# JUDGMENT OF THE COURT (Fifth Chamber)

1 July 1999 *

In Case C-173/98,

REFERENCE to the Court under Article 177 of the EC Treaty (now Article 234 EC) by the Cour d'Appel de Bruxelles, Belgium, for a preliminary ruling in the proceedings pending before that court between

**Sebago Inc. and Ancienne Maison Dubois et Fils SA**

and

**GB-Unic SA**

on the interpretation of Article 7(1) of the 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),

* Language of the case: French.

THE COURT (Fifth Chamber),

composed of: J.-P. Puissochet, President of the Chamber, P. Jann, J.C. Moitinho de Almeida, C. Gulmann (Rapporteur) and D.A.O. Edward, Judges,

Advocate General: F.G. Jacobs,

Registrar: H. von Holstein, Deputy Registrar,

after considering the written observations submitted on behalf of:

— GB-Unic SA, by Richard Byl, of the Brussels Bar,

— the French Government, by Kareen Rispal-Bellanger, Head of the Subdirectorate for International Economic Law and Community Law in the Legal Affairs Directorate of the Ministry of Foreign Affairs, and Anne de Bourgoing, Chargé de Mission in the same directorate, acting as Agents,

— the Commission of the European Communities, by Karen Banks, of its Legal Service, acting as Agent,

having regard to the Report for the Hearing,

after hearing the oral observations of Sebago Inc. and of Ancienne Maison Dubois and Fils SA, represented by Benoît Strowel, of the Brussels Bar, of GB-Unic SA, represented by Richard Byl, and of the Commission, represented by Karen Banks, at the hearing on 28 January 1999,

after hearing the Opinion of the Advocate General at the sitting on 25 March 1999,

gives the following

## Judgment

1 By judgment of 30 April 1998, received at the Court on 11 May 1998, the Cour d'Appel (Court of Appeal), Brussels, referred to the Court for a preliminary ruling under Article 177 of the EC Treaty (now Article 234 EC) various questions on the interpretation of Article 7 of the 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, 'the Directive'), as amended by the Agreement on the European Economic Area of 2 May 1992 (OJ 1994 L 1, p. 3, 'the EEA Agreement').

2 Those questions were raised in proceedings between Sebago Inc. ('Sebago') and Ancienne Maison Dubois et Fils SA ('Maison Dubois'), on the one hand, and GB-Unic SA ('GB-Unic'), on the other, concerning the sale by GB-Unic, without Sebago's consent, of goods bearing a trade mark of which Sebago is the proprietor.

3 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.'

4 In accordance with Article 65(2), in conjunction with Annex XVII, point 4, of the EEA Agreement, Article 7(1) of the Directive has been amended for the purposes of the EEA Agreement so that the expression 'in the Community' has been replaced by 'in a Contracting Party'.

5 Sebago is a company incorporated in the United States of America and is the proprietor of two Benelux trade marks in the name 'Docksides' and three Benelux trade marks in the name 'Sebago'. Those trade marks are registered, *inter alia*, for shoes. Maison Dubois is the exclusive distributor in the Benelux of shoes bearing Sebago's trade marks.

6 In the tenth issue of its 1996 brochure entitled 'La quinzaine Maxi-GB', announcing prices valid from 29 May until 11 June 1996, GB-Unic advertised Docksides Sebago shoes for sale in its Maxi-GB hypermarkets. The goods in question were 2 561 pairs of shoes manufactured in El Salvador and purchased from a company incorporated under Belgian law which specialises in parallel importation. The entire stock was sold during the summer of 1996.

7 Sebago and Maison Dubois do not dispute that the shoes sold by GB-Unic were genuine goods. They claim, however, that since they had not authorised the sale of those shoes in the Community GB-Unic had no right to sell them there.

8 In those circumstances, Sebago and Maison Dubois claimed before the Belgian courts that GB-Unic had infringed Sebago's trade-mark right by marketing those goods within the Community without their consent. They relied on Arti-

cle 13A(8) of the Uniform Benelux Law on Trade Marks (Loi Uniforme Benelux sur les Marques), as amended by the Benelux Protocol of 2 December 1992 ('the Uniform Law'), which is in similar terms to Article 7(1) of the Directive.

9 In its order for reference, the Cour d'Appel observes that the interpretation of Article 13A(8) by the parties to the main proceedings differs in two material respects: first, as to whether that provision lays down the principle of international exhaustion (GB-Unic's contention) or the principle of Community exhaustion only (Sebago's contention); and, secondly, as to the conditions under which the trade- mark proprietor's consent may be deemed to have been given.

10 Concerning the second question, GB-Unic submits that in order to satisfy the requirement of consent in Article 13A(8) of the Uniform Law it suffices that similar goods bearing the same trade mark have already been lawfully marketed in the Community with the consent of the trade-mark proprietor. Sebago, on the other hand, claims that its consent must be obtained in relation to each defined batch of goods, that is to say, each consignment imported at a particular time by a particular importer. Thus it considers that it can be deemed to have given its consent only if GB-Unic can prove that it obtained the shoes in question from a seller who was part of the distribution network established by Sebago in the Community, or from a reseller who, although not belonging to that network, had obtained those shoes lawfully within the Community.

11 GB-Unic also submitted before the Cour d'Appel that it was now settled that Sebago, by not prohibiting its licensee in El Salvador from exporting its goods to the Community, had given its implied consent to the marketing of the shoes at issue in the Community. However, the Cour d'Appel expressly held that it had not been proved that Sebago had granted a licence — Sebago having disputed that there was such a licence —, and that, in those circumstances, the mere fact that the manufacturer in El Salvador had exported the goods in question to the Community could not be regarded as proof that Sebago had consented to their being marketed there.

12 In those circumstances, the Cour d'Appel de Bruxelles decided to stay proceedings and refer the following questions to the Court for a preliminary ruling:

'Is Article 7(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks to be interpreted as meaning that the right conferred by the trade mark entitles its proprietor to oppose the use of his trade mark in relation to genuine goods which have not been put on the market in the European Economic Community (extended to Norway, Iceland and Liechtenstein by virtue of the Agreement of 2 May 1992 establishing the European Economic Area) by the proprietor or with his consent, where:

— the goods bearing the trade mark come directly from a country outside the European Community or the European Economic Area,

— the goods bearing the trade mark come from a Member State of the European Community or of the European Economic Area in which they are in transit without the consent of the proprietor of the trade mark or his representative,

— if the goods were acquired in a Member State of the European Community or of the European Economic Area in which they were put on sale for the first time without the consent of the proprietor of the trade mark or his representative,

— either where goods bearing the trade mark — which are identical to the genuine goods bearing the same trade mark but are imported in parallel either directly or indirectly from countries outside the European Community or the European Economic Area — are, or have already been, marketed within the Community or the European Economic Area by the proprietor of the trade mark or with his consent,

— or where goods bearing the trade mark — which are similar to the genuine goods bearing the same trade mark but imported in parallel either directly or indirectly from countries outside the European Community or the European Economic Area — are, or have already been, marketed within the Community or the European Economic Area by the proprietor of the trade mark or with his consent?'

13 In its judgment of 16 July 1998 in Case C-355/96 *Silhouette International Schmied* v *Hartlauer* [1998] ECR I-4799, which was delivered after the national court made its order for reference in the present case, the Court held that national rules providing for exhaustion of trade-mark rights in respect of products put on the market outside the European Economic Area ('the EEA') under that mark by the proprietor or with his consent are contrary to Article 7(1) of the Directive, as amended by the EEA Agreement.

14 The parties to the main proceedings, the French Government and the Commission take the view that the Court answered the first three questions in *Silhouette*, so that it is necessary to answer only the last two.

15 As to those last two questions, Sebago, Maison Dubois, the French Government and the Commission contend that the consent of the trade-mark proprietor to the marketing in the EEA of one batch of goods does not exhaust the rights conferred by the trade mark as regards the marketing of other batches of his goods even if they are identical.

16 GB-Unic considers, on the other hand, that Article 7 of the Directive does not require that the consent relate to the actual goods involved in the parallel import. It bases its argument, in particular, on the concept of the essential function of the trade mark, which, according to the case-law of the Court, is to guarantee to the consumer the identity of the product's origin, the object being to enable him to distinguish that product without any risk of confusion from those of different

origin. However, according to GB-Unic, that function does not imply that the proprietor has the right to prohibit the importation of genuine goods. It would thus be wrong to argue that Article 7 of the Directive refers only to the consent of the proprietor to the marketing of imported individual items of original goods. GB-Unic thus takes the view that there is consent within the meaning of Article 7 of the Directive if the consent relates to the type of goods in question.

17 The Court finds, first, that the interveners in the present case are correct in submitting that the answer to the first three questions referred has already been given by the Court in *Silhouette*. The Court held, in paragraphs 18 and 26 of that judgment, that, according to the text of Article 7 of the Directive itself, rights conferred by the mark are exhausted only if the products have been put on the market in the Community (in the EEA since the EEA Agreement entered into force) and that the Directive does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries.

18 Next, it should be noted that, by its last two questions, the national court is asking essentially whether there is consent within the meaning of Article 7 of the Directive where the trade-mark proprietor has consented to the marketing in the EEA of goods which are identical or similar to those in respect of which exhaustion is claimed or if, on the other hand, consent must relate to each individual item of the product in respect of which exhaustion is claimed.

19 The text of Article 7(1) of the Directive does not give a direct answer to that question. Nevertheless, the rights conferred by the trade mark are exhausted only in respect of the individual items of the product which have been put on the market with the proprietor's consent in the territory there defined. The proprietor may continue to prohibit the use of the mark in pursuance of the right conferred on him by the Directive in regard to individual items of that product which have been put on the market in that territory without his consent.

20 That is the interpretation of Article 7(1) that the Court has already adopted. Thus, the Court has already held that the purpose of that provision is to make possible the further marketing of an individual item of a product bearing a trade mark that has been put on the market with the consent of the trade-mark proprietor and to prevent him from opposing such marketing (Case C-337/95 *Parfums Christian Dior* v *Evora* [1997] ECR I-6013, paragraphs 37 and 38, and Case C-63/97 *BMW* v *Deenik* [1999] ECR I-905, paragraph 57). That interpretation is, moreover, confirmed by Article 7(2) of the Directive which, in its reference to the 'further commercialisation' of goods, shows that the principle of exhaustion concerns only specific goods which have first been put on the market with the consent of the trade-mark proprietor.

21 Furthermore, in adopting Article 7 of the Directive, which limits exhaustion of the right conferred by the trade mark to cases where the goods bearing the mark have been put on the market in the Community (in the EEA since the EEA Agreement entered into force), the Community legislature has made it clear that putting such goods on the market outside that territory does not exhaust the proprietor's right to oppose the importation of those goods without his consent and thereby to control the initial marketing in the Community (in the EEA since the EEA Agreement entered into force) of goods bearing the mark. That protection would be devoid of substance if, for there to be exhaustion within the meaning of Article 7, it were sufficient for the trade-mark proprietor to have consented to the putting on the market in that territory of goods which were identical or similar to those in respect of which exhaustion is claimed.

22 In the light of the foregoing, the answer to the questions referred must be that Article 7(1) of the Directive must be interpreted as meaning that:

— the rights conferred by the trade mark are exhausted only if the products have been put on the market in the Community (in the EEA since the EEA Agreement entered into force) and that provision does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries;

— for there to be consent within the meaning of Article 7(1) of that directive, such consent must relate to each individual item of the product in respect of which exhaustion is pleaded.

## Costs

23 The costs incurred by the French Government and by the Commission, 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 proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT (Fifth Chamber),

in answer to the questions referred to it by the Cour d'Appel de Bruxelles by judgment of 30 April 1998, hereby rules:

**Article 7(1) of the 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, must be interpreted as meaning that:

— the rights conferred by the trade mark are exhausted only if the products have been put on the market in the Community (in the European Economic Area since the Agreement on the European Economic Area entered into force) and that provision does not leave it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by the trade mark in respect of products put on the market in non-member countries;

— for there to be consent within the meaning of Article 7(1) of that directive, such consent must relate to each individual item of the product in respect of which exhaustion is pleaded.

Puissochet Jann Moitinho de Almeida

Gulmann Edward

Delivered in open court in Luxembourg on 1 July 1999.

R. Grass J.-P. Puissochet

Registrar President of the Fifth Chamber