

# GARRIGUES

**FASHION & LAW**

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IN MEXICO

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*Not as dead  
as a dodo*





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DEFUNT  
BRANDS

*Not as dead  
as a dodo*





## ■ CELIA SUEIRAS VILLALOBOS

Famous marks benefit from an enhanced degree of protection under both the Spanish Trade Marks Law and the European Union trade marks Regulation (EUTMR). The Spanish Law refers to well-known (*marcas notorias*) and famous marks (*marcas renombradas*; literally, 'renowned marks'), depending on whether they are known to the relevant sector of the public to which the goods and services are directed (e.g. Stratocaster) or known by the public at large (e.g. Coca-Cola). The Spanish version of the EUTMR simply refers to "trade marks with a reputation"; namely, those that possess a high degree of recognition resulting in substantial goodwill.

The reputation of a trade mark, just as in the case of physical or legal persons, is volatile. A trade mark's reputation can go up in smoke with just one faux pas of its owner. Think of the value of British Petroleum's brand "BP" in the aftermath of the 2013 Mexican Gulf oil spill crisis or the connotations attached to the legal services brand "Mossack Fonseca" after the so-called 'Panama Papers' leak.

Trade marks are not only exposed to reputational damage. Just like people, they also wither and die. The 'death' of a trade mark is the consequence of their being declared invalid or revoked. While there are substantial differences between the concept and nature of invalidity and revocation, both have in common that they result in the cancellation of the trade mark and of any exclusive rights derived from its registration.

The issue under discussion here is one of cancellation as a consequence of non-use. We should begin by clarifying that the owner of a trade mark is under the obligation to genuinely use it in connection with the goods and/or services which the mark in question covers. Because the registration of a mark confers its owner a potentially perpetual monopoly, it seems only fair that he should, in exchange, use the mark genuinely in the course of trade. In a nutshell, a trade mark owner must follow the aphorism "use it or lose it".

Interestingly, on certain occasions, the fame or reputation of a trade mark lives on after its demise.

Who hasn't heard of the Mariquita Pérez doll, Galerías Preciados department stores or Pan Am airlines? But what happens after these marks pass away? Do they become a certain kind of *res derelictae* –or abandoned property– which anyone can lawfully take?

At first sight, it may not seem exactly fair that someone who has not invested time, effort or money in building the reputation acquired by a brand should benefit from such reputation simply because, for whatever reason, such mark is no longer used in the course of trade. However, is it fair to defend the opposite?

When a gambler has been feeding hundreds of coins to a slot machine and gives up just before the next player hits the jackpot with a single coin, is it reasonable to consider that the second player has acted unlawfully? Perhaps this example doesn't quite illustrate the case under discussion. However, it also refers to a borderline scenario in which 'lawful' doesn't exactly amount to 'fair'.

The long-standing feud between Manuel Benítez and Manuel Díaz (both known as "El Cordobés") is a hot topic today on account of the paternity suit the latter has filed against the former. However, it is not the first time these men face each other in court. In the year 2000, the Supreme Court confirmed Manuel Díaz's right to use the "El Cordobés" moniker, as the identical mark owned by his putative father had lapsed for lack of genuine use. The Supreme Court held that Mr. Benítez's occasional appearance in charity bullfights or his recurring media exposure could not be considered relevant use for trade mark purposes. In the court's opinion, the fact that the retired matador was still known as "El Cordobés" did not amount to use of that sign in a trade mark sense.

“ Who hasn't heard of the Mariquita Pérez doll, Galerías Preciados department stores or Pan Am airlines? ”



The Hispano Suiza case had many more complex facets. The legendary early XXth century luxury car manufacturer brought action for trade mark infringement and unfair competition as a consequence of the unauthorized use and registration in 2010 of the mark “Hispano Suiza” in connection with automobiles.

Although the “Hispano Suiza” mark had not been used in over 70 years, it was undeniable that its reputation and selling power remained intact. It follows that the choice of the “Hispano Suiza” mark by the defendants was obviously not casual.

In this case, the Barcelona appellate court (*Audiencia Provincial*) issued a Solomonian decision: while it dismissed the infringement action on the grounds that the mark “Hispano Suiza” had lapsed as a consequence of non-use, it considered that the defendants’ conduct in promoting and advertising its automobiles under such mark amounted to unfair competition.

In the court’s opinion, the reputation of a sign –which is not necessarily linked to its active presence in the market– does not suffice to justify that exclusive rights in such sign should live on where it is no longer used. However, it considered that the owner of a defunct trade mark with a reputation is entitled to bring action based on unfair competition to the extent the use of such mark by a third party is likely to mislead the public as regards the commercial origin of the goods at issue, and to take unfair advantage of someone else’s reputation.

Let it be known, in particular, to potential trade mark trolls: the fact that a trade mark has lapsed does not necessarily prevent it from winning post mortem battles. Just like the Cid Campeador:





(PART I)

# THE BOOM OF E-COMMERCE IN MEXICO

## LEGAL AND TAX ASPECTS TO CONSIDER IN ORDER TO EMBRACE IT

■ **LUIS MICHEL SANCHEZ**

■ **MIGUEL ANGEL ROCHA**

E-commerce is rapidly growing in the globalized world and Mexico is not the exception. Hereunder some data is presented to provide the reader with a better perspective.

The number of Internet users in Mexico has drastically increased in the last few years, going from 20 million in 2006 to around 70 million users in 2016. Studies of the Mexican Internet Association<sup>1</sup> suggest that 75% of Internet users in Mexico shop online, at least sporadically<sup>2</sup>.

Further, the value of the Mexican business-to-consumer e-commerce market in 2015 was deemed to rise up to USD \$ 17.5 billions which represented a 90% increase against 2012. Following this tendency, experts estimate that such market will continue delivering double-digit grow in the following years and for see that by 2019 its value will reach USD \$ 41 thousand millions\*.

The increasing number of Internet users that feel conformable buying online, in addition with an extensive free trade agreement network and an all-around rise in consumption have encourage more companies to launch or expand their e-commerce projects in Mexico.

In years 2000 and 2003 important statutory reforms were enacted to establish specific regulation of commercial acts through electronic media. Even though the entire Mexican e-commerce regulation is not compiled in a single law, several laws and regulations set forth provisions that are applicable to commercial activities carried out using digital means of communication.

In this context, this article intends to serve as a brief guideline of the main legal and tax matters that should be considered by companies— from star-ups to large corporations— that have decided or are analyzing the possibility of seizing e-business opportunities in Mexico.

### Validity of agreements concluded by electronic means

Firstly, it should be pointed out that commercial agreements concluded through electronic means of communication or

any other technologies are perfectly valid and enforceable in Mexico<sup>3</sup>. Further, such agreements are binding for both parties as from the moment the offering party receives the acceptance of its offer or the modifying conditions to the latter.

### Intellectual property

Intangible assets are extremely valuable for many companies, essentially for those involved in information technologies and e-commerce business; thus, the adequate protection of intellectual property is critical.

As in other civil or common law jurisdictions, intellectual property protection in Mexico is divided into two main categories: copyrights and industrial property.

On one side, elements such as website design and creative contents – for instance, texts, photos, graphics, music, and videos – are protected by copyrights. On the other, trade names, logos, brands, and Internet domains are susceptible of protection in terms of the Federal Industrial Property Law. It should be highlighted that software is protected in Mexico in the same terms of literary work (i.e., as copyrights).

Mexican Law recognizes and protects copyrights of any original work from the moment it is materially embodied (even on a digital form), without the need of any given registry; nonetheless, in order to have sound legal certainty, it is advisable that specific works that are especially valuable for the company are registered before the Copyrights Public Registry (*Registro Público del Derecho de Autor*). In contrast, the registry of trademark, patents, utility models or industrial designs before the Mexican Institute of Industrial Property (*Instituto Mexicano de Propiedad Industrial*) is

<sup>1</sup> The Mexican Internet Association is a non-profit organization that gathers the main enterprises and governmental entities surrounding the Internet industry.

<sup>2</sup> Study of Electronic Commerce in Mexico 2015, Mexican Internet Association.

<sup>3</sup> Article 80 of the Commerce Code.

\* Estimations of the Mexican Online Sales Association.

**“** Further, the value of the Mexican business-to-consumer e-commerce market in 2015 was daemed to rise up to USD \$ 17.5 billions **”**



required to enjoy the exclusive exploitation rights over such intangible assets.

In connection with the above, it must be noted that Mexico is a contracting State of the Madrid Agreement concerning the International Registration of Marks and its Protocol, as well as of almost all international treaties administered by the World Intellectual Property Organization.

Beside the protection of the company's intangible assets, avoiding the infringement of intellectual property rights of third parties is also an essential matter that e-commerce companies should consider; given that infringing copyrights or industrial property may result in severe consequences for the company, such as administrative sanctions or lawsuits.

In light of the above, if elements such as technical tools, software, distinctive signs, and/or creative content of a third party are going to be commercially exploited, obtaining authorization from the rightful owner of the intellectual property rights is essential. Such authorizations are usually granted by means of licensing agreements or assignment of rights; however, not all agreements were created equal, therefore the conditions (authorized and not authorized use, geographic area, terms, etc.) under which the use of such intangibles are granted to the licensee should be diligently confirmed to avoid breaching any agreements.

### Consumers' protection

Consumers' protection is considered a matter of public policy and social interest in Mexico, hence any contractual term (including the express waiver of customer rights) between private entities or individuals that contravenes such regulation is considered null and void. In other words, the consumers' protection regulations are considered a limitation to the party autonomy principle.

In general terms, the Federal Consumers' Protection Law ("CPL") provides guidelines, requisites, and limitations to advertising, promotions or sales, credit transactions, guarantees and customer satisfaction policies, and adhesion contracts, among other matters.

Companies carrying out e-commerce activities in Mexico should be particularly aware of the provisions of the CPL regarding doorstep sales and transactions carried out through electronic means of communication. In synthesis, the CPL provides that such enterprises shall:

- (i) Handle the information provided by its costumers as confidential and implement security measures that guarantee the safety and confidentiality of such information.
- (ii) Inform the customer, before the sale is concluded, the total price, payment methods accepted, estimated delivery date, additional charges (such as shipping and insurance costs), and the characteristics of the goods or services in question.
- (iii) Allow the customer to submit complains and refund requests through the same channels used for the sale. Also, businesses are required to inform the customer about the physical address, telephone numbers and other means to file complaints and clarification requests.
- (iv) Absorb the shipping cost in cases of reimbursements or repairs covered by guarantee or customer satisfaction policy, unless otherwise agreed by the parties.
- (v) Avoid the use of deceiving sales and/or advertising strategies.
- (vi) Abstain from sending commercial messages to consumers that have indicated that they do not wish to receive such information.

Additionally, it should be noted that the CPL provides that, when it comes to doorstep sales, the costumers has up to 5 days to return the goods in question without any source





of liability. In such cases, the company shall reimburse the price paid, even though the shipping cost may be charged to the customer.

#### **Personal data protection**

Most e-commerce enterprises collect and process personal information from their clients, thus in Mexico they would be obliged to comply with the provisions set forth in the Federal Act for the Protection of Personal Data in Possession of Private Entities or Individuals.

In general terms, the Mexican personal data protection regulation is substantially similar to that applicable in Spain or other jurisdictions of the European Union. In this sense, the main obligations imposed to private entities that collect or process personal data are: (i) having a privacy notice available to the public, which shall state the name of the responsible party, premises for processing and sharing such information, etc.; (ii) ensure that the data owners may exercise their access, rectification, cancellation and opposition rights (ARCO rights); (iii) obtain express consent for processing sensitive personal data; and, (iv) establishing y maintaining the necessary security measures to protect personal data from loss, damage or non-authorized access.

*The following edition of the Newsletter will include the second part of this article, in which tax matters regarding e-commerce in Mexico will be addressed.*

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<sup>4</sup> An "adhesion contract" is a standard form of agreement, unilaterally prepared by a Company, in which the terms and conditions under which it offers its goods and services to the general public are set forth. Some adhesion contracts, depending of the offered goods or services, must be registered before the Federal Consumers' Protection Agency.



## ¿How to prove use of a trademark in the US?

■ NATALIA RUIZ GALLEGOS

In a previous article we looked at the two options available to protect a trademark in the US, depending on whether the mark was already being used when the application was filed or if use would be started later on. What we found then, is that use is an essential requirement and is absolutely necessary for the validity of the mark in the US. Indeed, if it has not been used it cannot be relied on in the case of a potential infringement. In the United States, as opposed to other countries, prior rights are acquired by the first party to use the mark, not by the party that is the first to register it.

Irrespective of the basis for filing the application under the US Trademark Law (The Lanham Act), at some point it will be necessary to prove use by filing a statement of use and proof of use, which occurs in the following three situations:

1. In an application based on “intent to use”, once the “notice of allowance” has been issued.
2. With the statement of use to be submitted between the fifth and sixth year from the grant of the mark.
3. With the renewal.

- Photographs showing the mark as it is used in advertising or when providing the service (for example a photograph of the establishment in which the service is provided, showing the mark).
- Menus showing the mark.
- Businesscards and letterhead showing the mark with a reference to the services.

In the latter two cases it is possible to submit the statement of use within an additional 6-month grace period following the expiry of the submission deadline.

Since the forum in which I am sharing this information is for fashion experts, I must confess that the proof of use I sent to the USPTO by courier with one of my first statements of use for a footwear brand, was a pair of boots that were of such bad taste that the examiners may still be asking themselves whether they were a pair of elegant boots or were in actual fact for feeding seals at the zoo... Without going into the questionable taste of the design of the boots, there was no need to have sent the boots, since a simple photograph clearly showing the trademark would have been sufficient. The USPTO makes things easy when it comes to the specimen samples it accepts as proof of how the mark is used. Indeed, it is sufficient to send a picture of the mark by e-mail, without the need to provide physical proof or a notarized affidavit or legalized documents. The following materials, among others, are considered valid proof of use for goods (classes 1 to 34 of the Nice Classification):

- A photograph of the product showing the mark.
- Labels showing the mark, as it appears on the product.
- Packaging showing the mark.
- The actual product showing the mark.
- An instruction manual for the product if it is included in the packaging, showing the mark.

The following materials, among others, are considered valid proof of use for services (classes 34 to 45 of the Nice Classification):

- Advertising or brochures showing the mark and describing the services.
- Signage showing the mark.

It should also be underscored that a link to a website showing the mark on the goods and services in question, making it clear that they are available to US consumers, is also considered valid proof of use.

If the mark has not been used on some of the goods and services covered by the registration, they can be eliminated when the statement of use is submitted. Otherwise the trademark registration may be challenged since it contains goods or services that are not in use.

For example, a trademark in class 25 initially protects the following items related to articles of clothing, footwear and headgear that are covered by the general classification of said class:

Women’s and men’s clothing; coats, jackets, skirts, tops, raincoats, belts, dressers, pullovers, trousers, jeans, dresses, capes, raincoats, parkas, jumpers, shirts, undergarments, cardigans, underwear; bathrobes, swimwear; swimsuits, robes [negligées], nightwear; shawls, corsets [bands], ties, neckties, men’s suits, sweatshirts, t-shirts, polo shirts, tights, blazers, shorts, sports shirts; footwear; booties.

If when the statement of use is submitted, the mark has not been used for footwear, the goods in this category can be eliminated, and the registration will then be reduced to the goods on which it has actually been used:

Women’s and men’s clothing; coats, jackets, skirts, tops, raincoats, belts, dressers, pullovers, trousers, jeans, dresses, capes, raincoats, parkas, jumpers, shirts, undergarments, cardigans, underwear; bathrobes, swimwear, swimsuits, robes [negligées], nightwear, shawls, corsets [bands], ties, neckties, men’s suits, sweatshirts, t-shirts, polo shirts, tights, blazers, shorts, sports shirts; footwear, booties, footwear protectors, golfing shoes, clogs, canvas shoes, walking boots, beach footwear, running shoes, gym shoes, boots, après ski boots, sandals, bath sandals, gloves [articles of clothing]; headgear, specifically, hats, caps, visors.



*“ If we are not in a position to submit the statement and proof of use, the trademark will be considered abandoned ”*

At times, the owner of a trademark that has not been used for all or some of the goods is tempted to submit a false statement of use in order to maintain the registration, since the USPTO never checks whether the mark is actually being used in commerce. Indeed, if the proof of use submitted is considered valid by the USPTO it will grant the mark without questioning its accuracy. However, false statements put the trademark owner in a dangerous position, since the following statement is included in the statement of use: *“willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001”*. Consequently, this statement is not a mere formality, on the contrary the signatory is affirming that its statement





is true, so it is important for rogues to be aware of the danger they face.

The reason the system is so strict is very simple: the USPTO seeks to ensure that the trademark register reflects the reality of the market in a system that affords huge freedom of access to trade, making it possible to avoid the obstacles involved in operating in the market. In this regard, registrations that are maintained fraudulently, i.e. that are in force but not actually in use, are known as “deadwood” by the USPTO, that is, they prevent others accessing the mark, hindering the free flow of the market.

Going back to the beginning of this article, we are aware that a US trademark that is not used is a right that is

devoid of content. Consequently, we should only seek protection of a trademark if we are in a position to use it in the US, since although it can be filed under the “intent to use” option, making the most of all the extensions available to submit the statement of use (up to 36 months), in the end it will always be necessary to prove the use of the registration in order to ensure that it is valid, vis-à-vis third parties. If we are not in a position to submit the statement and proof of use, the trademark will be considered abandoned.

We leave it up to you to decide whether we will use the boots legally covered by the mark for an event or if they are better left for low key occasions...

# E-COMMERCE AND DISCLOSURE OF PERSONAL DATA



## **DANIEL CACCAMO Y MARÍA ZELICH**

The compliance with and application of personal data protection laws is an essential part of the planning process and design of online sales channels for our clients. One of these essential aspects is the obligation by companies to draft the terms and conditions of sale or, privacy policies that adequately regulate the collection and processing of personal data, in order to offer users clear and specific information on the purpose and use of such data and request, if necessary, their consent to process the data. However, when drafting such policies, the correct regulation of the possible disclosure of data to third parties is often overlooked. Data disclosure occurs, for example, where we disclose our clients' data to third parties (distributors or carriers, among others), to other entities in the same corporate group, or to trading partners

(for example, in order to manage the distribution of commercial or promotional communications to clients, or loyalty cards). Although such processing is usually pushed into the background (in many cases, due to the client's total lack of knowledge), regulation of this aspect of data processing is not a trivial matter. The failure to implement the legal provisions in place may represent an infringement of Personal Data Protection Organic Law 15/1999, of December 13, 1999 ("LOPD"), which imposes penalties of up to €600,000.

It is therefore essential to assess to whom our clients' personal data can be disclosed and to verify whether such disclosure involves the need to obtain our clients' informed consent (article 11 of the LOPD). Besides those cases in which it is not necessary to obtain consent in view of the exceptions provided by law (for instance because the data disclosure is due to one of the exceptions established

in article 11.2 of the LOPD), clients' should be provided with unequivocal information regarding the purposes of the collection and disclosure of the data, and the type of activities performed by the recipient. If the client's consent is requested during the negotiation and drafting of a contract for purposes that are not directly related to the maintenance, development or control of the contractual relationship, the client should be able to expressly indicate his/her objection to the disclosure of the personal data. Furthermore, it should be taken into account that, in certain cases, data disclosures may, in turn, involve the international transfer of data. An international transfer of data means any transfer of data outside the European Economic Area, either as a data disclosure or for the processing of data by the data controller established in Spain (that is, to a data processor, as provided by article 12 LOPD). In this connection, article 33 of the LOPD provides that international transfers of data may only take place with countries that provide a comparable level of protection to the one established in the LOPD, unless the Spanish Agency of Data Protection ("AEPD"), grants its prior authorization based on the adequacy of the existing conditions. As an exception, the law permits international data transfers when the data subject has given his/her unambiguous consent (after being informed of the countries to which the data may be transferred) or when such data is transferred to a country that has been declared by the European Commission to afford an adequate level of protection<sup>1</sup>. With the entry into force of the new General Data Protection Regulation on May 25, 2016 (a European Regulation that will only be compulsory from May 25,

2018), the regime for international transfers will be less stringent, as there will be no need to obtain the AEPD's prior authorization to perform such transfers. However, the new Regulation will still require, among other aspects, that adequate safeguards be provided and that data subjects have the possibility of bringing effective legal action against those performing the international transfer. Here too it is essential to analyze data flows, preferably from the design of the company's online sales network.

<sup>1</sup> To date the European Commission has declared the following countries to have an adequate level of protection: Switzerland, Canada, Argentina, Guernsey, Isle of Man, Jersey, Faroe Islands, Andorra, Israel, Uruguay and New Zealand.



# Distribution-Delivery **VS.** Distribution-Sale

MORE ABOUT THE CLIENTELE  
COMPENSATION IN  
DISTRIBUTION AGREEMENTS  
(STS 273, 2015, MAY 27)

■ **CLAUDIO DORIA Y LUCIANA DE LÍO PÉREGO**

The recent First Chamber Supreme Court's (SC) case law has been consistent when determining that the granting of clientele compensation in case of unilateral termination of the distribution agreement by the manufacturer could not be made automatically by analogous application of the Agency Contract Act, but by taking into account the particular casuistry, requiring the claimant distributor to prove the effective contribution on the growing clientele during the duration of the agreement and, additionally, the potential future advantage for the manufacturer, who has

terminated the agreement. The recent SC's decision, number 273/2015, May 27, has given a certain twist to this interpretation when establishing the distinction between "distribution-delivery" and "distribution-sale", thus recognizing that the scope of the subject of a distribution agreement may vary significantly from case to case and hence providing the distributor with greater chances to perceive clientele compensation in certain cases.

In the aforementioned decision, the SC differentiates between three steps conforming the product commercialization process: (i) pre-sale activities such as promotion and/or the reception of customer orders; (ii) product delivery activities to the previously-attracted customers (either by the manufacturer or by



the distributor); and (iii) the invoicing and credit collection tasks.

The SC ruled that the subject of a contractual relationship is focused on distribution only if the distributor only performs activities included in step (ii) described above, such as the delivery of products to clients following instructions from the manufacturer, independently of the exclusivity of the service. In such cases, the claim for compensation to a distributor-delivery is less likely to be successful due to the rationale behind the compensation, which is to offer a fair remedy against the unjust enrichment situations where the manufacturer benefits from the clients attracted by the commercial activity of the distributor who has been unilaterally terminated.

On the other hand, the SC related the “distribution-sale” activity with the assumption of a higher risk by the distributor, who has usually invested a larger amount of resources in marketing and customer-attraction activities, as well as in improving the relationship with preexisting clients; these being potentially beneficial for the manufacturer once the agreement is terminated. The SC considers that the distributor-seller is involved in the performance of billing and credit collection activities, which goes beyond delivery and physical distribution of the products commercialized under the agreement in question.

As a consequence of the performance of said pre-sale and post-sale activities, the distributor-seller must respond to the manufacturer of its obligation to provide a certain organizational structure in terms of facilities, resources and personnel, among others, which makes the distributor vulnerable in front of any eventual changes the manufacturer may decide to implement (such as changes in the product lines commercialized by the distributor or modifications on the exclusive distribution territory). All this would lead the courts to be more likely to recognize the right of the distributor-seller to receive compensation for the clientele generated during the performance of his duties under the agreement. The strong implication of the distributor will

be captured in these cases as there exists the possibility that the manufacturer continues benefitting from the distributors’ efforts once the agreement is terminated. When determining whether a distribution agreement should be labelled as a “distribution-delivery” or a “distribution-sale” agreement, its specific clauses should be taken into account as they reveal the common intention of the parties when entering the agreement and serve as a guide to set or define the degree of commercial



**“** *The purchase of those products obey to a pre-existing relationship between them and the brand in question* **”**



involvement of the distributor to be achieved under that contract, also taking into consideration relevant factors such as the existence of non-competition agreements which could affect the distribution activity of the distributor once extinguished the relationship with the manufacturer. Finally, it is important to take into account the business sector in which the distribution takes place in each case, since the distribution tasks and their effect on the attraction of new clients or in the increase in the business activity with the existing ones may be affected by the particularities of a specific industry and thus, affect the extension of an eventual clientele compensation. Take the well-known SC judgement number 538/1999, of June 12th (later quoted by, among others, the SC judgement number 28/2009, of January 21st) as an example. In this judicial case, and given that internationally-known brands were involved, it was ruled that the distribution activities in the automotive sector were accessory and therefore not determinant. The SC considers that the unilateral extinction of a distribution agreement has not given rise to unjust enrichment, as the internationally-known brands themselves serve as advertisement for the purchase of new vehicles by individuals, who pay greater attention to the general advertisement carried out by the manufacturer than to the limited advertisement the distributor or the dealer may deploy, and who in

“ The dealer of the pre-contractual relationship the client has developed with the brand, as well as because of the loyalty effect when repeating the purchase of a new vehicle of the same brand ”

any case takes profit from the first. For this matter the judgement concludes that the attraction of customers in the automotive sector does not derive exclusively from the performance of the dealer because of the pre-contractual relationship the client has developed with the brand, as well as because of the loyalty effect when repeating the purchase of a new vehicle of the same brand.

In conclusion, if we can extrapolate the ruling of the abovementioned judgement to the fashion industry, in which the existence of brands is fundamental, it would not be difficult to advocate before a Spanish court for the inexistence of an unjust enrichment situation which gave rise to clientele compensation when the distribution agreements considered products from a well-known brand. It could be alleged that the purchase of those products obey to a pre-existing relationship between them and the brand in question (may it represent a special quality, design, life style or others). In general terms, as in this industry the aesthetics and brands are key elements when positioning the products, it is not unreasonable to think that the eventual broadening or strengthening of a client portfolio responds to *branding tasks* done by the manufacturer rather than the performance of the distributor, giving rise to customer-based compensation at the termination the contractual relationship.



# CAN I CONTROL THE USE OF MY MARK ON THE INTERNET?

## IMPOSSIBILIMUM NULLA OBLIGATIO EST



### CRISTINA MESA

On March 3, 2016 the Court of Justice of the European Union (“CJEU”) handed down an extremely interesting judgment in the *Mercedes Case*<sup>1</sup> regarding the interpretation of the “use” of a trademark, which, as we all know, is a necessary requirement to prove infringement. It seems obvious that if the mark has not been “used”, then we can hardly claim that its owner’s trademark rights have been infringed. However, something which at first glance would appear to be common sense, can get complicated when we leave it in lawyers’ hands.

The case in question involved an authorized Mercedes-Benz dealer who was entitled to use this trademark in online advertising. Once the contract ended, Mercedes required its former dealer to stop using the mark, but despite the dealer’s attempts it was unable to put a stop to such use. Indeed, the dealer asked the online advertising services company to amend its advertisement so that it no longer made reference to the dealer as an “authorized

dealer”, but the company ignored its request. Moreover, the dealer was also the victim of unauthorized advertising on a company referencing website, which the CJEU indicates has become a very common practice. The purpose? To include third party’s advertisements on the company referencing site without their authorization, in order to have users believe that the site has more traffic than it actually does. The result was that Daimler AG, owner of the MERCEDEZ-BENZ trademark in Hungary ended up suing its ex-distributor for trademark infringement, even though it had done everything possible to comply with Mercedes’ requirement.

The case would appear to bear little relationship to the fashion world, but in fact, the CJEU judgment is applicable to all distribution relationships, be they official or otherwise.





The important aspect in this case is that although the advertising circulating online was undoubtedly positive for the Mercedes distributor, it had attempted to comply with its commitments and to stop presenting itself as an “authorized dealer”. What does common sense tell us? That in this case it is not logical to believe that the ex-distributor is “using” the MERCEDES-BENZ trademark on the terms established by the Trademark Directive. This time the law also seems inclined to favor common sense:

*“In that regard, it must be pointed out that an advertiser cannot be held liable for the independent actions of other economic operators, such as those of referencing website operators with whom the advertiser has no direct or indirect dealings and who do not act by order and on behalf of that advertiser, but on their own initiative and in their own name”<sup>3</sup>.*

In this context, the CJEU considered that the trademark owner cannot exercise its *ius prohibendi* against the advertiser to prohibit the online publication of the advertisement that includes its trademark. The reason, as we say, is logical: the advertiser is not “using” the mark. The CJEU’s decision does not leave the trademark owner defenseless however, since as the judgment indicates, it can always take action against the operator of the referencing website that is making unauthorized use of the mark. In our opinion, the *Mercedes Benz Case* gives a correct and rational interpretation of what should be understood by “use” of a mark, an attribute which is more than necessary in the online world, where even the simplest situations end up needing complicated solutions.

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<sup>1</sup> CJEU judgment of March 3, 2016 C-179/15 Daimler AG v Együd Garage Gépjárműjavító és Éstékesítő Kft (“Mercedes Case”).

<sup>2</sup> Article 5.1 of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008, to approximate the laws of the Member States relating to trademarks (“Trademark Directive”).

<sup>3</sup> Section 36 of the *Mercedes Case*.





# LEASE AGREEMENTS IN POLAND

■ MATEUSZ RYDZEWSKI

The rapid rise in online sales during the last decade was supposed to bring with it a new era in which brick and mortar stores were to fade away. However, it turned out to be quite the opposite, as retail chains and fashion brands keep increasing the number of physical stores. Today, the inevitable clash between the old and the new has been replaced by the growing idea of an online/offline synergy. Integration of both channels may increase sales figures and customer satisfaction. For example, customers tend to do most of the product research online, yet only the physical stores offer the chance to try on the clothing spotted while browsing the store's website. The introduction of the click and collect sales model has also contributed. Obviously, in some cases, brands may be forced to rethink their strategy in terms of the store size, design and the general idea of what purposes physical stores should serve. Such establishments can be reinvented as ambassadors of the brand offering technical support and customer assistance or as yet another chain in a multichannel sales strategy. In any case, the notion that brick and mortar shops drive online sales will promote the expansion of physical stores and increase the number of leases signed, or at least pave the way for renegotiating those already concluded.

These developments make the ability to navigate at ease amongst the traps and intricacies of lease agreements all the more important. Therefore, taking into account Polish market practice, we have identified some of the most troublesome and vulnerable areas of lease agreements.

The core issue in all lease agreements is the rent negotiated by the parties, which is usually dependent on the conditions of the lease market, although cannot be separated from the circumstances of each particular case. One of the most frequent ways to guarantee

**“** *The amount of rent paid annually will not be lower than a specified percentage of the lessee’s turnover reached on the premises in the given period of time* **”**

specific streams of revenue for the lessor is to connect the rent to the turnover generated by the lessee. In this respect, the parties may agree that the amount of rent paid annually will not be lower than a specified percentage of the lessee’s turnover reached on the premises in the given period of time. This solution is designed to allow the lessor to participate in the commercial success of its tenants, while protecting it from the downfalls and pitfalls in the retail business, as the agreement provides for minimum rates in any event.

However, as elementary increases in the rent may not always trigger an increase in the lessor’s revenue, lessors sometimes prefer a more subtle approach. For example, extending the lease term at the expense of slightly decreased rent rates or introducing rent-free periods with an overall upward adjustment of the rent at the same time may prove to be more advantageous. The latter solution particularly guarantees that the increased rent is included in the lease agreement, which positively affects the valuation of the lessor’s property. Most lease agreements specify that additional charges, such as costs of supervision, management or utilities, are to be borne by the tenant. Even though allocating maintenance expenses to tenants is very common, it is not mandatory and tenants are sometimes provided with incentives to accept additional charges such as lower rent rates. This should not, however, escape the

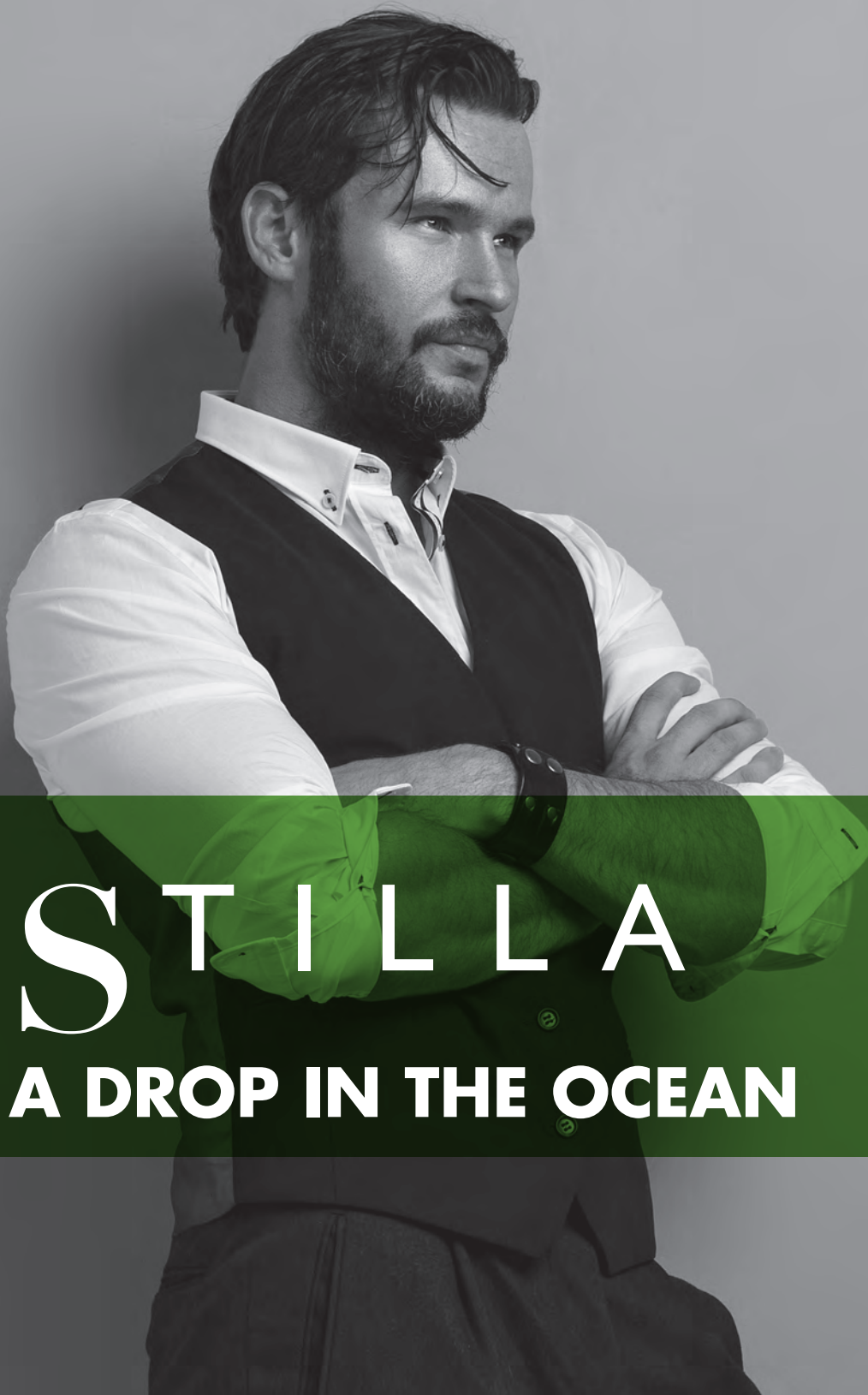
tenant’s attention, as rent is subject to indexation on at least an annual basis, which makes the whole endeavor nevertheless profitable for the lessor. Additionally, tenants may request the right to carry out an audit of such additional costs. Lessors, however, are reluctant to allow this solution, in fear of tenants using it as an excuse to withhold ongoing payments.

At the end of the day, the way in which the rent and other charges are specified mainly depends on the economic position of the parties. Key or anchor tenants are usually granted more leeway in allocating these charges. The same applies to other essential clauses, such as the term of the lease. Since leases concluded in Poland for a definite period of time can only be terminated in expressly specified circumstances, the parties to such agreements tend to debate over the circumstances that could allow the lessee to shorten the term of the lease, or whether such right should be granted at all. However, with enough market advantage, tenants may negotiate favorable conditions under which the agreement may be terminated, such as in the case the store fails to generate the expected revenue, the building vacancy rate reaches 20% or other prestigious anchor tenants wind up their businesses on the premises.

The lease market has also been affected by growing environmental awareness and the increasing popularity of environmental certification schemes (such as



those used by BREEAM or USGBC). To this effect, investors often promote green leases, which aim to foster sustainability and reduce energy consumption by *green buildings*. Lessors may insist on clauses that provide for the conservation of resources or minimum thresholds of electricity, which have to originate from renewable energy sources. Adjusting the construction schemes to such expectations generates additional operating and ancillary costs, which are usually passed on to tenants. For example, a lease agreement may contain a clause in which the tenant accepts more expensive operating costs than the standard market services, provided such costs are intended to promote sustainable solutions. These clauses and solutions prove that negotiating a lease agreement may often be an arduous task resembling a tug-of-war between lessors and tenants. However, the expansion of physical stores and growing online/offline synergy is a testament to how important that task may still be.



**STILLA**

**A DROP IN THE OCEAN**



**BY MIRIAM BUSTOS. STRATEGY CONSULTANT AT STILLA CONSULTORES DE IMAGEN. ALUMNI OF THE 1ST EDITION OF THE EXECUTIVE FASHION & LAW PROGRAM**

Everyone talks about fashion. But is it all or nothing? Is it superficial? Or something more meaningful linked to human dignity? Designing fashion business strategies requires an understanding of the processes that dictate the industry. However, because these processes are often inexplicable there are very few comprehensive and precise studies on the fashion industry or its management, which explains why business schools have overlooked this line of business until recently.

What differentiates this industry is the constant stimulus required - the need to continuously increase and revamp demand over specific cycles known as fashion cycles, i.e., the period stretching from the time a product is launched until it is replaced. This cycle is traditionally marked by a series of phases:

- Birth of an emerging trend: a product becomes the new favorite of opinion leaders - select consumer groups who seek to set themselves apart from the mainstream.
- Diffusion: acceptance in larger market segments is observed and manifested by imitative behavior.
- Decadence: the phase where a product reaches its peak and is no longer considered fashionable.

The design, production, distribution and delivery times in this industry have become extremely tight, unrivalled by



any other production sector; and has brought about an immense transformation of the business model over the last few years. One can no longer identify when something becomes fashionable, you either embrace flexibility or give way to your competitors.

To complicate matters even further, consumers have become more independent and shifted their ethos from “Fashion” to “Style” as a hallmark of individuality, bypassing fashion norms per se to instead reflect their values or those of their sociocultural group or tribe. Consequently, businesses in the fashion industry are forced to connect with specific consumer segments or a specialized niche and to do so they rely on a highly valuable tool: Branding. Brands are forced to standardize and strengthen their message by directly targeting emotions, as purchases are, by and large, prompted instantaneously.

This concept has become so profound that it also applies to individuals. Personal branding as we understand it has a powerful influence on our relationships both at work and socially, not just in terms of personal appearance and demeanor, but also in terms of our online identity which includes our reputation on social networks.

However, despite all the information, product abundance and resources available to us these days, or perhaps for that very reason in the midst of this *totum revolutum*, it is quite common to come across younger people who find it hard to dress appropriately for a graduation ceremony or a job interview; fashion victims who do not accept their own image; politicians who dress for the red carpet to the detriment of their credibility; or large enterprises



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whose products or communication efforts can be ruined by the impression given by their employees, namely their attire, body language or communication skills.

This is where Stilla comes in and asks: *Your image says a lot about you.* What do you want it to say? As a group of professionals committed to enhancing human and organizational qualities, we help:

- Companies that wish to stand out from their competitors, by fostering coherence between their values and strengths and the public image of their staff and executives.
- Individuals seeking to project an image that is coherent with their age, morphology, and personal and professional situation at a specific time in their life.
- Young adults to reflect upon the importance of building an image that is in keeping with their age and identity.
- Disabled people and other disadvantaged groups, within the context of NGOs and foundations, to gain greater self-esteem through their image.

Coherence. Because harmony inside and out conveys balance and credibility, and ultimately leads to success and happiness.

“

*As a hallmark of individuality, bypassing fashion norms per se to instead reflect their values or those of their sociocultural group or tribe*”



## INTERVIEW WITH MIGUEL BECER FROM MANÉMANÉ

### ■ POR IGNACIO GONZÁLEZ ROYO

Ignacio González Royo, from Garrigues' Intellectual Property Department, has interviewed his friend the designer Miguel Becer from ManéMané, a firm which has shown its collections at several editions of the Cibeles fashion week, and sells its products in New York and Japan. The various awards Miguel Becer has recently received include the VOGUE WHO'S ON NEXT prize.

**Garrigues: Miguel, what is the value of fashion as far as Spain is concerned?**

**Miguel Becer:** In my opinion, it is an industry which has been highly successful in “low-cost” product ranges but has less impact, in both social and economic terms, when it comes to the luxury goods sector and designer products. Other countries such as France or Italy have a culture of fashion which is far more deeply rooted in the population.

**G.: How does your Brand contribute value to the Spanish fashion industry?**

**M. B.:** I try, as far as I can, to offer a product which is unusual in Spain, in which it is the concept or idea which comes first. This is the base from which the collections are developed and it evolves from year to year.

**Garrigues: How do you handle egos in the fashion world?**

**M. B.:** I suppose that when your line of work is as personal and introspective as this, a certain egotism is to be expected. I try to avoid that by adopting an almost scientific methodological approach to my work. This helps me to accomplish small objectives each day and not get too wrapped up in the job from a personal angle.

**G.: How should a designer decide whether to focus on the “low cost” end of the market, the middle of the market, or the luxury goods sector? What are the factors to be taken into account?**

**M. B.:** As a young designer, the only area of the fashion market in which I see possibilities is the middle of the market, since this is where I can compete with a well-priced product in which the quality of the idea or design, of the materials, and in the making of the garment, comes first.

**G.: What use should be made by a fashion designer of social networks and the Internet? Are they a help or a hindrance? How can they be used intelligently?**

**M. B.:** As far as I am concerned, they are a highly effective tool. The greater part of our promotional activities—both events and sales—are offered through social networks such as Facebook or Instagram and the results we are achieving are very good. Our plan is to offer live streaming of our next fashion show through an online fashion sale app.

**G.: What obstacles (legal, economic, etc.) have you come up against in your career? How have you resolved them?**

**M. B.:** I represent a firm which is very young and very small, which for the time being is growing little by little. I went in for a top fashion contest with a candidacy which focused more on the development of a business plan for four collections than on the artistic aspects, and I was lucky enough to win it. This helped me start off my business activity although the legal and economic obstacles have been the same as those faced by any other business.

**G.: Do you think it is more difficult to start up a business in Spain than in other countries?**

**M. B.:** I would say that it is, at least with things as they currently stand. Since I started working in this sector, the headlines in the newspapers have been focusing on Spain's economic difficulties. This creates a climate of fear and an environment not particularly favorable to business initiatives. I nevertheless try not to be limited by borders. Spain is simply my base, although my product actually sells better in other countries such as the US or Japan.

**G.: What would your advice be for anyone who's thinking of starting up in the fashion industry?**

**M. B.:** Undertaking a business venture in the fashion industry is relatively straightforward because it is a vocational activity and the passion you feel for the profession and the sector gives you the strength to carry on despite the setbacks.

**G.: Is there any advice which you would be bold enough to offer the more established designers and major brands?**

**M. B.:** No - none :)



# CONTRIBUTORS

*to this issue.*



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