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TRADEMARK LAW ASPECTS OF DISTRIBUTION CONTRACTS[1]

1. Typical clauses of distribution agreements on trademarks
2. Distribution agreement: preventing exhaustion of trademark rights
3. Bad faith application by the distributor (agent)
4. Domain registration by the distributor (ADR practice)

Distribution agreements, as specific type of contracts, are not usually regulated in statutory law. As such, the parties' contractual stipulations are very important. In this paper I present how trademark law protects the supplier who is the holder of the trademark put on the goods.

This paper presents two aspects of trademark law in connection with distribution relationships:

First, in a distribution relationship, it is crucial for the supplier to secure the structure of the distribution system. In this part I analyze in which way trademark rights can be used to prevent circumvention of selective distribution schemes.

The second aspect is how to limit the distributor's use of the supplier's trademark and what kinds of remedies are available against trademark or domain name applications made by the distributor (agent). With respect to domain registration, I will present the ADR practice.

1. TYPICAL CLAUSES OF DISTRIBUTION AGREEMENTS ON TRADEMARKS

As typical clauses of distribution agreements, I refer to the ICC Model Distribution Agreement:

> ***Article 13 Supplier's trademarks and symbols***
>
> *13.1 The Distributor shall use the Supplier's trademarks, trade names or any other symbols. However, the Distributor may do so only for the purpose of identifying and advertising the Products within the scope of this contract and in the Supplier's sole interest.*
>
> *13.2 The Distributor agrees neither to register, nor the have registered, any trademarks, trade names or symbols of the Supplier (or which are confusingly similar to the Supplier's), in the Territory or elsewhere.*
>
> *13.3 The Distributor's right to use the Supplier's trademarks, trade names or symbols, as provided for under the first paragraph of this Article, shall cease immediately upon the expiration or termination, for any reason, of the present contract. This does not preclude the Distributor's right to sell the Products in stock at the date of expiration of the contract which bears the Supplier's trademarks.*
>
> *13.4 The Distributor shall notify the Supplier of any infringement in the Territory of the Supplier's trademarks, trade names or symbols, or other industrial property rights, that comes to the Distributor's attention.*

[1] Edited version of the presentation at the seminar organized by the *UIA INTERNATIONAL SALES COMMISSION* with the support of the Antwerp Bar Association (January 29, 2011).

13.5 The Distributor is free to promote the Products through Internet, but he cannot use the Supplier's trademarks, trade names or any other symbols without previously agreeing in writing the details of such use.

Further, according to usual contractual stipulations, the distributor shall not:

(a) make any modification to any of the products bearing the supplier's trademark, or the packaging thereof unless it is compulsorily required by the applicable laws;
(b) alter, remove or tamper with the supplier's trademarks, or any marks used in relation to the products;
(c) use the supplier's trademarks in any way which might prejudice its distinctiveness, goodwill, reputation, or the validity;
(d) use in relation to the products any trademarks other than the supplier's trademarks and the distributor's company name for labelling purposes only as required by law;
(e) authorize other third party to use the trademarks for advertising without the supplier's prior written consent.

2. DISTRIBUTION AGREEMENT: PREVENTING EXHAUSTION OF TRADEMARK RIGHTS

For brand owners utilising selective distribution, it is an effective remedy against sales to unauthorised distributor that such sale constitutes trade mark infringement both:

- by the *distributor in breach of the contract* (the breach has a double legal impact: a breach per se and at the same time the exceeding of the scope of the license qualifies as an infringement), and

- where such resale damages the reputation of the mark, *by the unauthorised distributor* purchasing from the authorised distributor (one act qualifies as a trademark infringement, namely the unauthorized use of the sign).

This means that the supplier can enforce not only contractual claims arising from the breach of contract but he can rely also on the quick and effective remedies available in the trademark law.[2]

In the event of sale (the circulation of the goods/services) the exhaustion of the protection arises.

The trade mark proprietor’s rights are exhausted where the goods have been put on the market in the EEA by him or with his consent.

ECJ has developed rich case law on the application of the principle of exhaustion of trademark right. Recent cases[3] examine in light of the exhaustion principle whether the putting on the market of the product can or can not be deemed to have taken place with the trademark holder's consent.

[2] The minimum requirements for enforcing trademark law claims (sanctions and procedural rules) are set forth - in international level - in the TRIPS Agreement, and - in the EU - in the Directive 48/2004 /EC on the enforcement of intellectual property rights (the Enforcement Directive).

[3] C-59/08 Dior v. Copad; C-127/09 Coty Prestige Lancaster Group.

2.1 DIOR - Copad
Breach of licence agreement by selling to non-authorized distributor

In the DIOR - Copad case, ECJ examined whether the trademark holder can object to the sale of goods bearing the trade mark if the goods are marketed in breach of license agreement, namely to discount stores.

2.1.1 Factual background

Dior licensed SIL to sell "luxury corset goods" under its CHRISTIAN DIOR mark. The licence prevented SIL selling the products without prior written consent outside the selective distribution network, in particular to discount stores:

> '*in order to maintain the repute and prestige of the trade mark the licensee agrees not to sell to wholesalers, buyers' collectives, discount stores, mail order companies, door-to-door sales companies or companies selling within private houses without prior written agreement from the licensor, and must make all necessary provision to ensure that that rule is complied with by its distributors or retailers'*.

When business got tough, SIL asked if it could sell the corsets outside Dior's selective distribution network; Dior denied consent. However, SIL still sold the goods anyway to Copad discount stores. Dior sued for trademark infringement and the top French Cour de cassation sought a preliminary ruling on three issues.

2.1.2 Breach of the license agreement - quality of the goods manufactured

Article 8(2) of the Trademark Directive[4] provides:

> *2. The proprietor of a trade mark may invoke the rights conferred by that trade mark against a licensee who contravenes any provision in his licensing contract with regard to its duration, the form covered by the registration in which the trade mark may be used, the scope of the goods or services for which the license is granted, the territory in which the trade mark may be affixed, or the quality of the goods manufactured or of the services provided by the licensee.'*

By its first question, the referring court asks, in essence, whether a provision in a license agreement prohibiting the licensee, on grounds of the trade mark's prestige, to sell the goods bearing the trade mark covered by the contract to discount stores, falls within the scope of Article 8(2) of the Directive.

Therefore, it is precisely where the licensee contravenes provisions in the licence agreement concerning the quality of the goods manufactured that Article 8(2) of the Directive enables the proprietor of the trade mark to invoke the rights that the directive grants him.

Since luxury goods are high-class goods, the aura of luxury emanating from them is essential in that it enables consumers to distinguish them from similar goods. Therefore, any impairment to that aura of luxury is likely to affect the actual quality of those goods. The

[4] Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 "approximates" the laws of the member states relating to trade marks. The Directive replaces the content of Council Directive 89/104/EEC of 21 December 1988 as amended by a 1992 Council Decision, without any substantive change.

characteristics and conditions of a selective distribution system can, in themselves, preserve the quality and ensure the proper use of such goods. Setting up a selective distribution system seeks to ensure that the goods are displayed in sales outlets in a manner that enhances their value ('especially as regards the positioning, advertising, packaging as well as business policy'), contributes to the reputation of the goods at issue and therefore to preserving the aura of luxury surrounding them.

It follows that it is conceivable that the sale of luxury goods by the licensee to third parties that are not part of the selective distribution network might affect the quality itself of those goods, so that, in such circumstances, a contractual provision prohibiting such sale must be considered to be falling within the scope of Article 8(2) of the Directive.

It is for the national court having jurisdiction in the matter to examine whether the sale to the discount store damages the aura of luxury of the luxury goods, thus affecting their quality.

2.1.3 Breach of the license agreement - no exhaustion of trademark right

Article 7(1) of the Trademark Directive provides:

> *1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the EEA under that trade mark by the proprietor or with his consent.*

By its second question, the referring court essentially asked the Court to specify that if a licensee puts goods bearing a trade mark on the market in contravention of the licence agreement prohibiting sale to discount stores, such sale must be considered to have done so without the consent of the trade mark holder for the purposes of Article 7(1) of the Directive.

The trade mark proprietor has exclusive rights which entitle him inter alia to prevent any third party from importing goods bearing the mark, offering the goods, or putting them on the market or stocking them for these purposes. Article 7(1) of the Directive contains an exception to that rule, in that it provides that the trade mark proprietor's rights are exhausted where the goods have been put on the market in the EEA by him or with his consent[5].

Where a licensee puts goods bearing the mark on the market he must, as a rule, be considered to be doing so with the consent of the proprietor of the trade mark, for the purposes of Article 7(1) of the Directive. However, the licence agreement does not constitute the absolute and unconditional consent of the trade mark holder to the licensee putting the goods bearing the trade mark on the market. Article 8(2) of the Directive expressly enables the proprietor of the mark to invoke his rights against a licensee where the latter contravenes certain provisions in the licence agreement.

The trade mark proprietor's rights are exhausted where the goods have been put on the market in the EEA by him or with his consent.

A licensee who puts goods bearing a trade mark on the market in disregard of a provision in a licence agreement does so without the consent of the proprietor of the trade mark where it is established that the provision in question is included in those listed in Article 8(2) of that

[5] Zino Davidoff and Levi Strauss, paragraph 40; Case C-244/00 Van Doren + Q [2003] ECR I-3051, paragraph 33; and Case C-16/03 Peak Holding [2004] ECR I‑11313, paragraph 34.

Directive.

2.1.4 Legitimate interest to oppose further commercialization

Article 7(2) of the Trademark Directive provides:

> *2. [The rule on trademark exhaustion] shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.*

By its third question, the referring court asks whether, where a licensee who puts luxury goods on the market in contravention of a clause in a licence agreement is deemed to have done so with the consent of the proprietor of the mark, that proprietor can nevertheless rely on that clause to oppose further commercialisation of the goods, on the basis of Article 7(2) of the Directive.

The Court has already held that damage to the reputation of a trade mark may, in principle, be a legitimate reason, within the meaning of Article 7(2) of the Directive, allowing the proprietor of the mark to oppose further commercialisation of luxury goods which have been put on the market in the EEA by him or with his consent.[6]

It follows that where a licensee sells goods to a discount store in contravention of a provision in the license agreement, such as the one at issue in the main proceedings, a balance must be struck between, on the one hand, the legitimate interest of the proprietor of the trade mark covered by the license agreement in being protected against a discount store which does not form part of the selective distribution network using that trade mark for commercial purposes in a manner which could damage the reputation of that trade mark and, on the other hand, the discount store's legitimate interest in being able to resell the goods in question by using methods which are customary in its sector of trade.

Therefore, should the national court find that sale by the licensee to a third party is unlikely to undermine the quality of the luxury goods bearing the trade mark, so that it must be considered that they were put on the market with the consent of the proprietor of the trade mark, it will be for that court to assess, taking into account the particular circumstances of each case, whether further commercialization of the luxury goods bearing the trade mark by the third party, using methods which are customary in its sector of trade, damages the reputation of that trade mark.

2.1.5 Evaluation of the ECJ decision

Based on the ECJ decision, it can be concluded that the sale of luxury goods via unauthorised channels may constitute a breach of quality-related conditions of a license agreement prohibiting such sale, and such breach of contract excludes exhaustion of trademark rights.

The ECJ judgment must come as a relief for all brand owners utilising selective distribution, particularly those in the luxury brand category.

The sale by licensees in contravention of the limited distribution clause constitutes both (i)

[6] See Case C-337/95 Parfums Christian Dior, paragraph 43, and Case C-63/97 BMW [1999], paragraph 49

breach of contract and (ii) trade mark infringement provided that such sales can damage the reputation ("allure and prestigious image") of the mark.

Moreover, the unauthorised distributor – in our case Copad, the discount store – commits (bona fide, non-negligent!) trade mark infringement as well and cannot rely on exhaustion where such resale damages the reputation of the mark.[7]

The decision is a victory for fashion houses that run selective distribution schemes to stop their upmarket goods going on sale in the wrong sort of places. But this is not the end of the story. For one thing, it's still necessary to show that the resale will damage the brand's aura of luxury - and the national courts in Europe have yet to tell us what this means. Damages can not be claimed from the unauthorised distributor (if the claim of damages is subject to negligence), but the decision has paved the way before the recovery of the profit of both infringers. (The claim for injunction seems to be enforceable without any obstacles.)

This judgment neatly reconciles Art.7 (exhaustion) and Art.8(2) (licence) and makes it clear that certain contractual provisions in a contract are so-called "consent-breakers" for putting on the market and others are not. For instance, provisions regarding payment would not be "consent-breakers", so a failure to pay would neither make the goods infringing nor would it entitle the licensor to bring proceedings for trade mark infringement against a licensee. However, of course, breach of such terms will give rise to a cause of action for breach of contract and often can entitle the licensor to terminate the contract[8] (let alone the claim for payment of the price and eventual damages.)

Could a trade mark owner get around the effect of Art.8(2) by stipulating that breach of a contractual term automatically removed consent to marketing of a product? The response is not: such a stipulation would be considered as circumventing Art.8(2).

2.2 Coty - 'perfume testers'[9]

Coty Prestige markets perfumery goods under trade marks such as Lancaster, Calvin Klein, etc. The standard agreement concluded by Coty Prestige with each of its authorized specialist dealers is drafted as follows:

> '*5.1: [Coty Prestige] will support the authorized specialist dealer to an economically reasonable extent in his efforts to sell the goods in various ways. Individual details will be agreed between the parties on a case-by-case basis.*
>
> *5.2: [Coty Prestige] may also make available to the authorized specialist dealer decoration and other advertising material free of charge. That material remains, in so far as it is not intended to be passed on to consumers, the property of [Coty Prestige] and must be returned at its request.*
>
> *5.3: The advertising material made available to the authorized specialist dealer by [Coty Prestige] may be used only for the specified advertising purposes. Any commercial use on the part of the authorized specialist dealer, in particular the sale of samples, testers*

[7] Dr. Alexander Mühlendahl; in: The Bardehle Pagenberg IP report, 2009/II. p. 13.
[8] See case comment by Guy Tritton: Distribution outside a selective distribution network - infringement. ECJ gives guidance in COPAD v Christian Dior (Posted June 2nd, 2009); http://www.intellectualpropertyineurope.com/node/63
[9] Case C-127/09, Coty Prestige Lancaster v. Simex Trading, 3 June 2010

or miniatures, is prohibited.'

Coty Prestige obtained two 'testers' in a test purchase made in a German shop. The testers are original bottles, containing the original perfume, but lacking their original seal and labeled 'Demonstration'. The packaging of the testers is different from that of the original goods in that, first, it consists of a box made of white card on which statements appear in black and white which, on the original box, generally appear in colour. Second, the word '*Demonstration*' appears on the front of the tester box and the statement '*Not for Sale*' appears on one side.

From the manufacturer's serial numbers for the testers, Coty Prestige was able to discover that they had been delivered in 2006 to one of its authorized specialist dealers in Singapore. Coty Prestige brought proceedings before the German courts for a prohibitory injunction against the German importer (Simex), claiming that the testers had been put on the market for the first time in the European Economic Area (EEA) without the consent of the trade mark proprietor.

The *Oberlandesgericht Nürnberg* decided to stay the proceedings and to refer the following question to the Court of Justice for a preliminary ruling:

'*Are goods put on the market within the meaning of Article 13(1) of Regulation (EC) No 40/94 and Article 7 of Directive 89/104/EEC if "perfume testers" are made available to contractually-bound intermediaries without transfer of ownership and with a prohibition on sale, so that those intermediaries are able to allow potential customers to use the contents of the goods for test purposes, the goods bearing a notice stating that they may not be sold, the recall of the goods by the manufacturer/trade mark proprietor at any time remaining contractually possible and the presentation of the goods being significantly different from the goods usually put on the market by the manufacturer/trade mark proprietor in that it is plainer*?'

The trade mark proprietor has exclusive rights to prevent any third party from importing goods bearing the mark, offering the goods, or putting them on the market. Article 7(1) of the Trademark Directive contains an exception to that rule, in that it provides that the trade mark proprietor's rights are exhausted where the goods have been put on the market in the EEA by him or with his consent

Extinction of the exclusive right results either from the proprietor's consent, whether express or implied, to a putting on the market in the EEA by the proprietor himself or by an operator with economic links to the proprietor, such as, in particular, a licensee. The proprietor's consent and the putting on the market in the EEA by him or by an operator with economic links to him, which are both equivalent to the renunciation of the exclusive right, thus both constitute a decisive factor in the extinction of that right.

The question raised before ECJ is whether, based on the facts of the present case, the goods in question (perfume testers) which Coty makes available to its authorized specialist dealers in connection with a selective distribution contract, were first put on the market in the EEA by the proprietor itself or by a third party with the proprietor's consent.

The first act of putting on the market in the EEA of the testers is the sale in Germany. The testers were imported by German company, Simex, which obtained them from an authorized specialist dealer of Coty established in Singapore.

As the perfume testers in the case had been obtained from a dealer in Singapore, it was therefore fairly clear that those testers had not been put on the market with Coty's consent within the EEA. The ECJ did also address, however, the more interesting question whether perfume testers supplied by Coty under the conditions described above to retailers in the EEA had been considered as "*put on the market*" in the sense of the Trademark Directive.

Neither the initial supply by Coty to its authorized dealer in Singapore nor the supply by Coty to its authorized specialist dealers in the EEA may be considered to be a putting on the market within the meaning of Article 7(1) of Trademark Directive in respect of which the rights conferred by the trade mark are said to be exhausted.

The bottles of perfume presented in packaging including not only the word '*Demonstration*' but also the statement '*Not for Sale'*. That statement, since it clearly reflects the intention of the proprietor of the trade mark that the goods bearing it should not be sold, whether inside or outside the EEA, constitutes, in itself and in the absence of evidence to the contrary, a decisive factor precluding a finding that the proprietor consented to a putting on the market in the EEA within the meaning of Article 7(1) of Directive 89/104.

A statement '*Not for Sale*' such as appears on the packaging of the bottles of perfume precludes such a classification, since it clearly reflects the intention of the proprietor of the trade mark concerned that the goods bearing that trade mark should not be sold, whether inside or outside the EEA.[10]

3. BAD FAITH APPLICATION BY THE DISTRIBUTOR (AGENT)

In addition to contractual stipulations prohibiting the distributor to register the trademark or similar trademarks, trademark law provides appropriate safeguards.

3.1 Jurisdiction

According to the private international law rules, the legal disputes relating to trademark registration fall within the exclusive jurisdiction of the country in which the trademark is registered.

Consequently, the choice of jurisdiction in the distribution agreement does not prevent (or in other words binds) the supplier (the trademark holder) from enforcing its claims against any trademark applications violating the agreement before the competent forum in the respective jurisdiction. Moreover, even if the forum stipulated in the agreement (arbitral tribunal or a court of a different state) established the breach of the contract, this decision would not be recognized by the patent office of the respective state. The supplier shall start independent trademark cancellation proceedings.

[10] Similar conclusion is set forth by the Advocate General in case C-324/09 (L'Oreal v. eBay) who found that product samples which are not intended for sale to consumers (often marked with the words '*not for sale*' or '*not for individual sale*') and are provided without charge to authorized distributors of the products concerned, cannot be considered as being put on the market. Consequently, the trademark proprietor can still prohibit the sale of such product samples on eBay's European websites (9 December 2010).

3.2 Paris Convention

Under Article 6*septies* of the Paris Convention[11], trade mark owners have the right to prevent or request cancellation of unauthorised registrations of their marks by their agents or representatives, as well as to prohibit use thereof, where the agent or representative cannot justify his acts. Article 6*septies* reads as follows:

> ***Registration in the Name of the Agent or Representative of the Proprietor Without the Latter's Authorization***
> *(1) If the agent or representative of the person who is the proprietor of a mark in one of the countries of the Union applies, without such proprietor's authorization, for the registration of the mark in his own name, in one or more countries of the Union, the proprietor shall be entitled to oppose the registration applied for or demand its cancellation or, if the law of the country so allows, the assignment in his favor of the said registration, unless such agent or representative justifies his action.*
> *(2) The proprietor of the mark shall, subject to the provisions of paragraph (1), above, be entitled to oppose the use of his mark by his agent or representative if he has not authorized such use.*
> *(3) Domestic legislation may provide an equitable time limit within which the proprietor of a mark must exercise the rights provided for in this Article.*

National and regional trademark laws adopted similar provisions. As an example, this paper focuses on Community Trademark Regulation (CTMR)[12].

3.3 Practice relating to Community Trademarks

According to Article 8(3) of the CTMR, upon opposition by the proprietor of an earlier trade mark, a trade mark shall not be registered: "*where an agent or representative of the proprietor of the trade mark applies for registration thereof in his own name without the proprietor's consent, unless the agent or representative justifies his action*." Article 52(1)(b)[13] of the CTMR gives the owner the right to cancel unauthorised registrations, whereas Articles 11 and 18 enable him to prohibit the use thereof and/or to request the transfer of the registration to his own name.

The purpose of Article 8(3) is to safeguard the legitimate interests of trade mark owners against the arbitrary appropriation of their trade marks. Article 8(3) of the CTMR is designed to prevent the misuse of a proprietor's trade mark by an agent, as the agent may exploit the knowledge and experience acquired during his business relationship with the proprietor and improperly benefit from an investment which the proprietor himself made[14].

Article 8(3) of the CTMR is a manifestation of the principle that commercial transactions

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[11] Paris Convention for the Protection of Industrial Property (of March 20, 1883). This provision was introduced into the Convention by the Revision Conference of Lisbon in 1958.

[12] Council Regulation (EC) No 207/2009 of 26 February on the Community trade mark, OJ L 78 of 24 March 2009, p. 1, codified version of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark. OHIM's practice is summarized in: Opposition Guidelines - Part 3, Article 8(3) CTMR – Status: March 2004.

[13] Article 52 Absolute grounds for invalidity:
1. A Community trademark shall be declared invalid on application to the Office or on the basis of a counterclaim in infringement proceedings: [..] (b) where the applicant was acting in bad faith when he filed the application for the trademark.

[14] Judgment of the Court of First Instance of 6 September 2006 in Case T-6/05, 'First Defense', paragraph 38

must be conducted in good faith.[15]

In view of the purpose of Article 8(3) of the CTMR, which is to safeguard the legal interests of trade mark owners against the misappropriation of their trade marks by their commercial associates, the terms 'agent' and 'representative' should be interpreted broadly to cover all kinds of relationships based on some contractual arrangement where one party is representing the interests of another, regardless of the *nomen juris* of the contractual relationship between the principal/proprietor and the applicant. Thus, it is sufficient for the purposes of this provision that there exists some agreement of commercial co-operation between the parties of a kind that gives rise to a fiduciary relationship by imposing on the applicant, whether expressly or implicitly, a general duty of trust and loyalty as regards the interests of the trade mark owner. It follows that Article 8(3) CTMR may also extend, for example, to licensees of the owner, or to ***authorised distributors*** of the goods for which the mark in question is used.[16]

However, a mere purchaser or a client of the trademark owner cannot amount to an "agent or representative" for the purposes of Article 8(3), since such persons are under no special obligation of trust to the trade mark owner.[17]

The letter of Article 8(3) makes no reference to the ***territorial scope of the agreement*** between the trade mark proprietor and his agent or representative. It was discussed whether an inherent limitation to relationships covering the EU or a part thereof must be read in this provision.

One argument[18] was that as the filing prohibited by Article 8(3) is an application for the acquisition of trade mark in the EU, the agreement must also concern the same territory. Hence, Article 8(3) only applies to agreements which cover the territory of the EU, whether in whole or in part. In practice, this means that worldwide or pan-European agreements are covered by this provision, as are agreements extending to one or more member states, or only covering part of their territory, irrespective of whether they also include third territories. Conversely, agreements exclusively applying to third territories would not be covered.

On the contrary, it can be argued that the provision makes it absolutely clear that there is no requirement relating to the territorial scope of the agreement. Whatever the territory covered by the agency or representation agreement, a trade mark proprietor is entitled to oppose registration of his trade mark by the said agent or representative in any EEA country. This shows that the *ratio legis* of the said provision is to prevent an agent who gains knowledge of a trade mark by virtue of his contractual relationship with the trade mark's proprietor from being able to take advantage of that knowledge and thereby dispossess the proprietor of his mark; to that end the prohibition must encompass all territories, irrespective of the one covered by the agency or representation agreement. Clearly, the purpose of Article 6*septies* of the Paris Convention will be wholly circumvented if an agent/representative in, say, Canada, of a U.S. proprietor of a trade mark in the United States could register that mark in his own name, without the proprietor's authorization, in the European Union, Japan or elsewhere.

[15] 110/2001 Daawat/Daawat (EN); 2309/2001; 244/2001 Gordon and Smith (EN); 174/2002 Azonic (EN); 722/2002 First defense (EN)
[16] R 460/2003-2 Decision of the Second Board of Appeal (14 September 2004); CTM: "*Cellfood*"
[17] 508/2000 East Side Mario's (EN). Interestingly enough, the initial draft of Article 6septies PC also included the wording "or client" which was however expressly rejected by the Revision Conference of Lisbon as being too vague.
[18] OHIM No 1131/2003 Opposition Division Decision (28 May 2003), CTM: "*Cellfood*"; Opposition Guidelines - Part 3, Article 8(3) CTMR – Status: March 2004.;

Such a situation would leave the U.S. proprietor entirely helpless against such an unscrupulous agent. It is a well-known fact that undertakings do not have worldwide distribution networks set up in all countries in the world from the very outset. Rather, their networks grow little by little; first to include those markets considered closest or most important, then subsequently expanding to other countries. Very seldom do undertakings have representatives in all jurisdictions. Moreover, there is no requirement as to the territorial scope of the principal-agent relation in the national legislations of any Member State of the European Union.

The OHIM Board of Appeal accepted these arguments and held that the application of Article 8(3) of the CTMR did not require that the agent-principal relationship would have to cover the territory of the European Community, in whole or in part. If the basic rationale behind Article 8(3) of the CTMR is to prevent abuse of the trust that the principal has put in its agent, it is hard to see why this trust-relation should cease at an EU border.[19]

4. DOMAIN REGISTRATION BY THE DISTRIBUTOR (ADR PRACTICE)

The question arises whether for the purposes of marketing the goods the distributor may apply for domain name which is identical with the supplier's trademark, or contains it with other additional elements. In particular, the distributor is interested to use the country code top level domain name (ccTLD) of the country for the territory of which he is appointed as exclusive distributor.

4.1 UDRP Policy

In a domain name dispute, the parties may choose (in fact they are obliged to choose) alternative dispute resolution (ADR). This ADR is based on *Uniform Domain Name Dispute Resolution Policy* (the "**UDRP Policy**") which was adopted by the *Internet Corporation for Assigned Names and Numbers* ("**ICANN**"). The UDRP Policy is incorporated by reference into the domain registration agreement, and sets forth the terms and conditions in connection with a dispute between the domain holder and any other party other over the registration and use of an Internet domain name. In this paper I will refer to the practice of WIPO ARBITRATION AND MEDIATION CENTER which offers domain name dispute resolution services for both gTLDs (.com, .net, .org, .biz) and some ccTLDs.[20] However, it shall be noted that disputes relating to ccTLDs are usually submitted to the national ADR forum. The local ADR rules mirror the international rules.

In order to succeed in its claim, the Complainant must demonstrate that all of the following elements[21] have been satisfied:

(i) the domain name in dispute is *identical or confusingly similar* to a trademark or service mark in which the Complainant has rights;

(ii) the Respondent has *no rights or legitimate interests* with respect to the Domain Name; and

[19] Case R 460/2003-2, OHIM Second Board of Appeal (14 September 2004), "Cellfood" trademark.

[20] In addition to its role as dispute resolution service provider for .com, .net, .org, .biz, .info., .mobi and other generic top level domains (gTLDs), the WIPO Center also provides domain name dispute resolution services for the several country code top level domains (i.e., France, Spain, Switzerland).

[21] See Paragraph 4(a) of the Uniform Domain Name Dispute Resolution Policy (the "Policy").

(iii) the domain name has been *registered and used in bad faith.*[22]

UDRP cases are context specific. The Panels are reluctant to suggest any general rule regarding relationships between trademark holders and authorized distributors.

From the above elements of the test, I will present general findings relating to the requirement of the distributor's rights or legitimate interest[23] in the domain name.

4.2 Distributor's right or legitimate interests with respect to the Domain Name

There are different views on whether the conditions under which authorized or non-authorized resellers or distributors have a ***legitimate interest*** to use as domain name the manufacturer's trademark in identical form or with the addition of descriptive elements. Three views can be distinguished in the previous WIPO decisions[24]:

(a) At one end of the spectrum, it is argued that the authorization to market the products under the trade name does not as a matter of principle constitute an authorization to use the manufacturer's trademark as a domain name or as part of a domain name. If the use of the domain name is not expressly granted, the right to market the trademark holder's products under the complainant's trademark merely establishes a right to use the trademark for the marketing of the trademark holder's products but not a more extensive right to use the trademark as a domain name[25]. A licensed reseller could only have a right to a domain name which included the trademark if the trademark owner has specifically granted that right. The distributor is not entitled to incorporate the trademark in his business name or in any other type of business identifier such as a domain name

(b) The contrary opinion is that a reseller who was entitled by contract to use the complainant's trademark in his advertising and had lawfully marketed the trademark holder's products over many years had a legitimate interest in the domain name and in any event was not using it in bad faith.[26]

(c) The majority view lying between these two was first put forward in the case between a US manufacturer of computer accessories and an authorized reseller[27]. The use of a

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[22] The following circumstances, in particular but without limitation, shall be evidence of the registration and use of a domain name in bad faith:

(i) circumstances indicating registration primarily for the purpose of selling, or otherwise transferring the domain name to the complainant who is the owner of the trademark; or

(ii) the registration prevents the trademark owner from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or

(iii) the domain name was registered primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.

[23] Requirement of paragraph 4(a)(ii) of the Policy.

[24] The different views are summarized in: WIPO Case No. D2006-1599; Lacoste Alligator S.A. v. Major Shopping Network Ltd., David H. Bernstein Panelist.

[25] See Nokia Corporation v. Nokia Ringtones & Logos Hotline, WIPO Case No. D2001-1101; Volvo Trademark Holding AB v. Peter Lambe, WIPO Case No. D2001-1292.

[26] Milwaukee Electric Tool Corporation v. Bay Verte Machinery, Inc. d/b/a The Power Tool Store, WIPO Case No. D2002–0774.

[27] Oki Data Americas, Inc. v. ASD, Inc., WIPO Case No. D2001–0903. The factors developed by the Oki Data

manufacturer's trademark as a domain name by an authorized dealer or reseller is only to be regarded as a *bona fide* offering of goods or services if the following conditions are satisfied:

- the respondent must actually be offering the goods or services at issue;

- the respondent must use the site to sell only the trademarked goods; otherwise, it could be using the trademark to bait Internet users and then switch them to other goods;

- the site must accurately disclose the registrant's relationship with the trademark owner; it may not, for example, falsely suggest that it is the trademark owner, or that the website is the official site, if, in fact, it is only one of many sales agents;

- the respondent must not try to corner the market in all domain names, thus depriving the trademark owner of reflecting its own mark in a domain name.

4.3 Limited scope of ADR

The UDRP Policy addresses abusive domain name registration and use.

In connection with the ADR, it is important to keep in mind that the UDRP Policy was designed to prevent cybersquatting, in other words tortuous (delictual) behaviours that infringe the IP rights. "Cybersquatters" register domain names containing trademarks with no intention of creating a legitimate web site, but instead plan to sell the domain name to the trademark owner or a third party.

Consequently, UDRP Policy cannot be used to litigate all (contractual!) disputes involving domain names[28]

If trademark owners wish to prevent the use of their marks by authorized sales agents in domain names, they should negotiate such protections through appropriate contractual language or, when permitted under the relevant law, seek recovery in classic trademark infringement litigations.

Panel have been adopted by a number of UDRP panels (See Ferrari S.P.A., Fila Sport S.P.A. v. Classic Jack, WIPO Case No. D2003-0085; Experian Information Solutions, Inc. v. Credit Research, Inc., WIPO Case No. D2002-0095) and have also been applied in cases where there was no contractual relationship between the complainant and the respondent (See Dr. Ing. h.c. F. Porsche AG. v. Del Fabbro Laurent, WIPO Case No. D2004-0481; Philip Morris Incorporated v. Alex Tsypkin, WIPO Case No. D2002-0946).

[28] The Thread.com, LLC v. Poploff, Case No. D2000-1470 (WIPO Jan. 5, 2001)