

World Trademark Review *Daily*

Good-faith defence may be available in certain circumstances
Israel - Gilat, Baret & Co., Reinhold Cohn Group

Confusion
Parallel imports
Passing off

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In *Tommy Hilfiger Licensing LLC v Schwartz* (CC 44503-03-10 (Central Distr), February 20 2012), the district court has found a retailer liable for trademark infringement and passing off for trading in counterfeit goods, but did not rule out the availability of a good-faith defence in limited circumstances.

The plaintiffs, companies of the [Tommy Hilfiger Group](#), hold registrations in Israel for the marks TOMMY HILFIGER, TOMMY and TOMMY JEANS, as well as a logo consisting of a red, white and blue flag. Jointly with the manufacturer and the importer, they brought an action against the defendant, the owner of a retail store, on the grounds of trademark infringement, passing off and other torts, as well as unjust enrichment, in connection with a shipment of clothes bearing the mark TOMMY HILFIGER or the brand logo which had been seized by the police at the defendant's home. The plaintiffs alleged that the goods were counterfeit and had been purchased at a local street market in the knowledge that they were counterfeit.

In his defence, the defendant argued that the significant difference in price of the goods negated the similarities between the goods and the targeted customers. He also alleged that the goods were damaged/defective original goods that had been parallel-imported and purchased in good faith, especially as they bore trademarks that were identical to the original trademarks. According to the defendant, it was only when customers refused to buy the goods for fear that they were counterfeit that he became aware that the goods could be counterfeit.

With regard to the trademark infringement claim, the district court found in favour of the plaintiffs, holding that when an identical mark is used, there is no need to assess whether the marks are confusingly similar, and any alleged differences between the goods or the consumers are irrelevant.

In the absence of a provision in the [Trademarks Ordinance](#) regarding a good-faith defence, the court was reluctant to recognise the possibility of using such a defence. However, the court noted that, under a more liberal position, good faith may be a defence. For example, the court may exercise its discretion to allow the registration of an identical or similar mark in case of honest concurrent use; in addition, a defendant may be able to demonstrate the inherent weakness of the mark, which led it to believe in good faith that the mark was not protected. However, the court held that neither exception applied in the present case.

The court also found that the defendant was not an innocent infringer according to his own testimony due to, among other things:

- his careful buying practice on another occasion (as opposed to purchasing goods from a random street seller);
- the fact that he had not filed a complaint with the police against the seller;
- the inferior quality of the counterfeit goods; and
- his attempt to continue selling the goods even after becoming aware, by his own admission, that they were counterfeit.

Consequently, the defendant was held to have actual knowledge that the goods were counterfeit, or to have deliberately closed his eyes to the fact.

The plaintiffs sought compensation for the actual damage incurred in the amount of IS125,000, as well as statutory damages for passing off under the Commercial Torts Law 1999 in the amount of IS100,000 for each of the infringed models.

The court held that the actual damage had not been proven and, therefore, compensation could not be awarded even by way of an estimate. As to statutory damages, referring to the language of Section 13(b), which provides that "acts carried out as part of one single set of activities shall be regarded as a single wrong", the court held that the applicable test, derived from copyright case law, was that compensation should be awarded for each infringed right, rather than each infringing transaction. Applying the test, the court held that there had been passing off with respect to each infringed model. The court awarded IS40,000 in damages for each of the two infringed models, having regard to:

- on the one hand, the plaintiffs' failure to show any actual damage and the fact that the goods had been seized at the defendant's home and not sold; and
- on the other hand, the need to deter the trade in counterfeits.

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A permanent injunction was granted and legal costs were awarded.

David Gilat and Sonia Shnyder, Gilat Bareket & Co, Reinhold Cohn Group, Tel Aviv

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