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Court permits use of multi-branded packaging by reseller

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The Court of Appeal of The Hague recently had to rule on whether the use of multi-branded packaging was allowed.⁽¹⁾

Facts

Coty, a well-known international perfume manufacturer, started action against the Dutch company Easycosmetic. Easycosmetic sells a wide range of A-brand perfumes. These brands include JIL SANDER and DAVIDOFF, trademarks that fall within the Coty group. It was not in dispute that all products sold by Easycosmetic concerned products in relation to which any trademark rights in principle were exhausted; the products had been put on the market in the European Economic Area with the consent of the trademark owner.

Regardless of exhaustion, a trademark owner can still prohibit sales under its trademark where there are legitimate reasons for it to oppose further commercialisation of the goods. According to article 15(2) of the EU Trademark Regulation, this is especially the case where the condition of the goods is changed or impaired after they have been put on the market. This was not the case for the goods sold by Easycosmetic.

Coty's complaint concerned Easycosmetic supplying its wide range of products in packaging that bore 80 A-brands, including JIL SANDER and DAVIDOFF. Coty opposed the use of its trademarks on the packaging (Figures 1 and 2).



Figure 1: Easycosmetic's use of Coty's trademarks – the outside of the packaging



Figure 2: Easycosmetic's use of Coty's trademarks – the inside of the packaging

Court of Justice of the European Union (CJEU) case law (*Dior/Evora*) establishes that a reseller is allowed to make use of an exhausted trademark in marketing, in ways customary in the reseller's sector of trade, for the purpose of bringing to the public's attention the further commercialisation of those goods, unless it is established that, having regard to the specific circumstances of the case, the use of those goods for that purpose seriously damages the trademarks' reputation. CJEU case law has also established that advertising the exhausted trademark in a way that creates the impression of an economic link with the trademark owner is not allowed.

Coty opined that:

- Easycosmetic's specific use of the trademarks on packaging created the impression of an economic link; and
- the manner of advertisement was not customary in the sector of trade.

Decision

At first instance, the District Court of The Hague prohibited Easycosmetic from using the specific packaging. It held that the packaging created the impression of an economic link.

The Court of Appeal of The Hague was of a different opinion. It held as follows:

- Since the tradename "Easycosmetic" and the slogan "Beauty for less" were depicted in black and white and separated from the

"cloud" of trademarks, they stood out. The attention of the public would therefore be drawn to these elements.

- Because so many trademarks were used, and because they were depicted in a light colour compared with their background, no single trademark stood out.
- The use of the packaging gave the impression that Easycosmetic sold a wide range of brands. In this regard, the Court also deemed it important that no use was made of the specific figurative depictions of the trademarks; rather, a font that adhered to Easycosmetic's house style was used.
- The sheer amount of trademarks that were used made it unlikely that the consumer would think that Easycosmetic had an economic link with all of the various trademark owners.
- The slogan "Beauty for less" implied that lower prices were being offered and thus strengthened the impression that the trademarks were used by a non-commercially linked discount outlet that sold many brands of cosmetics. In addition, the Court also pointed out that the products were being offered online on a website that clearly presented itself as a discount outlet.

The Court also rejected Coty's argument that the manner of advertisement was not customary in the sector of trade, holding that the fact that a manner of advertisement is not customary is not sufficient in itself. Unlike Coty, the Court interpreted the CJEU case law in the *Dior/Evora* case to mean that a legitimate reason for a trademark owner to oppose further commercialisation of the goods can exist only when the function of indicating the origin of the product is damaged. This can be the case when the specific use damages the reputation of the trademark or creates the impression of an economic link.

Comment

The case shows that this area of law can be interpreted in different ways. Unlike the first-instance court, the Court of Appeal of The Hague found that the packaging did not create the impression of an economic link.

Based on this verdict, however, resellers are definitely not free to use multi-branded packaging. It is clearly attractive for resellers to communicate to the customer – by means of packaging – that they also sell various other brands. Nevertheless, resellers should remain cautious when using multi-branded packaging. What exactly is permitted and what is not remains highly ambiguous.

What if Easycosmetic had not used 80 brands on its packaging, but only 10? In such a case, the idea that Easycosmetic could have an economic link with all of them would become less unlikely. What if Easycosmetic had not presented itself as a discounter on the packaging and/or at the venue (the website) where the goods could be ordered? Many different factors can increase or decrease the impression of the existence of an economic link.

There will undoubtedly be additional cases in the future on this subject matter, given that this decision in any case seems to open the doorway for resellers to use multi-branded packaging. Coty is fighting similar cases in other European countries up to the highest courts. It can be expected that Coty will take the matter to the Dutch Supreme Court.

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Endnotes

(1) Court of Appeal of The Hague 17 August 2021 (IEF 20184).