

# World Trademark Review Daily

Truthful description of goods does not excuse parallel importers' overuse of marks

Parallel imports  
Passing off

Israel - Gilat, Bareket & Co., Reinhold Cohn Group

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In *Tommy Hilfiger Licensing LLC v Swisa* (CC (TA distr) 11296-09-10, July 31 2012), the Tel Aviv District Court has found that parallel importers of Tommy Hilfiger products were liable for trademark infringement and other torts, as their overly broad and prominent use of the TOMMY marks did not fall within the statutory defence of truthful description of genuine goods.

The [Tommy Hilfiger group](#) owns registrations in Israel for the marks TOMMY and TOMMY HILFIGER, as well as its 'white, blue and red flag' logo, in Class 25 of the [Nice Classification](#) for clothing and footwear. It markets its products in Israel through an exclusive distributor in select stores.

The defendants engaged in the parallel importation and marketing of genuine Tommy Hilfiger products. Since 2008 they have been operating a store called The Importer's Warehouse, which was called The Importer's Warehouse Tommy Hilfiger between 2008 and 2010; the name was altered at Tommy Hilfiger's request. The defendants prominently used the mark TOMMY HILFIGER and the flag logo, as well as the colours of the logo, on their storefront (adding the words "branded clothing in parallel imports" in 2011), inside the store, on outdoor signage and on advertising flyers.

The defendants also maintained a website at '[tommy4less.co.il](#)' and made use of the TOMMY HILFIGER marks on the home page; however, they ceased using the words "The Importer's Warehouse Tommy Hilfiger" at Tommy Hilfiger's request. The 'About us' section of the website mentioned that the store engaged in parallel imports.

The Tommy Hilfiger group and its exclusive distributor in Israel sued the defendants on the grounds of, among other things, trademark infringement, dilution of goodwill, unjust enrichment, passing off, false representation, consumer deception and unfair interference with access to another's business.

The court did not accept the plaintiffs' factual claim that the defendants' goods, while genuine, were of lower quality ('outlet store' quality) than the 'flagship store' quality goods retailed in Israel by the plaintiffs.

With regard to trademark infringement, the Tel Aviv District Court held that, under current law, neither the trademark owner nor its exclusive distributor can prevent the parallel importation of genuine products. Therefore, the issue was the extent to which a parallel importer of the trademark owner's goods is allowed to use the mark in connection with the goods.

The court held that the starting point regarding use of a registered trademark is Section 46(a) of the [Trademarks Ordinance \[New Version\] 5732-1972](#), which provides that the registered owner has the exclusive right to use a registered mark for the goods for which the mark is registered or goods of the same description. However, Section 47 of the ordinance states that a third party has the right to use the mark to provide a "truthful description of the character or quality of its goods".

The court reiterated the criteria for permissible truthful use, as set forth by the Supreme Court in *Toto Gold Subscribers Club Ltd v Sports Lottery Council* (CA 3559/02 [2004]):

1. the goods would be difficult to identify without using the mark;
2. use of the mark does not exceed what is reasonably and fairly necessary to identify the goods; and
3. such use does not imply sponsorship of the trademark owner.

The court held that the defendants' use of the marks in this case was necessary to identify the goods (thus satisfying the first criterion), but that the extent of such use exceeded what was reasonably and fairly necessary to describe the goods - specifically:

- the use of TOMMY HILFIGER in the store name;
- the use of TOMMY in the domain name;
- the extensive use of the marks in advertising flyers and outdoor and indoor signage without indicating that the goods were parallel-imported; and
- the use of the logo's colours in the design of the store.

As to the third criterion, the court ruled that, while the defendants indicated on their website that their

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products were parallel-imported goods sold at lower prices than those of the authorised importer, the following was likely to imply sponsorship of the trademark owner:

- the use of the TOMMY mark in the domain name;
- the inclusion of the mark TOMMY HILFIGER in the store name between 2008 and 2010; and
- the multiple use of the marks on signage and flyers without mentioning that the goods were parallel-imported.

Accordingly, the court held that the defendants were liable to the trademark owner for trademark infringement and unjust enrichment for free-riding on its goodwill. However, the court found that the defendants were probably not liable to the exclusive distributor, as it was not proven that it had a separate goodwill or that the defendants had encroached on its clientele (the issue was left open).

With regard to passing off, the court held that, because the goods sold by the defendants were genuine Tommy Hilfiger products, the defendants were not liable for passing off under Section 1 of the Commercial Torts Law 1999. The exclusive distributor was not shown to have a separate goodwill in the brand's products.

With regard to the claim of false representation, the court held that the misleading use of the plaintiff's marks in the defendants' store name and domain name falsely represented that the plaintiffs were the direct source of the defendants' goods and sponsored the defendants' business. Such use fell within the scope of the tort of false representations under Section 2 of the Commercial Torts Law.

However, the court found that use of the TOMMY mark in the defendants' domain name did not prevent or encumber access to the plaintiffs' businesses and, therefore, did not constitute interference with access to another's business.

Turning to compensation, the court - which was faced with complex evidence regarding the calculation of lost profits of the authorised stores selling the plaintiff's products and regarding the defendant's sales - deemed it preferable to award damages by way of global assessment. It awarded compensation in the amount of IS457,500.

Because use of the marks to describe the goods was permissible, the defendants were enjoined from:

- using the store name Importer's Warehouse - Tommy Hilfiger;
- using the mark TOMMY or other registered marks of the plaintiffs in their domain name;
- using the plaintiffs' marks in indoor and outdoor signage (except on a single outdoor sign which must contain a reference to parallel imports) and in advertising (use of a single mark per advertisement or flyer was allowed, with a reference to parallel imports); and
- using the logo's colours in the design of their store and web pages.

Use of the marks on the defendants' website was limited to use of a single mark on the home page (with a reference to parallel imports), and as necessary to identify the goods in the catalogue (with a reference to parallel imports).

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