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Judgment of the Court of Justice in Case C-59/08

Copad SA v Christian Dior couture SA, Société industrielle lingerie (SIL)

THE PROPRIETOR OF A TRADE MARK CAN OPPOSE THE RESALE OF HIS LUXURY GOODS BY DISCOUNT STORES

This is particularly the case where the discount store received the goods from a licensee in contravention of a licence agreement and where that contravention damages the allure and prestigious image which bestows on them an aura of luxury

In 2000, Dior concluded a trade mark licence agreement with Société industrielle lingerie (SIL) in respect of the manufacture and distribution of luxury corsetry goods bearing the Christian Dior trade mark. That agreement states that in order to maintain the repute and prestige of the Dior trade mark SIL agrees not to sell, in particular, to discount stores outside the selective distribution network, without written agreement from Dior, and that the licensee must make all necessary provision to ensure that that rule is complied with by its distributors or retailers.

However, since it was faced with economic difficulties, SIL sold goods bearing the Dior trade mark to Copad, a company operating a discount store business. Taking the view that that resale was prohibited by the agreement, Dior brought an action against SIL and Copad for trade-mark infringement. However, the resellers pleaded exhaustion of Dior's trade mark rights, because the goods had been put on the market in the EEA (European Economic Area) with Dior's consent.

The French Cour de Cassation, as the court of last instance, referred questions to the Court of Justice concerning the interpretation of the Trade Mark Directive¹ particularly since the licensee disregarded a provision in the licence agreement prohibiting, on grounds of the trade mark's prestige, sale to discount stores outside the selective distribution network.

The Court holds, first, that **the proprietor of a trade mark can invoke the rights conferred by that trade mark against a licensee who contravenes a provision in a licence agreement prohibiting, on grounds of the trade mark's prestige, sales to discount stores, provided it has been established that that contravention, by reason of the situation prevailing in the case, damages the allure and prestigious image which bestows on those goods an aura of luxury.**

¹ Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3)

The directive entitles the proprietor of a trade mark to invoke the rights that the trade mark confers on him in respect of a licensee where the licensee contravenes certain provisions in the licence agreement listed in Article 8(2) of the directive, including in particular those concerning the quality of the goods. The quality of luxury goods is not only the result of their material characteristics, but also of the allure and prestigious image which bestows on them an aura of luxury. In this respect, a selective distribution system such as that at issue, which seeks to ensure that the goods are displayed in sales outlets in a manner that enhances their value, especially as regards positioning, advertising, packaging as well as business policy, contributes to the reputation of the goods at issue and therefore to sustaining the aura of luxury surrounding them.

Consequently, it is conceivable that the sale of luxury goods by the licensee to third parties outside 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 the trade mark directive.** It is for the national court to examine whether, taking into account the circumstances of the case before it, contravention by the licensee of a provision such as the one at issue in the main proceedings damages the aura of luxury of the luxury goods, thus affecting their quality.

Next, the Court holds that **a sale that takes place in disregard of a provision prohibiting resale to discount stores outside the selective distribution network may, for the purposes of the directive, be considered to have taken place without the consent of the proprietor of the trade mark where it is established that such a breach contravenes one of the provisions listed in the directive.**

Even though, as a general rule, it must be considered that goods bearing the trade mark are put on the market by a licensee with the consent of the proprietor of the trade mark, the fact remains that **a licence agreement does not constitute the absolute and unconditional consent of the proprietor of the trade mark to the licensee putting the marked goods on the market.**

The directive expressly enables the proprietor of the mark to invoke the rights the trade mark confers on him against a licensee where the latter contravenes certain provisions in the licence agreement.

Therefore, the directive must be interpreted as meaning that where a licensee puts goods on the market in disregard of a provision in a licence agreement, this precludes exhaustion of the rights conferred by the trade mark on its proprietor for the purposes of the directive if it can be established that that provision is included in those listed in Article 8(2) of the directive.

Finally, the Court **holds that damage done to the reputation of a trade mark may, in principle, be a legitimate reason, within the meaning of the directive, allowing the proprietor to oppose the use of his trade mark for further marketing of luxury goods put on the market in the EEA by him or with his consent.**

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Languages available: CS DE EN EL ES FR IT HU NL PL RO SK

The full text of the judgment may be found on the Court's internet site

<http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=EN&Submit=rechercher&numaff=C-59/08>

It can usually be consulted after midday (CET) on the day judgment is delivered.

For further information, please contact Christopher Fretwell

Tel: (00352) 4303 3355 Fax: (00352) 4303 2731

*Pictures of the delivery of the judgment are available on EbS "Europe by Satellite",
a service provided by the European Commission, Directorate-General Press and
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L-2920 Luxembourg, Tel: (00352) 4301 35177 Fax: (00352) 4301 35249

or B-1049 Brussels, Tel: (0032) 2 2964106 Fax: (0032) 2 2965956