

Newsletter No.

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Swiss IP News We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.

Merck vs. MSD – When is online use considered use in Switzerland?



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In its landmark decision of 29 April 2020, the Swiss Federal Supreme Court held that the online use of a trademark or other sign must have a commercial effect in Switzerland for such use to be considered use in Switzerland. A *global* website targeted at a worldwide audience may have a commercial effect in Switzerland.

Background

The case saw Merck facing MSD, which operates as Merck in the US and Canada. The two groups share a common history. The science and technology group known in Switzerland today as Merck traces its origins back to a pharmacy established in Darmstadt, Germany, in 1668. It expanded into the US, where it set up a subsidiary in 1890. Following World War I, the US subsidiary became an independent business, no longer tied to its German origins. Since then, there have been two independent businesses that use “Merck” in their company name.

With increasing internationalization conflicts arose. For a long time, the parties resolved these conflicts amicably. The US group did not use “Merck” outside the US and Canada, and conversely the German group did not use “Merck” in the US and Canada.

However, the increasing importance of the internet and social media led to a dispute pending in several jurisdictions, including Switzerland, in which Merck and MSD argue, among other things, about whether or not MSD is entitled to use “Merck” as a part of its global online presences (i.e. as a part of addresses for and on websites and social media presences, and in email addresses).

Decision

In the Swiss proceedings, Merck requested, *inter alia*, that MSD be prevented from making accessible websites in Switzerland under certain .com domain names incorporating “Merck” or on which certain marks containing “Merck” are used (it being understood that a website was not deemed accessible in Switzerland if MSD used certain geo-blocking software preventing access from Switzerland).

The Commercial Court of the Canton of Zurich, being the court of first instance, dismissed Merck’s action to a large extent. The infringing use needs to occur in Switzerland in order for Merck’s rights to be infringed in Switzerland. According to the Commercial Court, for online use to be considered to take place in Switzerland, the internet presences in dispute needed to be targeted at a Swiss audience. The Commercial Court found that this was not the case for MSD’s internet presences.

On appeal, the Swiss Federal Supreme Court overturned the Commercial Court’s decision (decision 4A_335/2019 of 29 April 2020). For the first time, the Federal Supreme Court dealt with the question of principle as to when use of a sign on the internet constitutes use in Switzerland.

The Federal Supreme Court held that for online use to be considered use in Switzerland it was not sufficient for the internet presence in question to be accessible from Switzerland. Rather a sufficient link to, or commercial effect in, Switzerland was required. When assessing whether there was a sufficient link to Switzerland, the criteria set forth in the WIPO Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet of 2002 may be

taken into account. However, the Federal Supreme Court concurred with Merck that the Joint Recommendation had been drawn up at a time when the internet, due to the lack of geolocation technologies, had still been truly global, so that any injunction concerning the online use of a sign would necessarily have had a global effect. In light of the technological developments that have since occurred, in particular the possibility to prevent internet users from certain geographical areas from accessing a website by means of geo-blocking, the criteria of the Joint Recommendation needed to be interpreted more broadly.

On this basis, the Federal Supreme Court ruled that MSD's .com internet presences, including www.merck.com, had a commercial effect in Switzerland. Therefore, the use of "Merck" and the other signs at issue was considered to take place in Switzerland. Among other factors, the Federal Supreme Court took into account that MSD is an important global pharmaceutical group that is also present in Switzerland, where it develops and distributes pharmaceutical products. The fact that the products were not distributed under the "Merck" brand in Switzerland was not relevant as the online use of "Merck" was in dispute. The Federal Supreme Court further confirmed that for there to be a sufficient link to Switzerland, it was not required for the internet presences in dispute to show a more intense link to Switzerland than to other countries. The Federal Supreme Court further rejected the Commercial Court's position that the fact that MSD runs parallel websites under its "MSD" name (e.g. msd.com, msd.ch) would speak against a commercial effect of the websites using "Merck".

The case was remitted to the Commercial Court.

Comment

The Federal Supreme Court's landmark decision clarifies an important question regarding the reach of Swiss law when it comes to the online use of signs. While the Federal Supreme Court clarified that the mere possibility of accessing a website from Switzerland does not, for the purposes of Swiss trademark law and other distinctive signs, constitute use in Switzerland, it also made clear that a website targeted at a global audience may have a commercial effect in Switzerland and thus be considered use in Switzerland.

Walder Wyss represents Merck in the Swiss proceedings. The team is led by Roger Staub and, in the appeal proceedings, included Manuel Bigler and Marija Petrovic.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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