

parties interfere with the essential function of a trade mark, the proprietor will not be able to enjoy the specific subject-matter of his trade mark.

It follows naturally that the proprietor can enforce his specific subject matter of a CTM based on the essential function of a trade mark as well. This could happen if a third party, who has no authorisation to use a mark, markets the goods bearing the mark in such a way as to impair the “guarantee of origin”.<sup>811</sup>

It is important to note that the principles of specific subject matter and the essential function of trade mark right are relied upon by the ECJ to define the extent to which manufacturers and/or trade mark proprietors may rely on the principle of trade mark exhaustion stipulated in Articles 7 and 13 of the TD and the CTMR respectively, to prohibit free movement of goods. As is shown in section C below, the principle of exhaustion is the ECJ's approach to the balancing of two opposing interests, namely, the fundamental tenet of free movement of goods assured by Article 34 of the TFEU and the legitimate interests, which trade mark proprietors can enforce based on Articles 345 and 36 of the TFEU.<sup>812</sup>

### ***C. Exhaustion of trade mark rights***

#### *I. Delineation and forms of trade mark exhaustion*

Section C (I) (2) (a) of chapter 3 hints to the fact that a regime for trade mark exhaustion is usually delimited to a specific geographical area.<sup>813</sup> The doctrine of trade mark exhaustion in the EU “relates to the territory of the Member States”. The European Union applies to the Community trade mark regime the principle of regional exhaustion based on Article 13(1) of the CTMR. Similarly, Member States are required under Article 7(1) of the TD to apply the principle of regional exhaustion to trade mark rights protected under the national law. Pursuant to the principle of regional exhaustion, “trade mark rights cannot be invoked to restrain the free movement of goods within the EU, but they can be used to restrain the entry of such goods into the EU”.<sup>814</sup> Thus, regional exhaustion of CTM rights is

811 ECJ, Case C-102/77, *Hoffmann-La Roche & Co. AG v Centrafarm* [1978] ECR 01139, para. 7.

812 ENCHELMAIER, S., “the inexhaustible question – free movement of goods and intellectual property in the European Court of Justice's Case Law, 2002-2006”, 38(4) IIC 453 (2007).

813 Cf. STUCKI, M., “Trademarks and Free Trade” 26 (Staempfli Verlag AG, Bern 1997).

814 Cf. Commission of the European Communities, “possible abuses of trade mark rights within the EU in the context of Community exhaustion”, Commission Staff Working

a “necessary tool to safeguard the objective of the establishment of a single market. Any other solution would inevitably lead to the fragmentation and partitioning of the market”.<sup>815</sup>

Regional exhaustion of CTM rights can be differentiated in a number of ways from national and international exhaustion.<sup>816</sup> In the context of national exhaustion, the trademark proprietor waives his rights in relation to goods he puts on the national market. This leaves him with the freedom to prevent importation of the goods in his own territory, where the said goods have not been marketed in the national market by the proprietor or any other person with the trade-mark owner’s approval. With regard to international exhaustion, the trade mark proprietor cannot control subsequent marketing of his products which he has sold in a particular country. It does not make any difference if he markets the goods in the country where the trade mark is registered or in a third country where the trade mark does not enjoy any protection. The decisive factor is the first marketing of the product in any part of the world, after which event trade mark rights exhaust globally.<sup>817</sup>

## *II. Rationale of Community trade mark exhaustion*

One reckons with the fact that while the principles underlying Community trade mark exhaustion were developed to meet the desire of having an undivided market in Europe,<sup>818</sup> adaption of regional trade mark exhaustion to CTM went beyond the initial motives. If the aim were just to ensure that goods circulated freely after the first sale, the doctrine of international trade mark exhaustion would as well have achieved the same end. It would therefore seem that besides the urge to meet the demand of undivided EU’s internal market, the legislature had also to take account of the interests of the EU’s business community. This can be viewed in light of the features characterising the principle of regional exhaustion. The principle enables CTM proprietors to market their branded

Paper No. SEC (2003) 575.

815 STAMATOUDI, I. A. & TORREMANS, P.L.C., “International exhaustion in the European Union in the Light of “Zino Davidoff”: Contract Versus Trade Mark Law”, 31(2) IIC 123, 125 (2000).

816 National and international exhaustion principles are discussed in section C (I) (2) of chapter 3 *supra*.

817 Cf. TORREMANS, P., “Holyoak and Torremans Intellectual Property Law” 448 Oxford University Press, Oxford 2008.

818 Cf. FRANZOSI, M., “Grey Market – Parallel Importation as a Trademark violation or an Act of Unfair Competition”, 21(2) IIC 194, 203 (1990).