Burden of Proving Consent in Parallel Import Cases

March 8, 2001

Sponsoring Committee: Exhaustion of Trademark Rights and Parallel Importation Subcommittee of the Issues and Policy Committee

Resolution

WHEREAS, trademarks perform a function of not only identifying the source of goods but also encompass an assurance of quality and image set by the trademark owner; and

WHEREAS, allowing unauthorized parallel imports in a system of international exhaustion interferes with the trademark owner's right to control the quality and image associated with its goods in each market; and

WHEREAS, while recent decisions within the European Union such as Silhouette [1] and Davidoff [2] have rejected the doctrine of international exhaustion, some EU Member States and other jurisdictions nevertheless follow a doctrine of implied consent, allowing for parallel imports by making a presumption that the trademark owner has consented to the importation in question; and

WHEREAS, a presumption of implied consent to parallel imports and the resulting requirement on trademark owners to rebut such presumption also operate against the principle of registered trademarks as enforceable national property rights and by default creates a doctrine of international exhaustion;

BE IT RESOLVED, that the International Trademark Association 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 onus should be on the party seeking to prove such consent.

Background

The debate over parallel importation focuses on the extent to which a trademark owner should be allowed to maintain control over its own brands by using its trademark rights in a country (or group of countries that can be defined "national") [3] to restrict the importation of goods into that country after the goods have been put on the market somewhere else by the trademark owner or with its consent.

INTA has taken positions on the issue in the past, the most recent being a resolution adopted by
the Board on May 26, 1999 stating that the Association favors national exhaustion of trademark rights in relation to the parallel importation of goods. This position has on numerous occasions been communicated to the European Commission and European Parliament in order to resist political pressure to reverse the current EU regime of “community-wide” (i.e., national) exhaustion in favor of “international” exhaustion.

INTA’s position on national exhaustion is consistent with the July 1998 decision of the European Court of Justice (ECJ) in the case of Silhouette v. Hartlauer, which reaffirmed the standard of “community-wide” exhaustion. The Court reasoned that, based on the European Trademarks Directive [4], member states of the European Union should not be permitted to adopt a standard of international exhaustion.

However, there is a danger that the EU regime may be undermined through parallel import cases that revolve around the issue of “consent.” In particular, since the Silhouette decision there have been a number of national and ECJ decisions that deal with the issue of consent and the measures which a trademark owner needs to take to negate the suggestion that it has consented to the importation of its goods, in effect creating a presumption of consent. These cases include:

- Levi Strauss v. Costco UK

To clear up the ambiguity that exists under the Directive with regard to consent being given to allow parallel imports, several questions were referred in June 1999 by Mr Justice Laddie of the English High Court to the ECJ in connection with the Davidoff case, including the following:

_Insofar as the Directive refers to goods being put on the market in the Community with the consent of the proprietor of the mark, is it to be interpreted as including consent given expressly or implicitly and directly or indirectly?_ [6]

It is, in fact, manifestly unreasonable to create a presumption that a trademark owner has consented to the parallel importation of its goods or to otherwise rely on doctrines of implied or indirect consent. Rather, a presumption that a trademark owner has not consented is warranted. This presumption could be of course rebutted by the importer upon a clear showing that the trademark owner has expressly approved of the importation in question. Such a rule is more in line with the realities of the marketplace, and in particular, takes into account the differences in quality and image that commonly exist between goods designed for different markets.

**Conclusion**

It would be inappropriate and extremely damaging to the concept of trademarks as national property rights, for “consent” to be interpreted by the ECJ and other courts so broadly that a doctrine of international exhaustion would de facto become law. The safeguard for ensuring that this does not arise is by imposing the burden of proof on the importer as set out in the proposed resolution.
Notes

[2] 1999 3 All ER 711

[3] National in this resolution refers to an independent country or groups of countries which have adopted a single common market with an overriding governmental authority, which operates rules and regulations in the field of intellectual property for the common market and which operates a court system which has the ultimate authority on the interpretation and enforcement of those rules and regulations. The European Community (or by special treaty the European Economic Area) and the United States of America are examples of such single markets.

[4] Article 7 of the First Council Directive 89/104/EEC of 21 December 1998 to approximate the laws of the Member States relating to trade marks provides as follows: 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.

[5] Unreported decision of Mr Justice Pumfrey in July 1999

[6] In July 1999, in the Levi Strauss cases, Mr Justice Pumfrey of the High Court also referred, inter alia, the following questions:

1. Where goods bearing a registered trade mark have been placed on the market in a non-EEA country by the trade mark proprietor or with his consent and those goods have been imported into or sold in the EEA by a third party, is the effect of Directive 89/104/EEC (“the Directive”) that the trade mark proprietor is entitled to prohibit such importation or sale unless he has expressly and explicitly consented to it, or may such consent be implied?

2. If the answer to question 1. is that consent may be implied, is consent to be implied from the fact that the goods have been sold by the proprietor or on his behalf without contractual restrictions prohibiting re-sale within the EEA binding the first and all subsequent purchasers?

3. Where goods bearing a registered trade mark have been placed on the market in a non-EEA country by the trade mark proprietor:

[A] to what extent is it relevant to or determinative of the issue of whether or not there was consent by the proprietor to the placing of those goods on the market within the EEA, within the meaning of the Directive, that:
a. the person placing the goods on the market (not being an authorised retailer) does so with
the knowledge that he is the lawful owner of the goods and the goods bear no indication that
they may not be placed on the marking in the EEA; and/or

b. the person placing the goods on the market (not being an authorised retailer) does so with
the knowledge that the trade mark proprietor objects to those goods being placed on the market
within the EEA;

c. the person placing the goods on the market (not being an authorised retailer) does so with
the knowledge that the trade mark proprietor objects to them being placed on the market by
anyone otherwise than an authorised retailer; and/or

d. the goods have been purchased from authorised retailers in a non-EEA country who have
been informed by the proprietor that the proprietor objects to the sale of the goods by them for
the purposes of resale, but who have not imposed upon purchasers from them any contractual
restrictions on the matter in which the goods may be disposed of, and/or

e. the goods have been purchased from authorised wholesalers in non-EEA country, who
have been informed by the proprietor that the goods were to be sold to retailers in that non-EEA
country and were not to be sold for export, but who have not imposed upon purchasers from
them any contractual restrictions on the manner in which the goods may be disposed of, and/or

f. there has or has not been communication by the proprietor to all subsequent purchasers of
its goods (i.e., those between the first purchaser from the proprietor and the person placing the
goods on the market in the EEA) or its objection to the sale of the goods for the purposes of
resale; and/or

g. a contractual restriction has or has not been imposed by the proprietor and made legally
binding upon the first purchaser prohibiting sale for the purposes of resale to anyone other than
the ultimate consumer.

[B] does the issue of whether or not there was consent by the proprietor to the placing of those
goods on the market within the EEA, within the meaning of the Directive, depend on some
further or other factor or factors, and if so which?