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Jurisdiction, European Style.

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With decision C-617/15, (*Hummel Holdings A/S v Nike Inc., Nike Retail BV*) the Court of Justice (CJ) has defined the concept of “establishment” under article 97 of EUTMR (now art. 125 Regulation 2017/1001).

According to article 98 (now art. 126) EUTMR, pan-European injunction can be granted if the Court seized has, according to art. 97 the “right” degree jurisdiction, *i.e.* defendant forum (or, if not domiciled in any of the EU Member States, in the member State where it has an establishment) plaintiff forum, Alicante’s forum. However, the concept of “establishment” is not defined by the EUTMR. Nor it is defined by Reg. 44/2001 (“Brussels”). So, what “establishment” means?

The case arose in a German Court between, on the one side Hummel Holding AS, a Danish company (the “Plaintiff”) and, on the other side, Nike Inc. (USA) and Nike Retail BV (Netherlands).

The German Court’s jurisdiction was based upon the argument that Nike Inc. (USA) had an “establishment” in Germany, *i.e.* Nike Deutschland GmbH (not part of the proceedings) which, however, is “a legally distinct second-tier subsidiary” of Nike Inc. and does not directly sells Nike-branded goods, but mainly provides pre-sale and post-sale support.

The Plaintiff requested a pan-European injunction against Nike Inc, and, in the alternative, with regard to the territory of Germany, where most of the infringements were alleged to have taken place.

Whether or not the German Court had jurisdiction thus depended on the interpretation on the concept of “establishment”.

First of all, the CJ stated that the concept of “establishment” must have a uniform meaning in all EU countries.

Second, while Brussels’ case-law specifies a definition of “establishment”, the CJ clarified that this definition should not necessarily be directly applied also with respect to the EUTMR provisions. Although the interpretation of “establishment” given by the CJ for the purposes of Brussels might be of some guidance, the CJ reiterated and reconfirmed the holding of *Coty* (case C-360/12, *Coty Germany GmbH v First Note Perfumes NV*) that the rules of the EUTMR have the character of *lex specialis* in relation to the rules provided for by Brussels, as the two regulations pursue different

scopes.

Third, the CJ held that the “*establishment, far from being an exception to the basic rule of jurisdiction at the domicile of the defendant is rather an implementation of that principle, which suggests that that concept should be interpreted broadly*”.

Thus the CJ provided the specific criteria to be followed and citing earlier case law rendered in Brussels’s cases (*i.e.* C-33/78, Somafer; C-218/86, Schotte; C-154/11, Mahamdia), the CJ held that the concept of “establishment” requires that the undertaking: *i)* “*acts as a center of operation*” in the EU of the parent company – *that is, it has a certain real and stable presence from which commercial activity is pursued*”; and *ii)* has the “*appearance of permanency to the outside world, such as an extension of the parent body*”. All this, regardless of whether the undertaking has legal personality or is a second-tier or a direct subsidiary of the parent company or is a party to the proceedings.

Therefore, on the basis of these considerations the CJ found that the Plaintiff had correctly sued Nike Inc. before the German Court.

This decision is relevant for two main reasons.

First of all, it further clarifies and reconfirms the different objectives pursued by the EUTMR and Brussels and thus the principle that pan-European jurisdiction can only be attained if the defendant is sued in its domicile for the EUTMR remains a *lex specialis vis-à-vis* Brussels. Indeed this latter aims to lay down, in addition to the defendant’s domicile, alternative grounds of jurisdiction based on a close link between the court and the action, or in order to facilitate the sound administration of justice, or, in certain fields to protect the weaker party by rules of jurisdiction more favorable to its interests than the general rules. The former instead, seeks to prevent inconsistent decisions on the part of the courts and to ensure that the unitary character of those trademarks is not undermined, by means of decisions of EUTM Courts which have effect and cover the entire area of the EU.

The second reason is that although the definition of “establishment” is relevant only to non- EU parties, the more evident consequence of this decision is that it opens the door to a quite unpredictable forum shopping especially against multinational companies which usually have several establishments all over the EU and may now be sued almost anywhere.

Whether or not this wider forum shopping will now lead to the emergence in the EU of an equivalent of *Eastern District of Texas*, -the (in)famous US *patent-friendly* court, now effectively shut down by the recent Supreme Court decision in *Tc Heartland Llc v. Kraft Foods Group Brands Llc* – is to be seen.

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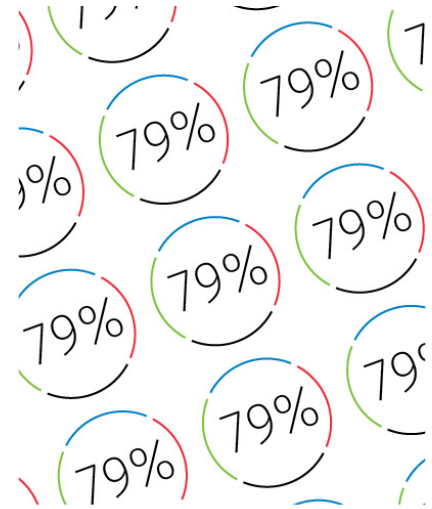
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