

# Exhaustion of Rights Conferred by Trademarks

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**A typical feature and principle of the common European market is the free movement of goods, which means that any restrictions on the export or import of goods between European Union member countries are prohibited.**

This regime applies either to the goods that have been manufactured in EU countries (or in the European Economic Area countries as the case may be, i.e. the EU countries and Iceland, Norway and Liechtenstein) or to the goods imported from third countries that have been introduced to the market of a EU member state.

In the past, rights to intangible property constituted one of the restrictions deferring from the principle of free movement of goods, as the proprietors of such rights were entitled to grant approvals to use them, for example to market the goods holding the trademarks or including a copyrighted work. In order to enable the free movement of trademarked goods in the EU, a so-called "community (regional) exhaustion of the rights conferred by a trade mark" concept was developed and incorporated into the EC legislation and since 2004 also into the Slovak Trademarks Act.

In general, the trademark proprietor has the exclusive right to mark his goods and services with the trademark for which it is registered and use the trademark in connection with those goods and services. On the contrary, without the authorization of the trademark proprietor, no one may use a sign that is similar or identical to a registered trademark for identical or similar goods or services.

However, the Slovak Trademarks Act, which is in full conformity with the EC law, sets forth that the trademark does not entitle the proprietor to prohibit third parties from using it in the Slovak Republic with respect to goods that have been introduced on the market in another EU or EEA country.

The above-mentioned limitation means that if a product bearing a trademark is once put on the market in any EU or EEA country by the proprietor of the trademark or with his consent, "exhaustion of the rights conferred by a trademark" occurs and the proprietor of such a trademark may not prevent or limit the marketing of such product in any other EEA country thereupon.

Thus, if a product (e.g. branded clothes) is for the first time put on the European market

by the proprietor of such a trademark, or with his consent (e.g., if such a trademark proprietor sells the clothes to another vendor in Germany, which is entitled to sell further such clothes to the ultimate customers within EEA), the trademark proprietor will lose the possibility to prevent the further resale of the given goods in the EEA countries, i.e. he will lose the right to control the further circulation thereof even in Slovakia. The party that bought the relevant goods will therefore be entitled to sell it to the ultimate customers, but it will be also entitled to resell it to another vendor within the EEA without the possibility for the trademark proprietor to prohibit such a resale due to any trademark infringement. The concept of exhaustion of the rights conferred by a trademark does not apply to goods put on markets outside the EEA. It means that the exhaustion does not occur if the goods (although manufactured in an EEA member state) are with the consent of the trademark proprietor put on the market for example in the USA. Accordingly, such goods may not be imported to the European Union without the consent of the trademark proprietor.

The right of the trademark proprietor to grant the approval to introduce goods on the market is exhausted for each individual item of the product, i.e. the consent of the trademark proprietor must relate to each individual item of the product. For example, in case of the pharmaceutical products, the exhaustion applies to each defined batch or in case of clothes, it applies to the defined number of products, but not to the entire manufactured amount of the pharmaceutical product or all the same pieces of clothes.

As far as the form of the consent is concerned, it should be given expressly, although under certain circumstances also an implied consent is recognized. However, in accordance with the decisions of the courts, the implied consent of the trademark proprietor to the marketing within the EEA of goods (e.g. originally put on the market outside that area) cannot be inferred from his mere silence or from the fact that the trademark proprietor has not

communicated his opposition to marketing within the EEA or from the fact that the goods do not carry any warning that it is prohibited to place them on the market within EEA. The grant of consent and the conditions for the exhaustion must be, subject to certain exemptions, proven by the third party (e.g. by the vendor) who relies on it, i.e. not by the trademark proprietor.

There are certain exemptions to the principle of the exhaustion of the rights conferred by a trademark set forth by the applicable laws and further developed by the decision making practice of the courts, especially the European Court of Justice. Certain substantial reasons exist under which the trademark proprietor may prohibit the further marketing of the goods. The most typical reason is the change or impairment of the condition of the product after it has been put on the market without the fault of the trademark proprietor.

In practice, the above-described situations will occur when, for example, the branded products are repackaged or additional marks are attached thereto.

Last but not least, utilization of the trademarks by the resellers for the purpose of bringing the further commercialization to the attention of the public (e.g. in advertisements) represents another aspect with respect to the exemptions from the principle of the exhaustion of the rights conferred by a trademark.

When assessing any of the above-mentioned exceptions, the particular circumstances must be taken into account, especially with respect to the balance between the legitimate interests of the trademark proprietor to protect the reputation of the trademark and the legitimate interests of the distributors to utilize the trademarks for the further marketing of the goods.

It is always recommendable for both parties (i.e. both for the trademark proprietor and the reseller) to precisely define their rights and obligations in the agreement regulating their business relationship in order to prevent any possible discrepancies between them or avoid any ambiguous interpretation of the contractual rights and obligations in the future.

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