Reports of Cases

OPINION OF ADVOCATE GENERAL
WATHELET
delivered on 17 December 2015 [1]

Case C-163/15

Youssef Hassan
v
Breiding Vertriebsgesellschaft mbH
(Request for a preliminary ruling from the

Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf, Germany))

(Reference for a preliminary ruling — Community trade mark — Regulation (EC) No 207/2009 — Article 23 — Licence — Register of Community trade marks — Right of the licensee to bring proceedings for infringement in spite of the fact that the licence has not been entered in the Register of Community trade marks)

I – **Introduction**

1. This request for a preliminary ruling concerns the interpretation of the first sentence of Article 23(1) of Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark. [2]

2. The request has been made in proceedings between Mr Hassan and Breiding Vertriebsgesellschaft mbH ('Breiding') concerning an action for infringement of a Community trade mark brought by Breiding against Mr Hassan.

II – **Legal framework**

3. Recital 11 in the preamble to Regulation No 207/2009 reads as follows:

'A Community trade mark is to be regarded as an object of property which exists separately from the undertakings whose goods or services are designated by it. Accordingly, it should be capable of being transferred, subject to the overriding need to prevent the public being misled as a result of the transfer. It should also be capable of being charged as security in favour of a third party and of being the subject matter of licences.'

4. Article 17 of that regulation, entitled 'Transfer', provides:

'1. A Community trade mark may be transferred, separately from any transfer of the undertaking, in respect of some or all of the goods or services for which it is registered.

1 — Original language: French.
2 — OJ 2009 L 78, p. 1, 'the Regulation'.

2. A transfer of the whole of the undertaking shall include the transfer of the Community trade mark except where, in accordance with the law governing the transfer, there is agreement to the contrary or circumstances clearly dictate otherwise. This provision shall apply to the contractual obligation to transfer the undertaking.

…

5. On request of one of the parties a transfer shall be entered in the Register and published.

6. As long as the transfer has not been entered in the Register, the successor in title may not invoke the rights arising from the registration of the Community trade mark.

…'

5. Under Article 19 of that Regulation, entitled 'Rights in rem':

'1. A Community trade mark may, independently of the undertaking, be given as security or be the subject of rights *in rem*.

2. On request of one of the parties, rights mentioned in paragraph 1 shall be entered in the Register and published.'

6. Article 22 of the same regulation, entitled 'Licensing', provides:

'1. A Community trade mark may be licensed for some or all of the goods or services for which it is registered and for the whole or part of the Community. A licence may be exclusive or non-exclusive.

…

3. Without prejudice to the provisions of the licensing contract, the licensee may bring proceedings for infringement of a Community trade mark only if its proprietor consents thereto. However, the holder of an exclusive licence may bring such proceedings if the proprietor of the trade mark, after formal notice, does not himself bring infringement proceedings within an appropriate period.

4. A licensee shall, for the purpose of obtaining compensation for damage suffered by him, be entitled to intervene in infringement proceedings brought by the proprietor of the Community trade mark.

5. On request of one of the parties the grant or transfer of a licence in respect of a Community trade mark shall be entered in the Register and published.'

7. Article 23 of Regulation No 207/2009, entitled 'Effects vis-à-vis third parties', provides:

'1. Legal acts referred to in Articles 17, 19 and 22 concerning a Community trade mark shall have effects vis-à-vis third parties in all the Member States only after entry in the Register. Nevertheless, such an act, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights in the trade mark after the date of that act but who knew of the act at the date on which the rights were acquired.

2. Paragraph 1 shall not apply in the case of a person who acquires the Community trade mark or a right concerning the Community trade mark by way of transfer of the whole of the undertaking or by any other universal succession.

…'

III – **The dispute in the main proceedings and the request for a preliminary ruling**

8. Breiding has, since 2 January 2011, been the licensee of the Community word mark ARKTIS, which is not registered in the Register of Community trade marks ('the Register'), and concerns, inter alia, bedding and blankets. The mark was applied for on 15 August 2002 and registered on 11 February 2004 under the number CTM 002818680 and which KBT & Co. Ernst Kruchen agenzia commerciale società is the proprietor. The licence agreement stipulates that Breiding is to assert, in its own name, rights arising from the infringement of the trade mark.

9. Mr Hassan is the managing director of OVL Onlinevertrieb & -logistik GmbH & Co KG, which took over the one-man business he previously operated on 1 May 2010. On 27 October 2009 and 30 October 2012 respectively, these undertakings offered several down duvets under the names 'Arktis 90', 'Arktis 90 HS', and 'innoBETT selection Arktis' on the website 'schoene-traeume.de'.

10. Following the events that occurred during 2009, the company that at that time was the licensee sent a letter of formal notice to Mr Hassan, who, on 3 February 2010, submitted a so-called 'cease-and-desist declaration', on 3 February 2010, by which he undertook to refrain from using the name 'Arktis' for bedding, failing which he would be subject to a penalty for non-compliance to be determined at the discretion of the licensee.

11. After the events that occurred during 2012, Breiding brought proceedings before the competent Landgericht (Regional Court). That court declared the cease-and-desist agreement to be valid, ordered Mr Hassan to provide information and to remove the infringing products for the purpose of destroying them and ordered him to pay damages.

12. Mr Hassan appealed against that decision before the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf), which considers that the success of the appeal depends on whether Breiding, which, according to the licence agreement, has the consent of the trade mark proprietor, as required by Article 22(3) of the Regulation, may bring proceedings for infringement of the trade mark even though it is not entered on the register as licensee.

13. Since the answer to that question depends on the interpretation of the first sentence of Article 23(1) of the Regulation and it entertains doubts in that regard, the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf) decided to stay the proceedings and to refer the following questions to the Court for a preliminary ruling:

'(1) Does the first sentence of Article 23(1) of [the Regulation] preclude a licensee who is not entered in the Register … from bringing proceedings alleging infringement of a Community trade mark?

(2) In the event that the first question is answered in the affirmative: Does the first sentence of Article 23(1) of [the Regulation] preclude a national legal practice whereby the licensee can enforce the trade mark proprietor's rights against the infringer by virtue of the power conferred on it for that purpose ("Prozessstandschaft")?'

IV – **Procedure before the Court**

14. Written observations were submitted by Breiding, the German and Polish Governments, as well as the European Commission. At the end of the written part of the procedure, the Court considered that it had sufficient information to proceed to judgment without a hearing, in accordance with Article 76(2) of the Court's Rules of Procedure.

V – **Assessment**

15. By its first question submitted for a preliminary ruling, the referring court asks whether the first sentence of Article 23(1) of the Regulation, according to which legal acts referred to in Articles 17, 19 and 22 concerning a Community trade mark are to have effects vis-à-vis third parties in all the Member States only after entry in the Register, should be interpreted as precluding the licensee from being able to bring proceedings for infringement of the trade mark that is the subject of the licence if the latter is not entered in the Register.

16. I would note at the outset that all the parties which have submitted written observations gave a negative response to that question. I share that conclusion. The Court has consistently held that, in interpreting a provision of EU law, it is necessary to consider not only its wording but also the context in which it occurs and the objectives pursued by the rules of which it is part.[3] In the present case, both the context of Article 23(1) of the Regulation and its purpose lead me to think that that provision must be interpreted as not precluding the licensee from being able to bring proceedings for infringement of the trade mark that is the subject of the licence if the mark is not entered in the Register.

17. As the first question submitted for a preliminary ruling should, in my opinion, be answered in the negative, I will not address the second question.

A – *The contextual interpretation of Article 23(1) of the Regulation*

18. According to the first sentence of Article 23(1) of the Regulation, '[*l*]*egal acts* referred to in Articles 17, 19 and 22 concerning a Community trade mark shall have effects vis-à-vis third parties in all the Member States only after entry in the Register'.[4]

19. It is essential therefore to determine the legal acts envisaged by that provision in order to establish whether infringement proceedings are covered by the provision.

20. The legal acts referred to in the first sentence of Article 23(1) of the Regulation are the transfer of a Community trade mark (Article 17), the creation of a charge by way of security or the creation of a right *in rem* to which the trade mark is subject (Article 19), and the *granting* of a licence (Article 22).

21. The common feature of these different acts, which, according to the first sentence of Article 23(1) of the Regulation, '[concern] … a Community trade mark' is that they have the purpose or effect of creating or transferring a right *in rem* in respect of a trade mark.

22. This common feature is consistent with the title of the section of which the first sentence of Article 23(1) of the Regulation forms part. It is in Section 4 of Title II, entitled 'Community trade marks as *objects of property*'.[5]

23. I therefore agree with the German Government's assertion that the notion of a 'legal act' within the meaning of the first sentence of Article 23(1) of the Regulation concerns only the *creation* of a right in respect of a Community trade mark in its function as an object of property. Consequently, that notion does not cover the right of a licensee to bring an action for infringement under Article 22(3) of the Regulation.

3 — See, inter alia, judgments in *Yaesu Europe*, C-433/08, EU:C:2009:750, paragraph 24; *Brain Products*, C-219/11, EU:C:2012:742, paragraph 13; *Koushkaki*, C-84/12, EU:C:2013:862, paragraph 34; and *Lanigan*, C-237/15 PPU, EU:C:2015:474, paragraph 35.

4 — Emphasis added.

5 — Emphasis added.

24. This interpretation is also supported by the difference in the entries in the Register according to whether the trademark is transferred or, on the other hand, a right *in rem* or a licence is granted in respect of the mark.

25. While each of the articles mentioned in the first sentence of Article 23(1) of the Regulation provide that the transfer, the rights *in rem* under Article 19(1) and the granting or the transfer of a licence are, '[o]n request of one of the parties … entered in the Register and published',[6] only Article 17(6) of the Regulation makes the possibility of invoking rights acquired as a result of a transfer subject to the requirement that the transfer is registered.

26. If the EU legislature had intended to impose as a condition for exercising the rights arising as a result of a charge or a licence the prior entry of the charge or licence in the Register, it would necessarily have specified this in each of the corresponding articles. To argue that such a statement is unnecessary in the light of the first sentence of Article 23(1) of the Regulation would render Article 17(6) of the Regulation redundant and at the same time deprive it of any useful purpose. Faced with a choice between an interpretation conveying meaning and an interpretation devoid of all useful purpose, preference must be given to the former.

27. Lastly with regard, more specifically, to the bringing of an action relating to infringement of a Community trade mark by the licensee, Article 22(3) of the Regulation expressly authorises this on the sole condition that the licensee has obtained the consent of the proprietor of the trade mark[7] and it is subject to the terms of the licence agreement. If prior registration of the licence was a necessary condition for the admissibility of an action for infringement brought by the licensee, that requirement would have to be included, in the absence of a separate paragraph dealing generally with all rights flowing from the licence, in the provision which deals with this issue, namely Article 22(3) of the Regulation.

28. It seems to me therefore that the contextual analysis of the first sentence of Article 23(1) of the Regulation leads to the interpretation that this provision does not subject the right of the licensee to bring proceedings for infringement to the prior entry of the licence in the Register.

29. The purpose for which the enforceability of rights vis-à-vis third parties was connected to entry in the Register supports that interpretation.

B – *The teleological interpretation of Article 23(1) of the Regulation*

30. Article 23(1) of the Regulation is composed of two sentences. Consequently one part cannot be read independently of the other.

31. While the first sentence of Article 23(1) states that '[l]egal acts referred to in Articles 17, 19 and 22 concerning a Community trade mark shall have effects vis-à-vis third parties in all the Member States only after entry in the Register', the second sentence of that provision states that '[n]evertheless, such an act, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights in the trade mark after the date of that act but who knew of the act at the date on which the rights were acquired'.

6 — See Article 17(5) of the Regulation (transfers), Article 19(2) (charges and rights *in rem*), and Article 22(5) (licences).

7 — This condition is not itself absolute — the second sentence of Article 22(3) states that 'the holder of an exclusive licence may bring such proceedings if the proprietor of the trade mark, after formal notice, does not himself bring infringement proceedings within an appropriate period'.

32. It follows from the above clarification that the purpose of Article 23(1) of the Regulation is to protect those persons who have acquired rights in a Community trade mark in *good faith*. Indeed the acts referred to in Article 23(1) of the Regulation may be effective vis-à-vis third parties who have acquired rights in the trade mark *in full knowledge of such acts*, irrespective of whether the acts were registered.

33. The enforceability of rights vis-à-vis third parties that accompanies the entry in the Register therefore essentially serves the purpose of protecting those who acquired rights in the trade mark in good faith. In other words Article 23(1) of the Regulation does not govern the effects of the actions defined in Articles 17, 19 and 22 of the Regulation with regard to persons who have acquired no right in the trade mark but who infringe such rights in the course of their business.

34. However, the infringer has, by definition, acquired no right in the trade mark. Such a third party, to use the wording of Article 23(1) of the Regulation, did not become an owner in good faith of any right in the Community trade mark. Article 23(1) of the Regulation does not therefore apply.

35. The contrary interpretation would lead to a paradoxical situation where an infringer acting in bad faith could benefit by invoking Article 23(1) of the Regulation against the holder of the licence in order to defeat him in infringement proceedings. That paradox is illustrated particularly well by the facts which gave rise to the action in the main proceedings. Mr Hassan, having expressly undertaken not to use the contested trade mark in the cease-and-desist declaration signed on 3 February 2010, was fully aware of the existence of the licence.

36. Furthermore, I am, in that regard, sympathetic to the Polish Government's argument that the rule thus interpreted ensures legal certainty. Indeed, it allows a purchaser acting in good faith to acquire rights in the Community trade mark without the financial burden resulting from the licence granted previously. On the other hand, the former act produces its effects with regard to the subsequent purchaser if he knew of the act and, in any event, if it is entered in the Register, since the purchaser could, in such a case, easily acquire such knowledge.

37. It therefore follows from the above considerations that making registration a formal requirement such that failure to comply with that requirement would allow an infringer to claim that infringement proceedings brought by the licensee were inadmissible would be at odds with the objective pursued by the registration.

38. Thus there is no need no answer the second question referred by the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf) which was asked only in the event that the first question was answered in the affirmative. Moreover, I note that only Breiding considered it appropriate to put forward an argument in that regard.

VI – **Conclusion**

39. With regard to the context of which Article 23(1) of the Regulation forms part and the purpose it pursues, I propose that the Court answer the first question referred for a preliminary ruling by the Oberlandesgericht Düsseldorf (Higher Regional Court, Düsseldorf) in the following manner:

(1) The first sentence of Article 23(1) of Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark does not preclude the holder of a licence which is not entered in the Register of Community trade marks from bringing proceedings for infringement of a Community trade mark.

(2) As the second question referred is asked only in the event that the first question is answered in the affirmative, it does not require an answer.