

TRADEMARK PROTECTION AND GOODS IN TRANSIT

On 9 November 2006, the European Court of Justice (ECJ) rounded off its case law on the impoundment of goods transiting through the territory of a Member State of the European Community¹.

The issue was whether the proprietor of the “Diesel” trademark, which is protected in Germany, could prohibit the unauthorized transit through German territory of trousers bearing the “Diesel” sign manufactured in Poland (which was not member of the European Community at the time of the events), which were intended for Ireland, where the “Diesel” trademark is not protected, so the trousers could be freely marketed there. The answer in that case was negative.

According to Articles 5.1 and 5.3 of Directive (EC) No. 89/104 of 21 December 1988 to “approximate the laws of the Member States relating to trademarks”, a trademark proprietor can prohibit any third party “from using in the course of trade” a sign identical to such proprietor’s and particularly “from importing or exporting the products under the sign”. The ECJ found that these provisions must be interpreted as not allowing the trademark proprietor to prohibit the transit through a Member State in which the trademark is protected, under the external transit procedure, of products bearing the proprietor’s trademark, which are intended for another Member State where the trademark is not protected. The Court reasoned that as the external transit procedure does not involve any marketing of the goods in transit, it does not constitute use of the trademark liable to infringe the specific subject matter of the trademark, which is to guarantee that the trademark’s proprietor is able to place its products on the market in the Community. As a result, a trademark proprietor is able to prohibit the transit of goods under the external transit procedure in a Member State where its trademark is protected, which are intended for another Member State where its trademark is not protected, but only “if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in the Member State of transit”. The ECJ also pointed out that this solution applies whether the goods concerned come from a Member State or a third State and irrespective of whether they were manufactured legally in their country of origin or in breach of a trademark right held by the trademark’s proprietor which is in force in such country.

With this judgment the ECJ completed its prior case law on the transit of goods and restricted even further the possibility for trademark proprietors from having goods impounded which merely transit via a Member State.

■ The limits of the trademark proprietor’s rights regarding goods in transit

Based on Articles 5.1 and 5.3 of Directive (EC) No. 89/104 of 21 December 1988 and Articles 9.1 and 9.2 of Regulation (EC) No. 40/94 of 20 December 1993 on the Community trademark, the ECJ had already held that a trademark proprietor could not “oppose the mere entry into the Community, under the external transit procedure or the customs warehousing procedure, of original goods bearing that mark which had not already been put on the market in the Community previously by that proprietor or with his consent” (ECJ, 18 October 2005, C.C-405/03, “Class International”).

The ECJ clarified its prior case law when it found that the conditions for the infringement of trademark rights are the same as under Regulation (EC)

No. 3295/94 of 22 December 1994 “laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods” originating from a country not belonging to the Community. According to the ECJ, the detaining measures set out in this Regulation are applicable to goods in transit in a Member State where the trademark is protected (ECJ, 4 January 2004, C-60/02, “Rolex”). However, according to the 9 November 2006 judgment, products merely in transit and neither sold nor offered for sale during transit do not infringe the specific subject matter of the trademark, so that the products also cannot be impounded by customs on the basis of this Regulation.

In addition, the ECJ has adopted the same solution for intra-Community transit based on the free movement of goods and more precisely Articles 28 to 30 of the EC Treaty. The ECJ ruled that the transit of goods did not infringe the trademark proprietor’s rights to use its trademark when it first places its products on the market in Community territory. Consequently, detaining goods in transit constitutes a restriction to the free movement of goods which is not justified for the protection of the trademark proprietor’s rights and is therefore prohibited. This applies irrespective of whether the authentic goods originating from a Member State are transiting to another Member State (ECJ, 26 September 2000, C-29/99, “Commission / France”) or to a third country (ECJ, 23 October 2003, C-115/02, “Rioglass”), since in both these cases the intra-Community market is involved.

The French judges took note of the ECJ’s interpretation of the Community texts regarding the scope of the trademark proprietor’s rights. The Court of Appeal for example had occasion to rule that “conditioning products which have never been offered for sale in France, which bear the trademark in issue and which are held solely with a view to their shipment to a subsidiary to be lawfully placed on the market of a third country cannot be deemed a use in the course of trade and is not therefore liable to infringe the specific subject matter of the trademark” (Paris Court of Appeal, 4th Chamber, 1 June 2005, “BBV v/ L’Oréal et alia”). As a result, a trademark proprietor cannot oppose the manufacture, conditioning and holding of infringing products in France, which have been shipped to be marketed legally in another country, even though Articles L.716-9 and L.716-10 of the Intellectual Property Code sanction the holding without a legitimate reason, the import under any customs procedure or the export of goods presented under an infringing trademark.

■ The recourse available to the trademark proprietor regarding goods in transit

Other than the situations expressly provided by the ECJ, where products in transit are put on the market in the country through which they are transiting, the ECJ would appear to lay down the condition that the goods must be legally marketed in the territory of destination (for a concurring view, see also: Paris Court of Appeal, 1 June 2005, cited above). Consequently, a trademark proprietor could oppose the transit of goods through a Member State which are intended to be marketed in another country where its trademark is protected.

Finally, it is worth noting that under Regulation (EC) No. 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights, the proprietor of a Community trademark can, based on a single application for action to the French customs, obtain protection that encompasses all the territories of the Community’s Member States.

¹ ECJ, 9 November 2006, C-28/105, “Montex Holdings Ltd v/ Diesel Spa”

- **NEWS FLASH:**

- **Is this the end of formalism in copyright matters?**

The First Civil Chamber of the French Supreme Court took the legal community by surprise with its 21 November 2006 judgment. It unveiled an interpretation of the Intellectual Property Code which was strictly the opposite of the traditional interpretation propounded by case law and legal commentators.

The facts are straightforward: a fashion designer, who was also art director of the company in which he was a partner, accused the company of exploiting the models he had created for the "2001/2002 Autumn-Winter" collection without his authorisation. An essential element: the parties had not signed an assignment agreement to settle the question ab initio, although the purpose of their partnership was exclusively to exploit the designer's creations.

If the Supreme Court had followed its age-old position, it would have simply inferred no written agreement, therefore no assignment, based on Article L.131-3 of the Intellectual Property Code ("IPC"), which requires the deed of assignment to indicate specifically each right assigned under it and define its scope, purpose, place and duration.

However, the Supreme Court went in the opposite direction: confirming the Paris Court of Appeal judgment of 16 February 2005, it came down in favour of an extremely narrow interpretation of Article L.131-3 of the IPC and found that only the agreements expressly referred to in Article L.131-2 of the IPC, in other words those where a written document is required ad validitem, are concerned by Article L.131-3.

Judges interpreting the combination of these two articles therefore came to the conclusion that only performance, publishing and audiovisual production agreements would require a written document, with the obligation to identify the assigned rights and indicate their precise scope. For the other agreements, the question of a written document would arise only in terms of proof. According to the Supreme Court, ordinary law rules would then apply, i.e. Articles 1341 and following of the Civil Code.

Although this judgment should not be afforded the qualification of a landmark decision, the fact remains that it is not without some influence. It would appear to reflect a trend in case law which has in the past endorsed the implicit assignment of the author's economic rights in employment contracts and even commission contracts.

Yet the solution is not quite as clear cut as it appears: various judgments, including that of 21 November 2006, have accepted this implicit assignment only when the two parties' relations had been distinguished right from the outset by their intent to produce the work on an industrial scale, which the Court of Appeal sometimes terms their "common project".

Does this mean that the Supreme Court will sanction an author it deems to be in bad faith? It's still too early to tell.

Caution would suggest that an assignment of rights document is essential in all circumstances, so that practitioners do not become the first victims of a perceptible legal insecurity.

- **First implementing decree of the "DADVSI" law**

The law on copyright and performing rights in the information society of 1 August 2006 (known as the "DADVSI law"), which has attracted a lot of media interest, has become more clearly defined with the publication in the official journal of 30 December 2006 of its first implementing decree "on the criminal prevention of certain infringements of copyright and performing rights".

According to this decree, dealing with the bypassing of technical protective measures, any person holding or using a technological application, device or component that can disable the technical protective measure which is protecting a work, performance, sound recording, video recording, programme or database is liable for a fine equivalent to offences of the fourth class [750 Euros]; the decree also sanctions the deletion or modification of the information messages that now accompany these works.

However, these provisions do not apply to acts which "are not prejudicial to the rights holders and are carried out for computer security purposes or scientific research into cryptography".

Many other implementing decrees are expected in 2007 for the "DADVSI law".

- **Trademarks / domain names: make sure you file quickly!**

We have recently seen an increasing number of disputes between trademarks and domain names. One of the many examples was the WIPO Arbitration and Mediation Centre's decision of 20 December 2006, in the dispute between the holders of the name "skyblog.com" and the holders of the names "askyblog.com", "dskyblog.com", "skyblogf.com", "skyblogh.com" and "skyblogt.com".

The applicants (Vortex and Telefun) claimed in support of their complaint that the domain names involved were identical, or at least so similar that they created a risk of confusion, since they reproduce the "skyblog" trademark in full and they relate to blogs.

The Arbitration Centre rejected this argument. After observing that the "skyblog" trademark was merely in the process of being registered – so an opposition procedure could always be brought against it – it refused to give it the same recognition as a trademark that had actually been registered.

In addition, it was just as uncompromising when it refused to accept that the trademark was acquired due to its being used and also its qualification as a notably well-known trademark. The application was therefore denied.

Even so, the Administrative Panel closed its decision with the words: "There is no need to pursue the analysis. However, the Panel would like to stress that it would not have had any compunction in concluding that the Applicants were able to demonstrate the Defendant's lack of a legitimate interest in the domain names and that the Defendants registered and used the domain names in bad faith".

A decision taken reluctantly but which gives a hint of potential future legal action on the grounds this time of unfair competition...

- **UFC Que Choisir v/ Sony: sanction for deceit and tied sales**

Consumer associations have taken another big step forward in their dealings with the leading music producers.

In a case brought before the Nanterre Court of First Instance (TGI), UFC-Que Choisir accused Sony France and Sony UK of marketing digital music players which could not play musical works been downloaded legally from other sites than Sony's – and conversely, of integrating protective measures into the musical works marketed on the Sony site which prevented them from being transferred and listened to on all the digital music players existing on the market, and above all of doing so without informing consumers.

The two articles referred to were Article L.213-1 of the Consumer Code, which establishes the offence of deceit, and Article L.122-1 of the same Code, which prohibits conditioned sales and tied sales.

The Nanterre TGI held in its 15 December 2006 judgment that the offence of deceit was constituted insofar as the Court found that the information proposed to consumers was not sufficiently clear, precise and immediately comprehensible, since it was "very allusive". The TGI went even further, judging that Sony France and Sony UK were guilty of "fraudulent non-disclosure revealing their bad faith" by not putting consumers in a position to make a purchase in full possession of the relevant information.

The TGI deduced the offence of conditioned sales from the double usage restriction, which resulted in preventing any interoperability between the products from various sources.

The sanction was chosen clearly with the intent to "cure" rather than to "kill": the TGI enjoined Sony to display clearly the usage limitations on the packaging and on its website and ordered the publication of a press release on this same site in addition to the payment to UFC-Que Choisir of EUR 10,000 as damages.

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