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# Pieces of the puzzle

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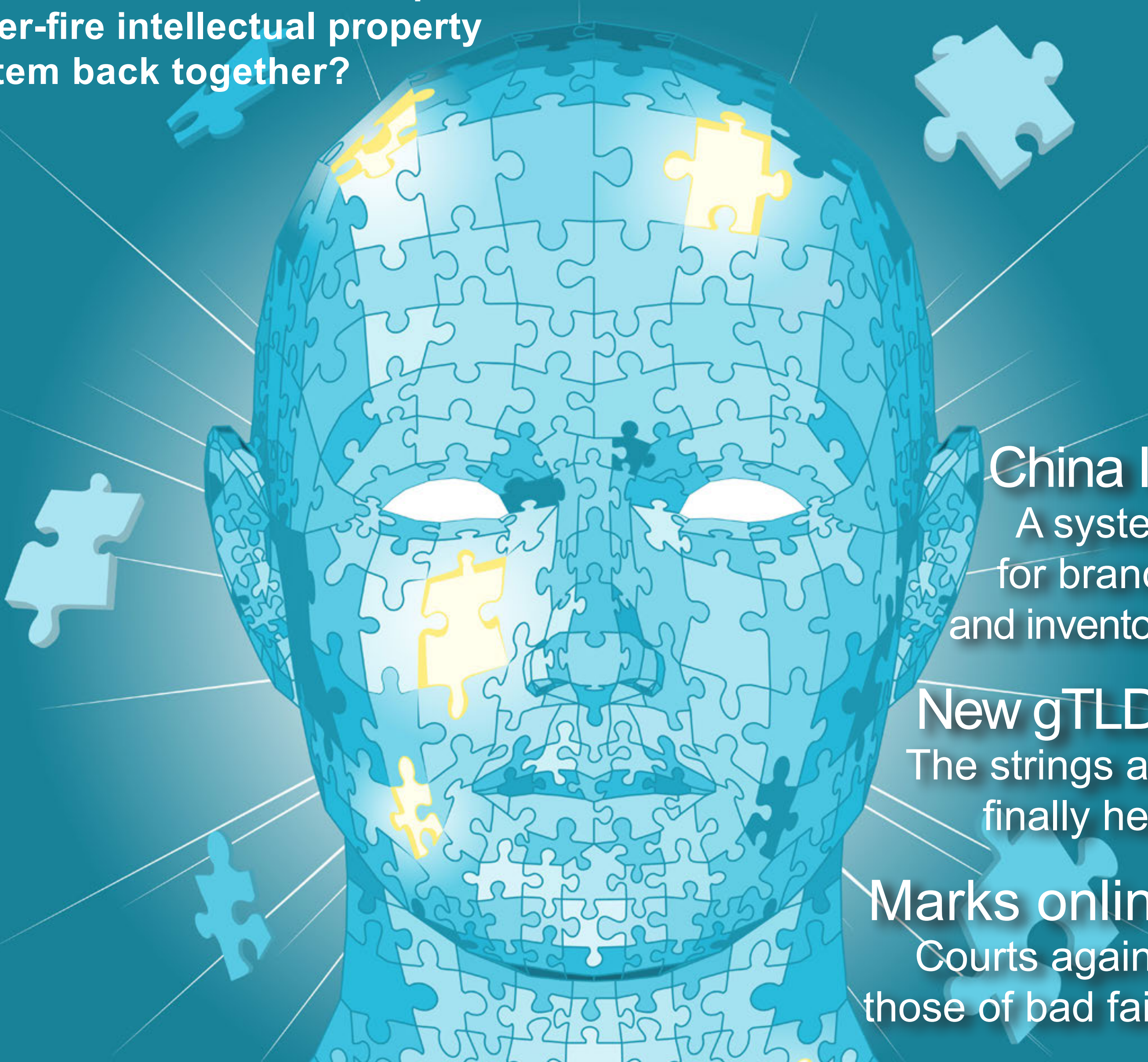

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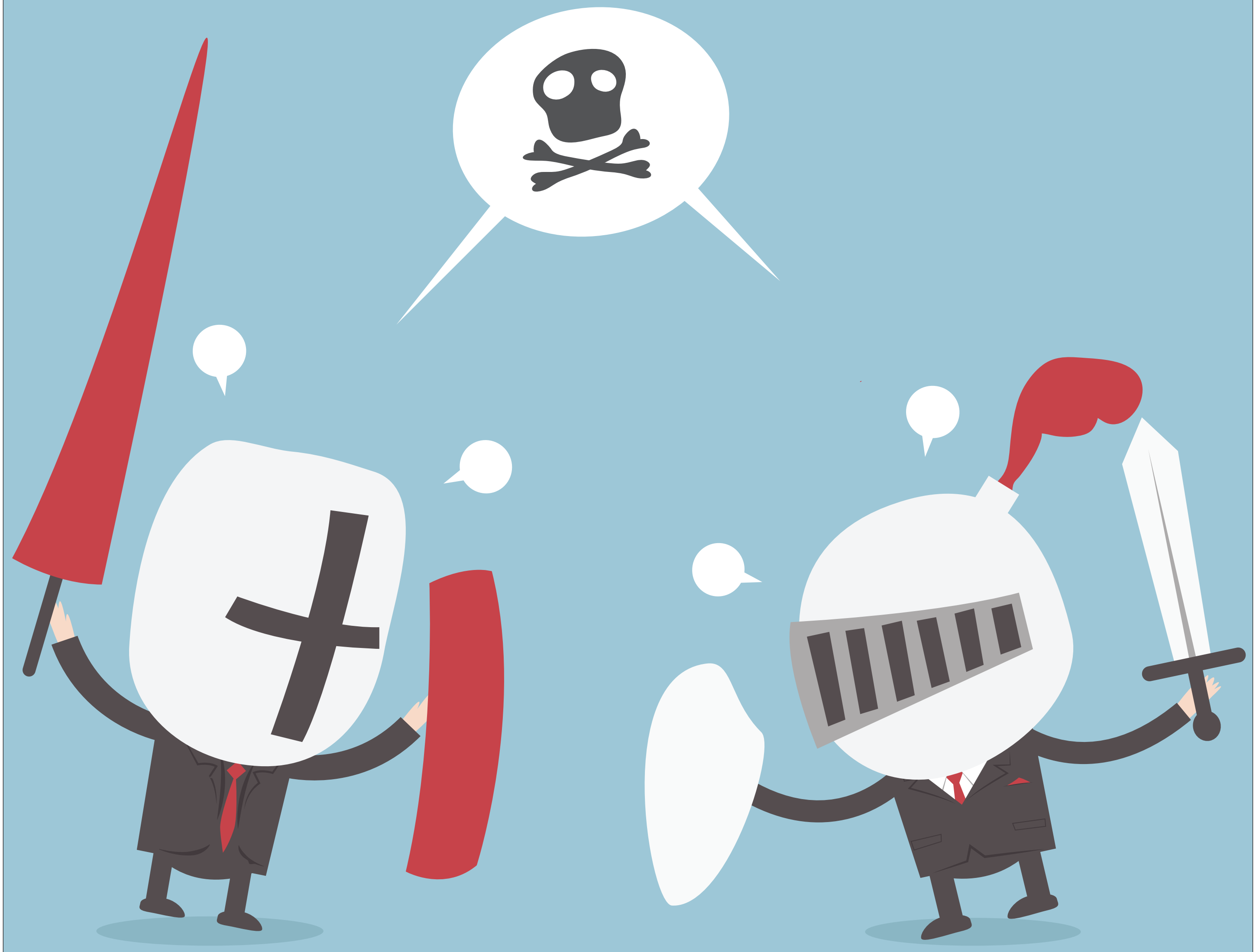

# The battle of the bottles

## Failing to terminate a trademark licence agreement correctly can cause problems down the road, say Bogdan Ivanišević and Ana Petković of BDK Advokati

Serbia is not one of the theatres in which Samsung and Apple wage their legal battles over designs and patents, or where Budějovický Budvar and Anheuser-Busch litigate over the use of the 'Budweiser' trademark for beer. Serbia, however, does have its own saga involving two actors who appear in multiple judicial forums and argue over the alleged infringement of intellectual property rights.

The parties are Gorki list licenciranje doo (GLL), proprietor of trademarks under which the bottled water VodaVoda is sold, and the company Laroucci Voda Voda doo (previously named Voda Voda doo), producer and distributor of the water. 'Voda', incidentally, means 'water' in Serbian.

One may take from these cases that, if a licensor in a trademark licence agreement (here, GLL) believes the licensee (here, Voda Voda doo) is not meeting its contractual obligation and decides to terminate the agreement, the licensor should do it properly—or the goods originating from the licensee will appear on the market for considerable time. The licensor cannot make up for the initial failure to terminate properly by subsequently registering the same sign as a different trademark and then relying on that registration to prevent use of the sign by the licensee and third parties.

GLL, whose business seat is in Slovenia, is a proprietor of a number of trademarks in Serbia, including the marks with the registration numbers '53772' and '53144'.

On 3 August 2006, the original proprietor of the trademarks, Vojin Đorđević, granted a non-exclusive licence to Voda Voda doo to use the two trademarks for a period of 10 years, in relation to production, distribution, and sale of drinking water. In July 2007, Đorđević assigned the marks to GLL, which, as the successor in title, stepped into the shoes of the licensor.

The licensed trademarks feature the expression 'VodaVoda'. Voda Voda is also the dominant part of the company name of the licensee. The overlap in names suggests that the initial arrangement was based on an expectation that the relationship between the licensor and the licensee would be close and durable.

However, the relationship quickly turned sour, and by mid-April 2009, GLL had notified Voda Voda doo that it was terminating the licence agreement. The reason, according to GLL, was that Voda Voda doo failed to pay royalties. Voda Voda doo considered the termination invalid and continued to produce and distribute the bottled water, using the trademarks.

A number of court cases ensued. We have been able to track five cases in which GLL claimed infringement of the trademark 53722 and, in some instances, 53144, against the retailers that sold bottled water under those marks. Voda Voda doo (subsequently renamed Laroucci Voda Voda doo) has been either a co-defendant in those cases or acted as intervener on the part of the retailer-defendants. In addition, in one case GLL sued Voda Voda doo only.

In each case initiated by GLL, the court ruled for the defendant. The court—sometimes in the same judgement—used two distinct types of argument.

The first argument, which may be labelled as substantive, concerns the validity of the termination of the licence agreement. Based on the available evidence, the argument goes that GLL did not terminate the licence agreement in accordance with the law. Under the terms of the licence agreement, as well as under Serbian law, a failure to pay the royalty in a timely manner did not authorise the licensor to terminate the agreement without notice. Therefore, GLL should have called upon Voda voda doo, the licensee, to pay the royalty within a reasonable additional period, which GLL failed to do (Belgrade Commercial Court, P-18650/12, GLL v Pekabeta, judgement of 21 November 2011; also, Commercial Appellate Court, case Pž.6475/13, GLL v Delhaize Serbia doo, judegment of 16 June 2013).

The second argument, which has more of a formal nature, focuses on the registration of trademarks and the licence agreement in the public records of the Serbian Intellectual Property Office (IPO). Under this argument, even if the termination of the licence agreement was eventually to be proved valid, the use of the licensed marks by the licensee and its retailers should be considered lawful, provided that the retailers purchased the goods under the trademarks during the period in which the licence agreement was registered.

Underpinning this stance is the courts' appreciation that the entry of a licence agreement into the IPO registry is of paramount importance. The third parties base their market behaviour on the information that is present in the registry, and this reliance should not be easily disturbed (Commercial Appellate Court, Pž.2784/12, GLL v C-Market, judgement of 14 February 2013).

Here, the licence agreement of 3 August 2006 had been duly registered until July 2009 and was eventually re-registered in July 2010 on grounds that a dispute between GLL and Voda Voda doo concerning the validity of the licence termination was pending.

In some court cases, GLL sued retailers that sold the water under trademarks 53722 and 53144 during the 12-month period in which the registration of the licence agreement was deleted from the IPO registry, but even those claims were dismissed.

The courts held that during the period when the licence was not registered, the retailers were lawfully selling the goods, because they had purchased the goods from the licensee in the period when the licence agreement was registered.

As the courts explicitly stated, the retailers were not required by law to remove from commerce the goods purchased lawfully (Commercial Appellate Court, Pž.1668/12, GLL v Pekabeta, judgement of 6 February 2013; also, Belgrade Commercial Court, P-8957/2012-2009, GLL v Delhaize Serbia doo, judgement of 16 June 2013).

GLL has made an additional effort to prevent Laroucci Voda Voda doo from selling VodaVoda water to retailers. In December 2009, GLL registered its international mark (IR 1019590) in a dozen countries, including Serbia, as a designated country under the Madrid Protocol. The mark is substantially the same as the national trademarks 53772 and 53144.

In the second half of 2012, GLL initiated at least two proceedings against retailers, and in one of these cases against Laroucci Voda Voda doo as a co-defendant, for infringement of the mark IR 1019590. If the courts accepted the claim of infringement, GLL could achieve what it could not when, against the identical factual background, it relied on the national trademarks (53722 and 53144): it could prevent others from producing and selling VodaVoda.

The judgements concerning the trademark IR 1019590 have not become final, but so far the roundabout strategy proved less efficient than what GLL may have hoped. One first instance court nicely summarised why the strategy was not promising:

"Prior to protecting the mark [IR 1019590] in September 2009, the plaintiff registered an identical mark in 2006 under number 53722, the subject matter of the licence agreement [of 3 August 2006]. In a situation like this, in which [Laroucci Voda Voda doo] has an agreement about the licence of the mark registered earlier, [Laroucci Voda Voda doo] cannot be said to be using without authorisation the identical mark registered later." (Pančevo Commercial Court, P-709/2012, GLL vi Rubin, judgement of 11 September 2013).

The court went on to state that the reason GLL registered the mark IR 1019590 was to sidestep the consequences of the proceedings in which GLL and Laroucci Voda Voda doo wrangle over the licence agreement and its alleged termination.

The reasoning offered by the Pančevo Commercial Court is likely to survive the appeal, because the Commercial Appellate Court had already used that same argument—albeit expressed less comprehensibly—in the same case, in a decision of 25 April 2013 denying GLL's motion for a preliminary injunction. **IPPro**

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