
Surprising extension of trademark protection: The Court of Justice of the European Union holds that “debranding” of imported original products is trademark infringement

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In its judgment of 25 July 2018 in Case C-129/17, Mitsubishi Shoji Kaisha Ltd v. Duma Forklifts, the Court of Justice of the European Union (CJEU) ruled that the removal of the mark from imported original goods and the application of marks of the importer constitutes trademark infringement.

Facts and questions referred

The claimant, Mitsubishi, is the owner of the Benelux and EU trademarks MITSUBISHI and the well-known three-pointed star design. The defendants, Duma, and one of its affiliates, have purchased original Mitsubishi forklifts outside the EEA and imported them into the EEA. In part, these were marketed under the Mitsubishi brands. In part, they were transferred to the customs warehousing procedure, where all the Mitsubishi trademarks were removed, the necessary adaptations were made to conform to the standards applicable in the Union, and labels and serial numbers were also removed. Thereafter, the defendant's marks were affixed to the forklifts. Subsequently, the forklifts were taken out of the customs warehousing procedure and were marketed in the EU and the rest of the EEA.

Because of the marketing of the original goods with the Mitsubishi trademarks on them, the defendants were held by *the Hof van beroep te Brussel* (Brussels Court of Appeal) to have committed trademark infringement. For the remaining cases - removal of the marks and new marking – the court stayed the proceedings and referred the following questions to the CJEU for a preliminary ruling:

(1)(a) Do Article 5 of Directive 2008/95 and Article 9 of Council Regulation No 207/2009 cover the right of the trade mark proprietor to oppose the removal, by a third party, without the consent of the trade mark proprietor, of all signs identical to the trade marks which had been applied to the goods (debranding), in the case where the goods concerned have never previously been traded within the EEA, such as goods placed in a customs warehouse, and where the removal by the third party occurs with a view to importing or placing those goods on the market within the EEA?

(b) Does it make any difference to the answer to question (a) above whether the importation of those goods or their placing on the market within the EEA occurs under its own distinctive sign applied by the third party (rebranding)?

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(2) Does it make any difference to the answer to the first question whether the goods thus imported or placed on the market are, on the basis of their outward appearance or model, still identified by the relevant average consumer as originating from the trademark proprietor?

The Opinion of the Advocate General

In his Opinion of 26 April 2018 Advocate General M. Campos Sánchez-Bordona proposed that the Court should conclude that debranding and subsequent rebranding do not constitute trademark infringement. Since the goods are not yet in free circulation in the internal market, the case must be assessed in the same way as the importation of goods whose marks were removed abroad. The removal of trademarks cannot be qualified as an act of "use" reserved for the trademark owner. However, Member States could apply their rules for the protection of fair competition to such practices.

The judgment of the ECJ

The CJEU deals with both questions together and answers them as follows:

Article 5 of Directive 2008/95/EC [...] to approximate the laws of the Member States relating to trade marks and Article 9 of Council Regulation (EC) No 207/2009 [...] on the European Union trade mark must be interpreted as meaning that the proprietor of a mark is entitled to oppose a third party, without its consent, removing all the signs identical to that mark and affixing other signs on products placed in the customs

warehouse, as in the main proceedings, with a view to importing them or trading them in the EEA where they have never yet been marketed.

In support of its reasoning, the Court relies on its well-known case-law on the functions of trademarks (function of origin, quality function, advertising function, investment function). These functions would be impaired if the trademark owner did not retain the right to use his trademarks when first placing his goods on the market. Moreover, the defendants' actions are incompatible with the objective of trademark protection to ensure "undistorted competition". The relevant considerations of the judgment are set out in paragraphs 44, 46, and 47:

44 As regards the function of the indication of origin, it suffices to recall that, in paragraph 48 of the judgment of 16 July 2015, *TOP Logistics and Others* (C-379/14, EU:C:2015:497), the Court has already held that any act by a third party preventing the proprietor of a registered trade mark in one or more Member States from exercising his right to control the first placing of goods bearing that mark on the market in the EEA, by its very nature undermines that essential function of the trade mark.

46 Moreover, the removal of the signs identical to the mark and the affixing of new signs on the goods precludes the trade mark proprietor from being able to retain customers by virtue of the quality of its goods and affects the functions of investment and advertising of the mark where, as in the present case, the product in question is not still marketed under the trade mark of the proprietor on that

market by him or with his consent. The fact that the trade mark proprietor's goods are placed on the market before that proprietor has placed them on that market bearing that trade mark, with the result that consumers will know those goods before being able to associate them with that trade mark, is likely substantially to impede the use of that mark, by the proprietor, in order to acquire a reputation likely to attract and retain consumers, and to serve as a factor in sales promotion or as an instrument of commercial strategy. In addition, such actions deprive the proprietor of the possibility of obtaining, by putting the goods on the EEA market first, the economic value of the product bearing that mark and, therefore, of its investment.

47 Thirdly, by infringing the trade mark proprietor's right to control the first placing of goods bearing that mark on the market in the EEA and by adversely affecting the functions of the mark, the removal of the signs identical to the mark and affixing of new signs on the goods by a third party, without the consent of the proprietor, with a view to importing into or placing those goods on the market in the EEA and with the aim of circumventing the proprietor's right to prohibit the importation of those goods bearing its mark, is contrary to the objective of ensuring undistorted competition.

The outcome does not depend upon whether or not customers recognize the debranded Mitsubishi forklifts, because of their appearance, as Mitsubishi products: "In that regard, it must be observed that, while the essential function of the mark may be harmed irrespective of that fact, that fact

is likely to accentuate the effects of such harm" (para. 45).

The term "use" should be interpreted broadly: the removal of the marks in order to affix its own marks constitutes an "active conduct" by the defendant, "which, since it is done with a view to importing those goods into the EEA and marketing them there and is therefore carried out in the exercise of a commercial activity for economic advantage, within the meaning of the case-law [...], may be regarded as a use in the course of trade" (para. 48).

It was irrelevant that the removal of the marks was carried out under the customs warehousing procedure because the goods were released for free circulation in the EEA, and, following the amendment of the EUTM and the insertion of Article 9 (4) EUTMR on trademark infringements to cover acts of transit, acts such as those in the present case constitute trade mark infringement even before the goods are released for free circulation in the EEA (para. 50).

Remarks

In many countries inside and outside the EU, trademark removal or suppression is not considered a trademark infringement. In these jurisdictions, neither the removal itself nor the subsequent placing on the market of the goods without the removed mark is an act of "use" of the trademark. In his Opinion, the Advocate General draws attention to the legal situation in Germany and the United Kingdom. In France, brand suppression is expressly regulated as infringement.

Therefore, it is a true sensation that the Court of Justice in the present judgment, disregarding the Opinion of the Advocate General, classifies the removal as a trademark infringement.

The Court sees no difficulty qualifying the brand removal as "use". The prevention of the advantages that the trademark owner has from placing goods on the market under his mark constitutes an impairment of the function of origin and of the quality, advertising and investment function. Interestingly, the Court for the first time gives a more detailed explanation of these functions (para. 34 to 37). While previously these functions were invoked in double-identity situations and the protection of marks with reputation, they here make their reappearance in relation to conduct affecting the mark of the proprietor itself.

No specific answer is given to the second part of the first question, namely whether trademark infringement depends on the defendants affixing their own mark after the debranding. However, it is clear from

the Court's reasoning that that fact is not decisive – the debranding is the essential interference that the proprietor can prevent.

It is worth noting that the Court does not even mention its case-law on parallel imports of medicinal products in intra-EEA trade. As is well-known, the Court does not consider the practice of debranding of medicines already on the market and their rebranding in the context of parallel imports as exhaustion or covered by an exception to exhaustion, but directly applies Article 34, 36 TFEU to allow such manipulation in appropriate cases (see e.g. judgment of 12 October 1999, Case C-379/97, *Pharmacia & Upjohn v. Paranova*).

This raises the question whether the Mitsubishi judgment covers only the specific facts of the case, that is the importation of original products and the removal of their trademarks prior to their placing on the market in the EEA (the trademark proprietor can always prohibit the marketing of original products imported from third countries under their original trademarks), or also applies to debranding (with or without rebranding) of goods already in free circulation, i.e. to goods placed on the market in the EEA by the proprietor or with his consent. In any case, according to the Mitsubishi judgment, trademark infringement in these cases cannot be denied on the grounds that there would be no "use". Thus, the decision would seem to depend on whether such practices may affect the functions of the trade mark. In many cases this will probably have to be answered in the affirmative. The trademark proprietor's

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ability to benefit from the goodwill of his brand will be affected if third parties would have the unlimited opportunity to remove the brand from original products and then re-sell them as "no names" or with their own brands.

In the absence of clarity, we will have to wait for further case law and perhaps additional references to the Court of Justice.