

Precis: The European Court of Justice has provided two broad requirements to satisfy the notion of ‘establishment’ under Article 97(1) of the Trademark Regulation. This ensures that most disputes involving EU trademarks – no matter whether the defendant has its seat in the European Union – fall under the remit of EU trademark courts and their ability to grant EU-wide injunctions.

Upon referral from the Dusseldorf Higher Regional Court, the European Court of Justice (ECJ) ruled on May 18 2017 that a legally distinct second-tier subsidiary (with its seat in an EU member state) of a defendant parent body (with no seat in the European Union) was an “establishment” of that parent body under Article 97(1) of the EU Trademark Regulation 207/2009 on the grounds that the subsidiary was a centre of operations that, in the member state in which it was located:

- had a certain real and stable presence from which commercial activity was pursued; and
- had the appearance of permanency to the outside world, such as an extension of the parent body.

Background

Hummel Holding A/S, a Danish manufacturer of sports goods, initiated proceedings against Nike Inc and its Dutch subsidiary, Nike Retail BV, before the Dusseldorf Regional Court. Nike Inc had its seat in the United States and Nike Retail in the Netherlands. Nike Deutschland GmbH – a subsidiary of Nike Retail, which provided pre-sale and post-sale services – was not a party to the proceedings but had its seat in Germany. Hummel claimed that some Nike products had infringed its EU trademark in Germany. Hummel sought an EU-wide injunction against Nike Inc and a German-wide injunction against Nike Retail BV. The regional court dismissed Hummel’s claim on the merits, and Hummel appealed to the Higher Regional Court of Dusseldorf. In order to establish whether it had jurisdiction to grant the EU-wide injunction, the court referred the following question to the ECJ:

“Under which circumstances is a legally distinct second-tier subsidiary, with its seat in an EU member State, of an undertaking that itself has no seat in the European Union to be considered as an “establishment” of that undertaking within the meaning of Article 97(1) [EU Trademark Regulation]?”

Article 97(1) of the EU Trademark Regulation provides that:

“Subject to the provisions of this Regulation as well as to any provisions of Regulation (EC) No 44/2001 [Brussels I] applicable by virtue of Article 94, proceedings in respect of the actions and claims referred to in Article 96 shall be brought in the courts of the Member State in which the defendant is domiciled or, if he is not domiciled in any of the Member States, in which he has an establishment.”

Decision

The ECJ stated that the meaning of ‘establishment’ must receive autonomous and uniform interpretation throughout the European Union, having regard to the objective of the Trademark Regulation and the context of Article 97(1) of the regulation. It found that Article 97(1) should therefore be interpreted broadly in order for trademark courts to hear cases and Brussels I (which codifies the rule that a jurisdiction must be based on the defendant’s domicile) to be applied.

It follows that certain requirements, albeit broad, must be satisfied to fall within the meaning of ‘establishment’ in accordance with Article 97(1).

First, there must be a certain real and stable presence from which commercial activity is pursued, as manifested by the presence of personnel and material equipment (goods and bank accounts are not sufficient according to the advocate general at paragraph 52 of his opinion).

Second, the establishment must appear to be permanent to the outside world. The ECJ specifies that it is irrelevant whether it has a legal personality or is a direct subsidiary of the undertaking which is located outside the European Union, therefore confirming the broad interpretation of ‘establishment’.

Comment

In providing two broad requirements to satisfy the notion of 'establishment' under Article 97(1) of the Trademark Regulation, the ECJ has ensured that most disputes involving EU trademarks – no matter whether the defendant has its seat in the European Union – fall under the remit of EU trademark courts and their ability to grant EU-wide injunctions. In doing so, several member states may host an 'establishment' of an undertaking and, therefore, several courts may be competent – creating a risk of forum shopping. Trademark owners and potential defendants should carefully consider which court to seise in future, within the limitations of the *lis pendens* rule.

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