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Déjà vu Davidoff - The German Federal Court of Justice (FCJ) has asked the Court of Justice of the European Union (CJEU) for guidance on the role and responsibilities of fulfilment service providers in trademark protection.

Davidoff Hot Water III, BGH, ECLI:DE:BGH:2018:260718BIZR20.17.0; 26.07.2018; referred as Coty Germany, CJEU, C-567/18

by Carsten Ullrich (carsten.ullrich@uni.lu)

Legal context

Coty, the American beauty and fragrances giant, continues to incense the e-commerce world by provoking landmark decisions in trademark litigation on the internet. After obtaining victories on selective distribution on online marketplaces (*Coty Germany GmbH v Parfümerie Akzente GmbH, C-230/16, EU:C:2017:941)* and challenging banking secrecy in counterfeit cases *(Coty Germany GmbH v Stadtsparkasse Magdeburg, C-580/14, EU:C:2015:485)* it now hopes to replicate its success by defining the role of new supply chain intermediaries in trademark protection. Once again, the recent case was referred from Germany. The referral warrants a closer analysis because of its focus on a business model which has been rarely considered in IP law so far. The case essentially turns around the legal responsibility of fulfilment service providers (FSPs), in this case Fulfilment by Amazon (FBA), in the supply chain of trademark protected goods under the European Trademark Regulation (ETMR, 2017/1001).

Facts

Coty is the exclusive licensee of the Davidoff Hot Water perfume brand. The company had conducted test purchases of its products sold by sellers on the Amazon platform and delivered through its FBA service. They found that some of these products were parallel imports for which the rights had not been exhausted within the EU. Coty brought actions against the marketplace operator Amazon on two grounds: 1) Amazon violated the trademark rights of the perfume brand. Its fulfilment service amounted to "offering the goods, putting them on the market, or stocking them for those purposes under the sign…" (ETMR, Art. 9 (3 b)). 2) it had neglected its duty of care obligations as an interferer ("Störer") and would need to respond to injunctions aimed, amongst others, ceasing any future infringements.

The case was twice decided against Coty by lower instance courts in Munich. The FCJ, as the last instance national court, sided with the Munich judgements. First, it upheld the rejection of FBA breaching its duty of care obligations as an *"interferer"*. But while also voicing support for Amazon's FBA service as not being seen to directly violate the trademark rights under the ETMR, it still sought clarification on this matter with the CJEU.

It asked the CJEU: "Does a person, who stores trademark infringing goods for a third person, without having knowledge of the infringement, possesses these goods for the purpose of offering them or putting them on the market, if only the third party intends to offer or put on the market these goods?" (translation by the author).

Analysis

The FCJ's confirmation of rejecting FBA's liability as an interferer appears natural in the light of previous case law. FBA had not been previously informed of the infringement, for example by a notice and

takedown request. Moreover, holding FBA to verify for all its products whether the EU rights had been exhausted was considered unproportionate.

However, the FCJ was less sure when determining whether the FBA business was more directly impacting the exclusive marketing and distribution rights of Coty. The FCJ suggested that an application of the ETMR Art 9 (3 b) was not justified but turned to the CJEU for final guidance. If the CJEU contradicts the FCJ assessment this could confer primary liability on FBA *(para 22)*.

The case promises to offer an interesting analysis of the IP responsibilities of a relatively new economic actor in the supply chain of goods. FSPs have not been in the focus of higher instance courts such as the FCJ and the CJEU: However, the initial analysis of their business model, offered by the German courts, throws up some questions.

The FCJ likens the case at hand to a patent violation dispute which took place in 2005 and was finally decided by the FCJ in 2009 (*MP3-Player-Import, BGH, Xa ZR 2/08, 17.09.2009)*. That case involved patent infringing MP3 players dispatched by an express delivery service to a customer. The mere storage and transport of infringing goods did, according to that judgement, not give rise to a possession for the purpose of offering of putting the goods on the market.

FSPs however are a relatively recent phenomenon and they go beyond pure delivery and storage of goods. For example, the FBA program offers sellers inventory management, packing, customer services, returns management in addition to shipping and storage. FBA receives, scans and stores sellers' products in the warehouse inventory management systems. The products may then even be packaged and delivered together with products from other FBA sellers or Amazon itself, ordered by a customer.

FSPs democratize online selling. They help smaller businesses to make use of the know-how and economies of scale of professional logistics companies. These companies can now reach customers in countries and regions they could not target previously. Whether that enabling function comes with enhanced responsibilities when it comes to trademark law is for the court to answer. It does, however, justify a separate assessment of FSPs and not a one to one application of a judgement that refers to more traditional transportation services. Does a service which goes beyond pure storage and transportation lead to "possession" or even "offering" of the goods?

This EU Commission has already performed this kind of assessment, albeit in a different area of law. The Notice on the market surveillance of products sold online *(2017/C 250/01*) offers a legal analysis of FSPs as economic operators in the supply chain of goods with regards to EU product (safety) regulation. According to this analysis, FSPs would be at least classed as distributors, and depending on the circumstances, even as importers or manufacturers of consumer products. Distributors are defined as "legal persons other than the manufacturer… who make products available on the market" *(Regulation (765/2008, Art, 2 (6))*. In the Notice, they are clearly distinguished from parcel service providers which merely sort, transport and deliver consignments. They are therefore seen as at least making products available on the market. As a reminder, in the current case, the FCJ is not clear whether for trademark purposes an FSP like that of Amazon offers the products or puts them on the market, or possesses them for those purposes.

As distributors under EU product law, FSPs have some interesting due care obligations: they need to verify that products bear required conformity markings, are accompanied by required documents and contain instructions and safety information in the language of the country where they are made. They need to check that products bear traceability information, such as batch or serial numbers. Lastly, they are held to verify that the registered trade mark and the manufacturer or importer contact details are indicated on the product (Decision 768/2008, Art. R5 (s)).

Practical Significance

One could argue that it is likely that the public interest in consumer safety confers stricter obligations on economic operators than the public interest of intellectual property protection. However, if the CJEU falls in line with the FCJ`s suggested approach there would be a considerable difference in responsibilities for one and the same product by one and the same operator, depending on two areas of law. On the one hand rather detailed due care requirements when it comes to the conformity and safety of products. On the other, a mere reactive, *ex-post* duty to respond to rightsowner requests in trademark law. There is no doubt however, that both areas are overlapping. A product whose trademark has not been exhausted for the EU market may not have been destined for the market at all. It may therefore not comply with the product labelling and other conformity requirements. An additional practical risk may arise for FSPs: would knowledge or suspicion of breaches in product regulation would confer at least some sort of duty of care obligations to prevent secondary liability as an interferer for trademark purposes.

Language could also be a stumbling block: In the ETMR, Art. 9 (3 b) the English word "stocking" (of the goods) is translated as "possessing" (*besitzen*) in the German version. This could be decisive for the outcome of the judgement. Stocking the goods for the purpose of offering or putting them on the market under the sign, may be different to possessing the goods for these purposes. Warehouse inventory can be financially owned by different parties, but it is only stocked by one, the warehouse. The English language could, arguably, see an FSP as having a part in infringing the trademark. Possessing the goods, according to the German version, could, however, create a higher threshold for trademark infringement, which an FSP may or may not meet.

It will be interesting to see how the CJEU assesses the role of FSPs. Will it follow the scent of the FCJ or determine that FSPs have a distinctly new flavour?