

Sweden: Expansion from another EU country to Sweden is not “due cause”

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[David Leffler \(Cirio Law Firm\)](#)

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On 17 May 2017, the Swedish Patent and Market Court (the “PMD”) decided a case whereby it held that Nestlé’s expansion of its cat food brand “PURINA felix” into Sweden infringed the reputed Swedish foodstuff trademark FELIX, and that the fact that PURINA felix was previously used and enjoyed recognition in another EU country did not constitute “due cause” in relation to the infringement.

The case in question (PMT 17771-13) is one of several in an on-going dispute between *Orkla Foods Sverige AB* (“Orkla”) and *Nestlé Sverige AB* together with its European mother company *Société des Produits Nestlé S.A.* (jointly “Nestlé”). In the case, Orkla sued Nestlé for trademark infringement based on two national trademarks and one EUTM. The court referred to Orkla’s marks collectively. Below on the left is Orkla’s device mark, and below on the right are Nestlé’s two marks. Orkla argued first that the marks are confusingly similar under trademark protection by registration, and secondly that Nestlé infringes the extended protection enjoyed by Orkla’s mark under Swedish national trademark law (which has chosen to implement art. 5.2 of the Trademark Directive (2008/95/EC), new directive not yet implemented).



No likelihood of confusion

In the first assessment, the PMD concluded that the marks are similar but that the similarity of the goods in question was low: Orkla's products are carrying the mark are foodstuffs intended for human consumption, whereas Nestlé's marks are used for cat food. Therefore, no infringement due to risk of confusion was found to be at hand.

Detriment to the repute - no "due cause"

The PMD, however, found that the use of Nestlé's trademarks would be detrimental to the distinctiveness and reputation of Orkla's marks - one does not like to think of cat food while shopping for Swedish meatballs! Nestle had argued that, in any event, such use would constitute "due cause" in the meaning of art. 5.2 of the Trademark Directive (now 10.2(c) of the new Trademark Directive 2015/2436). Nestlé argued that the marks were already being used in the rest of Europe and that Nestle, by using the same mark in Sweden, could achieve a more efficient branding and marketing process.

The PMD, by reference to C-65/12, "Red Bull", dismissed Nestlé's arguments and stated that in the balance between Orkla's interest of not having its trademarks infringed and Nestlé's interest of a more efficient branding process, Orkla's interest must prevail. The PMD specifically argued that the infringement evidently causes damage to Orkla's trademarks and a that a continuous use would continue to cause such damage. It was therefore concluded that Nestlé use was trademark infringement and an injunction set by the PMD.

Damages

As to the damages, it can be noted that the PMD accepted that the calculation of Orkla's goodwill damages was performed using a relief-from-royalty method, despite it being better suited for situations involving the acquisition of a trademark rather than calculating damages. As Orkla's mark had been found to be highly

valuable and the damage to be “in the consumers’ heads”, the size of the damages could be held to be at least as big as the sum petitioned for by Orkla (approx. EUR 1 300 000). Hence, Orkla’s petition was granted by the PMD.

Comment

As “due cause” is something not commonly used, and to this authors knowledge seldom successful, cases where “due cause” is argued are always interesting. In the present case, it could, as the PMD notes, be argued whether “due cause” could ever be successful on the expansion of the use to a new member state as national trademarks are a permitted limitation of the free movement according to EU law. That question certainly would make an interesting preliminary ruling by the CJEU.