

JUDGMENT OF THE COURT

20 November 2001 \*

In Joined Cases C-414/99 to C-416/99,

REFERENCES to the Court under Article 234 EC by the High Court of Justice of England and Wales, Chancery Division (Patent Court), for a preliminary ruling in the proceedings pending before that court between

Zino Davidoff SA

and

A & G Imports Ltd (C-414/99),

between

Levi Strauss & Co.,

Levi Strauss (UK) Ltd

and

Tesco Stores Ltd,

Tesco plc (C-415/99),

\* Language of the cases: English.

and between

Levi Strauss & Co.,

Levi Strauss (UK) Ltd

and

Costco Wholesale UK Ltd, formerly Costco UK Ltd (C-416/99),

on the interpretation of Article 7 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), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3),

#### THE COURT,

composed of: G.C. Rodríguez Iglesias, President, P. Jann, N. Colneric and S. von Bahr (Presidents of Chambers), C. Gulmann (Rapporteur), D.A.O. Edward, A. La Pergola, J.-P. Puissochet, L. Sevón, V. Skouris and C.W.A. Timmermans, Judges,

Advocate General: C. Stix-Hackl,  
Registrar: L. Hewlett, Administrator,

after considering the written observations submitted on behalf of:

- Zino Davidoff SA, by M. Silverleaf QC and R. Hacon, Barrister, instructed by R. Swift, Solicitor,
- Levi Strauss & Co. and Levi Strauss (UK) Ltd, by H. Carr QC and D. Anderson QC, instructed by Baker & MacKenzie, Solicitors,
- A & G Imports Ltd, by G. Hobbs QC and C. May, Barrister, instructed by A. Millmore and I. Mackie, Solicitors,
- Tesco Stores Ltd and Tesco plc, by G. Hobbs and D. Alexander, Barrister, instructed by C. Turner and E. Powell, Solicitors,
- Costco Wholesale UK Ltd, by G. Hobbs and D. Alexander, instructed by G. Heath and G. Williams, Solicitors,
- the German Government, by W.-D. Plessing, A. Dittrich and B. Muttelsee-Schön, acting as Agents,
- the French Government, by K. Rispal-Bellanger and A. Maittrepierre, acting as Agents,
- the Italian Government, by U. Leanza, acting as Agent, assisted by O. Fiumara, Vice avvocato generale dello Stato,

- the Finnish Government, by E. Bygglin, acting as Agent,
- the Swedish Government, by A. Kruse, acting as Agent,
- the Commission of the European Communities, by K. Banks, acting as Agent,
- the EFTA Surveillance Authority, by A.-L.H. Rolland, acting as Agent,

having regard to the Report for the Hearing,

after hearing the oral observations of Zino Davidoff SA, represented by M. Silverleaf; of Levi Strauss & Co. and Levi Strauss (UK) Ltd, represented by H. Carr and D. Anderson; of A & G Imports Ltd, represented by G. Hobbs and C. May; of Tesco Stores Ltd, Tesco plc and Costco Wholesale UK Ltd, represented by G. Hobbs and D. Alexander; of the German Government, represented by H. Heitland, acting as Agent; of the French Government, represented by A. Maitrepierre; of the Commission, represented by K. Banks; and of the EFTA Surveillance Authority, represented by P. Dyrberg and D. Sif Tynes, acting as Agents, at the hearing on 16 January 2001,

after hearing the Opinion of the Advocate General at the sitting on 5 April 2001,

gives the following

### Judgment

- 1 By order of 24 June 1999 (Case C-414/99) and two orders of 22 July 1999 (Cases C-415/99 and C-416/99), received at the Court on 29 October 1999, the High Court of Justice of England and Wales, Chancery Division (Patent Court), referred to the Court for a preliminary ruling under Article 234 EC six questions in the first case and three identical questions in the remaining two cases, on the interpretation of Article 7 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), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3), ('the Directive').
- 2 Those questions have been raised in three disputes between, on the one hand, two proprietors of trade marks registered in the United Kingdom and one proprietor of a trade mark licence and, on the other, four companies established in the United Kingdom concerning the marketing in the United Kingdom of products previously placed on the market outside the European Economic Area ('the EEA').

## Legal background

- 3 Article 5 of Directive 89/104, headed ‘Rights conferred by a trade mark’, is worded as follows:

‘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;

...

3. The following, *inter alia*, may be prohibited [under paragraph 1]:

...

- (c) importing or exporting the goods under the sign;

...’

- 4 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.'

- 5 In accordance with Article 65(2) of the EEA Agreement, in conjunction with Annex XVII, point 4 thereto, Article 7(1) of the Directive has been amended for the purposes of the EEA Agreement, the expression 'in the Community' having been replaced by 'in a Contracting Party'.
- 6 The Directive was transposed into national law in the United Kingdom as from 31 October 1994 by the Trade Marks Act 1994.

## The disputes in the main proceedings

### *Case C-414/99*

- 7 Zino Davidoff SA ('Davidoff') is the proprietor of two trade marks, 'Cool Water' and 'Davidoff Cool Water', registered in the United Kingdom and used for a wide range of toiletries and cosmetic products. The products manufactured by Davidoff or on its behalf and bearing, with its consent, those trade marks are sold by it or on its behalf both within and outside the EEA.
- 8 The products bear batch code numbers. Those markings are intended to ensure compliance with the provisions of Council Directive 76/768/EEC of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products (OJ 1976 L 262, p. 169), which was implemented in the United Kingdom by the Cosmetic Products (Safety) Regulations 1996 (SI 2925/1996). Whether the batch code numbers also serve purposes other than ensuring compliance with Directive 76/768 and the national implementing measures is not a question which has been addressed by the national court.
- 9 In 1996 Davidoff entered into an exclusive distribution contract with a trader in Singapore. In accordance with that contract, the distributor undertook, first, to sell Davidoff products solely within a defined territory outside the EEA to local sub-distributors, sub-agents and retailers and, second, to impose in turn on those co-contractors a prohibition of resale outside the stipulated territory. The parties expressly made that exclusive distribution contract subject to German law.



- 10 A & G Imports Ltd ('A & G') acquired stocks of Davidoff products, manufactured within the EEA, which had originally been placed on the market in Singapore by Davidoff or with its consent.
- 11 A & G imported those products into the United Kingdom and began to sell them. A & G, or another operator in the distribution chain, removed or obliterated the batch code numbers in whole or in part.
- 12 In 1998 Davidoff brought proceedings against A & G before the High Court of Justice of England and Wales, Chancery Division (Patent Court), alleging, *inter alia*, that the importation and sale of those goods in the United Kingdom infringed its trade mark rights.
- 13 A & G relied on Articles 5(1) and 7(1) of the Directive, maintaining that, having regard to the circumstances in which the goods were placed on the market in Singapore, their importation and sale was, or should be deemed to have been, with Davidoff's consent.
- 14 Davidoff denied that it had consented, or could be deemed to have consented, to the products concerned being imported into the EEA. Further, it pleaded legitimate reasons, within the meaning of Article 7(2) of the Directive, for opposing the import and marketing of its products. Those reasons were based on the removal or obliteration, in whole or in part, of the batch code numbers.

15 By decision of 18 May 1999 the national court rejected Davidoff's application for summary judgment, considering that the dispute ought to go to full trial. It took the view, however, that for that purpose the scope and effect of Article 7(1) and (2) of the Directive required clarification.

16 The High Court of Justice of England and Wales, Chancery Division (Patent Court), accordingly decided to stay proceedings and to request the Court of Justice to give a preliminary ruling on the following questions:

'(1) Insofar as 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) refers to goods being put on the market in the Community with the consent of the proprietor of a mark, is it to be interpreted as including consent given expressly or implicitly and directly or indirectly?

(2) Where:

(a) a proprietor has consented to or allowed goods to be placed in the hands of a third party in circumstances where the latter's rights to further market the goods are determined by the law of the contract of purchase under which that party acquired the goods, and

(b) the said law allows the vendor to impose restrictions on the further marketing or use of the goods by the purchaser but also provides that, absent the imposition by or on behalf of the proprietor of effective restrictions on the purchaser's right to further market the goods, the third

party acquires a right to market the goods in any country, including the Community,

then, if restrictions effective according to that law to limit the third party's rights to market the goods have not been imposed, is the Directive to be interpreted so as to treat the proprietor as having consented to the right of the third party acquired thereby to market the goods in the Community?

- (3) If the answer to the previous question is in the affirmative, is it for the national courts to determine whether, in all the circumstances, effective restrictions were imposed on the third party?
- (4) Is Article 7(2) of the Directive to be interpreted in such a way that legitimate reasons for the proprietor to oppose further commercialisation of his goods include any actions by a third party which affect to a substantial extent the value, allure or image of the trade mark or the goods to which it is applied?
- (5) Is Article 7(2) of the Directive to be interpreted in such a way that legitimate reasons for the proprietor to oppose further commercialisation of his goods include the removal or obliteration by third parties (in whole or in part) of any markings on the goods where such removal or obliteration is not likely to cause any serious or substantial damage to the reputation of the trade mark or the goods bearing the mark?

(6) Is Article 7(2) of the Directive to be interpreted in such a way that legitimate reasons for the proprietor to oppose further commercialisation of his goods include the removal or obliteration by third parties (in whole or in part) of batch code numbers on the goods where such removal or obliteration results in the goods in question

(i) offending against any part of the criminal code of a Member State (other than a part concerned with trade marks) or

(ii) offending against the provisions of Council Directive 76/768/EEC of 27 July 1976 on the approximation of the laws of the Member States relating to cosmetic products (OJ 1976 L 262, p. 169)?’

*Cases C-415/99 and C-416/99*

17 Levi Strauss & Co., a corporation formed under the laws of the State of Delaware (United States of America), is the proprietor of the trade marks ‘LEVI’S’ and ‘501’, registered in the United Kingdom and used, *inter alia*, in respect of jeans.

18 Levi Strauss (UK) Ltd, a company incorporated under the laws of England and Wales, is the holder in the United Kingdom of a trade mark licence granted by Levi Strauss & Co. for the manufacture, sale and distribution of, *inter alia*, Levi’s 501 jeans. It sells those products itself in the United Kingdom or grants licences to other retailers as part of a selective distribution system.

- 19 Tesco Stores Ltd and Tesco plc (together 'Tesco') are two companies incorporated under the laws of England and Wales, the latter being the parent company of the former. Tesco is one of the leading supermarket chains in the United Kingdom. Amongst other things, it sells clothes.
- 20 Costco Wholesale UK Ltd ('Costco'), a company incorporated under the laws of England and Wales, sells a wide range of branded goods in the United Kingdom, in particular items of clothing.
- 21 Levi Strauss & Co. and Levi Strauss (UK) Ltd (together 'Levis') have consistently refused to sell Levi's 501 jeans to Tesco and Costco and have not agreed to their becoming authorised distributors of those products.
- 22 Tesco and Costco obtained Levi's 501 jeans, genuine goods originally sold by Levi's or on its behalf, from traders who imported them from countries outside the EEA. The contracts pursuant to which they acquired those products contained no restrictive covenants to the effect that the goods were, or were not, to be sold in a particular territory. The jeans bought by Tesco had been manufactured by, or on behalf of, Levis in the United States of America, Mexico or Canada. Those bought by Costco had been manufactured on the same terms in the United States or Mexico.
- 23 Tesco's and Costco's suppliers had obtained the goods directly or indirectly from authorised retailers in the United States, Mexico or Canada, or from wholesalers who had bought the jeans from 'accumulators', that is to say, persons who buy small quantities of jeans from numerous authorised stores, in particular in the United States and Canada.

- 24 In 1998 Levis commenced proceedings before the High Court of Justice of England and Wales, Chancery Division (Patent Court), against Tesco and Costco. They claimed that the import and sale of Levi jeans by the defendants constituted an infringement of their trade mark rights.
- 25 They stated that in the United States and Canada they had informed their authorised retailers, both in writing and orally, of guidelines including a ‘no-wholesale’ stipulation, by virtue of which the goods could be sold only to end purchasers. In their written order acknowledgement forms they reserved the right, which they have exercised several times, to cease supplying their products to a retailer violating that prohibition. They asked their authorised retailers to limit sales of garments to a certain number per customer, generally six, and to display signs in their stores stating the ‘no-wholesale policy’ and that limit on retail sales. In Mexico, they sold their products to authorised wholesalers. They always informed them, in particular by repeated written communications, of their rule that the goods were not to be sold for export.
- 26 Tesco acknowledged that it knew at the material time that Levis did not wish their jeans to be sold in the EEA otherwise than through authorised retailers. Costco, on the other hand, maintained that it was unaware of this.
- 27 Tesco and Costco pointed out that they were not bound by any contractual restriction. Levis, they argued, had not attempted to impose or give notice of any restriction to run with the goods, nor had they reserved any rights in any way. In their submission, therefore, the operator buying the jeans in question was entitled freely to dispose of them.

28 In those circumstances, the High Court of Justice of England and Wales, Chancery Division (Patent Court), decided to stay proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

- ‘(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 resale 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 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:

- (i) 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 market in the EEA; and/or
- (ii) the person placing the goods on the market (not being an authorised retailer) does so with knowledge that the trade mark proprietor objects to those goods being placed on the market within the EEA; and/or
- (iii) 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
- (iv) 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 manner in which the goods may be disposed of; and/or
- (v) the goods have been purchased from authorised wholesalers in a 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



(vi) 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) of its objection to the sale of the goods for the purposes of resale; and/or

(vii) 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?’

29 By order of the President of the Court of 15 December 1999, Cases C-414/99, C-415/99 and C-416/99 were joined pursuant to Article 43 of the Rules of Procedure for the purposes of the written procedure, the oral procedure and judgment.

The questions relating to Article 7(1) of the Directive

*Preliminary observations*

30 In Case C-414/99, the questions raised concern products placed on the market within the Community whereas, in Cases C-415/99 and C-416/99, they concern

products placed on the market in the EEA, that is to say, taking into consideration the amendment of Article 7(1) of Directive 89/104 by the EEA Agreement.

- 31 Since, as regards the Member States of the Community, the substance of the answers to be given will be the same for either situation, references in what follows will be to the placing of goods on the market within the EEA.
- 32 It must also be borne in mind that in Articles 5 and 7 of the Directive the Community legislature laid down the rule of Community exhaustion, that is to say, the rule that the rights conferred by a trade mark do not entitle the proprietor to prohibit use of the mark in relation to goods bearing that mark which have been placed on the market in the EEA by him or with his consent. In adopting those provisions, the Community legislature did not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by a trade mark in respect of products placed on the market in non-member countries (Case C-355/96 *Silhouette International Schmied* [1998] ECR I-4799, paragraph 26).
- 33 The effect of the Directive is therefore to limit exhaustion of the rights conferred on the proprietor of a trade mark to cases where goods have been put on the market in the EEA and to allow the proprietor to market his products outside that area without exhausting his rights within the EEA. By making it clear that the placing of goods on the market outside the EEA does not exhaust the proprietor's right to oppose the importation of those goods without his consent, the Community legislature has allowed the proprietor of the trade mark to control the initial marketing in the EEA of goods bearing the mark (Case C-173/98 *Sebago and Maison Dubois* [1999] ECR I-4103, paragraph 21).

- 34 By its questions, the national court is seeking chiefly to determine the circumstances in which the proprietor of a trade mark may be regarded as having consented, directly or indirectly, to the importation and marketing within the EEA by third parties who currently own them, of products bearing that trade mark, which have been placed on the market outside the EEA by the proprietor of the mark or with his consent.

*Whether the consent of a trade mark proprietor to marketing in the EEA may be implied*

- 35 By the first question referred in each of Cases C-414/99 to C-416/99, the national court is in essence asking whether, on a proper construction of Article 7(1) of the Directive, the consent of a trade mark proprietor to the marketing within the EEA of products bearing that mark which have previously been placed on the market outside the EEA by that proprietor or with his consent must be express, or whether it may also be implied.
- 36 That question therefore seeks clarification of the manner in which the consent of a trade mark proprietor to marketing within the EEA may be expressed.
- 37 The answer to that question requires that it first be established whether, with regard to situations such as those in issue in the main proceedings, the concept of 'consent' used in Article 7(1) of the Directive must be interpreted uniformly throughout the Community legal order.

- 38 The Italian Government submits that where products are placed on the market outside the EEA, trade mark rights can never be exhausted as a consequence of a provision of Community law, because such exhaustion is not provided for by the Directive. Whether or not express or implied consent has been given for reimportation into the EEA is not a matter which concerns the consent to exhaustion referred to in Article 7(1) of the Directive, but rather relates to an act disposing of the trade mark rights, which is a matter for the national law in question.
- 39 Articles 5 to 7 of the Directive embody a complete harmonisation of the rules relating to the rights conferred by a trade mark and accordingly define the rights of proprietors of trade marks in the Community (*Silhouette*, cited above, paragraphs 25 and 29).
- 40 Article 5 of the Directive confers on the trade mark proprietor exclusive rights entitling him, *inter alia*, to prevent all third parties ‘not having his consent’ from importing goods bearing the mark. Article 7(1) contains an exception to that rule in that it provides that the trade mark proprietor’s rights are exhausted where goods have been put on the market in the EEA by the proprietor or ‘with his consent’.
- 41 It therefore appears that consent, which is tantamount to the proprietor’s renunciation of his exclusive right under Article 5 of the Directive to prevent all third parties from importing goods bearing his trade mark, constitutes the decisive factor in the extinction of that right.
- 42 If the concept of consent were a matter for the national laws of the Member States, the consequence for trade mark proprietors could be that protection

would vary according to the legal system concerned. The objective of ‘the same protection under the legal systems of all the Member States’ set out in the ninth recital in the preamble to Directive 89/104, where it is described as ‘fundamental’, would not be attained.

- 43 It therefore falls to the Court to supply a uniform interpretation of the concept of ‘consent’ to the placing of goods on the market within the EEA as referred to in Article 7(1) of the Directive.
- 44 The parties in the main proceedings, the German, Finnish and Swedish Governments and the EFTA Surveillance Authority acknowledge, explicitly or in substance, that consent to the placing on the market in the EEA of goods previously marketed outside that area may be express or implied. By contrast, the French Government maintains that consent must be express. The Commission’s view is that the question is not whether consent must be express or implied, but rather whether the trade mark proprietor has had a first opportunity to benefit from the exclusive rights he holds within the EEA.
- 45 In view of its serious effect in extinguishing the exclusive rights of the proprietors of the trade marks in issue in the main proceedings (rights which enable them to control the initial marketing in the EEA), consent must be so expressed that an intention to renounce those rights is unequivocally demonstrated.
- 46 Such intention will normally be gathered from an express statement of consent. Nevertheless, it is conceivable that consent may, in some cases, be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his rights.

- 47 The answer to the first question referred in each of Cases C-414/99 to C-416/99 must therefore be that, on a proper construction of Article 7(1) of the Directive, the consent of a trade mark proprietor to the marketing within the EEA of products bearing that mark which have previously been placed on the market outside the EEA by that proprietor or with his consent may be implied, where it is to be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA 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 EEA.

*Whether implied consent may be inferred from the mere silence of a trade mark proprietor*

- 48 By its second question and by Question 3(a)(i), (vi) and (vii) in Cases C-415/99 and C-416/99, and by its second question in Case C-414/99, the national court seeks in essence to ascertain whether, having regard to the facts of the disputes in the main proceedings, implied consent may be inferred:

- from 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 EEA his opposition to their being marketed within the EEA;
- from the fact that the goods carry no warning of a prohibition on their being placed on the market within the EEA;
- 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, the property right transferred includes, in the absence of such reservations, an unlimited right to resell or, at the very least, a right to market the goods subsequently within the EEA.

- <sup>49</sup> Referring in particular to *Silhouette* and *Sebago and Maison Dubois*, cited above, A & G, Tesco and Costco argue that the defendant in an action for infringement of a trade mark must be presumed to have acted with the consent of the trade mark proprietor unless the latter proves the contrary.
- <sup>50</sup> In their opinion, if a trade mark proprietor wishes his exclusive rights to be reserved within the EEA, he must ensure that:
- the goods bearing the trade mark carry a clear warning of the existence of such reservations, and
  - that the reservations are stipulated in the contracts for the sale and resale of those goods.
- <sup>51</sup> A & G contends that the clause in the contract concluded between Davidoff and its distributor in Singapore under which the latter undertook to oblige his sub-distributors, sub-agents and/or retailers not to resell the products outside the stipulated territory did not prevent the distributor or his sub-distributors, sub-agents and/or retailers from selling those products to third parties within the distribution territory with unlimited rights of resale. There is no evidence in the documents in the case in the main proceedings to demonstrate that the goods in question were sold by the distributor, or his sub-distributors, sub-agents or

retailers outside the distribution territory. In addition, there was no notice on the goods or their packaging of any restrictions on resale and those goods were purchased and then sold to A & G without any restriction of that kind.

- 52 Tesco and Costco submit that where contracts for the acquisition of trade-marked goods placed on the market outside the EEA contain no restrictions on their resale, it is irrelevant that the proprietor of the mark may have made announcements or otherwise expressed the view that it did not wish those goods to be sold in the EEA by the purchaser.
- 53 It follows from the answer to the first question referred in the three cases C-414/99 to C-416/99 that consent must be expressed positively and that the factors taken into consideration in finding implied consent must unequivocally demonstrate that the trade mark proprietor has renounced any intention to enforce his exclusive rights.
- 54 It follows that it is for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence.
- 55 Consequently, implied consent to the marketing within the EEA of goods put on the market outside that area cannot be inferred from the mere silence of the trade mark proprietor.
- 56 Likewise, implied consent cannot be inferred from the fact that a trade mark 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 the EEA.



- 57 Finally, such consent cannot be inferred from the fact that the trade mark proprietor transferred ownership of the goods bearing the mark without imposing contractual reservations or from the fact that, according to the law governing the contract, the property 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 EEA.
- 58 A rule of national law which proceeded upon the mere silence of the trade mark proprietor would not recognise implied consent but rather deemed consent. This would not meet the need for consent positively expressed required by Community law.
- 59 In so far as it falls to the Community legislature to determine the rights of a trade mark proprietor within the Member States of the Community, it would be unacceptable on the basis of the law governing the contract for marketing outside the EEA to apply rules of law that have the effect of limiting the protection afforded to the proprietor of a trade mark by Articles 5(1) and 7(1) of the Directive.
- 60 The answer to be given to the second question and to Question 3(a)(i), (vi) and (vii) in Cases C-415/99 and C-416/99, and to the second question in Case C-414/99, must therefore be that implied consent cannot be inferred:
- from 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 EEA his opposition to marketing within the EEA;

- from the fact that the goods carry no warning of a prohibition on their being placed on the market within the EEA;
- 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, the property 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 EEA.

<sup>61</sup> In light of that reply, it is unnecessary to answer the third question raised in Case C-414/99.

*The consequence of ignorance, on the part of a trader importing goods bearing a trade mark into the EEA, of the trade mark proprietor's expressed opposition to such imports*

<sup>62</sup> By Question 3(a)(ii) to (v), raised in Cases C-415/99 and C-416/99, the national court is in essence asking whether, with regard to exhaustion of the trade mark proprietor's exclusive rights, it is relevant:

- that the importer of the goods bearing the trade mark is not aware that the proprietor objects to their being placed on the market in the EEA 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.

<sup>63</sup> Those questions raise the issue of whether a restriction of the right to dispose freely of goods, imposed on the first purchaser by the first vendor or agreed between the two parties to the sale, may be relied upon as against a third party transferee.

<sup>64</sup> That is a different question from those concerning the effect on trade mark rights of consent to marketing within the EEA. Since such consent cannot be inferred from the proprietor's silence, for the preservation of his exclusive right cannot depend on there being an express prohibition of marketing within the EEA, which the proprietor is not obliged to impose, nor, *a fortiori*, on a repetition of that prohibition in one or more of the contracts concluded in the distribution chain.

<sup>65</sup> The national rules on the enforceability of sales restrictions against third parties are not, therefore, relevant to the resolution of a dispute between the proprietor of a trade mark and a subsequent trader in the distribution chain concerning the preservation or extinction of the rights conferred by the trade mark.

66 The answer to be given to Question 3(a)(ii) to (v), raised in Cases C-415/99 and C-416/99, must therefore be that with regard to exhaustion of the trade mark proprietor's exclusive rights, it is not relevant:

- that the importer of goods bearing the trade mark is not aware that the proprietor objects to their being placed on the market in the EEA 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.

67 In light of that answer and of those given above, it is unnecessary to reply to Question 3(b), raised in Cases C-415/99 and C-416/99.

### The questions relating to Article 7(2) of the Directive

68 In light of the answers to the foregoing questions, resolution of the disputes in the main proceedings does not call for any answer to the fourth, fifth and sixth questions raised in Case C-414/99.

## Costs

- <sup>69</sup> The costs incurred by the German, French, Italian, Finnish and Swedish Governments, the Commission and the EFTA Surveillance Authority, 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 actions pending before the national court, the decision on costs is a matter for that court.

On those grounds,

## THE COURT,

in answer to the questions referred to it by the High Court of Justice of England and Wales, Chancery Division (Patent Court), by orders of 24 June 1999 and 22 July 1999, hereby rules:

1. On a proper construction of 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, the consent of a trade mark proprietor to the marketing within the European Economic Area of products bearing that mark which have previously been placed on the market outside the European Economic Area by that proprietor or with his 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.

2. Implied consent cannot be inferred:

- from 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;
  
- 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, the property 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.

3. With regard to exhaustion of the trade mark proprietor's exclusive right, it is not relevant:

- that 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.

Rodríguez Iglesias	Jann	Colneric
von Bahr	Gulmann	Edward
La Pergola	Puissochet	Sevón
Skouris	Timmermans	

Delivered in open court in Luxembourg on 20 November 2001.

R. Grass

G.C. Rodríguez Iglesias

Registrar

President