Another Decade of Rogers v. Grimaldi: Continuing to Balance the Lanham Act with the First Amendment Rights of Creators of Artistic Works
Lynn M. Jordan and David M. Kelly

Commentary: If You Remove It, You Use It: The Court of Justice of the European Union on Debranding—On the Mitsubishi v. Duma Judgment by the Court of Justice of the European Union
Fabio Angelini and Simone Verducci Galletti

Brief of the International Trademark Association as Amicus Curiae in Romag Fasteners, Inc. v. Fossil, Inc.
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COMMENTARY

IF YOU REMOVE IT, YOU USE IT:
THE COURT OF JUSTICE OF THE EUROPEAN UNION ON DEBRANDING—
ON THE MITSUBISHI v. DUMA JUDGMENT BY THE COURT OF JUSTICE OF THE EUROPEAN UNION*

By Fabio Angelini** and Simone Verducci Galletti***

I. INTRODUCTION

Under European Union (“EU”) trademark law, the rights conferred by a mark and the aspects related to the use of the mark itself are, as is normal in a “civil law” system, set forth by statutes. Specifically, the relevant statutes are the Directive to approximate the laws of the EU Member States relating to trademarks1 (the “Directive”) and the Regulation on the European Union trademark2 (the “Regulation”).

The task of interpreting the Directive and the Regulation is entrusted to the Court of Justice of the European Union (“CJEU”),4

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3 The Directive and Regulation currently in force have been so since 2015. The case at issue was brought under their previous versions, namely Directive No. 2008/95 and Council Regulation (EC) No. 207/2009. In the rest of the article, we will refer to the Directive and Regulation with their prior citations in order to allow an easy reference to the Decision. To the extent relevant here, provisions have remained the same, except for the paragraph numbering.

4 The CJEU is laid down in Article 19 of the Treaty on European Union (“TEU”), Articles 251–281 of the Treaty on the Functioning of the European Union (“TFEU”), Article 136 Euratom, and Protocol No. 3 annexed to the Treaties on the “Statute of the Court of Justice of the European Union.” In the field of trademarks, the CJEU adjudicates two different sets of matters. The first, and relevant in the present case, concerns questions of law raised before a national court or tribunal (Article 267 TFEU) the so-called “preliminary rulings” (the second regards appeals from EUIPO). National courts are
which has, over the course of time, dealt with a considerable number of issues. Yet, as we will see below, there are still uncertainties that the CJEU is called upon to clarify, as it is in the case of removing a trademark from a product prior to its sale—so-called “debranding.”

Indeed, unlike the legislation and case law of some Member States—e.g., France, the United Kingdom (“UK”), and Germany—neither the Regulation nor the Directive addresses this issue.

II. LEGAL BACKGROUND

Article 10 of the Directive, “Rights conferred by a trade mark,” provides that the proprietor of a registered trademark shall be entitled to prevent third parties from using identical or confusingly similar marks in the course of trade by

(a) affixing the mark to the goods or to the packaging thereof;
(b) offering the goods, or putting them on the market or stocking them for these purposes under that mark, or offering or supplying services thereunder;
(c) importing or exporting the goods under that mark; or
(d) using the mark on business papers or advertising. The same rules are included in the Regulation at Article 9.

On many occasions, the CJEU has held that the above-mentioned exclusive rights of the proprietor of a mark are conferred in order to protect his/her specific interests and to ensure that the trademark can fulfill its functions. Among those functions, in its case law, the CJEU has identified that of guaranteeing the quality of the product or service, as well as those of communication, investment, and advertising. The function, however, that remains normally responsible for applying EU law when a case so requires. However, when an issue relating to the interpretation of the law is raised before a national court or tribunal, the court or tribunal may seek a preliminary ruling from the CJEU. If it is a court of last instance, it is compulsory to refer the matter to the CJEU. The national court submits the question(s) about the interpretation or validity of a provision of EU law, generally in the form of a judicial decision, in accordance with the national procedural rules. The Registry notifies the request to the parties to the national proceedings and also to the Member States and the institutions of the European Union. They have two months within which to submit any written observations to the CJEU whose decision is binding for the national EU Courts.

The absence of provisions in the Directive allows the cited Member States to provide rules not harmonized with the rest of the other Member States.

See supra text accompanying note 3.

See supra text accompanying note 3.

See Case C-206/01, Judgment of November 12, 2002, Arsenal Football Club plc v. Matthew Reed, ECLI:EU:C:2002:651, paragraph 51; Case C-487/07, Judgment of June 18, 2009, L’Oréal and Others v. Bellure NV and Others, ECLI:EU:C:2009:378, paragraph 58; Cases C-236/08 to C-238/08, Judgment of March 23, 2010, Google France and Google, ECLI:EU:C:2010:159, paragraph 77 and paragraph 79; and Case C-323/09,
essential is to guarantee to consumers the origin of the product or service. As interpreted by CJEU in the *Ansul* and *La Mer* landmark cases,\textsuperscript{9} use of a trademark must be consistent with this essential function by enabling consumers to distinguish the product or service from products and services that have another origin.

More specifically, in *La Mer*, the CJEU clarified whether importation by a single importer in the UK could constitute genuine use of a UK registration based on the principles set by the Directive. On that occasion, the CJEU set the standard for “use” of a trademark that is applicable regardless of whether such use is lawful. Theoretically speaking, there is use of a mark when such use is capable of allowing consumers to identify the origin of a product or service.

But what if the earlier mark had been removed and replaced with another (and ostensibly) not confusingly similar mark? Does the removal of the earlier mark amount to (infringing) use of that earlier mark?

In the 2018 case of *Mitsubishi Shoji Kaisha Ltd. and Mitsubishi Caterpillar Forklift Europe BV v. Duma Forklifts NV and G.S. International BVBA*, the CJEU held that Article 5 of Directive 2008/95 (the earlier version of the Directive)\textsuperscript{10} and Article 9 of Council Regulation (EC) No. 207/2009 (the earlier version of the Regulation), i.e., the provisions addressing infringement of trademarks, must be interpreted as meaning that the proprietor of a mark has a cause of action against a third party who, without its consent, removes the proprietor's mark and affixes the mark of another on products placed in a customs warehouse with a view to importing them or trading them in the European Economic Area (“EEA”) where they have never yet been marketed.\textsuperscript{11} Despite this holding, the question of whether “debranding” is equivalent to (infringing) use remains uncertain and doubtful.

### III. BACKGROUND OF *MITSUBISHI v. DUMA*

Plaintiff Mitsubishi is the owner of registered EU trademarks for the word mark MITSUBISHI and for the following logo:

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\textsuperscript{10} The case was subject to the previous version of the Directive. We will keep the older number for easy reference of readers.

\textsuperscript{11} See Case C-129/17, Judgment of July 25, 2018, Mitsubishi, ECLI:EU:C:2018:594, Request for a preliminary ruling from the Hof van Beroep te Brussel.
(hereinafter the “Mitsubishi marks”). Mitsubishi exclusively authorized its distributor MCFE to manufacture and place forklift trucks supplied under the Mitsubishi marks on the market in the EEA.

Defendant Duma purchases and sells new and secondhand forklift trucks, as well as its own forklift trucks, under the marks GSI, GS, and DUMA, and defendant GSI constructs and repairs forklift trucks that it imports and exports. GSI adapts the forklift trucks that it sells to applicable EU standards, gives them their own serial numbers, and delivers them to Duma, providing EU declarations of conformity.

The defendants acquired Mitsubishi-made forklift trucks outside of the EEA from a company within the Mitsubishi group and brought them into EEA territory, where they placed them in a customs warehouse.12 Subsequently, the defendants arranged for all necessary modifications to be carried out to render the forklifts compliant with EU standards. In addition, the defendants removed the Mitsubishi marks from the forklifts and replaced the identification plates and serial numbers with Duma’s and GSI’s marks, identification plates, and serial numbers. The defendants then marketed these modified forklifts within and outside the EEA as the manufacturers of the forklifts, including providing post-sale assistance.

Mitsubishi and MCFE argued to the Hof van Beroep Brussels (“Brussels Court of Appeal,” or “BCA”) that the defendants’ removal of the Mitsubishi marks and affixing of new marks on forklifts purchased outside the EEA, the removal of identification plates and serial numbers, and the importation and marketing of those forklift trucks in the EEA, infringed the rights conferred on them by the Mitsubishi marks. In particular, they argued that despite that removal, the Mitsubishi forklifts remained recognizable to the consumer and that the removal of the Mitsubishi marks was without consent and harmed the marks’ functions of indicating origin and quality, as well as the functions of investment and advertising.

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12 According to Article 141 (“Usual forms of handling”) of the Union Customs Code applicable to the case: “Goods placed under customs warehousing or a processing procedure or in a free zone may undergo usual forms of handling intended to preserve them, improve their appearance or marketable quality or prepare them for distribution or resale.”
The BCA was uncertain about the applicable law concerning the warehousing procedure. Under Article 5(1)(a) and (b) of the Directive and Article 9(1)(a) and (b) of the Regulation, a trademark owner has a cause of action to prevent third parties from using, in the course of trade, without his consent, a sign identical to the trademark in relation to goods or services identical to those for which it has been registered, which, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark, creates a likelihood of confusion on the part of the public. The BCA sought advice from the CJEU as to whether in a case where goods have never previously been traded within the EEA and are placed in a customs warehouse a trademark owner may oppose the removal, without consent, by a third party of the original trademarks applied to those goods (i.e., debranding) under these articles. In addition, the BCA asked if it makes any difference whether the importation of those goods or their placing on the market within the EEA occurs under the third party’s trademark (i.e., rebranding) and if it makes any difference whether the goods may still be identified by the relevant average consumer as originating from the “debranded” trademark proprietor.

The Advocate General (“AG”), in his non-binding opinion, was unsympathetic to Mitsubishi’s arguments. Relying, inter alia, on a comparative analysis of the laws of some Member States, which denied that debranding could be considered to be trademark infringement, the AG ruled against Mitsubishi.

Under the second paragraph of Article 252 of the Treaty on the Functioning of the European Union (“TFEU”), the AG, acting with complete impartiality and independence, is to make, in open court, reasoned submissions on cases that, in accordance with the Statute of the Court of Justice of the European Union, require the AG’s involvement. However, the Court is not bound either by the AG’s conclusion or by the reasoning that led to that conclusion. Normally, the CJEU tends to follow the AG opinion, but when it does not, it is not required to provide the reasons for doing so.

"In the UK, the removal of a trademark from goods to which that mark was affixed does not entitle the proprietor to oppose debranding unless there has not been total debranding, that is to say the previous sign has not been removed in its entirety. […]. In German law, academic opinion also argues that the removal of the original trademark does not satisfy the criteria for infringement of a trademark. This is based on case law of the Bundesgerichtshof (Federal Court of Justice, Germany),[…] which, in the same vein as the United Kingdom judgments, held that, ‘regardless of whether or not the goods have been altered, when those goods are sold after the manufacturer’s trade mark has been removed, the manufacturer cannot bring trade mark proceedings because there has been no use of his registered mark.’ In France, ‘the removal or modification of a lawfully affixed trade mark’ constitutes an infringement of the rights of the proprietor of that trade mark […]. That the legislature expressly laid down, in Article L 713-2 of the Code de la propriété intellectuelle (Intellectual Property Code), a prohibition of that conduct unless the proprietor has consented.” Cf. Opinion of Advocate General Campos Sánchez-Bordona, delivered on April 26, 2018, Case C-129/17, Mitsubishi Shoji Kaisha Ltd. and Mitsubishi Caterpillar Forklift Europe BV v. Duma Forklifts NV and G.S. International BVBA, ECLI:EU:C:2018:292, paragraphs 63-66.
The AG considered that the removal by a third party, without consent, of trademarks affixed to goods does not constitute “use” of a trademark. This opinion was, however, predicated upon the circumstances of the case, i.e., that those goods had not previously been placed on the market in the EEA because they were stored in a customs warehouse where they had undergone alterations to bring them into line with EU technical standards, and the trademarks had been removed with the aim of importing or placing those goods on the market in the EEA with a (new) trademark that differed from the original trademark.

IV. THE CJEU’S DECISION AND CRITIQUE

The specifics of the case play quite an important role in framing the questions asked of the CJEU, and the CJEU’s decision was not on whether Article 5 of Directive 2008/95 and Article 9 of Regulation No. 207/2009 must be interpreted as meaning that the proprietor of a mark may or may not object to a third party removing all the signs identical to that mark and affixing other signs, without its consent, in all circumstances. Rather, it was on whether such an objection may be made where products are placed in the customs warehouse, such as in the main proceedings, with a view to importing them or trading them in the EEA where they have never yet been marketed.

The CJEU first noted that EU laws permit a trademark owner to market its products outside the EEA without thereby exhausting his rights within it, thus allowing control of the initial marketing in the EEA of goods bearing the mark.15

This principle, however, could not apply to the circumstances of this case, since exhaustion presupposes the identity of the marks (i.e., the one used outside the EEA and the one used in the EEA). Further, the text of Article 5(1)(a) and (b) of the Directive and the text of Article 9(1)(a) and (b) of the Regulation do not seem to allow much space to assert their applicability in the case at hand, also given that there was no disagreement between the parties that the trademarks placed on the forklift trucks (after the removal of the Mitsubishi marks) were neither identical nor confusingly similar to the Mitsubishi marks.

Notwithstanding this, the CJEU used a rather complex line of reasoning to find in favor of Mitsubishi and MCFE.

Referring to its own precedents, the CJEU first noted that it had held that exclusive rights are conferred on the proprietor of a mark

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in order to enable protection of specific interests, namely to ensure that the trademark can fulfill its function, even in case a third party’s use of the sign affects, or is likely to affect, the functions of the trademark. One might assume that a “third party’s use of a sign” that may affect or be likely to affect the trademark functions, implies an “actual” use of the sign “in trade.” The CJEU, however, had something else in mind.

Citing its own precedents, the CJEU held that in addition to the essential function of the mark (indicating the origin of the product or service) there are other trademark functions, including: guaranteeing the quality of the product or service and allowing the rights holder to enjoy the benefits of its communication, investment, and advertising. 16 Regarding the concept of “use in the course of trade,” the CJEU held that the list in Article 9(2) of the Regulation (now Article 9(3) of Regulation (EU) 2017/1001) of types of use that the proprietor of the trademark may prohibit is not exhaustive. More specifically, it held that it refers exclusively to active behavior on the part of the third party. 17 It further clarified that the terms “use” and “in the course of trade” do not refer only to immediate relationships between a trader and a consumer, and that there will be use of a sign identical to the mark where the third party uses the sign in its own commercial communications. 18

The CJEU recognized that the forklifts in question did not bear the Mitsubishi marks when they were imported into and marketed in the EEA, and that the defendants do not appear to have used signs identical or similar to the Mitsubishi marks in their commercial communications. 19

In order to find liability in these circumstances, however, the CJEU observed, first, that the removal of the Mitsubishi marks deprived the trademark proprietor of the benefit of one of its

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16 Case C-129/17, Judgment of July 25, 2018, Mitsubishi, ECLI:EU:C:2018:594, paragraph 34.
19 The CJEU had therefore also to distinguish this case from Case C-558/08 (Judgment of July 8, 2010, Portakabin Ltd. and Portakabin BV v. Primakabin BV, ECLI:EU:C:2010:416), which had been mentioned by the BCA referring court, where the CJEU held that, where a reseller, without the consent of the trademark proprietor, removes the trademark from the goods and replaces it with a label bearing the reseller’s name, with the result that the trademark of the manufacturer of the goods in question is entirely concealed, the trademark proprietor is entitled to prevent the reseller from using that mark to advertise that resale, since that adversely affects the essential function of the trademark.
essential rights, which is to control the initial marketing in the EEA of goods bearing that mark.20

The Court’s first observation seems to ignore the fact that Mitsubishi had sold the forklifts in the first place and thus had already accrued an economic benefit from these sales. If the goods were to enter the EEA under another sign, it is at least doubtful that the trademark owner would “lose control” in the EEA over something it never marketed in the EEA under its marks, which therefore could never be connected to the trademark owner.

Possibly being aware of this difficulty, the CJEU then held in a second observation that the removal of the signs identical to the mark and the affixing of new signs on the goods with a view to their first placing on the market in the EEA adversely affected the functions of the mark.21

The CJEU had already held22 that any act by a third party preventing the proprietor of a registered trademark in one or more Member States from exercising its right to control the first placing of goods bearing that mark on the market in the EEA by its very nature undermines the essential function of the trademark. Here, the Court considered that the removal of the signs and the affixing of new signs precludes the trademark proprietor from being able to retain customers by virtue of the quality of its goods and affects the functions of its investment and advertising of the mark.

With regard to this second observation, the BCA had also wondered whether it would make any difference that despite the removal of the proprietor’s mark and the affixing of new marks, the relevant consumers continued to recognize them as Mitsubishi forklifts. However, in regard to this issue, the CJEU observed23 that the harm to the essential function of the trademark occurred irrespective of whether consumers might still recognize the product and thus its origin, although it recognized that such fact was likely to accentuate the effects of such harm.

However, the Court’s reasoning can be criticized, as it seems to lack any factual foundation: if consumers were not able to recognize the forklifts after the removal of the Mitsubishi marks and the affixing of new marks, what harm could the Mitsubishi mark suffer? Assuming that instead of a forklift, the product at issue would have been a highly commoditized product in a very crowded field (for example, white t-shirts), would the CJEU have held that the removal of the original mark (assume a simple label) and the

20 Case C-129/17, Judgment of July 25, 2018, Mitsubishi, ECLI:EU:C:2018:594, paragraph 42.

21 Id. at paragraph 43.


affixing of a new mark (on another label) would really harm the earlier trademark? Who would notice?

It is true that the CJEU had to rule on a situation where a sign was removed and another was placed, however (and perhaps also logically), the Court could/should have first analyzed whether erasing a third party’s mark could be considered a “use” and then proceed to analyze in the specific circumstances before it whether the placing of another mark on the product was still an infringement.

As a third observation, the CJEU found that the removal of the marks and affixing of new marks in order to import the goods into or place them on the market in the EEA, and with the aim of circumventing the proprietor’s right to prohibit the importation of those goods bearing its mark, was contrary to the objective of ensuring undistorted competition.24 This is certainly a well-placed observation; however, it seems to address an issue of unfair competition and not of trademark law. Given that unfair competition is not harmonized within the EU, and thus is subject to national laws, by including such considerations in a trademark dispute, the CJEU seems to be legislating by inventing a new “function” of a trademark, rather than interpreting the scope of the Directive and Regulation.25

V. CONCLUSION

In conclusion, the CJEU held that the defendants’ conduct infringed the trademark owner’s right to control, adversely affected the functions of the mark, and was contrary to the objective of ensuring undistorted competition. Therefore, having regard to its case law concerning the concept of “use in the course of trade,” the Court found that “an operation consisting, on the part of the third party, of removing signs identical to the trademark in order to affix its own signs, involves active conduct on the part of that third party, which, since it is done with a view to importing those goods into the EEA and marketing them there and is therefore carried out in the exercise of a commercial activity for economic advantage, […] may be regarded as a use in the course of trade.”26

What is unclear is whether the CJEU used “since” to indicate an example, meaning that removing the mark and affixing other marks was just another, albeit peculiar, form of (infringing) use because it

24 Id. at paragraph 47.

25 As the AG had indeed indicated, see Case C-129/17, Opinion of April 26, 2018, Mitsubishi Shoji Kaisha Ltd. and Mitsubishi Caterpillar Forklift Europe BV v. Duma Forklifts NV and G.S. International BVBA, ECLI:EU:C:2018:292, paragraph 67.

was carried out in the exercise of a commercial activity for economic advantage, thus stating a principle applicable across the board.

As a matter of fact, as all three reasons expressly referred to consequences related to importing and marketing the forklifts into the EEA, it could also be possible that the CJEU used “since” as an alternative for “where,” thus limiting its holding to the peculiar circumstances of the case, specifically involving the removal and affixing of marks with a view of importing and marketing certain products into the EEA.

In addition, and unlike in the AG opinion, the CJEU took very limited account of the fact that the debranding took place when the products had not yet been placed in the EEA but were placed in the customs warehouse under an extraterritorial regime recognized by the legislation in force to carry out the processing necessary for their introduction into the market. Although this extraterritorial regime is a very particular one, it seems likely that the CJEU’s conclusion would have been the same even if the same processing had actually been carried out abroad, like in China or Japan. However, the matter is not settled, and the AG words might carry some weight to a different finding in a future case.

27 In the Dutch (original) version: Aangezien deze handeling met het oog op invoer en . . . . In the French version, “since it is done” is translated as dès lors qu’elle est effectuée, in Italian as qualora venga effettuata, in Spanish as toda vez que se efectúa, and in Portuguese as uma vez que é efetuada, all of which seem to express more of a “hypothetical,” rather than a cause/reason.


29 Case C-129/17, Judgment of July 25, 2018, Mitsubishi, ECLI:EU:C:2018:594, paragraph 50: “It makes no difference to that conclusion that the removal of the signs identical to the mark and the affixing of new signs took place when the goods were still placed under the customs warehousing procedure, since those operations were carried out for the importing and placing on the market of those goods in the EEA.”

30 Case C-129/17, Opinion of April 26, 2018, Mitsubishi Shoji Kaisha Ltd and Mitsubishi Caterpillar Forklift Europe BV v. Duma Forklifts NV and G.S. International BVBA, ECLI:EU:C:2018:292, paragraphs 88-89: “The legal fiction that goods in a customs warehouse are not on the market in the EEA places those goods on the same footing as goods directly imported from third countries which have also undergone debranding and rebranding: in those circumstances, the trade mark proprietor cannot have recourse to trade mark proceedings in order to seize those goods, and that must be applied to the instant case. In other words, if a trade mark proprietor cannot oppose the import into the EEA of his own goods after those goods have been debranded and rebranded by a third party without his consent, because there is no use of the registered sign, then nor should he be able to do so where his original goods are subject to the same form of handling in a customs warehouse, since, by definition, those goods are non-Community goods.”
Finally, this decision specifically deals with goods coming from outside the EEA market. Thus, it is unclear (and the CJEU did not address this issue) whether, in a case in which there had been a prior marketing of the goods within the EEA, such a case would have yielded the same result. Of course, the additional problem in case of goods first placed in the EEA is that then exhaustion of rights would come into play (and the trademark owner would have to prove that the condition of the goods had been changed or impaired after they had first been put on the market). Nonetheless, one could speculate that the CJEU would affirm its holding in Duma, if anything because it could seem somewhat unfair that if the removal and affixing takes place outside the EEA this conduct infringes trademark rights, while if the same conduct happens in the EEA then it is lawful.

Thus, in light of the specificity of the case and the number of unsolved issues, it seems a fair conclusion that the last word on rebranding might not have been said, and that further cases will be necessary to understand whether removing the trademark of another really means “using” this trademark in an infringing way.

31 Article 7(2) of Directive 2008/95 and Article 13(2) of Regulation No. 207/2009. Possibly an argument in such case would be that the removal of one’s trademark is “per se” an impairment to which the trademark owner might object, although the matter is controversial, especially if the objection constitutes a disguised restriction on trade between Member States within the meaning of the second sentence of Article 36 TFEU, as shown by the many disputes in terms of re-packaging and re-branding in the pharmaceutical sector (see Case C-642/16, Judgment of May 17, 2018, Junek Europ-Vertrieb GmbH v. Lohmann & Rauscher International GmbH & Co. KG, ECLI:EU:C:2018:322, in which the CJEU reiterated at paragraph 30 that: “As regards the concept of 'repackaging,' the Court has clarified that it includes the re-labelling of the pharmaceutical products bearing the mark.” See also Case C-348/04, Judgment of April 26, 2007, Boehringer Ingelheim and Others v. Swingward Ltd. and Dowelhurst Ltd., ECLI:EU:C:2007:249, paragraph 28).