Reports of Cases

OPINION OF ADVOCATE GENERAL
SZPUNAR
delivered on 25 May 2016*

Case C-223/15

combit Software GmbH
v
Commit Business Solutions Ltd

(Request for a preliminary ruling from the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf, Germany))

(Intellectual property — European Union trade mark — Regulation (EC) No 207/2009 — Article 1(2) — Unitary character of the European Union trade mark — Article 102(1) — Prohibition issued by an EU trade mark court of acts of infringement — Territorial scope — Limitation of the territorial scope of the prohibition on the ground that there is no likelihood of confusion in a Member State other than that of the court seised — Burden of proof))

Introduction

1. This request for a preliminary ruling gives the Court an opportunity to develop its case-law arising from the judgment in *DHL Express France*** and to define the conditions in which a territorial limitation may be applied to a prohibition issued under Article 9(1)(b) and Article 102(1) of Regulation (EC) No 207/2009 on the European Union trade mark.***

2. This issue has been raised by a German court, hearing the case as an EU trade mark court, in an action for infringement brought by the proprietor of the EU word mark 'combit', seeking to prohibit the use of a sign, 'Commit', for goods and services in the computer industry.

Legal framework

3. Recitals 3 and 16 of Regulation No 207/2009 are worded as follows:

'(3) For the purpose of pursuing the [Union's] … objectives it would appear necessary to provide for [Union] arrangements for trade marks whereby undertakings can by means of one procedural system obtain [EU] trade marks to which uniform protection is given and which produce their effects throughout the entire area of the [Union]. The principle of the unitary character of the [EU] trade mark thus stated should apply unless otherwise provided for in this Regulation.

* Original language: French.

** Judgment of 12 April 2011 (C-235/09, EU:C:2011:238).

*** Council Regulation of 26 February 2009 (OJ 2009 L 78, p. 1). The terms 'Union', 'EU trade mark' and 'EU trade mark court' replace the previous terminology from 23 March 2016, pursuant to Article 1 of Regulation (EU) 2015/2424 of the Parliament and of the Council of 16 December 2015 (OJ 2015 L 341, p. 21).

…

(16) Decisions regarding the validity and infringement of [EU] trade marks must have effect and cover the entire area of the [Union], as this is the only way of preventing inconsistent decisions … and of ensuring that the unitary character of [EU] trade marks is not undermined. …'

4. Article 1(2) of Regulation No 207/2009 provides as follows:

'An [EU] trade mark shall have a unitary character. It shall have equal effect throughout the [Union]: it shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor shall its use be prohibited, save in respect of the whole [Union]. This principle shall apply unless otherwise provided in this Regulation.'

5. Article 9(1) of the regulation**** provides:

'An [EU] trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

…

(b) any sign where, because of its identity with, or similarity to, the EU trade mark and the identity or similarity of the goods or services covered by the EU trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

…'

6. According to Article 102(1) of Regulation No 207/2009:

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

Facts

7. combit Software GmbH, a company governed by German law, is the proprietor of German and EU word marks protecting the sign 'combit' for goods and services in the computer industry.

8. Commit Business Solutions Ltd is a company governed by Israeli law which sells software bearing the word sign 'Commit' in a number of countries through an 'e-store' accessible on its website (www.commitcrm.com). At the time of the facts which gave rise to the dispute in the main proceedings, offers of the goods for sale on that website were available in German and, once purchased online, the software could be delivered directly to Germany.

**** In the version applicable on the date of the facts in the main proceedings. I note that Article 9(2)(b) of Regulation No 207/2009, as replaced by point (11) of Article 1 of Regulation 2015/2424, contains an essentially similar provision, except for a detail to the effect that infringement actions do not affect earlier rights acquired before the filing date or the priority date of an EU trade mark.

9. combit Software brought proceedings against Commit Business Solutions before the Landgericht Düsseldorf (Regional Court, Düsseldorf, Germany), which heard the case in its capacity as an EU trade mark court, and sought a prohibition of the use within the European Union of the word sign 'Commit' for software, on the basis of a likelihood of confusion with the EU trade mark combit. In the alternative, the applicant relied on its German trade mark and sought a prohibition of the use within Germany of the word sign at issue in the main proceedings.

10. The Landgericht Düsseldorf (Regional Court, Düsseldorf) allowed combit Software's alternative claim and made an order against Commit Business Solutions on the basis of the German trade mark, having found that there was a likelihood of confusion between the signs 'combit' and 'Commit' for German consumers of the goods concerned. However, the Landgericht Düsseldorf (Regional Court, Düsseldorf) dismissed the main application made in reliance on the EU trade mark on the ground of non-use.

11. combit Software appealed against that decision before the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf) concerning the dismissal of its claim based on the EU trade mark and seeking a prohibition covering the entire area of the European Union.

12. The referring court, determining the case as an EU trade mark appeal court, found that, contrary to the finding at first instance, the use of the EU trade mark relied on by the applicant was established. It also considered that the existence of a likelihood of confusion between the signs concerned in Germany was *res judicata*, but that the situation was different so far as English-speaking countries were concerned. According to the referring court, consumers in those countries would be capable of perceiving the trade mark combit as an abbreviation of the two terms 'com' and 'bit', which are not particularly distinctive in the computer industry, as well as immediately understanding the meaning of the word 'commit', so that the phonetic similarity between the signs at issue would be cancelled out by their difference in meaning.

13. The referring court is thus unsure as to the application of the principle of the unitary character of the EU trade mark in a situation such as that in the main proceedings, where it is not possible to establish a likelihood of confusion for all Member States, particularly English-speaking countries. First, it observes that the strict application of that principle would allow the proprietor of an EU trade mark to prohibit the use of a competing sign even in Member States in which there is no likelihood of confusion. Second, it comments that if an EU trade mark court were required to examine the likelihood of confusion for each Member State individually, that examination would slow the proceedings and would lead to considerable expense for the parties.

Questions referred and procedure before the Court of Justice

14. In those circumstances, the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf) decided to stay the proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

'In the assessment of the likelihood of confusion of a[n EU] word mark, what is the significance of a situation in which, from the perspective of the average consumer in some Member States, the phonetic similarity of the [EU] trade mark with another sign claimed to infringe that trade mark is cancelled out by a conceptual difference, whereas from the perspective of the average consumer in other Member States it is not?

(a) In assessing the likelihood of confusion, is the perspective of some Member States, of the other Member States, or that of a fictive EU average consumer decisive?

(b) If there is a likelihood of confusion only in some Member States, has the [EU] trade mark been infringed across the European Union, or must the Member States be differentiated individually?'

15. The order for reference dated 12 May 2015 was received at the Court Registry on 18 May 2015. Written observations have been submitted by the parties to the main proceedings, the Polish Government and the European Commission. With the exception of the Polish Government, the same parties also attended the hearing on 3 March 2016.

Assessment

16. In referring its questions, which I propose to examine together, the referring court asks in essence whether a territorial limitation may be applied to a prohibition issued in an action for infringement of an EU trade mark pursuant to Article 102(1) of Regulation No 207/2009, on the ground that the finding of a likelihood of confusion, within the meaning of Article 9(1)(b) of that regulation, does not apply, for linguistic reasons, in one or more Member States.

17. Should that be the case, it also asks about the precise conditions in which such a limitation should be envisaged.

Principle of the unitary character of the EU trade mark

18. EU trade mark law is based on the principle of the unitary character of that trade mark, laid down in Article 1(2) of Regulation No 207/2009.*****

19. The rationale for that principle lies in the very concept of the European Union as a unitary territory constituting a single market.****** The purpose of the EU trade mark system is to offer similar conditions on the internal market to those existing in a national market. Unitary rights like the EU trade mark thus guarantee that there is a single proprietor throughout the territory in which those rights apply, and ensure the free movement of the product. That is why, except where otherwise expressly provided,******* the EU trade mark produces the same effects throughout the European Union.********

20. According to recitals 3 and 16 of Regulation No 207/2009, the principle in question results in a requirement for EU trade marks to be given uniform protection throughout the entire area of the European Union, so that decisions regarding the validity and infringement of EU trade marks must have effect and cover the entire area of the Union.

21. However, Article 1(2) of Regulation No 207/2009 does not expressly refer to the effects of sanctions adopted at the request of the proprietor of an EU trade mark under Article 102 of the regulation.

***** See, in various contexts, judgments of 18 September 2008, *Armacell* v *OHIM* (C-514/06 P, EU:C:2008:511, paragraphs 54 and 57); 12 April 2011, *DHL Express France* (C-235/09, EU:C:2011:238, paragraphs 40 to 45), and 19 December 2012, *Leno Merken* (C-149/11, EU:C:2012:816, paragraphs 41 to 43).

****** See the study drawn up at the Commission's request by the Max Planck Institute for Intellectual Property and Competition Law, 'Study on the Overall Functioning of the European trade mark system', Munich, 2011, paragraphs 1.13 to 1.17 (http://ec.europa.eu/internal_market/indprop/tm/index_en.htm).

******* See Articles 110 (on prohibition of use of EU trade marks on the basis of earlier rights) and 111 (on prior rights applicable to particular localities) of Regulation No 207/2009.

******** See judgments of 22 June 1994, *IHT Internationale Heiztechnik and Danzinger* (C-9/93, EU:C:1994:261, paragraphs 53 to 55), and 19 December 2012, *Leno Merken* (C-149/11, EU:C:2012:816, paragraph 42).

22. The issue raised in the main proceedings thus concerns the broader systemic scope of the principle of unitary character and raises the question — keenly discussed in legal literature******** — of the consequences of that principle in situations not specifically referred to in Article 1(2) of Regulation No 207/2009.

Territorial scope of the prohibition

23. It may be inferred from the unitary character of the EU trade mark that a prohibition on proceeding with acts of infringement or threatened infringement, issued by an EU trade mark court under Article 102(1) of Regulation No 207/2009, extends as a rule to the entire area of the European Union.

24. First of all, the jurisdiction of an EU trade mark court, when it is dealing with a case on the basis of paragraphs 1 to 4 of Article 97 of Regulation No 207/2009 which concern international jurisdiction, extends to the entire area of the European Union. Secondly, the exclusive right of a proprietor conferred under that regulation extends to the whole of that area, throughout which EU trade marks enjoy uniform protection.*********

25. That consideration of principle must, however, be reconciled with the requirement that, in relying on his exclusive right, a proprietor may not prohibit the use of a sign which is not capable of affecting the functions of the trade mark.

26. According to settled case-law, an exclusive right is conferred by Regulation No 207/2009 in order to enable the proprietor of an EU trade mark to protect his specific interests, that is, to ensure that the trade mark is able to fulfil its functions. The exercise of that right must therefore be restricted to cases in which a third party's use of the sign adversely affects one of the functions of the trade mark or is liable to do so.**********

27. As the Court held in the judgment in *DHL Express France*, the territorial scope of the prohibition may, in certain circumstances, be restricted in view of those considerations.**********

28. It is my view that the answer to the questions raised in this case may therefore, to a certain extent, be inferred from that judgment.

29. The Court has held that if an EU trade mark court finds that acts of infringement or threatened infringement are limited to a single Member State or to part of the territory of the European Union, in particular because the defendant proves that the use of the sign at issue does not adversely affect the functions of the trade mark or is not liable to do so, for example for linguistic reasons, that court must limit the territorial scope of the prohibition which it issues.**********

******** See Von Mühlendahl, A., 'Community trade mark riddles: territoriality and unitary character', *European Intellectual Property Review (EIPR)*, 2008, p. 66; Sosnitza, O., 'Der Grundsatz der Einheitlichkeit im Verletzungsverfahren der Gemeinschaftsmarke', *Gewerblicher Rechtsschutz und Urheberrecht*, 2011, p. 465; Schnell, S., 'The Community trade mark: unitary EU right — EU-wide injunction?', *EIPR*, 2011, p. 210; Żelechowski, Ł., 'Infringement of a Community trade mark: between EU-wide and non-EU-wide scope of prohibitive injunctions', *EIPR*, 2013, p. 287, and 'Terytorialny zasięg sądowego zakazu naruszania prawa do wspólnotowego znaku towarowego', *Europejski Przegląd Sądowy*, 2012, No 2, p. 19, and No 4, p. 28.

********* Judgment of 12 April 2011, *DHL Express France* (C-235/09, EU:C:2011:238, paragraphs 38 and 39).

********** Judgments of 12 November 2002, *Arsenal Football Club* (C-206/01, EU:C:2002:651, paragraph 54); 18 June 2009, *L'Oréal and Others* (C-487/07, EU:C:2009:378, paragraph 60); and 23 March 2010, *Google France and Google* (C-236/08 to C-238/08, EU:C:2010:159, paragraph 49).

********** Judgment of 12 April 2011 (C-235/09, EU:C:2011:238, paragraph 46 and the case-law cited therein).

********** Judgment of 12 April 2011, *DHL Express France* (C-235/09, EU:C:2011:238, paragraph 48). The Court noted that a prohibition must also be limited where the applicant has restricted the territorial scope of its action.

30. As regards the exclusive right provided for in Article 9(1)(b) of Regulation No 207/2009, which is at issue in the present case, the essential function of the potentially compromised trade mark is to identify the commercial origin of the designated product or service. Where a similar sign is used, that essential function is not jeopardised if there is no likelihood of confusion.

31. It is clear from the above considerations that, provided there is no likelihood of confusion in part of the territory of the European Union, for example for linguistic reasons such as those referred to in the main proceedings, and the use of a contested sign in that part of the European Union is therefore not liable to affect the functions of the trade mark, that fact justifies limiting the territorial scope of a prohibition issued under Article 102(1) of Regulation No 207/2009.

Conditions for limitation

32. When examining whether it is appropriate to limit the territorial scope of a prohibition in a particular case, the EU trade mark court seised must take account of the fact that such a limitation constitutes an exception to the principle of the unitary character of the EU trade mark.

33. That consideration justifies in particular a reversal of the burden of proof in favour of the person applying for the prohibition.

34. As is apparent from the judgment in *DHL Express France*,********** it is for the defendant to prove that, in part of the territory of the European Union, the use of the sign at issue does not adversely affect the functions of the trade mark or is not liable to do so.

35. That reversal of the burden of proof affects the analysis to be undertaken by the EU trade mark court.

36. First of all, given that the limitation of the prohibition must be raised by the defendant and justified in relation to a specific part of the territory of the European Union, it is not for the EU trade mark court seised to consider whether the likelihood of confusion exists for each Member State individually.

37. In that regard, I do not agree with the position suggested by a reading of the case-law of some national courts.

38. In its judgment on trade marks including the prefix 'Volks-', for example, which related primarily to Article 9(1)(c) of Regulation No 207/2009, the Bundesgerichtshof (Federal Court of Justice, Germany) did not rule out the possibility that, in the context of an application based on point (b) of that provision, the EU trade mark court must ascertain of its own motion whether the likelihood of confusion established applies to the entire territory of the European Union.**********

********** Judgment of 12 April 2011 (C-235/09, EU:C:2011:238, paragraph 48).

********** See decision of 11 April 2013 — I ZR 214/11, paragraph 67. In that decision, the Bundesgerichtshof (Federal Court of Justice) stated that, in so far as the applicant sought a prohibition based on point (b) for the entire territory of the European Union, that application could succeed only if the EU trade mark had a distinctive character throughout the territory of the Union. See, on the connection between that judgment and the present reference, Lambrecht, A., 'EuGH-Vorlage zur einheitlichen Wirkung der Gemeinschaftsmarke im Verletzungsverfahren', GRUR-Prax, 2015, p. 280.

39. In a relatively recent judgment, the High Court of Justice of England and Wales, Chancery Division, (United Kingdom) appears to take the view that, in the case of an application for a pan-European prohibition based on Article 9(1)(b) of Regulation No 207/2009, the applicant — which bears the burden of proving an infringement — must demonstrate that a likelihood of confusion exists in each Member State individually and may not, in that regard, rely on 'presumptions'. **********

40. That position cannot, in my view, be reconciled with the Court's decision in *DHL Express France*, according to which a prohibition based on Article 9(1)(b) of Regulation No 207/2009 must, as a rule, have pan-European scope, except where the defendant resists this by proving that the likelihood of confusion established does not apply for certain specific Member States. **********

41. In my view, an applicant for a prohibition who is the proprietor of an EU trade mark discharges the burden of proof when he demonstrates the existence or threat of infringement. However, the procedural burden of obtaining any limitation of the prohibition lies entirely with the defendant.

42. That procedural burden includes the burden of raising and presenting an issue (*onus proferendi*) and the burden of proof in the strict sense (*onus probandi*). ********** Consequently, except in a case where the defendant raises this aspect by putting forward a specific argument, the court dealing with a case should not consider of its own motion whether its analysis of the existence of a likelihood of confusion applies for the entire territory of the European Union.

43. This allocation of the burden of proof, involving an obligation for the defendant to raise and demonstrate the need for a territorial limitation, has been upheld by a number of national courts. ********** Academic legal writing observes that this reversal of the burden of proof is entirely justified by the fact that it is a question of an exception to the principle of the unitary character of the EU trade mark. It is thus for the defendant to prove that the finding that the proprietor's rights are adversely affected does not apply to certain specific Member States. **********

44. Secondly, the EU trade mark court seised must also take account of the exceptional nature of the territorial limitation of the prohibition when it comes to determining the standard of proof required from the defendant.

45. In that regard, a clear distinction must in my view be made between two sets of circumstances.

********** See judgment of the High Court of Justice of England and Wales, Chancery Division, of 11 February 2015, *Enterprise Holding Inc* v *Europcar Group UK Limited & Anor* [2015] EWHC 300 (Ch), in particular paragraphs 10 and 27. The English court accepted that this position was debatable in the light of the judgment of 12 April 2011, *DHL Express France* (C-235/09, EU:C:2011:238).

********** Judgment of 12 April 2011 (C-235/09, EU:C:2011:238, paragraph 48). However, the Court has not yet had an opportunity to take a view on the territorial scope of an application based on a trade mark which has a reputation, within the meaning of Article 9(1)(c) of that regulation. As regards the possibility of relying on such a trade mark in order to prevent the registration of a later national trade mark, see judgment of 3 September 2015, *Iron & Smith* (C-125/14, EU:C:2015:539).

********** This conceptualisation of the burden of raising and presenting an issue is known in, for example, Polish law (*ciężar twierdzenia i dowodu*) and German law (*Darlegungs- und Beweislast*). See Adrych-Brzezińska, I., 'Ciężar dowodu w prawie i procesie cywilnym', LEX Wolters Kluwer, Warsaw, 2015, p. 55.

********** See judgment of the Oberster Gerichtshof (Supreme Court, Austria) of 12 June 2012 in Case 17 Ob 27/11m [paragraph 2.2(b)], and case-law of the German and United Kingdom courts cited in: Ashby, S., 'Enforcement of A Community Trade Mark', in *The ITMA & CIPA Community Trade Mark Handbook*, *Sweet & Maxwell*, 2015, p. 196.

********** See Schennen, D., in Eisenführ, G., Schennen, D., 'Gemeinschaftsmarkenverordnung', 4th edition, Carl Heymanns Verlag, Cologne, 2014, Article 1, paragraph 33, and Sosnitza, O., op. cit., p. 469.

46. On the one hand, the burden of raising an issue and the burden of proof in the strict sense are aspects governed solely by uniform EU trade mark law, given that they are closely linked to the application of substantive law. It is also settled case-law that the allocation of the burden of proof in connection with the EU trade mark may not be determined by the national law of the Member States, but is a matter of EU law. If that question were a matter for the national law of the Member States, the aim of the EU trade mark of affording uniform protection might be compromised. **********

47. On the other hand, the standard of proof required and the methods of proof are governed independently by the national law of the Member State of the court seised. These are aspects of procedural law which continue, pursuant to Article 101(3) of Regulation No 207/2009, to be governed by the national law of the place where the court dealing with the case is located, except for the aspects expressly covered by that regulation.

48. In applying the national rules concerning the standard and methods of proof, the court seised must, however, ensure that the EU trade mark's aim of providing uniform protection is not compromised.

49. I note that demonstrating that the likelihood of confusion is geographically restricted may demand considerable effort, particularly where that demonstration concerns a country other than that where the action is brought. In the light of the foregoing, in order to obtain a limitation of the territorial scope of a prohibition, the defendant must raise that aspect, putting forward specific arguments in that regard. In addition, provided that the rules of national procedural law allow it, an EU trade mark court may require the defendant to provide specific proof showing that in one or more Member States the threat of infringement can be ruled out.

50. In the light of all these observations, a limitation of the territorial scope of a prohibition is required when the defendant raises specific arguments serving to rule out a likelihood of confusion in one or more Member States and, where he does so, adduces relevant proof. It is therefore not for an EU trade mark court dealing with a case on the basis of Article 97(1) to (4) of Regulation No 207/2009 to consider of its own motion whether there is a likelihood of confusion for each Member State individually.

Effectiveness of the prohibition

51. It is important to note that, when adopting a prohibition, an EU trade mark court must, amongst other things, ensure that the measure adopted will be effective, proportionate and dissuasive and will be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against its abuse. **********

52. In that regard, the court must ensure that a prohibition on proceeding with acts of infringement or threatened infringement — where a territorial limitation is applied to that prohibition — remains effective in the light of the particular circumstances of the market.

********** See, to that effect, judgments of 18 October 2005, *Class International* (C-405/03, EU:C:2005:616, paragraph 73) and 22 March 2012, *GENESIS* (C-190/10, EU:C:2012:157, paragraph 59).

********** See Article 3 of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ 2004 L 157, p. 45).

53. I note that the Court, when considering, in paragraph 48 of the judgment in *DHL Express France*,********** the possibility of limiting the territorial scope of the prohibition, referred to the circumstances of the main proceedings. It may be inferred from that that, in certain cases in which the circumstances are different, limiting the territorial scope of the injunction would run counter to the EU trade mark's aim of providing uniform protection.

54. That might be the case, in my opinion, where, in view of the circumstances on the market where the infringement is occurring — such as the market in software sold on the internet, in the present case — it is necessary to start from the premiss that the infringement concerns the entire territory of the European Union.

55. Thus, in adopting a prohibition, the EU trade mark court seised must also take account of the marketing methods used for the goods in question, in order to decide whether there is a risk that limiting the territorial scope of the prohibition will render it ineffective.

Conclusion

56. In the light of all the foregoing, I propose that the Court should answer the questions raised by the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf, Germany) as follows:

The fact that a likelihood of confusion may be ruled out, for linguistic reasons, in one or more Member States is capable of justifying a limitation of the territorial scope of a prohibition issued by an EU trade mark court under Articles 9(1)(b) and 102(1) of Council Regulation (EC) No 207/2009 of 26 February 2009 on the European Union trade mark.

Such a limitation is necessary when the defendant raises specific arguments serving to rule out a likelihood of confusion in one or more Member States and, where he does so, adduces relevant proof. It is not for an EU trade mark court dealing with a case on the basis of Article 97(1) to (4) of Regulation No 207/2009 to consider of its own motion whether there is a likelihood of confusion for each Member State individually. The EU trade mark court must also refrain from limiting the territorial scope of a prohibition where there is a risk that that limitation would render the prohibition ineffective.

********** Judgment of 12 April 2011 (C-235/09, EU:C:2011:238).