

When Svensson gets run over by BMW/Deenik

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In a judgement of April 2018, the Regional Court of Hamburg has ruled on the use of original advertising material by non-authorized dealers and on how trademark law can bypass copyright law (308 O 231/16).

The plaintiff manufactures saddle bags and other high quality cycling accessories. The defendant is an online retailer with numerous online shops in Germany and the Netherlands. For a few years, the defendant had been selling the plaintiff's accessories in their online shops, after buying them from a wholesaler.

Defendant's Non-Compliance with Selective Distribution Criteria

At one point, the wholesaler cut off the supply of the plaintiff's goods. What had happened? The plaintiff's products had become more and more successful and the plaintiff did not want to see them being sold by just anyone. So the plaintiff established a selective distribution system. Now the distribution contracts between the plaintiff and their dealers permitted supply only to retailers that met certain qualitative criteria. The defendant fell short of these criteria.

Defendant Carries on Regardless

But the defendant continued to sell the products in their webshops regardless,

either by using existing stock or by obtaining them from the grey market. Considering the exhaustion principle, this wasn't anything the plaintiff could object to. At the same time, however, the defendant continued to use the plaintiff's original advertising material. Among this material were product shots, as well as a short computer-animated film that entertainingly explains how to attach a saddle bag and prominently displays the plaintiff's mark. The video was shown in the defendant's webshop via an embedded link to youtube, where the plaintiff had uploaded the video some time ago. The product shots were made available via the defendant's server.

The plaintiff sued the defendant for copyright and trademark infringement. In court, the defendant argued that the past deliveries by the wholesaler justified the continued use of the product shots at least for the products still in stock. With regard to the film, the defendant relied on the judgements *Svensson* and *Best Water* by the ECJ, on the general youtube license and on the exhaustion of the plaintiff's trademark affixed to the goods.

Trademark Owner Sues Successfully

The Regional Court of Hamburg has granted the plaintiff's motions both regarding the product shots and regarding the film. The reasoning, following the plaintiff's arguments, is as follows:

The use of the product shots clearly constitutes a direct, straightforward copyright infringement. When it comes to the use of the film, things get a bit more tricky. The use of the video does not amount to copyright infringement, because the defendant has not addressed a "new public" according to the *Svensson* jurisprudence of the ECJ on the meaning of communication to the public.

Trademark Infringement by Video

However, in showing the film, the Regional Court sees an infringement of the plaintiff's trademark. The display of the plaintiff's trademark in the film constitutes use as a trademark. The youtube license does not help the defendant, because it is unclear from the license as to whether the plaintiff, by uploading the video on youtube, validly consents to the commercial use of a trademark of the kind in question. According to German law, any doubts regarding the interpretation of standard terms and conditions such as those contained in the youtube license are to the detriment of the parties who rely on them. Finally, the defendant cannot not

invoke exhaustion pursuant to Sec. 24 subsection 1 German Trademark Act (Art. 15 subsection 1 Trademark Directive). Exhaustion, in principle, applies here, because the goods sold have been put on the market with the plaintiff's consent. Anyone who sells exhausted goods also has the right to advertise that sale. Such advertising, however, finds its limits in the legitimate interests of the trademark holder, especially if the products themselves are altered (Sec. 24 subsection 2, Art. 15 subsection 2 Trademark Directive). Even when products are unaltered, the trademark owner does not have to tolerate any uses of the mark which falsely convey a specific link of the reseller to the manufacturer, such as, for example, belonging to the manufacturer's distribution system (see ECJ *BMW/Deenik*, para. 51, 52; ECJ *Portakabin*, para. 80). That is the case here. The Regional Court finds that, in the eyes of the public, the manufacturer grants the added value which is embodied in such a film only to their authorized dealers and not to any reseller. The fact that the video is available to anyone on youtube does not change that perception. Just because the manufacturer has made the film available on youtube, doesn't mean that they agree to any kind of commercial use of it. Further, the general public is largely oblivious to how these films are disseminated anyway.