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Rebottling of Chanel perfumes: 'genuine description' defence does not necessarily apply, says Supreme Court

Israel - [Gilat, Bareket & Co, Reinhold Cohn Group](#)

- The district court found that use of Chanel's mark by St Wish fell under the 'genuine description' exception under Section 47
- The Supreme Court did not agree with the conclusion that consumers would attribute the properties of the perfumes to St Wish
- A risk of harming the goodwill of a well-known registered trademark may negate the 'genuine description' exception

In *Chanel v St Wish Ltd* (CA 8668/19, 31 October 2021), Israel's Supreme Court has accepted an appeal from a district court [decision](#) allowing the repackaging of Chanel perfumes.

Background

The appellant, Chanel, owns the well-known trademark CHANEL in the perfume market. The respondent, St Wish Ltd, purchases bottles of luxury perfumes - including Chanel perfumes - and transfers their content into small vials. These are sold with the name of the original perfume and the name of the manufacturer, at a price lower than that of the original product. The respondent also sells luxury perfumes to customers who refrain from purchasing the original products due to their price.

The district court ruled that the use of Chanel's trademarks amounted to an "infringement", as defined in the Israeli Trademarks Ordinance. Nevertheless, the court accepted the respondent's 'genuine description' defence under Section 47 of the ordinance, ruling that such defence applies as long as the public is not deceived as to the origin of the product, regardless of whether the properties of the perfume were altered due to the rebottling process. According to the district court's ruling, the respondent's clarification notice on its products, which indicated that the vials were filled by the respondent, prevented deception among the public as to a commercial affiliation between itself and Chanel. The district court requested that certain amendments be made to the labels and held that, subject to such amendments, use of Chanel's trademark by St Wish would be considered as a 'genuine description' under the ordinance.

Chanel appealed.

Supreme Court decision

The Supreme Court accepted the appeal in part and held that, although the 'genuine description' defence may be relevant in this case, the district court had disregarded two important arguments made by Chanel:

- Transferring the perfume into vials adversely affected the quality of the perfume so as to confuse the public as to the quality of the products; and
- The respondent's products harmed the image of Chanel's trademarks, as the packaging of the vials was not as "luxurious" as Chanel's perfume packaging, but was rather commonplace.

With regard to the first argument, the Supreme Court did not agree with the trial court's position that the consumer would attribute the properties of the perfume in the bottles to the respondent, and not to Chanel. It also rejected the holding that, as long as there was no deception as to the source of the product, the changes to its properties did not negate the 'genuine description' exception. Should it be determined that a risk of change to the properties of the perfumes had been proven, it had to be established that this precluded the applicability of Section 47 of the ordinance to the use made by the respondent of Chanel's mark.

The Supreme Court further observed that a risk of harming the goodwill of a well-known registered trademark may negate the 'genuine description' exception or oblige the user to implement measures to remove such concern. The defence of 'genuine description' of a trademark must also meet the proportionality test, which includes a requirement that such use be "necessary" (with a substantive justification), as well as "reasonable and fair". The issue of economic damage should also be examined. However, since Chanel's claims were not accompanied by evidence, except for displaying the packages, the risk of damaging the image of Chanel's name was not sufficient to prove such claim.

Outcome and outlook

The case was remanded to the district court to resolve the factual dispute as to the effect of the rebottling on the properties of the perfumes and the danger to public health. Should these arguments be proved by Chanel, the 'genuine description' defence will not apply, and the respondent will be barred from using Chanel's trademark in any way - even in the limited manner set forth by the district court's decision.

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