ECJ Rules on Territorial Scope of Prohibitions to Infringe Community Trade Marks and Coercive Measures

On April 12, 2011, the European Court of Justice ruled in DHL Express France SAS v. Chronopost SA on the territorial scope of prohibitions of infringing Community trade marks and of coercive measures ordered for the purpose of enforcing such prohibitions.

Background

European Regulation No 40/94 establishes a Community trade mark. The substantive effects of this trade mark are governed by the rules of the Regulation, but jurisdiction to rule on infringement proceedings was vested to a limited number of national courts in each Member state. Unless otherwise provided by the Regulation, these courts logically apply their own procedure, including the Brussels Convention (as it was then).

The French Judgments

In a nutshell, the dispute arose out of the use by DHL of a trade mark, "webshipping", that French corporation Chronopost had registered both as a French and as a European trademark. Chronopost initiated infringement proceedings in France against DHL. In a judgment of November 9th, 2007, The Paris Court of appeal found that DHL had indeed infringed Chronopost's European trade mark. It thus ordered DHL to stop doing so and issued a prohibition against further infringement. The prohibition was backed with an "astreinte", a periodic penalty payment of € 1,500 per day of non-compliance, to be paid to the plaintiff. The astreinte was not liquidated, i.e. the final amount of the payment was to be determined later by the court, when it could assess whether and when the defendant had complied.

However, the Paris Court refused to rule that the prohibition covered the entirety of the European Union, and limited its territorial scope to France. The court

explained its decisions as follows. From a factual point of view, it found that only French speaking consumers could get confused by the infringement of the trade mark. But it also referred to Article 98 of Regulation No 40/94, which provides:

> ***Article 98 Sanctions***
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> *1. Where a Community trade mark court finds that the defendant has infringed or threatened to infringe a Community trade mark, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the Community trade mark. It shall also take such measures in accordance with its national law as are aimed at ensuring that this prohibition is complied with.*
>
> *…*

The Court ruled that it could not issue an extraterritorial order without knowledge of the laws of other states offering an equivalent remedy.

Chronopost appealed to the French supreme court on private and criminal matters (*Cour de cassation*), which referred the matter to the ECJ and asked:

> *1. Must Article 98 of … Regulation [No 40/94] be interpreted as meaning that the prohibition issued by a Community trade mark court has effect as a matter of law throughout the entire area of the [European Union]?*
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> *2. If not, is that court entitled to apply specifically that prohibition to the territories of other States in which the acts of infringement are committed or threatened?*
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> *3. In either case, are the coercive measures which the court, by application of its national law, has attached to the prohibition issued by it applicable within the territories of the Member States in which that prohibition would have effect?*
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> *4. In the contrary case, may that court order such a coercive measure, similar to or different from that which it adopts pursuant to its national law, by application of the national laws of the States in which that prohibition would have effect?*

The ECJ Ruling

Territorial Reach of the Prohibition

On the first question, the ECJ considered that, as a matter of principle, Community trade mark courts had jurisdiction over the entire area of the European Union. Its holding is:

> ***1. Article 98(1) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, as amended by Council Regulation (EC) No 3288/94 of 22 December 1994, must be interpreted as meaning that the scope of the prohibition against further infringement or threatened infringement of a Community trade mark, issued by a Community trade mark court whose jurisdiction is based on Articles 93(1) to (4) and 94(1) of that regulation, extends, as a rule, to the entire area of the European Union****.*

However, the Court also underlined that in some circumstances, Community trade mark courts should limit the reach of their decisions to some parts of the EU only.

> *48. Accordingly, if a Community trade mark court hearing a case in circumstances such as those of the main proceedings finds that the acts of infringement or threatened infringement of a Community trade mark are limited to a single Member State or to part of the territory of the European Union, in particular because the applicant for a prohibition order has restricted the territorial scope of its action in exercising its freedom to determine the extent of that action or because the defendant proves that the use of the sign at issue does not affect or is not liable to affect the functions of the trade mark, for example on linguistic grounds, that court must limit the territorial scope of the prohibition which it issues.*

The Court further insisted that, pursuant to Article 33 of the Brussels I Regulation, recognition and enforcement of such prohibitions were mandatory.

Territorial Reach of the Coercive Measure

With regard to the coercive measure, the Court ruled that such measures were governed by the lex fori, and that they should have the same reach as the

prohibitions if they were to achieve their goal. As a consequence, courts of other members states ought to recognize and enforce them, under the Brussels I Regulation.

The Court did not mention Article 49 of the Brussels I Regulation, which only provides for the enforcement of liquidated "astreintes". Is that to say that all "astreintes" ought to be enforced when used for the purpose of enforcing Community trade marks, even when unliquidated as in the present case?

In his opinion, AG Cruz Villalon had said:

> *64. The fact that a Community trade mark court draws up a periodic penalty payment does not necessarily imply that any quantification or enforcement thereof must be carried out by the same court. (…)*
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> *65. (…) where the prohibition is infringed in a Member State other than the State of the forum, the quantification and enforcement stages must be carried out in the Member State in which that infringement occurred. Thus, whereas the Community trade mark court which heard the substance of the case must, where it finds infringement, impose a penalty payment, the quantification and subsequent enforcement thereof are a matter for the court of the Member State in which the prohibition is infringed, in accordance with the rules on recognition laid down in Regulation No 44/2001.*

His argument was that "astreintes" being punitive in character, they should be quantified and enforced in the Member state of enforcement. This seems to mean that unquantified astreintes may, and indeed must be enforced abroad. I am not sure this is fully in accordance with the Brussels I Regulation.

Finally, my understanding was that "astreinte" is, in Europe, a remedy peculiar to France, Belgium and Luxembourg, but AG Cruz Villalon stated that there are known in most Member States. In any case, an important issue is how to actually enforce a French astreinte in another Member states where it would be an unknown concept. The Court ruled that in the absence of an equivalent measure in the enforcing state, the enforcing court should attain the same objective with its own procedural machinery.

> *56. Where the national law of the Member State in which recognition and*

enforcement of the decision of a Community trade mark court is sought does not provide for a coercive measure similar to that ordered by the Community trade mark court which issued the prohibition against further infringement or threatened infringement (and coupled that prohibition with such a measure in order to ensure compliance with the prohibition), the court seised of the case in that Member State must, as the Advocate General has observed at point 67 of his Opinion, attain the objective pursued by the measure by having recourse to the relevant provisions of its national law which are such as to ensure that the prohibition originally issued is complied with in an equivalent manner.

Final holding of the Court on this second set of questions:

2. ***Article 98(1), second sentence, of Regulation No 40/94, as amended by Regulation No 3288/94, must be interpreted as meaning that a coercive measure, such as a periodic penalty payment, ordered by a Community trade mark court by application of its national law, in order to ensure compliance with a prohibition against further infringement or threatened infringement which it has issued, has effect in Member States to which the territorial scope of such a prohibition extends other than the Member State of that court, under the conditions laid down, in Chapter III of [the Brussels I Regulation], with regard to the recognition and enforcement of judgments. Where the national law of one of those other Member States does not contain a coercive measure similar to that ordered by the Community trade mark court, the objective pursued by that measure must be attained by the competent court of that other Member State by having recourse to the relevant provisions of its national law which are such as to ensure that the prohibition is complied with in an equivalent manner.***