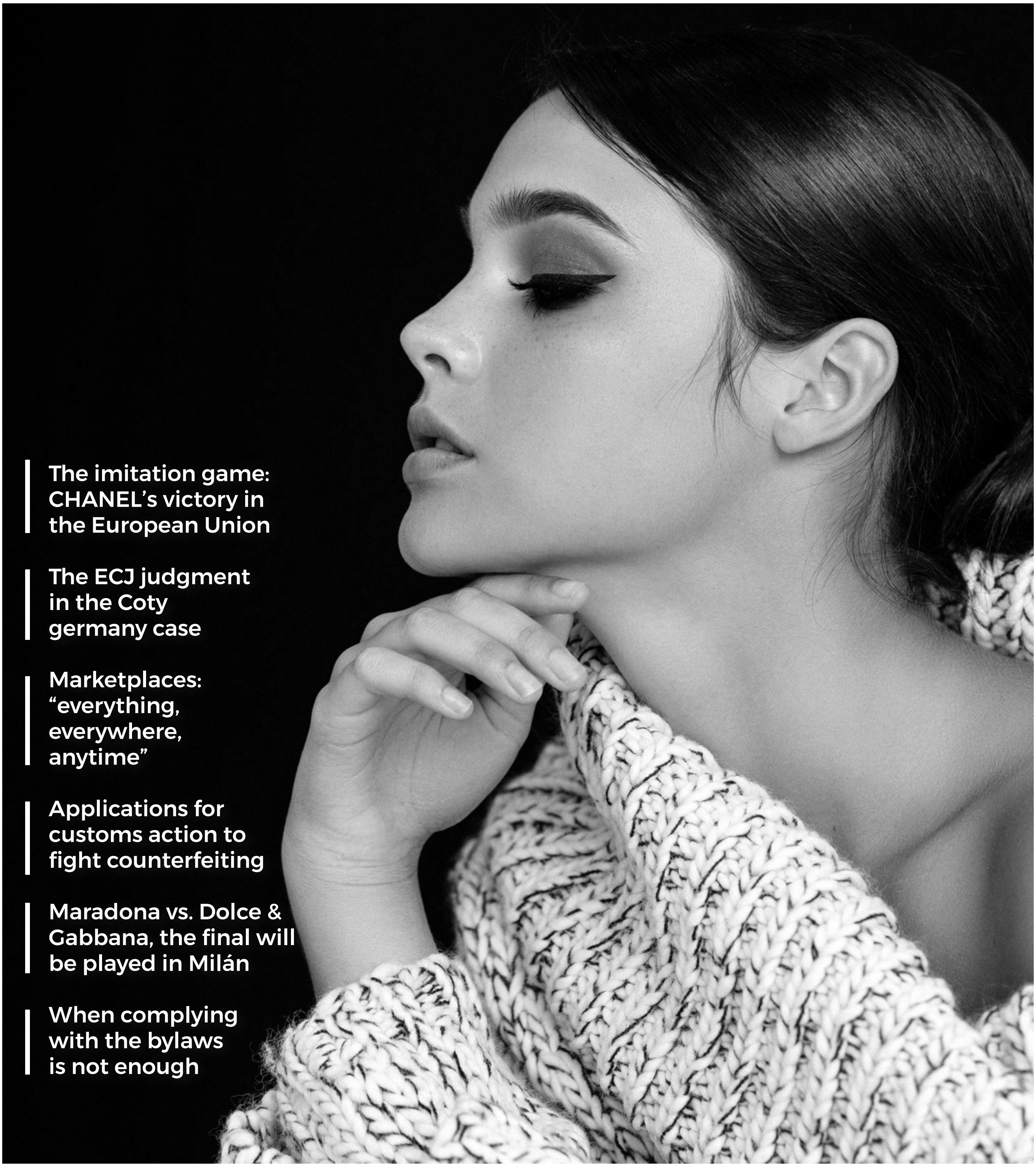
GARRIGUES

NEWSLETTER
FASHION & LAW

OCTOBER- DECEMBER 2017



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LEAD AND COORDINATE THE PUBLICATION

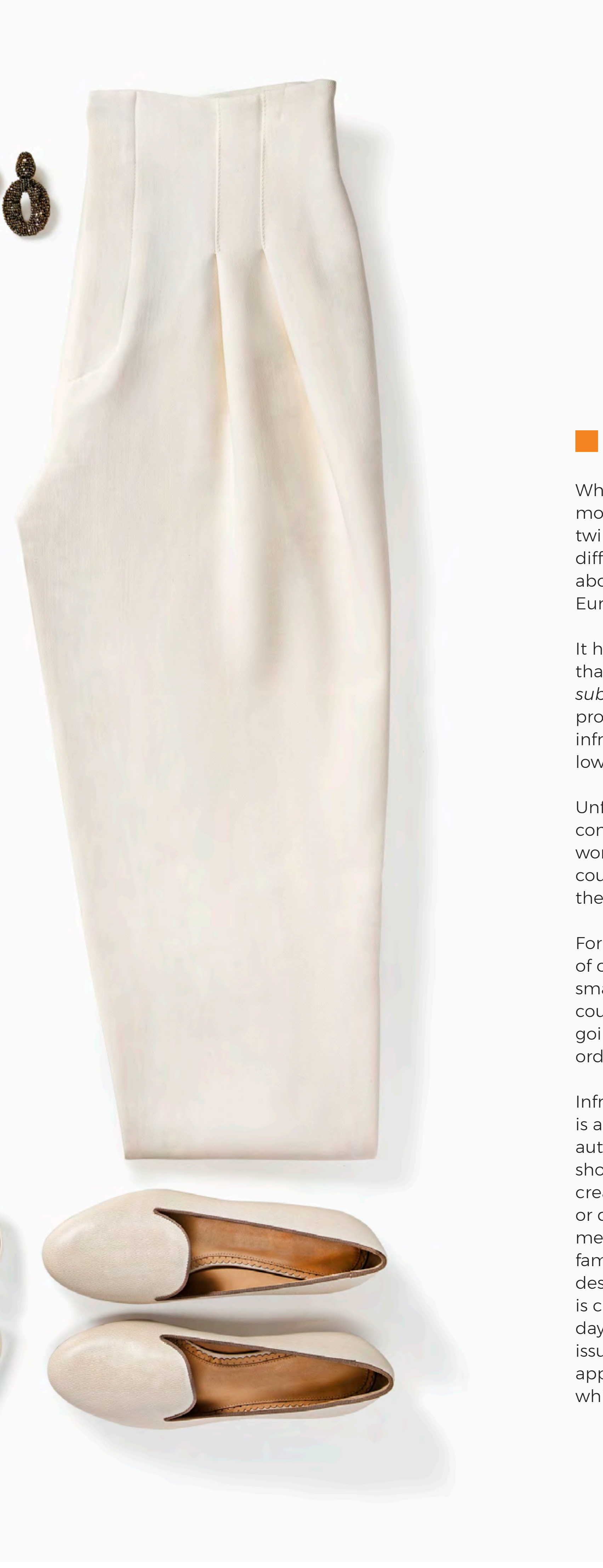
Cristina Mesa
Senior associate
cristina.mesa@garrigues.com

Síguenos:

Hermosilla, 3 - 28001 Madrid (Spain) T +34 91 514 52 00 - F +34 91 399 24 08

THE IMITATION GAME:

CHANEL'S VICTORY IN THE EUROPEAN UNION



CELIA SUEIRAS VILLALOBOS

What do Hello Kitty, Bratz dolls and the CHANEL monogram have in common? They all have “evil twins” registered as Community designs. The difference is that CHANEL decided to do something about it. Last July, the General Court of the European Union (GCEU) ruled in its favour.

It has been some time since infringers discovered that the business of copying famous marks *substantially* rather than *entirely* was more profitable and safer, since the chances of the infringing goods being detained were considerably lower in the first scenario.

Unfortunately, the sale of counterfeit goods continues to be a very lucrative business, so it is no wonder that as the methods to fight piracy and counterfeiting become increasingly effective, so do the methods used to avoid enforcement actions.

For example, instead of shipping large amounts of counterfeit goods, infringers are now sending small parcels by post or courier. In addition, the counterfeit labels and products on which they are going to be attached are shipped separately in order to avoid both items being confiscated.

Infringers have also learned that when there is a police raid or an investigation by customs authorities, producing an official document showing that they own a certain graphic symbol creates a false appearance of lawfulness that delays or deters action being taken against them. This means that for some time now, distorted versions of famous brands are being registered as Community designs. Why Because the registration procedure is cheap, quick and easy, and within a matter of days the infringer receives a registration certificate issued by an EU body. As opposed to trademarks, applications for designs are very difficult to detect, which makes them particularly attractive to pirates.

This is precisely what led the Chinese citizen Li Jing Zhou to register the sign below as a Community design for an ‘ornament’.

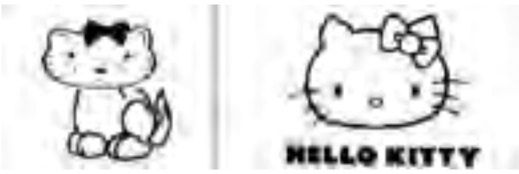
CHANEL requested that the European Union Intellectual Property Office (EUIPO) declare the design invalid on the grounds of lack of novelty and individual character, citing as a relevant prior design CHANEL’s famous interlocking C monogram.

Although a request to invalidate a Community design cannot (inexplicably) be based on the applicant’s bad faith, CHANEL provided evidence that the sign in question was being used on counterfeit goods in a 90-degree rotation:

CONTESTED DESIGN

CHANEL MONOGRAM

When comparing the controversial design with the CHANEL monogram, this is the result:



Although the EUIPO dismissed the invalidity action at first and second instance, the GCEU annulled the contested decision.

In the GCEU's opinion "*the earlier design presents considerable similarities with the contested design*", which could be perceived as "a creation inspired by the CHANEL monogram". In addition, bearing in mind the great degree of freedom of the designer, the court concluded that the contested design failed to produce a different overall impression on the informed user considering that "*the exterior sections, which determine the outline and overall impression of the conflicting designs are very similar and even practically identical*."

Regarding the differences between the designs identified in the contested decision, the court held that the central part of the contested design, comprised of two ellipses, was similar to the single ellipse of the CHANEL monogram. In the court's opinion, the differences between the designs in question, which were only visible in a direct comparison which is not always immediately possible, would not be perceived by an informed user in that "*the contested design could be used rotated by 90 degrees and in various sizes*".

Although it would have been highly desirable for the Court to have ruled on two key issues – the importance of assessing the way in which a conflicting design is actually used in trade, and the need to identify the specific goods on which a certain "ornament" is going to be applied- this judgment is still extremely good news for the owners of famous trademarks.

According to the data published in the report *Trade in counterfeit and pirated goods: Mapping the Economic Impact*, prepared by the European Observatory on Infringements of Intellectual Property Rights of the EUIPO and the Organization for Economic Cooperation and Development (OECD), 5% of the products imported into the European Union are counterfeit or pirated products (amounting to EUR 85 billion).

Until we realize the danger that counterfeiting poses at a national, European and international level and wise up to the fact that IP generates huge value for companies and economies driving innovation and economic growth, the breach of IP rights will continue to be a profitable business.

THE ECJ JUDGMENT IN THE COTY GERMANY CASE

ROCÍO BELDA

On December 6 the Court of Justice of the European Union ("ECJ") delivered its long-awaited judgment in the Coty Germany case[1], a request for a preliminary ruling submitted by the Frankfurt Regional Superior Court in a dispute that said German court has to settle, confronting multinational luxury cosmetics producer Coty Prestige ("Coty") and one of its authorized retailers.

As Advocate General Nils Wahl raised in his opinion dated July 26, 2017, the request for a preliminary ruling submitted by the Frankfurt Court has afforded the ECJ the opportunity to "think over" the legality of selective distribution systems under competition law, in the light of recent developments in the e-commerce sector and its impact for said distribution model. This is because, in fact, the meteoric rise of e-commerce and the ever-increasing use by retailers of electronic marketplaces run by third parties, independent of the manufacturers, had led a number of national competition authorities and courts of the Member States[2] to question the legality of the ban imposed by suppliers on the use of those marketplaces by the retailers pertaining to their authorized networks, a ban that is commonplace in selective distribution systems. All in all, as Attorney General Wahl openly suggested, the ECJ should clarify whether the judgment rendered in 2011 on the *Pierre Fabre* case fundamentally altered, as many have construed, the assessment under EU competition law of the restrictions that are inherent to selective distribution systems. A particularly important factor in this case law scenario is the European Commission's support for e-commerce and the conclusions in its final report of the E-commerce Sector Inquiry published on May 10[3], 2017, which highlighted the importance of third party platforms as a sales channel for small retailers and the existence of many agreements between them and their suppliers restricting their access to online marketplaces.

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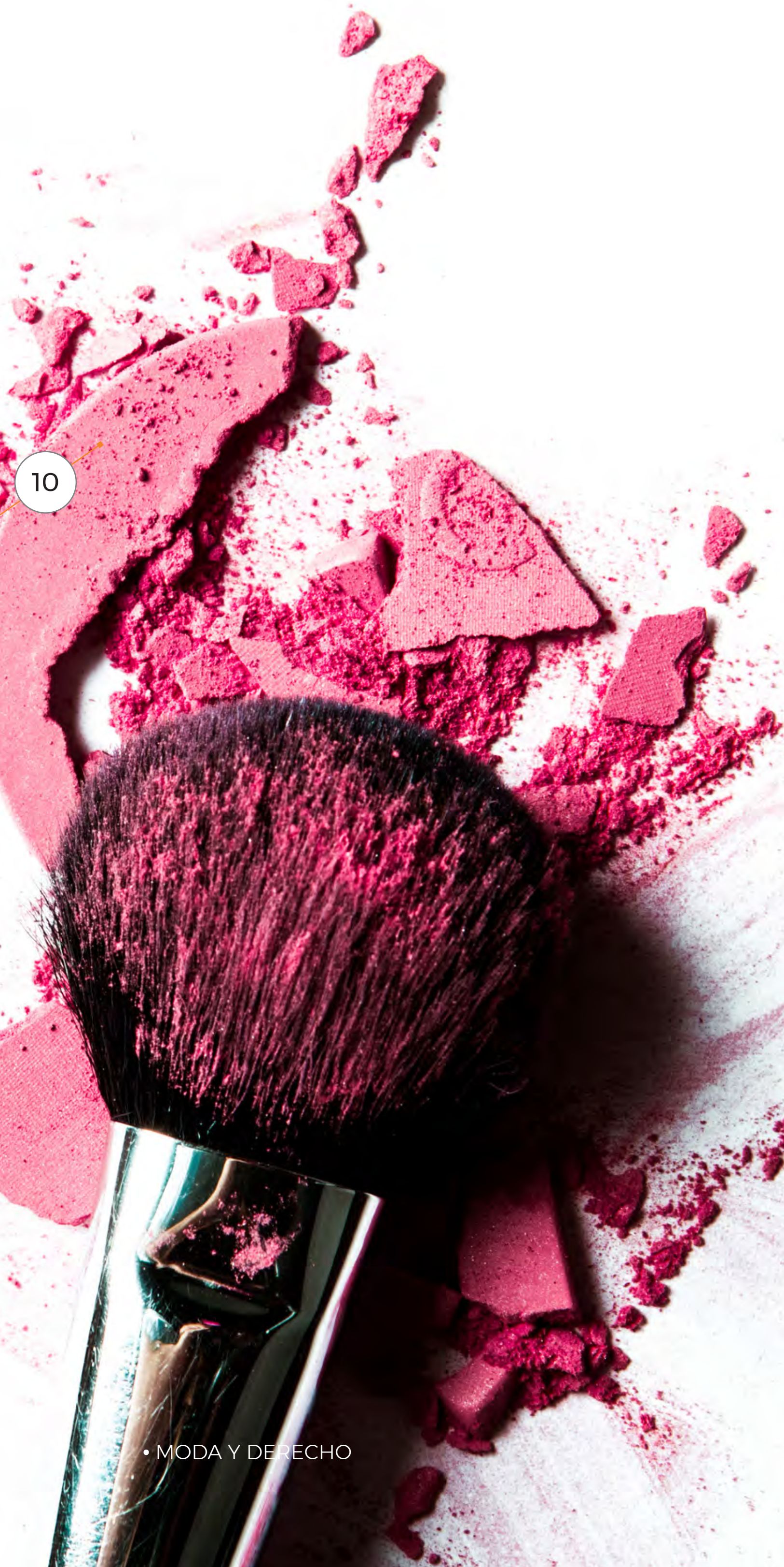
[1] Case C 230/16 Coty Germany GMbH v Parfümerie Akzente GMbH

[2] Among others, the decisions of the Bundeskartellamt (Federal Competition Authority, Germany) of June 27, 2014 in the Adidas case and of August 26, 2015 in the ASICS case; the decision of the French competition authority of July 2014 in the Bang & Olufsen case and other similar decisions; and the judgment of the Paris Court of Appeal of February 2, 2016 in the Caudalie case.

[3] COM 2017 (229) FINAL



Coty distributes its products in a selective distribution network, a system in which retailers are chosen and authorized by suppliers on the basis of compliance with the objective quality standards determined by the supplier to meet the specific needs arising in connection with the distribution of their products (by reason of their prestigious and luxury product image, their technical features, the necessary sale and after-sales, or other factors). In this type of systems, as defined by article 1.1. e) of Commission Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union ("TFEU") to categories of vertical agreements and concerted practices (the "Block Exemption Regulation" or "BER")[4], the distributors undertake not to sell the goods to unauthorized resellers within the territory in which the manufacturer operates under that system. Coty's authorized distributor who has triggered the case resells the products to the public both at its brick-and-mortar stores and online. Those online sales are made partly through its own e-store and partly on third party e-commerce platforms. The contract binding Coty to its distributors contains myriad provisions determining the objective qualitative criteria to be met by their points of sales in order to preserve the luxury image of Coty products, providing for the distributors' right to sell the products in their own websites when they comply equally with the relevant objective quality criteria. The European Union guidelines on vertical restraints[5] (the Commission Guidelines") deem it admissible to impose qualitative criteria for online sales in as far as it is for offline sales. However Coty's distribution agreement prohibits the distributor to use online marketplaces or websites identified as belonging to a third party, or to engage any non-authorized third parties in a discernible manner. Coty's distributor has challenged the latter contractual provisions by arguing that they are contrary to competition law.

The German court of first instance held that the selective distribution system, by definition, restricted competition, and that the clause at issue did not warrant a block exemption as a result of not being necessary since there were other means that were also appropriate to preserve the image of the products but less restrictive of competition, such as the application of specific quality standards to the third-party platforms.

It must be remembered that article 4 of the Block Exemption Regulation treats as hardcore restrictions of competition or restrictions "by object", hence preventing the benefit of the block exemption under the BER, any restrictions on customers[6] and restrictions on passive sales to end users[7], that are implemented within the framework of a selective distribution system. In its judgment in *Pierre Fabré*[8], the ECJ ruled that a clause in a selective distribution contract resulting in a ban on the use of online sales by the reseller amounts to a restriction "by object" within the meaning of article 101.1 TFEU *where, following an individual and specific examination of the contents and objective of that contractual clause and the legal and economic context of which it forms a part, it is apparent that, having regard to the properties of the products at issue, that clause is not objectively justified*. It further ruled that article 4 c) BER must be interpreted to mean that the block exemption does not apply to a clause prohibiting de facto the sale of those products online, although such a contract may benefit, on an individual basis, from the exemption provided for in article 3 TFEU where the conditions of that provision are met.

In the Coty judgment, for which Spanish judge Rosario Silva Lapuerta was rapporteur, the Court is requested to provide a response to three fundamental questions.

By its first question, the Frankfurt Court asked the ECJ whether, in essence, a selective distribution system for luxury goods designed, primarily, to preserve the luxury image of those goods, falls within the scope of application of the prohibition on restrictive agreements in article 101.1 TFEU.

In the Coty case the ECJ recalls and confirms its settled case law to the effect that the organization of a selective distribution system is not prohibited by the Treaty if three conditions are met: (i) the resellers are chosen on the basis of objective criteria of a qualitative nature, laid down uniformly for all resellers in the network and not applied in a discriminatory fashion; (ii) the characteristics of the goods for which selective distribution is used require a system of this type to preserve their quality and ensure their proper use; and (iii) the criteria laid down do not go beyond what is necessary[9]. And with regard to the question whether selective distribution may be considered necessary for the distribution of luxury goods, the Court, in line with the reasoning of the Advocate General to the effect of using the principles laid down in EU case law on trademark law, reiterates that the quality of luxury goods is not just the result of their material characteristics, but also of their allure and their prestigious image which is essential in that it enables consumers to distinguish them from similar goods and, therefore, an impairment to that aura of luxury is likely to affect the actual quality of those goods. In this finding, the Court confirms the view taken in its previous judgments[10] to the effect that the characteristics and conditions of a selective distribution system may, in themselves, preserve the quality of luxury goods. Having regard to the petitions of the General Advocate and of a number of parties in the proceeding, the ECJ takes the opportunity to clarify that the *Pierre Fabré* judgment, which did not concern the distribution system implemented in its entirety in that case (only the specific clause prohibiting online sale generally) and did not relate to luxury goods, did not seek to examine the EU system according to which the preservation of a luxury image may justify a restriction on competition of the type stemming from the existence of a selective distribution system used for that purpose. Therefore, the Coty judgment confirms that the preservation of the aura of luxury goods might justify the use of a selective distribution system and does not amount to a restriction on competition prohibited as such by the Treaty.

Secondly, the Court is asked to rule on the prohibition preventing authorized distributors from using third party platforms for the online sale of goods which are discernible as such.

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[4] OJ 2010 L 102, page 1

[5] Paragraph 54 of the Commission Communication dated May 10, 201 – Guidelines on vertical restraints [SEC (2010) 411 final]

[6] Article 4 b) BER

[7] Article 4 c) BER

[8] Judgment of October 13, 2011 in Pierre Fabre Dermo v Cosmétique, C-439/09.

[9] Those fundamental criteria are included in the Commission Guidelines as well (paragraph 171)

[10] In particular, the judgment of April 23, 2009 in case C-59/08 *Copad*

While it is for each adjudging court to determine on a case-by-case basis whether such a contractual prohibition meets the above criteria to preserve the prestigious image of the products, the ECJ has not hesitated to provide the competent judge with the necessary legal principles to resolve on this issue and understood that the prohibition in the case at issue is proportionate in light of the aim sought. This is because it: (i) guarantees that the reseller will only be associated with the authorized network; (ii) enables the supplier to check that the goods will be sold online in an environment that meets the qualitative conditions that it has agreed with all of its authorized distributors and allows it to take action when this is not the case, whereas the supplier being unable to require compliance from third parties with the quality conditions might involve a risk of deterioration of the luxury image of the goods; and (iii) does not go beyond what is necessary in that distributors are allowed to sell the goods online via their own websites. For this analysis (which is the task of the adjudging court in the light of the specific circumstances of each case) the ECJ draws a comparison with the supplier's lawful right to lay down uniform quality requirements at authorized dealers brick-and-mortar points of sale. However, case law might develop in the future in this regard should the development of e-commerce enable suppliers to check the quality and identification requirements for the sale of their products on third-party platforms. This notwithstanding, we note the *obiter dicta* included in the Coty judgment that the fact that products are sold online solely in e-stores owned by authorized retailers might contribute to the luxury image of the products hence to preserve one of the main features thereof as sought by consumers[11].

Lastly, the referring court also asks the ECJ to shed light on cases where the referring court would find, in the light of the facts of the case, that the clause at issue restricted competition within the meaning of article 101.1 TFEU, and therefore had to assess whether it would merit the benefit of the exemption to the prohibition provided by that article, under the BER. It therefore requests the Court to rule as to whether that clause may amount to a restriction on customers or on passive sales to end users, none of them qualifying for authorization under the BER due to being deemed to be *hardcore restrictions*.

The Court recalls that to the extent that the Coty contracts allows online sales and that the system, in turn, allows dealers to advertise their brands on third-party platforms and to use online search engines to locate the websites authorized by the brand, the clause at issue does not result in customers being unable to find the authorized retailers' online offer. As a result, the clause would benefit from the exemption under the BER from the prohibition laid down by article 101.1 TFEU, should the latter applied, something that, in view of the principles provided by the ECJ in response to the previous questions made in the Coty judgment does not appear to be likely.

However, it is to be noted that the Coty case only regards the compatibility with competition law of a contractual ban on dealers' sales on online marketplaces non authorized by the supplier, but it does not rule about sales by any resellers of brand products in online marketplaces non authorized by the brand owner, in general. This issue, as that of any offline sales in the grey market non - authorized by the brand owner, must be assessed under the ECJ doctrine on the exhaustion of trademark rights. Notwithstanding this, the Coty judgment has confirmed that when requirements established by regulations are met, selective distribution could be consistent with competition law.

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[11] Paragraph 50 of the judgment. This obiter dicta is important because the relevant contractual clause for the Coty case did not provide for an outright ban of sales in third parties platforms, but only in those ones discernible as such. Conversely, the Commission Guidelines (para. 54) only provide that where the distributor's website is hosted by a third party platform, the supplier may require that customers do not visit the distributor's website through a site carrying the name or logo of the third party platform. For this reason we take the view that case law may develop if technology allows authorized dealers the use of third parties platforms in a manner non-discernible and respecting the selective criteria provided by the supplier for online points of sale, and the importance of the above obiter dicta for a future assessment by case law.

Uber, the world’s largest taxi company, owns no vehicles. Facebook, the world’s most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world’s largest accommodation provider, owns no real estate.

(Tom Goodwin)

MARKETPLACES: “EVERYTHING, EVERYWHERE, ANYTIME”

CRISTINA MESA SÁNCHEZ

One of the main features of the so-called "fourth industrial revolution" is the proliferation of technological intermediation platforms, on which value is not found in the inventory or the human resources providing the services offered, but rather in the platform itself, which is the one chosen by sellers and consumers and thus serves as a meeting place for supply and demand.

Naturally, this revolution has not skipped over the world of fashion, in which the use of third-party marketplaces as a sales channel proliferates. Amazon, Farfetch, Asos or the Spanish Zocöh, among others, form part of the practically infinite list of suppliers. What is it that makes these sales channels so attractive? In some cases it is access to a showcase that has already won the consumer's trust, in others it is the possibility of opening new sales channels both at a national and international level.

In exchange for a higher or lower commission, marketplace platforms offer international distribution networks, advertising, logistics services... in short, universal access to "*everything, everywhere, anytime*".

From a legal standpoint, an especially significant question arises when regulating the functioning of these sales channels: Who is liable to the customer, the seller of the product or the owner of the marketplace?

In the European Union, the Electronic Commerce Directive[1] releases Internet service providers from liability provided that (i) they act as intermediary service providers, that is, where their role is purely technical, passive and neutral; and (ii) where they do not have "actual knowledge" that the contents are illegal or damage the assets or rights of a third party or after obtaining such knowledge act diligently to remove the information. Thus, the party responsible for the sales would be the seller in the marketplace, and not the platform on

[1] Directive 2000/31/EC of the European Parliament and of the Council, of 8 June 2000, on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market.

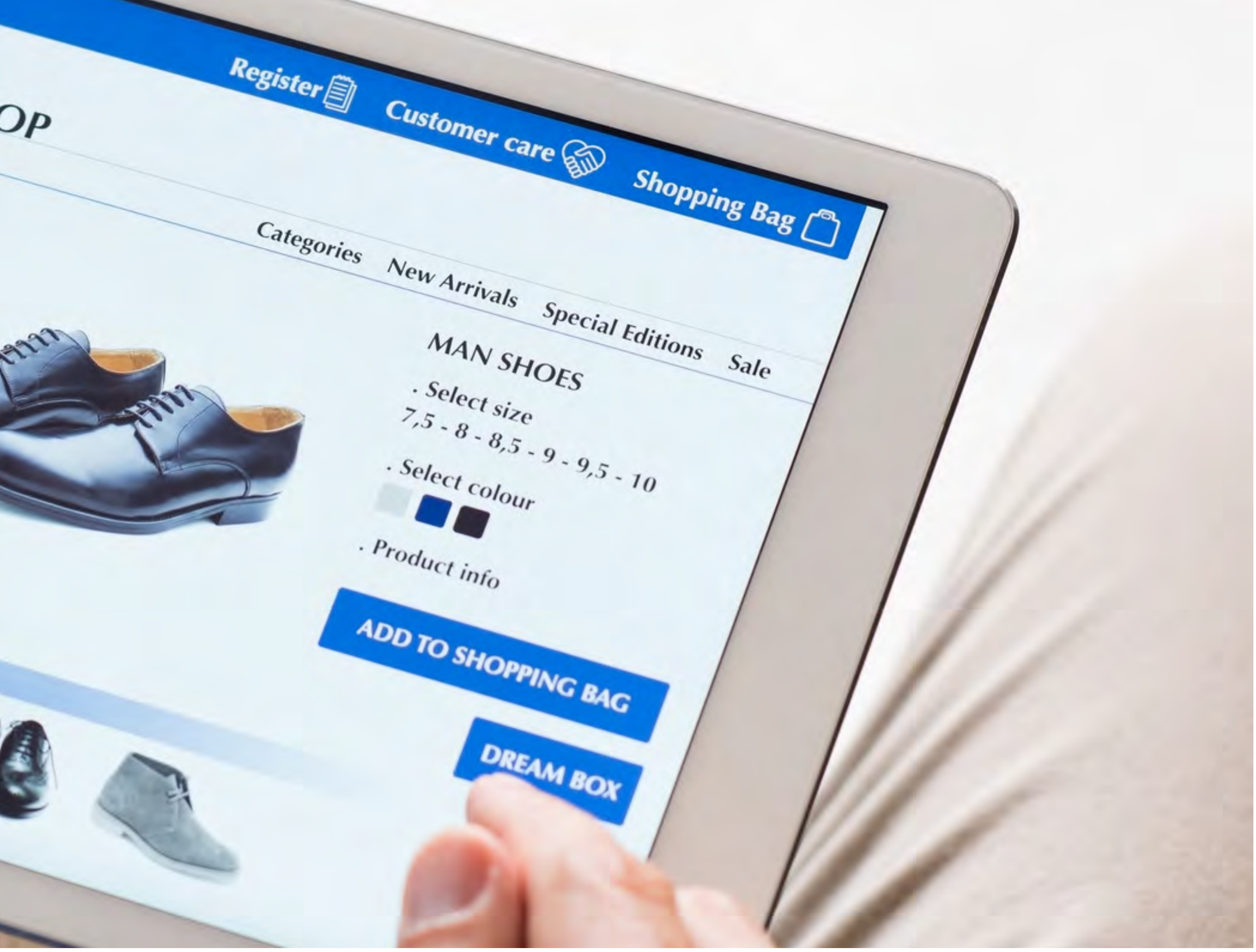
which the transaction takes place[2]. The exemption is logical if we bear in mind that the offers are not made by the platform but by the sellers who are registered on the platform. Consequently, the platform's liability is only triggered if it does not comply with the duty to collaborate which is required by the E-Commerce Directive: to diligently withdraw the infringing content once it has acquired actual knowledge of its existence.

The Court of Justice of the European Union ("CJEU") had the opportunity to rule on this matter in Case C-324/09 (L'Oréal vs eBay), in which it upheld the marketplace's eligibility for the exemption from liability[3]. Nonetheless, the exemption from liability will depend on the extent to which the platform is involved in the sale. An overly active role in the transaction could cause the marketplace to be held liable for the sales made on the platform. The determination of the cases in which the role of the marketplace entitles it (or not) to the exemption from liability provided for in the Electronic Commerce Directive is entrusted by the CJEU to the courts of the Member States.

In Spain, the Madrid Provincial Appellate Court, in its judgment of January 14, 2014 on "Telecinco vs YouTube", also upheld the eligibility of intermediaries for the exemption from liability.

In this case, the television channel claimed that YouTube should be held liable for the copyright infringements committed by some of its users, who had published contents owned by Telecinco without the latter's authorization. The Madrid Provincial Appellate Court ruled in favor of YouTube, concluding that the platform was not directly liable for infringements committed by its users. The Court took the view that the role played by YouTube was purely technical, passive and neutral. It is also important to note that neither the imposition by YouTube of terms of use on its users nor the promotion and categorization of certain videos was sufficient to override the "neutrality" of the platform when providing its services and, accordingly, its eligibility for the statutory exemption from liability. As a result, YouTube's duty to collaborate in relation to hosted content is limited to diligently withdrawing it once it has received specific and sufficient notice of which videos are in breach of legislation.

The limitations that sellers may encounter when offering certain products through third-party marketplaces should also be borne in mind. Indeed, a recent judgment by the CJEU of December 6, 2017, in case C-230/16 (Coty Case) has made it possible, in certain circumstances, to prohibit members of a selective distribution



network from selling luxury goods via third-party platforms:

"*The Court has ruled that online marketplace bans are in principle lawful in relation to products truly worthy of selective distribution, focusing in particular on luxury goods. In other cases, their legality will need to be assessed on a case-by-case basis. Disputes will continue to arise before national courts, where outcomes might hinge on the nature of the products at issue and, in the case of luxury, on what luxury really means*"[4].

In this context, platforms that seek to qualify for exemption from liability under the Electronic Commerce Directive and the LSSI[5] must be particularly careful when it comes to determining how they intend to provide their services and the terms and conditions they are going to impose on users, that is, on sellers and consumers that use their "marketplace". It is also essential to implement adequate notice and takedown systems that enable notices received from third parties regarding purportedly infringing content such as, for example, intellectual property, to be managed diligently. Finally, in view of the most recent case law by the CJEU, it is also essential to bear in mind the selective distribution systems that may prevent the marketing of certain luxury products.

[2] Article 14 of the Electronic Commerce Directive: Hosting

[1] Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

[2] Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.

[3] (109) … "an internet service consisting in facilitating relations between sellers and buyers of goods is, in principle, a service for the purposes of Directive 2000/31.

(112) … the Court has already stated that, in order for an internet service provider to fall within the scope of Article 14 of Directive 2000/31, it is essential that the provider be an 'intermediary provider' …

(113) That is not the case where the service provider, instead of confining itself to providing that service neutrally by a merely technical and automatic processing of the data provided by its customers, plays an active role of such a kind as to give it knowledge of, or control over, those data".

[4] Alfonso Lamadrid, Principal Associate of Garrigues, Financial Times, December 2017.

[5] Law 34/2002 of July 11, 2002 on Information Society Services and Electronic Commerce.

"Stealing the intellectual property of someone else is not a victimless crime. When you buy counterfeit goods you help traders who break the law and you may indirectly fund organised crime. You deprive the producers of genuine products from their legitimate profits and discourage innovation and creativity. You put at risk your own health and safety and those of your loved ones, as well as of people employed in the production and sale of IPR infringing goods.

The customs authorities of the EU Member States are in the front line in preventing IPR infringing goods from entering the EU market. Nonetheless, the trade in counterfeit and pirated goods would not exist without consumer demand. Play your part: don't buy fakes."

APPLICATIONS FOR CUSTOMS ACTION TO FIGHT COUNTERFEITING

BEATRIZ GANSO CARPINTERO

One of the problems facing fashion businesses is counterfeiting. Counterfeit reproducing the trademarks owned by those companies are mostly manufactured outside the EU, in China for example, although in recent years there has been a slight trend towards moving the production units for counterfeit goods to European locations.

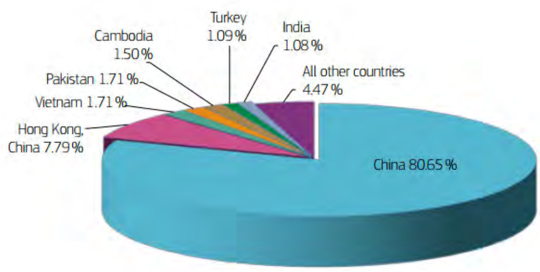


Chart 10 - Country of provenance by articles

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[1] https://ec.europa.eu/taxation_customs/business/customs-controls/counterfeit-piracy-other-ipr-violations/a-serious-problem-everyone_en

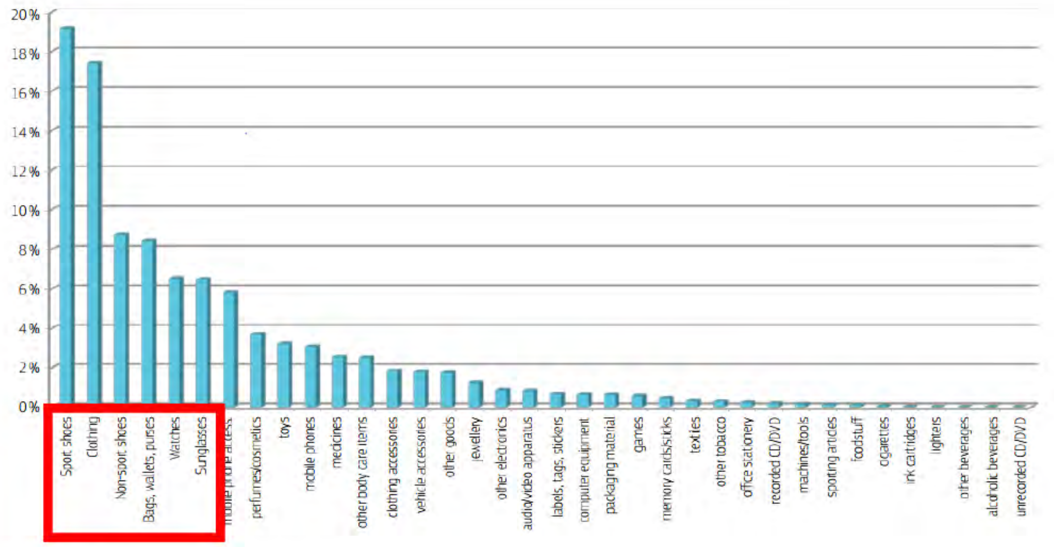

Chart 8 - Top categories by procedures

The European customs authorities therefore play an important role in combating counterfeiting. In 2016, 77,705 European customs action procedures were conducted against goods, in which 41,387,132 articles were detained, having a combined value of €672,899.102 . The top categories of products detained in these procedures fall within the fashion industry, as may be seen in the above chart.

One of the steps right-holders can take to confront this scenario is to file an **application for customs action**. Applications may be Union-wide or national. The customs action procedure is defined in Regulation (EU) No 608/2013, of June 12, 2013 and is initiated when an application is filed with the competent customs authority. The application must specify all the intellectual property rights that are sought to be protected (trademarks, designs, unregistered Community designs, copyright-protected works, etc.), together with any other information known, such as the particulars of infringers, trademarks refused by reason of oppositions submitted by right-holders, images of infringing goods, etc. A guiding principle for applications is the greater the amount of information that is supplied on the case the easier it will be for the customs authorities to seize the goods suspected of infringing rights. In support of this, even though the Regulation allows the customs authorities to detain goods suspected of infringing intellectual property rights, only 2% of the total number of cases of action in 2016 were taken on the initiative of the authorities (*ex officio*) (whereas 98% resulted from an application).

The defined procedure is relatively straightforward, in that once the application has been filed, the customs authorities are authorized to detain goods suspected of infringing the rights of the decision holder. After a detention has taken place, the customs authorities will notify the decision holder of the quantity of detained goods. After receiving notification, the decision holder may request images of the products, and the particulars of the consignee and the consignor, and the provenance and destination of the goods. After receiving that information, the decision holder may request destruction of the goods if they are counterfeit (this entire procedure must take place within 10 ten working days, or 3 working days in the case of perishable goods).

After a request for destruction has been made, two possible scensarios could arise:

a) The holder of the goods does not notify opposition or consent to the destruction, in which case, the customs authorities will destroy the goods.

b) The holder of the goods opposes the destruction. The customs will notify his opposition to the decision holder and the release of the goods will be ordered. In this case, unless the right-holder has initiated proceedings to determine whether an intellectual property right has been infringed within 10 working days (or 3 working days in the case of perishable goods), the goods will be returned to their holder.

Also worth mentioning is the procedure defined for **small consignments of goods**[3], which will apply if the decision holder has selected that option in the customs application. This procedure is particularly important, because the customs authorities acting on their own initiative ("*ex officio*"), and without the decision holder having to confirm the infringing nature of the goods or request their destruction, will destroy the goods suspected of being counterfeit or pirated. The report prepared by the OECD jointly with EUIPO, entitled "Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact" highlighted the growth in use of these small shipments due to the increasing importance of e-commerce and to attempts to minimize the risk of sanctions if they are detected by customs[4].

In the following chart it may be seen that out of all the procedures in 2016, 52% ended with destruction of the goods at the request of the holder of the decision on customs application, and 29% concluded with their destruction as a result of that procedure for small shipments.

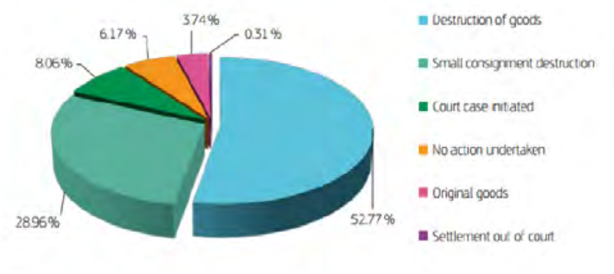

Chart 6 – Breakdown of result by procedure

Lastly, article 9.4 of the European Union Trade Mark Regulation[5] entitles the proprietor of an EU trademark to prevent "*all third parties from bringing goods, in the course of trade, into the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trade mark which is identical with the EU trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects*", and includes a limitation to that right if the declarant or the holder of the goods is able to prove, in the customs procedure, that the proprietor of the EU trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination. This provision has also been included in the EU Directive 2015/2416[6], and must therefore be transposed into the national laws of the Member States.

So clearly one of the greatest challenges facing businesses in the fashion industry is the manufacturing and placing on the market of counterfeit goods, which besides having adverse economic effects, also harms the reputation and brand image built up by those businesses. This makes it necessary to use every tool available to right-holders to secure effective protection.

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[2] Figures taken from the "Report on EU customs enforcement of intellectual property rights. Results at the EU border 2016" available at: https://ec.europa.eu/taxation_customs/sites/taxation/files/report_on_eu_customs_enforcement_of_ipr_at_the_border_2017.pdf

[3] Article 2 of Regulation 608/2013 defines a small consignment as "a postal or express courier consignment, which: a) contains three units or less; or b) has a gross weight of less than two kilograms."

[4] Report available at: https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/Mapping_the_Economic_Impact_study/Mapping_the_Economic_Impact_en.pdf

[5] Council Regulation (EC) No 207/2009 of 26 February 2009 on the European Union Trade Mark (codified version).

[6] Article 10.4 of Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015, to approximate the laws of the Member States relating to trademarks.

MARADONA VS DOLCE & GABBANA THE FINAL WILL BE PLAYED IN MILÁN

EVA GOLMAYO SEBASTIÁN

The lawsuit in which the "Pelusa" faces off against the Italian fashion designers Dolce & Gabbana originated in the fashion show organized by the Italian firm in Nápoles in 2016, at which the designers showed a jersey clearly reminiscent of the jersey worn by Maradona when he played for Nápoles between 1984 and 1991.

The garment of contention goes beyond the inspiration and use of the distinctive colors of the Nápoles football team (sky blue and white), the initial of the sports club and the number of the football star. As if this were not enough, the designers decided to place the word "Maradona" across the back of the jersey.

Their action had its consequences and Maradona did not hesitate to file a claim against Dolce & Gabbana at the courts of Milán. Unfortunately we are unaware of the grounds, since they were not made public, but the lawsuit will certainly give us something to "play" with, since the designers did not hesitate to label Maradona as "lowlife".

Now, what possibilities would a lawsuit of this type have in Spain? To answer this, we would have to examine the viability of three types of action: (1) infringement of the right of personal portrayal, (2) infringement of trademark, and (3) action for unfair competition due to the unfair use of another's reputation.

The main support for Maradona's claim could be the unauthorized use of his name for commercial purposes. Article 7 of Organic Law 1/1982 classifies the use of another's name for commercial purposes as unlawful intrusion.

The Spanish legislature, when dealing with the economic side of the right of personal portrayal, took an broad view of the right, including elements such as name and voice.

The position taken by the courts is that the unauthorized reproduction of names for commercial purposes will entitle the damaged party to indemnification, because the commercial exploitation of an artist's image falls outside the substance of the fundamental right laid down in article 18.1 of the Spanish Constitution (Supreme Court judgment of June 10, 1997, Supreme Court judgment 219/2014 of May 8, 2014).

Ultimately, Maradona would not only be entitled to block the marketing of a garment bearing his name, but could also claim indemnification from Dolce

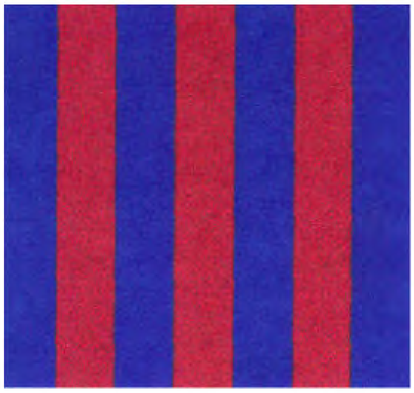
& Gabbana, which we dare say would be difficult to quantify, given that the garment was used in a fashion show and would not normally be sold on the market. In this specific case, Dolce & Gabbana has claimed that no commercial use was made of the name. Thus, the indemnification would instead be based on the economic value of the football player's image and the territorial scope over which the image was disseminated.

The dissemination was, in fact, widespread, bearing in mind that the major fashion magazines made reference to the garment. Among others, Vogue listed the jersey as one of "the 9 things you have to know about the Dolce & Gabbana fashion show in Nápoles" and Harper's Bazaar pointed out that "jerseys inspired by football teams made an unexpected appearance on the runway".

Of course the designers excused themselves by saying that they had no intention of obtaining an economic benefit from their use of Maradona's image, but rather were attempting to pay tribute to his career. According to the Supreme Court (judgment of December 21, 1994, case La Chulapona), there is no infringement of the right of personal portrayal if the infringement of the economic side of the right is justified because, despite being commercial, the predominating interest is cultural or historical. Nonetheless, this would not appear to be the case here since, in order to claim the aforesaid exception, the cultural interest must be significant and must predominate over the commercial purpose (Supreme Court judgment of October 7, 1996).

The second infringement that would have to be examined is related to trademark, and in this case a number of distinctive signs were used. Accordingly, if they have been registered, their use could entail a trademark infringement pursuant to article 34 of the Trademark Law, which confers on the holder of the trademark the exclusive right to use it in trade.

First, the arrangement of the sky blue and white colors could be registered as a trademark, since they are distinctive of the Nápoles football club. The possibility of registering an arrangement of colors as a figurative mark is a strategy that has been used by other clubs to protect their image, for example, the Barcelona football club has registered the following European trademark (001526441) as a figurative mark for products in class 25 (clothing):



European trademark 001526441

Fortunately for Dolce & Gabbana, the Nápoles football club has not registered such a figurative mark or a European design to protect its sports equipment. Neither has the trademark placed by the Italian firm on the front of the jersey, consisting of the characteristic "N" for Nápoles, been registered for clothing.

With respect to the word "Maradona", there is a European trademark "Maradona" (014960141) that protects products in class 25, registered in the name of SATTVICA S.A. If that company wished to do so, it could file a claim for a trademark infringement which would, as I see it, have a good chance of success.

Lastly, we have the action for unfair competition. In this case, it would fall under article 12 of the Unfair Competition Law, due to entailing the exploitation of another's reputation. In my opinion, there is no doubt that Dolce & Gabbana would obtain an economic benefit from the sale and promotion of the garment as a result of the unfair use of the reputation earned by Maradona.

Having regard to all of the foregoing it appears to be clear that, in this match, the "Pibe de Oro" is starting with a major advantage and could add another victory to his name by defeating the fashion designers Dolce & Gabbana on the Italian field for an infringement of his right of personal portrayal and for unfair competition.

WHEN COMPLYING WITH THE BYLAWS IS NOT ENOUGH

CLAUDIO DORIA TÖLLE

It is often common practice at Spanish corporations with small numbers of shareholders' at SMEs, generally) for shareholders meetings not to be called as provided for in the bylaws, and rather to be held as "universal" meetings.

A "universal" meeting is held if all the shareholders in the capital stock with voting rights are present and they resolve to hold a meeting, without a prior call notice (a formal one, at least). What mostly happens is not that the shareholders assemble spontaneously and decide to hold a meeting, but rather, informally (by email, over the phone, or the like), they have earlier been called to assemble and hold a shareholders' meeting to decide on certain matters in the company's, or the shareholders', interests.

This usually occurs as part of the normal course of operations throughout the company's existence until there is a material change in its ownership, or especially, when a discrepancy arises that breaks harmony among shareholders. This is when the bylaws and the law start to be read, and their formalities start to be observed in relation to calling and holding shareholders' meetings.

So far so good, it simply means that the company's operations will follow more rule-based patterns. That path may not always be a smooth one, however, if it is used spuriously.

In a recent and interesting supreme court judgment (number 3356/2017, of September 20) the court held that it is not enough to comply with the bylaws, if the company has different practices.

It had been evidenced in the case at hand that, since it was formed, all the company's shareholders' meetings had been held as "universal" meetings, until the special shareholders' meeting held on March 9, 2011. The call notice for that meeting was published in the Commercial Registry Official Gazette and in a daily newspaper, as provided in the bylaws.

The only person that attended that shareholders' meeting held on March 9, 2011 was one of the directors who was also a shareholder owning 50% of the capital stock. It was resolved at the meeting to remove the other director, and appoint, from then onwards, that director, present at the meeting, as sole director.

The other shareholders, who had not attended the shareholders' meeting, brought a claim against the company, to ask for the held shareholders' meeting to be rendered null and void, on the ground of abuse of a right and bad faith in the calling of the shareholders' meeting, because it had been done with the aim to prevent the minority shareholders from exercising their rights to attend.

The company objected to that claim and pleaded, briefly, that it was in a deadlock, because there was a conflict among the shareholders that had arisen several months earlier, in these circumstances it was impossible to hold a "universal" shareholders' meeting as the company had done to date, and therefore the legal call notice mechanism had been used.

Although the shareholders' meeting had been held in accordance with the law, the judgment recognized that abuse of a right by the director on a several basis had plainly occurred, because it had been evidenced that it was usual practice to agree verbally to hold a shareholders' meeting in the form of a "universal" shareholders' meeting, and it did not make sense to incur the expense of publishing a notice of a shareholders' meeting in the Commercial Registry Gazette and in one of the daily newspapers with the largest circulation in the province where the registered office is located; besides, the judgment noted, if subsequent circumstances prevent the "universal" shareholders' meeting from being held, the director calling the meeting should have acted in good faith and notified the other shareholders that he was changing the form of calling the meeting to choose the ordinary procedure set out in the law, especially since one of those shareholders was also co-director; by failing to do so, he had acted with abuse of a right, and even with evasion of the law.

The judgment also noted that the purpose of the rules on calling shareholders' meetings as contained in article 173 of the Corporate Enterprises Law (LSC) is to ensure that the shareholders are informed of the meeting to be held and of the business to be transacted, so that they may exercise their voting rights, while also putting in place a system that does not in practice hinder the effectiveness of the call notice in cases where there are many persons involved in the company which makes it extremely difficult to give verifiable notification to each and every one of them individually. At companies having small numbers of shareholders where it is common practice to give personal notification to shareholders of the meetings, the use out of the blue without any prior notice of the system provided in that article of the LSC may be seen as unfair use of that system, for purposes contrary to that sought by the law, in other words, to try to ensure that others will not find out about the call notice and exercise their voting rights, which is exactly what the court held with complete clarity had happened in this case.

The important factor here is not the diligence employed by the other shareholders to be informed of publication of the call notice, but rather the circumstance in which the call notice took place, and the appraisal of the unilateral conduct of the co-director, which may not been seen as adequate when he broke with the custom that had been in place throughout the company's existence, he failed to notify the shareholders that the custom had been abandoned, and it had been decided to use the system set out in the law and in the bylaws, nor did he warn his co-director either that he was going to call a meeting at which that director's removal was to be discussed.

It goes without saying either, in light of the comments outlined above, that the Supreme Court confirmed the findings of the judge at first instance and the provincial appellate court: that the shareholders' meeting held and duly called was null and void, together with any resolutions adopted at that meeting and any decision or act by the company resulting from such resolutions.

Contributors *to this issue...*

ROCÍO BELDA

Partner
Commercial Law
Madrid

Rocío assists and advises clients on corporate, M&A and commercial law matters notably in matters related to marketing and distribution and has extensive experience in the retail, fashion and luxury goods sector.
She is the partner in charge of the China and Indian desks of the firm in the Madrid office. Ms Belda is past chair of the International Franchising Committee of the International Bar Association (IBA), member of Eurofranchise Lawyers (EFL) and the IDI (International Distribution Institute).

rocio.belda@garrigues.com
linkedin.com/in/rocio-belda

CLAUDIO DORIA

Partner
Corporate Department
Barcelona

Claudio is the partner who coordinates Garrigues' industry *Business of Fashion Law* and the responsible of the *Italian Desk* of the firm, and specialist in Mergers & Acquisitions, Corporate and Commercial law. He is a member of the Barcelona Bar Association (ICAB) and the current Co-chair of the European Regional Forum of the International Bar Association (IBA). He has participated in the Task Force on International Sales of the International Chamber of Commerce (ICC).
He has a wealth of experience in advising national and international entrepreneurs in the fashion industry and other sectors, with a special focus on the definition and implementation of the legal strategy for the international expansion of their business

claudio.doria@garrigues.com
es.linkedin.com/in/claudiodoria

CELIA SUEIRAS

Counsel
Intellectual Property
Madrid

Celia's practice focuses on intellectual property (with emphasis on trade marks, designs and domain name disputes), advertising and unfair competition issues. She has particular expertise in all aspects of trade mark protection and enforcement – both contentious and non-contentious. She has a flair for protecting famous and well-known marks in the sports and luxury goods industries.
Celia successfully represented Chanel in its appeal before the General Court of the European Union in Luxembourg in case T-57/16, involving the conflicting Community design to which her article refers.

celia.sueiras.villalobos@garrigues.com

CRISTINA MESA

Senior Associate
Intellectual Property
Madrid

Cristina advises on contentious and non-contentious Intellectual Property and Internet related issues, including advertising, image rights, social media, Internet and unfair competition. She is also a designer and illustrator, being specially interested about design, creativity and innovation.

cristina.mesa@garrigues.com
@demesa2
http://www.linkedin.com/in/cristinamesa

BEATRIZ GANSO

Junior
Intellectual Property
Madrid

Beatriz advises Spanish and International companies on issues on intellectual property rights, unfair competition, e-commerce, consumers and advertising and communications. LLM in International Commercial Law - University of Kent (Canterbury – UK). Degree in Law from the Universidad de Valladolid.

beatriz.ganso@garrigues.com
linkedin.com/in/beatriz-ganso-carpintero-76207264

EVA GOLMAYO

Junior
Intellectual Property
Madrid

Eva advises on contentious and non-contentious Intellectual Property and issues, including patents, trademarks, domain names, advertising, and image rights. Double Degree in Law and Business Administration at Universidad Carlos III Madrid and LLM at Universidad Autónoma de Madrid.

eva.golmayo@garrigues.com
www.linkedin.com/in/eva-golmayo-sebastián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