



Italy jurisdiction report: Selective distribution case turns heads

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In a decision issued on July 3, 2019, the Court of Milan ordered Amazon to refrain from “marketing, offering for sale, promoting or advertising in Italy” the products of French fashion brand Sisley, well-known for the production of innovative and high-quality cosmetics.

In the present case, Sisley claimed that on the platform www.amazon.it, Sisley products were offered for sale in violation of the complainant’s selective distribution system, with consequent serious damage to the prestige and image of its trademark.

In particular, Sisley argued the counterfeiting of its ‘Sisley’ trademark by Amazon and unfair competition under article 2598 (1), (2) and (3) of the Italian Civil Code, claiming the non-applicability

of the trademark exhaustion principle. Sisley also contended copyright infringement in relation to the unauthorised use of images reproducing Sisley products taken from some advertising campaigns.

With reference to the trademark exhaustion principle, the court verified the applicability of article 5 of the Italian Industrial Property Code, according to which once a product bearing a trademark has been introduced into the European territory, with the consent of its owner, the owner may no longer oppose the further and subsequent commercialisation of the product, unless there are “legitimate reasons”.

Those reasons may include the existence of a selective distribution network, namely if: a) the product being sold is a luxury or prestigious item which justifies the choice to adopt such a system; and b) there is a real detriment to the luxury or prestigious image of the trademark as a result of commercialisation by third parties outside of the selective distribution network.

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In regard to Sisley's selective distribution system, the court held that the commercial conditions submitted by Sisley to its retailers are in line with the principles laid down in the Commission Regulation (EU) No 330/2010 of 20 April 2010 and in European case law (referring in particular to the *Coty* decision, C-230/2016) in view of the “objective, qualitative and non-discriminatory nature of the criteria on which they are based and their appropriateness and proportionality in relation to the protection objectives of the brand commercial image and luxury aura”, thus recognising the validity of the selective distribution system of Sisley's luxury cosmetics (paragraph 6).

After qualifying Sisley's distribution system as a “selective distribution system”, the court assessed the nature of the products and their detrimental profiles.

With regard to the nature of the prestigious products, the appellant's reputation was sufficient.

The decisive factor was the aforementioned case-law of the Court of Justice of the European Union (CJEU) (*Coty*, paragraphs 49 and 50), according to which: “The internet sale of luxury goods via platforms which do not belong to the selective distribution system for those goods, in the context of which the supplier is unable to check the conditions in which those goods are sold, involves a risk of deterioration of the online presentation of those goods which is liable to harm their luxury image and thus their very character,” especially considering that “those platforms constitute a sales channel for goods of all kinds.”

Confirming the principle that it is permissible to require the distributor to comply with certain quality standards of the site and, given the absence of contractual relations between Amazon and Sisley, the court found that the sale made by Amazon did not meet the standards required by Sisley. As a result, these business practices have been found to be detrimental to Sisley's prestige and brand.

By that decision, the CJEU's General Court held that Amazon's business model, which tends to offer for sale any kind of product, must not affect the rights of those who opted, like Sisley, for a selective distribution system to safeguard the reputation of their trademark.

Italian case-law—entirely in line with European case-law—has therefore been receptive to the exigencies to protect the image and prestige of luxury brand products, even in the context of electronic commerce, which is assuming an increasingly important role among consumers.

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