OPINION OF ADVOCATE GENERAL JACOBS

delivered on 29 January 1998 *

1. The Court's case-law on Articles 30 and 36 of the EC Treaty established for trade marks, as well as for other forms of intellectual property, a principle of Community-wide exhaustion: [1] thus the sale in the Community of the trade-marked goods, by or with the consent of the trade-mark owner, exhausts the trade-mark rights throughout the Community, and he cannot, other than in exceptional circumstances, oppose the use of the mark by others in subsequent transactions anywhere in the Community.

2. Article 7(1) of the Trade Marks Directive [2] gives effect to the principle of Community exhaustion as developed by the Court's case-law. It provides that a trade mark does 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. Subsequently the principle was extended, by virtue of the Agreement on the European Economic Area (the 'EEA'), to the territory of the EEA, now consisting of the Community on the one hand and Iceland, Liechtenstein and Norway on the other hand. But can the trade-mark owner prevent a third party from using the mark in the Community or in the EEA for goods which have been put on the market under that mark, by or with the consent of the owner, outside the EEA? The question comes by way of a request for a preliminary ruling from the Oberster Gerichtshof (Supreme Court), Austria.

3. The issue therefore is whether Community law requires Member States to provide for exhaustion only when the goods have been marketed in the EEA, or whether Member States may (or perhaps even must) provide for exhaustion when the goods have been marketed in a third country — a principle of international (i.e. worldwide) exhaustion.

The Trade Marks Directive

4. The Trade Marks Directive was adopted under Article 100a of the EC Treaty. Its aim was not 'to undertake full-scale approximation of the trade mark laws of the Member States' but simply to approximate 'those

* Original language: English.

1 — The principle was established, in relation to trade marks, by Case 16/74 *Centrafarm* v *Winthrop* [1974] ECR 1183.

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.

national provisions of law which most directly affect the functioning of the internal market' (third recital of the preamble to the Directive).

5. The first, third, and ninth recitals of the preamble to the Directive state, respectively:

'Whereas the trade mark laws at present applicable in the Member States contain disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market; whereas it is therefore necessary, in view of the establishment and functioning of the internal market, to approximate the laws of Member States;

...

Whereas it does not appear to be necessary at present to undertake full-scale approximation of the trade mark laws of the Member States and it will be sufficient if approximation is limited to those national provisions of law which most directly affect the functioning of the internal market;

...

Whereas it is fundamental, in order to facilitate the free circulation of goods and services, to ensure that henceforth registered trade marks enjoy the same protection under the legal systems of all the Member States; whereas this should however not prevent the Member States from granting at their option extensive protection to those trade marks which have a reputation.'

6. In summary, the Directive harmonises the general 'conditions for obtaining and continuing to hold a registered trade mark' (seventh recital) and the rights conferred by a trade mark (Articles 5, 6 and 7). Thus it specifies signs of which a trade mark may consist (Article 2), the grounds for refusing to register or invalidating a trade mark (Articles 3 and 4), the consequences of acquiescence in the use of a later trade mark (Article 9) and of failure to use a registered trade mark (Articles 10 to 12), and the grounds for revocation of a trade mark (Article 12).

7. However, in certain areas Member States are given a discretion to decide whether to adopt the rules provided for in the Directive: for example, there are certain optional grounds for refusing to register or invalidating a trade mark (Articles 3(2) and 4(4)) and an option as to whether or not to provide protection in certain specified circumstances for a trade mark with a reputation concern-

ing its use in relation to dissimilar goods or services (Article 5(2)). [3] In addition, the seventh recital specifies that:

'Member States will be able to maintain or introduce into their legislation grounds of refusal or invalidity linked to conditions for obtaining and continuing to hold a trade mark for which there is no provision of approximation, concerning, for example, the eligibility for the grant of a trade mark, the renewal of the trade mark or rules on fees, or related to the non-compliance with procedural rules'.

The Directive also leaves to the Member States matters such as the procedure concerning the registration, revocation and invalidity of trade marks (fifth recital), the protection of unregistered trade marks (fourth recital) and provisions relating to unfair competition, civil liability and consumer protection (sixth recital).

8. The most important provisions in relation to the present case are Articles 5 and 7, entitled, respectively, 'Rights conferred by a trade mark' and 'Exhaustion of the rights conferred by a trade mark'.

9. Article 5 provides that:

'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;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

...

3 — See also Articles 3(4), 9(2), and 15(2).

3. The following, *inter alia*, may be prohibited under paragraphs 1 and 2:

(a) affixing the sign to the goods or to the packaging thereof;

(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;

(d) using the sign on business papers and in advertising.'

10. Article 7 provides as follows:

'1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.'

11. Provisions on exhaustion of similar effect to those contained in Article 7 have been included in other Community instruments on intellectual property rights. [4] The most relevant in that respect is the Community Trade Mark Regulation, which I consider below.

The EEA Agreement

12. Although Article 7(1) of the Trade Marks Directive refers to marketing in the Community, the principle of the exhaustion of rights, as previously mentioned, was extended for certain purposes to the EEA.

4 — See, for example, Article 9(2) of Council Directive 92/100/EC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, OJ 1992 L 346, p. 61. The Commission considers that those provisions also have the effect of excluding international exhaustion: see its answer to a Written Question in the European Parliament, OJ 1994 C 340, p. 37.

The Directive was one of the legislative acts incorporated into EEA law by the Agreement establishing the EEA, [5] which entered into force on 1 January 1994. [6] Annex XVII to the Agreement amends Article 7(1) of the Directive 'for the purposes of the Agreement' so as to refer to marketing within the EEA rather than the Community: it replaces the words 'in the Community' with the words 'in a Contracting Party'. [7] Moreover, a protocol to the Agreement, Protocol 28 on intellectual property, contains an article, Article 2, headed 'Exhaustion of rights'. [8] Article 2(1) provides:

'To the extent that exhaustion is dealt with in Community measures or jurisprudence, the Contracting Parties shall provide for such exhaustion of intellectual property rights as laid down in Community law. Without prejudice to future developments of case-law, this provision shall be interpreted in accordance with the meaning established in the relevant rulings of the Court of Justice of the European Communities given prior to the signature of the Agreement.'

13. No issue under that Protocol arises in the present case, the facts of which occurred after Austria (previously an EEA Member State) acceded to the Community on 1 January 1995.

The facts

14. The plaintiff, Silhouette International Schmied Gesellschaft mbH & Co. KG ('Silhouette'), is an Austrian company which produces fashion spectacles in the higher price ranges. It distributes the spectacles worldwide under the word and picture trade mark 'Silhouette', which is registered in Austria and in most countries of the world, as well as internationally. In Austria Silhouette supplies the spectacles to specialist opticians; in other countries it has subsidiary companies or distributors.

15. The defendant, Hartlauer Handelsgesellschaft mbH ('Hartlauer'), sells spectacles in numerous branches in Austria and solicits customers mainly by its low prices. It is not supplied by Silhouette because Silhouette considers sales by Hartlauer to be harmful to the image which Silhouette has created for its products as fashionable spectacles of special quality.

16. In October 1995 Silhouette sold 21 000 spectacle frames of an out-dated model

5 — OJ 1994 L 1, p. 3.
6 — 1 May 1995 in relation to Liechtenstein.
7 — P. 482.
8 — P. 194.

which had expired to a firm called Union Trading for USD 261 450. The transaction was arranged by Silhouette's sales representative for the Middle East. Silhouette directed him to instruct the purchaser to sell the frames in Bulgaria or the States of the former Soviet Union only and not to export them to other countries. The sales representative informed Silhouette that he had instructed the purchaser accordingly. The Oberster Gerichtshof observes that it has not been possible to ascertain whether that actually happened.

17. Silhouette delivered the goods to Union Trading in Sofia in November 1995. Hartlauer subsequently acquired the goods (according to the Oberster Gerichtshof, it has not been possible to ascertain from whom) and offered them for sale in Austria from December 1995. It announced in a press campaign that, although it had not been supplied by Silhouette, it had succeeded in purchasing 21 000 Silhouette frames from abroad. In its observations, Hartlauer maintains that when it acquired the products it was assured that there would be no obstacle to importing them into Austria.

18. Silhouette objects to the sale of its frames by Hartlauer in Austria and seeks an order prohibiting Hartlauer from marketing under its trade mark spectacles or spectacle frames which were not put on the market in the EEA by it or with its consent. It argues that it has not exhausted its trade-mark rights because the Directive provides that such rights can be exhausted only by reason of marketing within the EEA by the trademark owner or with his consent. It bases its claim not only on Paragraph 10a of the Markenschutzgesetz (the law on protection of trade marks), but also on Paragraphs 1 and 9 of the Gesetz gegen den unlauteren Wettbewerb (the law on unfair competition), and Article 43 of the Allgemeines Bürgerliches Gesetzbuch (the Civil Code).

19. Hartlauer contends that Silhouette did not sell the frames subject to the instruction that any import into the Community was excluded and that Silhouette's application should be dismissed.

20. Silhouette's action failed before the Landgericht Steyr (Steyr Regional Court) and on appeal to the Oberlandesgericht Linz (Linz Higher Regional Court). The current reference is made in the context of an appeal by Silhouette to the Oberster Gerichtshof against the decision of the Oberlandesgericht Linz.

21. Article 7 of the Trade Marks Directive was implemented into Austrian law almost word for word by the 1992 amendments to the Markenschutzgesetz. Paragraph 10a of the Markenschutzgesetz provides that the trade mark does not entitle the owner of the trade mark to prohibit a third party from

using the mark for goods which have been put on the market in the EEA under that mark by the owner or with his consent.

22. The Oberster Gerichtshof explains that, prior to the implementation of the Trade Marks Directive, the principle of international exhaustion had been applied by the Austrian courts. It refers to the decision of the Oberster Gerichtshof in the case of *Agfa* [9] in 1971. The position subsequent to implementation of the Directive, however, is unclear. According to the explanatory memorandum [10] it was intended that the question of the validity of the principle of international exhaustion should be settled by legal practice.

23. The Oberster Gerichtshof accordingly wishes to ascertain whether the Directive allows Member States to apply a rule of international exhaustion. It also poses a second question concerning the remedies which should be made available to the trade-mark owner under the Directive.

24. The Oberster Gerichtshof has submitted the following questions to this Court:

'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 (OJ 1989 L 40, p. 1, "the Trade Marks Directive") to be interpreted as meaning that the trade mark entitles its proprietor to prohibit a third party from using the mark for goods which have been put on the market under that mark in a State which is not a Contracting State?

May the proprietor of the trade mark on the basis of Article 7(1) of the Trade Marks Directive alone seek an order that the third party cease using the trade mark for goods which have been put on the market under that mark in a State which is not a Contracting State?'

The reference to a Contracting State is to be understood as referring to a Contracting Party to the EEA Agreement, i. e. on the EFTA side, those EFTA States which are parties to the Agreement (currently Iceland, Liechtenstein and Norway), and on the Community side, the Community and/or the EC Member States. [11] Hence the questions are concerned with goods put on the market outside the EEA. It is unnecessary to con-

9 — SZ 43/219.

10 — 669 BlgNR 18. GP5.

11 — See Article 2(c) of the EEA Agreement.

sider what the position would be in relation to goods marketed within the EEA and subsequently imported into the Community. For convenience I shall refer in what follows to importing into the Community goods marketed outside the EEA.

25. Written observations have been submitted by Silhouette, Hartlauer, the Austrian, French, German, Italian, Swedish, and United Kingdom Governments, and the Commission. At the hearing oral submissions were made by Silhouette, Hartlauer, the Italian Government, and the Commission.

Question 1

26. By its first question, the Oberster Gerichtshof asks whether Article 7(1) of the Trade Marks Directive is to be interpreted as meaning that the proprietor of a trade mark is entitled to prohibit a third party from using the mark for goods which have been put on the market under that mark in a State which is not a member of the EEA. It is not specified in the question whether the trade-mark owner consented to such marketing in the non-EEA State. However, it is clear from the order for reference that Silhouette did consent to marketing in Bulgaria since it is stated that Silhouette gave directions for the sale of the goods there and delivered them to the purchaser in Sofia. The question should accordingly be addressed on the assumption that the trade-mark owner consented to the marketing of his products outside the EEA.

27. It should also be assumed for present purposes that Silhouette did not consent to its products being resold within the EEA. That is so even though the national court expresses some doubt as to whether the restrictions upon resale were passed on to the purchaser. If Silhouette had consented to marketing in the EEA, the answer to the first question referred would clearly be that Silhouette could not oppose the import of its products into Austria.

28. The Oberster Gerichtshof has not suggested that there are any 'legitimate reasons' within the meaning of Article 7(2) of the Directive for Silhouette to oppose the resale of its spectacles in Austria.

29. Thus, in the present case, the Court is faced squarely with the question whether the Trade Marks Directive, in referring to the exhaustion of trade-mark rights following marketing in the Community, requires Member States to allow a trade-mark owner to oppose the import into the Community of products placed on the market outside the

EEA by him or with his consent simply because he has not consented to the marketing of those products within the Community: i. e. whether it precludes Member States from adopting the principle of international exhaustion.

The terms of the Directive

30. Article 7(1) of the Directive provides for exhaustion only where the goods have been put on the market in the Community: it provides therefore only for Community-wide, not for international exhaustion.

31. It is accepted on all sides, and with good reason in my view, that the Directive does not require Member States to provide for international exhaustion: at most, it leaves that open as an option for Member States. If the Directive had sought to impose international exhaustion, Article 7(1) would not have referred only to marketing in the Community.

32. That the Directive did not intend to impose international exhaustion is confirmed by the legislative history of the Directive. The Commission's original proposal would have imposed international exhaustion. [12] The Commission subsequently changed its view, and its amended proposal [13] explicitly limited the exhaustion principle to goods which had been put on the market 'in the Community'.

33. As to whether the Directive precludes international exhaustion, or leaves that open, the language of Article 7(1) inclines me to the former view. Article 7(1) spells out the circumstances in which the trade-mark rights are exhausted: it is naturally read as doing so exhaustively. In providing that the rights are exhausted when the goods are marketed in the Community, Article 7(1) is naturally understood as meaning that the rights are not exhausted when the goods are marketed in a third country. It is true that the Directive does not specifically preclude international exhaustion, but that effect can reasonably be inferred from the language. I accept that there are arguments which go the other way, but those arguments derive little support from the language of the Directive.

34. My view of the effect of the language of Article 7(1) is supported by the structure of the Directive. Article 7(1) is a derogation from the rights conferred on the trade-mark owner by Article 5(1). In general derogations should not be construed broadly. Here

12 — OJ 1980 C 351, p. 1; for the Explanatory Memorandum see COM(80) 635 final.

13 — OJ 1985 C 351, p. 4.

Article 7(1) cannot be construed more broadly than as providing for Community exhaustion. It would be necessary to read into the Directive a further, implied derogation leaving open the possibility of provision for international exhaustion, which seems contrary to the structure of the Directive.

The aims and scope of the Directive

35. Since the terms of the Directive are not conclusive, the aims and scope of the Directive are of crucial significance in interpreting its provisions. The indications in the preamble, however, do not all point in the same direction. On the one hand, it will be recalled that the Directive does not purport to 'undertake full-scale approximation of the trade-mark laws of the Member States' but aims to approximate 'those national provisions of law which most directly affect the functioning of the common market'. On the other hand, the Directive seeks to ensure, with certain limited exceptions, that trade marks 'enjoy the same protection under the legal systems of all the Member States'.

36. Those who favour international exhaustion point to the limited nature of the harmonisation attempted by the Directive and contend that the reference to Community exhaustion in Article 7(1) should be regarded only as a minimum standard.

37. Moreover, they argue that the intention of Article 7 was simply to codify the Court's existing case-law on the exhaustion of rights since the Court has stressed that Article 7 is to be interpreted in the same way as the Court's case-law on Articles 30 and 36. They contend that, prior to implementation of the Directive, Member States had a discretion as to whether or not to adopt the principle of international exhaustion; and that, in the absence of express language to the contrary, that should remain the position under the Directive.

38. The opponents of international exhaustion, relying on the wording of the third recital of the preamble to the Directive, [14] argue that, whilst it is true that the Directive is not a measure of total harmonisation, the application by a Member State of the principle of international exhaustion is one of the provisions which 'most directly affect the functioning of the internal market' and is accordingly the type of issue which the Directive sought to harmonise. Moreover, the purpose of the Directive was to ensure that trade marks 'enjoy the same protection under the legal systems of all the Member States'. Although the protection afforded by the Directive does not impose a totally uni-

14 — Cited at paragraph 5 above.

form system since certain areas are left to the discretion of the Member States, those areas are very limited and the choice carefully specified (see paragraph 7 above).

39. As regards the scope and effects of the Directive, it can in my view be argued that the Directive has transformed the impact of Community law on trade-mark protection. Previously the only issue under Community law was that of the impact of Articles 30 to 36 of the Treaty on national trade-mark law. The Directive harmonises the essential conditions and consequences of trade-mark protection. Although in an internal Community context the Court has treated Article 7 of the Directive as codifying the previous case-law, it cannot be assumed that that is the sole function of Article 7. The Directive regulates the substance of trade-mark rights, and its provisions are designed to be substituted for the diverse national laws across the whole range of its provisions.

40. If the Directive is seen as establishing the essential terms and effects of trade-mark protection, it is difficult to argue that it leaves Member States free to opt for international exhaustion. The scope of the exhaustion principle is after all central to the content of trade-mark rights.

41. But even if one takes a narrower view of the character of the Directive, it seems clear that international exhaustion is one of the matters which 'most directly affect the functioning of the internal market' and which the Directive therefore seeks to harmonise. If some Member States practise international exhaustion while others do not, there will be barriers to trade within the internal market which it is precisely the object of the Directive to remove.

42. It is above all on that ground that the Austrian, French, German, Italian and United Kingdom Governments and the Commission all submit that the Directive should be interpreted as precluding the principle of international exhaustion. Essentially they argue that, if the Member States were free to determine whether trade-mark owners could prevent imports from third countries, then the same products could be the subject of parallel imports into one Member State but not into another, a result incompatible with the internal market. It is of course no answer to that submission to suggest that once goods were imported into one Member State which did provide for international exhaustion they could then benefit from free movement throughout the Community, since that suggestion would have the effect of imposing international exhaustion on all Member States which, as has been seen above, would be contrary to the Directive. The submission of the five Member States and of the Commission has in my view much force.

43. A similar argument was advanced by some Member States (France, Germany and the United Kingdom) and by the Commission before the EFTA Court in *Mag Instrument Inc.* v *California Trading Company Norway, Ulsteen.* [15] That case concerned the interpretation of Article 7(1) of the Directive and in particular the issue of international exhaustion in relation to the EFTA States. As mentioned above, Article 7(1) was extended, for the purposes of the EEA Agreement, to goods marketed throughout the EEA. The EFTA Court responded as follows:

'This argumentation has to be rejected in so far as it concerns the EFTA States. Unlike the EC Treaty, the EEA Agreement does not establish a customs union. The purpose and the scope of the EC Treaty and the EEA Agreement are different (see Opinion 1/91 of the ECJ regarding the Draft Agreement between the Community, on the one hand, and the countries of the European Free Trade Association, on the other, relating to the creation of the European Economic Area [1991] ECR I-6079). Thus, the EEA Agreement does not establish a customs union, but a free trade area.

The abovementioned differences between the Community and the EEA will have to be reflected in the application of the principle of exhaustion of trade mark rights. According to Article 8 EEA, the principle of free movement of goods as laid down in Articles 11 to 13 EEA applies only to goods originating in the EEA, while in the Community a product is in free circulation once it has been lawfully placed on the market in a Member State. In general, the latter applies in the context of the EEA only in respect of products originating in the EEA. In the case at hand, the product was manufactured in the United States and imported into Norway. Accordingly, it is not subject to the principle of the free movement of goods within the EEA.' [16]

44. The EFTA Court concluded that it was for the EFTA States, i. e. their legislators or courts, to decide whether to introduce or maintain the principle of international exhaustion with regard to goods originating outside the EEA. However the EFTA Court did not consider the question of goods originating within the EEA.

Article 100a of the Treaty

45. In the present case the Swedish Government, in contrast to the other Governments, contends that the Directive leaves the issue

15 — Case E-2/97, advisory opinion of 3 December 1997.

16 — Paragraphs 25 and 26 of the advisory opinion.

of international exhaustion to be resolved by national law. It argues that a directive based solely on Article 100a of the Treaty could not regulate the question of international exhaustion. The Swedish Government contends that that question concerns the relations between the Member States and third countries; moreover according to Opinion 1/94 on the WTO Agreement, [17] the external competence in matters of intellectual property is not exclusive to the Community.

46. It seems to me however that a distinction has to be made between measures of commercial policy on the one hand and provisions governing the effects of trade-mark rights within the Community on the other. Although to preclude international exhaustion clearly has an effect on external trade, it is less clear that it actually regulates such trade: contrary to the suggestion of the Swedish Government, the Directive, if interpreted as precluding international exhaustion, would not 'regulate relations between Member States and third States'. Rather, the Directive lays down the rights of trade-mark owners in the Community. It provides for the conditions under which the trade-mark owner can take action against the marketing of certain goods, which may or may not be imported from third countries. Moreover it is inevitable that internal market measures will affect imports from third countries. Thus measures harmonising technical standards will affect goods from third countries, but can properly be based on Article 100a of the Treaty.

47. With regard to Opinion 1/94 and the external competence of the Community, that issue would arise only if negotiations were to be undertaken with third countries to deal with international exhaustion. No doubt considerations of commercial policy and concern about the possible lack of reciprocity were among the reasons why the provision for international exhaustion which featured in the Commission's original proposal was not maintained. But the existence of such underlying policy considerations does not limit the material scope of a measure based on Article 100a. It does not lead to the conclusion that a measure based on Article 100a cannot be construed as having dealt with the subject of international exhaustion. It seems to me that the Community can regulate under Article 100a the rights of trade-mark owners within the Community in respect of goods bearing their mark whether they have been marketed inside or outside the Community.

The origin function of trade marks

48. The Swedish Government also relies on the Court's case-law on the function of trade marks. That function is essentially to guaran-

17 — [1994] ECR I-5267.

tee the consumer the possibility of identifying the origin of the product. It is no part of the function of a trade mark to enable the owner to divide up the market and to exploit price differentials. The adoption of international exhaustion would bring substantial advantages to consumers, and would promote price competition.

49. I confess to finding those arguments extremely attractive. However it must be remembered that the Court's case-law on the function of trade marks was developed in the context of the Community, not the world market. Indeed in *EMI* v *CBS* [18] the Court held that its case-law under Articles 30 to 36 could not be transposed to imports from third countries. Circumscribing the protection of trade-mark rights by defining their essential function was considered necessary to prevent restrictions on trade between Member States.

50. Such compelling considerations do not apply to imports from third countries. On the contrary, to allow Member States to opt for international exhaustion would itself, as has been seen, result in barriers between Member States.

51. There is of course a powerful argument based on the concern for free trade at the international level. To some commentators the exclusion of international exhaustion will appear protectionist and therefore harmful. [19] Commercial policy considerations may however be more complex than they allow for. I have already alluded to concern about the possible lack of reciprocity if the Community were unilaterally to provide for international exhaustion. In any event it is no part of the Court's function to seek to evaluate such policy considerations.

52. As regards price competition and the benefit to consumers, such benefits again have to be set against the threat to the integrity of the internal market. That integrity would be severely prejudiced if one Member State provided for international exhaustion while another did not. Only consumers in the first State would benefit from the lower prices of imports from third countries. Price competition within the internal market would be distorted.

53. As regards the Community's competition policy, the ruling to be given by the Court on international exhaustion will in no way limit the possible application of the competition rules of the Treaty. It will not

18 — Case 51/75 *EMI Records* v *CBS United Kingdom* [1976] ECR 811.

19 — Advocates of international exhaustion (to a greater or lesser extent) include Friedrich-Karl Beier, *IIC* 1990, p. 131; Jesper Rasmussen, *EIPR* 1995, p. 174; Nicholas Shea, *EIPR* 1995, p. 463; D. W. F. Verkade, 'Extra-communautaire parallelimport en rechten van intellectuele eigendom', *SEW* 1997, p. 304.

exclude the possibility that Articles 85 and 86 of the Treaty may apply to agreements between undertakings, or to unilateral behaviour by a dominant undertaking, seeking to divide up the markets. [20]

54. Finally, it should be recalled that some Member States, and some third countries, do not practise international exhaustion, and that that has not been held to be contrary to the General Agreement on Tariffs and Trade (the GATT). The situation is not changed in that respect by the WTO Agreement. Annex 1C, the Agreement on Trade-related aspects of Intellectual Property Rights (the TRIPs), [21] provides by Article 6 that, for the purposes of dispute settlement under that Agreement, nothing in the Agreement (subject to certain provisions) shall be used to address the issue of the exhaustion of intellectual property rights. [22]

The Community Trade Mark Regulation

55. Further guidance on the interpretation of the Directive is provided by the Community Trade Mark Regulation. [23] The Regulation, which provides for a single Community mark valid throughout the Community, was drafted concurrently with the Directive and it contains a virtually identical provision on exhaustion.

56. Article 1(2) provides that a Community trade mark has 'a unitary character' and that:

'It shall have equal effect throughout the Community: it shall not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor shall its use be prohibited, save in respect of the whole Community. This principle shall apply unless otherwise provided in this Regulation.'

57. Article 13, entitled 'Exhaustion of the rights conferred by a Community trade mark', provides as follows:

'1. A Community 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.

20 — For the possible application of Article 85, see, for example, *EMI* v *CBS*, cited in note 18, and most recently the Opinion of Advocate General Tesauro in Case C-306/96 *Javico International*, delivered on 6 November 1997.

21 — OJ 1994 L 336, p. 213.

22 — On Article 50 of the TRIPs, which relates to provisional measures, see the Opinion of Advocate General Tesauro in Case C-53/96 *Hermès International* v *FHT Marketing Choice BV*, delivered on 13 November 1997.

23 — Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ 1994 L 11, p. 1.

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.'

58. Thus, except for the reference to the 'Community trade mark', Article 13 of the Regulation is in identical terms to Article 7 of the Directive.

59. As in the case of the Directive, the Commission's original proposal for the Regulation would have provided for international exhaustion, but again the proposal was amended and the Regulation provides for exhaustion only for goods which have been put on the market 'in the Community'. Once again, therefore, it is impossible to read the Regulation as imposing international exhaustion. The choice would then be between precluding international exhaustion or leaving the issue to the Member States.

60. In the case of the Regulation, however, it seems scarcely possible to contend that the Member States have a discretion. Whereas the Directive, as has been seen, is a partial measure of harmonisation of national laws, the Regulation governs comprehensively the incidents and effects of a Community trade mark. Moreover Article 14(1) provides that: 'The effects of Community trade marks shall be governed solely by the provisions of this Regulation'; leaving only infringement actions to be governed by national law in accordance with Title X of the Regulation, which is concerned only with jurisdiction and procedure in legal actions relating to Community trade marks.

61. It therefore seems impossible to contend that the Trade Mark Regulation confers a discretion on Member States to opt for international exhaustion. The question then is whether the provisions on exhaustion in the Regulation and Directive, notwithstanding their common origin and their identical wording, can be construed differently. There are of course well-known examples of identical provisions being construed differently in different contexts, notably in the context of the EC Treaty on the one hand and in the context of a Free Trade Agreement on the other, as in *Polydor* v *Harlequin Record Shops*. [24] The advisory opinion of the EFTA Court cited above [25] provides a further illustration of the reasons for adopting a different approach, justified by the different context, to the very provision in issue in the present case. In the present case however the context is, both for the Regulation and for the Directive, the Community's internal market. Although an argument can be advanced that the objectives of the two instruments are different, since the Directive only aims to achieve a limited measure of harmonisation, it must be accepted that the Regulation

24 — Case 270/80 [1982] ECR 329.
25 — Cited in note 15.

provides at least some further support for the view that the Directive precludes international exhaustion.

62. I accordingly conclude, having regard to the wording and purpose of the Directive, its legislative history, the identical wording in the Trade Mark Regulation, and the undesirable effects of leaving the question to the discretion of the Member States, that Article 7(1) of the Directive precludes Member States from adopting the principle of international exhaustion.

63. Thus, in answer to the first question, Article 7(1) of the Directive is to be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a third party from using the mark for goods which have been put on the market under that mark outside the territory of the EEA. Member States are accordingly precluded from adopting the principle of international exhaustion.

Question 2

64. By its second question the Oberster Gerichtshof seeks to ascertain whether Article 7(1) of the Directive can alone constitute the basis for the grant of an injunction in support of a trade-mark owner seeking to prohibit the sale of his goods which are circulating in the Community without his consent. It appears from the order for reference and from a subsequent communication from the referring court that that question arises for the following reasons.

65. Under Austrian trade-mark law there is no right to a prohibitory injunction in respect of trade-mark infringement: an injunction to cease a trade-mark infringement can however be sought under Paragraph 9 of the UWG (the law on unfair competition). Under Paragraph 9(1) of the UWG, a prohibitory order may be made against a person who in the course of business uses a name, a trading name or the particular designation of an undertaking in a manner which is liable to cause confusion with the name, trading name or particular designation which another person makes use of with authority. A registered trade mark qualifies as a 'particular designation' within the meaning of that provision (Paragraph 9(3) of the UWG). However, it appears that under Austrian law injunctions cannot be obtained on the basis of Article 9 of the UWG to prevent parallel imports since the Oberster Gerichtshof states that the marketing of genuine goods cannot cause confusion within the meaning of that provision when the goods in issue are original products of the trade-mark owner.

66. Although there are two other bases in Austrian law upon which a prohibitory injunction may be based, the Oberster Gerichtshof appears to consider that neither is applicable to the present case. Those additional provisions are Paragraph 1 of the UWG and Article 43 of the ABGB (Civil Code). Pursuant to the former, a prohibitory order may be made against a person who in the course of business for purposes of competition performs acts which are against public policy. A breach of the law may be against public policy within the meaning of that provision. However, the breach must be subjectively reprehensible and liable to give the person acting illegally an advantage over his law-abiding competitors. Article 43 of the ABGB allows a claim for a prohibitory injunction where a person's right to use his name is disputed or where he is adversely affected by the unauthorised use of his name (or pseudonym).

67. Since the Oberster Gerichtshof considers that none of the above provisions provides the foundation for an injunction in the present case, it believes that it will be unable to grant an injunction to Silhouette unless the right to an injunction flows from the wording of Article 7(1) of the Trade Marks Directive. It reasons that, if Article 7(1) can be interpreted in that way, it will be able to issue an injunction on the basis of Paragraph 10a of the Markenschutzgesetz since the two provisions are in virtually identical terms. It observes that the issue is not whether that provision of the Directive can have direct effect, since the provision has been copied almost verbatim into Austrian law. Rather it wishes to elucidate the correct interpretation of that provision. Although it is Article 5 of the Directive, rather than Article 7, which confers the substantive rights upon the trade-mark owner, it appears that the Oberster Gerichtshof is considering only the interpretation of the latter provision since Article 5(1)(a) has not been implemented in Austrian law.

68. It is well established that, whether or not the specific provisions of a directive have been implemented in national law, and independently of the possible direct effect of those provisions — which, if not implemented, can be invoked only against the State or a public body — the national courts are under a duty to take account of all provisions of national law so as to ensure, wherever possible, that the result prescribed by the directive is attained. [26] That duty applies as regards not only national legislation specifically introduced in order to implement a directive but also other provisions of national law, including those adopted before the directive. As the Court stated in relation to the very provision in issue in the present case:

'when applying national law, whether adopted before or after the directive, the national court that has to interpret that law must do so, as far as possible, in the light of the wording and the purpose of the directive

26 — Case C-106/89 *Marleasing* [1990] ECR I-4135.

so as to achieve the result that it has in view and thereby comply with the third paragraph of Article 189 of the EC Treaty'. [27]

69. It follows that, whether or not the national legislation relating to trade marks has been amended to give effect to all the provisions of the Directive, that legislation must be interpreted consistently with the Directive. Provided that the legislation is capable of being interpreted in that way, the national courts are under a duty to give trade marks the same protection as if each of the provisions of the Directive had been specifically and explicitly transposed into national law.

70. Thus although in the present case it appears that Article 5(1)(a) of the Directive, which confers exclusive rights on the trade-mark owner, has not been implemented in Austrian law, nevertheless the courts are required, as far as possible, to interpret the Austrian legislation in the light of Article 5(1)(a). Article 5(1) states that the proprietor of the mark 'shall be entitled to prevent all third parties not having his consent' from using the mark. The terms of Article 5(1) thus envisage that he shall be entitled to a court order prohibiting the use of the mark. Where such an order is available under national legislation, whether under the legislation on trade marks or under other legislation such as that on unfair competition, it must therefore also be made available in the case of infringement of trade mark rights as defined by Article 5(1) of the Directive.

71. Moreover the case-law of the Court of Justice recognises, as a general principle of law, that the national courts must provide effective remedies for the enforcement of Community rights. The case-law has established two principles in particular: first that national rules governing remedies for the exercise of Community rights must not be less favourable than those available for rights arising under national law; and secondly that the exercise of Community rights must not in any event be rendered impossible in practice or excessively difficult. [28] It may well be that the refusal of the remedy which is in issue in the present case, namely an injunction, would, in the circumstances of this case, contravene both those requirements.

72. So far as interlocutory injunctions are concerned, the Court has held that national courts may be required to afford interim relief for the protection of Community rights even in cases where they would be

27 — Case C-232/94 *MPA Pharma* v *Rhône-Poulenc Pharma* [1996] ECR I-3671, paragraph 12 of the judgment.

28 — See, for example, Joined Cases C-430/93 and C-431/93 *Van Schijndel and van Veen* v *SPF* [1995] ECR I-4705.

unable to do so under national law. [29] The Court stated that the full effectiveness of Community law would be impaired if a rule of national law could prevent a national court from granting interim relief pending the national court's final judgment. [30] It seems clear that the same applies to a final injunction: that remedy also must be ensured by the national court where it is necessary to ensure the effective protection of the rights conferred by Community law.

Conclusion

73. Accordingly I am of the opinion that the questions referred by the Oberster Gerichtshof should be answered as follows:

(1) 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 must be interpreted as meaning that the proprietor of a trade mark is entitled to prevent a third party from using the mark for goods which have been put on the market under that mark outside the EEA.

(2) Even where Article 7(1) alone of the relevant provisions of the Directive has been specifically transposed into national law, the proprietor of the trade mark is entitled to obtain an order prohibiting the third party from using the mark for goods which have been put on the market under that mark outside the EEA.

29 — Case C-213/89 *Factortame and Others* [1990] ECR I-2433.

30 — Paragraph 21 of the judgment.