

PROBLEMATIC ASPECTS OF THE APPLICATION OF THE PRINCIPLE OF EXHAUSTION OF TRADEMARK RIGHTS IN THE EU (EEA) AND OF ITS INTERRELATION WITH CONTRACT LAW: POSSIBLE SOLUTIONS?

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Abstract

The article deals with the issue of exhaustion of trademark rights, which is among the most difficult and controversial questions in the field of intellectual property law. The principle of exhaustion of trademark rights interferes with the scope of trademark owners' rights as well as the rights of other market participants. Thus, it is important to ensure a fair balance between the interests of both parties, i.e. trademark owners and other market players. Exhaustion of rights being the concept of *lex specialis*, i.e. trademark law, is closely inter-related with national contract law as well as procedural law of different countries, which makes it difficult to ensure the consistency of case law regarding the application of the principle of exhaustion of trademark rights within different EU (EEA) Member States. The article provides theoretical and practical analysis of some problematic aspects related to the application of the principle of exhaustion of trademark rights, suggesting relevant insights which could serve in trying to find answers in pursuit of more legal certainty and predictability for market participants.

Keywords: Trademarks, exhaustion, contract law, consent

Introduction

The application of the principle of exhaustion of trademark rights is among the most controversial topics in trademark law. Firstly, the application of the principle of exhaustion of rights (as the concept of trademark law) is closely connected with national contract law of different countries as well as competition law. Therefore, in spite of harmonized trademark law in the EU, including the harmonized approach towards the

principle of exhaustion, the differences in the application of this principle find their way back through the existing differences in contract law in Member States. Secondly, the principle of exhaustion of rights which is chosen to be applied in the particular territory, as a matter of principle, is an economic decision, meaning the territory (or, more precisely, restrictions regarding the territory) of the trademark rights monopoly where the owner of trademark rights can enjoy his rights and prohibit others the commercialization of particular legally manufactured goods which bear that trademark that belongs to the trademark owner. As we are talking about the monopolization of a particular market, it is important to have clear rules as to where there are the boundaries of this monopoly and what circumstances have to be taken into account when dealing with this kind of disputes in practice. Otherwise, an inappropriate application of exhaustion principle (both from substantive and procedural law) would lead to inappropriate restrictions of the rights of other market players. Unfortunately, in practice the application of the principle of exhaustion of rights is far from certain. The principle of the regional exhaustion of rights which has been chosen in the EU (EEA) could also be criticized, particularly, when the “inner regional” theoretical and practical problems of the application of the mentioned principle are being faced.

The goal of this article is to indicate some of the main problems which are faced in the EU (EEA) regarding the application of exhaustion of trademark rights, and consequently, to try to provide possible suggestions as to how some of these problems could be solved. As in the EU (EEA) the principle of regional exhaustion of rights is applied, it is, the first of all, relevant to indicate the unevenness and uncertainties in the interpretation and application of the concept of putting particular goods (bearing a relevant trademark) in the EU (EEA) market as well as the concept of the owner’s consent. Special attention is to be drawn to the problem of the application of the principle of exhaustion of rights with regard to well-known trademarks and trademarks with a reputation.

The article also discusses some of the examples of the main problematic aspects related to contract law (the license and consent of the owner in a narrow sense), as the consent of the owner to put some product in the EU (EEA) market is demonstrated by a relevant contract. Possible suggestions for the indicated problems could be used for the improvement of the current legal regulation, court practice and, consequently, could serve as better assurance of the interests of a different market players.

In this article the issue of the role of competition law in the application of the principle of exhaustion of trademark rights is not being discussed more comprehensively, as this is intended to be a separate analysis in another publication.

The scope of the research is relevant legislation and illustrative case law of the EU (EEA) Member States, relevant interpretations of the Court of Justice of the European Union (before 1 December, 2009 – the Court of Justice of the European Communities) (hereinafter - the ECJ), and their reflections in practice. The provisions provided in the international and the EU legislation and their interpretations are used as basic material for further insights.

The Main Features of the International and the EU Legal Regulations of Exhaustion of Trademark Rights

The Paris Convention for the Protection of Industrial Property (hereinafter – the Paris Convention), which is the basis of the international protection of industrial property rights, does not contain any provisions regarding exhaustion of industrial property rights. The agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter – the TRIPS Agreement) came into force on 1 January 1995, and article 6 of this Agreement, in particular, provides that “*for the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights*”. This is the only provision in the TRIPS agreement, which relates to the exhaustion of intellectual property rights, actually meaning, that international law, in fact, does not provide any obligation regarding the type of exhaustion of intellectual (and, in particular, industrial) property rights Member States should apply in their legislation and practice. According to Prof. Gervais, “*exhaustion of intellectual property rights, has been among the most controversial questions during the negotiations when adopting the TRIPS Agreement*” (Gervais, 2008, p. 198). As a result, the intention was not to regulate this issue under international law tools, thus leaving the Member States of the Agreement the freedom to choose the regime they would apply for the exhaustion of intellectual property rights (Gervais, 2008, p. 198-199; Correa, 2007, p. 78-79; Stucki, 1997, p. 41-42).

Consequently, there are three regimes of exhaustion of intellectual (and in particular, industrial) property rights, which different countries apply, i.e. international, regional and national exhaustion (Avgoustis, 2012). Some scholars also argue that it is reasonable to provide different exhaustion regimes for different kinds of industrial property (Stothers, 2007; Shen, 2012), the practical example here to be Switzerland (Rulings of the Federal Supreme Court of Switzerland of 7 December 1999 in the case *Kodak SA v. Jumbo-Markt AG*, No. 126 III 129; 30 January 2002 in the case *Volkswagen AG und Audi AG v. Garage X. AG*, case No. 4C. 142/2001; 11 April 2002 in the case (*the name of the parties is not public*), case No. 4C. 357/2001/svc).

However, it is important to draw attention to the fact that whatever regime is applied in a relevant country that country cannot differentiate between other countries, applying to them different regimes. This is the rule which comes from the national treatment and the most-favoured nation treatment principles, which are relatively established in Articles 2 and 3 of the Paris Convention and Articles 3 and 4 of the TRIPS Agreement (Correa, 2007, p. 51-72; Kur, 2011, p. 365).

Current researches pay considerable attention to the issue of understanding and delimitation of these three regimes. However, as some scholars discuss, the *ratio legis* for choosing one or another type of exhaustion of rights *per se* relates rather economic, but not legal interests, as this influences the possible price policy (Jehoram, 1999; Verma, 1998). In 2011 the International Trademark Association (hereinafter – the INTA) prepared the “INTA Model Free Trade Agreement”, where they expressed their support for the national or regional exhaustion of trademark rights, at the same time also claiming that “*INTA supports the principle that international exhaustion should not apply to parallel imports in the absence of clear proof that the trademark owner expressly consented to such imports, and that the burden of proof should be on the party seeking to demonstrate such consent*” (International Trademark Association, Harmonization of Trademark Law and Practice Committee, 2011). Such a position of the mentioned association, which is established for better protection of trademark owners’ interests, is understandable, as it is obviously meant for better protection of trademark owners’ needs; however, not necessarily for the needs of consumers.

It is also worth mentioning that a group of scientists, led by Prof. Kur from the Max Planck Institute for Intellectual Property and Competition Law (Munich, Germany), has launched a significant and important research, analysing the current provisions of the TRIPS Agreement and, subsequently, providing proposals for reform of this Agreement. However, they did not find any arguments proposing changes to Article 6 of the TRIPS Agreement (Kur, 2011).

Turning to the EU law, it is necessary to mention Article 7 of the Directive No. 2008/95/EC of the European Parliament and of the Council of 22 October 2008 (hereinafter - the Directive 2008/95/EC), whose goal is to approximate the laws of the Member States that deal with trade marks. Article 7 „Exhaustion of the rights conferred by a trade mark” of the Directive 2008/95/EC provides that „(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 commercialisation of the goods,*

especially where the condition of the goods is changed or impaired after they have been put on the market". Before the harmonization under the EU law, different Member States applied different regimes with regard to the exhaustion of rights (but the majority of them applied international exhaustion). For example, in the Netherlands, as far as trademarks are concerned, international (worldwide) exhaustion of rights in a trademark was applied, while with regard to patents, the courts applied national exhaustion of rights (Verkade, 2012, p. 293-294). In Germany the principle of international exhaustion was also applied till 2006 when the Federal Court of Justice in Germany ruled that the principle of international exhaustion of trademark rights no longer applied in Germany (Ruling of the the Federal Court of Justice of Germany of 27 April 2006, case No. I ZR 162/03). International exhaustion of rights was also applied in Austria, England (Calboli, 2002; Schovsbo, 2012), and the Scandinavian countries (Trogh, 2002). France, however, was applying regional (European Community) exhaustion of the trademark rights regime (Marie, 2000). In Lithuania, according to Part 2 of Article 40 of Law on Trade Marks of the Republic of Lithuania „Exhaustion of the Rights Conferred by a Mark” of the Law on Trademarks, it was provided that *„Registration of a mark shall not entitle the proprietor to prohibit a third party from using it in relation to goods which have been marked and put by the proprietor or with his consent on the market of the Republic of Lithuania or any other state with which the Republic of Lithuania has concluded, in connection with the goods, bilateral or multilateral common market, customs union or similar international agreements”*, which means that an „implied“ regional exhaustion of trademark rights had been applied. However, before the harmonization of national trademark law with the EU requirements, not a single case related to the application of the exhaustion of rights had been dealt with by the Lithuanian court. The same concept and wording of the relevant provision before 2004 had also been provided in Latvia. The Estonian regulation (till 2004), differently from Lithuania and Latvia, provided international exhaustion of rights.

Another provision of the EU law, which is stipulated in Article 13 “Exhaustion of the Rights Conferred by a Community Trade Mark” of the Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark (hereinafter – the Regulation 207/2009) is of the same legal meaning as the previously mentioned one.

In this regard, attention has to be drawn to the fact, that as it is proposed for the EU legislator in the *Study on the Overall Functioning of the European Trade Mark System*, which was prepared by the Max Planck Institute for Intellectual Property and Competition Law in 2011, for the better legal clearness, the wording both in the Directive 2008/95/EC and the

Regulation 207/2009 in this context should be changed to „European Economic Area” (Max Planck Institute for Intellectual Property and Competition Law, 2011).

As thus, according to the EU law, the regime of regional exhaustion of trademark rights has been established and the Member States do not have the right to choose between the national, regional and international exhaustion regimes (preliminary ruling of the European Court of Justice of 1 July 1999 in the case *Sebago Inc. and Ancienne Maison Dubois and Fils SA v. G-B Unic SA*, case C-173/98. [1999] ECR I-4103). At the national level, the legislation of the EU Member States also includes relevant provisions, related to the principle of regional exhaustion of rights. Nevertheless, even without an introduction of the exact provisions in the national legislation, the EU Member States would have been obliged to apply regional exhaustion, following the mentioned EU law provisions and the interpretations by the ECJ.

Interestingly enough, in Latvia, for example, differently from the *expressis verbis* of the EU legal regulation and the national legislation of the majority of EU Member States, the provision related to exhaustion of trademark rights is introduced between the norms, related to the “restriction of exclusive rights” (Parts 2 and 3 of Article 5 of the Law on Trade Marks and Indications of Geographical Origin of the Republic of Latvia). A similar case is to be Estonia, where according to the provision, established in Part 3 of Article 13 of the Trademark Act of the Republic of Estonia, the relevant regulation related to exhaustion of rights is provided as a “limitation of exclusive right”. Even though the content of the provision *itself* (even without using the term “exhaustion”) is to be corresponding to the provisions, established in the EU law, the techniques of such legislation could be discussed. The core idea behind the exhaustion of trademark rights is related to the limits for the trademark owner to interfere (with some possible exemptions) with the free movement and further commercialization of the *same* items of goods which have been put into the market by the owner (or with his consent). Even bearing the same trademark, exhaustion of rights would not be applied to different items of goods, as the principle of exhaustion of rights could not be applied to illegal goods (De Carvalho, 2006, p. 150; Klimkevičūtē, 2012). Limitations of trademark rights in the classical understanding are to be related to the limitation to imply owners’ rights in relation to *different* items of goods, not originally coming from the trademark owner as a commercial source and to be related, the first of all, to the freedom of expression (Sakulin, 2011). That is why the term “limitation” (or “restriction”) is not really precise when talking about the “limits” of the trademark owner to interfere with further free commercialization of particular items of goods, which are already legal in a relevant market. Even

though both Articles 6 and 7 of the Directive 2008/95/EC as well as Articles 12 and 13 of the Regulation 207/2009 tend to regulate the boundaries of trademark owner rights, the *rationale* behind the EU legislator's decision to separate in the legislation the cases which are related to the “limitation”, related to the freedom of expression of others and those which are related to trademark owners' rights to (not to) interfere with the free movement and further commercialization of goods, is logical and well-founded.

As it has been indicated, the principle of the regional exhaustion, as established in Article 7 of the Directive 2008/95/EC, is based on two cumulative conditions. First, goods should be put on the market in the EU (EEA), and second, goods should be put by the proprietor (owner) himself or with his consent. Analysis shows that the application and interpretation of both conditions is far from unequivocal.

“Have been put on the market in the EU (EEA)”

There are discussions in the doctrine as to whether the exhaustion of trademark rights is to be applied when relevant goods have been produced and marked with a particular trademark outside the territory where trademarks enjoy legal protection and have been put on the market outside that area (Shen, 2012; Schovsbo, 2012). As a matter of principle, the place where the goods have originated, *per se* has no influence on exhaustion of rights (Shen, 2012). As thus, the rights to trademark which is placed on the goods, produced outside the EU (the EEA, in particular (Philips, 2003, p. 278-284; Blanchet, 1994, p. 13-15)), for example, in Russia or Belarus, will equally be exhausted in the EU (EEA) after putting them on the EU (EEA) market (Jehoram, 2010, p. 564, 568) for the first time.

However, the second question remains of whether the rights to a trademark will be exhausted if the goods bearing that trademark are introduced into the market in an EU (EEA) Member State where that trademark has legal protection on another owner's name (i.e. in different countries the same or similar trademarks belong to different owners). The answer to this question is interrelated with the principle of territoriality of trademark protection and this is one of the most problematic questions which requires further investigation.

As a matter of principle, trademark rights are of territorial nature and the principle of territoriality is one of the main principles of trademark law. The mentioned principle implies that, as a rule, in order to have trademark rights protected in a particular territory, those rights have to be registered or protected according to the criteria of qualified use (Klimkevičiūtė, 2012; Gallego, 2003). Therefore, trademark protection is based on the national nature of protection, meaning, that protection is not *automatically* extended to another country where the trademark has no protection (Kur and Drier,

2013, p. 12; Morcom, 2005, p. 353). The same principle means that the trademark which is protected in one EU (EEA) Member State is not automatically protected in another EU (EEA) Member State (Kur and Drier, 2013, p. 12). This seems to be clear and obvious, as it is one of the main principles of trademark protection. An exemption in this regard is trademarks which are protected on the basis of the Regulation 207/2009 and thus have a unitary character in the whole EU (Kur and Drier, 2013, p. 160).

Returning to the situation where the same (or similar) trademark in another EU (EEA) country is protected under the name of another owner, the question arises whether that (another) owner has the right to oppose the sales of the imported goods from another EU (EEA) country and whether the use of that (the first) trademark could be deemed as infringing the second owner's rights. The answer is yes.

Though absent in the Directive 2008/95/EC, this outcome flows from the ECJ case law. Particularly, in the cases *HAG II* (preliminary ruling of the European Court of Justice of 17 October 1990 in the case *SA CNL-SUCAL NV v. HAG GF AG*, case C-10/89. [1990] ECR I-3711) and *Ideal Standard* (preliminary ruling of the European Court of Justice of 22 June 1994 in the case *IHT Internationale Heiztechnik GmbH v. Ideal-Standard GmbH*, case C-9/93. [1994] ECR I-02789) the court clearly upheld the principle of territoriality and the so-called unitary control doctrine (which means that the goods bearing a trademark have been produced under the control of a single undertaking which is accountable for their quality. In cases where the possibility of control for owner A over the quality of goods produced and imported by owner B is lost, i.e. there is no economical link between these two trademark proprietors – the trademark rights of owner A are not exhausted.

To illustrate, the mentioned question has been raised in one of the first cases related to the application of the exhaustion of trademark rights which was dealt with by the Supreme Court of Lithuania in 2013 regarding the trademark *Indian Instant Coffee* (Ruling of the Supreme Court of Lithuania dated 29 March 2013 in the civil case *JSC "Gemaga" v. JSC "Angolita"*, case No. 3K-3-188/2013). Similar marks have been protected in Lithuania and Latvia under the names of different owners. The Lithuanian owner then opposed the use of the goods coming from Latvia (bearing the trademark which belonged to the Latvian owner). The main argument of the defendant was that the goods have been market and put on the EU (EEA) market legally and with the Latvian owners' consent. Thus, the Lithuanian owner of a similar trademark has no right to interfere with the free movement of goods in the EU (EEA), consequently, to oppose the use of that trademark in Lithuania.

The Supreme Court of Lithuania, however, has emphasized, that even though the regional regime of the exhaustion of trademark rights, which is applied according to the EU law, is interrelated with the principle of free movement of goods exhaustion of trademark rights does not deny the principle of territoriality of the trademark protection. Thus, the consent of a trademark owner to put particular items of goods on the EU (EEA) market does not influence the rights of another person to the same or similar trademark in a relevant territory, here the consent being related to the relationships between a trademark owner and a particular user. The doctrine supports this conclusion made by the Lithuanian court, stating, that “*territoriality doctrine driven to serve an exception of the exhaustion doctrine /.../*” (Shen, 2012).

Similar cases may also arise in the situations, when a trademark is not registered in a particular Member State, nor as a European Community trademark in accordance with the Regulation 207/2009, but the goods bearing that mark have been put into the EU (EEA) market. Later on, the same trademark is registered by another person. As a matter of principle, the person who has registered a particular trademark on his name and is thus enjoying the exclusive rights to that trademark, can oppose the re-entering of the goods into that Member State (i.e. parallel importation) despite the fact that the same trademark had previously been introduced into the EU (EEA) market by the first person, who, however, as it has been mentioned before, had not registered the trademark before putting the goods into the market.

The territoriality principle (protection being based on the *country-by-country* principle) being an exemption from the principle of the free movement of goods and the principle of exhaustion of rights, some authors already pose the questions of whether the principle of territoriality (and registration) of trademark protection is in line with the current international tendencies of commercial activities (Hansen, 2008, p. 18-19). This in turn invokes discussions of whether the current systems of the EU trademark protection (based on the Regulation 207/2009) as well as the Madrid system for the international trademark registration are sufficient having in mind current tendencies (Hansen, 2008, p. 18-19). On the other hand, the principle of territoriality serves as a “safeguard” of different interests of different market players and, thus, also ensures competition. As a rule, trademark rights cannot be extended automatically, only on the basis of the relevant registration (or qualified use) in a Member State, even though a trademark owner may have no commercial interests in that territory. Thus, a different person, having commercial interests in another territory, is left the right to use as well as to have exclusive rights to the same (or similar) trademark in another territory. In its turn, this also means that when the same trademark in different EU (EEA) jurisdictions belongs to different owners, putting one of

them in the market, and thus exhausting its rights, *per se* will not mean exhaustion of the rights of another trademark (Takenaka, 2013, p. 410).

The Problem of the Owner's Consent, the Burden of Proof and Possible Solutions

The Owner's Consent

As it is clear from the EU legal regulation, the rights to the trademark are to be exhausted when the goods have been put on a relevant (particularly, EEA) market under that trade mark by the proprietor or with his consent (preliminary ruling of the European Court of Justice of 20 November 2001 in the joined cases *Zino Davidoff SA v. A and G Imports, Levi Strauss and Co., Levi Strauss (UK) Ltd v. Tesco Stores Ltd, Tesco plc and others*, cases C-414/99-C-416/99. [2001] ECR I-08691). The ECJ in the *Coty* case (preliminary ruling of the European Court of Justice of 3 June 2010 in the case *Coty Prestige Lancaster Group GmbH v. Simex Trading AG*, case C-127/09. [2010] ECR I-04965) has interpreted that "*the rights conferred by the trade mark are exhausted only if, according to an assessment which it is for the national court to make, it may be concluded that the proprietor of the mark expressly or impliedly consented to a putting on the market, either in the European Community or in the European Economic Area, of the goods in respect of which that exhaustion is claimed to exist*".

As the doctrine points out, talking about the issue of exhaustion of trademark rights, the question of consent could be understood in a broad sense or in a narrow sense, i.e. a consent, which covers all the cases when a trademark owner agrees to put relevant items of goods into a relevant market (a consent in a broad sense) and a consent, which is usually not regulated by the *lex specialis* trademark law, when relevant questions related to the consent are regulated by the general provisions of the civil law (De Werra, 2013, p. 196-223). The consent as such could not be understood simply as absence of relevant prohibitions (Jeroham, 2010, p. 569-570.). Also, the consent could not be understood also by simply concluding an agreement, for example, a license or distribution agreement, etc. (Rognstad, 2008, p. 440). Thus, there could be different types of a "consent" and every time this issue has to be dealt with taking into consideration all the relevant circumstances of a particular case. The question of whether trademark rights have been exhausted has to be answered on the "*case-by-case*" basis, which makes it difficult to establish more general standards and rules, serving for the higher legal certainty of different market players. For example, it is interesting to mention, that the Federal Court of Justice of Germany ruled in the so-called *Tchibo* case of 2011 that there is no exhaustion of trademark rights if the trademark owner has given his consent to the marketing of goods only under the condition that the packaging with the trademark on it is removed from

the goods (Ruling of the Federal Court of Justice of Germany of 03 February 2011, case No. I ZR 26/10). This means that the consent itself to put relevant goods on the market, but without the trademark on them, would not mean exhaustion of trademark rights.

What is more, the issue of consent is, first of all, regulated by national trademark law and (or) contract law of EU (EEA) Member States, where, in Prof. Ohly words, „*national contract law thus overrides Community trademark law*” (Ohly, 1999). The co-author of this article in her previous publication related to the exhaustion of rights already discussed the issue, pointing out that more extensive guidelines regarding the legal notion of the „consent” according to the EU law would highly contribute to the attainment of the mentioned goal, having in mind more explicit interpretations of the ECJ (Klimkevičiūtė, 2012). Furthermore, this could be supported by J. Schovsbo's arguments that „*consent*” *should be understood as a trade mark law concept*” (Schovsbo, 2012, p. 184, 186). Despite this, however, it could also be considered an attempt for some unified rules, probably, in a form of *soft law*. A kind of example (which could serve as the basis for, probably, more extensive regulation) here can be the Model Intellectual Property Commercial Law, prepared by L. Brennan and J. Dodd, and the discussions related to it as to what legal form could be applied for it (De Werra, 2013, p. 257-280). At this stage it is also worthwhile emphasizing the fact that it would be considered useful to introduce relevant provisions *inter alia* into the Model Intellectual Property Commercial Law disclosing the notion of the “consent” of the owner to put particular items of goods into the market. There are also examples of “inner” unification of relevant intellectual property rules at the national level. As one of the examples at the national level here could be Germany, where scholars Prof. M.-R. McGuire and Prof. H.-J. Ahrens prepared Model Law for Intellectual Property Rules (McGuire and Hans-Jürgen Ahrens, 2013).

The Burden of Proof

The second question regarding the consent is related to the burden of proof as to which party (the claimant or the defendant) has the obligation to provide evidence that the rights to a relevant trademark have been (or, on the contrary, have not been) exhausted.

The ECJ in *Van Doren's* case has emphasized that “*a rule of evidence according to which exhaustion of the trade mark right constitutes a plea in defence for a third party against whom the trade mark proprietor brings an action, so that the existence of the conditions for such exhaustion must, as a rule, be proved by the third party who relies on it, is consistent with Community law [...]. However, the requirements deriving from the protection of the free movement of goods enshrined, inter alia, in Articles 28*

EC and 30 EC may mean that this rule of evidence needs to be qualified. Accordingly, where a third party succeeds in establishing that there is a real risk of partitioning of national markets if he himself bears that burden of proof, particularly where the trade mark proprietor markets his products in the European Economic Area using an exclusive distribution system, it is for the proprietor of the trade mark to establish that the products were initially placed on the market outside the European Economic Area by him or with his consent. If such evidence is adduced, it is for the third party to prove the consent of the trade mark proprietor to subsequent marketing of the products in the European Economic Area” (preliminary ruling of the European Court of Justice of 8 April 2003 in the case *Van Doren plus Q. GmbH v. Lifestyle sports plus sportswear Handelsgesellschaft mbH and Michael Orth*, case C-244/00. [2003] ECR I-03051).

Analysing the mentioned interpretation of the ECJ, there are two important issues, which have to be emphasized. Firstly, the *onus probandi* to provide evidence that the owners' rights have been exhausted is for the defendant (Klimkevičiūtė, 2012). Secondly, the derogation from this (the main) rule could take place when the activities of a trademark owner putting goods into the market infringe competition law. In Germany, for example, as the Federal Court of Justice of Germany ruled in the so-called *Converse I* case in 2012, this exception to the general allocation of burden of proof does not exist only with exclusive distribution systems, but with all other distribution systems that enable the trademark owner to prevent goods from being distributed across national borders, including selective distribution systems (Ruling of the Federal Court of Justice of Germany (*Bundesgerichtshof, BGH*) of 15 March 2012, case No. I ZR 52/10).

As regards, for example, Lithuania, the mentioned rules formulated by the ECJ have been followed by the Supreme Court of Lithuania in the first cases related to the exhaustion of rights, i.e. in the ruling of 2011 in the *Acme* case (Ruling of the Supreme Court of Lithuania of 21 July 2011 in the civil case *JSC “Acme” v. JSC “GPP”*, case No. 3K-3-336/2011) as well as in the ruling of 2012 in the *Coty* case (Ruling of the Supreme Court of Lithuania of 06 March 2012 in the civil case *Coty Prestige Lancaster Group GmbH v. JSC „Baltijos didmena“*, case No. 3K-3-82/2012). In those cases arguments of the defendants have been rejected, simply referring to the interpretations of the ECJ and stating that the defendants did not provide relevant evidence related to exhaustion of plaintiff's (trademark owners') rights. Rulings, however, lack deeper analysis and, in general, quote the ECJ.

As a matter of fact, it is clear that the mentioned “scheme” of the burden of proof, developed by the ECJ and followed by the national courts of the EU (EEA) Member States, is more convenient for trademark owners

rather than defendants, whose actions are claimed to be infringing trademark owners' rights.

Current studies lack deeper critical analysis, as to how the mentioned rule corresponds to one of the main rules of civil procedure that each party has to prove the circumstances he is relying on. Different scientists who have analysed this question are of different opinions. Prof. J. Philips states that to impose that burden on traders could mean infringement of Article 6 “Right to a Fair Trial” of the European Convention on Human Rights (Philips, 2003, p. 289). Prof. A. Kur, however, remarks that the rule of the burden of proof which is formulated according to the mentioned decisions of the ECJ “*might force traders to lay open their sources of supply, thus giving the trademark owner a chance to dry out the distribution channels and making parallel imports and other kinds of grey market trade impossible in the long run*” (Kur and Drier, 2013, p. 225-226). Here it is necessary to have in mind that the idea of the parallel imports *itself* does not mean something illegal, and the term “grey market” is not an illegal market (Shen, 2012). On the contrary, this is a natural economic process, the traders seeking to benefit from the difference in prices in different EU (EEA) markets (Morcom 2005, p. 353; Rai, 2011). In some instances, it remains unclear as to how the consent of the owner to put particular items of goods into the market could be proved by the defendant in case of a “chain” of contracts, i.e. when the defendant is already buying the goods in the EU (EEA) market, while the owner of the trademark claims that the goods bear a relevant trademark outside the EU (EEA) (Stamatoudi and Torremans, 2000) for the first time. The situations in which the goods bearing a particular trademark have been placed on the market outside the EU (EEA) for the first time by the trademark owner himself are quite likely; however, in the mentioned market the same goods have been placed with the trademark owner's consent (Stothers, 2007, p. 45-46). The doctrine also argues that trademark owners' rights should be regarded as exhausted even if the trademark owner puts the goods with a relevant trademark on the EU (EEA) market with a contractual condition for the buyer to export these goods from the EU (EEA) to some third country which does not belong to that region (restriction for commercialisation in the EU (EEA)) (Stothers, 2007, p. 46-47). As far back as the preliminary ruling of the ECJ of 20 November 2001 in *Zino Davidoff's* case, the ECJ emphasized that „*the consent of a trade mark proprietor to marketing within the EEA of products bearing that mark which have previously been placed on the market outside the EEA by that proprietor or with his consent may be implied, where it follows from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his right to*

oppose placing of the goods on the market within the EEA". However, the ECJ in the same decision has narrowed the possibility for the defendant in the case of a „chain” of contracts, to rely on an implied consent, stating that *„implied consent cannot be inferred from the fact that the proprietor of the trade mark has not communicated to all subsequent purchasers of the goods placed on the market outside the EEA his opposition to marketing within the EEA; from the fact that the goods carry no warning of a prohibition of theirs being placed on the market within the EEA; from the fact that the trade mark proprietor has transferred the ownership of the products bearing the trade mark without imposing any contractual reservations and that, according to the law governing the contract, the property right transferred includes, in the absence of such reservations, an unlimited right of resale or, at the very least, a right to market the goods subsequently within the EEA”*.

From a very practical point of view, this means that when purchasing the goods already in the EU (particularly, the EEA) market, but not directly from the trademark owner, the purchaser has every time to put maximum efforts in obtaining from the seller (distributor) evidence that particular items of goods in the EU (EEA) market are sold with the owner’s consent. Again, it shows that the trademark owner is in a better position and trademark users, on the contrary, should take the risk of legal liability in case the goods with a particular trademark in the EU (EEA) market are without the owner’s consent (irrespective of how long has been the “chain” of circulation within the EU (EEA)). The current legal regulation and the case law aim at better protection of trademark owners' rights; however, the question remains whether this serves for a fair balance of the rights among different market players.

Even though the principle of the regional regime of exhaustion of trademark rights is, first of all, the principle of the EU law, as it has been discussed before, evaluation of the fact of whether the trademark owner’s rights have been exhausted directly relates national contract law of a particular EU (EEA) Member State, whose law is applicable according to the rules of international private law, especially in the cases where the parties of the agreement are from different Member States. Thus, there could occur practical situations, where the parties of the agreement are from two different Member States and the product, bearing a particular trademark *for the first time* has been put on the EU (EEA) market in a third country (obviously, belonging to the EU (EEA), as otherwise exhaustion of rights would not arise at all). However, the procedural questions related to the application of the rules of the burden of proof, of whether the trademark owner’s rights have been exhausted (and, as it has been mentioned before, it is for the defendant to prove that fact) would be applied according to the procedural rules of a relevant EU (EEA) Member State where a particular case is being

dealt with. This may turn to a situation when in different EU (EEA) Member States the judges will adopt different decisions against different defenders, evaluating the same fact of the trademark owner's consent to put the goods, bearing a relevant trademark in the EU (EEA) market. That is why, trying to ensure greater legal certainty of the parties as well as greater predictability of court decisions of different EU (EEA) Member States, it is very important to have unified rules (at least in the form of *soft law*), *inter alia* including the owner's consent as well as the rules related to the burden process and evidence which has to be submitted to the court which deals with a particular case. Especially because, as it has been mentioned before, there are attempts already being made towards this.

Problems of the Application of the Principle of Exhaustion of Trademark Rights for Well-known Trademarks and Trademarks with a Reputation

Special attention has to be paid to the application of the principle of exhaustion of rights of well-known trademarks and trademarks with a reputation, to which current studies almost do not pay adequate attention. At the beginning, summarizing the studies and discussions regarding the interrelation between these two categories of trademarks, it is to be said that “well-known” trademarks are an exception from the principle of registration (Part 1 of Article *6bis* of the Paris Convention). However, protection of this kind of trademarks is not an exception from the principle of territoriality. Protection of trademarks with a reputation is not an exception from the principle of registration, but protection of this kind of trademarks exceeds the boundaries of another core principle of trademark protection, i.e. the principle of speciality (trademarks with a reputation have the protection beyond the ambit of the goods and (or) services for which a particular trademark has been registered).

According to their national legislation and practice, different EU Member States apply different procedures to the recognition of a trademark as well-known or with a reputation. At a later stage it will be discussed how this relates the application of the principle of exhaustion of rights. Regarding the procedure of determining a trademark, well-known or with a reputation, important is the question whether it is possible to determine a trademark as well-known or with a reputation *a priori*, or only in connection with the latter one (infringing) trademark). As a rule, it would be possible only in connection with the latter (infringing) trademark, either by the Patent Office or the court.

The aspects which have been mentioned above means that in some instances it could not be clear whether the trademark is protected as well-known or with a reputation (in the latter case, the fact of reputation is

important while seeking protection of the goods and (or) services the trademark of which is not registered). Without the decision it cannot be said whether another trademark owner, who has registered relevant, the same or similar trademarks for certain goods, could enforce their rights against the trademark which is not registered (or is not registered for certain goods), as the mentioned question can be answered only in connection with a particular trademark (which seeks recognition as well-known or with a reputation). For example, owner *A* has registered a relevant trademark and is using it in his commercial activities. Owner *B* is using the same (or similar) trademark, but it is not registered under his name (or for relevant goods), but he is sure that his trademark is to be protected as a well-known trademark or a trademark with a reputation. Owner *A* is trying to enforce his rights against owner *B*. Owner *B*, in turn, files a counterclaim, seeking to enforce his owner's rights against owner *A*. Whose rights are to be exhausted in this case (the first owner's or both) and who has the right to enforce his rights?

Trying to find the answer, it is important is to have in mind that exhaustion of rights is to be applied only for particular items of goods with a relevant trademark and the rights are never to be exhausted to the infringing items of goods (Klimkevičiūtė, 2012). The second question is, who of them in that particular territory enjoys the prior rights to the trademark in question (in other words, who is the legal owner (*A* or *B*) to this trademark, as both of them cannot be) (preliminary ruling of the European Court of Justice of 1 July 1999 in the case *Sebago Inc. and Ancienne Maison Dubois and Fils SA v. G-B Unic SA*, case C-173/98. [1999] ECR I-4103). And the third question then whether, in case the trademark of owner *B* is not well-known or with a reputation, he is infringing owner *A*'s rights *or*, vice versa, owner *A* is infringing the exclusive rights of owner *B* if his trademark has been recognised as well-known or with a reputation.

In brief, it can be stated, that as a matter of principle, neither well-known trademarks, nor trademarks with a reputation are exemptions from the principle of exhaustion of trademark rights. However, it is important to have in mind that when enforcing the rights of these trademarks, the *right as such* to this kind of trademarks has to be established which, as it has already been discussed, is possible only in relation to another trademark. The rights to a registered trademark which is placed on particular goods that belong to another owner, would not be exhausted with regard to the owner of a well-known trademark or a trademark with a reputation, and the use of the registered one could be opposed as infringing a well-known trademark or a trademark with reputation rights.

One of the remaining problems here is that the majority of the EU Member States do not have the register of trademarks which in particular countries have been recognised as well-known trademarks or trademarks

with a reputation (Liu, 2009). This, on the one hand, means that the fact of a trademark being well-known or with a reputation is based on the *case-by-case* principle. This also means that for trademark users, in some instances, it has become difficult to predict the possible legal consequences of their actions when starting to use a relevant trademark in their commercial activities in the EU (EEA), including the import of the goods bearing a particular trademark from outside the EU (EEA). This is especially relevant, having in mind the burden of proof (regarding exhaustion of rights) which is currently being developed by case law of the ECJ. Subsequently, it is very difficult to talk about a higher level of predictability of legal consequences following from different actions (for example, import of relevant goods into the EU (EEA) and the balance of interests of different parties (Klimkevičiūtė, 2011). The mentioned kind of register (at the EU level by the Office for Harmonization in the Internal Market (hereinafter - the OHIM) as well as at the national levels in the EU Member States) would be of utmost importance while seeking a higher level of predictability and balance.

Some Relevant Forms of the Consent: the Consent in a Narrow Sense and the License Agreement

As it has been mentioned before, trademark rights are to be exhausted when the goods bearing a particular trademark have been placed on the EU (particularly, the EEA) market by the proprietor or with his consent.

Among usual examples which could be discussed, analyzing the issue of the consent of a trademark owner to put relevant (particular) items of goods into the market, could be licence, distribution, franchise agreements as well as the consent in a narrow understanding. In this article we will analyse the consent in a narrow sense in order to make a delimitation from a licence agreement and its peculiarities in the application of the exhaustion of rights and the licence agreement as the classical and the most usual example of the exhaustion of rights.

The Consent in a Narrow Sense and its Interrelation with the Licence Agreement

Special attention has to be drawn to the issue of the consent in a narrow sense as well as its interrelation with classical licence agreements. The consent agreement is not an institute of *lex specialis*, i.e. an institute of trademark law, but rather comes from the general provisions of contract law and one of the general principles of civil law “everything that is not prohibited should be allowed” in this context means that it cannot be forbidden to apply general principles and rules of contract law. The general principles of contract law serve as a “gap-filler” or a “starting-point” related to the agreements in intellectual property (De Werra, 2013, p. 259-260).

Neither the international law (the Paris Convention and the TRIPS Agreement), nor the Directive 2008/95/EC as well as the Regulation 207/2009 provide any provisions related to consent agreements. Differently from license agreements, national trademark law of the EU (EEA) Member States, as a rule, does not provide a separate regulation related to this issue. As some kind of exceptions the United Kingdom and Ireland could be mentioned here. For example, the UK Trade Marks Act of 1994 provides that “*nothing in this section (note: dealing with refusal of registration based on the prior rights of third parties) prevents the registration of a trade mark where the proprietor of the earlier mark or earlier right consents to the registration*”. However, the issue of “consent” in trademark laws of the United Kingdom and Ireland is related to the process of registration of another (second) trademark, but not a consent agreement in terms of the exhaustion of trademark rights. Thus, the consent agreement and interpretation of the clauses provided in it, is generally related to contract law of particular jurisdiction, but not to *lex specialis*, i.e. trademark law.

To illustrate, it could be mentioned that this question, as a matter of principle, (however, not related directly to the issue of the exhaustion of rights) was raised in one of the cases dealt with by the Supreme Court of Lithuania already in 2008 (Ruling of the Supreme Court of Lithuania dated 17 June 2008 in the civil case *JSC “Solvex Baltic” v. JSC “Scandihouse”*, case No. 3K-3-335/2008). The consent was given by the trademark owner JSC “Solvex Baltic” to another company to use and to register his trademark “Scandihouse” as a company name. The company name JSC “Scandihouse” was registered in the Companies’ Register, the company was using this company name in its activities. No relevant conditions and limitations as to the time limit of such a consent, etc. were provided in this consent. Later on, the trademark owner informed the company JSC “Scandihouse” that the consent is terminated and sued the mentioned company in Court, asking to oblige the JSC “Scandihouse” to change its company name and to remove the mentioned company name from the Companies’ Register. The Court dismissed the claim. Summarizing the arguments provided by the Court, the first of all, it should be mentioned, that provisions related to trademark licensing, provided in the *lex specialis*, i.e. Trademark Law of Lithuania, are not to be applied in relation to consent. It (the consent as - in this case - a unilateral transaction) could be terminated on the basis of the provisions of the Civil Code of Lithuania, which regulate the termination of contracts (in particular, Article 6.217 “Dissolution of a Contract” of the Civil Code of the Republic of Lithuania).

At first glance, it could seem that the consent in a narrow sense could not be possible in trademark cases, as in this case it is not clear what the role of the trademark owner is as a commercial source of the goods under a

particular trademark. The existence of the consent to use a particular trademark for the goods which are originated by a different producer, not legally connected to the trademark owner (as a commercial source of particular goods (Philips, 2003, p. 23, 25)), would create a situation in which similar (or different) goods bearing the same (or similar) trademark would exist in a relevant market. Consequently, this would cause the risk of confusion within the society. Interestingly enough, there are already discussions in the doctrine as to whether the private interest of private parties (i.e. the trademark owner and the one who is seeking a consent to use the same or similar trademark in his commercial activities) is more important and should be protected in the first place rather than the interest of the society not to be misled because of two identical or similar trademarks in the market which are used by different and not commercially connected users (Wilkof and Burkitt, 2005, p. 196, 198). Some scholars instead of consent are talking about endorsement (De Werra, 2013, p. 215-216), which, on the other hand, is of the same nature as the mentioned consent. The delimitation of a consent agreement (endorsement) from the license agreement is that in these cases the agreement does not include the quality control clause, which is one of the identifying features (in a broad sense) of license agreements (Campbell, 2005; Stoll, Busche and Arend, 2009, p. 663). Thus, the doctrine calls the consent agreement (or endorsement) a delimitation agreement, which, contrary to a licence agreement, separates the trademark owner from the user under the consent (Wilkof and Burkitt, 2005, p. 202).

Discussing the issue of the consent agreement in relation to the application of the principle of exhaustion of rights, it is important to draw attention to a few questions. First, whether the rights of the trademark owner would be exhausted if a trademark is being used by a different user even, as it has been mentioned before, under the consent of the trademark owner. The answer is no, as the principle of exhaustion of rights is applied only with respect to particular items of goods which bear that trademark when they are introduced into the market. The goods, which are produced by the trademark user who is using the trademark on the basis of a consent agreement are not introduced into a relevant market by the trademark owner. As it has been mentioned before, in case of a consent, the goods (produced by a trademark owner and another one, using the trademark on the basis of a consent agreement) belong to different commercial sources, which are independent because of the nature of the consent agreement. However, by giving a consent to use a trademark, the trademark owner cannot oppose the commercialization of goods, produced by another company. The principle of exhaustion of rights here should be applied separately with respect to the trademark owner and the company, using a particular trademark on the basis of a consent agreement. The rights to the trademark which is labelled on the

goods, produced by the trademark owner would be exhausted when they are put into the market (by the trademark owner or with his consent) and the rights to the trademark which is used under the consent, would be exhausted separately and independently from the first one (the trademark owner) as particular items of goods here are different. However, as the goods bearing the trademark under a consent have been put into the market with the trademark owner's consent, the trademark owner cannot oppose further commercialization of these goods; the rights of the trademark owner have been exhausted in an “indirect” way. Secondly, an important thing here is that when giving the consent the trademark owner has to define the boundaries and the limits to use the trademark, as the user under the consent has the right to use the trademark only within the scope of the consent. If the use of the trademark exceeds the boundaries of the consent, the trademark owner then may file a claim to the court, claiming the infringement of his rights (Wilkof and Burkitt, 2005, p. 201). As to the form of the consent, it could be argued that there could not be an obligation of a written form, thus the consent could also be verbal (Wilkof and Burkitt, 2005, p. 245). As it has been also discussed before, the consent as such could be confused with a licence agreement, thus the requirements which are provided with respect to licence agreements are also not *per se* applicable in the discussed (consent) case. As to the form (written or oral) of the consent, it could be discussed that seeking an easier burden process in case of litigation, including exhaustion of rights, it is advisable to issue the consent (or endorsement) in a written form.

Licence Agreement

The trademark licence agreement (as the classical and the most usual form of the consent of the trademark owner) is, the first of all, the concept of trademark law. Starting to discuss the issue of license agreements from the standpoint of the international law, it is to be said that the Paris Convention does not provide any regulation related to trademark licensing. However, this tool of the international law in the Article 6^{quater} “Assignment of Marks” includes relative provisions with regard to the assignment of this kind of (intellectual) property. The TRIPS Agreement, going beyond the Paris Convention, in its Article 21 “Licensing and assignment” stipulates that “*Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs*”. The TRIPS Agreement does not provide the definition of the licence agreement and does not provide requirements to licence agreements from the standpoint of general contract

law, thus leaving the possibility for Member States to regulate the issue of licensing in accordance with their legal tradition (Cottier and Véron, 2008, p. 59). Another regulation, related to trademark licensing is provided in Article 40 (untitled) of Section 8 “*Control of Anti-competitive Practices in Contractual Licences*” of the TRIPS Agreement, however, is related to the inter-relation between competition law and contract law (in this case, licence agreements) and which is *lex specialis* to another provision of the Agreement, providing the principles of the intellectual property regulation, i.e. Part 2 of Article 8. Turning to the regulation provided in the EU law, it has to be pointed out, that both the Directive 2008/95/EC and the Regulation 207/2009 (accordingly, Article 8 of the Directive and Article 22 of the Regulation) include provisions related to trademark licensing. Registration of the licence is only of an optional character, thus it is not a binding requirement (Part 5 of Article 22 of the Regulation 207/2009).

As it is being pointed out in the doctrine, the EU Member States have freedom to provide conditions for trademark licensing in their legislation, and thus the Register of the licence agreement is also not prohibited. It is also not prohibited in the legislation to include the requirement to indicate on the goods that they have been manufactured on the basis of the licence (Stoll, Busche and Arend, 2009, p. 349). Differences which exist within the EU (EEA) Member States (including registration of the licence agreement) could not be regarded as serving for clarity and unified standards in the EU (EEA) when turning particularly to the application of the principle of exhaustion of rights.

Interestingly enough, the requirement of the registration of the licence agreement is still being discussed, stating, for example, that registration of the licence agreement could be considered a presumption of the legitimacy of quality control (De Werra, 2013, p. 204). Another important issue, which is related to the information of third parties, is that not registered licence cannot be used against the third parties who have registered or used a relevant trademark in a good faith belief that there is no licence issued (De Werra, 2013, p. 304). This could be regarded as a crucial argument in favour of the registration of license agreements.

Turning to the issue of the application of the principle of exhaustion of trademark rights, legitimate interests of third parties, should be taken into consideration and duly respected, *inter alia* for the parties of the licence agreement, considering the registration of the licence agreement in the Register. Also, this question should be regarded as relevant and taken into account by the courts when dealing with the cases of the exhaustion of rights, including the distribution of the burden of proof among the parties of the dispute.

As it has been mentioned before, licence agreements (both exclusive and non-exclusive licences) are among the classical examples of the exhaustion of trademark rights. By concluding the licence agreement, the licensor agrees (thus consents) that the goods produced by the licensee would be put on the market. Thus, the rights of the licensor will be exhausted then and further commercialisation could not be interfered within a particular area (in our case, within the EU (EEA)). As it has already been mentioned, according to the main principles of international and the EU law as well as the scope of freedom which is left for Member States to provide relevant conditions and requirements, it is also not prohibited to indicate on the goods that have been produced under the licence agreement (Stoll, Busche and Arend, 2009, p. 349). The licensee has to act in accordance with the clauses, provided by the licence agreement, unless those clauses do not breach the rules of competition law. From the standpoint of interpretations of the ECJ, the Court in the *Copad* case of 23 April 2009 interpreted that “*Article 7(1) of Directive 89/104, as amended by the Agreement on the European Economic Area, is to be interpreted as meaning that a licensee who puts goods bearing a trade mark on the market in disregard of a provision in a licence agreement does so without the consent of the proprietor of the trade mark where it is established that the provision in question is included in those listed in Article 8(2) of that Directive*” (preliminary ruling of the European Court of Justice of 23 April 2009 in the case *Copad SA v Christian Dior couture SA and Others*, case C-59/08. [2009] ECR I-03421). In that particular case, dealt with by the ECJ, the question was when the licensee acts in such a way which “*damages the allure and prestigious image which bestows on those goods an aura of luxury*”.

There is no case law of the ECJ on the interpretation of the provisions of the Directive 2008/95/EC as well as the Regulation 207/2009 regarding trademark licensing. Consequently, the differences which exist in the regulation of the EU Member States, until the clauses provided in the license agreement do to interfere with the competition law, are to be interpreted only according to the national law which is applicable with respect to a particular licence agreement.

The issues discussed above are important when we turn to the question of exhaustion of rights.

One of the most controversial questions which may be raised is whether contractual restrictions between the parties of a relevant licence agreement may restrict exhaustion of rights. It is important to note that the contractual restrictions, related to the free movement of goods within the EU (EEA), in many cases will not influence the application of the principle of exhaustion of trademark rights. As J. Schovsbo aptly argues, “*a contract based model would be totally unsuitable for implementing clear policy*”

objectives such as free movement of goods” (Schovsbo, 2012, p. 175). To start with, at the first stage it is necessary to delimitate the following: (1) the first time (the first contract) when relevant goods have been introduced into the EU (particularly, the EEA) market and (2) the subsequent contracts related to the “movement“ of the goods within a relevant territory. According to our opinion, for the application of the principle of exhaustion of rights, it is important to particularly evaluate “the first time“ when the goods that bear a relevant trademark have been introduced into the market. The problem of the owner’s consent has already been discussed in this article; however, it relates the first introduction into a relevant market, but not the subsequent ones. Restrictions with regard to further contracts (for example, the prohibition to sell the products to some territories or to some persons) would not influence the application of the principle of exhaustion of rights if the first time the goods have been put into the market was by the trademark owner himself or with his consent (Rognstad, 2008, p. 430, 435). The latter breach of the contract when the goods that bear a particular trademark have already been put into the market by the trademark owner or with his consent, i.e. when the first introduction of the goods into a relevant market is not disputed, could mean contractual liability between the parties, but not the fact that the rights to the goods are not exhausted. Thus, it has to be stressed that relevant limitations in the licence agreement related to the subsequent commercialization of the goods bearing a particular trademark cannot restrict exhaustion of rights. Consequently, as a matter of principle, the scope of the principle of exhaustion of trademark rights should not be regarded as a subject for any contractual limitations with regard to a territory and (or) persons within the EU (EEA) from the moment goods are already in the market unless it infringers the rights of other owners’ to the same or similar trademark.

Conclusion

Summarizing what has been discussed, the following could be concluded:

4.1. The international and the EU law related to the issue of the exhaustion of trademark rights leave quite a lot space for Member States in choosing and applying relevant rules, related to the application of the principle of exhaustion of trademark rights. Even though the EU law implies a particular (regional) regime of exhaustion of rights, the issue of the owner’s consent, however, is left to national contract law of a particular Member State where the goods bearing a relevant trademark have been put on the EU (particularly, the EEA) market for the first time. The same relates to relevant procedural rules, concerning the burden of proof and evidence that the goods have been put into the EU (EEA) market with the owner’s

consent. Those rules would be applied in accordance with the civil procedure rules of a particular Member State where a relevant case is being dealt with, and possibly causing different results under the same or similar circumstances of the dispute.

4.2. The research demonstrates that the current situation in the EU (EEA) regarding the application of the principle of exhaustion of rights is more beneficial to trademark owners, but not to other market players (and possible defendants). As a matter of principle, currently, they (the defendants) have the burden of proof of whether the rights of a trademark owner have been exhausted (with only some exemptions) even though in many practical cases this could derogate from the general principles of civil procedure law. It is especially obvious when turning to the issue of exhaustion of the rights of well-known trademarks as well as trademarks with a reputation.

4.3. The current situation in the EU (EEA) lacks greater legal certainty and the balance of interests among different market players (trademark owners and trademark users, i.e. possible defendants), as well as greater predictability of court decisions of different EU (EEA) Member States. Consequently, in order to solve the existing situation, it would be very important to have unified rules (at least in the form of *soft law*), *inter alia* including provisions regarding the owner's consent (the disclosure of the notion of the owner's consent to put particular items of goods into the market) as well as the rules related to the burden of proof and evidence which has to be submitted to the court that deals with a particular case. The current initiatives at the international as well as national levels towards unification of some questions related to the commercialization of intellectual property (such as Model Intellectual Property Commercial or Model Law for Intellectual Property Rules (A Proposal for German Law Reform)) could serve as an example.

4.4. The regional EU (particularly, the EEA) principle of exhaustion of trademark rights, which is provided in EU law, is, first of all, related to the free movement of goods and services within the EU (EEA). However, it does not derogate from another substantial principle of trademark law, i.e. the principle of territoriality of trademark protection (when the trademark is protected at the national level of relevant EU (EEA) Member States). The principle of territoriality is an exemption from the principle of free movement of goods within the EU, accordingly applied in the EEA as well. Consequently, the free movement of goods bearing a particular trademark within the EU (EEA), in practice is only of relevant but not absolute character.

4.5. The register (at the national level of EU Member States as well as at the EU level at the OHIM) of well-known trademarks and trademarks

with a reputation, would be of utmost assistance in practical cases, related to the application of the principle of exhaustion of rights.

4.6. As a matter of principle, the scope of the application of the principle of exhaustion of rights cannot be limited by contractual restrictions between the parties neither with regard to territory, nor the persons, when goods bearing a relevant trademark have already been put into the EU (EEA) market by the trademark owner or with his consent. The breach of a relevant contract can invoke subsequent contractual liability between the parties, but not limitation of the application of exhaustion of rights.

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