ally using a protected trademark, for a business implying the same range of products and services as the protected owner of this privative sign (so called speciality rule under French law, "*principe de spécialité*"). If use is made only for another branch of commercial activities, then there is no trademark infringement. Court decisions are constantly reminding this frame principle of trademark's law, as it is restrictively meant to protect companies' property rights within a specific range of activities.[16] It is completed by the requirement set forth by the article 5.1 of the E.U. Directive 89/104 of December 21, 1998, applied under French law, which provides that such use is prohibited only if it takes place "within business life". Therefore, it must be used for a specific "business" directly competing the goods and services designated by the trademark's registration. After confusing legal hesitations with the past rise of conflicts between registered domain names and trademarks, court decisions now seem to be willing to stick again to this specialty rule.[17] Then, in this specific Google's case, we may wonder if we are not accepting too easily the motives of the French Court, when it suggests that the article L. 713–2–a had to be applied, as related to a use made within business life.[18] Indeed, the only ones that could make direct profit of Google's "Adwords" services were the plaintiffs' competitors themselves. From this point of view, it must be fully approved to force Google to sell combinations of keywords protected by trademarks, as soon as resquested by their owners, as it was made in the past with the "Premium Sponsorship" services. But since Google accepted to satisfy this request, we may doubt that trademarks protection commanded to prevent also Google to modify the process of the "Adwords" broadmatch service, as combinations of keywords were not purchased by competitors, but automatically produced by Google's database and device, as soon as triggered by a single non-protected keyword.

However, the Court thought it necessary to grant injunction against Google in order to ensure a full protection of the plaintiffs' trademarks, while suggesting that Google was taking advantage of the profits generated by the "pay-per-click" business model (i.e. a use "within business life"). Still, such "use" through the "Adwords" service did not create a direct link of specialty between Google's activities, which remain surely different of the plaintiffs' range of activities, nor necessarily meant that a real use of the protected trademarks was being made by Viaticum and Luteciel's competitors. Some link is missing... Thus, a trademark's infringement pursuant to article L.713-2-a appears still doubtful. It will remain doubtful as long as it cannot be proven that the plaintiffs' direct competitors can predict that the combinations produced by this automatic system may allow them to make unlawful use of third parties' property rights. Having one's advertisement displayed on Google's website by the use of common keywords should not be taken as a material infringement, as it is proven by the Court's own statement. Objecting such use would grant trademarks an extraordinary comprehensive protection originally unintended by trademark law and fair competion principles. Then, at this stage of technical knowledge, enjoining Google to modify its automatic system in order to prevent hypothetical use by competitors may have been going one step too far. And sentencing Google to an amount of € 70,000 damages, on the same doubtful ground, was again showing little consideration for the search engines' business activities, even tough it remains true to state that technical considerations should not relevantly be opposed... as soon a proven infringement must be repaired. Alternatively, as specific rules are set forth neither by the EU Directive of 06/08/2000, nor under French law, article 1382 of the Civil Code would have been helpful[19] in seeking damages from the search engine's operator. However, the plaintiffs would have had the burden of prove to show that Google committed a fault while making use of the "Adwords" services. It would also have been certainly difficult to prove the real commercial loss suffered by the plaintiffs,[20] as the courts are usually less demanding on this point when the violation of a trademark is presented.

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16 See, for instance: *Celio vs. M.Eric J.*, TGI Paris, 3ème Ch., 10/19/1999 (*www.legalis.net*). Also illustrating the exception made for "notorious" trademark. Celio having not proven to be famous, the specialty rule had to be applied and the trademark's infrigement by the registered domain name was denied by the Court.

17 See, e.g.: Court of Appeal of Paris, 4ème ch., 04/30/2003 (in the now famous case *Danone* – best known as the "*jeboycottedanone.com*"): the Court acknowledged that the incriminated domain names reproduced Danone's protected trademarks and made use of it for the needs of the defendants' association, but it noticed that such use was only made for the design of a public controversy on the *Réseau Voltaire*'s website, and that no trademark's infringement could be found under article L. 713–3 IPC. The protection by trademark had to be limited by the freedom of speech's constitutional principle, as the use was not made "within business life".

18 See Mr. Caron, in *Communication-Commerce électronique* (December 2003, p. 31), stating that this issue is not doubtful as Google's use was meant to promote activities competing the plaintiffs' services.

19 The plaintiffs did not mention it, but to ground the alternative allegation of unfair competition (see footnote 8).

20 A commentator of the *Google* decision, Mr. Manara (see: *http://www.juriscom.net*), also wonders what the commercial loss may have been in this case, if any, as this issue was never discussed by the Court.

France: Selective Distribution and the Internet

Regulation (EC) No 2790/1999 Art. 1d

Editor's Headnote

The traditional rules which govern selective distribution systems are fully applicable to electronic commerce on the Internet: A company which offers for sale on its website products which are covered by a selective distribution system to which it does not belong, causes an "obviously illegal disturbance" (*"trouble manifestement illicite"*) to the supplier and its affiliates.

Paris Court of Appeal, chamber 5, section B, decision of 5 September 2003

Rue du Commerce S.A. v. Jamo France SARL

Summary & Comment

Facts:

JAMO FRANCE SARL commercializes in France electro-acoustical material, particularly loudspeakers, under the brands JAMO and ONKYO, through the channel of a selective distribution system. The online

shop RUE DU COMMERCE is not part of this exclusive distribution system but offered, nevertheless, for sale on its website goods under the brands JAMO and ONKYO after purchasing such items from WYSIOS, an affiliate of the French selective distribution system, as well as a German supplier.

In order to obtain an injunction for the removal of all the JAMO and ONKYO products referenced on the RUE DU COMMERCE websites, JAMO FRANCE entered into adversarial summary proceedings.

The validity of the selective distribution system invoked by JAMO FRANCE cannot seriously be challenged with respect to European and domestic law, since the products concerned are of high technology in the field of high fidelity, which justifies the particular conditions for their commercialization, intended to preserve the quality and the good usage, as well as the renown.

Held:

Both, the lower Commercial Court and the Paris Court of Appeal, found that JAMO FRANCE was justified to claim urgency for protective measures, the disturbance from which JAMO FRANCE had suffered having been "obviously illegal" ("*manifestement illicite*"). Neither of the courts stated on the merits of the case. The Court of Appeal thus ordered the removal of the references to ONKYO and JAMO products from the two websites (".com" and ".fr") operated by RUE DU COMMERCE under a penalty.

The Court of Appeal concluded that offering for sale audio-home-cinema-packages composed of an ONKYO amplifier and a set of JAMO loudspeakers both of which reserved for the selective distribution system of JAMO FRANCE, caused an "obviously illegal disturbance" ("*trouble manifestement illicite*")for JAMO FRANCE as well as for its affiliates. By doing so, RUE DU COMMERCE, which does not meet the requirements of the selective distribution system, damaged unlawfully the unity and integrity of this system. Especially, the court found that RUE DU COMMERCE could dump the prices because it breached the rules of the selective distribution system.

The fact that RUE DU COMMERCE acquired most of its products from a distributor admitted by JAMO FRANCE on the basis of a distribution contract consistent with the system was held not relevant. Indeed, the case is not about the regularity of such a supply, but the selling to the public of products without being a member of the selective distribution system. Therefore, the acquisition of some JAMO and ONKYO material from a German supplier, which is not a member of the selective distribution system, does not matter either.

Comment:

1. Civil Procedure

In commercial affairs, in case of urgency or in the absence of a "serious dispute" ("*contestation sérieuse*") the President of the Commercial Court, a special lower court for commercial affairs, is empowered to impose protective measures on the defendant in order to prevent or to put an end to a disturbance which is "obviously illegal" ("*manifestement illicite*") for the claimant.

Contrary to other legal systems, summary proceedings under French law are mostly adversarial ("*contradictoire*") which means a court hearing with each party pleading its case before the President. An order is usually obtained within a few weeks, even more rapidly under particular circumstances. Only in rare instances can an order be obtained from the President upon a simple unilateral request ("*requête*"), the defendant not being even informed of the procedure.

2. European Competition Law

Selective distribution systems are one of the rare exceptions to the rules of competition law (antitrust law). As is generally known, they are defined by article 1d) of the Block Exemption Regulation of the Commission (EC) No 2790/1999 of December 22, 1999[1] on the application of article 81 (3) of the Treaty to the categories of vertical agreements and concerted practices:[2]

> *Article 1d):* "Selective distribution system" means a distribution system where the supplier undertakes to sell the contract goods or services, either directly or indirectly, only to distributors selected on the basis of specified criteria and where these distributors undertake not to sell such goods or services to unauthorized distributors;"

The system consists of an agreement between the supplier and selected distributors, chosen to distribute certain products, excluding other distributors who are not part of the agreement.

In order to conform to European and French competition law, this kind of distribution has to take into account the characteristics of the products, their technical properties, the prestige of their trademarks, their high quality and the importance of an appropriate usage. The affiliated distributors have to be selected in accordance with objective standards of quality which have to be applied equally to all distributors, without discrimination. The assumption is that the implied restrictions of a selective distribution system on a particular market are counterbalanced by positive effects on the quality of the production and the distribution of these products, helping to promote technical and economical progress.

3. Previous Case Law

a) FABRE Case

The first case reported in France dealing with selective distribution over the Internet, was the so-called FABRE case.[3]

Under the facts of this case, a pharmacist, who was a member of a selective distribution system, set up a website and started selling cosmetic products covered by the selective distribution system over the Internet. The President of the Commercial Court of Pontoise stated that, in summary proceedings, he was only the "judge of the evidence" and that the claimant had to establish that the defendant was contractually not allowed to distribute, over the Internet, the products which were within the scope of the selective distribution system. Since a selective distribution system was an exception of the liberty of

1 *http://www.haledorr.com/pdf/399R_EUR-LexCommunity.pdf.*

2 See also the Guidelines of the Commission on Vertical Restraints (2000/C 291/01), n° 184–198, *http://www.jura.uni-frankfurt.de/Zekoll/Commission_Notice_2000-C_291-01.pdf.*

3 P.F. Dermo Cosmétique/Alain B., Commercial Court of Pontoise, April 15, 1999, *http://www.juriscom.net/txt/jurisfr/ce/tcpontoise19990415.htm*; Court of Appeal of Versailles, December 2, 1999, *http://www.juriscom.net/txt/jurisfr/ce/caversailles19991202.htm.*

commerce, he did not order to put an end to the distribution over the Internet site by this member of the system. The Court of Appeal came to the opposite conclusion. The basic reason was that the kind of interactive advice which was given to a client in a pharmacy could not be given online. The court admitted that this might change in the future, with technical progress.

b) Parfumsnet Affair

Whereas the defendant in the FABRE case had extended its authorized distribution activity to selling on the Internet, the next case which came up, the so-called Parfumsnet affair,[4] dealt with the classical issue of a non-affiliated distributor selling products covered by a selective distribution system outside of the system, here on the Internet. The defendant, Parfumsnet, who had commercialized perfumes from luxurious brands on the Internet without being a member of the selective distribution system, argued that the Internet was a completely different market and that it was not covered by the existing selective distribution system. The court decided that "*Internet in fact is simply a communication tool and can not be considered as a relevant market. It constitutes in the present case only an element of the market of perfumes and cosmetics*".[5]

4. Irrelevance of the Supreme Court's Criterion

The present JAMO FRANCE case is original, insofar as it seems rather to increase the protection of selective distribution systems. One should bare in mind that the Commercial Chamber of the French Supreme Court[6] decided in 1988 that a distributor, who was not a member of a selective distribution system and who nevertheless sold products covered by the said system, could be said to have committed acts of unfair competition only when the supplier could establish that the acquisition of the said products was irregular.

In the present JAMO FRANCE case, neither the lower court nor the Court of Appeal expressly examined the question whether the acquisition of the products by RUE DU COMMERCE was irregular.

That is the reason why RUE DU COMMERCE objected in vain that its supplier admitted itself not to fulfill the necessary conditions to be accepted as a distributor of the JAMO FRANCE selective distribution system. Its activity is actually that of a wholesaler and it has never disposed of commercial premises for the sale to private persons. However, these elements only address the relationship between JAMO FRANCE and its unrespectful affiliate. They are irrelevant as far as the "obviously illegal disturbance" ("*trouble manifestement illicite*") is caused by RUE DU COMMERCE to JAMO FRANCE and its selective distribution system.

Nevertheless, the fact that the affiliate might not fulfill certain conditions required to be integrated into the system, does not prevent the said affiliate as signatory of the contract from complying with its provisions with respect to third parties who might trouble the unity and integrity of the said system.

Even if the regularity of the supply wasn't the heart of the problem, the partial purchase of products outside of France by RUE DU COMMERCE has its importance because the mere fact of receiving supplies from another EU member state does not remove the "obviously illegal" ("*manifestement illicite*") character of the trouble caused by the resale in France to the lawfully established selective distribution system there.

In other terms, since RUE DU COMMERCE sold products which were the exclusiveness of the selective distribution system to which it did not belong, an injunction on the ground of an "obviously illegal disturbance" ("*trouble manifestement illicite*") was legitimated.

5. Distinguishing from CDISCOUNT Affair

Last not least, one should know that RUE DU COMMERCE tried in vain to take advantage of the CDISCOUNT affair because the facts are not sufficiently similar: CDISCOUNT had offered on its website products from the JAMO and ONKYO catalogue without being a member of the selective distribution system. When JAMO FRANCE had become aware of this, it started immediately an action for an injunction against CDISCOUNT in order to obtain the removal, under a penalty, of the JAMO an ONKYO products from all its websites. The summary proceedings stopped when CDISCOUNT committed itself in writing to commercialize only products of these two brands outside of the said catalogue.

6. Outlook

Future court decisions will show whether such an analysis was implied in the JAMO FRANCE case, or whether a parallel distribution by "*free riders*" outside of the system will, from now on, prima facie, be considered as a breach of a selective distribution system and will therefore automatically be treated as unfair competition.

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Ed. remark: Author of the head note is Dr. Martin Hauser, M.C.J.

4 Commercial Court of Nanterre, October 4, 2000, *http://www.juriscom.net/txt/jurisfr/ce/tcnanterre20001004.htm*.

5 See comments: *Yann Dietrich* and *Alexandre Menais*, *http://www.juriscom.net/pro/2/ce20010110.htm*; *Lextenso*, Actualité 2004: "Les cybercommerçants face aux contrats de distribution sélective", *http://www.lextenso.com/lextenso/site/chronique_file_copyright.php?Id-Chron=95*; *Philippe Stoffel-Munck*, "La distribution sur Internet contrecarrée par la protection du réseau de distribution sélective", Communication Commerce électronique n° 2 février 2004 p. 36.

6 Cour de Cassation, com. December 13, 1988, case n 87-16 098, Bulletin civil 1988, IV n 344, p 23.

Japan: New Approach to Protection of Databases?

Japanese Copyright Act Art. 12bis

Editor's Headnote

The Reproduction of a database constitutes a tort, when the database was developed by collecting and arranging information taking *cost and labour* and is kept up-to-date and sold.

Tokyo District Court, decision of 28 March 2002

System Japan v. Tsubasa System Ltd.