

## Trademarks Registered by Distributors: Swiss Federal Supreme Court Clarifies Rights of Suppliers under Swiss Trademark Law

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### 1. Introduction

It is not uncommon for a distributor to register trademarks in the contractual territory during the distribution relationship that are identical or confusingly similar to the trademarks used by the supplier for its goods or services. After the termination of the underlying distribution agreement, the distributor may be unwilling to cancel the trademarks, or to assign the trademarks to the supplier.

In the so-called "GLUBSCHIS" case two decisions of the Swiss Federal Supreme Court shed further light on the supplier's rights under Swiss trademark law in such scenarios.

### 2. Facts

In 2010, A., a toy manufacturer headquartered in the United States, entered into a distribution agreement with D., a German company, under which D. was to distribute A.'s branded toy animals in Germany, Austria and Switzerland. Starting from approximately 2012, the sign "GLUBSCHI" was used in connection with the distribution of A.'s products in the contractual territory.

In 2013 and 2015, B. (an affiliate of the distributor D.) registered several trademarks for the sign "GLUBSCHI" and "GLUBSCHIS", including for Switzerland.

In May 2019, A. terminated the distribution agreement. Shortly thereafter, B. entered into a cooperation with a competitor of A. under which the competitor was granted the right to use B.'s "GLUBSCHIS" trademarks for its toy animal products, including in Switzerland. In December 2019, A. initiated court proceedings in Switzerland against B. and the competitor. A. requested, *inter alia*, that B.'s "GLUBSCHIS" trademarks be declared invalid in Switzerland because they had been registered without A.'s consent.

### 3. Legal Background

Article 4 of the Swiss Trademark Protection Act (TPA) provides (similar to article 6<sup>septies</sup> of the Paris Convention for the Protection of Industrial Property) that "[t]rademarks registered in the name of agents, representatives or other authorized users without the consent of the proprietor, or trademarks which remain entered in the Register after the withdrawal of such consent, are also not protected".

Trademarks which meet the requirements set forth in article 4 TPA can be made subject to a nullity action (cf. article 52 TPA). Alternatively, the supplier may bring an action seeking the assignment of the trademark (cf. article 53(2) TPA), provided that such action is filed within two years from the publication of the registration of the trademark, or from the lapse of the supplier's authorization.

Although article 4 TPA may apply to various types of agreements (e.g., commercial agency agreements, distribution agreements), the following discussion will focus on the legal requirements in the context of a distribution relationship between a supplier of branded goods and its local distributor.

For clarification, article 4 TPA only covers the supplier's rights under trademark law. The supplier may have additional contractual claims against the distributor in such scenarios.

#### **4. Decisions**

In a partial judgment of 25 April 2023, the Commercial Court of the Canton of Aargau, *inter alia*, found that article 4 TPA cannot apply to the facts at hand, as A. only had a contractual relationship with the distributor D., but not with B. (i.e., with the entity who registered the disputed trademarks). A. appealed this decision.

In its [judgment of 29 November 2023](#) (BGE 150 III 383), the Swiss Federal Supreme Court addressed for the first time the question whether article 4 TPA can be applied to parties who are closely related to a distributor, but who have no contractual relationship with the supplier. The Court rejected the lower court's conclusion. The Court held that B. was closely affiliated with the distributor D., acted as an IP holding company within the group of companies to which D. belongs, and registered the trademarks in connection with D.'s distribution activities. Therefore, an application of article 4 TPA is not *per se* excluded. The case was thus remanded to the first instance.

In its [judgment of 15 February 2024](#), the Commercial Court of the Canton of Aargau assessed the potential application of article 4 TPA in more detail and found the following:

- Article 4 TPA may apply even if the trademark was registered not by the distributor itself (i.e., by the supplier's contractual counterparty), but by its officers, directors, shareholders, auxiliary persons, affiliated group companies, or by a straw man, provided that the trademark registration was made in the context of the trademark use authorized under the distribution agreement;
- Generally, the sign registered as a trademark by the distributor must have been used by the supplier prior to the distributor's registration. But even if the supplier did not use the sign itself, it suffices that the distributor had used such sign for the promotion of the supplier's products in the performance of its obligations under the distribution agreement. Such use must be deemed to have occurred on the supplier's behalf and establishes a better entitlement of the supplier in the relevant sign.

The Commercial Court of the Canton of Aargau, *inter alia*, ordered the cancellation of the disputed trademarks. Again, this decision was appealed.

In its [second judgment in this matter of 17 September 2024](#) (case numbers 4A\_166/2024, 4A\_172/2024), the Swiss Federal Supreme Court first set forth the requirements under article 4 TPA:

1. the principal (the law confusingly speaks of the "*proprietor*" (in German: "*Inhaber*") has a pre-existing better right in the trademark;
2. the person in whose name the trademark is registered is deemed to be the "*authorized user*" (in German: "*Nutzungsberechtigter*");
3. there is an agreement between the principal and the authorized user that (a) protects the business interests of the principal, and (b) authorizes the use of a trademark that does not belong to the authorized user ("*third-party trademark*", in German: "*fremde Marke*");
4. the registered trademark and the "third-party trademark" are identical;
5. the contractual authorization to use the trademark also applies to the country in which the trademark is registered, i.e. Switzerland (territorial nexus);
6. the registration took place during the contractual duty of loyalty (temporal nexus); and
7. the principal did not consent to the registration of the trademark, or such consent was withdrawn.

The Court dismissed the trademark nullity action based on article 4 TPA and held:

- that even if the relevant trademark has been used exclusively to promote the supplier's goods, such trademark use is not attributable to the supplier and does not establish a better right of the supplier in the relevant trademark used by the distributor;
- that where a distributor creates and uses its own independent "*secondary trademark*" (in German: "*Zweitmarke*") to promote the supplier's goods, such "*secondary trademark*" does not confer any rights on the supplier and does not fall within the scope of article 4 TPA;
- that the supplier thus had no better rights in the relevant trademarks; and
- that the supplier had granted the distributor a license to use its trademarks, but that this license could not have included the relevant trademark because the supplier had no rights in such trademark.

## 5. Comment

These decisions clarify the requirements for the application of article 4 TPA in similar scenarios. On the one hand, it will be more difficult for agents and distributors to avoid the application of article 4 TPA by using third parties (such as related persons or companies) as trademark registrants. On the other hand, the Court clarified that a supplier cannot rely on article 4 TPA if a distributor creates and uses a sign during the distribution relationship to promote the supplier's goods if that sign has not been used by the supplier (or by third parties on the supplier's behalf) prior to its registration by the distributor.

The facts of this case also serve as a reminder for companies to impose clear contractual restrictions on the use and registration of trademarks in their distribution agreements and in similar types of agreements. In particular, such agreements should include, among other things, the obligation of the distributor (i) not to use or register any sign that is identical or confusingly similar to the trademarks associated with the supplier's goods, (ii) not to use any trademarks other than the supplier's trademarks to promote the supplier's goods, (iii) to cancel, or assign to, the supplier, at the supplier's request and free of charge, any trademark rights associated with the supplier's goods or acquired due to the distribution activity, (iv) to notify the supplier promptly of any event that may adversely affect the supplier's trademark rights, (v) to cease all use of any trademark previously used to promote the supplier's goods upon termination of the distribution agreement, and (vi) to cause its directors, officers, and affiliates to comply with the foregoing obligations.

Disclosure: The authors have represented the toy manufacturer A. in the Swiss proceedings since March 2021.