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# Ranging Abroad: a Spotlight on Infringements Online, and Where to Fight Them

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### The Systems in Play

Jurisdiction can be a tricky business in any international field – but the question of online trade mark infringement brings the issue into sharp focus, and becomes a real test of the European Union Trade Mark (“EUTM”).

So when your trade mark is infringed online in Europe, where should proceedings be brought? The answer is not always simple.

The complexity stems from the various different international systems in play, all interacting with each other. First, there is the EUTM system itself, established as the Community Trade Mark in 1994. It is a unitary right, potentially allowing a Community Trade Mark court in Europe to reach a single decision with effect across the whole EU. Second, there is the European single market that underlies it: a fundamental principle of the EU established with the aim of market integration, making consumer sales (and promotion) across different jurisdictions a commonplace occurrence. Third, where a national trade mark is at stake, the system of laws and treaties setting the rules of jurisdiction for tortious claims more generally is relevant.

Finally, there is the internet, and the e-commerce that it enables. This way of accessing products and services has now become standard, but at the time that the laws were set out it was no more than a distant prospect, largely unforeseen. Since then, the very way we consume products and services has radically changed.

The EUTM and online commerce have grown up together. In April 1995 (when the Community Trade Mark was still being implemented into national law), the book *Fluid Concepts and Creative Analogies* became the first book sold on Amazon.com.

But online commerce is not done on a handshake – the parties to the contract are likely to be distant in place and in time; and intermediaries such as the online marketplace or hosting company behind the website on which transactions are completed may very well be in quite another place. So when trade marks are infringed online, the appropriate jurisdiction for infringement becomes the first point of order. And it is with these multiple plates spinning that ‘fluid concepts and creative analogies’ are exactly what is necessary.

### Choose with Precision

Due to the complexity, the determination of jurisdiction is an important decision to be taken with care: a case can stand or fall on the choice of jurisdiction, which has to be made at the very outset of the decision to take legal action. The wrong choice of EUTM court can lead to a court declining jurisdiction, and setting a rights holder back to square one. In the heat of a dispute, the decision is sometimes taken

in a rush, and nearly always before all the facts are known, so it is as well to keep up with developments in this field (see below for an example of a pending reference before the Court of Justice of the European Union (“CJEU”) which is relevant to jurisdiction regarding trade mark infringements online).

### The Background Principles

The legal jurisdictional regime of the European Union is contained in the Brussels I (recast) Regulation, more formally known as *Council Regulation (EC) No 1215/2012 of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters*. This is relevant for claims of infringement of national trade marks, such as a UK trade mark, where the parties are based in Europe.

The Regulation provides the general rule that a person domiciled in a Member State shall be sued in the courts of that Member State. However, as an exception to this, in matters of tort (including IP infringements), a person domiciled in a Member State may be sued in another Member State “*in the courts for the place where the harmful event occurred or may occur*”.

Infringements of EUTMs are, however, governed by a different regime, set out in the European Trade Mark Regulation (“EUTMR”). The regime sets out a jurisdictional cascade as follows.

- (a) An EUTM infringement action must be brought in the Member State in which the defendant is domiciled or established (Art 125(1));
- (b) if the defendant is not domiciled or established in a Member State, the EUTM infringement action must be brought in the plaintiff’s Member State of domicile or establishment;
- (c) if neither defendant nor plaintiff is domiciled or established in a Member State, the action must be brought in Spain; but
- (d) infringement actions “*may also be brought in the courts of the Member State in which the act of infringement has been committed or threatened*” (Art 125(5) EUTMR).

Depending on the location of domicile or establishment of the parties, the claimant may therefore have a choice between suing in the domicile state of the relevant party, or in the country in which the act of infringement was committed. In the latter case, however, it is to be noted that the jurisdiction of the court seized will only extend to infringements in that territory (whereas courts seized on the basis of domicile/establishment of a party are competent to grant pan-European relief).

Developments in both (i) the meaning of establishment and (ii) the correct test for identifying the place where the infringing act is committed are addressed in detail below.

## Meaning of “Establishment”

The first option is to target a defendant in the Member State in which it is domiciled, or (if not domiciled in a Member State) in which it has an establishment (Art 125(1) EUTMR).

Jurisdiction depended on the definition of “establishment” in CJEU Case C-617/15 (*Hummel Holdings A/S v Nike Inc., Nike Retail BV of 18 May 2017*). Nike, Inc is the American ultimate parent company behind the well-known brand of Nike sportswear. Nike Retail BV is a Netherlands retail company, being a lower-order subsidiary of the Nike group. They had both been sued in Düsseldorf, Germany.

Nike, Inc. itself had no direct German office. However, Nike did operate a subsidiary company, called Nike Deutschland GmbH – and the plaintiff argued that was a sufficient “establishment” of the USA parent in Germany, even though that German subsidiary was not part of proceedings. Nike Deutschland was a second-tier subsidiary. It did not have its own website and did not sell goods to end consumers or intermediaries. It existed to negotiate contracts between intermediaries and Nike Retail, and support Nike Retail in connection with advertising and the performance of contracts. Nike Deutschland also provided aftersales service for end consumers.

The Court found that to show “establishment” of a parent company in the EU, it was enough to show that the undertaking:

- (a) acts as a “centre of operation” in the EU of the parent company – with a certain real and stable presence from which commercial activity is pursued; and
- (b) has the “appearance of permanency to the outside world, such as an extension of the parent body”.

The Court found it irrelevant that the subsidiary was not party to the action, or that it was only a second-tier subsidiary of the overseas party (and not a direct subsidiary), provided that the conditions above were satisfied.

Since many companies operate a system of local subsidiaries and representative companies, this ruling (whilst not surprising) does open the door to possible forum shopping in relation to infringements by international corporate organisations. In those cases, the claimant will potentially have greater flexibility in choice of venue. This is because, where there are a number of subsidiaries in different EU countries, each of those might be a sufficient “establishment” of the parent company. This means the parent might be vulnerable to an action being brought in any of those countries. Similarly, large organisations should be aware that the parent company may be pulled into EUTM infringement proceedings in this manner (with exposure to a pan-EU injunction).

## Location of Infringing Act

In questions of international infringement, the defendant’s domicile is not always the preferred jurisdiction for a claimant (plaintiff). Accordingly, if a claimant is not pursuing a pan-EU injunction, the EUTM infringement claim may well instead be brought in the courts of the Member State where the infringing act was committed.

Applying the law to online infringement poses a number of questions. It is long established in Europe that the mere availability of a website in a territory covered by a registered trade mark is not enough to engage that right. Rather, the claimant must show that the website is “targeted” at users in that territory. However, if a territory is “targeted” by a website, counter-intuitively, it does not necessarily follow that such territory is the place “in which the act of infringement is committed”, within the meaning of the EUTMR. To understand this, one must first look at a case in the field of registered designs.

## The CJEU in Nintendo

In joined Cases C-24/16 and C-25/16 (*Nintendo Co. Ltd. v BigBen Interactive GmbH and BigBen Interactive SA of 27 September 2017*), Nintendo sought to enforce various designs relating to accessories for its video game consoles. The action was started in Germany. BigBen (a French company) had produced various articles to those designs in France, and supplied them to its German group company (BigBen Germany). The two companies had then sold the products via their website to customers in various other EU countries. The question referred to the CJEU was how to determine the place in which the infringing act was committed in cases in which the infringer: (a) offered goods that infringed a Community design on a website which was directed at Member States other than the one in which the person damaged by the infringement was domiciled; or (b) had goods that infringed a Community design shipped to a Member State other than the one in which it was domiciled.

The CJEU in *Nintendo* held that the correct approach was not to make an assessment of each alleged act of infringement, but to make an overall assessment of the defendant’s conduct “in order to determine the place where the initial act of infringement at the origin of that conduct was committed”. In the case of a website used to make sales to several Member States, the Court said that the place in which the infringement took place is the place where the “process of putting the offer for sale online by that operator on its website was activated”. The overall message in the circumstances of that case was therefore that the location of the person who placed the advertisement (or e.g. controls the website in question) was the appropriate place to start proceedings.

## Application to EU trade mark law

Although this reference was made in the context of the Community design, it has been applied to the question of jurisdiction in an EUTM infringement by the German Bundesgerichtshof (Germany’s highest court), in the case of *Parfummarken* (BGH I ZR 164/16) of 9 November 2017. In that case, a German claimant and trade mark rights holder sued Italian defendants alleging infringement in Germany, since the defendants offered their products on a German-language internet site and supplied product catalogues and price lists from Italy to Germany. Applying the reasoning of the CJEU in *Nintendo*, the Bundesgerichtshof declined jurisdiction. The claimants failed for two reasons: not only were the defendants in Italy when they placed their advertisements; but an overall assessment of their conduct also suggested that Italy was the most appropriate venue.

However, in 2018, the Court of Appeal of England and Wales assessed these cases and others in the case of *AMS Neve Ltd & Ors v Heritage Audio S.L. & Anor* (UK, [2018] EWCA Civ 86) – and tended towards a different conclusion. Lord Justice Kitchin acknowledged that those cases seemed to provide strong support for the proposition that the placing from Member State A of an online advert targeted at consumers in Member State B is not sufficient to confer jurisdiction on Member State B. On the other hand, however, he was conscious that there was no CJEU ruling to the effect that the propositions of *Nintendo* should simply be applied to EUTM infringements.

First, he observed that the jurisdictional basis in the EUTMR specifically seems to be intended to confer dual jurisdiction, allowing an option. Inherently, therefore, it seems to suggest that a defendant may be sued in more than one Member State depending not just on where it is domiciled, but also where it has committed other acts of infringement.

But critically, he also observed that applying *Nintendo* in such a way would create an inherent contradiction in the law. This is because the option to sue in the location of the infringing act only confers jurisdiction on a Member State *in respect of acts committed in that territory*. Consider the case that a defendant in (e.g.) Austria targeted an advertisement at consumers in (e.g.) Belgium, and thereby caused an EUTM infringement in Belgium. *Parfummarken* would suggest that Belgium would not have jurisdiction, because the publishing process was done in Austria. But Austria would not have jurisdiction either, because the infringement took place in Belgium. That would create a paradox whereby no court could take jurisdiction.

The Court therefore made a reference to the CJEU to determine this question.

The questions referred may reveal more than the simple answer of which court is appropriate. They also enquire about which other factors should be taken into consideration by future EUTM courts in determining whether they have jurisdiction to hear an online infringement claim in these circumstances. The case will present an opportunity for the CJEU to overcome the paradox and provide much-needed clarity on this question.

It will be interesting to watch this reference and its subsequent application when it returns to the national court. It is Case C-172/18 and CJEU records currently indicate that it was heard in January 2019, with the Opinion scheduled for the end of March 2019.

### Parallel Jurisdiction

An outcome of the jurisdictional regime is that courts in multiple Member States may have jurisdiction at the same time over an EUTM infringement claim, in relation to the same facts, i.e.:

- Member States in which infringement is taking place, in respect of acts within that Member State; and
- the Member State in which the defendant is domiciled or established, in respect of *all* infringements in the EU.

A situation may also arise where national trade mark rights are enforced in one Member State, while at the same time separate proceedings are instituted in a different Member State in respect of a similar or identical EUTM.

If more than one court is asked to give judgment on the same or similar facts between the same parties, there is a risk of inconsistent judgments. Recognising this, the EUTMR provides rules governing such ‘related actions’.

The dispute in the *Merck* case gave rise to such a situation (C-231/16 *Merck KGaA v Merck & Co Inc., Merck Sharp & Dohme Corp., MSD Sharp & Dohme GmbH*, judgment of 19 October 2017). First, the claimant brought infringement proceedings in the UK under its UK trade marks. Subsequently, it brought infringement proceedings based on a similar EUTM, in the Landgericht Hamburg. This resulted in a preliminary reference to the CJEU to determine whether (and to what extent) the second case could proceed.

The CJEU held that the second court seized (here, Germany) must only decline jurisdiction for the territory covered by any overlap between proceedings (here, the UK). In such a case, the EUTM owner could in fact choose to disclaim (or withdraw) its action in respect of any overlapping territory (as the claimant had done), so jurisdiction could be accepted by the second court in respect of the remaining EU territory.

### Targeting of Online Infringements

As explained above, ‘targeting’ of websites is an important factor in assessing where an act of online infringement takes place.

### The starting point for websites in the EU

In 2010, the CJEU had to assess whether a website was directed at a particular territory, in joined Cases C-585/08 and C-144/09 (*Pammer v Reederei Karl Schlüter GmbH & Co. KG and Hotel Alpenhof GesmbH v Heller of 7 December 2010*).

The Court encouraged an overall assessment of the trader’s activity, and provided a non-exhaustive list of factors to take into consideration. These included:

- the international nature of the activity;
- use of different languages;
- use of different currencies;
- the possibility of making and confirming a purchase (or reservation) in alternative languages or currencies;
- spending money on links (e.g. directories) likely to direct trade from another Member State; and
- use of a different top-level domain (e.g. ‘.de’; ‘.fr’; ‘.hr’) to that of the trader’s domicile.

### Online marketplaces

In Case C-324/09 (*L’Oréal SA and Ors v eBay International BV and Ors of 12 July 2011*), the CJEU considered a comparable question in the context of sales on eBay, the online marketplace.

The Court confirmed that infringement under the EUTMR by way of an offer for sale required such offer to be targeted at consumers in the EU. It is not enough that the website is merely accessible from within the EU. The list of factors in *Pammer* above was referred to. It was therefore necessary to assess on a case-by-case basis whether there were any relevant factors demonstrating whether a particular offer for sale is targeted at consumers within the EU. One factor the Court specifically included as being of importance was the geographical area (or areas) to which the seller is willing to dispatch the product.

The English courts have, before and since, also considered similar issues. In 2017–2018, there were two judgments from the English Court of Appeal giving further guidance on these issues.

### Merck: Targeting of “global” websites

The first case is *Merck KGaA v Merck Sharp & Dohme* ([2017] EWCA Civ 1834).

The two parties were once part of the same group but became independent entities during the First World War. The dispute arose out of a historic contractual agreement between the two parties in which they agreed to rules governing their coexistence. According to those rules, among other things the defendant had to refrain from using “the trademark Merck” outside the USA and Canada (and a couple of smaller territories). The coexistence agreement between them was from 1970, and therefore did not expressly contemplate internet use (although was found to apply to such use). The claimant’s complaint included claims that the defendant’s website and social media use infringed its UK trade marks. One of the major areas of dispute was whether the defendant’s websites and social media channels complained of were targeted at internet users in the UK. The Court of Appeal summarised the effect of the relevant EU cases as follows:

- The mere fact that a website is accessible from the EU is not sufficient for concluding that it is targeted at consumers in the EU.
- Targeting is to be considered objectively from the perspective of average consumers in the EU.

- The Court must carry out an evaluation of all the relevant circumstances. The appearance and content of the website will be of particular significance, including whether it is possible to buy goods or services from it. However, the relevant circumstances may extend beyond the website itself and include, for example, the nature and size of the trader's business, the characteristics of the goods or services in issue and the number of visits made to the website by consumers in the EU.

The Court upheld the first instance Judge's conclusion that the websites and social media sites complained of were targeted at the UK. Factors relied on by the Judge had included that the sites:

- were in some cases referred to as "global";
- targeted scientists and inventors in the UK;
- advertised jobs in the UK and aimed at recruiting UK-qualified persons;
- solicited suppliers in the UK;
- sought licensing opportunities in the UK;
- set out purchase order terms and conditions applicable to the UK; and
- drew in users of the defendant's UK-specific sites, by way of links from those sites, where such users were seeking up-to-date information about certain topics (such information only being available on the "global" sites complained of but not on the UK-specific sites).

It was also relevant that the visitor numbers demonstrated very substantial traffic to the sites from countries other than the USA and Canada, such that they could not be called "stray" visits.

The assessment for social media sites followed the same principles. The Court found that the social media activities of the defendant were also integrated with and supportive of the websites and its business generally and so were directed at persons and businesses in the UK in just the same way as the websites. For the Facebook site, it was also relevant that the defendant had chosen not to use the optional settings to restrict the availability of that site to UK users.

### Targeted advertising

The second of the two UK Court of Appeal cases was *Argos v Argos Systems of October 2018* ([2018] EWCA Civ 2211). Argos is a household name in the UK, being a well-known retailer of general consumer goods. The URL [argos.com](http://argos.com) was owned by a smaller company from the USA: Argos Systems Inc. (ASI), which produces design software mainly for business use. ASI's market was predominantly the USA, and it had no clients in the EU. However, a problem arose when ASI started to derive income from putting advertising on its site. In this case, it was implemented through Google's AdSense program, which serves digital advertisements automatically on participating websites. Typically, when a user clicks on an advertisement, the advertiser is charged and that revenue is shared between Google and the website owner.

Importantly, ASI enabled these adverts to be shown only to customers outside the Americas, including the UK. Argos argued that this caused the following effect: that some users within the EU would type in [argos.com](http://argos.com) because they assumed it would load the website of the trade mark owner. They would be presented with an unexpected website, from which ASI derived advertising revenue. This, said Argos, was taking unfair advantage of its trade mark's reputation contrary to Article 9(1)(c) EUTMR. Because Argos was a participant in the Google AdSense program, one type of automated advertisement shown was even for the claimant itself, said to add insult to injury.

There was a dispute about whether this online advertising activity was directed at the UK. The Court framed the question as: "*is this website*

*operator providing an electronic billboard service under the sign, in the course of trade, which is intended for [users] in the UK?"*

Assessing the facts, the Court found that although the website itself, absent the ads, was clearly not targeted at the UK, once it was populated with ads relevant to UK consumers, the "billboard service" was so targeted, given that the ads were relevant to UK consumers.

### Objective assessment

The assessment of targeting is an objective one, to be carried out from the perspective of consumers in the territory in question. However, following *Merck*, the Court's view was that evidence of subjective intention is a relevant, and possibly (where the objective position is unclear or finely balanced) determinative consideration in deciding whether the trader's activities, viewed objectively from the perspective of the average consumer, are targeted at the UK. Subjective intention cannot, however, make a website or page (or part of a page) which is plainly, when objectively considered, not intended for the UK, into a page which is so intended.

### Targeting: Summary

In the *Merck* case, the Court of Appeal laid out principles based on preceding CJEU case law, which have since been relied on and applied by the Court in the *Argos* case. These principles, which themselves refer to the *Pammer* factors, are the touchstone for assessing targeting in the UK. A similar analysis ought to apply throughout the EU. It is clear from these principles that relevant circumstances include factors beyond the content and appearance of the website itself, making it a highly fact-dependent assessment.

### Closing Remarks: The Impact of Brexit

At the time of writing (March 2019), it appears very likely that the UK will leave the European Union some time in 2019. This will have effects on jurisdiction in trade mark cases in Europe and therefore on trade mark litigation strategies in this continent.

It remains uncertain at this point whether or not there will be a deal agreed between the EU and the UK regarding departure terms, and if so, precisely what form it will take. However, whether or not there is a deal, in either case:

- EUTMs will cease to cover the UK, but the UK will create a new equivalent right for EUTM holders, called a 'comparable' trade mark right. The comparable trade mark will be able to be enforced in the UK, as if it were a national UK trade mark.
- Only the UK Courts will have jurisdiction to hear cases of infringement in the UK.
- EUTM courts will not have jurisdiction in respect of new comparable trade marks. As a result, a claimant seeking relief across Europe (including the UK) would need to consider bringing two claims: one in the EU seeking a pan-EU injunction; and one in the UK seeking UK relief. The UK has cost-effective flexible procedures for different types of cases (such as the Shorter Trial Scheme and the Intellectual Property Enterprise Court), so running parallel cases may not be too burdensome/expensive. Such parallel actions would be subject to whatever rules on related actions will apply between the UK and EU post-Brexit.
- At the point of Brexit, the UK will be a third country from the perspective of the EU, just as the USA currently stands. In respect of acts of UK companies that target EU Member States and infringe an EUTM, it may still be possible to sue those companies in the EU. The rules on jurisdiction in the EUTMR, discussed above, will apply.

Finally, it is also notable that many UK companies are, or have already, set up regional offices in the EU in order to have a representative (or more significant) presence in the common market. After Brexit, it may therefore be possible to apply the principles of the *Nike* ruling discussed above (in the context of a US company), to show that such a presence may be a sufficient establishment of the UK

company to bring action against it before an EU court seeking pan-EU relief. However, this would only cover acts committed in the EU (not acts committed in the UK), and there may be a question mark over the enforceability of any relief granted against the UK company by the EU court, unless and until the situation is clear regarding mutual recognition and enforcement of judgments post-Brexit.



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Nick is a partner and co-head of our representative (non-US law) office in San Francisco. He advises on and coordinates European and UK IP law matters for US-based companies.

Nick is adept at identifying and advising on IP issues in the digital economy, including copyright and trade mark questions raised by online services and social media. He also advises on multi-jurisdictional IP litigation and strategy. Alongside this, his practice covers transactional IP work such as licensing (particularly, brand licensing arrangements), and advice on the IP aspects of large-scale corporate restructures and reorganisations.

Nick has been recognised by WTR as one of the World's Leading Trademark Professionals.

Nick's UK litigation experience covers trade mark infringement and passing off, breach of licence/coexistence agreement, trade secrets, and designs. Example UK cases include *Merck KGaA v MSD*, *Maier v Asos*, *Kenexa v Alberg*, *Codemasters Software v ACO* and *Daimler v Sany*.



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Tristan is a solicitor advocate based in our London office, where he specialises in intellectual property litigation and enforcement. Tristan's main practice involves multi-jurisdictional disputes relating to trade marks and in patents (both electronics and pharmaceutical sectors). Tristan's broader practice includes advising clients on international IP strategy and creation of IP rights, as well as enforcement of trade mark and passing off rights in the UK High Court and specialist tribunals.

Alongside his law degree, Tristan's background is in Biomedical Engineering, a multi-disciplinary medical technology degree covering electronics, computing, biochemistry and medical devices, which he obtained at Imperial College London.

Tristan is a member of the AIPPI; the Institution of Engineering and Technology; and the Society for Computers and Law. He contributes frequently to specialist legal journals including the European Intellectual Property Review and Journal of Intellectual Property Law & Practice, and industry publications including the Engineering & Technology Magazine, writing about cutting-edge legal issues and developments.

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