ceiling in respect of costs for the assistance of a lawyer.

In order to reply to that question, the Court weighs up the dual requirement imposed by the Directive on the calculation of legal costs in intellectual property matters, namely: the amount must be "reasonable" but also "proportionate".

On the one hand, the judgment warns that legislation that provides for a flat-rate for reimbursement of a lawyer's fees could, in principle, be justified, provided that it is intended to ensure the reasonableness of the costs to be reimbursed, taking into account factors such as the subject matter of the proceedings, the sum involved, or the work to be carried out in order to defend the rights concerned.

This will be the case, in particular, if the legislation in question is intended to exclude the reimbursement of "excessive" costs due to "unusually high" fees agreed between the successful party and its lawyer on account of the latter's provision of services that are not considered necessary in order to ensure the enforcement of the intellectual property rights concerned.

On the other hand, the requirement whereby the unsuccessful party must bear "reasonable" legal costs cannot justify legislation imposing a flat-rate "significantly below" the average rate actually charged for the services of a lawyer in the Member State in question.

The requirement of "proportionality" does not imply that the unsuccessful party must necessarily reimburse "*the entirety of the costs incurred by the other party*", but the reimbursement should at least cover "*a significant and appropriate part of the reasonable costs actually incurred by that party*".

The second question that was referred concerns whether Article 14 of [Directive 2004/48/EC](#) must be interpreted as precluding national legislation that only provides for the reimbursement of the costs of a "technical adviser" in the case of fault on the part of the unsuccessful party.

The judgment firstly states that in order for the costs of a technical adviser to be considered as part of the legal costs, they must be linked to the proceedings. In that regard, the costs of identification and research incurred in the context of actions aimed, in particular, at generally observing the market, carried out by a technical adviser, or the latter's detection of possible infringements of intellectual property law, attributable to unknown infringers at that stage, do not appear to show such a close direct link. On the other hand, to the extent that the technical adviser's services, regardless of their nature, are essential "*in*

*order for a legal action to be usefully brought*" seeking, in a specific case, to have such a right upheld, the costs linked to the technical adviser's assistance will fall within "other expenses" that must, pursuant to Article 14 of Directive 2004/48, be borne by the unsuccessful party.

In this regard, the Court indicates that Article 14 of Directive 2004/48 does not contain any element from which it may be concluded that the Member States may subject the reimbursement of 'other expenses', or legal costs in general, in the context of proceedings seeking to ensure the enforcement of an intellectual property right, to a condition of fault on the part of the unsuccessful party.

■ ■ ■ **3. REMARKS.** Patent proceedings, due to the high degree of specialisation that the lawyer is required to possess and the involvement of technical experts, entail a significant outlay. Until now, parties would go into proceedings assuming that if they won, they would only manage to recoup a token amount of that investment. The existence of laws that imposed a cap on legal costs in a considerable number of countries prevented the reimbursement of the costs actually incurred. This judgment by the ECJ could overhaul this restrictive view on costs in proceedings concerning patents and any other intellectual property rights.

The Court points out that legal costs act as a deterrent against infringement and that the amount of those costs must be both reasonable and proportionate. The successful party is entitled to recover, if not all the costs that it has incurred, at least "*a significant part*" of that investment. The limitation, according to this judgment, would appear to refer to costs that are "excessive" or "unusually high", rather than to flat-rates. The degree of discretion enjoyed by the court has broadened considerably, and the restrictive criteria that linger in Spanish law could be compromised. **Antonio CASTÁN**

## 28. Royalty stipulated in a licensing agreement due despite the revocation of industrial property rights. Judgment of the Court of Justice of 7 July 2016, Genentech ([C-567/14](#)).

■ ■ ■ **1. BACKGROUND.** Genentech is a non-exclusive licensee of technology protected by a European patent and two US patents, all of

which were revoked whilst the agreement was in force. The licensed technology was used by Genentech to produce a medicinal product that it marketed in the United States and the European Union.

The licensing agreement stipulated payment of a “running royalty” by the licensee, consisting of 0.5% of the net sales of the products incorporating a licensed product. Genentech fulfilled its other monetary obligations but never paid the running royalty.

This led to the issuance of a number of arbitration awards and, subsequently, to the filing of an appeal with the *cour d’appel* de Paris, seeking the annulment of one of those awards. That court referred the following question to the ECJ for a preliminary ruling:

Is payment of a royalty for the use of rights attached to patents that are subsequently revoked compatible with Article 101 [TFEU](#)?

**■ II 2. FINDINGS.** The Court first of all reformulates the question in the understanding that it should also refer to the non-infringement of the licensed rights, i.e., to whether Article 101 TFEU precludes a contractual obligation to pay a royalty for the use of a patented technology whilst the agreement is in force in the event of revocation or non-infringement of patents protecting that technology.

The ECJ had previously tackled a similar issue in its *Ottung* judgment ([320/87](#)), in which it declared that if the licensee may freely terminate the agreement by giving reasonable notice, the obligation to pay a royalty throughout the validity of the agreement cannot fall under the scope of the prohibition laid down in Article 101 TFEU.

In that case, the Court reasoned that the royalty payment was due whilst the agreement was in force, irrespective of whether or not the licensor’s IP rights could be exercised against the licensee.

On the basis of that precedent, the Court considers that if payment of the royalty is still due after the IP rights have expired, provided that the licensee is able to terminate the agreement by giving reasonable notice, that royalty payment will be due, *a fortiori*, whilst the rights are in force.

Therefore, Genentech's claim of non-infringement in the arbitration proceedings, as well as the subsequent revocation of the patent, do not affect the imposition of that royalty during the period in which the agreement was in effect –given that the licensee was able to terminate the agreement– and no restrictions whatsoever are imposed on competition.

■ ■ **3. REMARKS.** The ECJ does not consider the payment of a royalty as being contrary to free competition in the event that the licensee is able to freely terminate the agreement under which that payment is due.

The parties' freedom to agree upon such conditions and to terminate the agreement rules out the possibility of a restriction of competition, since it is not being distorted and there is no competitive advantage.

Meanwhile, the Court holds that the revocation of a patent, despite having retroactive effect, does not affect the validity of the agreement, which outlives –to the extent possible– the rights on which it was based.

**Javier FERNÁNDEZ-LASQUETTY and Martín BELLO**

## **29. Nullity of European patent due to lack of inventive step. Judgment of the Spanish Supreme Court of 20 May 2016, Quetiapina (ECLI:ES:TS:2016:2139).**

■ ■ **1. BACKGROUND.** Accord Healthcare S.L.U. and Sandoz Farmacéutica S.A. brought nullity proceedings against a European patent, validated in Spain, held by AstraZeneca AB. The patent claimed sustained release pharmaceutical compositions containing a derivative of dibenzothiazepine (the active ingredient known as "quetiapine").

The patent contained one independent product claim, sixteen dependent claims, a claim protecting use of the formulation for preparing a medicament for treating psychotic states or hyperactivity and two standard process claims for preparing the formulation.

The plaintiffs held that the patent did not involve an inventive step because the preparation of a formulation for the sustained release of quetiapine with a gelling agent and, more specifically, with HPMC

(hydroxypropyl methylcellulose or hypromellose), was obvious to a person skilled in the art on the patent's priority date, when both quetiapine and the use of HPMC to prepare sustained release formulations were known.

The nullity action was accepted on the basis of the *problem-and-solution approach*. This approach consists of three steps: i) determining the closest prior art; ii) establishing the technical problem to be solved; and iii) considering whether or not the claimed invention would have been obvious to the skilled person in light of his/her knowledge and the prior art, considered together.

**■ II 2. FINDINGS.** The first issue analysed by the cassation appeal judgment is whether the appeal court made an obvious error in the assessment of the evidence and infringed [Article 56](#) EPC on basing its finding against inventive step on the opinion of an expert who was not a psychiatrist, "*when the premise that had been established for the case was that the average skilled person should be a team of experts including an expert in the formulation of medicinal products and a psychiatrist*".

The judgment explains that in order for an expert to be able to contribute the skilled person's point of view, it is not essential for the expert him/herself to be a person skilled in the art; rather, the expert must be able to put him/herself in the position of the "skilled person" due to his/her training and experience.

According to the court, inventive step must be assessed taking the "average skilled person" as a reference point. That "average skilled person" is a hypothetical specialist in the technical field of the invention and possesses common general knowledge of the subject. He/she is an expert in the field of the technical problem rather than of the solution. He/she is not creative, does not possess any particular ingenuity (he/she is not an inventor) and is affected by the prejudices existing in the state of the art at that time.

The court nevertheless goes on to say that "*the skilled person should not be confused with an expert who provides information in proceedings concerning a patent's inventive step. What the expert must do is submit the skilled person's point of view, but he/she does not*

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*necessarily have to be a person having average skill in the art in order to be capable of reporting what such a person would have considered in light of the patent's teachings and the state of the art on the patent's priority date. The relevant aspect is not that the expert is an average skilled person, but that he/she reports what an average skilled person would have considered under those conditions. What matters is that the expert is capable of making that assessment in view of the content of the invention".* In order to do so, he/she will inevitably have to take account of the common general knowledge of the subject at the time when the patent was filed, which is often, particularly in the case of chemical and pharmaceutical patents, found in textbooks, manuals, encyclopaedias, treatises, review articles and general reference works.

In the case at hand, the judgment takes account of the fact that the team constituting the "skilled person" would consist of an expert in the formulation of medicinal products and a psychiatrist, and does not leave out the psychiatrist's own knowledge when carrying out the assessment of obviousness attributed to the average skilled person, even if he/she often relies on opinions expressed by an expert who is not a psychiatrist but who takes that person's views into account.

The second issue addressed by the judgment is the doctrine of estoppel in relation to the description of the technical problem in the patent, provided by the applicant itself. The court does not disregard the fact that decisions by the EPO's Boards of Appeal concerning determination of the problem solved according to the invention establish the doctrine whereby *"when objectively determining the problem solved according to the invention, it is normally appropriate, at first, to depart from the problem described in the patent in suit. Only where the examination reveals that the described problem has not been solved, or that the prior art cited in order to define the problem is irrelevant, would it be appropriate to examine what other problem was raised from an objective standpoint"*.

The court nevertheless warns that it is contradictory for the applicant of the patent, who had identified the technical problem to be solved by the invention in the patent's description, to then *"seek to extend that problem"*, and that the reference to the principle of good faith, responsibility for one's own actions and legal certainty was precisely to establish that the technical problem described by the applicant in the patent was correct.



The third issue analysed by the court is the scope of [Article 56](#) of the European Patent Convention, which enables a number of prior art documents to be combined in order to determine inventive step, but *“only where that combination would have been obvious to the person skilled in the art, or where an element of the state of the art would have prompted such a combination”*. The EPO’s examination guidelines expand upon that provision and state that when examining inventive step it is only possible to combine two or more pieces of prior art if, on the priority date, such a combination would have been obvious to the skilled person, and the state of the art would have prompted the skilled person to combine them.

The court, in fact, accepts the clarification suggested by AstraZeneca whereby, in the examination of inventive step, the specific combination of pieces of prior art must be suggested in the state of the art or be obvious to the average skilled person. It nevertheless adds that the introduction of this clarification prior to the examination of inventive step does not mean that the judgment must be revoked, *“for it is one thing not to explain in this detail the doctrine on the assessment of obviousness with regard to the documents of which the prior art is comprised, and another matter entirely for the judgment, when setting out its assessment, to have contradicted that doctrine”*.

In order to rule on the two reasons why, according to the lower court’s judgment, the invention was not obvious, the Supreme Court points out that there has not been a combination of prior art documents *per se*, but rather an explanation of the knowledge that the “average skilled person” would have when analysing the state of the art and, in any case, justification for that knowledge is provided.

■ ■ ■ **3. REMARKS.** Curiously, the judgment agrees with the patent holder in respect of all the legal premises for the assessment of inventive step, only to disagree in respect of the merits.

The court effectively seems to share the appellant’s reasoning re the application of the *problem-and-solution approach*; the possibility of invoking guidance criteria from the EPO’s Boards of Appeal; the reference to the “average skilled person” based on whose opinion inventive step should be assessed; the value of one’s own acts in determining the technical problem identified in the patent and the

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manner of evaluating *prior art* documents in combination with one another. However, none of that led the court to overturn the appealed ruling against the validity of the patent.

It is worth noting that the Spanish Supreme Court is now applying internationally-accepted criteria for determining the bewildering inventive step requirement with a certain degree of ease. **Antonio CASTÁN**

*Notes*

Designs



### 30. Right of the licensee of a Community design to bring proceedings for infringement without having registered the licence. Judgment of the Court of Justice of 22 June 2016, Thomas Philipps (C-419/15).

■ **1. BACKGROUND.** Grüne Welle Wetriebs is the holder of an exclusive licence for Germany for Community design no. 0008770030-0001. The licence has nevertheless not been entered on the register of Community designs.

After obtaining the Community design holder's consent, as established in Article 32.3 of [Regulation \(EC\) 6/2002](#), Grüne Welle Wetriebs brought proceedings for infringement against the company Thomas Phillipps for distributing a product that allegedly infringed the design in question.

The first instance court held Thomas Phillipps liable and found that the plaintiff had demonstrated that it was entitled to bring the action in its own name. However, the judgment was appealed by the defendant in the Oberlandesgericht Düsseldorf (the German court of appeal) on the grounds that Grüne Welle Wetriebs did not have standing to bring the claims.

In those circumstances, the German court decided to stay the proceedings and refer the following two questions to the ECJ for a preliminary ruling:

- 1) May a licensee who has not been entered in the register of Community designs bring claims for infringement of rights in a registered Community design?

- 2) If so, may the exclusive licensee also bring an action claiming damages on its own, or may it only intervene in an action brought by the rightholder itself?

■ **2. FINDINGS.** With respect to the first question, a literal interpretation of Article 33.2 of [Regulation 6/2002](#) could lead one to think that an unrecorded licensee cannot enforce the rights in the design against a third party, since the first sentence of that provision states that “*legal acts referred to in Articles 28, 29 and 32 [concerning transfers, rights in rem and licensing] shall only have effect vis-à-vis third parties in all the Member States after entry in the register*”. The court nevertheless reminds us that legal provisions must be interpreted not just in light of their wording but also in light of the context in which they occur and the objectives that they pursue.

In that regard, the court notes that subparagraphs 2 and 3 of Article 33 make specific reference to third parties who have acquired rights, which thus infers, in the contextual framework, that the rule is intended to regulate the effects of entry in the register vis-à-vis third parties who may have acquired rights subsequently and does not apply to other cases where the third party is simply an infringer.

Thus, the answer to the first question is that the licensee may indeed bring proceedings for infringement of rights in a licensed registered Community design even though the licence has not been entered in the register.

With regard to the second question, the uncertainty as to whether an unrecorded licensee, although able to bring infringement actions on its own account, may also claim damages arises from the wording of Article 32.4. That provision establishes that, for the purpose of obtaining compensation for damage suffered by it, the licensee shall be entitled to intervene in an infringement action brought by the rightholder in a Community design. However, nothing is said with regard to the question of whether the licensee has a right to claim damages if it brings that action itself.

Once again, the court looks at the context and observes that, since there are circumstances in which an exclusive licensee is permitted, under the Regulation, to bring proceedings for infringement on its own account

(with the rightholder's consent and where the latter has failed to take action itself within an appropriate period despite having been asked to do so), it would make no sense if the licensee could nonetheless only claim damages by intervening in an action brought by the rightholder. The court adds that such a restrictive interpretation would be contrary to the objective of the provision, which is to provide the licensee with the means to take action against the infringement and thus defend its rights.

Basically, the conclusion reached by the court in relation to the second question is that the licensee, once entitled to bring proceedings for infringement, may also claim damages on its own account.

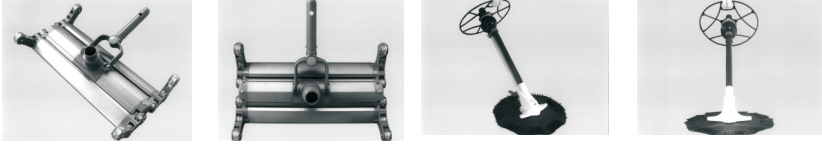
■ ■ ■ **3. REMARKS.** By this judgment, which echoes previous findings in respect of EU trademarks (case [C-163/15](#)), the ECJ has once again taken the view that licensees have standing to sue even though their licenses have not been entered in the register.

This ruling is furthermore in line with the interpretation provided by Alicante Mercantile Court in its judgment of 26 December 2011 ([ECLI:ES:JMA:2011:152](#)), in which it held that Article 33 of the Regulation was only aimed at regulating the legal position of the licensee with respect to third parties who may in turn acquire rights from the licensor and owner of the trademark. **Joaquín ROVIRA**

### 31. Interruption of the period of limitation for civil action concerning industrial property. Judgment of the European Union Trademark Court of 6 June 2016, Kokido ([ECLI:ES:APA:2016:1939](#)).

■ ■ ■ **1. BACKGROUND.** Kokido Limited, the holder of a number of EU trademarks and designs relating to brushes for cleaning swimming pools, and Kokido Services, S.L., the distributor of the products into which those designs are incorporated, brought proceedings against Coamer, S.L. and Leroy Merlin España, S.L.U. for infringement of their exclusive rights due to the marketing and distribution of the "*limpiafondos aluminio*" and "*limpiafondos automático nagore*" products.

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The complaint was dismissed at first instance by the EU trademark and design court on the grounds that civil actions had become statute-barred as over 5 years had elapsed since the time when the action could have been brought.

The plaintiffs lodged an appeal against the judgment, objecting to the plea that the infringement actions were statute-barred. The first cease and desist letters were sent to the defendants on 3 October 2008, whilst the complaint was filed on 21 March 2014. Therefore, the issue was not about determining whether the five-year period had elapsed –which was obvious–, but whether any of the acts that interrupt the period of limitation, laid down in Article 1973 of the [Spanish Civil Code](#), had occurred.

**■ II 2. FINDINGS.** First of all, the appellants argued that prior to the commencement of the proceedings in question they had filed two suits, with the same subject matter, against COAMER, S.L. and LEROY MELIN ESPAÑA S.L.U. in the Madrid mercantile courts on 17 July 2009 and 15 February 2012, respectively.

Nevertheless, the judgment indicates that both suits were declared null and void due to the fact that the EU trademark courts in Alicante, not the Madrid mercantile courts, had jurisdiction to hear the complaints that had been filed. Those suits did not, therefore, interrupt the period of limitation.

Secondly, the appellants argued that in 2009, i.e., almost one year after the first cease and desist letters were sent, the infringing products were still being sold in LEROY MERLIN establishments in Portugal.

However, the court rejected that argument on the grounds that the offering of those products in the marketplace was not an act of infringement that could be attributed to the current defendants or even LEROY MERLIN ESPAÑA, S.L.U., since that company did not sell products in Portugal.



Lastly, the appellants contended that they had sent a further registered fax to LEROY MERLIN ESPAÑA, S.L.U. on 22 December 2011, and so the period of limitation had, in any case, been interrupted.

Once again, the court rejected those arguments in the understanding that the registered fax in question could not, strictly speaking, be classed as an out-of-court claim. In that regard, the judgment gives three reasons why the registered fax could not be considered as such: i) first, because the appellants had not taken any measures against LEROY MERLIN ESPAÑA, S.L.U. for over three years; ii) second, because the registered fax was sent once COAMER, S.L.'s insolvency was known; and iii) third, because the true purpose of the registered fax was not *"to preserve and protect their infringed rights"*, which would have been the aim had it been an out-of-court claim, but to *"initiate a business relationship in exchange for refraining from instituting a court claim"*.

The court therefore dismissed the appeal and confirmed that civil actions had become statute-barred.

■ ■ **3. REMARKS.** [Article 1973](#) of the Spanish Civil Code states that the statute of limitations on actions is interrupted by the bringing of such actions before the courts or by an out-of-court claim. The provision *per se* does not lay down any special conditions to be satisfied for a communication to be classed as an out-of-court claim. Instead, it seems that the law is trying to establish the need for the interested party to outwardly express, in an irrefutable manner, its desire to enforce its rights against a third party, irrespective of whether or not the legal action ultimately has an effect, or whether the communication issued to a third party is aimed at prohibiting certain conduct or simply at initiating a business relationship based on rights arising from registration. This judgment nevertheless serves to sound a note of caution regarding the expiry of procedural time limits. **Joaquín ROVIRA**

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*Notes*

# Plant varieties



## 32. Infringement of plant variety rights: nature of redress and basis for calculation. Judgment of the Court of Justice of 9 June 2016, Hansson ([C-481/14](#)).

■ ■ 1. **BACKGROUND.** The proceedings which gave rise to this judgment were brought by the holder of a plant variety right against a third party who cultivated and distributed a flower variety which infringed that right. The dispute did not centre on whether or not infringement had occurred but on the extent of the compensation to which the holder of the infringed plant variety would be entitled under Article 94 of [Regulation \(EC\) No. 2100/94](#) on Community plant variety rights (hereinafter the “Plant Variety Regulation”). In this regard, it should be borne in mind that Article 94 of that Regulation provides for two kinds of compensation: the first subparagraph states that the rightholder is entitled to obtain “reasonable compensation” in respect of acts that constitute infringement, whilst the second subparagraph refers to infringing acts committed intentionally or negligently, against which the rightholder will –moreover– be entitled to obtain compensation for any resulting damage.

The debate raised here is whether, under the aforementioned Article 94 of the Plant Variety Regulation, an “infringer supplement” could apply, increasing the amount of compensation set by means of a lump sum (in light of considerations specific to the protected variety and to the consequences following from the infringement).

In those circumstances, the court hearing the main proceedings referred a number of questions to the ECJ. Those questions were essentially

aimed at ascertaining the principles governing the setting and calculation of the compensation payable under Article 94 of the Plant Variety Regulation.

**■ II 2. FINDINGS.** The ECJ first of all examines the nature of the compensation provided for in Article 94 of the Plant Variety Regulation. It then clarifies the rules for setting the “reasonable compensation” mentioned in Article 94.1 and the compensation for any resulting damage provided for in Article 94.2. Thus:

As regards the nature of the compensation payable under Article 94, the ECJ indicates that it seeks to secure full and objective redress covering only the damage resulting from the act in question. In that regard, Article 94 would not permit an infringer to be required to pay punitive damages –established by means of payment of a flat-rate supplement–, since such a supplement would not necessarily reflect the damage sustained. Article 94 would likewise not permit the rightholder to claim restitution of the gains and profits made by the infringer, since both the “reasonable compensation” and the compensation for the damage suffered must be set in light of the damage sustained by the rightholder, not the profit made by the infringer.

As regards the rules for setting the “reasonable compensation” referred to in Article 94.1, the ECJ states that this should be calculated on the basis of an amount equivalent to the fee payable for licensed production. The ECJ explains that this provision does not provide for reparation for damage other than damage closely connected to the failure to pay that fee (for instance, default interest). In any event, the ECJ indicates that it is for the national court to determine the circumstances which require that fee to be increased (bearing in mind that each of them may be taken into account only once in view of the principle of objective and full compensation).

Lastly, as regards the compensation for any resulting damage referred to in Article 94.2, the ECJ confirms that the amount of that compensation must be set in light of the specific information provided by the holder of the infringed plant variety right, and that a lump sum method could be used where that information was not quantifiable.

**■ II 3. REMARKS.** A salient aspect of this judgment is the fact that the ECJ rejects the possibility that the right to compensation laid down in

Article 94 of the Plant Variety Regulation may include punitive damages. In the ECJ's view, that right to compensation is based on the principle of objective and full damages, according to which compensation can only be secured for the damage resulting from the infringement.

As the ECJ has pointed out, this interpretation is consistent with the objectives of [Directive 2004/48/EC](#) on the enforcement of intellectual property rights, Recital 26 of which rules out punitive damages. This is nevertheless a minimum directive, and so the Member States are entitled to adopt more protective measures.

In the case of Spain, it is interesting to note that in addition to compensation for consequential damages (loss suffered) and ceasing gain (lost profit), [Act 3/2000](#) on plant varieties includes, as compensable damage, the damage caused by loss of prestige to the variety covered by the plant protection title (Article 22.3 of Act 3/2000 on plant varieties). **María CADARSO**

*Notes*





# Counterfeiting



### 33. Criminal conviction issued against operators of a links website. Judgment of the Spanish Supreme Court of 12 December 2016, Youkioske ([ECLI:ES:TS:2016:5309](#)).

■ II **1. BACKGROUND.** The Asociación de Editores de Diarios Españoles (Association of Spanish Newspaper Publishers) and CEDRO, a reproduction rights management society, brought criminal proceedings against the owners of a website, [www.youkioske.com](http://www.youkioske.com), which was primarily engaged in making periodicals and books available online so that they could be viewed and read from any electronic/computer device.

The website offered users the possibility of reading over 17,000 copies of a wide range of Spanish, French, English, Russian and Portuguese publications online via streaming technology. The website was hosted on a Canadian server, whilst the publications were hosted on servers in the US. The domain name was registered in the name of a company domiciled in Belize and managed by the accused. The publications were uploaded into digital containers by Ukrainian citizens.

Revenue was obtained by means of banner and pre-roll advertising. The accounts held by the accused and blocked by the authorities were found to have received deposits in the region of 200,000 Euros.

This activity went on between June 2009 and May 2012, when the suspects were arrested and the equipment from which they were operating, located in a village in the Community of Madrid, was seized.

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The accused were found guilty by the National High Court –in a judgment ([ECLI:ES:AN:2015:435](#)) upheld by the Supreme Court ([ECLI:ES:TS:2015:4574](#))– and sentenced to three years’ imprisonment for an intellectual property offence, plus three years’ imprisonment for establishment of a criminal organisation.

■ ■ ■ **2. FINDINGS.** The judgment performs a comprehensive analysis of a string of formal aspects of criminal cassation appeals, the preliminary investigation of criminal cases, the principle of in *dubio pro reo* and the assessment of evidence.

Nevertheless, the most interesting point of the judgment is the substantive issue itself, namely, whether the links constitute making intellectual works available, which requires the authors’ consent; and whether the infringement of that right could even give rise to a criminal penalty.

In the court’s view, linking to a work that has been protected by the rightholder “*fully constitutes an intellectual property offence*”, since it brings about the communication of protected content –the dissemination of which has not been freely authorised- to the detriment of that party’s rights.

The court refers to the ECJ’s *Svensson* judgment of 13 February 2014 ([case C-466/12](#)) and points out that the “*new public*” requirement has been satisfied in the case at hand, since the protected content could only be accessed by paying for a hard copy of the work or subscribing to the communication platforms.

■ ■ ■ **3. REMARKS.** The case of the Spanish website [www.youkioske.com](#) has sparked numerous findings in the various jurisdictions (civil, criminal, etc.). This judgment, due to the harshness of the sentence (a total of six years’ imprisonment for each of the guilty persons), could put an end to a case that has been going on for many years.

The court’s decision –let us be under no delusions here– is a direct result of the ECJ’s *Svensson* judgment of 13 February 2014, which has meant so much as far as the prosecution of links websites is concerned. However, it was necessary for the Spanish Supreme Court, through its

Criminal Chamber, to ratify that doctrine and send out a categorical message on the potential consequences. **Tránsito RUIZ**

### 34. The lessor of commercial premises as an intermediary in the sale of counterfeit goods. Judgment of the Court of Justice of 7 July 2016, Delta Center ([C-494/15](#)).

■ II 1. **BACKGROUND.** Delta Center sublets to various market-traders the sales areas located in the Prague market halls (*Pražská tržnice*) of which it, in turn, is the tenant. Delta Center imposes on those market-traders the obligation to respect the regulations to which their activities are subject and provides them with a brochure entitled “Warning for traders”, written in Czech and Vietnamese, which highlights the fact that the sale of counterfeits is forbidden and may lead to the termination of the contract for the rental of the sales area.

Tommy Hilfiger Licensing LLC, Urban Trends Trading BV, Rado Uhren AG, Facton Kft., Lacoste SA and Burberry Ltd. noticed that counterfeits of their goods were being sold in those market halls and sued Delta Center in Prague City Court. The court was asked to issue an injunction against the defendant, ordering it to refrain from concluding or extending contracts for the rental of sales areas in those halls with persons who infringed trademark rights, to refrain from concluding or extending such contracts where the terms of same did not include the obligation on market-traders to refrain from infringing intellectual property rights, or the clause according to which Delta Center may terminate the contract in the event of the infringement or likelihood of infringement of those rights, and to submit a written apology and have a report published in a journal. That application was rejected by the first instance court and in appeal. The Czech Supreme Court subsequently referred two questions to the ECJ for a preliminary ruling.

■ II 2. **FINDINGS.** The ECJ firstly examines whether the concept of “*an intermediary whose services are being used by a third party to infringe an intellectual property right*” –Art. 11, third sentence, of [Directive 2004/48/EC](#)– includes the defendant, a market hall tenant.

The judgment cites ECJ case-law on the subject of electronic commerce (ECJ’s judgment of 12 July 2011, *L’Oréal and Others*, [C-324/09](#)),

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according to which an access provider which merely permits Internet access without proposing other services or exercising a review provides a service which is capable of being used by a third party to infringe intellectual property rights and must be classified as an “intermediary”.

The Court also points out that it is irrelevant whether the provision of sales points concerns an online marketplace or a physical marketplace, such as market halls.

The judgment concludes that the concept of “*an intermediary whose services are being used by a third party to infringe an intellectual property right*” includes the tenant of market halls who sublets the various sales points located in those halls to market-traders, some of whom use their pitches in order to sell counterfeit branded products.

Secondly, the ECJ examines whether the requirements for an injunction directed against an intermediary who provides a service relating to the letting of sales points in market halls are identical to those for injunctions which may be addressed to intermediaries in an online marketplace, and concludes that the requirements are identical.

In that regard, the judgment states that in accordance with the Directive and ECJ case-law, injunctions must be “*effective and dissuasive*”, as well as “*equitable and proportionate*”. Although they must not “*create barriers to legitimate trade*”, or require the intermediary to exercise “*general and permanent oversight over its customers*”, the intermediary can be forced to take measures which “*contribute to avoiding new infringements of the same nature by the same market-trader*”.

■ ■ ■ **3. REMARKS.** Curiously, this judgment by the ECJ carries out a reverse analysis of what has been the warhorse in intellectual property matters since the arrival of the Internet, namely, how to ensure that rightholders have the same means of defence in the digital environment as they do in the analogue environment. In this case, we are faced with exactly the opposite scenario: the debate centres on whether an enforcement instrument initially conceived for pursuing online infringements –the possibility of directing injunctions against intermediaries- can also apply in an analogue environment.

The Court's affirmative answer –proceedings for infringement may be directed against the tenant of a marketplace who sublets the various points of sale in the event that counterfeit goods are being sold there– is twofold.

On the one hand, the Court classifies the lessor as an “intermediary”, not as a rights infringer, notwithstanding any responsibility for the infringement that it may hold. It is one thing to be able to impose certain measures on the lessor, and another thing entirely to directly consider that party responsible for the infringement.

On the other hand, the ECJ, when establishing the scope of the injunction, i.e., the measures aimed at ceasing the infringing conduct and preventing further infringements, once again calls for the need to strike a balance between the protection of intellectual property rights and the absence of obstacles to legitimate trade. It is for the national court to determine, in light of those criteria, the scope of the injunction addressed to the lessor of market stalls used to sell counterfeit branded products.

This judgment therefore forms part of the latest trend in case-law, which requires greater involvement on the part of intermediaries in the sale of counterfeit goods in order to secure the cessation and prevention of infringements. **Juan José CASELLES**

*Notes*







# Geographical indications



35. **Evocation. Criteria for the assessment of what may constitute an evocation of a geographical indication. Judgment of the Court of Justice of 21 January 2016, Verlados (C-75/15).**

■ ■ ■ **1. BACKGROUND.** The company Viiniverla Oy, located in the town of Verla (Finland), was marketing a cider spirit under the name VERLADOS.



Following a complaint based on alleged misuse of the French geographical indication CALVADOS, protected in the EU for cider spirit and perry spirit, the European Commission conducted an enquiry and

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then notified the Finnish authorities that it considered VERLADOS to be an evocation of that geographical indication and therefore contrary to article 16b) of [Regulation \(EC\) No. 110/2008](#) on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks. The Commission added that it would open infringement proceedings against the Republic of Finland if the latter failed to comply with that interpretation. In these circumstances, the Finnish Social and Health Sector Licensing and Supervisory Authority issued a decision prohibiting further sale of VERLADOS.

Viiniverla Oy contested that decision on appeal to the Finnish Market Court, which stayed the proceedings and referred certain questions, relating to the interpretation of the concept of “evocation”, to the ECJ for a preliminary ruling.

Through those questions the referring court basically sought clarification as to which kind of consumer reference should be made, as to whether, for the purpose of assessing the existence of evocation, consideration should be given not only to the degree of similarity between the words but also to other circumstances that might dispel the likelihood of confusion for the Finnish public (such as the fact that VERLA is the name of the Finnish town where the drink is made and the producer is located, that it also forms part of the name of the company, that it may be recognized by Finnish consumers who will consequently not think that the product comes from France; that the drink is sold in Finland and in limited quantities; that VERLADOS and CALVADOS only have one syllable and four letters, out of eight, in common, etc.), and as to whether, even if there were evocation, use of the contested name could be permitted if there were no likelihood of confusion.

■ ■ **2. FINDINGS.** The ECJ held that in order to determine whether there is evocation the national court should refer to the perception of the average consumer who is reasonably well informed and reasonably observant and circumspect (as already established through the case-law laid down in such judgments as *Mars*, [C-470/93](#), *Gut Springenheide and Tusky*, [C-210/96](#), *Lidl*, [C-159/09](#), and *Teekanne*, [C-195/14](#)).

Going further, the ECJ added that the said average consumer should be a European consumer and not just one from the Member State where

the contested product is manufactured. Logically, in this context European should be understood to refer to the consumers of the European Union and not to those of other, non-member, European states.

The ECJ similarly stated that the national court should take account of the phonetic and visual relationship between the terms and of any factors which may indicate that the relationship is not fortuitous at the time of assessing whether the image that will be triggered in the mind of the average consumer, when he is confronted with the evocative name, is that of the product whose geographical indication is protected. In this regard the ECJ noted that a factor to be considered in the present case was that, according to the facts as presented by the French government, the VERLADOS product was originally called VERLA and the suffix DOS, which has no meaning in Finnish, was added following significant growth in exports of CALVADOS to Finland.

Lastly, the ECJ held that the use of a name constituting an evocation of a geographical indication may not be authorized even when there may be no likelihood of confusion whatsoever.

**■ II 3. REMARKS.** This judgment takes us once again into the fascinating realm of evocation and the protection which geographical indications are afforded against it within the EU legal system. That protection is often cited as one of the greatest advantages that GIs have when compared with registered trademarks.

We find the expression average European consumer a little confusing, but understand that what the Court means is that, since the GI CALVADOS is protected at the EU level, it is not sufficient, for the assessment of the evocation, to have reference solely to the perception of the consumer of the country where the contested product is manufactured. The reference should instead be to the perception of the average consumer of any of the Member States of the EU. What is meant by average European consumer is, therefore, presumably this, rather than the perception of the arithmetical average of the consumers of the Member States.

Likewise of interest is the reference made by the Court to some factor which may indicate that the relationship (between the contested

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product and the geographical indication) is not fortuitous, which in the present case is linked to a change in the name of the product, bringing it closer to the protected GI, without there being any other apparent justification for that change. This is a subjective element which may in some way contribute towards the creation of a presumption of intent to evoke and thus incline the national court to conclude that the evocation indeed arises.

Lastly, the ECJ reminds us that, in accordance with the judgments given in *Bureau National Interprofessionnel du Cognac*, [C-4/10 and C-27/10](#), *Consorzio per la Tutela del Formaggio Gorgonzola*, [C-87/97](#), and *Commission/Germany*, [C-132/05](#), for there to be evocation it is not necessary that the consumer actually be misled. What is important is that there be evocation. Whether the evocation is or is not likely to give rise to confusion is irrelevant.

Evocation is not something that depends solely on the number of syllables or letters which the names may have in common or on other purely objective facts. What really matters, irrespective of the means or manner, is that the contested name may trigger in the mind of the consumer the image of the of the product whose geographical indication is protected. In our view, that effect may arise out of phonetic, or visual, or conceptual factors. **Miguel Ángel MEDINA**

*Notes*



Unfair  
competition





### 36. Unfair Commercial Practices Directive: combined sale; misleading omissions. Judgment of the Court of Justice of 7 September 2016, Sony ([C-310/15](#)).

■ ■ 1. **BACKGROUND.** Mr Deroo purchased in France a Sony VAIO laptop computer which came with certain pre-installed programs. When first using that computer, he declined to subscribe to the end-user license agreement appearing on the screen and asked Sony to reimburse the part of the price corresponding to the pre-installed software. Sony refused to do so, maintaining that the computer and the software constituted a single, non-separable package. However, they offered to cancel the sale and refund the entire purchase price subject to the return of the goods.



Mr Deroo turned down that offer and sued Sony. The case was heard by the Asnières District Court, which dismissed the complaint. The appeal then filed by Mr Deroo was similarly dismissed by the Court of Appeal of Versailles. Both courts held that the sale of the computer with pre-installed software did not constitute coercive selling and was neither an unfair commercial tying practice nor a misleading or aggressive commercial practice.

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Mr Deroo then took the case to the French Court of Cassation, which decided to stay the proceedings pending a preliminary ruling by the Court of Justice on the following questions. Does the combined, non-separable offer of a computer with pre-installed software constitute: a) a misleading unfair commercial practice if the seller, although providing separate information on the various items of software, does not specify the price of each; b) an unfair commercial practice if the consumer cannot purchase the computer alone, without the software, or has no choice but to accept the sale in full or cancel it through the return of the goods and the reimbursement of the purchase price?

■ ■ **2. FINDINGS.** The Court of Justice responded to these questions as follows: a) Within a combined offer of a computer and pre-installed software, the absence of an indication of the price of each of the items of that software does not constitute a misleading commercial practice. b) A commercial practice consisting of the sale of a computer equipped with pre-installed software, where the consumer does not have the option of purchasing the same computer without that software, is not in itself unfair ... unless 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 with regard to the product, this being a matter for the national court to determine in light of the specific circumstances of the case in the main proceedings.

■ ■ **3. REMARKS.** This judgment provides us, in my view, with an excellent opportunity to recall how [Directive 2005/29/EC](#) concerning unfair business-to-consumer commercial practices should be approached and applied.

Thus, in order to determine whether a given commercial practice may be considered unfair we should first of all check whether it figures in Annex 1 to the Directive, where there is a list of those which are considered misleading or aggressive in all circumstances and may consequently be deemed unfair without the need for more detailed analysis of any kind (judgment of 19 September 2013, *CHS Tour Services*, [C-435/11](#)). If the practice in question is not listed in the Annex, the next step is to see whether it may come under one of the following provisions: Article 6 (misleading actions), Article 7 (misleading omissions), Articles 8 and 9 (aggressive commercial practices).

Lastly, if the practice does not appear to fall within any of the above categories, it is necessary to consider whether it may be contrary to Article 5, which has been described as a true, general, European, anti-unfair competition and advertising clause. According thereto, any commercial practice shall be deemed unfair subject to the dual requirement that it is contrary to the requirements of professional diligence and that it materially distorts or is likely to materially distort the economic behaviour of the average consumer with regard to the product (see judgment of 19 December 2013, *Trento Sviluppo and Centrale Adriatica*, [C-281/12](#)).

In the present case the Court of Justice notes that combined offers are not among the commercial practices listed in Annex 1 to the Directive and therefore cannot be deemed inherently unfair. As to the absence of information on the price of the software, the Court states that such information is not material and that there is consequently no misleading omission (Article 7). Let us recall, in this regard, that an omission is only regarded as misleading when, as a consequence thereof, the average consumer is deprived of material information that he needs in order to take an informed transactional decision and is therefore caused, or is likely to be caused, to take a decision that he would not otherwise have taken. Lastly, the Court does not find that selling a computer equipped with pre-installed software, without offering the consumer the option of purchasing the same computer without that software, is a commercial practice contrary to the requirements of professional diligence, although this issue is left for the national court to analyze in light of the specific circumstances of the case. **Jesús GÓMEZ MONTERO**

Notes



Personal data





### 37. EU law precludes national legislation that indiscriminately retains traffic and location data. Judgment of the Court of Justice of 21 December 2016, *Tele2 Sverige* ([C-203/15](#) and [C-698/15](#)).

■ ■ ■ **1. BACKGROUND.** Two sets of proceedings had been joined in this case:

(i) On the one hand, the Swedish company Tele2 Sverige ceased retaining the electronic communications data referred to in Swedish law following the ECJ's Digital Rights Ireland judgment ([C-293/12](#)). In view of this situation, the Swedish National Police Authority sent a complaint to the effect that the data concerned was no longer being sent to it by the aforementioned company. A report issued by a reporter appointed by the Swedish Minister for Justice stated that the Digital Rights judgment did not preclude the general and indiscriminate retention of data. Tele2 brought an appeal against that decision before the Administrative Court of Appeal, which referred two questions to the ECJ for a preliminary ruling.

(ii) On the other hand, a number of individuals lodged applications for judicial review with the High Court of Justice (England & Wales) claiming that UK data retention legislation was incompatible with Articles 7 and 8 of the [Charter](#) and Article 8 of the [European Convention on Human Rights](#). Following a judgment declaring national legislation incompatible with those Articles, the Secretary of State for the Home Department brought an appeal, which prompted the Court of Appeal to refer questions to the ECJ for a preliminary ruling.

■ **2. FINDINGS.** The ECJ devotes the bulk of its findings to the first question referred in the Tele2 case, namely: Is a general obligation to retain traffic and location data without any distinctions, limitations or exceptions according to the objective pursued compatible with Article 15.1 of [Directive 2002/58](#)?

The Directive in question enables the Member States to limit the right to confidentiality of communications and personal data where such limitations are aimed at achieving the objectives laid down in that provision, and provided that the exception constituted by the limitation of rights does not become the general rule.

The ECJ also refers to the need to comply with general EU principles, including the principle of proportionality.

The Swedish law at issue places telecommunications service providers under the obligation to retain all traffic and location data without establishing any filters or limitations whatsoever, for the purpose of fighting crime. That data, taken as a whole, allows very precise conclusions to be drawn in respect of the private lives of natural persons, without users' knowledge or consent.

Thus, since there is no link whatsoever between the data to be retained and the objectives pursued, this law is deemed contrary to the Directive, given that it turns the exception into the general rule.

The ECJ then goes on to answer the second question in the Tele2 case and the first question in the UK case, summarising them as whether Article 15.1 of the Directive precludes unlimited access by the national authorities to traffic and location data for the purpose of fighting crime.

Here, the Court lists the requirements that national law must lay down in order for the national authorities to be able to access data for that purpose:

- The access must not exceed the limits of what is strictly necessary.
- The law must set out the material and procedural requirements to be followed and the circumstances in which access to the data shall be



permitted. In this case, access should only be granted to the data of persons suspected of being implicated in a crime, or of persons whose data could contribute to combating such activities.

- The access shall be subject to a prior review carried out by a court or independent administrative body, and the decision of that court or body should be made following a reasoned request by the authority seeking access.
- The authorities accessing the data must notify the persons affected unless that notification is liable to jeopardise the investigations being undertaken by those authorities.
- The providers who retain the data must take appropriate technical and organisational measures to ensure a high level of protection and security.
- The Member States must ensure review, by an independent authority, of compliance with the level of personal data protection guaranteed by EU law.

■ **3. REMARKS.** This judgment follows on from the *Schrems* (C-362/14) and *Digital Rights Ireland* (C-293/12) decisions concerning interference by telecommunications services in the private lives of individuals.

It furthermore considers traffic and location data, taken as a whole, as personal data, since it enables a very precise profile to be constructed in respect of the affected person, which borders on constant surveillance. **Javier FERNÁNDEZ-LASQUETTY and Martín BELLO**

### **38. A dynamic IP address can also be considered as personal data. Judgment of the Court of Justice of 19 October 2016, Breyer (C-582/14).**

**1. BACKGROUND.** Mr. Breyer lodged an appeal with the German administrative courts seeking an order preventing the websites operated by German Federal institutions from storing the IP addresses of persons accessing those sites.

In this case, the stored addresses are dynamic IP addresses which, by themselves, do not enable a natural person to be identified. However, the user can be identified when that information is combined with data such as the date on which the website was accessed and identification of the user on accessing the website.

■ ■ ■ **2. FINDINGS.** The German Supreme Court (the *Bundesgerichtshof*) referred two questions to the ECJ for a preliminary ruling.

First of all, the referring court asked the ECJ whether a computer's dynamic IP address obtained by the owner of the website could be considered as personal data in the event that the Internet access provider has the additional data necessary in order to identify a user.

The ECJ had previously established that static IP addresses constituted personal data, unlike dynamic IP addresses, which do not constitute information relating to an identified natural person. The uncertainty arises in respect of whether the information relates to an identifiable person, who can be identified either directly or indirectly.

It thus follows that the information required in order to identify a data subject does not need to be in the hands of one person, provided that the means to be used in order to carry out the identification can reasonably be used by the controller or by any other person.

In this case, the online media services provider has the legal means to obtain the necessary information from the Internet access provider, and so it has reasonable means to indirectly identify the person through a dynamic IP address.

Consequently, the ECJ holds that a dynamic IP address constitutes, in relation to the owner of a website, personal data where the latter has the legal means which enable it to identify the data subject with additional data held by the Internet access provider.

The second question concerns whether the [Data Protection Directive](#) precludes a provision in national law under which an online media services provider may collect and use data without the user's consent only to the extent necessary in order to facilitate, and charge for, use of the services provided.

German law further limits the exhaustive list of cases –set out in the Directive– in which the processing of personal data can be regarded as being lawful, and does not permit storage at the end of the consultation period for the purpose of ensuring the general operability of the services.

Therefore, in the Court’s view, insofar as it reduces the scope of the principle laid down in Article 7(f) of the Data Protection Directive, the provision of national law in question is incompatible with that Directive.

■ **3. REMARKS.** The key aspect of this judgment is the fact that it broadly extends the concept of personal data by interpreting the terms “identifiable” and “indirectly”.

A great deal of data collected during Internet browsing or in the provision of Internet services –which is capable of identifying a person insofar as it can be combined with data obtained by the access provider– will now, therefore, be considered as personal data. This vastly broadens the concept of personal data. **Javier FERNÁNDEZ-LASQUETTY and Martín BELLO**

### 39. The right to be forgotten. Judgment of the Spanish Supreme Court of 5 April 2016 ([ECLI:ES:TS:2016:1280](#)).

■ **1. BACKGROUND.** An individual filed proceedings against Google requesting the removal of a Royal Decree containing a pardon that had been granted to him from the search engine’s indexing service. Prior to the filing of those proceedings, the Spanish Data Protection Agency had issued a decision accepting a claim that this same individual had filed against Google.

The complaint was dismissed at first instance and partially accepted in an appeal lodged with the National High Court. A cassation appeal was then filed with the Spanish Supreme Court.

■ **2. FINDINGS.** The issue of Google Spain’s standing to be sued is once again addressed, and liability is shifted onto Google Inc. since this is the company responsible for the search engine and thus the one that indexes the content that is displayed. Given that the indexing of content

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by a search engine constitutes personal data processing, it is necessary to determine whether the party responsible for that processing is the Spanish subsidiary or the US parent company.

The court's reasoning, based on ECJ case-law ([C-131/12](#)), is as follows: Google Spain falls under the definition of establishment provided in the [Data Protection Directive](#). In order for that legislation to apply to an establishment, the data processing must be carried out "in the context of the activities" of the establishment, without that establishment having to be the one that processes the data.

The use of Google Search in Spain implies the appearance of advertising directed at that territory. Google Spain is precisely the sales agent of the US parent company for the sale of advertising space in Spain. Obviously, therefore, the processing entailed by the indexing displayed upon use of the search engine in Spain is carried out in the context of the Spanish subsidiary's activities.

The Spanish Supreme Court stresses that its interpretation takes account of the purpose of the law, since failure to consider the Spanish company as a party with standing to be sued in actions of this kind would cancel out the effectiveness of the provisions relating to the protection of personal data, leaving natural persons –the holders of the rights conferred by the law– unprotected.

The court then weighs up the right to freedom of information versus respect for personality rights.

The publication of the pardon in the Official State Gazette and the indexing of that information on Internet search engines is damage which must be accepted by the interested party, since it is not contrary to the data protection laws.

The issue centres on the proportionality of the processing and the principle of data quality, since once a "reasonable time period" has elapsed, the data processing, i.e., the act of displaying the results following a search using the affected party's name and surname(s), is no longer necessary.

The amount of time that should be deemed reasonable is reduced bearing in mind that the affected party is not a person of public

relevance and that the events in question have no historical value. Additionally, the risk of causing damage to the person is much greater due to the dissemination power that a tool such as the Google search engine wields. Therefore, the processing carried out by Google is not warranted.

Although a search engine cannot be required to filter such data on its own initiative, and each individual cannot construct a tailor-made online image, the party responsible for the search engine is required to respond when citizens exercise their ARCO rights.

With regard to Google's last ground for appeal, the court takes the opportunity to clarify that the right to be forgotten is not something that was created by the ECJ but an interpretation of existing laws, applicable to the case at hand due to the fact that they were in force at the time of the acts in question.

■ ■ ■ **3. REMARKS.** The court's response to Google's third ground for appeal is particularly interesting, since it explains to the appellant that the so-called "right to be forgotten" is not exactly that, but rather an interpretation of European data protection legislation. Thus, the provision that confers this right on citizens comes from the transposition of a 1995 directive; it is not a right that was created in 2014, as claimed by the appellant.

The Spanish Supreme Court also took the opportunity to uphold the ECJ's interpretation, which forces search engines to allow ARCO rights to be exercised, albeit in a limited manner. **Martín BELLO**

*Notes*





## Acronyms

**BCIP:** Benelux Convention on Intellectual Property

**ECJ:** European Court of Justice

**EEA:** European Economic Area

**EPC:** European Patent Convention

**EPO:** European Patent Office

**EUIPO:** European Union Intellectual Property Office

**EUTMR:** European Union Trademark Regulation

**MA:** Marketing Authorisation

**SPC:** Supplementary Protection Certificate

**SPTO:** Spanish Patent and Trademark Office

**TFEU:** Treaty on the Functioning of the European Union

**TRIPS:** Agreement on Trade-Related Aspects of Intellectual Property Rights

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This Review that you, the reader, are holding contains a selection of no less than 39 judgments intended to reflect current EU case-law on the subject of intellectual and industrial property.

The judgments are essentially from the Court of Justice of the European Union, which continues to show a predilection for this category of rights and continues to surprise us with findings that leave no one indifferent. However, the Review also includes decisions from the Spanish Supreme Court and the European Union Trademark and Design Court in Spain, which reveal how EU law is interpreted and applied in this country.

For the sixth year running, a large group of our Firm's professionals has worked selflessly on this project, which we hope will benefit our clients, colleagues and friends.

Our thanks go out to them for their work and, of course, to our readers.

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