

European Court of Justice, 1 July 1999, Sebago



TRADEMARK LAW

Exhaustion

Harmonized for products of non-member countries

- [Directive does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries.](#)

The Court finds, first, that the interveners in the present case are correct in submitting that the answer to the first three questions referred has already been given by the [Court in Silhouette](#). The Court held, in paragraphs 18 and 26 of that judgment, that, according to the text of Article 7 of the Directive itself, rights conferred by the mark are exhausted only if the products have been put on the market in the Community (in the EEA since the EEA Agreement entered into force) and that the Directive does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries.

Consent individual items committed

- [The rights conferred by the trade mark are exhausted only in respect of the individual items of the product which have been put on the market with the proprietor's consent in the territory there defined.](#)

The text of Article 7(1) of the Directive does not give a direct answer to that question. Nevertheless, the rights conferred by the trade mark are exhausted only in respect of the individual items of the product which have been put on the market with the proprietor's consent in the territory there defined. The proprietor may continue to prohibit the use of the mark in pursuance of the right conferred on him by the Directive in regard to individual items of that product which have been put on the market in that territory without his consent.

20. That is the interpretation of Article 7(1) that the Court has already adopted. Thus, the Court has already held that the purpose of that provision is to make possible the further marketing of an individual item of a product bearing a trade mark that has been put on the market with the consent of the trade-mark proprietor and to prevent him from opposing such marketing ([Case C-337/95 Parfums Christian Dior v Evora](#) [1997] ECR I-6013, paragraphs 37 and 38, and [Case C-63/97 BMW v Deenik](#) [1999] ECR I-0000, paragraph 57). That interpretation is, moreover, confirmed by Article 7(2) of the Directive which, in its reference to the 'further commercialisation' of goods, shows that the principle of exhaustion concerns only specific goods which have first been put on the market with the consent of the trade-mark proprietor.

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European Court of Justice, 1 July 1999

(J.-P. Puissechet, President of the Chamber, P. Jann, J.C. Moitinho de Almeida, C. Gulmann and D.A.O. Edward)

JUDGMENT OF THE COURT (Fifth Chamber)

1 July 1999 (1)

(Trade mark — Exhaustion of a trade-mark proprietor's rights — Proprietor's consent)

In Case C-173/98,

REFERENCE to the Court under Article 234 EC (ex Article 177) by the Cour d'Appel de Bruxelles, Belgium, for a preliminary ruling in the proceedings pending before that court between

Sebago Inc. and Ancienne Maison Dubois et Fils SA and

GB-Unic SA

on the interpretation of Article 7(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1),

THE COURT (Fifth Chamber),

composed of: J.-P. Puissechet, President of the Chamber, P. Jann, J.C. Moitinho de Almeida, C. Gulmann (Rapporteur) and D.A.O. Edward, Judges,

Advocate General: F.G. Jacobs,

Registrar: H. von Holstein, Deputy Registrar,

after considering the written observations submitted on behalf of:

— GB-Unic SA, by Richard Byl, of the Brussels Bar,

— the French Government, by Karen Rispal-Bellanger, Head of the Subdirectorate for International Economic Law and Community Law in the Legal Affairs Directorate of the Ministry of Foreign Affairs, and Anne de Bourgoing, Chargé de Mission in the same directorate, acting as Agents,

— the Commission of the European Communities, by Karen Banks, of its Legal Service, acting as Agent, having regard to the Report for the Hearing, after hearing the oral observations of Sebago Inc. and of Ancienne Maison Dubois et Fils SA, represented by Benoît Strowel, of the Brussels Bar, of GB-Unic

SA, represented by Richard Byl, and of the Commission, represented by Karen Banks, at the hearing on 28 January 1999, after hearing the Opinion of the Advocate General at the sitting on 25 March 1999, gives the following

Judgment

1. By judgment of 30 April 1998, received at the Court on 11 May 1998, the Cour d'Appel (Court of Appeal), Brussels, referred to the Court for a preliminary ruling under Article 234 EC (ex Article 177) various questions on the interpretation of Article 7 of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1, 'the Directive'), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3, 'the EEA Agreement').

2. Those questions were raised in proceedings between Sebago Inc. ('Sebago') and Ancienne Maison Dubois et Fils SA ('Maison Dubois'), on the one hand, and GB-Unic SA ('GB-Unic'), on the other, concerning the sale by GB-Unic, without Sebago's consent, of goods bearing a trade mark of which Sebago is the proprietor.

3. Article 7 of the Directive, entitled 'Exhaustion of the rights conferred by a trade mark', provides:

'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.'

4. In accordance with Article 65(2), in conjunction with Annex XVII, point 4, of the EEA Agreement, Article 7(1) of the Directive has been amended for the purposes of the EEA Agreement so that the expression 'in the Community' has been replaced by 'in a Contracting Party'.

5. Sebago is a company incorporated in the United States of America and is the proprietor of two Benelux trade marks in the name 'Docksides' and three Benelux trade marks in the name 'Sebago'. Those trade marks are registered, inter alia, for shoes. Maison Dubois is the exclusive distributor in the Benelux of shoes bearing Sebago's trade marks.

6. In the tenth issue of its 1996 brochure entitled 'La quinzaine Maxi-GB', announcing prices valid from 29 May until 11 June 1996, GB-Unic advertised Docksides Sebago shoes for sale in its Maxi-GB hypermarkets. The goods in question were 2 561 pairs of shoes manufactured in El Salvador and purchased from a company incorporated under Belgian law which specialises in parallel importation. The entire stock was sold during the summer of 1996.

7. Sebago and Maison Dubois do not dispute that the shoes sold by GB-Unic were genuine goods. They claim, however, that since they had not authorised the

sale of those shoes in the Community GB-Unic had no right to sell them there.

8. In those circumstances, Sebago and Maison Dubois claimed before the Belgian courts that GB-Unic had infringed Sebago's trade-mark right by marketing those goods within the Community without their consent. They relied on Article 13A(8) of the Uniform Benelux Law on Trade Marks (Loi Uniforme Benelux sur les Marques), as amended by the Benelux Protocol of 2 December 1992 ('the Uniform Law'), which is in similar terms to Article 7(1) of the Directive.

9. In its order for reference, the Cour d'Appel observes that the interpretation of Article 13A(8) by the parties to the main proceedings differs in two material respects: first, as to whether that provision lays down the principle of international exhaustion (GB-Unic's contention) or the principle of Community exhaustion only (Sebago's contention); and, secondly, as to the conditions under which the trade-mark proprietor's consent may be deemed to have been given.

10. Concerning the second question, GB-Unic submits that in order to satisfy the requirement of consent in Article 13A(8) of the Uniform Law it suffices that similar goods bearing the same trade mark have already been lawfully marketed in the Community with the consent of the trade-mark proprietor. Sebago, on the other hand, claims that its consent must be obtained in relation to each defined batch of goods, that is to say, each consignment imported at a particular time by a particular importer. Thus it considers that it can be deemed to have given its consent only if GB-Unic can prove that it obtained the shoes in question from a seller who was part of the distribution network established by Sebago in the Community, or from a reseller who, although not belonging to that network, had obtained those shoes lawfully within the Community.

11. GB-Unic also submitted before the Cour d'Appel that it was now settled that Sebago, by not prohibiting its licensee in El Salvador from exporting its goods to the Community, had given its implied consent to the marketing of the shoes at issue in the Community. However, the Cour d'Appel expressly held that it had not been proved that Sebago had granted a licence — Sebago having disputed that there was such a licence —, and that, in those circumstances, the mere fact that the manufacturer in El Salvador had exported the goods in question to the Community could not be regarded as proof that Sebago had consented to their being marketed there.

12. In those circumstances, the Cour d'Appel de Bruxelles decided to stay proceedings and refer the following questions to the Court for a preliminary ruling:

'Is Article 7(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks to be interpreted as meaning that the right conferred by the trade mark entitles its proprietor to oppose the use of his trade mark in relation to genuine goods which have not been put on the market in the European Economic Community (extended to Norway, Iceland and Liech-

tenstein by virtue of the Agreement of 2 May 1992 establishing the European Economic Area) by the proprietor or with his consent, where:

— the goods bearing the trade mark come directly from a country outside the European Community or the European Economic Area,

— the goods bearing the trade mark come from a Member State of the European Community or of the European Economic Area in which they are in transit without the consent of the proprietor of the trade mark or his representative,

— if the goods were acquired in a Member State of the European Community or of the European Economic Area in which they were put on sale for the first time without the consent of the proprietor of the trade mark or his representative,

— either where goods bearing the trade mark — which are identical to the genuine goods bearing the same trade mark but are imported in parallel either directly or indirectly from countries outside the European Community or the European Economic Area — are, or have already been, marketed within the Community or the European Economic Area by the proprietor of the trade mark or with his consent,

— or where goods bearing the trade mark — which are similar to the genuine goods bearing the same trade mark but imported in parallel either directly or indirectly from countries outside the European Community or the European Economic Area — are, or have already been, marketed within the Community or the European Economic Area by the proprietor of the trade mark or with his consent?*

13. In its [judgment of 16 July 1998 in Case C-355/96 *Silhouette International Schmied v Hartlauer* \[1998\] ECR I-4799](#), which was delivered after the national court made its order for reference in the present case, the Court held that national rules providing for exhaustion of trade-mark rights in respect of products put on the market outside the European Economic Area ('the EEA') under that mark by the proprietor or with his consent are contrary to Article 7(1) of the Directive, as amended by the EEA Agreement.

14. The parties to the main proceedings, the French Government and the Commission take the view that the Court answered the first three questions in *Silhouette*, so that it is necessary to answer only the last two.

15. As to those last two questions, Sebago, Maison Dubois, the French Government and the Commission contend that the consent of the trade-mark proprietor to the marketing in the EEA of one batch of goods does not exhaust the rights conferred by the trade mark as regards the marketing of other batches of his goods even if they are identical.

16. GB-Unic considers, on the other hand, that Article 7 of the Directive does not require that the consent relate to the actual goods involved in the parallel import. It bases its argument, in particular, on the concept of the essential function of the trade mark, which, according to the case-law of the Court, is to guarantee to the consumer the identity of the product's origin, the object being to enable him to distinguish that product without

any risk of confusion from those of different origin. However, according to GB-Unic, that function does not imply that the proprietor has the right to prohibit the importation of genuine goods. It would thus be wrong to argue that Article 7 of the Directive refers only to the consent of the proprietor to the marketing of imported individual items of original goods. GB-Unic thus takes the view that there is consent within the meaning of Article 7 of the Directive if the consent relates to the type of goods in question.

17. The Court finds, first, that the interveners in the present case are correct in submitting that the answer to the first three questions referred has already been given by the Court in *Silhouette*. The Court held, in paragraphs 18 and 26 of that judgment, that, according to the text of Article 7 of the Directive itself, rights conferred by the mark are exhausted only if the products have been put on the market in the Community (in the EEA since the EEA Agreement entered into force) and that the Directive does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries.

18. Next, it should be noted that, by its last two questions, the national court is asking essentially whether there is consent within the meaning of Article 7 of the Directive where the trade-mark proprietor has consented to the marketing in the EEA of goods which are identical or similar to those in respect of which exhaustion is claimed or if, on the other hand, consent must relate to each individual item of the product in respect of which exhaustion is claimed.

19. The text of Article 7(1) of the Directive does not give a direct answer to that question. Nevertheless, the rights conferred by the trade mark are exhausted only in respect of the individual items of the product which have been put on the market with the proprietor's consent in the territory there defined. The proprietor may continue to prohibit the use of the mark in pursuance of the right conferred on him by the Directive in regard to individual items of that product which have been put on the market in that territory without his consent.

20. That is the interpretation of Article 7(1) that the Court has already adopted. Thus, the Court has already held that the purpose of that provision is to make possible the further marketing of an individual item of a product bearing a trade mark that has been put on the market with the consent of the trade-mark proprietor and to prevent him from opposing such marketing ([Case C-337/95 *Parfums Christian Dior v Evora* \[1997\] ECR I-6013, paragraphs 37 and 38](#), and [Case C-63/97 *BMW v Deenik* \[1999\] ECR I-0000, paragraph 57](#)). That interpretation is, moreover, confirmed by Article 7(2) of the Directive which, in its reference to the 'further commercialisation' of goods, shows that the principle of exhaustion concerns only specific goods which have first been put on the market with the consent of the trade-mark proprietor.

21. Furthermore, in adopting Article 7 of the Directive, which limits exhaustion of the right conferred by the trade mark to cases where the goods bearing the mark

have been put on the market in the Community (in the EEA since the EEA Agreement entered into force), the Community legislature has made it clear that putting such goods on the market outside that territory does not exhaust the proprietor's right to oppose the importation of those goods without his consent and thereby to control the initial marketing in the Community (in the EEA since the EEA Agreement entered into force) of goods bearing the mark. That protection would be devoid of substance if, for there to be exhaustion within the meaning of Article 7, it were sufficient for the trade-mark proprietor to have consented to the putting on the market in that territory of goods which were identical or similar to those in respect of which exhaustion is claimed.

22. In the light of the foregoing, the answer to the questions referred must be that Article 7(1) of the Directive must be interpreted as meaning that:

— the rights conferred by the trade mark are exhausted only if the products have been put on the market in the Community (in the EEA since the EEA Agreement entered into force) and that provision does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries;

— for there to be consent within the meaning of Article 7(1) of that directive, such consent must relate to each individual item of the product in respect of which exhaustion is pleaded.

Costs

23. The costs incurred by the French Government and by the Commission, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT (Fifth Chamber),

in answer to the questions referred to it by the Cour d'Appel de Bruxelles by judgment of 30 April 1998, hereby rules:

Article 7(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, as amended by the Agreement on the European Economic Area of 2 May 1992, must be interpreted as meaning that:

— the rights conferred by the trade mark are exhausted only if the products have been put on the market in the Community (in the European Economic Area since the Agreement on the European Economic Area entered into force) and that provision does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries;

— for there to be consent within the meaning of Article 7(1) of that directive, such consent must relate to each individual item of the product in respect of which exhaustion is pleaded.

OPINION OF ADVOCATE GENERAL JACOBS

1. In its recent judgment in the case of *Silhouette*, (2) the Court held that national rules providing for the exhaustion of trade-mark rights in respect of products placed on the market outside the European Economic Area ('the EEA') under the mark by the proprietor or with his consent are contrary to Article 7(1) of the Trade Marks Directive. (3) Thus it is only the placing of products on the market within the EEA by the trade-mark proprietor or with his consent which *prima facie* (4) exhausts trade-mark rights: placing products on the market outside the EEA by the trade-mark proprietor or with his consent does not exhaust such rights. Community trade-mark law accordingly recognises a principle of 'EEA exhaustion' but not 'international exhaustion'.

2. The main question raised by the Cour d'Appel, Brussels, in its request for a preliminary ruling is whether the proprietor of a trade mark can be said to have consented to the marketing within the EEA of a batch of his products imported from outside the EEA on the grounds that he has consented to the marketing within the EEA of other batches of identical or similar articles.

The facts

3. The first appellant, Sebago Inc., is a company incorporated in the United States of America. It is the proprietor of two Benelux trade marks in the name 'Docksides' and three Benelux trade marks in the name 'Sebago'. All five trade marks are registered, *inter alia*, for shoes.

4. The second appellant, Ancienne Maison Dubois et Fils SA, is the exclusive distributor in Benelux of Sebago's shoes and other footwear articles. I shall refer to the appellants collectively as 'Sebago'.

5. Sebago claims that the respondent, GB-Unic, infringed its trade marks by marketing goods within the Community without its consent. GB-Unic has explained that it purchased 2,561 pairs of shoes 'made in El Salvador' from a company incorporated under Belgian law which specialises in parallel importation (and which had thus presumably imported the shoes in question from outside the EEA). In the tenth issue of its 1996 brochure entitled 'La quinzaine Maxi-GB', announcing prices valid from 29 May until 11 June 1996, GB-Unic advertised 'Docksides Sebago' shoes for sale in its Maxi-GB hypermarkets. It sold its entire stock during the summer of 1996.

6. Sebago does not dispute that the shoes sold by GB-Unic were genuine goods. It contends, however, that since it had not consented to sale of those shoes in the Community GB-Unic had no right to sell them there. Sebago relies on Article 13A(8) of the Uniform Benelux Law on Trade Marks, as amended by the Protocol of 2 December 1992. Article 13A(8) is in similar terms to Article 7(1) of the Trade Marks Directive ('the Directive'), which was the subject of the Court's judgment in *Silhouette*, and which is set out at paragraph 14 below.

7. The Cour d'Appel observes that the parties' interpretation of Article 13A(8) differs in two material respects: first, as to whether or not that provision lays down the principle of international exhaustion (GB-Unic's contention) or the principle of Community exhaustion only (Sebago's contention); and, secondly, as to the conditions under which the trade-mark proprietor's consent may be deemed to have been given.

8. Concerning the second question GB-Unic argues that in order to satisfy the requirement of consent in Article 13A(8) it is sufficient that similar goods bearing the same trade mark have been lawfully marketed in the EEA with the consent of the proprietor of the trade mark. It quotes in support of that view two judgments of the Tribunal de Commerce, Brussels. (5) Sebago, on the other hand, argues that its consent must be obtained in relation to each defined parcel of goods, i.e. each consignment imported at a particular time by a particular importer. Thus it considers that it can be deemed to have given its consent only if GB-Unic can prove, which it has not, that it obtained the shoes in question from a seller who was part of the distribution network established by Sebago in the Community, or from a reseller who, although not part of the network, had obtained those shoes lawfully within the Community.

9. GB-Unic also argued before the national court that Sebago did not prohibit its licensee in El Salvador from exporting its goods to the Community and that Sebago should accordingly be deemed to have given its implied consent to the marketing of those goods in the Community. However, the Cour d'Appel expressly dismisses the relevance of that argument on the ground that it has not been proven that Sebago granted a licence to use its trade mark in El Salvador (indeed Sebago disputes the allegation that it did grant such a licence).

10. The Cour d'Appel, Brussels, has referred the following questions to this Court:

'Is Article 7(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1) to be interpreted as meaning that the right conferred by the trade mark entitles its proprietor to oppose the use of his trade mark in relation to genuine goods which have not been put on the market in the European Economic Community (extended to Norway, Iceland and Liechtenstein by virtue of the Agreement of 2 May 1992 establishing the European Economic Area) by the proprietor or with his consent, where:

- the goods bearing the trade mark come directly from a country outside the European Community or the European Economic Area,
- the goods bearing the trade mark come from a Member State of the European Community or the European Economic Area in which they are in transit without the consent of the proprietor of the trade mark or his representative,
- if the goods were acquired in a Member State of the European Community or of the European Economic Area in which they were put on sale for the first time

without the consent of the proprietor of the trade mark or his representative,

— either where goods bearing the trade mark — which are identical to the genuine goods bearing the same trade mark but imported in parallel either directly or indirectly from countries outside the European Community or the European Economic Area — are, or have already been, marketed within the Community or the European Economic Area by the proprietor of the trade mark or with his consent,

— or where goods bearing the trade mark — which are similar to the genuine goods bearing the same trade mark but imported in parallel either directly or indirectly from countries outside the European Community or the European Economic Area — are, or have already been, marketed within the Community or the European Economic Area by the proprietor of the trade mark or with his consent.'

11. GB-Unic, the French Government and the Commission have submitted written observations. At the hearing Sebago, GB-Unic and the Commission were represented.

The Trade Marks Directive

12. The provisions of the Trade Marks Directive relevant to the present case are Articles 5 and 7, entitled, respectively, 'Rights conferred by a trade mark' and 'Exhaustion of the rights conferred by a trade mark'.

13. Article 5 provides that:

'1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
- (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

...

3. The following, inter alia, may be prohibited under paragraphs 1 and 2:

- (a) affixing the sign to the goods or to the packaging thereof;
- (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
- (c) importing or exporting the goods under the sign;
- (d) using the sign on business papers and in advertising.'

14. Article 7, however, limits the rights conferred under Article 5 in the following terms:

'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.'

15. Although Article 7(1) of the Trade Marks Directive refers to marketing in the Community, the principle of the exhaustion of rights has been extended to the EEA. The Directive was one of the legislative acts incorporated into EEA law by the Agreement establishing the EEA, (6) which entered into force on 1 January 1994. (7) Annex XVII to the Agreement amends Article 7(1) of the Directive 'for the purposes of the Agreement' so as to refer to marketing within the EEA rather than the Community: it replaces the words 'in the Community' with the words 'in a Contracting Party'. (8)

Appraisal

16. The question referred is somewhat complex in its construction. However, there appear to be two main issues.

17. The first, whether Article 7(1) of the Directive provides for the principle of international exhaustion of trade-mark rights, has been settled since the date of the order for reference by the judgment of the Court in *Silhouette*. (9) In that case the Court ruled that Article 7(1) provides for only EEA-wide exhaustion and that it would be contrary to the Directive for a Member State to purport to provide for the exhaustion of trade-mark rights on the basis of marketing in a country outside the EEA. It is therefore clear that the Benelux Law (which, it will be recalled, is in similar terms to Article 7(1) of the Directive) should be interpreted as providing only for EEA-wide exhaustion. Accordingly, even if the shoes were put into circulation outside the EEA with Sebago's consent, that would not suffice to prevent Sebago from exercising its trade-mark rights in relation to those shoes within the EEA.

18. The key issue in the present case is accordingly the second point at issue between the parties: does the consent of a trade-mark proprietor to the marketing of one batch of a certain type of goods within the EEA bearing his trade mark mean that he has exhausted his right to object to the marketing within the EEA of other batches of his identical (or similar) goods bearing the same trade mark? (10) In other words, can the reference in Article 7(1) of the Directive to 'consent' to the placing on the market in the Community of 'goods' be read as meaning consent to the marketing of a certain type of product (i.e. product line), rather than to each batch of a certain type of product?

19. Sebago, the French Government and the Commission submit that the consent of the trade-mark owner to the marketing in the EEA of one batch of goods does not exhaust his trade-mark rights in relation to the marketing of other batches of his goods even if they are identical. GB-Unic takes the contrary view.

20. It is useful first to consider the nature of the exhaustion principle when applied in a purely intra-Community context. Under Community law, the exercise of intellectual property rights may hinder the free movement of goods within the Community but may be justified under Article 36 of the EC Treaty. Since the 'use' of a trade mark is a very wide concept, (11) many different dealings with goods may constitute trade-

mark infringement. Thus, if no limitation were imposed upon the exercise of trade-mark rights, resellers wishing to sell trade-marked goods which they have lawfully acquired could in theory be obliged to obtain the consent of the trade-mark proprietor to such re-sale and any further dealings concerning the goods.

21. It is clear that the exhaustion principle in Community law is concerned with subsequent dealings with trade-marked goods once they have been put 'into circulation' (12) within the EEA by the trade-mark proprietor or with his consent. If a trade-mark proprietor places on the market one particular batch of goods it is only that batch of goods which he puts into circulation: obviously he does not thereby put into circulation all other batches of identical (or similar) goods remaining in his warehouse, and so he retains, in respect of those remaining batches, all such rights as he may enjoy to impose conditions of retail sale.

22. It is true that the exhaustion principle has usually been expressed rather loosely by reference simply to exhaustion of intellectual property rights in relation to the 'goods' placed on the market by the trade-mark proprietor or with his consent. That wording is reflected in Article 7(1) of the Directive. However, Article 7(1) should be read in conjunction with Article 7(2) concerning exceptions

the exhaustion principle, which refers to the 'further commercialisation' of the goods. In French the term used is 'commercialisation ultérieure', which to my mind makes it even clearer than the English text that the exhaustion principle concerns not other sales of the same type of goods but rather subsequent dealings with individual products following first sale.

23. Moreover, in its judgment in *Christian Dior* (13) the Court talks of exhaustion of the 'right of resale' (14) and in the French version of its judgment in *BMW* (15) the Court refers to Article 7 as making possible 'la commercialisation ultérieure d'un exemplaire d'un produit revêtu d'une marque' (emphasis added). (16)

24. It is accordingly abundantly clear, at least as regards the purely intra-EEA context, that the Community law principle of the exhaustion of trade-mark rights relates to individual goods or batches of goods, not whole product lines.

25. I turn now to the question whether the trade-mark owner has the right to prevent the import of a particular batch of goods which has been marketed, by him or with his consent, outside the EEA. (17) GB-Unic accepts that, under the terms of Article 7(1), the trade-mark owner will only have exhausted his rights to prevent the import of that batch if he has consented to its marketing within the EEA. However, it argues that there has been such consent within the meaning of Article 7(1) when the trade-mark owner has consented to the marketing in the EEA of other individual batches of the product in question since he has thereby impliedly consented to the marketing within the EEA of the whole of that product line.

26. GB-Unic seeks to justify its view by arguing that, in cases concerning the marketing of genuine products outside the EEA, the import of such products into the

EEA does not prejudice the functions of a mark as an indication of the origin and quality of the product. As I observed in my Opinion in *Silhouette*, such arguments are extremely attractive. However, they were insufficient to defeat the conclusion in that case that the Directive prohibits Member States from practising international exhaustion. They can accordingly not be invoked now in order effectively to overturn that judgment, which, as I shall show, would be the practical effect of accepting GB-Unic's interpretation of Article 7(1).

27. According to GB-Unic's view, Article 7(1) allows the trade-mark proprietor to keep out parallel imports from third countries unless and until he has himself commenced marketing an identical (or similar) product within the EEA, but not thereafter. There may, it is true, be some cases in which that limited right confers a real advantage on the trade-mark proprietor, since there may be an advantage in being able to select appropriate markets and time the launching of a product on to a particular market. However, in the vast majority of cases where the trade-mark proprietor is not already marketing the product in the EEA it is likely either that he will have no objection to the products being marketed there since they are not competing against his own marketing or that he has a 'legitimate reason', within the meaning of Article 7(2), for objecting to their import, for example because, for some justifiable reason, the product in question is unsuitable for the EEA market. Thus the question of international exhaustion is unlikely to become an issue unless the trade-mark proprietor is already marketing identical (or similar) goods within the EEA: it is then that he becomes sensitive to 'parallel' imports.

28. To say that once a trade-mark proprietor has consented to the marketing of one particular batch of products within the EEA he must be deemed to have consented to the marketing of other identical (or similar) batches would accordingly deprive the Court's limitation of the exhaustion principle to EEA-wide exhaustion of much of its practical effect. It would for most practical purposes effectively impose a rule of international exhaustion since, in the absence of a legitimate reason, all parallel imports would necessarily have to be admitted into the EEA.

29. Such a limitation upon the effect of the Directive as interpreted in the Court's judgment in *Silhouette* may seem desirable and would no doubt be welcomed in many circles. However, as the Court observed in *Silhouette*, no argument has been presented to the Court that the Directive could be interpreted as imposing a rule of international exhaustion. The dispute centred only on whether the Directive left the matter to the discretion of the Member States. The imposition of international exhaustion in the way suggested by GB-Unic does not follow easily from the wording of Article 7(1). Nor does it appear to have been the intention of the Community legislature. (18)

30. The Court cannot in my view be expected to stand legislation on its head in order to achieve an objective, even were it to be considered desirable. If the Directive

is found to have effects which are unacceptable, the correct remedy is to amend the Directive or, as the Court observed in paragraph 30 of its judgment in *Silhouette*, to enter into international agreements in order to extend the principle of exhaustion to products put on the market in non-member countries, as was done in the EEA Agreement.

31. I conclude, therefore, that Sebago cannot be deemed to have consented to the placing on the market in the EEA of the particular batch of products in question by virtue of having consented to the marketing within the EEA of other batches of identical or similar goods. Article 7(1) of the Directive must accordingly be interpreted as meaning that where goods have been marketed by the trade-mark owner or with his consent within the EEA, he is not thereby precluded from exercising his trade-mark rights to oppose the importation into the EEA of other identical or similar goods bearing his mark.

Conclusion

32. Accordingly in my opinion the questions referred by the Cour d'Appel, Brussels, should be answered as follows:

- (1) National rules providing for exhaustion of the rights conferred by a trade mark in respect of products put on the market outside the EEA under that mark by the proprietor or with its consent are contrary to Article 7(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, as amended by the Agreement on the European Economic Area of 2 May 1992.
- (2) Article 7(1) of the Directive must be interpreted as meaning that where goods have been marketed by the trade-mark owner or with his consent within the EEA, he is not thereby precluded from exercising his trade-mark rights to oppose the importation into the EEA of other identical or similar goods bearing his mark.

1: Original language: English.

2: — Case C-355/96 *Silhouette International Schmied v Hartlauer Handelsgesellschaft*, judgment of 16 July 1998.

3: — First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1989 L 40, p. 1.

4: — Subject to the possible disapplication of the exhaustion principle for 'legitimate reasons' within the meaning of Article 7(2).

5: — Prés. Com. Bxl, 16 April 1997, unreported, GTR Group/GB-Unic & Exmin Europe; Prés. Com. Bxl, 8 September 1997, unreported, Texeuropean/Parimpex Belgium.

6: — OJ 1994 L 1, p. 3.

7: — 1 May 1995 in relation to Liechtenstein.

8: — P. 483. Moreover, a protocol to the Agreement, Protocol 28 on intellectual property, contains an article, Article 2, headed 'Exhaustion of rights'. Article 2(1)

provides: 'To the extent that exhaustion is dealt with in Community measures or jurisprudence, the Contracting Parties shall provide for such exhaustion of intellectual property rights as laid down in Community law. Without prejudice to future developments of case-law, this provision shall be interpreted in accordance with the meaning established in the relevant rulings of the Court of Justice of the European Communities given prior to the signature of the Agreement.'

9: — Case C-355/96, cited in note 1.

10: — That question might have arisen in Case C-352/95 *Phytheron International v Bourdon* [1997] ECR I-1729, were it not for the way in which the facts were described in the order for reference (see paragraphs 11 and 12 of my Opinion in that case).

11: — See Article 5(3) of the Directive, cited at paragraph 13 above.

12: — See, for example, paragraph 8 of the judgment in Case 16/74 *Centrafarm v Winthrop* [1974] ECR 1183.

13: — Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013.

14: — Paragraph 37 of the judgment.

15: — Case C-63/97, judgment of 23 February 1999.

16: — At paragraph 57 of the judgment.

17: — Although in the present case it is not clear whether there was even consent to marketing outside the EEA: see paragraph 9 above.

18: — See paragraphs 18 and 19 of the judgment and paragraphs 31 and 32 of my Opinion in that case.
