

KEY JUDGMENT ON EXHAUSTION OF RIGHTS



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The *Davidoff* trademark has again been at the centre of a groundbreaking judgment on exhaustion of rights. The exhaustion rule means that a trademark owner cannot oppose the use of a trademark for products bearing the trademark that have been placed on the market by the trademark owner or with its permission in the European Economic Area (EEA).

In the Netherlands, the *Davidoff* trademark is the subject of a dispute regarding the question of whether the trademark owner can take action against the illegal sale of perfume testers or whether the traders can get away with selling them by invoking exhaustion.

The purpose of a tester is to allow potential buyers to try the perfume. If a retailer were to use the actual bottle for that purpose, it would no longer be able to sell that opened bottle. Perfume producers therefore provide retailers with free testers.

Accordingly, Coty Prestige Lancaster Group GmbH (Lancaster), the exclusive licensee of the *Davidoff* trademark, provides its stockists with free testers of its perfume products. Lancaster sells its products only to stockists with which it has entered into a contract that forms part of a system of selective distribution. The contract between Lancaster and the stockists provides that the stockists may use the testers only for advertising purposes. Commercial use is prohibited. Lancaster remains the owner of the testers and the word 'demonstration' is printed on the testers in addition to the trademark. The packaging states that it is not for sale—*Vente Interdite-Unverkauftlich*.

A third party, Tico Trading BV (Tico) had obtained and was selling testers of *Davidoff* fragrances. In response, Lancaster instituted summary proceedings to put an end to the sale of the testers by Tico. Finding in Lancaster's favour, the judge ruled that since it is unclear where the testers come from, Tico was required to prove exhaustion of rights. According to the judge, the burden of proof can be reversed only if Tico proves that there is a realistic risk of ring-fencing of national markets. The fact that Lancaster uses a system of selective distribution is insufficient to assume the existence of that risk.

The question whether a trademark owner can successfully take measures against those supplying such testers within the EEA with the trademark owner's permission was not answered in these summary proceedings. Fortunately, an answer may be forthcoming, because Lancaster has instituted summary proceedings against another party illegally selling perfume testers.

“THE EXHAUSTION RULE MEANS THAT A TRADEMARK OWNER CANNOT OPPOSE THE USE OF A TRADEMARK FOR PRODUCTS BEARING THE TRADEMARK THAT HAVE BEEN PLACED ON THE MARKET BY THE TRADEMARK OWNER OR WITH ITS PERMISSION IN THE EUROPEAN ECONOMIC AREA (EEA).”

In my opinion, the doctrine of exhaustion will be of no avail to a party selling testers, because:

- A perfume tester is a product that, by its nature, is not and may not be sold
- Providing free testers cannot be considered placing them on the market
- The trademarks on the testers have a reference function. Exhaustion does not follow by law from such a function of the trademark, since exhaustion follows only from use of the trademark for the product, i.e. to identify the product and its origin
- The sale of perfume testers is possible only because a stockist has placed them on the market in violation of its contractual obligation. If a stockist does so, that constitutes the first sale of the products bearing the trademark in the EEA without the trademark owner's permission. Case law of the European Court of Justice provides that the trademark owner may control such first sale
- It is the stockist that realises the economic value by selling the testers that were made available free of charge for demonstration purposes. Since it does so without the trademark owner's permission, the trademark has not been exhausted
- The status of the testers placed on the market by the trademark owner is that of a tester—promotional material. If the tester is nevertheless sold, its status is thereby changed. This means that the trademark owner may oppose the sale of those testers.

In conclusion, in my opinion, the judge will have to rule in favour of the trademark owner in this case.

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PROTECTING THE ARTISTIC PROCESS



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On June 30, 2009, The Hague Court of Appeal passed a much anticipated judgment on a principal copyright matter.

In the Netherlands, copyright is constituted solely by a creative process that results in an expression of creation (on paper, in music or performance, in applied art, etc.). This creation is considered to be a copyright-protected work, but only works with a certain level of originality are protected.

This doesn't imply a judgment of quality by the courts or any other institution. The creation doesn't have to be a work of 'Art' with a capital 'A'; it simply means that the work has to have its "own, original character with the personal mark of the author". If such a work is created, it does not need to be registered in order to benefit from copyright protection, but in general, the more original the art, the broader the scope of its protection.

Stokke AS has produced and sold the Tripp Trapp chair since 1972. The chair was designed by Norwegian designer Peter Opsvik.

Fikzo BV sells a chair under the name Bambino on the Dutch market. The chair is similar to the Tripp Trapp chair, and Stokke claimed that the Bambino infringes the copyright of Opsvik.

The Tripp Trapp is a famous design for a children's chair. It is shaped like a cursive 'L' and its special feature is that all the 'supporting' elements (seat, feet support and back support) are incorporated in the two diagonal standing elements of the chair. This means that, from a side view, these supporting elements are hardly visible.

The Tripp Trapp chair is also characterised by its minimalistic, so-called Scandinavian style. Finally, it also has an unusual technical feature—its supporting elements can be easily adjusted in height by moving them between the 14 different horizontal slots in the diagonal standing elements.

In the first instance proceedings, Stokke lost. The court of first instance in The Hague analysed the Tripp Trapp design and found that most of the elements were either part of the Scandinavian style or technically determined. This meant that there was only limited scope for copyright protection, and the court ruled that the Bambino chair only copied non copyright-protected elements.

This judgment was much criticised by both lawyers and designers.

In appeal, Stokke was successful. This time, the court said that even if the shape of a product is the result of certain choices within a technically limited framework, it still may be 'original' in the sense described above. Only those elements necessary to obtain a technical effect are not protected by copyright.

“IN THE NETHERLANDS, COPYRIGHT IS CONSTITUTED SOLELY BY A CREATIVE PROCESS THAT RESULTS IN AN EXPRESSION OF CREATION (ON PAPER, IN MUSIC OR PERFORMANCE, IN APPLIED ART, ETC.). THIS CREATION IS CONSIDERED TO BE A COPYRIGHT-PROTECTED WORK, BUT ONLY WORKS WITH A CERTAIN LEVEL OF ORIGINALITY ARE PROTECTED.”

Stokke showed that there are many other design alternatives to the technical solution of a children's chair that can be adjusted in the same manner as the Tripp Trapp (and Bambino) chair. And although some of the characteristics of the Tripp Trapp are part of the Scandinavian style (and therefore not protected), this cannot be said of its unusual L-shape and the diagonal standing elements that incorporate the supporting elements. These two characteristic features of the Tripp Trapp are therefore original as defined by the Dutch Copyright Act.

The Court of Appeal concluded that the Bambino used at least one of the two copyright-protected elements of the Tripp Trapp. It then had to determine whether this was sufficient to constitute copyright infringement.

For applied art, it is necessary that the overall impression of both the original product and the attacked product are the same. This is different in the case of 'Art', where copying only one element of a much larger work can constitute infringement, whether or not the overall impression is the same.

The court noted that this is not a trademark matter: the risk of confusion is irrelevant.

Finally, the court held that the specific circumstances of each case are important. In this case, the court acknowledged that the Tripp Trapp is a revolutionary design that has won many awards. Consequently, a broad copyright protection is in place. Under these circumstances, although the overall impression is different, the Bambino is not different enough. Good news for the designer furniture business: a children's chair protected as Art with a capital A!

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FILING IN BAD FAITH

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The Amsterdam Court has passed an interesting judgment regarding the concept of “filing in bad faith” in trademark law.

It is difficult to prove that a trademark has been filed in bad faith if the infringer denies that it had any knowledge of earlier conflicting trademark use. Fortunately, the Benelux Convention on Intellectual Property offers the trademark owner the possibility of construing such bad faith by citing circumstances from which knowledge of the older rights is apparent. A registration is also considered to have been made in bad faith if the applicant should have known that a third party had made normal use of a similar mark. That is the case, for instance, if such prior use is generally known in interested circles.

Jensen Møbler, the renowned box spring manufacturer from Norway, was confronted with a registration in bad faith. Kuperus Almelo, a Dutch manufacturer of bedroom furniture, registered the Swensen trademark for box springs in the Benelux countries before Jensen registered its Jensen trademarks in the Benelux countries.

Jensen claimed an injunction on any use by Kuperus of the Swensen signs and removal of the trademarks. According to Jensen, Kuperus is committing trademark infringement by using the aforesaid signs and is acting unlawfully.

Jensen based its claims on, among other things, the filing in bad faith by Kuperus of the Swensen trademarks. This means that Kuperus—because it knew or should have known about the earlier use by Jensen of the ‘Jensen’ and ‘Jensenbed’ signs—should not have filed or registered its Swensen signs as trademarks. It is undisputed between the parties that the Jensen and Swensen trademarks are confusingly similar.

In its interlocutory judgment, the Amsterdam Court ruled that the issue of normal prior use in good faith by Jensen is important to this case. Between 2001 and February 2003, Jensen presented itself to dealers, sold box springs and advertised within the Benelux countries. Since the use of the Jensen sign commenced before Kuperus filed its Swensen trademark, the question that remains is whether the registration by Kuperus was made in bad faith.

The registration in bad faith arrangement is intended to correct possible abuse of the trademark register. According to the court, it follows from that reason, i.e. the avoidance of abuse, that general knowledge must be proven in a smaller group of relevant parties as opposed to a significant proportion of the public for which the products or services are intended. According to the court, what the applicant should have known must be asserted in the context of the interested circles in which the applicant operates and from which it derives its knowledge of possible competing signs.

“THE REGISTRATION IN BAD FAITH ARRANGEMENT IS INTENDED TO CORRECT POSSIBLE ABUSE OF THE TRADEMARK REGISTER.”

In its interlocutory judgment, the court ruled that there was insufficient evidence that Kuperus knew about Jensen’s prior use. However, it gave Jensen the opportunity to prove that Kuperus should have known of the prior use. The order to produce evidence read as follows: Jensen must prove that it was generally known in the bed industry before February 2003 that Jensen used its trademark for box springs. For that purpose, Jensen called 11 witnesses. Kuperus submitted nine written statements.

In its final judgment, the court ruled that it is apparent from the witness statements that Kuperus knew about the prior use of the trademarks by Jensen. The court thereby retracted its earlier ruling that Kuperus did not have direct knowledge, with reference to the standard presented below as recently formulated by the Dutch Supreme Court:

“The requirements of due process mean that a judge who has established that a final ruling previously given by him but not recorded in a final judgment has an incorrect legal or factual basis is authorised, after the parties have been given the opportunity to present their views in that context, to reconsider that final ruling to avoid passing final judgment on an incorrect basis.”

A trademark owner unable to prove direct knowledge on the part of the applicant will have to construe the applicant’s knowledge of the older rights from other circumstances. Knowledge of the prior use in the interested circle in which the applicant operates may suffice for that purpose.

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