OPINION OF ADVOCATE GENERAL STIX-HACKL

delivered on 18 June 2002 [1]

I — Introduction

1. The exhaustion of intellectual property rights — in this case rights conferred by a trade mark — prevents the owner of those rights from opposing the further marketing of trade-marked goods where they have been put on the market by him or with his consent. Article 7(1) of Directive 89/104/EEC [2] (hereinafter: 'the directive') provides for the Community-wide — now EEA-wide — exhaustion of rights conferred by a trade mark. As is well known, the interpretation of this provision has already been the subject-matter of several judgments of the Court [3] which have clarified the harmonisation of national laws on this issue in particular.

2. In the present case, the Court is being asked to consider an issue which is not covered directly by the directive, but which is closely connected with it, namely the allocation of the burden of proof in national law in connection with an instance of parallel importation. The national court — the German Bundesgerichtshof (Federal Court of Justice) — essentially asks whether it is compatible with Articles 28 EC and 30 EC for a national rule on proof to place on a person against whom proceedings are brought for trade-mark infringement the burden of proving that the conditions for exhaustion have been satisfied, that is to say that the goods have been put on the market in the EEA by the trade-mark owner or with his consent.

3. In the main proceedings it is not disputed that the goods marketed by the defendant in the proceedings for infringement of trade mark rights are in fact original goods. What is unclear is where these goods were put on the market. In this respect the situation in the main proceedings differs from that in *Davidoff and Others*, [4] where the place at which the goods were put on the market for the first

1 — Original language: German.

2 — 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).

3 — Case C-355/96 *Silhouette International Schmied* [1998] ECR I-4799; Case C-173/98 *Sebago and Maison Dubois* [1999] ECR I-4103; and Joined Cases C-414/99 to C-416/99 *Zino Davidoff and Levi Strauss and Others* [2001] ECR I-8691.

4 — Cited in footnote 3.

time — outside the EEA — was established.

II — Legal background

A — *Community law*

4. In a system of territorially limited exhaustion — that is to say EEA-wide exhaustion — the place at which the goods bearing the trade mark were put on the market for the first time is of particular importance. Where it is not disputed that these goods were put on the market by the trade-mark owner or with his consent, exhaustion of the rights conferred by the trade mark depends on whether the trade-mark owner has consented to their being put on the market *in* the EEA. In such circumstances, the question of exhaustion logically arises only where the goods concerned have been put on the market for the first time outside the EEA.

5. The place at which the goods are first put on the market is therefore decisive in so far as, if they have been put on the market in the EEA by the trade-mark owner or with his consent, the rights conferred by the trade mark must be regarded as already exhausted pursuant to Article 7(1) of the directive, whereas, if they are put on the market outside the EEA, exhaustion depends in addition on whether the trade-mark owner has consented to the marketing of the goods in the EEA.

6. Article 5 of the directive provides (in so far as is relevant):

'Rights conferred by a trade mark

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 paragraphs 1 and 2:

...

(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;

...'

7. Article 7 of the directive is headed 'Exhaustion of the rights conferred by a trade mark'. Article 7(1) provides:

'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.'

8. Pursuant to Article 65(2) of the Agreement on the European Economic Area, read in conjunction with point 4 of Annex XVII thereof, Article 7(1) of the directive was amended by replacing the words 'in the Community' with 'in a Contracting Party'.

B — *National law*

9. Article 5(1) and 5(3) of the directive was implemented in German law by Paragraph 14(1) to (3) of the Gesetz über den Schutz von Marken und sonstigen Kennzeichen of 25 October 1994 [5] (German law on the protection of trade marks and other distinctive signs; hereinafter 'the Markengesetz'), and Article 7(1) of the directive was so implemented by Paragraph 24(1) of the Markengesetz.

10. Paragraph 14 of the Markengesetz provides (in so far as is relevant):

'(1) Trade mark protection under Paragraph 4 shall confer on the trade-mark owner an exclusive right.

5 — BGBl. I 1994, 3082 (1995, 156).

(2) Third parties shall not, without the consent of the trade-mark owner, in the course of trade

1. use a sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark enjoys protection.

...

(3) The following, *inter alia*, shall be prohibited under paragraph 2:

1. affixing the sign to the goods or to their get-up or packaging;

2. offering the goods, or putting them on the market or stocking them for these purposes under that sign;

3. offering or supplying services under the sign or importing or exporting the goods under the sign;

4. using the sign on business papers or in advertising.

...'

11. Paragraph 24(1) of the Markengesetz provides:

'The owner of a trade mark or a trade name shall not have the right to prohibit use by another person of that trade mark or trade name in relation to goods which have been put on the market in Germany, another Member State of the European Union or another Contracting Party to the Agreement on the European Economic Area under that trade mark or trade name by the owner or with his consent.'

III — Facts

12. STUSSY Inc. in Irvine (California) is the proprietor of the word and device mark 'Stüssy', which is registered in respect of clothing, in particular shirts, shorts, swimwear, T-shirts, track suits, waistcoats and trousers. Goods bearing this trade mark are

marketed worldwide. They have no particular characteristic which would enable them to be recognised as having been allocated to a specific sales territory.

13. Under the dealership agreement of 1 May 1995, van Doren + Q. GmbH (hereinafter: 'the claimant') in Cologne, a clothes wholesaler and retailer, has exclusive distribution rights in respect of STUSSY Inc.'s products in Germany. STUSSY Inc. authorised the claimant to bring legal proceedings in its own name to obtain injunctions against, and claim damages from, third parties for infringement of the trade mark.

14. According to the claimant, there is in each country of the EEA only one exclusive distributor (general importer) for 'Stüssy' articles and that distributor is contractually bound not to sell the goods to intermediaries for resale outside his contractual territory.

15. Lifestyle + sportswear Handelsgesellschaft mbH — managing director: Michael Orth — (hereinafter jointly: 'the defendants') markets in Germany 'Stüssy' articles which it has not acquired from the claimant.

16. The claimant brought proceedings against the defendants before the German courts. It sought an injunction, an order for disclosure of information concerning acts committed since 1 January 1995, and a declaration of liability for damages as from 1 January 1995. It maintained that the articles distributed by the first defendant were products which had originally been put on the market in the USA, and that their distribution in Germany and other EU Member States had not been authorised by the trade-mark owner.

17. The defendants opposed the action and argued that the rights conferred by the trade mark in respect of the goods in question were exhausted. The defendants claim that they sourced the goods in the EEA where they had been put on the market by the trade-mark owner or with his consent. The clothing purchased from the first defendant as a test purchase in October 1996 had been acquired by the first defendant in the EEA from an intermediary who, the defendants assumed, had purchased it from an authorised dealer.

18. The defendants submitted that they were not required to name the suppliers, at least not until the claimant proved the imperviousness of the alleged distribution system.

19. At first instance, the court found largely for the claimant.

20. The appeal lodged by the defendants resulted in the action being dismissed. The court hearing the appeal observed that it had been for the claimant to plead circumstances which established it as to some extent probable that the goods in question originated from imports which were put on the market in the EEA without the consent of the trade-mark owner.

21. The claimant appealed on a point of law to the Bundesgerichtshof.

22. The Bundesgerichtshof considers that the resolution of the dispute turns on the interpretation of Articles 28 EC and 30 EC and therefore stayed proceedings and referred the following question to the Court for a preliminary ruling by order of 11 May 2000:

Are Articles 28 EC and 30 EC to be interpreted as meaning that they permit the application of national legislation under which an infringer against whom proceedings are brought on the basis of a trade mark for marketing original goods, and who claims that the trade-mark right has been exhausted within the meaning 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, has to plead and, if necessary, prove that the goods marketed by him have already been put on the market in the European Economic Area for the first time by the trade-mark owner himself or with his consent?

23. The national court refers to the Court's judgments in *Silhouette* and *Sebago*, [6] according to which there is exhaustion of the right conferred by a trade mark within the meaning of Article 7(1) of the directive, as amended by the EEA Agreement, where the goods have been put on the market in the EEA under that mark by the trade-mark owner or with his consent, but not where they were first put on the market outside the EEA.

24. According to the national court, the factual conditions for exhaustion of the trade-mark right, which is a defence under Paragraph 24(1) of the Markengesetz, must in principle be proved by the defendants, according to the general principle that each party to proceedings must prove the existence of the conditions for the rule on which he relies.

6 — Cited in footnote 3.

25. A reversal of the burden of proof pursuant to general principles would be alien to the system of trade mark law because it would involve a departure from the scheme of tort law without any sound reason. Consequently, it is not for the injured party to show unlawfulness, but, as a rule, for the alleged infringer to show that the infringement is not unlawful. Furthermore, a reversal of the burden of proof would also unduly prejudice the trade-mark owner's exclusive rights in comparison with the infringer's interest in marketing original goods without restriction. That would also limit the effect of EEA-wide exhaustion to such an extent as to render it almost obsolete, even though the alleged trade-mark infringer could easily show the origin of the goods.

26. The national court also states that under Paragraph 14(2) of the Markengesetz third parties are prohibited from using a trade mark 'without the consent of the trade-mark owner'. In the view of the national court, although the trade-mark owner has to prove that the conditions are satisfied to show 'use' within the meaning of this provision, the defendant must prove that the trade-mark owner has granted consent, if he wishes to rely on it.

27. The Bundesgerichtshof is dealing there with the appeal court's view that although the burden of proof in principle lies with the defendant infringer, the plaintiff trade-mark owner must submit observations at least on the existence of 'consent' within the meaning of Paragraph 14(2) of the Markengesetz and prove a degree of probability. The Bundesgerichtshof takes the view that the appeal court was wrong to equate a trade-mark owner's consent within the meaning of Paragraph 14(2) of the Markengesetz — which involves an act whereby he disposes of a right — with consent to putting goods on the market for the first time under Paragraph 24(1). The putting of goods on the market by the trade-mark owner or with his consent pursuant to Paragraph 24(1) results in statutory exhaustion of the trade-mark right and deprives the trade-mark owner of any ability to exercise any right of disposition. Consequently, there is not even a partial overlap between the requirements for the application of Paragraph 14(2) and Paragraph 24(1) of the Markengesetz and thus, in the view of the Bundesgerichtshof, there can be no cause for the trade-mark owner to submit observations on the existence of 'consent'.

28. However, the Bundesgerichtshof takes the view that if the burden of proof is imposed on the defendant against whom a trade-mark owner has brought proceedings, there is a danger that a dealer outside the manufacturer's network could be prohibited from distributing trade-marked products even where the products have been put on the market in the EEA with the consent of the person entitled. It argues as follows. In general, a dealer will be readily able to show from whom he has purchased goods. However, he has no means of

making his suppliers reveal the previous supplier or identify other links in the distribution chain. Even if he were able to trace the distribution channel back to the manufacturer, and even to show that the goods were put on the market in the EEA with the consent of the person entitled, it is precisely that fact which might cause his supply source to dry up for the future.

29. Under these circumstances there is a danger that the trade-mark owner will use the trade mark to partition national markets.

30. Therefore, the question arises as to whether or not Article 28 EC requires that there be an exception to the general rule that the full burden of pleading and proving the factual conditions for exhaustion of the right conferred by a trade mark lies with the defendant. The Bundesgerichtshof considers that a possible solution might be to impose that burden on the defendant only if the manufacturer has first used such means as can reasonably be expected of him to distinguish goods which have been put on the market in the EEA by him or with his consent from goods which have been put on the market outside the EEA. Where it can be taken that the manufacturer does act in such a way, the defendant trader is required to prove that the conditions for exhaustion are satisfied, if, *prima facie*, the goods could have been put on the market only outside the EEA.

IV — Legal assessment

31. I would like to state, first of all, that the present case should not give grounds for questioning the territorial scope of the principle of exhaustion, that is to say EEA-wide exhaustion. I will initially consider the reasons of substantive law which the national court gave for its conclusions regarding the requirements of proof. I will then examine the limits on the national power to lay down rules of proof which may arise under Community law.

A — *The premiss of EEA-wide exhaustion*

32. I have already pointed out above [7] that in a system of territorially limited exhaustion — in this case EEA-wide exhaus-

7 — See paragraph 4 et seq. above.

tion — the place at which the goods bearing the trade mark were put on the market for the first time is of decisive importance in cases where it is not disputed that they were put on the market there by the trade-mark owner or with his consent.

33. Therefore, establishing the place at which the goods were put on the market for the first time — and the associated problems of proof — presupposes territorially limited exhaustion. [8]

B — *Reasons of substantive law for the allocation of the burden of proof in question*

1. Submissions of the parties

34. The Commission, the German Government and the French Government submit that it is for the Member States to solve problems relating to proof by adopting their own procedural rules.

8 — The question therefore does not arise in the case of international exhaustion.

35. In the view of the German Government, the application of these national rules is limited by the requirements which the Court has developed in respect of the law of administrative procedure, that is to say the principle of non-discrimination and of effectiveness. [9]

36. The French Government observes that the directive does not indicate who is required to prove exhaustion. However, the 10th recital in the preamble thereto states that 'the ways in which likelihood of confusion [within the meaning of Article 5(1) of the directive] may be established, and in particular the onus of proof, are a matter for national procedural rules which are not prejudiced by the Directive.' This reference to the application of national rules of procedure also applies where exhaustion of the rights conferred by a trade mark under Article 7(1) of the directive is being determined.

37. The French Government also refers to the limits on the Member States' procedural autonomy. The Court has consistently held [10] that in the absence of relevant Community rules it is for the Member

9 — In this respect, it refers to Case 130/79 *Express Dairy Foods* [1980] ECR 1887, paragraph 12, and Joined Cases 205/82 to 215/82 *Deutsche Milchkontor and Others* [1983] ECR 2633, paragraphs 17 and 19.

10 — The French Government refers in particular to Case 33/76 *Rewe* [1976] ECR 1989; Case 199/82 *San Giorgio* [1983] ECR 3595; Case C-208/90 *Emmott* [1991] ECR I-4269; and Joined Cases C-31/91 to C-44/91 *Lageder and Others* [1993] ECR I-1761.

States to lay down the judicial procedures intended to ensure the protection of the rights which individuals derive from the direct effect of Community law; in this respect regard must be had to the principle of non-discrimination [11] and of effectiveness. [12]

38. The Commission likewise concludes that the Member States have procedural autonomy because Article 7 of the directive lays down no specific rules governing the allocation of the burden of proof.

39. The Commission also comments on the relationship between 'consent' within the meaning of Article 5(1) of the directive and 'consent' within the meaning of Article 7(1) thereof and concurs with the national court's view that the two terms do not cover the same subject-matter. The former consent involves a disposition by the trade-mark owner of his trade-mark right in connection with which the trade-mark owner must, in the course of proceedings, plead and prove that there has been no such disposition. The latter is an imposed, legal fiction of consent, which gives rise directly to the statutory consequences of exhaustion and deprives the trade-mark owner of any right of disposition. What is appropriate for interpreting Article 5(1) of the directive does not therefore provide a basis for interpreting Article 7(1) of the directive.

2. Legal appraisal

40. It is common ground that Article 7(1) of the directive does not cover allocation of the burden of proof as such. Although the wording of the 10th recital in the preamble to the directive cited by the French Government relates only to the likelihood of confusion, it is also stated that in principle national procedural rules should not be prejudiced by the directive. With this in mind, I consider it logical to conclude that the Member States have procedural autonomy, in the sense that they must resolve at national level any difficulties of proof connected with the consent of the trade-mark owner under Article 7(1) of the directive, in accordance with their own principles governing allocation of the burden of proof.

41. The close connection between such principles and the substantive law of the

11 — In accordance with which the procedural conditions for actions of a Community nature may not be less favourable than those relating to similar actions of a domestic nature. See the judgments cited in footnote 9.

12 — In accordance with which procedural conditions may not be so framed as to render virtually impossible the exercise of rights conferred by Community law.

Member States — which has been harmonised by the directive — is nevertheless unmistakable. At the level of Community law too the transition from substantive law to the law of evidence, and thus to procedural law, is fluid. This is evident in particular in *Davidoff*[13] in which the Court itself clearly laid down a rule on proof under which 'it is for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence'.[14]

42. The national court, which is supported by the Commission in ;this respect, also bases the rule on proof to which it refers on a particular understanding of substantive law, namely that exhaustion under Article 7(1) of the directive and — at national level — Paragraph 24(1) of the Markengesetz constitutes a defence for the alleged infringer. Therefore, before considering the question referred for a preliminary ruling, I feel compelled to examine the understanding of substantive law which is taken as the basis for this rule on proof.

43. Firstly, it must be noted that in its order for reference the Bundesgerichtshof expresses, for the first time, its view on the controversial relationship between Paragraphs 14 and 24(1) of the Markengesetz, and thus also between Articles 5(1) and 7(1) of the directive. Hitherto it was unclear whether, in the context of an action for trade-mark infringement under national law, the consent of the trade-mark owner to distribute goods in the EEA constitutes a negative test which has to be satisfied, reflecting the expression 'not having his consent' in Article 5(1) of the directive,[15] or a defence pleaded by the defendant under Article 7(1) of the directive.[16] On the basis of the — national — principle that each person must prove the existence of the conditions for application of a rule on which he relies, the first view results in a duty on the trade-mark owner to set out and prove such matters, whereas the second view results in a duty on the alleged infringer to do so. In the order for reference the Bundesgerichtshof has clearly decided that the second view is correct.

44. Consequently, the allocation of the burden of proof under national law turns on the interpretation of substantive law. However, since 'Articles 5 to 7 of the

13 — Cited in footnote 3.

14 — Cited in footnote 3, paragraph 54.

15 — See, to this effect, in German legal writings, Ingerl/Rohnke, *Markengesetz*, § 24, paragraph 15; see most recently also, in Austrian legal writings, Plöckinger/Gassner, *Zur Beweislastverteilung bei Parallelimporten*, ÖBl. 2001, p. 99, with the large number of references from German legal writings contained therein, and, in German legal writings, Mulch, *Der Tatbestand der markenrechtlichen Erschöpfung*, 2001, p. 129 et seq.

16 — See, to this effect, in these German legal writings, Fezer, *Markenrecht*, § 24, paragraph 58a and b; Klados, *Darlegungs- und Beweislast bei Parallelimporten im Markenrecht*, WRP 1999, p. 1018 and the references contained therein; in French legal writings Desmazieres de Sechelles, Gaz. Pal. 1998, 2. doctr., p. 1490, paragraph 13e and the judgments referred to therein.

Directive must be construed as embodying a complete harmonisation of the rules relating to the rights conferred by a trade mark' [17] and 'the Directive cannot be interpreted as leaving 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 put on the market in non-member countries', [18] the national allocation of the burden of proof ultimately turns on the interpretation of Articles 5 and 7 of the directive.

45. In the light of the foregoing, it is striking that the Bundesgerichtshof has not referred to the Court any question concerning the relationship between Articles 5 and 7 of the directive. This approach gives rise to the obvious risk of different national interpretations of the directive, as is already clear from a diametrically opposed decision of the Austrian Oberster Gerichtshof (Supreme Court) [19] which the Bundesgerichtshof cites, according to which the requirement relating to consent must, in the context of an action for trade mark infringement, be classified as a negative test under Article 5 of the directive.

46. Therefore, the conflict identified by the Bundesgerichtshof between the free movement of goods under Community law and national allocation of the burden of proof — on which the Court now has to give judgment — ultimately arises from an interpretation of national legislation implementing the directive. According to that interpretation, it is for the defendant to prove that the conditions for the exhaustion provided for in Article 7 of the directive — in particular the existence of consent — have been satisfied. The plaintiff, on the other hand, does not have to prove that his trade mark is being used without his consent.

47. Although the question referred by the Bundesgerichtshof relates solely to the compatibility with primary law of the allocation of the burden of proof laid down by national law, it seems expedient, in the light of the above, to examine briefly the scheme of the directive.

48. Firstly, certain schematic grounds indicate that Article 7(1) of the directive should be interpreted as a defence of the defendant — and thus as a rule favourable to him — in accordance with the view of the Bundesgerichtshof. In an action for trade mark infringement it is the alleged infringer who relies on exhaustion as a defence. This view is also supported by the finding in *Davidoff* [20] that the relationship between Article 5 and Article 7(1) is that of the rule and the exception: '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

17 — *Silhouette*, cited in footnote 3, paragraph 25.

18 — Loc. cit., paragraph 26.

19 — Oberster Gerichtshof, Order of 15 February 2000 — 4 Ob 29/00v, ÖBl 2000, p. 178 = EvBL 2000/123 = ZfRV 2000/61.

20 — Cited in footnote 3, paragraph 40.

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"' (emphasis added).[21] If Article 5 of the directive contains a rule whereby the trade-mark owner's rights include the right *inter alia* to prohibit imports of goods bearing the relevant trade mark — except in the case of his consent[22] — Article 7 of the directive, which ultimately restricts this right to the right to control distribution within the EEA on one occasion only, constitutes an exception to the first-mentioned principle, which is clearly in the defendant's favour.

49. Although Article 7(1) of the directive also constitutes, without doubt, a limitation on the trade-mark owner's rights, I see certain problems in thus regarding Article 7(1) of the directive in general as an exception to the exclusive rights provided for in Article 5 of the directive. This does not do justice to the function of the principle of exhaustion, which is to strike a balance between free movement of goods and intellectual property rights.[23] It should be borne in mind that the principle of exhaustion was developed by the case-law in order to strike such a balance, and therefore exhaustion — from the point of view of the primary law which is decisive in this case — is more in the nature of the system's inherent limitation on intellectual property rights in order to safeguard the free movement of goods, a freedom which has equal status from the point of view of Community law.

50. Therefore, Article 7(1) could also be regarded as a rule favourable to the trade-mark owner in so far as the exhaustion of the rights conferred by the trade mark are *limited*[24] by it to the territory of the EEA.

21 — See also the Opinion of Advocate General Jacobs in Case C-355/96 (judgment cited in footnote 3), paragraph 34: 'Article 7(1) is a derogation from the rights conferred on the trade-mark owner by Article 5(1)'.

22 — In this connection the question can remain open at this juncture as to whether the consent which must be absent under Article 5 of the directive is the same as the consent required by Article 7 thereof. In this connection both the national court and the Commission have observed that consent within the meaning of Article 5 of the directive is in the nature of an act of disposition whereas consent under Article 7 thereof constitutes a legal fiction which involves no disposition.

23 — See my comments in the Opinion in Joined Cases C-414/99 to C-416/99 (judgment cited in footnote 3, paragraphs 80 et seq.).

24 — This view is also supported by the fact that the trade mark's function as a control on marketing — which involves a territorial restriction on the principle of exhaustion — is clearly not undisputed; see, to that effect, Sir Robin Jacob, cited by Sir Hugh Laddie in Zino Davidoff SA v A&G Imports Ltd [2000] Ch. 127; [1999] E.T.M.R. p. 700, p. 718: 'The doctrine of non-exhaustion, whilst it makes some sense in patents and copyrights, is inimical to the very nature of trade mark. "Kodak" means the goods of the Kodak company wherever they were made. When you import Kodak film, the name Kodak still tells you the truth that this is Kodak's film; no rational trade mark law would allow any other result.' See also the critical comments by D.A.O. Edward, *Trade Marks, Descriptions of Origin and the Internal Market*, I.P.Q. 2001, 135, p. 139 et seq.: 'Whether the product may be then lawfully be sold in that second territory is a separate question that does not derogate from the character of the mark as the trader's mark.'

51. As further grounds for its view that the absence of consent referred to in Article 5(1) of the directive cannot represent a negative test, the national court states that absence of consent relates to the unlawfulness indicated by the fulfilment of the objective requirement, namely the use of the trade mark by a third party. This argument should also be examined. Where original goods are on the market in the EEA, the unlawfulness of the use of the mark results, in the light of the balance struck by the principle of exhaustion, not from the marketing of these goods in the EEA but rather from their crossing the external borders of the EEA without the consent of the trade-mark owner. Such an argument would essentially amount to a presumption of unlawfulness, which I do not consider to be problem-free in view of the balance, required by primary law, between free movement of goods and intellectual property rights.

52. In view of the findings in the order for reference, which are thus at least debatable, it is evident that the national court has expressed, albeit indirectly, a view on the relationship between Articles 5 and 7 of the directive by basing the allocation of the burden of proof under national principles on a particular interpretation of the substantive implementing provisions of German law.

53. Given the Member States' basic autonomy in matters of procedure they are free — subject to the limits laid down by Community law — to apply their own principles governing allocation of the burden of proof. Therefore, my previous remarks concerning the interpretation of the relevant substantive Community law by the Bundesgerichtshof do not call in question the utility of an answer given by the Court. They are merely made to assist the Court should it choose not to adopt this interpretation in accordance with my concerns.

C — *The relevant test*

54. On the assumption that the Member States are competent to allocate the burden of proving the existence of consent in actions for trade-mark infringement, the Bundesgerichtshof essentially asks whether such an allocation is compatible with primary law.

1. Submissions of the parties

55. The Commission proposes that the national rule be examined in relation to the directive. As grounds, it refers to the

established case-law of the Court according to which any national measure falling within the scope of a directive must be assessed in relation to the provisions of that directive and not to the rules on the free movement of goods. At the same time, it points out that like any secondary legislation the directive must be interpreted in the light of the Treaty rules on the free movement of goods and in particular Article 30 EC. [25] Furthermore, Article 7 of the directive and Article 30 EC serve the same purpose and must therefore be interpreted in the same way. [26]

56. The French Government clearly concurred with this view at the hearing. The French Government refers to *Davidoff* [27] and states that it made a limited exception to the principle of the Member States' procedural autonomy and laid down a principle on the allocation of the burden of proof at paragraph 54 thereof. This is justified in view of the particularly close link between the procedural issue of the allocation of the burden of proof and the substantive issue of the type of consent in a particular case. Therefore, it must be concluded that the allocation of the burden of proof is covered by Article 7(1) of the directive.

25 — Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others* [1996] ECR I-3457, paragraphs 25 and 27.

26 — Case C-349/95 *Loendersloot* [1997] ECR I-6227, paragraph 18.

27 — Cited in footnote 3.

2. Legal appraisal

57. I have already stated that I too conclude that the Member States have the relevant procedural autonomy. [28]

58. However, recognition of the Member States' procedural autonomy in respect of the allocation of the burden of proof might rule out the directive as a yardstick. That is because if the Member States have the relevant power to adopt rules, there are no national measures which fall 'within the scope of a directive' within the meaning of the case-law cited by the Commission.

59. However, it is uncertain whether, as the French Government claims, *Davidoff* [29] is to be construed as meaning that the Court admitted a limited exemption to the principle of the Member States' procedural autonomy by laying down, at paragraph 54, a principle on the allocation of the burden of proof in Community law.

60. That this is so might be indicated by the fact that different national rules on allo-

28 — See paragraph 40 above.

29 — Cited in footnote 3.

cation of the burden of proof — such as, for example, in the decisions of the German Bundesgerichtshof and the Austrian Oberster Gerichtshof — have a direct impact on the extent of the protection afforded by the rights granted by the directive. If one rule makes it more difficult than another to prove exhaustion, the trade-mark protection stemming from the directive differs because its implementation is subject to different requirements. However, the need to ensure the same degree of protection was central to the considerations of substantive law which the Court took into account both in *Silhouette* and *Davidoff*. [30]

61. The fact that paragraph 54 is not one of the essential grounds of *Davidoff* might indicate the contrary. After finding at paragraph 53 that, although implied consent of the trade-mark owner cannot be excluded, it must be demonstrated 'unequivocally', the Court concludes at paragraph 55 that mere silence is not sufficient in that respect. Viewed in that light, the reference to the burden of proof at paragraph 54 would appear to be unnecessary.

62. However, at paragraph 58 the Court finds that a rule of national law would not meet the need for the positive expression of consent — required by Community law — if it 'proceeded upon the mere silence of the trade mark proprietor' and recognised 'deemed consent' in that respect.

63. This statement at paragraph 58 contains an obvious reference to the interaction between rules on the burden of proof and substantive law. Therefore, it must be construed as meaning that excessively low requirements for assuming the existence of consent would be tantamount to deemed consent, and thus at least to a reversal of the burden of proof.

64. That would be detrimental to the protection intended by the directive since it would ultimately render meaningless the trade-mark owner's right to put goods on the market for the first time. Therefore, paragraph 54 must be understood as meaning that the allocation of the burden of proof must not undermine the protection of the trade-mark owner's rights which the directive seeks to provide.

65. Consequently, I am disinclined to interpret the statement at paragraph 54 of *Davidoff* as a principle governing the allocation of the burden of proof in Community law. I interpret it as merely a limit on the relevant national rules.

30 — *Silhouette* (paragraph 24) and *Davidoff* (paragraph 42), both cited in footnote 3.

66. It must be concluded from the foregoing that although in principle the directive does not cover matters of proof, limits on national principles governing the allocation of the burden of proof may arise from its provisions. Therefore, the principles of procedural law in question must be examined by reference to primary law, having due regard to the directive's substantive provisions. Article 28 EC serves to safeguard the free movement of goods. Under Article 30 EC impairment of this basic freedom can be justified in particular where it serves to protect industrial and commercial property. Against this background, the directive must be regarded as a concrete expression of Article 30 EC, and interpreted in the same way as it, applying the case-law cited by the Commission. [31]

D — *The allocation of the burden of proof in the light of Articles 28 EC and 30 EC and of Articles 5 and 7 of the directive*

1. Submissions of the parties

67. The defendants contend that a national rule which places on a trader sued by a trade-mark owner the entire burden of proving exhaustion onstitutes a measure having an effect equivalent to a quantitative restriction on imports within the meaning of Article 28 EC.

68. The trade-mark owner could use such a rule to partition national markets even if his goods had been put on the market in the EEA by him or with his consent. However, trade mark rights are not intended to allow their owners to partition national markets and thus promote the retention of price differences which may exist between Member States. [32]

69. Both the defendants and the national court point out that, if the trader succeeded in tracing the distribution chain back to him, the trade-mark owner would be able, at any time, to shut off further supplies to the trader of goods which the owner himself had put on the market in the EEA. Therefore, the main purpose of proceedings such as the main proceedings is to determine whether there are gaps in the trade-mark owner's distribution system.

70. The German Government also concludes that the free movement of goods

31 — See footnote 26 above.

32 — *Bristol-Myers Squibb and Others*, cited in footnote 25, paragraph 46.

provided for in Article 28 EC is impaired where national rules of the kind in question are applied without restriction. A restriction on the free movement of goods results from the fact that a defendant in proceedings against a trade-mark owner may possibly lose the suit because of the difficulties involved in adducing proof, even though the trade-mark owner has put the goods on the market in the EEA himself or through third parties authorised by him. However, such a restriction cannot be justified by overriding requirements of public interest [33] or the protection of industrial and commercial property within the meaning of Article 30 EC.

71. On the other hand, the French Government doubts that the rule of national law in question constitutes a measure having an effect equivalent to a quantitative restriction on imports within the meaning of Article 28 EC as in *Dassonville*. [34] The cause of the market partitioning referred to by the national court is to be found instead in the organisation of distribution systems for trade-marked goods.

72. In the view of the French Government, possible impairment of the free movement of goods is justified, at least under Article 30 EC, since a reversal of the burden of proof would have a substantial adverse effect on the exercise of trade-mark rights by their owner.

73. The Commission submits that national rules on the allocation of the burden of proof should be appraised in the light of the directive and distinguishes two situations. On the one hand, the application of trade mark law should not enable trade-mark owners to partition national markets and thus encourage the maintenance of any price differences between Member States. [35] On the other, it follows from the interpretation of the provisions relating to the free movement of goods that it is not compatible with Article 30 EC to compel a parallel importer to adduce evidence with documents to which he does not have access, when the administration or the courts find that the evidence can be produced by other means. [36]

74. Therefore, when applying a national rule on the allocation of the burden of proof, the national court must examine the extent to which there might be market partitioning or an unreasonable require-

33 — Within the meaning of Case 120/78 *Rewe-Zentral*, known as '*Cassis de Dijon*' [1979] ECR 649, paragraph 8.

34 — Case 8/74 [1974] ECR 837, paragraph 5.

35 — In this regard it refers to Case C-349/95, cited in footnote 26, paragraph 23.

36 — Case 104/75 *de Peijper* [1976] ECR 613, paragraph 29, and Case 109/88 *Danfoss* [1989] ECR 3199, paragraphs 14 to 16.

ment in regard to the production of evidence.

2. Legal appraisal

75. In accordance with the principle of national procedural autonomy, the Member States and their courts have the right to lay down rules on proof in the exercise of that autonomy. This also applies to trade-mark matters since the regulation contains no relevant provisions of procedural law. [37] However, these national provisions are subject to limits resulting from substantive Community law.

(a) Article 28 EC

76. The question is how far can a particular allocation of the burden of proof according to national principles constitute a measure having an effect equivalent to a quantitative restriction on imports within the meaning of Article 28 EC and the *Dassonville* formula. [38] If examination of that question confirmed the risk of a restriction on the free movement of goods, which the principle of exhaustion clearly seeks to protect, [39] it would be necessary to consider the extent to which it might be justified under Article 30 EC and the directive.

77. It is common ground that a rule of the kind in question, whereby the entire burden of proving exhaustion falls on a trader sued by a trade-mark owner, places the trader in a dilemma because he is faced with the decision of either (a) losing the case even where the trade-mark owner has put the goods bearing the trade mark on the market in the EEA himself or through a third party authorised by him or (b) furnishing the relevant evidence by naming his supplier or any previous suppliers and thereby revealing his supply source with the result that the trade-mark owner thus identifies the gap in his distribution system and can take appropriate measures to block the source of the parallel importer against whom he has brought proceedings.

78. Therefore, the allocation at issue of the burden of proof strengthens the position of the trade-mark owner in that he can exploit the alleged infringer's dilemma in order to locate gaps in his distribution system. The national court, the defendants, the German Government and the Commission have

37 — See paragraph 40 above.

38 — Cited in footnote 34, paragraph 5.

39 — See merely Case 16/74 *Centrafarm and de Peijper* v *Winthrop* [1974] ECR 1183, paragraph 12: '... the exercise, by the owner of a trade mark, of the right which he enjoys under the legislation of a Member State to prohibit the sale, in that State, of a product which has been marketed under the trade mark in another Member State by the trade mark owner or with his consent is incompatible with the rules of the EEC Treaty concerning the free movement of goods within the common market.'

rightly pointed out that the defendant is presented with the choice of furnishing evidence and losing his supply source for the future or losing the case, even where the goods concerned have been put on the market in the EEA by the trade-mark owner or with his consent. This enables the trade-mark owner to partition national markets even within the EEA in order to retain price differences. However, according to the case-law of the Court, trade mark rights 'are not intended to allow their owners to partition national markets and thus promote the retention of price differences which may exist between Member States.' [40]

79. Consequently, a national rule of the type in question cannot be reconciled with Article 28 EC if it enables the trade-mark owner to partition national markets and thus to promote the retention of price differences between Member States.

(b) Article 30 EC and Articles 5 and 7 of the directive

80. The question is whether a national rule of the kind in issue, whereby the entire burden of proving exhaustion falls on a trader sued by a trade-mark owner for trade-mark infringement, can be justified under Article 30 EC and the relevant provisions of secondary law.

81. It is, however, clear from the case-law cited by the Commission [41] that 'there would... be no justification under Article 36 [now Article 30 EC] for compelling [the parallel importer to produce evidence] with the help of documents to which he does not have access, when the administration, or as the case may be, the court, finds that the evidence can be produced by other means.' [42]

82. Therefore, Article 30 EC cannot be used to justify a national rule of the kind in question, which may have an indirect and potential effect as an import and export restriction in accordance with the *Dassonville* formula, where such a rule requires a defendant parallel importer to provide evidence which he cannot reasonably be expected to produce or which is impossible for him to produce. The French Government fails to appreciate this fact in its submissions.

83. The national court, the German Government and the Commission have all

40 — *Bristol-Myers Squibb and Others*, cited in footnote 25, paragraph 25. See also *Loendersloot*, cited in footnote 26, paragraph 23.

41 — See footnote 31 above.

42 — *De Peijper*, cited in footnote 36, paragraph 29.

pointed to the defendant's difficulties in adducing proof. These difficulties essentially lie in the fact that he can furnish evidence only by naming his suppliers — and thus ultimately causing his supply source to dry up for the future — and that he is also compelled to provide proof of circumstances on which he can scarcely obtain any information. Above all, in a long distribution chain he will probably only rarely be able to reconstruct the full chain of suppliers.

84. On the other hand, *Davidoff*[43] made it clear that it would be incompatible with Articles 5 and 7 of the directive for national law to lay down a rule which was tantamount to deemed consent and thus ultimately precluded the trade-mark owner from exercising his right to put goods on the market in the EEA for the first time.[44]

85. However, it is also clear from the balancing function exercised by the principle of exhaustion,[45] as now laid down by Article 7 of the directive, that the exercise of intellectual property rights may not exceed what is necessary to safeguard those rights — and ultimately, therefore, a national rule should not permit the exercise of those rights where, in the interest of safeguarding the free movement of goods, they must be regarded as exhausted.

43 — Cited in footnote 3.

44 — Loc. cit., paragraph 58. See, to this effect, also paragraph 59 et seq. above.

45 — See paragraph 49 and footnote 23 above.

E — *The Bundesgerichtshof's proposal to amend the relevant national rules on allocation of the burden of proof*

1. Submissions of the parties

86. The defendants, echoing the order for reference in that respect, propose that a duty be placed on the trade-mark owner to take reasonable steps to exhaust the possibilities which he has to differentiate between goods which have been put on the market in the EEA by him or with his consent and those which have been marketed outside that area. The trade-mark owner can reasonably be expected to fulfil such a duty.

87. The German Government also endorses this proposal by the national court. Marking the goods clearly and comprehensibly would make it easier for distributers to determine whether or not the right conferred by the trade mark has been

exhausted. This solution reconciles the requirements relating to the free movement of goods arising from Articles 28 EC and 30 EC with the national procedural law on proof. The duties of organisation and marking imposed on trade-mark owners are reasonable and appropriate, particularly since it makes it easier for them to bring an action. A solution whereby the burden of proof is reversed to the detriment of the trade-mark owner is not necessary and, furthermore, would in many cases unjustly favour the trade-mark infringer.

88. On the other hand, the French Government submitted at the hearing that it considers the national court's suggestion to be unsuitable. It its view this would amount to a reversal of the burden of proof which would be detrimental to the required balancing of interests because it would be to the disadvantage of the trade-mark owner only.

89. The Commission stated that it was in principle in favour of placing the trade-mark owner under a duty of cooperation, but only in so far as is necessary to remove the risk of market partitioning and to avert an unreasonable burden on the defendant to produce evidence.

90. In both situations it is for the national court to decide in a particular case what duty of cooperation should be placed on the trade-mark owner. In general, the marking proposed by the national court would probably enable the trade-mark owner to fulfil this duty.

2. Legal assessment

91. The need to modify national rules on evidence such as those in question stems from their incompatibility with Articles 28 EC and 30 EC, read in conjunction with Articles 5 and 7 of the directive.

92. As already indicated,[46] I, like the German Government, do not conclude that *Davidoff*[47] laid down a Community rule on the allocation of the burden of proof at paragraphs 54 and 58 of the judgment. I consider that the Court merely stated a requirement arising from substantive law, namely that a rule is inadmissible if it would be equivalent to deemed consent.[48]

93. The Court interpreted consent as a renunciation of the exclusive right con-

46 — See paragraph 65 above.
47 — Cited in footnote 3.
48 — See, to this effect, paragraph 84 above.

ferred by the trade mark [49] and rightly held that the intention to do so must be unequivocally demonstrated. [50] This, by its nature, rules out deemed consent. [51] However, if the defendant parallel importer has to prove the trade-mark owner's consent in full, there is, under the circumstances set out above, an unjustifiable, at least potential, impairment of the free movement of goods. [52] Contrary to the view of the French Government, however, there should be room between these two poles for a fair distribution of the risk of litigation.

94. A duty of cooperation on the trade-mark owner, as suggested by the Bundesgerichtshof, would appear, under the given circumstances, appropriate to dispel the concerns engendered by the effects of the relevant national rule.

95. It is for national law to define this duty in greater detail because, on account of Member States' basic autonomy in matters of procedure, the limits resulting in particular from the directive do not completely remove their discretion and establish mandatory requirements.

96. Finally, it follows from the interpretation of the concept of consent underlying *Davidoff* that the burden of proving exhaustion must be divided because, on the one hand, effective protection under the directive rules out the possibility of deemed consent, but on the other, the free movement of goods safeguarded by primary law could, under the circumstances under discussion, be impaired without justification if the burden of proof is placed solely on the defendant. The Commission and the German Government are therefore correct to state that a national duty of cooperation on the trade-mark owner must not exceed what is necessary to remove the difficulty of proof and to avert the risk of market partitioning.

97. Although a national obligation to mark trade-marked goods, as repeatedly proposed in this context, *makes it easier* to prove where the goods were first put on the market, it provides *no* definitive information as to whether or not the trade-mark owner has granted consent for those goods to be placed on the market in the EEA for the first time. It would at least go some way to dividing the burden of proof but would not — contrary to the view of the French Government — be tantamount to deemed

49 — Cited in footnote 3, paragraph 41.
50 — Cited in footnote 3, paragraph 45.
51 — Cited in footnote 3, paragraph 58.
52 — See paragraph 76 et seq. above.

consent for products which are put on the market outside the EEA.[53] Misgivings might arise at most from the uncertain legal basis for this measure imposed on the trade-mark owner.

98. Irrespective of a definitive examination of its compatibility with Community law, the question still arises, at least from a practical viewpoint, as to whether marking is capable of resolving the difficulties in adducing proof, since it is not possible to guarantee that the information so provided is correct.[54] If the trader against whom proceedings are brought markets goods whose markings indicate that they have been put on the market for the first time outside the EEA, whereas in reality they were put on the market in the EEA at that time or subsequently by the trade-mark owner or with his consent, the duty to adduce proof would continue to lie fully with the trader even though the trade-mark owner's rights were in fact exhausted.

99. One solution would be to require the trade-mark owner to prove that his distribution system is impervious within the EEA, if it is not possible to infer where the goods were first put on the market from other factors, such as, in particular, the nature of the goods or a particular marking whose correctness is not contested. Where the national court is satisfied that the distribution system within the EEA is impervious, it must be concluded that the parallel importer's trade-marked goods must have come from outside the EEA and that the trade-mark rights in relation to those goods are not already exhausted by their having — in fact — been put on the market for the first time by the trade-mark owner or with his consent.

100. It must be held that the imposition of a duty of cooperation on the trade-mark owner — either in the form of an indication on the goods or a duty to plead and prove the relevant facts — would make it possible to re-establish the compatibility of a national rule on proof of the kind in question with Articles 28 EC and 30 EC and Articles 5 and 7 of the directive. The duty of cooperation may, however, not exceed what is necessary to avert the risk of market partitioning, on the one hand, and/or the unreasonableness of the duty on the defendant to adduce evidence, on the other.

53 — Save where it contains a relevant proviso. See, to this effect, the comments in *Davidoff*, cited in footnote 3, paragraph 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'.

54 — Furthermore, the detachability and/or durability of markings is probably also an issue in this connection.

V — Conclusion

101. I therefore propose that the Court should answer the question referred by the Bundesgerichtshof as follows:

Article 28 EC and Article 30 EC and 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 are to be interpreted as in principle not precluding the application of national rules on the burden of proving exhaustion under Article 7 of Directive 89/104/EEC.

However, where this means that a trader against whom proceedings are brought on the basis of a trade mark for marketing original goods, and who claims that the trade-mark right has been exhausted within the meaning of Article 7 of Directive 89/104/EEC, has to plead and, if necessary, prove that the goods marketed by him have already been put on the market in the European Economic Area for the first time by the trade-mark owner himself or with his consent, it is necessary to ensure that such national rules

— do not enable the trade-mark owner to partition national markets and thus promote the retention of price differences between the Member States;

— do not make it impossible for the defendant trader to prove exhaustion or so difficult that he is able to prove exhaustion only under unreasonable conditions, in particular by revealing his supply sources with the consequent risk of having them cut off.