

TRADEMARK EXHAUSTION IN EUROPEAN UNION

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Summary: *The author analyzes the exhaustion of the trademark in the European Union. The subject of the analysis will be the provisions of the primary sources of EU law, the provisions of secondary sources of EU law, as well as the practice of the European Court of Justice.*

EU Member States have a national trade mark protection system and at EU level there is a regulation establishing a supranational trademark protection system. Parallel existence of these systems and their application in practice must be harmonized in such a way as to enable the smooth movement of goods and services in the internal market.

The institute of the exhaust of the trademark is a form of legal restriction on the subjective right of the trademark holder. Since the national exhaustion of the trademark clears the internal market to the extent that there is a Member State in the EU, a system of regional exhaustion of the trademark has been introduced.

Key words: *national exhaustion of the trademark, regional exhaustion of the trademark, international exhaustion of the trademark, EU law, the practice of the European Court of Justice.*

1. INTRODUCTION

The movement of goods and services in the internal market of the European Union (EU) is free between all Member States. These goods and services do not charge customs duties nor impose other taxes other than internal taxes. Goods that are the subject of traffic between Member States are most often marked with marks that are protected by a trademark. EU Member States retained a national system of intellectual property rights protection, so they have national laws on trademarks. In addition to the national protection of the trademark, EU bodies adopt secondary regulations in the form of regulations or directives that

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make unification or harmonization of regulations. In this way, there is a coexistence of national and supranational trademark law in practice. Relying on the classical national exhaustion regime, the problem arises with the opposition of exclusive subjective intellectual property rights and the free trade of goods and the protection of competition in EU law. The exclusive powers of the holder of a subjective intellectual property right may be an obstacle to the free movement of goods and in that way impair competition in the EU internal market.² Intellectual property rights protect monopoly rights in the course of the term, and competition law is exactly the opposite, i.e. law that does not allow monopolies. However, these rights are not inconsistent and do not exclude each other. And in the competition law, certain monopolies are allowed but under restrictive conditions. The competition law is currently allowing monopolies in the field of intellectual property rights, but not the abuse of these rights. The aim of the competition policy in EU law is not to protect neither competitors in the market nor consumers, but to preserve a certain market situation in which the four fundamental freedoms in the internal market can function.³ One of the possible solutions for overcoming restrictions on the freedom of movement of goods that is protected by some intellectual property right in the internal market is precisely the introduction of a regional exhaustion of rights law.

Regional exhaustion of rights emerged as a *acquis communautaire* of the European Union whose formulation was significantly contributed by the European Court of Justice in its judgments. It implies that goods legally marketed in the territory of any EU Member State may be the subject of parallel trade in other Member States without thereby violating the exclusive subjective rights of intellectual property right holders. Regional exhaustion is limited to the territory of the EU and parallel trade is prohibited outside its territory unless national legislation provides for international exhaustion. The institute trademark exhaustion and parallel trade is interconnected. The legal regulation of the exhaustion of the trademark in the EU depends on the type of exhaustion of rights and may affect the permissibility or prohibition of the parallel trade in goods marked with a trademark-protected trademark. If the state opts for national exhaustion of the trademark in that case, parallel trade or parallel import or export outside the EU is not permitted, and if it opts for international exhaustion, then parallel trade is allowed outside the EU.

2 Slobodan Marković and Dušan Popović, *Pravo intelektualne svojine* (Belgrade: Faculty of Law, University of Belgrade, 2013), 356.

3 See. Radovan Vukadinović, *Uvod u institucije i pravo Evropske unije* (Kragujevac: Association for European Law, 2014), 389.

2. TRADEMARK EXHAUSTION IN THE EUROPEAN UNION LAW AND PRACTICES OF THE EUROPEAN COURT OF JUSTICE

2.1. The term and types of trademark exhaustion

The exhaustion of rights as a form of restriction of subjective intellectual property rights constitutes a legal-political compromise, because it allows the free circulation of goods abroad.⁴ In the US there is a case-law on the exhaustion of rights starting from the case *Adams v. Burk*⁵ from 1873. German lawyer Josef Kohler developed the idea of exhausting a protected right to learn about the so-called idea „links between the usage method.“⁶ The term “exhaustion” of the trademark is rather imprecise and would mean exhaustion (consummation) of subjective law as a whole, which is not true. Here comes the exhaustion of individual exclusive powers in relation to a particular product, and not to the subjective right as a whole. It would be more precise to say that it is a matter of exhaustion of powers from subjective law, not of exhaustion of rights.⁷

The exhaustion or consumption of rights arises when a trademark holder or another person, on the basis of his authorization, or his successor, places a product marked with a trademark on the market, and a third party acquires ownership of that product by legal transaction and may freely put that product on the market. The basic requirement for the exhaustion of the right is to place the product marked with the trademark on the market by the will of the titular or his legal successor. The other person can do this with the authorization of the titular, and certainly not without it, because in that case there would be a violation of the trademark and not the exhaustion of the rights.⁸

According to the geographical scope, the exhaustion of the trademark can be divided into national, regional and international trademark exhaustion. Under the geographical scope of the exhaustion of the rights of the trademark holder

4 Zoran Miladinović and Siniša Varga, „Subjekt relevantan za iscrpljenje prava intelektualne svojine u odlukama Suda pravde Evropske unije“, *Pravni život*, no. 12 (2015): 245.

5 *Adams v. Burk*, 84 U.S. 453 (1873).

6 Josef Kohler, *Lehrbuch des Patentrechts* (Mannheim 1908), 131-133; Josef Kohler, *Handbuch des deutschen Patentrechts in rechtsvergleichender Darstellung* (Mannheim 1908), 452-453. See: Sandra Fišer, „Isrpljenje prava nosioca patenta“, *Pravo i privreda*, no. 5-8 (2007): 658; See: Katarina Damjanović, „Primjena principa „iscrpljenja prava“ u komunitarnom patentnom pravu“, *Pravo i privreda*, no. 5-8 (2007): 630.

7 Fišer, „Isrpljenje prava nosioca patenta“, 659. Njegoslav Jović, „Paralelna trgovina i iscrpljenje prava nosioca patenta na primjeru farmaceutskih proizvoda“, *Pravo i privreda*, no. 7-9 (2017): 311.

8 Jović, „Paralelna trgovina i iscrpljenje prava nosioca patenta na primjeru farmaceutskih proizvoda“, 311.

we mean the determination of the territory where the placing of goods on the market leads to the exhaustion of the rights of the trademark holder.⁹

The national exhaustion of the trademark is the oldest type of trademark depreciation on the basis of which the trademark is releasing copies of the products marked with a trademark and he has exhausted or consumed his subjective right so that the future owner has the right to leave that product on the market, but only the territory of the home state.¹⁰

Regional exhaustion of rights was created precisely in the European Union in the case *Deutsche Grammophon Gesellschaft mbH v. Metro-SB-Großmärkte GmbH & Co. KG*.¹¹ In this case, the copyright was exhausted, but the subject matter is significant for the exhaustion of all areas of intellectual property rights, as well as the exhaustion of the trademark. In this case, the European Court of Justice in 1971 decided to interpret Article 5 (2), Article 85 (1) and Article 86 of the EEC Treaty. The abuse of the dominant position was discussed and the markets were divided based on the exhaustion of copyright. In this case, the company “*Metro-SB-Großmärkte GmbH & Co. KG*” has bought gramophone records in France since “*Polydor SA, Paris*” business units of Deutsche Grammophon Gesellschaft from Germany at lower prices and imported them and put them on the market in Germany at higher prices, not respecting the price level determined by the distributor. Deutsche Grammophon was the exclusive distributor of these gramophone records for the territory of Germany and considered that Metro-SB, as a parallel trader, violated its rights under Article 85 Urheberrechtsgesetz (German Copyright Act). He considered that his right to placing on the market goods was not exhausted if he had placed goods on the market in a foreign market through his business unit and that national exhaustion was valid for the territory of that country. On March 20, 1970, Metro-SB received a court order from the Landgericht Hamburg, which prohibited it from selling or any marketing records of the company “Deutsche Grammophon” labeled “Polydor”. Metro-SB asked for a review of this decision and the dispute, according to a preliminary matter, reached the Court of Justice of the EC. Metro-SB said that there was exhaustion of rights both for the territory of the na-

9 Siniša Varga, „Geografski opseg iscrpljenja žiga i paralelna trgovina u pravu Republike Srbije“, in XI May Consultation, Proceedings «*Services and Consumer Protection*», ed. Miodrag Mićović (Kragujevac: Institute for Legal and Social Sciences, Faculty of Law, University of Kragujevac, 2015), 634.

10 See. Njegoslav Jović, „Pravni aspekti paralelne trgovine farmaceutskim proizvodima“, in XI May Consultation, Proceedings «*Services and Consumer Protection*», ed. Miodrag Mićović (Kragujevac: Institute for Legal and Social Sciences, Faculty of Law, University of Kragujevac, 2015), 672-673.

11 C-78/70, *Deutsche Grammophon Gesellschaft mbH v. Metro-SB-Großmärkte GmbH & Co. KG*. This is the first judgment in the practice of the European Court of Justice concerning the exhaustion of intellectual property rights. On this issue, the Court rendered a previous judgment in C – 56/64, *Constenes?Grundig v. EC Commission*, but this judgment was based on the application of competition law.

tional state and abroad. In this case, in response to the questions raised by the Court, the Court pointed out that the provisions of national regulations are contrary to the regulations governing the freedom of movement of products within the common market if the producers of sound recordings having the exclusive right to distribute protected products are allowed to prohibit the sale of those products in one State by other persons, although the manufacturers have legally placed them or persons authorized by them in the territory of another country. According to the Court, the manufacturer of sound recordings having the exclusive distribution right does not automatically occupy a dominant position. However, the position is different when taking into account all the situations of the case, it has the power to hinder the maintenance of effective competition in a significant part of the relevant market.¹² Regional exhaustion implies that the titular subjective intellectual property right has exhausted its right by placing a sample of cases on the market of a particular region, i.e. territory of the EU. In this case, a trademark holder may oppose a parallel trade in products that enjoy protection based on national exhaustion of the trademark only in the case of exports to non-EU countries.¹³

The international exhaustion of the trademark consists in the exhaustion of the subjective right by the act of first placing on the market copies of the product marked with a trademark, the will of the titular of the law regardless of the country in which the product was first put into circulation.¹⁴ A titular trademark can not be opposed to parallel trade if the international exhaustion of a trademark is in force in his country because it is deemed to have exhausted its subjective law for all countries.

If the “exhaustion” of the law does not exist, the intellectual property right holder could, on the basis of his trademark-based powers, prevent the prospective owner from making further trade in goods marked with a trademark. The basic purpose of the institute is to disable such behavior of intellectual property rights offenders and that its consent is not necessary for the so-called secondary trade in the product concerned by trademark protection.¹⁵

12 C-78/70, Deutsche Grammophon Gesellschaft mbH v. Metro-SB-Großmärkte GmbH & Co. KG. See. Njegoslav Jović, „Regionalno iscrpljenje prava intelektualne svojine karakteristično za pravo Evropske unije“, *Revija za evropsko pravo*, no. 1 (2015): 94-95.

13 Jović, „Paralelna trgovina i iscrpljenje prava nosioca patenta na primjeru farmaceutskih proizvoda“, 313-314.

14 Dušan Popović, *Isključiva prava intelektualne svojine i slobodna konkurencija* (Belgrade: Faculty of Law, University of Belgrade, 2012), 175.

15 Dušan Popović, „Isrpljenje“ autorskog prava i srodnih prava, međunarodna trgovina i poslovanje na internetu,“ *Pravna riječ*, no. 37 (2013): 70.

2.2. Primary sources of EU law and exhaustion of the trademark

By establishing the European Communities as a form of regional economic integration, these organizations primarily set economic goals in the form of establishing a common European market and later on the internal market. Four basic freedoms were proclaimed, i.e. freedom of movement of goods, freedom of movement of persons, freedom to provide services and freedom to trade in capital. Restricting or preventing trade within the EU can be justified by the protection of intellectual property rights, but also under exceptional conditions.

Currently valid in the EU, the Lisbon Treaty was signed in 2007 and entered into force in 2009. The Lisbon Treaty consists of the Treaty on the European Union and the Treaty on the Functioning of the European Union. These agreements constitute primary sources of EU law. There are no provisions in the treaties for exhaustion of the trademark. There are competition law provisions under Article 101 and Article 102 of the Treaty on the Functioning of the EU that could be applied indirectly to the exhaustion of a trademark, as the European Court of Justice does in cases of patent exhaustion. However, unlike patent law, there are secondary sources in the field of trade mark rights in the form of a regulation and a directive governing the exhaustion of the trademark.

By adopting the Agreement on the European Economic Area (EEA) of 2 May 1992, this institute of trade mark extension has been extended to the member countries of the European Free Trade Agreement (EFTA), and the exhaustion of the trademark of the EU relations has also been waived.

2.3. Secondary sources of EU law and exhaustion of the trademark

The EU first harmonized national legislation in the field of trademark law and was thus passed First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks.¹⁶ This Directive has been amended Council Decision 92/10/EEC of 19 December 1991 postponing the date on which the national provisions applying Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks are to be put into effect¹⁷ which has been abrogated by codification Directive 2008/95/EC of the European Parliament and of Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.¹⁸

¹⁶ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ, L 040, 11.2.1989, p. 1).

¹⁷ Council Decision 92/10/EEC of 19 December 1991 postponing the date on which the national provisions applying Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks are to be put into effect (OJ, L 006, 11.1.1992, p. 35).

¹⁸ Directive 2008/95/EC of the European Parliament and of Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (OJ, L 299, 8.11.2008, p. 25).

The First directive started the process of EU legislative activity regarding the rights of the trademark in the EU aimed at the establishment of a harmonization mechanism with the purpose of harmonizing the legislation of the Member States.¹⁹ The Codification Directive 2008/95/EC consolidated the First Council Directive 89/104/EEC and the Council Decision 92/10/EEC. Adoption Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks,²⁰ Directive 2008/95/EC ceased to be valid from 15.01.2019. years. Directive (EU) 2015/2436 applies to each trademark relating to products and services subject to registration or application for registration of a single trademark, common trademark, guarantee or certification trademark in a Member State or which is the subject of registration or application for registration with the Benelux Institute for intellectual property or international registration having effect in a Member State.

The First Council Directive 89/104/EEC of 1989 states in Article 7 under the heading «Exhaustion of the rights conferred by a trade mark»:

„1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.“

The Codification Directive 2008/95/EC in Article 7 and the current Directive (EU) 2015/2436 in Article 15 contain the same text as the First Council Directive 89/104/EEC in Article 7 with the only difference being that in the new directives instead «Communities» stands for «Union».

By adopting this text of Article 7 or Article 15 of the said Directives, the Council and later the European Parliament and the Council officially introduced the regional exhaustion of the trademark in the EU. However, these Directives do not prohibit Member States from prescribing, by their laws, the national or international exhaustion of the trademark outside the EU territory. For these reasons, there are different provisions in the national law on the trademark in respect of the exhaustion of the trademark. It is common for them only that the regional exhaustion of the trademark applies to the territory of the EU and the internal market.

¹⁹ Dragan Zlatović, *Žigovno pravo* (Zagreb: Vizura, 2008), 189.

²⁰ Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (OJ, L 336, 23.12.2015, p. 1).

Regional exhaustion of rights implies that goods in which materialized intellectual property is protected by subjective intellectual property rights in one Member State and lawfully manufactured and marketed in that State may be subject to further circulation within the territory of the entire internal market, irrespective of national law protection of intellectual property of other EU Member States.²¹ In practice, this would mean that goods legally manufactured and marketed by the titular of the law in Germany may be resold in Belgium or any other EU country by third parties who legally become owners of those goods without thereby offending only subjectively the right of intellectual property rights. The only limitation for these persons who conduct parallel trade is that if the national law of the State of Germany in this case prescribes national exhaustion, these goods can not be exported to third non-EU countries, because in that case the national exhaustion of intellectual property rights, prescribed by German law and there would be a violation of the exclusive subjective rights of the intellectual property right holder.²²

In addition to the harmonization of national regulations, in order to overcome national restrictions on the rights of the trademark in the EU, a transnational system of trademarks has been established by adopting Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark²³ which has been abrogated Council Regulation (EC) No 207/2009 of 26 February 2009 on the European Union trade mark²⁴ and Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs),²⁵ all put out of force now valid Regulation (EU) 2017/1001 of the European parliament and the Council of 14 June 2017 on the European Union trade mark²⁶ which is a standardized trademark of the

21 Marković and Popović, *Pravo intelektualne svojine*, 356.

22 Jović, „Regionalno iscrpljenje prava intelektualne svojine karakteristično za pravo Evropske unije“, 94.

23 Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ L 11, 14.1.1994, p. 1).

24 Council Regulation (EC) No 207/2009 of 26 February 2009 on the European Union trade mark (OJ L 78, 24.3.2009, p. 1).

25 Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs) (OJ, L 341, 24.12.2015, p. 21).

26 Regulation (EU) 2017/1001 of the European parliament and the Council of 14 June 2017 on the European Union trade mark (OJ L 154, 16.6.2017, p. 1).

European Union. The supranational system of trademark protection in the EU, established by the said regulations, serves to differentiate goods and services in the traffic. It contains unique substantive and procedural norms. Supranational material law norms define the subject of the trademark, determine the conditions for its acquisition, prescribe its contents and limitations, and transnational process legal norms regulate the procedure for obtaining a trademark in a uniform way, and a special administrative body in charge of receiving, examination of the application and recognition of the trademark.²⁷

Council Regulation (EC) No 40/94 in Article 13, Council Regulation (EC) No 207/2009 in Article 13 and Regulation (EU) 2017/1001 in Article 15 under the title „Exhaustion of the rights conferred by an EU trade mark“ contain an almost identical provision which reads:

„1. An EU trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.“

The text of these regulations is identical to the text of Article 7 of the First Council Directive 89/104/EEC and later Directives. These regulations have established a transnational system of trademark in the EU, and according to them, the EU trademark applies regional exhaustion of the trademark.

2.4. Practice of the European Court of Justice

The European Court of Justice discussed in several cases the exhaustion of the trademark in the EU. Court practice is rich, but due to the scope of work, we will analyze only a couple of cases.

Some of the most important items in the period from 1990 to 2000 are C-355/96, *Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH*, C-173/98, *Sebago, Inc. v. GB-Unic SA*, Joined Cases C-414/99 и C-416/99, *Zino Davidoff SA v. A & G Imports Ltd.*, *Levi Strauss & Co. v. Tesco Stores Ltd.*, and *Levi Strauss & Co. v. Costco Wholesale UK Ltd.*²⁸

²⁷ Marković and Popović, *Pravo intelektualne svojine*, 357. See. Njegoslav Jović, „Organizacija i funkcije Zavoda Evropske unije za intelektualnu svojinu (EUIPO) nakon Uredbe (EU) 2017/1001, *Revija za evropsko pravo*, no. 2-3 (2017): 76-77.

²⁸ For the analysis of these subjects, see. Irene Calboli, „Trademark Exhaustion in the European Union: Community-Wide or International? The Saga Continues“, *Marquette Intellectual Property Law Review* Vol. 6 (2002): 47-90.

In the case C-324/08, *Makro Zelfbedieningsgroothandel CV, Metro Cash & Carry BV and Remo Zaandam BV v Diesel SpA*²⁹ the European Court of Justice interpreted the meaning of «consent» under Article 7 paragraph 1 of First Directive 89/104/EEC in the context of trade within the European Economic Area. Distributions Italian Fashion S.A., (Difsa), the distributor of Diesel products in Spain, Portugal, and Andorra, granted Flexi Casual the exclusive right to sell Diesel products in those countries. Flexi, however, without the approval of Difsa or Diesel, entered into a separate licensing agreement with Cosmos World S.L. to distribute Diesel products. Cosmos then sold Diesel shoes to Makro, who in turn began selling the shoes in the Netherlands. Diesel brought suit against Makro alleging copyright and trademark infringement on the grounds that Diesel did not consent to Cosmos' marketing of the shoes. Both the Dutch trial court and the Court of Appeals ruled in favor of Diesel.

Makro appealed to the Hoge Raad, asserting that Diesel's trademark rights were exhausted under Article 7(1) of the Trademark Directive because Cosmos had marketed the shoes in question with Diesel's consent. Unclear on how to proceed, the Hoge Raad referred to the CJEU to clarify whether consent could be «implied» in «the case where [the] goods ... have first been placed on the market within the EEA, but not by [the trademark owner himself] or with his express consent.»

Responding to the Hoge Raad's question, the CJEU first repeated, as it had pointed out in *Sebago and Zino Davidoff and Levi Strauss*, that consent «constitutes the decisive factor» when determining whether a trademark owner's rights are exhausted under Article 7, and that such consent should be «unequivocally demonstrated.» The Court also indicated that, contrary to the facts in this case, consent «will normally be gathered from an express statement.» The CJEU admitted, however, that in certain instances, such as in the presence of licensing agreements, consent may be inferred «from the facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market in that area» when, in the view of the national court, these facts and circumstances «unequivocally demonstrate that the proprietor has renounced his exclusive rights.» Lastly, the Court observed that, also in the case where the products were first distributed into an EEA country, national courts could assess whether trademark owners had «implicitly consented» to the first distribution of the goods (and exhausted their trademark rights) by using the same test that the CJEU had developed in *Zino Davidoff and Levi Strauss*. National courts could do so despite the fact that the CJEU developed that test with respect to

²⁹ C-324/08, *Makro Zelfbedieningsgroothandel CV, Metro Cash & Carry BV and Remo Zaandam BV v Diesel SpA*, available at: <http://curia.europa.eu/juris/document/document.jsf?text=&docid=76761&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=1062764>, 17.03.2019.

products, which were first marketed outside the EEA and later imported into the EEA.» Based upon this test, the Court seemed to ultimately indicate that Diesel did not consent to Cosmos' sale of Diesel products to Makro, that Diesel's trademark rights were not exhausted, and that Diesel could legitimately oppose Makro's sale in the Netherlands.³⁰

The European Court of Justice again interpreted the «trademark owner's consent» under Article 7 paragraph 1 of the directive in the case C-127/09, *Coty Prestige Lancaster Group GmbH v Simex Trading AG*.³¹

In this case, Coty, a perfume manufacturer, marketed its products through selective distribution channels with «authorized specialist dealers» to whom Coty provided marketing and advertising materials free of charge. Coty expressly prohibited, however, any «commercial use on the part of the authorized specialist dealer [of the materials], particular[ly] the sale of samples, testers or miniatures.» Regardless of these contractual clauses, Simex, a third party distributor, was able to provide two testers of Coty's perfumes to a retail store in Germany. These testers were genuine perfumes, which had been packaged differently and had been labeled with the wording «Demonstration» and «Not for Sale.» The testers had been supplied to Simex by a within-network Coty dealer in Singapore. Claiming that this unauthorized sale violated its trademark rights, Coty sought an injunction against Simex in Germany on the basis that the testers were put on the EEA market for the first time without Coty's consent. Against this claim, Simex asserted that the testers had been put on the market with Coty's consent, and that therefore Coty's rights were exhausted. The trial court ruled in favor of Simex, reasoning that Coty had transferred the testers to dealers, and thus had granted its permission to use the perfumes. Coty appealed, and the Court of Appeals referred to the CJEU a question to clarify the meaning of the language «placement on the market» with «trademark owner's consent» under Article 7(1) of the Trademark Directive.

The CJEU answered the question referred by the German Court of Appeals by first repeating its conclusion in *Sebago* that under Article 7(1) trademark rights are considered exhausted not with respect to a whole category of goods, but only with respect to the «individual items of the product which have first been put on the market in the EEA by the proprietor or with his consent.» The Court then analyzed whether *Coty's* rights in the particular products at issue were exhausted based upon this general principle. Ultimately, the CJEU concluded that Coty's rights with regards to the products at issue were not exhausted. The

30 Irene Calboli, „Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union (Ten Years Later)“, *Marquette Intellectual Property Law Review*, Vol. 16 (2012): 262-263.

31 C-127/09, *Coty Prestige Lancaster Group GmbH v Simex Trading AG*, available at: <http://curia.europa.eu/juris/liste.jsf?language=en&num=C-127/09>, 17.03.2019.

Court also repeated that, in abstract, «consent» for purpose of trademark exhaustion under Article 7 can be either express or implied from the circumstances. Yet the Court noted that consent can be implied only if the circumstances unequivocally demonstrate that trademark owners have renounced their right to be first to place the goods onto the market in the EEA. In addition, the CJEU pointed out that the issue of consent is one to be decided by the national courts. In this case, the CJEU noted that a finding of consent was precluded due to the fact that the testers' bottles were clearly marked «not for sale» which unequivocally indicated that Coty did not consent to their sale and thus precluded the possibility that Coty's rights could be exhausted under Article 7(1).

Significant cases for the exhaustion of the trademark right before the European Court of Justice after 2000 are also C-59/08, Copad SA v Christian Dior couture SA, Vincent Gladel and Société industrielle lingerie (SIL), C-558/08, Portakabin Ltd and Portakabin BV v Primakabin BV, C-324/09, L'Oréal SA and Others v eBay International AG and Others, Joined Cases C-400/09 and C-207/10, Orifarm A/S and Others (C-400/09) and Paranova Danmark A/S and Paranova Pack A/S (C-207/10) v Merck Sharp & Dohme Corp. and Merck Sharp & Dohme BV and Merck Sharp & Dohme.³²

In case C-291/16 Schweppes SA v Red Paralela SL and Red Paralela BCN SL³³ in front of the European Court of Justice request for a preliminary ruling concerns the interpretation of Article 7(1) of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks and of Article 36 TFEU. The request has been made in the course of proceedings between Schweppes SA, a company operating under Spanish law, and Red Paralela SL and Red Paralela BCN SL, formerly Carbòniques Montaner SL (collectively, 'Red Paralela') concerning the latter companies' import into Spain of bottles of tonic water bearing the Schweppes trade mark and originating in the United Kingdom. In 1999, Cadbury Schweppes assigned some of those parallel trademarks, including those registered in the United Kingdom, to Coca-Cola/Atlantic Industries ('Coca-Cola'). Cadbury Schweppes remained the proprietor of the rest of the parallel trademarks, including those registered in Spain.

On 29 May 2014, Schweppes initiated infringement proceedings against Red Paralela in respect of the Spanish parallel trade marks, on the ground that the defendants in the main proceedings had imported and distributed in Spain bottles of tonic water bearing the trade mark Schweppes and originating in the

32 More about these cases see. Calboli, „Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union (Ten Years Later)“, 264-273.

33 C-291/16, Schweppes SA v Red Paralela SL and Red Paralela BCN SL, available at: <http://curia.europa.eu/juris/document/document.jsf?text=&docid=198049&doclang=EN>, 15.03.2019.

United Kingdom. Schweppes maintains that that marketing in Spain is unlawful, given that those bottles of tonic water were manufactured and placed on the market, not by itself or with its consent, but by Coca-Cola, which, according to Schweppes, has no economic or legal connection with the Orangina Schweppes group. It submits in that context that, in view of the identical nature of the signs and goods in question, consumers are in no position to distinguish the commercial origin of those bottles.

In their defence, Red Paralela contend that the trade mark rights resulting from tacit consent, in so far as concerns the Schweppes goods originating in Member States of the European Union where Coca-Cola is the proprietor of the parallel trade marks, have been exhausted. In addition, Red Paralela consider that there are undeniable legal and economic links between Coca-Cola and Schweppes International in their joint exploitation of the sign 'Schweppes' as a universal trade mark.

In those circumstances, the Juzgado de lo Mercantil n° 8 de Barcelona (Commercial Court No 8, Barcelona, Spain) has decided to stay the proceedings and to refer questions to the Court of Justice for a preliminary ruling.

Article 7(1) of Directive 2008/95 is framed in terms corresponding to those used by the Court in judgments which, in interpreting Articles 30 and 36 of the EC Treaty (later Articles 28 and 30 EC, now Articles 34 and 36 TFEU), have recognised in EU law the principle that trade mark rights may be exhausted. It thus reiterates the case-law of the Court to the effect that a person holding trade mark rights protected by the legislation of a Member State may not rely on that legislation in order to oppose the import or marketing of a product which has been put into circulation in another Member State by him or with his consent (see, to that effect, judgments of 11 July 1996, *Bristol-Myers Squibb and Others*, C-427/93, C-429/93 and C-436/93, EU:C:1996:282, paragraph 31, and of 20 March 1997, *Phytheron International*, C-352/95, EU:C:1997:170, paragraph 20).

On the basis of previous questions, the European Court of Justice replied that Article 7(1) of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks, read in the light of Article 36 TFEU, must be interpreted as precluding the proprietor of a national trade mark from opposing the import of identical goods bearing the same mark originating in another Member State in which that mark, which initially belonged to that proprietor, is now owned by a third party which has acquired the rights thereto by assignment, when, following that assignment,

- the proprietor, either acting alone or maintaining its coordinated trade mark strategy with that third party, has actively and deliberately continued to promote the appearance or image of a single global trade mark, thereby generating or increasing confusion on the part of the public concerned as to the commercial origin of goods bearing that mark, or
- there exist economic links between the proprietor and that third party, inasmuch as they coordinate their commercial policies or reach an agreement in order to exercise joint control over the use of the trade mark, so that it is possible for them to determine, directly or indirectly, the goods to which the trade mark is affixed and to control the quality of those goods.

The practice of the European Court of Justice has significantly contributed to the equalization of the application of EU law in the Member States. This is also evident from the previously analyzed judgments that have analyzed only some segments of the exhaustion of the rights of the trademark in the EU.

3. CONCLUSION

The exhaustion of the trademark in the EU is not regulated by the TEU and TFEU as the primary sources of EU law, while there are secondary sources, and this is the Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks and Regulation (EU) 2017/1001 of the European parliament and the Council of 14 June 2017 on the European Union trade mark, which in almost identical ways regulate the exhaustion of the EU trade mark.

This Directive and the Regulation prescribe regional exhaustion of the trademark in the EU. This means that the titular trademark has exhausted its right by placing a sample of articles that are desired by the trademark on the EU territory market.

Regulation (EU) 2017/1001 applies to an EU trade mark and is the basis for regional trademark exhaustion, however, Directive (EU) 2015/2436 provides for regional trademark exhaustion in the EU but it is unclear as to whether the EU Member States can prescribe the appearance of a national or international exhaustion of a trademark for products placed on the market outside the EU.

The practice of the European Court of Justice is rich, but the Court has also taken inexplicable attitudes that allow for different interpretations. In cases that are pending before the Court, the questions were addressed to the interpretation of the provisions of the Directive from First Directive 89/104/EEC to Di-

rective (EU) 2015/2436. The Directives have just served to harmonize the national laws of the Member States in the field of trademark law. It is indisputable that the application of the provisions of Directive (EU) 2015/2436 introduces a regional exhaustion of the trademark in the EU, but it is not clear from the analysis of the judgments of the European Court of Justice whether Member States may prescribe the occurrence of a national or international exhaustion of a trademark outside the EU. In this case, Directive (EU) 2015/2436, as well as all the previous ones, did not fully harmonize the national regulations of the EU Member States.

The purpose of these directives is to harmonize regulations and their harmonized application in the EU internal market, and obviously the EU authorities are unwilling to regulate the exhaustion of trademarks that would apply outside the EU, which is in line with international conventions in the field of intellectual property rights that leave the exhaustion of intellectual property rights to national legislators.

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ИСЦРПЉЕЊЕ ЖИГА У ЕВРОПСКОЈ УНИЈИ

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Резиме: У раду аутор анализира исцрпљења жига у Европској унији. Предмет анализе ће бити одредбе примарних извора права ЕУ, одредбе секундарних извора права ЕУ као и пракса Европског суда правде.

Државе чланице ЕУ имају национални систем заштите жига а на нивоу ЕУ постоји уредба којом се успоставља наднационални систем заштите жига. Паралелно постојање ових система и њихова примјена у пракси мора бити усклађена на начин да омогућавају несметано кретање роба и услуга на унутрашњем тржишту.

Институт исцрпљења жига је вид законског ограничења субјективног права носиоца жига. Пошто би национално исцрпљење жига цијепало унутрашње тржиште на онолики број колико има држава чланица у ЕУ, уведен је систем регионалног исцрпљења жига.

Кључне ријечи: национално исцрпљење жига, регионално исцрпљење жига, међународно исцрпљење жига, право ЕУ, пракса Европског суда правде.

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