10_Exhaustion of the Rights Conferred by a Trademark_16_KG[english]

The exclusive right conferred by a trademark entitles its proprietor to use it and to dispose of it, as well as to prevent all third parties not having his consent from using in the course of trade any sign which is identical with the trademark in relation to goods which are identical with those for which the trademark is registered. The scope of the term “use” of a trademark includes also the import and export of the goods for which the trademark is registered. However, this right is restricted by the provisions of Article 15(1) of the Trademarks and Geographical Indications Act (TMGIA), in accordance with which the proprietor of a trademark may not prohibit its use in relation to goods which have been put on the market in the Member States of the European Union or the European Economic Area (EEA) under that trademark by the proprietor or with his consent. This rule is referred to in practice as “exhaustion of the rights conferred by a trademark” and this paper is going to examine the legal issues relating to this concept and the ways they might arise in the course of trade activities of undertakings.

The exhaustion mechanism is intended to guarantee that the freedom of movement of goods and capitals in the EU and the EEA will not be restricted by the exercise of the proprietor’s powers and also that the exercise of the exclusive rights conferred by a trademark will not distort, reduce or prevent competition in the single market of the Community. Once an original good is put on the EU and EEA market with the consent of the relevant proprietor, the latter may not restrict the parallel import of and trade in such goods within the territory of these markets for which the goods are intended. At the same time, the trade exchange of various Member States with third countries is very intensive and it leads to the question what would happen if a good which is put on the EU and EEA market is exported for sale in a third country and, conversely, what happens to the parallel trade in goods which are not put on the EU market in the first place.

These questions warrant the answer to another question first, i.e. when is the right conferred by a trademark exhausted and when can the proprietor restrict the import/export of original goods on specific markets?

The right conferred by a trademark is exhausted in the cases in which original goods are put

CR legal DL 2018. Всички права запазени.

on the market for sale in a territory (the EU, the EEA, an individual country, the Russian Federation) personally by the proprietor of the trademark or with his consent.

Any Member State may provide for the exhaustion of the rights conferred by a trademark only within the EEA territory but not with regard to third countries. As stated above, Bulgaria has provided in Article 15(1) TMGIA for the exhaustion of the rights conferred by a trademark only with regard to the first sale within the territory of a Member State of the EU or the EEA. The effect of this rule is the restriction of the exhaustion of the rights conferred by a trademark only to the cases in which the goods are put on the EU/EEA market, thus enabling the proprietor to exercise control on the initial placement of goods with his trademark on the EU/EEA market.

It should be noted that the exhaustion of the rights conferred by a trademark relates to any individual product/batch, whereby the putting on the market of a batch of a given product does not exhaust the proprietor's rights with regard to goods from another batch, although they are identical to those which have already been put on the market. This is reiterated by the Court of Justice of the European Communities in the Sebago Case (C-173/98), which states in its judgment that "… the rights conferred by the trademark are exhausted only in respect of the individual items of the product which have been put on themarket with the proprietor's consent in the territory there defined. The proprietormay continue to prohibit the use of the mark in pursuance of the right conferredon him by the Directive in regard to individual items of that product which havebeen put on the market in that territory without his consent".

The concept of "importing" also needs clarification, insofar as the Judgment of the Court of Justice in the Class International Case (C-405/03, paragraphs 42-44) points out that where original goods have been sent to a Member State and not released for free circulation yet but they are placed under customs warehousing procedure, there is no "importing" within the meaning of the above cited provisions.

Furthermore, the Court of Justice holds that even in the case of mere physical introduction of the goods into the European Economic Area without release for free circulation yet, the trademark proprietor may invoke an infringement of his exclusive rights, where it is

CR legal DL 2018. Всички права запазени.

established that the goods are the subject of sale of an offering for sale which necessarily entails putting these goods on the EEA market (Judgment in the Class International Case).

Next, the goods have to be put on the market by the proprietor or with his consent. This consent has to be expressed and clear and it cannot be inferred from the absence of a ban on the export of goods or from the availability of goods which are already sold in the territory with the trademark. This is the spirit of the Judgment of the Court of Justice in Joined Cases C-414/99 – C-41/991, which has ruled that "the 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 European Economic Area 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 European Economic Area".However, the Court upholds that implied consent cannot be inferredfrom 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 European Economic Area his opposition to marketing within the European Economic Area, from the fact that the goods carry no warning of a prohibition of their being placed on the market within the European Economic Area, or 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, theproperty 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 European Economic Area.The Judgmentreads that with regard to exhaustion of the trade mark proprietor's exclusive right, it is not relevantthat the importer of goods bearing the trade mark is not aware that the proprietor objects to their being placed on the market in the European Economic Area or sold there by traders other than authorised retailers, or that the authorised retailers and wholesalers have not imposed on their own purchasers contractual reservations setting out such opposition, even though they have been informed of it by the trade mark proprietor.

As is seen from the above, the exhaustion of the rights conferred by a trademark refers only to original goods from the relevant batch, which have been put for initial sale within a certain territory in which it follows from the applicable law that the rights conferred by the trademark

CR legal DL 2018. Всички права запазени.

are exhausted and its proprietor cannot prohibit the subsequent sale of these goods within the relevant territory. Still, it is important to clarify the legal options for a trademark proprietor to protect his rights conferred by the trademark if goods put for sale on the market within a certain territory are exported and put for sale on the market in another territory without the consent of the trademark proprietor.

The TMGIA sets out special procedures for trademark proprietors to protect their rights by serving a claim to establish the fact of the infringement, to discontinue the infringement, and to seek damages. The claim is served in accordance with Article 76 TMGIA. At the same time, the infringement of the right conferred by a trademark is related to the existence of an infringement under Article 73 TMGIA, i.e. unlawful ("without consent") commercial activities expressed in a specific action of any kind under Article 13(2) TMGIA, including the importing of goods but only when the object of the infringement (the good) bears a sign of any kind under Article 13(1)(1) to (3) TMGIA2.

Against the backdrop of inconsistent case law relating to the question whether the infringement involved onlycounterfeit goods or imported original goods as well, the Supreme Court of Cassation (SCC) ruled in an interpretative decision in 20083 that an infringement under Article 73 TMGIA could be claimed where the goods were not original. That view was confirmed by the SCC also in 20124 when the Court upheld in a second interpretative decision that the importing of original goods did not constitute an infringement but only within the meaning of Article 73 TMGIA.

At the same time, however, both interpretative decisions reiterate the principle that importing original goods bearing a trademark the rights of which have not been exhausted constitutes an infringement of the rights conferred by the trademark. The interpretative decisions make it clear that the infringement procedure is not carried out under Article 73 in conjunction with Article 76 TMGIA but they do not deny that the importing of original goods bearing a trademark which confers rights which have not been exhausted is an infringement of the rights as this principle is consistently adhered to by the Court of Justice of the European Union.

Therefore the Bulgarian SCC has pointed out that the procedure for protection of the rights in

CR legal DL 2018. Всички права запазени.

the case of imports of original goods without the consent of the trademark proprietor where the rights conferred by the trademark have not been exhausted is different from the arrangements set out in the above mentioned Article 73 and 76 TMGIA.

In its Judgment No 72 of 25 June 2013 in Commercial Case No 1197/2011, Commercial College, 1st Commercial Division of the SCC under Article 290 of the Code of Civil Procedure (binding case law), the Court has ruled that the infringement of the powers to dispose of a trademark in the case of importing original goods without exhaustion of the rights of the trademark proprietor is defined in Article 13(1), second sentence TMGIA in conjunction with Article 15(1) TMGIA and that the remedy against this infringement is to be sought through the legal institutes of the contractual law and the non-contractual liability rather than through special claims5.

The remedies available to the trademark proprietor includethe border control measures which may be requested as follows: the trademark proprietor or the exclusive licence holder may request the customs authorities to seize goods which are transferred across the state border of the Republic of Bulgaria, for which there exist grounds to believe that they infringe upon a right protected by the TMGIA. Generally, these measures apply only to counterfeit goods but until it is established whether the goods are original or not and the measures are removed accordingly, it may take quite a long time of detention of the goods, which might lead to undesired consequences.

The above considerations lead to the conclusion that the importing of original goods enjoying territorial protection in Bulgaria/EU/EEA of their trademark, where the exclusive rights of the proprietor have not been exhausted in Bulgaria/EU/EEA, constitutes an infringement of the proprietor’s rights and the proprietor is entitled to serve a claim seeking damages. The trademark proprietor is not entitled to serve the special claims under the TMGIA which apply only to the trade in non-original goods but the case law of the Bulgarian national courts and the Court of Justice of the European Union does not rule out in principle the existence of an infringement in the case of importing original goods without the consent of the trademark proprietor and the opportunity for remedies on the basis of the contractual and non-contractual law.

CR legal DL 2018. Всички права запазени.

———————————————————–

1 Zino Davidoff SA and A & G Imports Ltd (C-414/99) and Levi Strauss & Co., Levi Strauss (UK) Ltd vs Tesco Stores Ltd, Tesco plc (C-415/99) and Levi Strauss & Co., Levi Strauss (UK) Ltd vs Costco Wholesale UK Ltd (C-416/99);

2 Use in commercial activities of a sign which:

1. is identical with the trademark of goods or services identical with those for which the trademark is registered;
2. because of its identity with, or similarity to, the trademark and the identity with, or similarity to, the goods or services covered by the trademark, there exists a likelihood of confusion on part of the public, and the likelihood of confusion includes the likelihood of association with the trademark;
3. is identical with, or similar to, the trademark of goods and services which are not identical with, or similar to, those for which the trademark is registered, where the earlier trademark has a reputation in the Republic of Bulgaria and where the use of the sign without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark.

3 Interpretative Decision No 1 of 15 June 2009 in Interpretative Case No 1/2008, GACC of the SCC;

4 Interpretative Decision No 1 of 11 May 2012 in Interpretative Case No 1/2011, GACC of the SCC;

5 See also Judgment No 224 of 7 January 2013 in Commercial Case No 12/2011, Commercial College, 2nd Commercial Division of the SCC and Judgment No 133 of 15 January 2013 in Commercial Case No 1055/2010, Commercial College, 1st Commercial Division, both under Article 290 of the Code of Civil Procedure.

CR legal DL 2018. Всички права запазени.