

# European Union: Territorial Exceptions to Prohibitions Against Use of Infringing Trademarks

*Combit Software GmbH v. Commit Business Solutions Ltd. (Case C-223/15) (September 22, 2016)*

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In a recent decision, the Court of Justice of the European Union (“ECJ”) determined that when an EU trademark court prohibits use of a sign that creates a likelihood of confusion in one part of the EU, such prohibition should not necessarily extend to all of the EU. Specifically, areas where use of the sign does not adversely affect the trademark’s function as a source indicator should be excluded from the prohibition.

Combit Software (“Combit”) is a German company that develops and markets software. Combit owns German and EU trademark registrations for COMBIT for goods and services in the computer industry.

Commit Business Solutions (“Commit”) is an Israeli company that sells COMMIT-branded software through its website, [www.commitcrm.com](http://www.commitcrm.com). At the time of the proceedings, Commit offered its products in the German language and offered shipment to Germany.

Combit initiated action before the Regional Court in Dusseldorf, Germany, and sought to restrain Commit from using COMMIT for software in the EU. In the alternative, it sought to restrain use of COMMIT for software in Germany.

The Dusseldorf Regional Court declined to prohibit use of COMMIT in the EU, but upheld the claim with respect to Germany. Combit appealed to the Dusseldorf Higher Regional Court, which found that Commit's use of COMMIT creates a likelihood of confusion with COMBIT among the average German-speaking consumer, but found no likelihood of confusion for the average English-speaking consumer. In particular, it found that English speakers would understand the clear connotative differences between COMMIT (from the verb "to commit") and COMBIT (the COM element derived from "computer" and the BIT element from "binary digit").

The Higher Regional Court stayed the proceedings and referred the following question to the ECJ:

In the assessment of the likelihood of confusion of an EU word mark, what is the significance of a situation in which, from the perspective of the average consumer in some Member States, the phonetic similarity of the EU trademark with another sign claimed to infringe that trademark is cancelled out by a conceptual difference, whereas from the perspective of the average consumer in other Member States it is not?

(a) In assessing the likelihood of confusion, is the perspective of some Member States, of the other Member States, or that of a fictive EU average consumer decisive?

(b) If there is a likelihood of confusion only in some Member States, has the EU trademark been infringed across the European Union, or must the Member States be differentiated individually?

In a judgement dated September 22, 2016, the ECJ determined the following:

1. When an EU trademark court finds that use of a sign creates a likelihood of confusion with an EU trademark even though such use does not create a likelihood of confusion in *one* part of the EU, that court must find that there has been an infringement of the exclusive right conferred to the senior mark and that the function of the mark as an indication of origin is adversely affected. The court must issue an order prohibiting the defendant from engaging in acts that infringe the EU trademark.
2. However, if the trademark court also finds that use of a sign does not give rise to a likelihood of confusion in a given part of the EU, particularly for linguistic reasons, and therefore does not adversely affect the trademark's function as a source indicator, the court must limit the territorial scope of the prohibition.

3. Such an exception does not undermine the unitary character of the EU trademark because the right of the proprietor to prohibit use which adversely affects the functions inherent in its trademark is safeguarded.

The ECJ made clear that the burden was on a defendant to show that there is no likelihood of confusion in some part of the EU and underscored that an EU trademark court must specify with precision the part of the EU that would not be covered by the prohibition against using the sign. For the case at hand, the Dusseldorf court must identify which English-speaking areas it intends to exclude from the prohibition.

In light of this decision, defendants may try to carve out their ability to use their mark in certain parts of the EU by arguing no likelihood of confusion due to linguistic reasons. Senior brand owners may be incentivized to try to obtain an EU-wide prohibition on a junior mark via settlement rather than relying on the EU courts for a favorable decision.