



## **Exemption No Longer Limited to Necessary Use**

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Where a defendant uses a plaintiff's registered trademark to indicate the intended purpose of a product or service, there is an exception to trademark infringement. In a recent decision, the Austrian Supreme Court (ASC) was called to decide on what circumstances qualify for the exemption. It found that recent changes in the law allowed for a relaxation of the previous, more restricted rules.

In decision 4 Ob 205/20f, dated December 22, 2020, the ASC interpreted the amended wording of Section 10(3), no. 3, of the Austrian Trademark Act, which transposes Article 14(1)(c) of EU Trademark Directive 2015/2436 into Austrian law.

According to the new wording, a trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, the trademark for the purpose of identifying or referring to goods or services as those of the proprietor of that trademark. This is the case in particular where the use of the trademark is necessary to indicate the intended purpose of a product or service as accessories or spare parts, provided the use is in accordance with honest commercial practices.

The plaintiff, an Austrian company, operates a multi-partner program across traders and industries under the name "jö Bonus Club" and issues jö loyalty cards for this purpose. The case concerned the use of the plaintiff's registered Austrian trademarks JÖ (word and figure marks) by the defendant, a German company operating a smartphone app under a different name. Users store and manage their various customer loyalty cards in the defendant's smartphone app, where loyalty cards are organized using the companies' logos. The defendant's app included the plaintiff's loyalty card JÖ logo. Based on its

trademark rights for JÖ, the plaintiff sought to prohibit the defendant from using JÖ in advertising for its app and within the app as an indication of the mobile wallet services offered.

Both the trial court and the Court of Appeal granted a preliminary injunction in favor of the plaintiff. The ASC rejected the injunction, stressing that with the amendment of the trademark law, the exemption for trademark infringement is no longer limited to use that is absolutely necessary or required. While the use of figurative trademarks was previously considered excessive, and therefore seen as falling outside the exemption of Article 14(1)(c) of the EU Trademarks Directive, the ASC now confirmed that the requirements had been relaxed by the new legislation.

In the case at hand, the Court did not find any impairment of the interests of the plaintiff. Reputation is not exploited if the user merely profits factually from the reputation and distinctiveness of the third-party trademark; there must be clearer evidence of deliberate profiteering.

The ASC stressed that Article 10(3), no. 3, should be interpreted narrowly in principle. However, the assessment must be based on application to the particular facts of each case. When weighing the interests, the interests of a third-party provider must also be taken into account. If there is no functional impairment of the trademark, the third-party provider needs to be allowed to provide a user-friendly and modern additional service. In this case, it therefore allowed the use of the plaintiff's marks by the defendant.