Reports of Cases

OPINION OF ADVOCATE GENERAL
MENGOZZI
delivered on 8 November 2011 [1]

Case C-488/10

Celaya Emparanza y Galdos Internacional SA
v
Proyectos Integrales de Balizamientos SL

(Reference for a preliminary ruling from the Juzgado de lo Mercantil no 1 de Alicante y no 1 de Marca Comunitaria (Spain))

(Community designs — Infringement — Definition of 'third parties')

1. This case, which has arisen as a result of a reference for a preliminary ruling from the Juzgado de lo Mercantil de Alicante, concerns an issue that is currently a matter of intense debate among Spanish legal commentators and in Spanish case-law. The problem which the Court will have to consider involves defining the 'third parties' against which, under European Union law currently in force, the holder of a registered design may bring infringement proceedings.

2. It will, in particular, be necessary to establish whether the fact that the defendant independently registered its own design after the applicant's design had been registered is irrelevant or whether, in fact, the applicant must first seek from OHIM a declaration that the defendant's design is invalid before it can bring infringement proceedings.

3. It is scarcely necessary to point out that, in this case, the Court is not asked to assess whether or not the designs and/or products at issue are similar. That, needless to say, will be a matter for the national court. Moreover, should the Court conclude that the defendant's design must first be declared invalid, the dispute in the national proceedings would already be resolved in terms of admissibility, without there even being any need to embark on an analysis of the designs. The specific purpose of the two questions referred is, in essence, to establish whether, in the main proceedings, the national court must consider the substance of the case or, instead, declare the action inadmissible, thereby compelling the applicant company to bring proceedings before OHIM for a declaration of invalidity in relation to the defendant's design.

I – Legal context

4. The questions referred for a preliminary ruling in this case concern the interpretation of Regulation (EC) No 6/2002 [2] (also 'the Regulation') on Community designs.

1 — Original language: Italian.

2 — Council Regulation (EC) on Community designs (OJ 2002 L 3, p. 1).

5. The purpose of the Regulation is to establish a system for registering designs [3] that is as straightforward and simple as possible, as clearly indicated in recitals (18) and (24):

'(18) A registered Community design requires the creation and maintenance of a register in which will be registered all those applications which comply with formal conditions and which have been accorded a date of filing. This registration system should in principle not be based upon substantive examination as to compliance with requirements for protection prior to registration, thereby keeping to a minimum the registration and other procedural burdens on applicants.

...

(24) It is a fundamental objective of this regulation that the procedure for obtaining a registered Community design should present the minimum cost and difficulty to applicants, so as to make it readily available to small and medium-sized enterprises as well as to individual designers.'

6. Article 19(1) of the Regulation sets out the rights that a registered design confers on its holder:

'A registered design shall confer on its holder the exclusive right to use it and to prevent any third party not having his consent from using it. The aforementioned use shall cover, in particular, the making, offering, putting on the market, importing, exporting or using of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes.'

7. Article 52 of the regulation provides that, as a rule, applications for a declaration of invalidity of a registered design are to be made to OHIM. On the other hand, under Article 81, the (national) Community design courts [4] have jurisdiction to hear infringement actions. However, Article 81 provides that the design courts also have jurisdiction to hear applications for a declaration of invalidity where such applications are made by way of counterclaims in infringement proceedings.

8. Article 85(1) of the regulation provides as follows:

'In proceedings in respect of an infringement action or an action for threatened infringement of a registered Community design, the Community design court shall treat the Community design as valid. Validity may be challenged only with a counterclaim for a declaration of invalidity ...'

II – Facts, the main proceedings and the questions referred

9. On 26 October 2005, the applicant in the main proceedings, Celaya Emparanza y Galdos Internacional SA (also 'CEGASA'), registered a Community design [5] for road markers. These are objects, generally made of plastic, which are used as signs to indicate construction sites, roadworks etc.

10. In late 2007, the defendant company, Proyectos Integrales de Balizamientos SL (also 'PROYECTOS') placed on the market a product which, according to CEGASA, infringes its registered design. CEGASA therefore served an extra-judicial demand on PROYECTOS calling upon it to cease marketing the product in question.

11. PROYECTOS refused to comply with CEGASA's demand and, on 11 April 2008, registered a design for its own product with OHIM. [6]

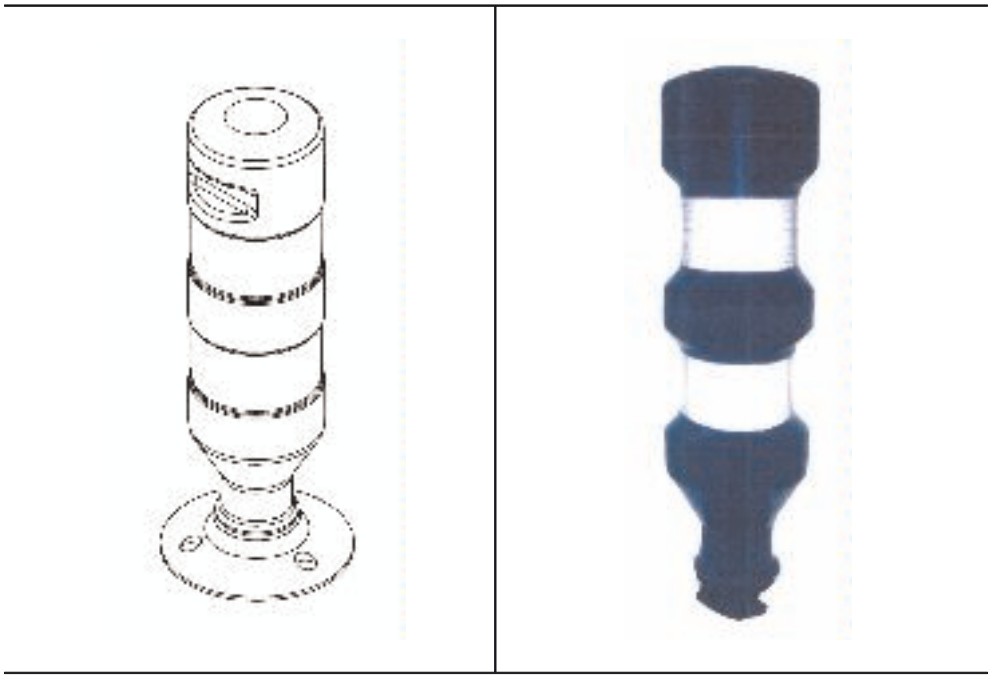
3 — Footnote not relevant to the English language version of the Opinion.

4 — As in the case of trade marks, Article 80 of Regulation No 6/2002 on designs provides that the Member States are to designate certain national courts as 'Community design courts'. The referring court in this case is Spain's only design court of first instance.

5 — No 000421649-0001.

6 — No 000915426-0001.

12. For information purposes only, the registered designs in question are reproduced below (on the left, CEGASA's design and, on the right, PROYECTOS' design):



13. CEGASA therefore decided to bring infringement proceedings against PROYECTOS before the referring court. In those proceedings, PROYECTOS filed a counterclaim seeking a declaration of invalidity in relation to CEGASA's design. OHIM was informed of the counterclaim, in accordance with Article 86(2) of the Regulation.

14. PROYECTOS considers itself in any event to be 'protected' by its own registered design and, therefore, takes the view that CEGASA cannot bring infringement proceedings until it has obtained from OHIM a declaration that PROYECTOS's design is invalid. In its view, the action brought before the national court should, therefore, be dismissed as inadmissible or, in any event, dismissed without any examination as to the substance.

15. Against that background, the Juzgado de lo Mercantil no 1 de Alicante y no 1 de Marca Comunitaria stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

'(1) In proceedings for infringement of the exclusive right conferred by a registered Community design, does the right to prevent the use thereof by third parties provided for in Article 19(1) of … [the] Regulation … extend to any third party who uses another design that does not produce on informed users a different overall impression or, on the contrary, is a third party who uses a subsequent Community design registered in his name excluded until such time as that design is declared invalid?

(2) Is the answer to the first question unconnected with the intention of the third party or does it depend on his conduct, a decisive point being whether the third party applied for and registered the later Community design after receiving an extra-judicial demand from the holder of the earlier Community design calling on him to cease marketing the product on the ground that it infringes rights deriving from that earlier design?'

III – Procedure before the Court

16. The order for reference was received at the Court Registry on 11 October 2010. Written observations were submitted by the applicant in the main proceedings, the Polish Government and the Commission.

17. At the hearing on 14 September 2011, submissions were made by the Polish Government and the Commission.

IV – The questions referred

A – *Preliminary observations*

18. This is one of the first cases in which the Court has been asked to interpret Regulation No 6/2002.[7] It is therefore necessary, as a result of the absence of any significant precedent in the case-law, to arrive at a solution based solely on the text of the legislation, making use of all of the available instruments of interpretation.

19. As I stated earlier, the problem raised by the referring court is currently a matter of active debate both among Spanish legal commentators and in Spanish case-law. In particular, as pointed out in the order for reference, there is currently a line of authority in the case-law of the Tribunal Supremo *in relation to trade marks* to the effect that the existence of a later registered mark confers protection against infringement proceedings. In other words, according to that case-law, there is no unlawful conduct so long as the alleged infringer is using his own registered mark. Consequently, infringement proceedings may be brought only after the infringer's mark has been declared invalid.

20. Let me straightaway make it clear that, in my view, there is no need, in this case, to call into question the abovementioned judgments of the Spanish national supreme courts. As I have observed, that case-law concerns trade marks and is not, therefore, applicable to designs. The essential differences which exist between the two sectors in question are in fact of such a nature as to preclude the automatic application of that line of authority to the design sector.

21. In particular, it must be emphasised that the procedures for registering designs are far simpler and more 'expeditious' than those governing the registration of trade marks. Two differences merit particular mention. Firstly, OHIM permits a design to be registered following a merely formal, but not a comprehensive, check of the application for registration.[8] Secondly, in contrast to the procedure which applies to trade marks,[9] in the case of designs, the Regulation does not provide for a stage between the filing of the application and registration itself during which other parties may raise objections to the registration.

22. In other words, the registration of designs takes place almost automatically. The facts of the case in the main proceedings provide a very clear illustration of this. PROYECTOS was able to register its own design without any difficulty after CEGASA had taken extra-judicial steps to halt the marketing of PROYECTOS' product. If the procedure for registering designs allowed for objections to the registration to be raised, CEGASA would in all likelihood have objected, and OHIM would, therefore, have been able to adopt a position on the matter, and either register or refuse to register the PROYECTOS' design.

7 — To my knowledge, the Court has hitherto interpreted the substance of the Regulation only in Case C-32/08 *FEIA* [2009] ECR I-5611 and Case C-281/10 P *PepsiCo* v Grupo Promer Mon Graphic [2011] ECR I-10153.

8 — See, in particular, recital (18) and Articles 45 to 47 of the Regulation.

9 — See Article 40 et seq. of Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1).

23. Consequently, the fact that designs can be easily and swiftly registered goes hand in hand with a particularly high risk of abuse, which is certainly greater than in the case of trade marks. The considerations set out below will, therefore, be strictly confined to the design sector and cannot be regarded as also being automatically applicable to trade marks. In the trade mark sector, in fact, in the light of the points I have just made, the registration of a trade mark must be paid greater attention and viewed with greater 'respect' than the registration of a design. [10]

24. Having clarified all the above points, I shall now turn to an analysis of the questions.

B – *The questions referred*

25. The two questions referred are closely connected. As will become clear in due course, the answer to the first question affects and determines the answer to the second.

1. Whether it is possible to bring infringement proceedings without first obtaining a declaration of invalidity in relation to the later design

26. By the first question referred, the Court is asked to clarify whether the holder of a registered design may bring infringement proceedings directly against the holder of a later registered design or whether, in fact, it may do so only after obtaining a declaration of invalidity in relation to the second design. Unfortunately, the Regulation does not contain any specific provision in that regard: consequently, even though — as we shall see — the literal interpretation of the wording of the rules may provide some helpful pointers, the present case is a classic example of a dispute which must be resolved by adopting a contextual and teleological approach.

27. In its order for reference, the national court specifically states that, in its view, it should be possible, in the design sector, to bring infringement proceedings against the holder of a later registered design without first having to obtain a declaration of invalidity in relation to that design. Both the applicant in the main proceedings and the Commission expressed that view before the Court. Only the Polish Government took the opposite view, focusing in particular on the need to safeguard the principle of legal certainty.

28. It must be emphasised at the outset that the question referred by the national court relates solely to cases in which the defendant's design was registered *after* the applicant's design. In other words, the fundamental principle of priority, which generally confers an advantage on the person who was the first to register, is not being called into question. [11]

29. At first sight, we are confronted, in this case, with a conflict between two different but fundamental principles. On the one hand, it could be argued that the principle of legal certainty requires that the design registered by the defendant be recognised as possessing defensive value: were this not the case, it would have to be accepted that not even the fact that it is using its own OHIM-registered design would shield the holder from infringement proceedings. On the other hand, in view of the need to

10 — Even at the preparatory stage, it was very clear to the legislature that different forms of legal protection could be provided for designs and for trade marks because of the different rules in the two sectors. See, for example, the initial proposal for a regulation, submitted by the Commission on 3 December 1993, COM(93) 342 final. (OJ 1994 C 29, p. 20, paragraph 8.10 of the first section in the explanatory memorandum).

11 — As rightly pointed out by the Commission, it is hard to imagine that infringement proceedings may be brought against the holder of an *earlier* design by the holder of a later design, without first obtaining a declaration from OHIM to the effect that the earlier design is invalid. However, that aspect lies outside the scope of the questions referred by the national court in this case and will not, therefore, be discussed in the remainder of this Opinion.

have an efficient and functional system for registering designs — and thus to make the regulation as effective as possible — it could in fact be argued that it is necessary to give precedence to the earlier design registered by the applicant, enabling the latter to bring infringement proceedings without first seeking a declaration of invalidity in relation to the defendant's design.

30. In reality, viewed more closely, the conflict is not between legal certainty and the efficiency of the system. On the contrary, it is in fact two aspects of legal certainty which are at issue. In both cases, a registered design does not ultimately confer complete protection on its holder. In the first case, if it is necessary to obtain a prior declaration of invalidity in relation to the later design, the status of applicant's design is undermined, even though it was registered first. In the second case, if the holder of the earlier design is allowed to bring proceedings directly, the level of protection of the later designed is diminished, even though it was properly registered. Therefore, the choice of one or other interpretation is a choice between two essentially equivalent rights.

31. What seems to me to be decisive for the purpose of arriving at a conclusion is the fact that there would be a risk that the system could be seriously compromised if the holder of a registered design were required to seek a declaration of invalidity in relation to another design that was registered subsequently before he could bring infringement proceedings against the holder of the latter design.

32. As pointed out above, unlike a trade mark or patent, a design is registered without any review of the substance of the application. In other words, hypothetically, when faced with the threat of the instigation of infringement proceedings by the holder of a registered design, a person who, in bad faith, had engaged in acts of infringement without having registered any design could always proceed immediately to register a design, thereby compelling the holder of the first design to obtain a declaration of invalidity in relation to the latter design before being able to bring infringement proceedings.[12] Indeed, the second design could even be registered after infringement proceedings had been initiated. Furthermore, even after the 'defensive' design had been declared invalid, there would, in principle, be nothing to prevent the infringer from registering a new design which differed marginally from its predecessor and using it to continue marketing a product that was fundamentally the same.

33. It is, therefore, clear that requiring an action for a declaration of invalidity to precede the instigation of infringement proceedings could enable a person acting in bad faith to take advantage of the system, by employing delaying tactics and actually impeding the effective protection of registered designs. In that case, the effectiveness of European Union design legislation would be seriously undermined. It should also be borne in mind that legal actions such as those designed to bring to an end acts of infringement must, by their very nature, be capable of being concluded particularly swiftly.

34. Another factor to be noted in support of the above interpretation — although, unlike the applicant in the main proceedings, I do not consider it decisive — is the fact that Article 19(1) of the Regulation provides that the holder of a registered design may, as a rule, bring infringement proceedings against any 'third party' who uses the registered design without his consent. No express exception is provided in respect of third parties who are themselves holders of a registered design. It is possible that, had the legislature intended to introduce a rule protecting the holders of later registered designs, it would have done so expressly.

35. It is, therefore, necessary to interpret Article 19(1) of the Regulation as permitting the holder of a registered design to enforce his own rights, including in relation to a person who uses his own later registered design, without first being required to obtain a declaration of invalidity in relation to the second design.

12 — From a practical point of view, the situation would be the same even if, taking a more cautious approach, the infringer were to register a 'defensive' design before marketing his own product, and thus before the holder of the earlier design took any form of extra-judicial action.

36. Moreover, as the Commission correctly observed, if the legislature had considered it necessary for a prior declaration of invalidity to be obtained in relation to the later design, it would certainly also have conferred jurisdiction on the Community design courts to rule on the validity of a design in substantive proceedings and not just in response to a counterclaim. It would make no sense to require the holder of the earlier design to apply first to OHIM, with all that implies in terms of the duration and cost of proceedings, while allowing the holder of the later design to challenge the validity of the earlier design by filing a counterclaim, and to obtain a ruling directly from the national court.

37. Moreover, in the interpretation set out above, the position of the purported infringer is also adequately protected, particularly since, under Article 85(1) of the Regulation, it is possible to file a counterclaim for a declaration of invalidity directly before the court hearing the infringement proceedings.

38. Turning now to the possible objection — to which I referred above and on which the Polish Government in particular placed emphasis — that the interpretation put forward here would undermine the principle of legal certainty, I shall simply make the following points. Firstly, as pointed out above, even the alternative interpretation, according to which the holder of the first registered design is required to obtain a prior declaration of invalidity in relation to the later design, would, in the final analysis, weaken the very principle of legal certainty. As we have seen, the only difference is that it would be the certainty deriving from the registration of the earlier design which would be affected, rather than the certainty deriving from the registration of the later design. Secondly, it must also be borne in mind that ownership of a registered design (and, similarly, of a trade mark or patent) *never in any event confers on the holder an absolute guarantee that he will be able to use that design unopposed and unobstructed*. That is because there is, in all cases, always the possibility that someone will bring an action for a declaration of invalidity in relation to the design.

2. The problem of the legal position of the infringer's registered design

39. It must be acknowledged that the interpretation of the Regulation which I am proposing gives rise to an unresolved problem. If the holder of the earlier design is successful in infringement proceedings against the holder of a later design, but then decides not to seek a declaration of invalidity in respect of that later design, the legal position of the later design remains, so to speak, equivocal. On the one hand, the product in question can no longer be marketed. On the other, since the national court has not declared the later design invalid, as it has no jurisdiction to do so, that design remains valid from a formal point of view, and, in theory, its holder could use it, albeit no longer to market the relevant product, at least to bring proceedings against other manufacturers and/or holders of registered designs.

40. In my view, this is more an apparent than a real problem.

41. In the first place, it is unlikely that the holder of the later design would use it, after being unsuccessful in infringement proceedings, for the sole purpose of damaging other economic operators. Since his product could no longer, in any event, be marketed, a person in that position would have no interest in instigating legal actions of that nature.

42. Moreover, if there was in fact a substantial similarity between the infringer's design and that of a third party, the likelihood is that there would also be a similarity with that of the holder of the earlier design, who was the applicant in the original infringement proceedings. In those circumstances, it is far more likely that the latter would take action against the third party, as he would have a very real interest in doing so.

43. In any event, even if one were to envisage a particularly persistent infringer who decided to bring infringement proceedings against a third party using his own design, that third party would be able to deploy a particularly effective weapon: the counterclaim for a declaration of invalidity. In the light, in particular, of the outcome of the earlier legal proceeding, in which the infringer was ordered to cease distributing his own product because of the conflict with an earlier registered design, it is, in my view, clear that the third party in question would have no difficulty in obtaining, in most cases,[13] before the national court a declaration of invalidity in respect of the infringer's design, by way of a counterclaim, on grounds of lack of novelty and/or distinctiveness, pursuant to Articles 5 and 6 of the Regulation. Similar grounds of invalidity may in fact be invoked, pursuant to the combined provisions of Articles 25 and 84 of the Regulation, by any person who has an interest in doing so. At that point, the infringer's design would be definitively eliminated, putting an end to the situation of legal uncertainty surrounding it. Paradoxically, therefore, the conduct of an infringer who decided to continue to use his later design to bring legal proceedings against third parties would ultimately result in a declaration of invalidity in respect the infringer's design and thus help clarify the situation once and for all.

44. For the reasons indicated, I therefore consider that the legal uncertainty attaching to the legal position of the infringer's registered design is not sufficient to call into question the interpretation of Article 19 of the Regulation which I have set out above. There is, however, no doubt that it might be helpful for the legislature to intervene and provide definitive clarification of the status of a design held by a person who has been unsuccessful in infringement proceedings, where that design has been registered and not declared invalid.

3. Interim conclusion

45. The first question must therefore be answered to the effect that the right to prevent the use by third parties of a registered design, pursuant to Article 19(1) of the Regulation, may also be exercised in relation to a third party who uses his own later design. It is not necessary, for that purpose, to obtain a prior declaration of invalidity in relation to the latter design.

4. The conduct of the infringer in each specific case

46. It is theoretically possible to envisage the introduction of an element of flexibility to the position set out in the points above by interpreting the Regulation in such a way as to take account of the particular features of each individual case, in particular the psychological state of the alleged infringer. From that perspective, for example, it would be possible to allow the holder of the first registered design to bring infringement proceedings directly, without seeking a prior declaration of invalidity in relation to the second design, only in cases in which the second design was registered in bad faith or, as in this case, following an extra-judicial demand to cease distributing the products of the defendant undertaking.

47. That possibility leads us to look more specifically at the second question referred, by which, as we have seen, the national court asks whether the actual conduct of the holder of the second design may be relevant for the purpose of answering the first question.

13 — Some difficulty could arise in circumstances in which the earlier design forming the subject-matter of the original dispute had yet to be made available to the public at the time when the infringer's design was registered. In a case of that nature, proceedings for a declaration of invalidity in respect of the latter design could not be brought by any person on the basis of Article 25(1)(b) of the Regulation, but only by the holder of the earlier design, pursuant to Article 25(1)(d), as provided for in Article 25(3). That principle also applies to counterclaims for a declaration of invalidity pursuant to Article 84(2).

48. Although undoubtedly interesting, a line of interpretation of that nature must be rejected. To require that, in all cases like the present, the defendant's intention should be analysed, or even simply that it should be established whether or not there was a stage prior to the commencement of proceedings which prompted the defendant to carry out its 'defensive' registration, would significantly complicate a system which the legislature expressly sought to make both simple and effective.

49. A further argument in support of the view set out above may be adduced from the text of Article 19 of the Regulation. The second subparagraph of Article 19(2), on *unregistered designs*, expressly provides for the need to establish the intentions of an alleged infringer. It actually provides that '[t]he contested use shall not be deemed to result from copying the protected design if it results from an independent work of creation by a designer *who may be reasonably thought not to be familiar with the design made available to the public by the holder*'. Since the legislature provided for intentions to be established in that manner solely in relation to unregistered designs, it may be concluded, by way of a contrario reasoning, that, vice versa, in the case of registered designs, the process of establishing infringement must not include verification of intent, bearing in mind also the greater protection that registration confers on a design.

50. I therefore propose that the Court should answer the second question referred to the effect that, for the purposes of the answer to the first question, both the intention of the third party and whether or not that party's design was registered following an extra-judicial demand calling upon it to cease marketing its product are irrelevant.

V – Conclusion

51. On the basis of the considerations set out above, I propose that the Court should answer the questions referred by the Juzgado de lo Mercantil no 1 de Alicante y no 1 de Marca Comunitaria as follows:

The right to prevent the use of a registered design by third parties provided for in Article 19(1) of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs may also be exercised in relation to any third party which uses its own later registered design. In order to do so, it is not necessary to obtain a prior declaration of invalidity in relation to the latter design.

In that context, both the intention of the third party and whether or not that party's design was registered following an extra-judicial demand calling upon it to cease marketing its product are irrelevant.