

**Bulgari successfully enforces selective distribution network against former distributor**  
Italy - IP Law Galli

**Infringement**  
**Selective distribution networks**  
**Enforcement**

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An order issued on November 28 2016 (which has now become final) by the Specialised IP Division of the Court of Catania has put an end to infringing activities and unfair competition carried out by a former distributor at the expense of the worldwide known trademark BVLGARI. The mark had been held to be one of the most renowned Italian brands for jewellery and luxury goods and services by many court decisions, both in Italy and abroad. The Court of Catania's decision is noteworthy as it granted protection against the illegal use of the BVLGARI marks by a former official distributor, thereby expressly acknowledging the legitimacy of the selective distribution system implemented by Bulgari.

Bulgari Spa and Bulgari Italia Spa, as owners of national and EU BVLGARI trademarks, filed an application for a preliminary injunction against a former member of Bulgari's selective distribution network, which used the BVLGARI mark as a shop sign for its jewellery shop and kept selling products bearing the BVLGARI mark and using promotional material bearing that mark.

Bulgari had instructed a detective agency to ascertain the source of the products: the investigation found out that the goods were ordered directly from Bulgari through an authorised distributor, which, by pursuing such an activity, infringed the contractual duties set forth in the agreement concluded with the Bulgari companies. Such agreement included a prohibition to sell Bulgari products to business entities outside the selective distribution network.

The Court of Catania upheld all the claims filed by Bulgari, ordering the former distributor to stop using the trademark BVLGARI or BULGARI on its shop sign and ordering it to remove the sign from its store immediately. The court further ordered the former distributor not to use said trademark both on its website and on social networks and, more generally, prohibited it from using catalogues and brochures bearing the trademark BVLGARI or BULGARI. Finally, the court ordered the publication of an extract of the decision on the most widely read Italian newspaper, *Corriere della Sera*, and ordered the former distributor to reimburse both the costs of the lawsuit and those of the publication to Bulgari.

According to Article 131 of the [Italian Code of Industrial Property](#), the decision issued by the court - which was provided as a matter of urgency and following extremely fast proceedings - has now "stabilised" since it has not been appealed. This means that it will keep its effects even if none of the parties starts proceedings on the merits. This is a significant advantage of preliminary injunction proceedings in Italy.

With reference to the merits, the Court of Catania relied on indications from both European law and the European Court of Justice (ECJ) case law about selective distribution systems, defined by Article 1(e) of [Regulation 330/2010](#) as:

*"[a 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 unauthorised distributors within the territory reserved by the supplier to operate that system".*

This system thus allows manufacturers of highly reputed luxury goods to control the sales channel of their goods all the way to the final consumers, thereby safeguarding the prestige and the reputation of the corresponding trademarks.

In the present case, the court held that "Bulgari had proved that its use of a selective distribution system in order to supply its own products" was fully consistent with EU rules and, therefore, "the sale [of Bulgari goods] by a non-authorised distributor caused harm to the image of prestige and exclusivity conveyed by the Bulgari trademarks to customers, since [the said distributor] did not respect any of the standards imposed by the Bulgari companies on their authorised dealers".

The behaviour of the former distributor was deemed to be illegal by the Court of Catania due to, first of all, the infringement of the BULGARI trademarks and other distinctive signs (company name and shop sign). In particular, the court stated that the defendant's use of signs identical to those owned by the Bulgari companies caused unacceptable harm to the BULGARI trademarks/signs and created an undue advantage for the defendant, since it parasitically exploited the reputation linked to said trademarks. The court further stated that:

*“as the trademark BVLGARI is renowned, its unauthorised use by third parties provide them with an undue advantage through leveraging the reputation of the trademark and creating a parasitical association with the trademark, at the expense of the trademark owner who sees the distinctive character of its trademark weakened”.*

The implementation of a selective distribution network that was fully consistent with the relevant EU rules gave Bulgari the opportunity to successfully oppose the illicit activities of the defendant, as it amounted to a "legitimate reason", pursuant to Article 7 of Directive 2008/95 (now Article 15 of [Directive 2015/2436](#)), to exclude the application of the principle of 'trademark rights exhaustion' after the products were first placed on the market within the EU or EEA territory. This principle would have otherwise rendered lawful the purchase and resale of products which, from a material point of view, could be said to be original. In this respect, the decision of the ECJ in [Bayerische Motorenwerke AG v Deenik](#) (Case C-63/97, Paragraphs 51-52) provides as follows:

*“The fact that the trademark is used in a reseller's advertising in such a way that it may give rise to the impression that there is a commercial connection between the reseller and the trademark proprietor, and in particular that the reseller's business is affiliated to the trademark proprietor's distribution network or that there is a special relationship between the two undertakings, may constitute a legitimate reason within the meaning of Article 7(2) of the directive.*

*Such advertising is not essential to the further commercialisation of goods put on the Community market under the trademark by its proprietor or with his consent or, therefore, to the purpose of the exhaustion rule laid down in Article 7 of the directive. Moreover, it is contrary to the obligation to act fairly in relation to the legitimate interests of the trademark owner and it affects the value of the trademark by taking unfair advantage of its distinctive character or repute. It is also incompatible with the specific object of a trademark which is, according to the case-law of the court, to protect the proprietor against competitors wishing to take advantage of the status and reputation of the trademark.”*

In addition, in [Copad SA v Christian Dior couture SA](#) (Case C-59/08) the ECJ stated that:

*“it is conceivable that the sale of luxury goods by the licensee to third parties that are not part of the selective distribution network might affect the quality itself of those goods, so that, in such circumstances, a contractual provision prohibiting such sale must be considered to be falling within the scope of Article 8(2) of the directive”.*

In this regard, the Court of Catania stated that “damage was caused by the unfair use of the renowned trademark by the defendant in order to take advantage of both the distinctive character of the mark and its reputation”, thus confirming the consolidated guidance of Italian case law, which considers that parasitical exploitation is equivalent to a likelihood confusion in order to protect renowned trademarks.

The activities of the former distributor were also deemed to amount to unfair competition. In particular, the court stated that inducing a distributor, which was part of Bulgari's selective distribution network, to violate its contractual obligations constituted a felony. In Italy, this is a typical case of unfair competition.

The case confirms that selective distribution may be an effective tool both to protect renowned trademarks and to guarantee the quality of the products covered by these trademarks.

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