



SUPREME COURT OF NORWAY

J U D G M E N T

given on 2 June 2020 by the Supreme Court composed of

Justice Erik Møse
Justice Wilhelm Matheson
Justice Aage Thor Falkanger
Justice Arne Ringnes
Justice Borgar Høgetveit Berg

HR-2020-1142-A, case no. 19-141420SIV-HRET
Appeal against Borgarting Court of Appeal's judgment 21 June 2019

Henrik Huseby

(Counsel Per Harald Gjerstad)

v.

Apple Inc

(Counsel Sigurd Holter Torp)

Issues and background

- (1) The case questions whether the import of mobile phone screens affixed with a trademark covered with a marker amounts to trademark infringement under section 4 of the Trademarks Act.
- (2) Apple Inc is a US company producing and selling various technology products, including smartphones: iPhone. The company has several registered trademarks in use in Norway, among them this figure mark:



- (3) The figure mark is registered in Trademark Class 9, which includes smartphones and spare parts. The figure mark is referred to as the “apple logo”. This is an internationally well-known and valuable trademark.
- (4) Henrik Huseby runs the one-man enterprise PCKompaniet, whose activities include repair of smartphones from Apple and replacement of broken iPhone screens. Huseby has no business relations with Apple and is not an authorised Apple repairer.
- (5) Upon Apple’s request, an interim measure was ordered by Oslo County Court on 14 March 2017. The request was not directed at a specific product owner or recipient. The order imposed the customs services “to seek to disclose and keep from release all articles with trademarks or figure marks belonging to Apple Inc”, see section 34-7 of the Dispute Act, cf. section 15-2 of the Customs Act.
- (6) In July 2017, the customs services at Oslo Airport Gardermoen seized a package with 63 mobile phone screens to PCKompaniet. The package was shipped from Hong Kong and retained with legal basis in the mentioned order. The customs services justified the seizure with the screens being affixed with logos covered with a marker.
- (7) After the customs services’ seizure, Apple demanded destruction of the products. Huseby refused to comply. A case was brought before Oslo District Court, which on 3 November 2017 decided to hear the case pursuant to the small claims procedure.
- (8) On 2 February 2018, Oslo District Court gave judgment with the following conclusion:
 - “1. Henrik Huseby is discharged from Apple Inc’s claims.
 2. Apple Inc is discharged from Henrik Huseby’s claim.
 3. Apple Inc will pay costs of NOK 13 700 to Henrik Huseby within two weeks of service of the judgment.”

- (9) After an overall assessment of the placement and the function of the trademarks, and of the parties' interests in general, the District Court found, under doubt, that Huseby had not used Apple's trademark.
- (10) Apple appealed the judgment. On 24 August 2018, the appeal was referred to Borgarting Court of Appeal despite the value of its subject matter being less than NOK 125,000, see section 29-13 subsection 1 of the Dispute Act. On 21 June 2019, the Court of appeal gave judgment with the following conclusion:
- “1. Henrik Huseby, owner of the one-man enterprise PCKOMPANIET Henrik Huseby, is ordered, under the supervision of the Customs Services, to destroy the product batch of 62 mobile phone screens that has been retained by the Customs Services of Oslo and Akershus, with reference 2017/29214 TTVG-053/2017.
 2. Henrik Huseby, owner of the one-man enterprise PCKOMPANIET Henrik Huseby, is to pay all storage and destruction costs relating to the Customs Services' retaining of the products mentioned in item 1.
 3. Henrik Huseby, owner of the one-man enterprise PCKOMPANIET Henrik Huseby, is to pay a licence fee to Apple Inc. of NOK 5 500 – fivethousandfivehundred – with due date 2 – two weeks of service of the judgment with the addition of default interest from the due date until payment is made.
 4. Henrik Huseby, owner of the one-man enterprise PCKOMPANIET Henrik Huseby, is to pay costs in the Court of Appeal of NOK 75 000 – seventyfivethousand – to Apple Inc. within 2 – two – weeks of service of the judgment.
 5. Henrik Huseby, owner of the one-man enterprise PCKOMPANIET Henrik Huseby, is to pay costs in the District Court of NOK 26 676 – twentysixthousandsixhundredandseventysix – to Apple Inc. within 2 – two – weeks of service of the judgment.”
- (11) The Court of Appeal found that 62 of the 63 mobile phone screens were illegal copies, and that a violation of section 4 of the Trademarks Act had been committed. One of the screens had no logo at all.
- (12) Huseby appealed the judgment to the Supreme Court. The appeal mainly challenged the application of the law, but according to its contents, also the findings of fact. The Supreme Court's Appeals Selection Committee granted leave to appeal on 8 November 2018 with regard to the application of the law. Due to of the covid-19 outbreak, and since the parties had no objections, the Appeals Selection Committee decided on 30 March 2020 on a written hearing, see section 30-10 subsection 4 of the Dispute Act.

The parties' contentions

- (13) The appellant – *Henrik Huseby* – contends:

- (14) A trademark proprietor is only protected against use that may harm his interests relating to the function of the trademark. All of the 63 screens that were seized by the customs were without trademarks because the logos had been removed with a permanent marker. Thus, there has been no import of illegal copies, but rather an import of compatible spare parts. Huseby has never claimed that the screens were genuine. The number of screens originally produced by Apple is irrelevant, since all logos are covered. The Court of Appeal has started at the wrong end by not considering first whether the covering is “use” under section 4 of the Trademarks Act. When disassembling the phone, one will see that the logo has been removed. Thus, there is no risk of infringement of the trademark’s function as a guarantee of origin or quality. The screens are compatible spare parts that Huseby is entitled to employ.
- (15) Henrik Huseby invites the Supreme Court to pronounce the following judgment:
- “1. The Supreme Court finds in favour of Henrik Huseby, the owner of PCKompaniet.
 2. Apple Inc is to pay costs in Oslo District Court, Borgarting Court of Appeal and in the Supreme Court.”
- (16) The respondent – *Apple Inc* – contends:
- (17) The mobile phone screens are counterfeit products, which lies at the very heart of what section 4 of the Trademarks Act covers. The relevant trade circle consists of business enterprises. The fact that Apple’s trademark is affixed to the counterfeit products automatically implies that the trademark has been used. The Act will lose much of its significance if exceptions are allowed. The condition for establishing use is normally related to a possible restrictive interpretation in light of the functions of the trademark. However, such an assessment is irrelevant in the case at hand. Under any circumstances, an assessment of the trademark’s functions, including the guarantees of origin and quality, demonstrates that section 4 of the Trademarks Act has been violated. Huseby’s argument that the use of the trademark is legal because it concerns spare parts cannot be heard.
- (18) Apple Inc invites the Supreme Court to pronounce the following judgment:
- “1. The appeal is dismissed.
 2. Henrik Huseby will pay Apple Inc’s costs in the Supreme Court.”

The Supreme Court’s opinion

Facts of the case

- (19) Leave to appeal is granted as concerns the application of the law. The Supreme Court must base its ruling on the Court of Appeal’s findings of fact. The Court of Appeal’s reasoning may only be supplemented by facts that are notorious or undisputed, see the Supreme Court judgment HR-2017-2165-A *Il Tempo Gigante* paragraph 89.
- (20) Therefore, the Supreme Court will rely on the Court of Appeal’s assessment that the imported screens are not original products, that the affixed logos are identical to Apple’s registered

figure mark, that the logos have not been affixed by Apple, and that they have been covered with a removable marker.

- (21) It is undisputed that the concealed logos were on the part of the screen that will be hidden once the screen is fitted into the phone. It is also undisputed that the mark is used on such products for which it is protected. Finally, there is agreement that Huseby had not obtained Apple's consent to use the company's registered trademark, and that the import took place for commercial purposes.

The relevant application of the law issue

- (22) The main issue is whether Huseby's import of the mobile phone screens, affixed with Apple's trademark without consent, is a violation of Apple's exclusive trademark right, see section 4 of the Trademarks Act.

- (23) Section 4 subsection 1 and 3 reads:

“A trademark right has the effect that no one, without the consent of the proprietor of the trademark right (the trademark proprietor), may use in an industrial or commercial undertaking:

- a) any sign which is identical with the trademark for goods or services for which the trademark is protected
- b) any sign which is identical with or similar to the trademark for identical or similar goods or services if there exists a likelihood of confusion, such as if the use of the sign may give the impression that there is a link between the sign and the trademark.

...

Use is considered to include the following:

- a) affixing the trademark to goods or to the packaging thereof
- b) offering goods for sale or otherwise putting them on the market, stocking or delivering them under the sign, or offering or supplying services thereunder
- c) importing or exporting goods under the trademark
- d) using the sign on business documents and in advertising.”

- (24) Section 4 of the Trademarks Act is a step in the implementation of the EU's Trademark Directive 2008/95/EC, and its equivalent is Article 5 of the Directive, see Proposition to the Odelsting No. 98 (2008–2009) page 42 and HR-2018-110-A *Ensilo* paragraphs 38 to 40. The trademark right is comprised by the EEA Agreement. The significance of this is dealt with in HR-2016-1993-A *Pangea* paragraphs 42 to 46, see also HR-2016-2239-A *Route 66* paragraph 31 and HR-2018-110-A *Ensilo* paragraph 42. In the case at hand, it suffices with a reminder that rulings from the Court of Justice of the European Union CJEU are a central source for interpretation of the Trademarks Act.

- (25) Furthermore, HR-2018-110-A *Ensilo* is an important source for interpretation of section 4 of the Trademarks Act. A company selling a silage additive – a preservative – to the fishing industry, had after a change of suppliers affixed labels to the packaging showing a trademark belonging to the original supplier. The Supreme Court found that this was trademark infringement under section 4 of the Trademarks Act. The Supreme Court will return to this ruling later.

- (26) Trademark infringement requires that someone, without the consent of the trademark proprietor, uses the trademark in an industrial or commercial undertaking, see section 4 subsection 1 of the Trademarks Act. As mentioned, it is undisputed that Huseby had not obtained Apple's consent to use the trademark and that the import took place for commercial purposes.
- (27) The main question to be answered is whether Apple's trademark has been used. At the outset, the import of an unoriginal product with a trademark unlawfully affixed constitutes illegal use, see section 4 subsection 3 (c) of the Trademarks Act, cf. subsection 1 (a). This is referred to as trademark counterfeiting, see Proposition to the Storting 43 LS (2019–2020) page 49, and lies at the heart of trademark protection, see Proposition to the Odelsting No. 98 (2008–2009) page 42. The infringement entitles the trademark proprietor to take swift action; he does not need to wait until the product is sold. Enforcement of this principle is secured under the special provisions on interim measures to protect intellectual property rights, see section 34-7 of the Dispute Act. Thus, the only question in the case at hand is whether the removal of the affixed trademarks, with a marker, nonetheless precludes use within the meaning of the law.
- (28) From the wording in section subsection 1 (a) of the Trademarks Act and Article 5 (1) (a) of the Trademark Directive, it seems that the protection of the trademark is absolute in these cases. Yet, a certain restrictive interpretation may be found in CJEU case law. In HR-2018-110-A *EnsiloX* paragraph 44 et seq., the Supreme Court discussed the CJEU's general interpretation of Article 5 of the Trademark Directive, pointing out among other things that the CJEU has highlighted the trademark's functions as a guarantee of origin and quality. The Supreme Court summarised in paragraph 55:
- “I conclude thus far that the Trademarks Act section 4 subsection 1 a – due to the case law of the CJEU – must be interpreted only to protect the proprietor if the use has an adverse effect on the trademark's functions, such as the guarantee of origin and guarantee of quality. Hence, only use that may affect the proprietor's interests in the trademark's functions is unlawful. I add that a trademark's functions may overlap, and that a sharp distinction between them is hardly required in our case.”
- (29) In order to establish trademark infringement under section 4 subsection 1 (a), it is required that the use is *suited to affect* the proprietor's interests. When assessing this, one must identify the relevant trade circle. Such identification must start with the purpose of trademark law and be adjusted to the trading pattern of the relevant product, see the Supreme Court judgment HR-2017-2356-A *Purple* paragraph 85. The potential harm must be assessed within this particular circle.
- (30) Repairers and professional retail links are at the centre of the circle trading in spare parts to be fitted into ready products. It is out of consideration for this trade circle that Apple labels its original screens, although the logos are not visible to the end user after the screen has been fitted into the phone. The relevant trade circle will, because of the trademark, immediately be able to see that the screen is an original Apple screen.
- (31) In HR-2018-110-A *EnsiloX*, the Supreme Court considered whether it is a requirement that the trademark's functions have been affected to establish infringement, or whether it is sufficient that there is a *risk* of the same, see paragraphs 56 et seq. After having referred in particular to the CJEU's judgment 12 November 2002 in C-206/01 *Arsenal*, the Supreme Court summarised in paragraph 60:

“Hence, it was sufficient that there was ‘a clear possibility’ that the guarantee of origin would be affected. In my understanding, this means that it is sufficient that there is a risk that the trademark's functions are affected by the use in question. ...”

- (32) The Supreme Court also considered, in HR-2018-110-A *EnsiloX*, whether the risk assessment only related to the relevant sales situation or whether subsequent events could also be relevant, see paragraphs 61 et seq. The Supreme Court concluded in paragraph 64:

“While it is most practical that the trademark's functions have significance before and during a sale, I cannot see why protection should not be afforded in a post-sale situation if unlawful use also at this stage may affect any of the trademark's functions. For instance, a product that has been labelled with the wrong trademark may turn out to have a defect that, due to the mislabelling, can be linked to the trademark proprietor. Both the guarantee of origin and the guarantee of quality may be affected in such a case.

- (33) In the individual assessment in HR-2018-110-A *EnsiloX*, the Supreme Court mentioned that the labelling of the cans of silage additive created confusion as to where the products came from and that the labelling therefore entailed a risk of harm to the trademark’s functions, see in particular paragraph 73:

“Although the goods were delivered to a fixed circle of customers who are normally end users, such mislabelling generally creates a risk of affecting the proprietor's interests in the trademark's functions. And while the intention was not to resell the goods, it cannot be excluded that tradesmen borrow or buy from each other. It is true that the customers had been notified, but no information indicates that all employees had been notified and remembered that, despite the EnsiloX labels, the product was in fact Helm Aqua+. One may also imagine other situations where Solberg's notification of its customers would not be relevant. The trademark's function as a guarantee of origin thus risked being affected despite Solberg's notification.”

- (34) When assessing the condition for use, the CJEU’s judgment 25 July 2018 in case C-129/17 *Mitsubishi* is of interest. A company purchased original Mitsubishi forklifts outside the EEA and imported them into the EEA. While the goods were placed in customs warehouse, the importer removed all of Mitsubishi’s trademarks completely and replaced them with its own. After that, the goods were declared and formally imported into the EEA. Although the trademarks had been removed from the goods before the import, the CJEU found trademark infringement, as the act had affected the function of indicating origin, and the functions of investment and advertising, see paragraphs 44 and 46. Removal of the trademarks with the aim of circumventing the proprietor’s right to prohibit the importation of the goods bearing the trademarks, was considered contrary to the objective of ensuring undistorted competition, see paragraph 47. The judgment shows that the protection of the trademark extends beyond the trademark’s function as a guarantee of origin and quality. Furthermore, the judgment shows that use must be demonstrated based on a complex assessment that also absorbs the marketing function of a trademark.

- (35) The central issue in the case at hand is thus whether the trademark’s functions may be harmed in connection with import and a possible continued sale when the trademarks are covered. The covering is described as follows by the Court of Appeal:

“As set out above, the logos were covered with ink that could be removed without difficulty. It is easy to see that the pen marks are added later and are not an integrated part of the screen. If the ink is removed, the copy of Apple’s trademark becomes visible.”

- (36) In the case at hand, as opposed to in the *Mitsubishi* case, we are dealing with covering of logos unlawfully affixed to unoriginal reserve parts. The covering alone does not eliminate the risk of harm to the trademark's functions, since the marker may be removed. At the outset, trademark protection cannot be weaker in a case like this than in cases where the original trademark has been permanently removed.
- (37) The fact that the import constitutes the use does not mean that one should disregard the risk of harm in a post-sale situation, see HR-2018-110-A *Ensilox* paragraph 64. If Huseby, subsequent retail links or others who receive the screens remove the marker, the screens will look like original Apple screens, with identical trademarks. One cannot generally rule out the risk that anyone getting hold of the screens may remove the marker covering the trademarks. On the contrary, in a sales situation, both towards repairers and end customers, the seller may have a wish to remove it to obtain a higher price.
- (38) There is also a risk that the trademark's functions are harmed even if the marker is not removed. The screens appear identical to Apple's original screens, and the marker is added exactly where the logo is placed on the original screens. The covering, which is visible, may then create confusion as to the product's origin. To the relevant circle of trade, it may then be unclear whether it is an original screen or a copy. Such confusion in itself is sufficient to establish a risk of harm to the trademark's functions.
- (39) Huseby has emphasised Apple's market position and held that competition in the spare parts market is important in a sustainability perspective. This is not relevant to our case. The screens are not the issue under section 4 of the Trademarks Act, but the use of the trademarks on them. The Trademark Act does not prevent a Norwegian mobile phone repairer from importing screens that are compatible with Apple's smart phones, as long as the imported screens do not have trademarks unlawfully affixed to them.

Conclusion and costs

- (40) The conclusion is that Huseby's import of mobile phone screens, unlawfully affixed with Apple's trademark covered with a marker, amounts to trademark infringement under section 4 subsection 1 a, cf. subsection 3 of the Trademarks Act. The appeal is therefore dismissed.
- (41) When an appeal has not succeeded, the respondent is entitled to full compensation for necessary costs incurred in the Supreme Court, see section 20-2 subsection 1 and section 20-5 of the Dispute Act. The Supreme Court finds no reason to make an exemption. Apple has claimed costs before the Supreme Court of NOK 247 500. This constitutes 55 hours of legal assistance at an hourly rate of NOK 4 500. Huseby has not objected to the scope of work. The Supreme Court accepts the statement of claim.
- (42) The judgment is unanimous.

C O N C L U S I O N :

1. The appeal is dismissed.
2. Henrik Huseby will pay to Apple Inc 247 500 – twohundredandfortyseventhousand-fivehundred – within 2 – two – weeks of the service of this judgment.

Erik Møse
(sign.)

Wilhelm Matheson
(sign.)

Aage Thor Falkanger
(sign.)

Arne Ringnes
(sign.)

Borgar Høgetveit Berg
(sign.)