

Testers and unboxed cosmetic products

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Summary

According to EU case law, the sale of tester bottles of perfume may infringe trademark rights in certain circumstances. In particular, infringement issues may arise in connection with:

- ▶ a trademark owner's express prohibition of sale;
- ▶ a trademark owner's right to recall a tester;
- ▶ the presentation of the product; and
- ▶ the absence of required consumer information and non-compliance with product safety rules.

The advocate general of the European Court of Justice (ECJ), in his conclusions on a trademark infringement dispute (*L'Oréal v eBay*), recently stated that in the case of luxury cosmetics, a product's outer packaging may be found to be part of the condition of the product if such packaging has a specific design that incorporates the trademark. In such cases, the trademark owner may be entitled to oppose further commercialization of unboxed products insofar as the removal of the packaging damages the trademark owner's reputation and affects the allure and prestige that contribute to the product's aura of luxury.i



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Background

Under IP law, trademark owners have exclusive rights that entitle them to prevent a third party from importing goods that bear the trademark without the owner's consent. The same prohibition prevents third parties from offering such goods for sale, putting them on the market or stocking them for these purposes.ii

If a trademark is known to the general public and thus has the status of a famous trademark, it enjoys stronger protection, which covers the use of an identical or similar sign in relation to dissimilar goods and services. Thus, the law aims to protect the advertising function and value of famous trademarks.

Owners of luxury brands normally use a selective distribution system to distribute perfumes and other cosmetic products.iii Products are sold only to selected retailers, which agree to sell the brand owner's products only to consumers and never to resell to other retailers unless the latter are also part of the distribution system. However, a trademark owner is not entitled to prohibit use of the trademark in relation to goods that have been put on the market in the European Union or European Economic Area (EEA) under the trademark by the owner or with its consent (ie, by a licensee). This principle is known as the 'exhaustion of rights' rule.iv

A trademark owner's consent may also be implied and may, in some cases, be inferred from facts and circumstances - prior to, simultaneous with or subsequent to the placing of the goods on the market, outside or inside the EEA - which unequivocally demonstrate that the trademark owner has renounced its rights.^v The purpose of this rule is to prevent trademark owners from partitioning national markets and thereby facilitating the maintenance of price differences between EEA member states.

Testers

In *Coty Prestige v Simex Trading* the ECJ considered the position where:

- ▶ perfume testers are made available, without transfer of ownership and with a prohibition against sale, to intermediaries that are contractually bound to the trademark owner, for the purpose of allowing customers to test the contents;
- ▶ the trademark owner may recall the goods at any time; and
- ▶ the presentation of the goods clearly distinguishes them from the bottles of perfume that the trademark owner normally makes available to such intermediaries.

The ECJ stated^{vi} that the fact that such testers bear the statement 'not for sale' precludes a finding that the trademark owner has given implicit consent to the goods being placed on the market (in the absence of evidence to the contrary, which it is for the national court to assess).^{vii}

Moreover, the above-mentioned advocate general's conclusions suggest that a trademark owner cannot be deemed to have given implied consent to putting testers on the market if such goods are not intended for sale, particularly if they are marked 'not for sale' or 'not for individual sale' and are supplied without charge to the trademark owner's authorised distributors. In such circumstances the trademark owner retains the right to decide whether such products should be placed on the market or whether to prohibit their sale.^{viii}

Unboxed cosmetic products

The more interesting aspect of the advocate general's conclusions concerns the consequences of unboxing trademarked cosmetics - that is, selling branded goods without their original packaging. If the condition of trademarked goods is changed or impaired after their placement on the market, the trademark owner has legitimate grounds to oppose their further commercialization, notwithstanding the exhaustion of rights rule.^{ix}

In general, an assessment of whether the original condition of the product is adversely affected focuses on the condition of the product inside its packaging. However, the advocate general considered that in the case of products such as luxury cosmetics, the outer packaging may sometimes be considered part of the condition of the product, due to its specific design and the use of the trademark in that design.

On the basis of the advocate general's opinion, the unauthorized removal of the outer packaging of perfumes or other cosmetics entitles the trademark owner to oppose the further commercialization of the unboxed products if this damages (or is likely to damage) the image of the goods and the reputation of the trademark.^x

As far as luxury goods are concerned, the ECJ considers that quality is not merely the sum of a product's material characteristics, but also the product of an alluring and prestigious image that bestows an aura of luxury on such goods.^{xi}

Damage to product's allure

The ECJ has previously held that a trademark owner can invoke the rights conferred by the trademark against third parties which are not part of its selective distribution network, and which received the trademarked products from an authorized distributor, in the event of a breach of licence agreement that damages the allure and prestigious image of the goods. The ruling in question related to lingerie under the Christian Dior label.^{xii} The ECJ stated that a licensee's sale of luxury goods to a discount store might affect the quality of such goods. The impairment of the aura of luxury associated with such goods potentially constituted legitimate grounds for the trademark owner to oppose the use of its trademark for the further marketing of the goods (where such goods had been put on the market in the EEA by the trademark owner or with its consent, notwithstanding the exhaustion of rights rule).

Comment

In light of the ECJ rulings, it appears that any act that potentially prejudices the image and reputation of a trademark may entitle the trademark owner to oppose the commercialization of the trademarked products, notwithstanding the exhaustion of rights rule.

Moreover, the recent advocate general's opinion suggests that the removal of a product's outer packaging may give a trademark owner grounds to oppose the commercialization of products if such removal has the potential to damage the trademark's reputation.

The advocate general's opinion is not binding on the ECJ. However, the court generally follows such opinions.

The ECJ has already set out a position on testers in *Coty Prestige v Simex Trading*, stating that in some circumstances the sale of perfume testers may infringe trademark rights. In the coming months it is likely to issue a decision on the effects of unboxing trademarked cosmetics. It will be interesting to see whether the ECJ follows the advocate general's opinion, as is generally the case.