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Trade Marks and Free Trade

A Global Analysis

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Lazaros G. Grigoriadis
Faculty of Law
Aristotle University of Thessaloniki
Thessaloniki
Greece

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To my beloved grandmother Sophia

Preface

> Perhaps one of the most trade-related issues in the field of intellectual property is exhaustion of rights together with the issue of parallel importation
>
> *Thomas Cottier*

Contrary to the other industrial property rights and also copyright,[1] the legal protection of the right to the trademark is not dictated by the special value encompassed in its essence, namely the sign of which the trademark consists. It is dictated by the ability of the trademark to identify the origin of a product or service from a specific undertaking and to distinguish a product or a service from the products or services of another undertaking.[2] This position is confirmed by the

[1] With regard to industrial property rights, see Nikolaos Rokas (2004), Industrial Property, pp. 1–2 (Ant. N. Sakkoulas Publications, Athens-Komotini) (in Greek); Thanasis Liakopoulos (2000), Industrial Property, pp. 77–85 (5th edition, P. N. Sakkoulas Publications, Athens) (in Greek); Vasilis Antonopoulos (2005), Industrial Property, p. 13, Nr. 13 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek). For copyright, see Lampros Kotsiris (2000), Greek Copyright Law, pp. 112–116, Nr. 193–194 (4th edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek); Michael-Theodoros Marinos (2000), Copyright Law, pp. 7–11, Nr. 20–26 (Ant. N. Sakkoulas Publications, Athens-Komotini) (in Greek). Industrial property rights and copyright are often referred to together as "intellectual property rights" (IPRs). See Christos Chrysanthis (2009), The International Protection of the Intellectual Property in Charis Pampoukis (ed.) Law of International Transactions, pp. 785, 785–786 (Nomiki Vivliothiki Publications, Athens) (in Greek); Giorgos Koumantos (1994), Intellectual Property, EllDni 1464 (in Greek); William Cornish & David Llewelyn (2007), Intellectual Property: patents, copyright, trade marks and allied rights, paras 1-01, and 1-04 to 1-11 (6th edition, Sweet & Maxwell, London).

[2] Vasilis Antonopoulos (2005), Industrial Property, pp. 367–368, Nr. 444 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek).

definitions of trademarks included in the modern national trademark laws of developed (or industrialised) and developing countries,[3] as well as in the TRIPs

[3] The United Nations and also most of the research sources used in this study classify countries as developed or industrialised and developing, based on their gross national product (GNP). Definitions of trademarks taken from the European Union (EU) trademark law and from trademark laws of developed (or industrialised) and developing countries are given below: a) EU trademark law: "A trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings" (Article 2 of Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trademarks). "A trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings" (Article 4 of the Council Regulation 207/2009/EC of 26 February 2009 on the Community trade mark); b) trademark laws of developed (or industrialised) countries: i) Japan: "'Trademark' in this Act means any character(s), figure(s), sign(s) or three-dimensional shape(s), or any combination thereof, or any combination thereof with colors (hereinafter referred to as a 'mark') which is: (i) used in connection with the goods of a person who produces, certifies or assigns the goods as a business; or (ii) used in connection with the services of a person who provides or certifies the services as a business (except those provided for in the preceding item)" [Article 2 (1) of Act No. 127 of April 13, 1959, as last amended by Act No. 16 of April 18, 2008]; ii) Switzerland: "A trade mark is a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises" [Article 1(1) of Federal Law of August 28, 1992 on the Protection of Trademarks and Indications of Source (status as of July 1, 2011)]; iii) Australia: "A *trade mark* is a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person" [Sect. 17 of Trade Marks Act 1995 (consolidated as of 14 January 2011)]; iv) USA: "The term "trademark" includes any word, name, symbol, or device, or any combination thereof—(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown" [Sect. 45 of U. S. Trademark Law, 15 U.S.C. §§ 1051 et seq. (05.07.1946)]; c) trade mark laws of developing countries: i) Indonesia: "Trade Mark shall mean a Mark that is used on goods traded by a person or by several persons jointly or a legal entity to distinguish the goods from other goods of the same kind" [Article 1 (2) of Law No. 15 of August 1, 2001, regarding Marks]; ii) Nigeria: "'trade mark' means, except in relation to a certification trade mark, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person, and means, in relation to a certification trade mark, a mark registered or deemed to have been registered under Section 43 of this Act" [Article 67 (1) of Trade Marks Act (Chapter 436) (01.01.1965)]; iii) India: ""trade mark" means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours" [Article 2 (1) (zb) of The Trade Marks Act, 1999]; iv) China: "Any visible sign that can serve to distinguish the goods of a natural person, legal person, or other organization from those of another, including any work, design, letter of the alphabet, numeral, three-dimensional symbol and color combination, or any combination of the above, may be made a trademark for application for registration" [Article 8 of Trademark Law of the People's Republic of China (23.08.1982)]; v) Madagascar: "'mark' shall mean any visible sign

Agreement, which is the first multilateral treaty that defines trademarks in a binding way for the Contracting Parties.[4] Indeed, according to those definitions, the legal protection of the right to the trademark is based on, firstly, the existence of a "sign" and, secondly, the "distinctiveness" of the sign in question.[5]

It follows from the establishment of the legal protection of the trademark right in the distinctiveness of signs that, in the spirit of modern national legal systems and also of the TRIPs Agreement, trademarks are principally perceived as distinctive features of products and services. More specifically, both modern national legislators and the Contracting Parties to the TRIPs Agreement were, evidently, aware of the fact that the role of the trademark in a modern market economy is not limited to that of a distinctive feature of products and services. A trademark acquires more and more importance for its owner as a guarantee of the quality of the products traded or the services provided under the trademark; it operates as a communication channel with the consumers, as an investment asset, or even as a means of advertising.[6] However, in accordance with the trademark definitions provided by both the current national laws on trademarks and the TRIPs Agreement, a sign may be protected as a trademark irrespective of the economic value that it represents, that is to say the amount of investment that such a sign represents as a means of communication of the manufacturer or trader of a product or the provider of a service to the consumer, as a guarantee of a stable quality level or as a tool promoting the advertising of a product or a service. On the contrary, in the perception of modern national legislators and the Contracting Parties of the TRIPs Agreement, the recognition of the legal protection of a sign as a trademark is solely dictated by its ability to make commercial transactions easier as a distinctive feature of a product or a service, that is, its ability to indicate the origin of a product or service from a specific undertaking and to distinguish one product or service from the products and services of other undertakings ("origin function" or "primary function" or "essential function" or

intended and capable of distinguishing the goods or services of one enterprise from those of other enterprises" [Article 55 (1) (i) of Ordinance No. 89-019 Establishing Arrangements for the Protection of Industrial Property (of July 31, 1989)]; v) Liberia: "'mark' means any visible sign capable of distinguishing the goods ('trademark') or services ('service mark') of an enterprise" [Article 39 (i) of Industrial Property Act (20.03.2003)] (Source: WIPO).

[4] "Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods" of 15.12.1993. The Agreement entered into force on 01.01.1995. Pursuant to the first subparagraph of Article 15 (1) of the TRIPs Agreement, "Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trade mark".

[5] According to Ladas [Stephen P. Ladas (1975), Patents, Trade marks, and Related Rights, National and International Protection, Vol. II, p. 969 (Harvard University Press, Cambridge, Massachusetts)], the uniformity in the basic identifying features of trademarks, as these derive from the definitions of trademarks included in the several national trademark laws, reflects the "basic uniformity in objectives and a considerable amount of harmonization in essentials" of trademark laws on an international level.

[6] Cf. Case C-487/07, *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] ECR I-5185, para. 58.

"main function" of trademarks; "Herkunftsfunktion" or "Hauptfunktion" in German). The other functions of an economic nature that trademarks may develop in a developed market economy (trademark's goodwill[7]), namely mainly the "quality function" or "guarantee function" ("Qualitätsfunktion" in German)[8] and the "investment function" or "advertising function" ("Werbefunktion" in German),[9]

[7] "Goodwill" was defined in 1810 by Lord Eldon as "the value of that probability, that old customers will resort to the old place" [see B.E. Cookson (1991), The Significance of Goodwill, 7 Eur Intellect Prop Rev 248]. For the economic value of trademarks in general, see Andreas Papandreou (1956), The Economic Effects of Trade Marks, 44 Calif Law Rev 503; André Zeug (1986), Die wirtschaftlichen Funktionen von Waren– und Dienstleistungszeichen; Frauke Henning-Bodewig & Annette Kur (1988), Marke und Verbraucher: Funktionen der Marke in der Marktwirtschaft, Band I, Grundlagen (VCH, Weinheim); Friedrich-Karl Beier & Friedrich-Karl Krieger (1976), Wirtschaftliche Bedeutung, Funktionen und Zweck der Marke (68) Bericht erstattet im Namen der Landesgruppe der Bundesrepublik Deutschland, 25 GRUR Int 125; Julius Lunsford (Jr.) (1974), Consumers and Trademarks: The Function of Trademarks in the Market Place, 64 Trademark Rep 75; Nicholas S. Economides (1988), The Economics of Trademarks, 78 Trademark Rep 523; Roger van den Bergh & Roger Lehmann (1992), Informationsökonomie und Verbraucherschutz im Wettbewerbs- und Warenzeichenrecht, 41 GRUR Int 588; William Cornish & Jennifer Philips (1982), The Economic Function of Trade Marks: An Analysis With Special Reference to Developing Countries, 13 IIC 41.

[8] "Guarantee function of the trademark" means the guarantee that the trademark provides to consumers that a product or service bearing that trademark meets their expectations in terms of quality or other features (e.g., specifications of use, function, or luxury, equipment, guarantee). For the "guarantee function" of trademarks and its legal protection, see, *inter alia*, Frauke Henning-Bodewig & Annette Kur (1988), Marke und Verbraucher: Funktionen der Marke in der Marktwirtschaft, Band I, Grundlagen, p. 6 (VCH, Weinheim); Karl-Heinz Fezer (2009), Markenrecht, Kommentar zum Markengesetz, zur Pariser Verbandsübeinkunft und zum Madrider Markenabkommen, Dokumentation des nationalen, europäischen und internationalen Kennzeichenrechts, p. 8, Nr. 8 (4 Auflage, Beck, München); Michael-Theodoros Marinos (2007), Trade Mark Law, pp. 14–15 and 17, Nr. 36 and 42 (P. N. Sakkoulas Publications, Athens) (in Greek); Nikolaos Grigoriadis (2006), Trademark Licensing Agreements and Restrictions of Competition, pp. 37–41 (Ant. N. Sakkoulas Publications, Athens-Komotini) (in Greek); Nikolaos Rokas (2004), Industrial Property, pp. 95–96, Nr. 16–17 (Ant. N. Sakkoulas Publications, Athens-Komotini) (in Greek); Oliver Krauß (1999), Die internationale Erschöpfung des Markenrechts unter Berücksichtigung der Gesetzgebung und der Markenfunktionen, pp. 18–20 (Eul, Lohmar/Köln); Thanasis Liakopoulos (2000), Industrial Property, pp. 321–322 (5th edition, P. N. Sakkoulas Publications, Athens) (in Greek); Vasilis Antonopoulos (2005), Industrial Property, pp. 372–374, Nr. 446–447 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek).

[9] "Advertising function of the trademark" means the ability of the trademark to become, through its use in advertising promotion of a product or service, the symbol of the reputation of an undertaking. For the "advertising function" of trademarks and its legal protection, see, *inter alia*, Frauke Henning-Bodewig & Annette Kur (1988), Marke und Verbraucher: Funktionen der Marke in der Marktwirtschaft, Band I, Grundlagen, p. 6 (VCH, Weinheim); Karl-Heinz Fezer (2009), Markenrecht, Kommentar zum Markengesetz, zur Pariser Verbandsübeinkunft und zum Madrider Markenabkommen, Dokumentation des nationalen, europäischen und internationalen Kennzeichenrechts, pp. 82–83, Nr. 9 (4 Auflage, Beck, München); Michael-Theodoros Marinos (2007), Trade Mark Law, pp. 15–16 and 18, Nr. 37–38 and 43–44 (P. N. Sakkoulas Publications, Athens) (in Greek); Nikolaos Grigoriadis (2006), Trademark Licensing Agreements and Restrictions of Competition, pp. 24–37 (Ant. N. Sakkoulas Publications, Athens-Komotini) (in Greek); Nikolaos Rokas (1997), Functional Changes of the Trade Mark Right, EEmpD 443 (in Greek);

may certainly be legally protected, either fully or partially, in (national or supranational) legal orders. However, the only criterion for the protection of a sign under trademark law is the distinctive character of the sign.

Realising the necessity to legally protect the use of signs that can serve to link the mind of consumers of a product offered for sale in a market to a specific industrial or commercial undertaking coincides chronologically with the industrial revolution and the development of competitive markets.[10] However, the fact that trademarks may be used as means of controlling the circulation of goods between national markets was also soon realised. As Judge *Clauson* characteristically underlined in the judgment in *Champagne Heidsieck et Cie Monopole Société Anonyme v Buxton [1930],* a trademark is "a badge of origin" and not "a badge of control".[11] This remark, despite the many decades that have elapsed since its submission, fully retains its importance because it is a significant guideline in the effort to deal with the problem that arises from the conflict between the generally accepted, on an international level, principle of territoriality of trademark rights and the much discussed, again worldwide, principle of free movement of goods. The former principle expresses the strict territorial nature of the exclusive and absolute protection of the right to the trademark,[12] whereas the latter reflects the international nature of commercial transactions.

According to the principle of territoriality ("Territorialitätsprinzip", in German), which governs worldwide the legal protection not only of trademark rights but also of all intellectual property rights (industrial property rights and copyright), the protection of the right to a trademark is defined by the law of the country where the holder of the trademark seeks protection and expands solely within the borders

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Nikolaos Rokas (1999), Exploitation and Protection of Advertising Value, EEmpD 1 (in Greek); Nikolaos Rokas (2004), Industrial Property, pp. 96–97, Nr. 18–20 (Ant. N. Sakkoulas Publications, Athens-Komotini) (in Greek); Oliver Krauß (1999), Die internationale Erschöpfung des Markenrechts unter Berücksichtigung der Gesetzgebung und der Markenfunktionen, pp. 21–23 (Eul, Lohmar/Köln); Thanasis Liakopoulos (2000), Industrial Property, pp. 322–323 (5th edition, P. N. Sakkoulas Publications, Athens) (in Greek); Vasilis Antonopoulos (2005), Industrial Property, pp. 370–372, Nr. 445 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek).

[10] George Pickering (1998), Trade mark in Theory and Practice, p. 1 (Hart Publishing, Oxford). Up until around the seventeenth century, the settlement of disputes arising from the use of trademarks was not actually the concern of the general law but rather of the so-called guild jurisprudence. For the historic development of the legal protection of the trademark, see Benjamin G. Paster (1969), Trade Marks – Their Early History, 59 Trademark Rep 551; Frank I. Schechter (1925), The Historical Foundations of the Law Relating to Trade Marks (Columbia University Press, New York); Gerald Ruston (1955), On the Origin of Trade Marks, 45 Trademark Rep 127; Keith M. Stolte (1998), How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum, 8 Fordham Intellect Prop Media Entertain Law J 505.

[11] See Warwick Rothnie (1993), Parallel Imports, p. 19 n. 40 (Sweet & Maxwell, London).

[12] For the terms "exclusive protection" and "absolute protection" see Dionysia Kallinikou (2005), Copyright & Related Rights, pp. 21–22 (2nd edition, P. N. Sakkoulas Publications, Athens) (in Greek). For the theories suggested to support the protection of intellectual property with absolute and exclusive rights, see Efi Kinini (2004), The refusal to grant licences to use intangible assets in the free competition law, pp. 7–10 (Ant. N. Sakkoulas Publications, Athens-Komotini).

of the territory of the country where—on the basis of registration or use[13]—the aforementioned right was acquired.[14] The registration of the same sign as a trademark in more countries leads to the creation of a batch of national trademark rights, which, in principle, are legally independent of each other. The requirements for acquisition, the content, and the protection level of the right to a trademark are regulated by the law of the country where protection is sought.[15] So, e.g., the refusal of registration or the cessation of protection of a sign as a trademark in a certain country does not imply the refusal of registration or the cessation of protection of the same sign as a trademark in another country. Moreover, a domestic trademark cannot be infringed by actions taking place abroad, and, vice versa, a foreign trademark cannot be infringed by actions taking place domestically.[16] Finally, the exercise of a domestic trademark right does not entail, in principle, legal consequences for trademark rights acquired abroad.[17]

The historical roots of the principle of territoriality of industrial property rights lie in the privileges granted by princes for the protection of local economies, which, of course, was not possible to apply beyond the local borders.[18] Nevertheless, the territorial character of legal protection is not a special feature of industrial property rights. The principle of territoriality governs the largest part of the law, given that it stems directly from the spatial aspect of the concept of sovereignty, which is the

[13] With regard to the systems for the acquisition of trademark rights, see Vasilis Antonopoulos (2005), Industrial Property, pp. 183–184, Nr. 172–173 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek).

[14] Friedrich-Karl Beier (1970), Territoriality of Trademark Law and International Trade, 1 IIC 48, 59.

[15] Friedrich-Karl Beier (1970), Territoriality of Trademark Law and International Trade, 1 IIC 48, 59; Vasilis Antonopoulos (2005), Industrial Property, p. 68, Nr. 71 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek).

[16] See *supra* n. 15.

[17] See *supra* n. 15.

[18] See *supra* n. 15. For the principle of territoriality of industrial property rights, see Alois Troller (1952), Das internationale Privat– und Zivilprozessrecht im gewerblichen Rechtsschutz und Urheberrecht (Verl. für Recht und Gesellschaft, Basel); Curtis A. Bradley (1997), Territorial Intellectual Property Rights in a Age of Globalism, 37 Va J Int Law 505; Eugen Ulmer (1975), Die Immaterialgüterrechte im internationalen Privatrecht (Heymann, Köln); Michael-Theodoros Marinos (2008), The Principle of Territoriality in Intellectual Property Law, ChrID 481 (in Greek); Spyridon Vrellis (1972), Trademark in Private International Law (in Greek); Thanasis Liakopoulos (1978), The problem of international private law in the field of competition law and industrial property law, EEmpD 161 (in Greek); Thanasis Liakopoulos (2000), Industrial Property, pp. 164–188 (5th edition, P. N. Sakkoulas Publications, Athens) (in Greek); Vasilis Antonopoulos (2005), Industrial Property, pp. 67–79, Nr. 70–80 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek), and specifically with regard to trademark rights, Graeme Dinwoodie (2004), Trademarks and Territory: Detaching Trademark Law from the Nation-State, 41 Houst Law Rev 885. It is noted that the principle of territoriality of trademark rights has not always been accepted as a fundamental principle of trademark law. Up until the first decades of the previous century, the case law of European countries' courts and the US courts recognised the principle of universality ("Universalitätsprinzip" in German) of the rights conferred by the trademark. See *infra* Sect. 1.4.2.3.

base of international legal system.[19] It is not only the typical arguments, such as respect of territorial jurisdiction of administrative or judicial bodies of each state, the enforceability of judgments pronounced by national courts, or comity-grounded concerns of reciprocal overreaching, that advocate the adoption of that principle in the field of industrial property protection.[20] It is also special reasons that advocate it, such as the interest of each state to solely regulate industrial property, due to the social and economic importance it bears, namely its importance for the specific economic system and the policies of economic and social development that each state follows.[21]

With regard to the principle of free movement of goods, it must be noted, first of all, that there is no generally valid definition available.[22] However, the ideal model of application of the previously mentioned principle refers to a situation where goods can circulate and be traded across national markets without any restrictions, as it happens with the circulation and trading of goods between markets located in the same national territory.[23] This means that the application of the above-mentioned principle at full length requires the total obliteration of any kind of restrictions (customs, taxes, regulations, currency exchanges, etc.), which could make impossible or more expensive or, at least, could hinder, in any way, the imports and exports of goods between countries, regardless of the legal basis of the said restrictions[24] or of whether the said restrictions arise within the markets or at the national borders of importing and/or exporting countries.[25] On a practical level,

[19] According to a famous law quote: "When in Rome, do as Romans do".

[20] For the principle of territoriality as a general rule of law, see Symeon Symeonides (2004), Territoriality and Personality in Talia Einhorn & Kurt Siehr (ed.), Intercontinental Cooperation Through Private International Law: Essays in Memory of Peter Nygh, pp. 401–433 (T.M.C. Asser Press).

[21] Thanasis Liakopoulos (2000), Industrial Property, pp. 165 (5th edition, P. N. Sakkoulas Publications, Athens) (in Greek). As has been noted, the principle of territoriality does not facilitate the growth of international trade, as it obliges undertakings operating in more than one country to acquire more than one industrial property right. See Vasilis Antonopoulos (2005), Industrial Property, pp. 67–68, Nr. 70 (2nd edition, Sakkoulas Publications, Athens-Thessaloniki) (in Greek). However, the conclusion of International Treaties in the field of intellectual property rights has restricted the scope of the principle of territoriality of the said rights. See Graeme Dinwoodie (2009), Developing a Private International Intellectual Property Law: The Demise of Territoriality?, 51 Wm & Mary L Rev 711.

[22] So also Marc Stucki (1997), Trade marks and Free Trade, p. 13 (Stämpfli, Bern).

[23] See Marc Stucki (1997), Trade marks and Free Trade, p. 13 (Stämpfli, Bern).

[24] Limitations placed on the implementation of the principle of free movement may be imposed either by national legislators or by private parties applying laws or regulations. See Marc Stucki (1997), Trade marks and Free Trade, p. 13 n. 27 (Stämpfli, Bern).

[25] For an excellent review of the historic and theoretical aspects of the principle of free movement, see Edelgard Mahant & Xavier De Vanssay (1994), The Origins of Customs Unions and Free Trade Areas, 2–3 Revue d'integration européenne/Journal of European Integration 181.

however, the scope of the principle of free movement depends on the degree of integration pursued by the economic union of the states among which it is applied.[26]

Nevertheless, a significant push towards the liberalisation of the cross-border trade on an international level was given when the World Trade Organization (WTO) was founded. Founding the WTO was the utmost achievement of the Uruguay Round of Multilateral Trade Negotiations, held in the framework of the General Agreement on Tariffs and Trade (GATT). Within the framework of GATT/WTO law that resulted, the following are aspects of the principle of free movement of goods: the principle of the General Elimination of Quantitative Restrictions and Equivalent Measures (Article XI of the GATT 1994), the principle of the Most-Favoured-Nation Treatment ("MFN", Article I of the GATT 1994), and the principle of National Treatment on Internal Taxation and Regulation ("NT", Article III of the GATT 1994).

When juxtaposing the semantic content of the principle of territoriality of trademark rights and the principle of free movement of goods, an inherent conflict arises between those two principles.[27] By virtue of the principle of territoriality of trademark rights, the rights to import and sell in a certain national market goods bearing a trademark seems to be reserved only to the trademark proprietor in that market. However, such a reservation could frustrate the principle of free movement when goods are imported and marketed without the consent of the owners of their trademarks in the importing countries. This finding is confirmed by the question of the legality of parallel imports of trademarked goods, which has always been one of the most distinctive areas of discussion in legal science on an international level and which is the objective of this book.[28]

Indeed, let us assume that an undertaking in country A (hereinafter: "U") manufactures the product X and markets it under a trademark through an authorised distribution network in the same country. We also assume that the same product is manufactured and marketed under the same trademark in country B by a subsidiary of U (hereinafter: "S"). Finally, we assume that the same product is marketed under the same trademark in country C by an exclusive distributor of U. U is the holder of

[26] For a classification of the (regional) economic unions of states based on the degree of the economic integration they seek, see Brigitte Lévy (1994), The European Union and NAFTA: Two Regional Economic Blocs in a Complex Globalized and Interdependent International Economy, 2–3 Revue d'integration européenne/Journal of European Integration 212, 213–214.

[27] The inherent conflict between the principle of territoriality of trademark rights and the principle of the free movement of goods was already observed in the middle of the twentieth century, when the cross-border trade started to bloom. On the said conflict, characteristic are the studies by Alois Troller (1960), Die territoriale Unabhängigkeit der Markenrechte im Warenverkehr, 9 GRUR Int 244; Alois Troller (1967), Markenschutz und Landesgrenzen, 16 GRUR Int 261; Friedrich-Karl Beier (1970), Territoriality of Trademark Law and International Trade, 1 IIC 48; Martin Röttger (1964), Das Territorialitätsprinzip im Warenzeichenrecht, 13 GRUR Int 125; Rolf Birk (1964), Die Grenzen des Territorialitätsprinzips im Warenzeichenrecht, 17 NJW 1596.

[28] The question about the positive or negative impact of the parallel importation phenomenon on the global social-economic welfare is also one of the most distinctive areas of concern for the economic science. See *infra* Sect. 1.3.1.

the trademark borne by the product X in countries A and C, while S acquired the trademark borne by the product X in country B either on the basis of an assignment by U or, in any event, with the latter's consent. A quantity of the product X marketed in county B is imported and is made available for sale in the market of country A by a trader that does not form part of the distribution network authorised by U. Also, a quantity of the product X marketed in country C is imported and is made available for sale in the market of country B by a trader that does not form part of the distribution network authorised by U either. The main question that arises in the above cases is whether U and S can oppose the aforementioned imports.

The fact that the rights to the trademark borne by the imported goods in the exporting and importing countries are legally independent of each other advocates a positive answer to the question. In other words, a positive answer to the question is supported by the fact that the possibility of invoking the trademark right by which the imported goods are protected to prohibit their marketing in the importing country is not dependent, at least in principle, on the possibility of prohibiting the marketing of the goods under trademark law in the exporting country. On the contrary, a negative answer is suggested, firstly, by the fact that the imported goods are genuine, i.e. the fact that the goods in question and the goods bearing the same mark that are distributed directly in the importing country were manufactured under the control of a single body, namely the group to which U and S belong and, secondly, by the fact that the imported goods were marketed in the exporting country by an undertaking using the trademark borne by the goods with the consent of the trademark proprietor in the importing country (S) (regarding the goods imported from country B to country A) or by the fact that the undertaking that marketed the goods in the exporting country (exclusive distributor of U) and the trademark proprietor in the importing country (S) use the trademark borne by the goods with the consent of a third undertaking (U) (regarding the goods imported from country C to country B). In other words, a positive answer to the above question is suggested by the finding that the marketing of the imported products cannot cause an adverse effect on the trademark's origin function, given that the goods are genuine and the use of the trademark in both the exporting and importing countries is subject to a single control.

In the light of the above example, the issue of the legality of parallel imports poses a question about whether a trademark holder can impede or, in any case, control the importation and marketing by an independent trader, namely a trader that does not belong to the exclusive or selective distribution network organised by the trademark holder, of goods bearing the trademark, even if the goods are genuine and have been sold to the said independent trader either by the trademark holder or by an authorised (by the trademark holder) trader. As will be analysed in the relevant section below,[29] the issue of the legality of parallel imports of trademarked goods is exactly caused by the territorial nature of the exclusive protection of the

[29] See *infra* Sect. 1.4.1.

right to the trademark, which allows the same person or persons economically or legally connected to hold a trademark concerning the same sign in many countries at the same time. As has been rightly pointed out, the previously mentioned issue poses, in essence, a question about whether and to what extent the trademark can be admitted as a barrier to international trade.[30]

The classic rule developed internationally to solve the issue of the legality of parallel imports of trademarked goods is the principle of exhaustion of rights. According to that rule, which can be found in three types (rule of national, regional, and international exhaustion of rights), the owner of a trademark cannot rely on the rights conferred by the trademark in order to prohibit the parallel importation of goods bearing the trademark once the goods have been put on the market by himself or with his consent within the importing country (rule of national exhaustion of rights) or within a union of nations to which the importing country belongs (rule of regional exhaustion of rights) or, finally, within any country (rule of international exhaustion of rights).

The object of this book is to investigate the problem of the legality of parallel imports of trademarked goods under three areas, GATT/WTO Law, European Union Law and, finally, the law of the ten major trading partners of the European Union. The issues to be examined are summarised as follows.

Part I (Chap. 1) consists of a general approach to the phenomenon of parallel importation and of a presentation of the theories that have been suggested to solve the problem of the legality of parallel imports of trademarked goods. In particular, a general outline of the phenomenon of parallel importation is given, the favourable conditions for the existence of parallel imports are investigated, and, moreover, the arguments suggested both in favour and against parallel imports in economic and legal sciences are analysed. In addition, the cases of parallel imports of trademarked goods are categorised and the theories proposed to solve the problem of the legality of such imports are analysed. Finally, a critical consideration of those theories is attempted, and then the rule of exhaustion of rights is proposed as the most effective instrument to deal with the problem in question.

Part II considers the issue of exhaustion of trademark rights in the light of the provisions of GATT/WTO Law related to the problem of the legality of parallel imports. In particular, the provisions of the TRIPs Agreement and of the GATT 1994 relevant to the problem of the legality of parallel imports are reviewed in order to see whether those Agreements oblige the Contracting Parties to adopt any rule of exhaustion of trademark rights (national, regional, or international exhaustion) or, in the event there is no such obligation, whether a specific rule of exhaustion of trademark rights appears to be more compatible with the legal systems established by those Agreements.

Part III consists of five chapters (Chaps. 6–11 of the book).

Chapter 6 is an introduction to Part III.

[30] So also Marc Stucki (1997), Trade marks and Free Trade, p. 8 (Stämpfli, Bern).

Chapter 7 reviews the legal treatment of parallel imports of trademarked goods in the European Economic Community (now European Union), till the adoption of Directive 89/104/EEC. In particular, the principles developed by the ECJ for the investigation of the legality of the exercise of trademark rights under Articles 30 and 36 of the EEC Treaty (now Articles 34 and 36 of the TFEU) are analysed.

Chapter 8 describes the current EU legal framework for the legality of parallel imports of trademarked goods, that is to say the EU rules governing the legality of such imports into Member States of the European Union are identified [Articles 7 of Directive 2008/95/EC and 13 of Regulation (EC) 207/2009]. Moreover, it provides the context on which the interpretation of the previously mentioned Articles and the national implementing provisions (in relation to Article 7 of Directive 2008/95/EC) must be based.

Chapter 9 analyses, in the light of the ECJ's case law, the conditions laid down for the application of the exhaustion of rights rules mentioned within the EU legal framework applicable to trademarks, namely the provisions of Articles 7 (1) of Directive 2008/95/EC and 13 (1) of Regulation (EC) 207/2009. In particular, it examines the concept of "trademarked good", the concept of "putting on the market" of a trademarked good, the geographical scope of those provisions, and, finally, the cases where the putting on the market of a trademarked good is done, in accordance with those provisions, by the owner of the trademark or with his consent. Moreover, special issues regarding the application of the provisions of Articles 7 (1) of Directive 2008/95/EC and 13 (1) of Regulation 207/2009 are considered, in particular the legal consequences of the rules contained in the above-mentioned provisions, the possibilities of recognising a regime of international exhaustion of trademark rights under the above-mentioned provisions, the possibility of a conflict between the above-mentioned provisions and Articles 101 and 102 of the TFEU, and, finally, the allocation of the burden of proof in cases concerning the legality of parallel imports of trademarked goods.

Chapter 10 analyses, in the light of the ECJ's case law, the cases in which the application of the provisions of Articles 7 (1) of Directive 2008/95/EC and 13 (1) of Regulation (EC) 207/2009 is precluded, that is to say the semantic content of the term "legitimate reasons" used in Articles 7 (2) of Directive 2008/95/EC and 13 (2) of Regulation (EC) 207/2009.

Chapter 11 is a conclusion chapter for Part III.

Finally, in Part IV, a presentation of the regimes of exhaustion of trademark rights that are recognised in the current ten most significant states-trading partners of the European Union is attempted.

The book concludes with Part V (Chap. 15).

Thessaloniki, Greece Lazaros G. Grigoriadis

Abbreviations

AIPLA Q J	AIPLA Quarterly Journal
AIPPI	Association Internationale pour la Protection de la Propriété Intellectuelle
Akron Law Rev	Akron Law Review
All ER	All England Law Reports
Am Bus Law J	American Business Law Journal
Am Econ Rev	American Economic Review
Am J Int Law	American Journal of International Law
Am Univ Law Rev	American University Law Review
Antitrust Law Econ Rev	Antitrust Law & Economics Review
Antitrust Law J	Antitrust Law Journal
BB	Betriebs-Berater
Bd.	Band (Volume)
Berkeley Technol Law J	Berkeley Technology Law Journal
BGH	Bundesgerichtshof (German Supreme Court)
BGHZ	Amtliche Sammlung der Entscheidungen des BGH in Zivilsachen
Brook J Int Law	Brooklyn Journal of International Law
C.C.S.D.N.Y.	Circuit Court, Southern District of New York
C.F.R.	Code of Federal Regulations
Calif Law Rev	California Law Review
Can Bus Law J	Canadian Business Law Journal
Canterbury Law Rev	Canterbury Law Review
Cardoso Arts Entertain Law J	Cardozo Arts & Entertainment Law Journal
Cardozo Law Rev	Cardozo Law Review
Catholic Univ Law Rev	Catholic University Law Review
Chic Kent Law Rev	Chicago-Kent Law Review
ChrID	Chronika Idiotikou Dikaiou (in Greek)
Cir.	Circuit
Cl.	Clause

Common Mark Law Rev	Common Market Law Review
Columbia Bus Law Rev	Columbia Business Law Review
Columbia J Eur Law	Columbia Journal of European Law
Columbia J Transnatl Law	Columbia Journal of Transnational Law
Columbia Law Rev	Columbia Law Review
Conn J Int Law	Connecticut Journal of International Law
Cornell Law Rev	Cornell Law Review
D.C.	District Court/District of Columbia
D.L.R.	Dominion Law Reports
DB	Der Betrieb
DEE	Dikaio Epixeiriseon & Etairion (in Greek)
Dickinson J Int Law	Dickinson Journal of International Law
DPA	Deutsches Patentamt
Duke J Comp Int Law	Duke Journal of Comparative & International Law
DZWiR	Deutsche Zeitschrift für Wirtschafts- und Insolvenzrecht
EBLR	European Business Law Review
EC	European Community (now European Union)
ECJ/Court	European Court of Justice
Ed.	Editor(s)
ed.	Editor/s
EEA	European Economic Area
EEC	European Economic Community (now European Union)
EEED	Elliniki Epitheorisi Europaikou Dikaiou (in Greek)
EEmpD	Epitheorisi Emporikou Dikaiou (in Greek)
EFTA	European Free Trade Association
EllDni	Elliniki Dikaiosini (in Greek)
Emory Law J	Emory Law Journal
EuR	Europarecht
Eur Competition Law Rev	European Competition Law Review
Eur Econ Rev	European Economic Review
Eur Intellect Prop Rev	European Intellectual Property Review
Eur Law Rev	European Law Review
EuZW	Europäische Zeitschrift für Wirtschaftsrecht
EWCA Civ	England and Wales Court of Appeal (Civil Division)
EWHC (ch)	High Court of England and Wales (Chancery Division)
EWS	Europäisches Wirtschafts- und Steuerrecht
F. 2d	Federal Reporter, Second Series
F. 3d	Federal Reporter, Third Series
F. Supp.	Federal Supplement

F.	Federal Reporter
Fla Int Law J	Florida International Law Journal
Fla.	Florida
Fletcher Forum World Aff J	The Fletcher Forum of World Affairs Journal
Fordham Corp Law Inst	Fordham Corporate Law Institute
Fordham Int Law J	Fordham International Law Journal
Fordham Intellect Prop Media Entertain Law J	Fordham Intellectual Property, Media and Entertainment Law Journal
Fordham Law Rev	Fordham Law Review
FS	Festschrift
FSR	Fleet Street Reports
GATT 1994	General Trade Agreement on Trade and Tariffs 1994
Geo Wash Int Law Rev	George Washington International Law Review
Geo Wash J Int Law Econ	George Washington Journal of International Law and Economics
GNP	Gross National Product
Gonzaga Law Rev	Gonzaga Law Review
GRUR Int	Gewerblicher Rechtsschutz und Urheberrecht, Internationaler Teil
GRUR	Gewerblicher Rechtsschutz und Urheberrecht
Harv Int Law J	Harvard International Law Journal
Harv Law Rev	Harvard Law Review
Hastings Commun Entertain Law J	Hastings Communications and Entertainment Law Journal
Hofstra Law Rev	Hofstra Law Review
Houst J Int L	Houston Journal of International Law
Houst Law Rev	Houston Law Review
Hrsg.	Herausgeber (editor)
IDEA	The Journal of Law and Technology
IIC or Int Rev Intellect Prop Competition Law	International Review of Intellectual Property and Competition Law
Indiana Law J	Indiana Law Journal
Int Comp Law Q	International and Comparative Law Quarterly
Int Company Commer Law Rev	International Company and Commercial Law Review
Int'l Law	The International Lawyer (περιοδικό)
Int Rev Law Econ	International Review of Law and Economics
Intellect Prop J	Intellectual Property Journal
Intellect Prop Q	Intellectual Property Quarterly
IPRax	Praxis des Internationalen Privat- und Verfahrensrechts
J. Contemp. Legal Issues	Journal of Contemporary Legal Issues

J Int Econ Law	Journal of International Economic Law
J Law Econ	Journal of Law & Economics
J Pat Trademark Off Soc	Journal of the Patent and Trademark Office Society
Jr/Jnr.	Junior
JWT	Journal of World Trade
JZ	Juristenzeitung
Ky Law J	Kentucky Law Journal
Law Policy Int Bus	Law and Policy in International Business
Loy Los Angel Int Comp Law Rev	Loyola of Los Angeles International and Comparative Law Review
Loy Los Angel Law Rev	Loyola of Los Angeles Law Review
MA	der Markenartikel
Managing Intellect Prop	Managing Intellectual Property
Marquette Intellect Prop Law Rev	Marquette Intellectual Property Law Review
Maine Law Rev	Maine Law Review
Minn. L. Rev.	Minnesota Law Review
Miss Law Rev	Missouri Law Review
Mitt	Mitteilungen der Deutschen Patentanwälte
MLJ	Malayan Law Journal
Mod Law Rev	The Modern Law Review
n.	Footnote
N C J Int Law Commer Regul	North Carolina Journal of International Law and Commercial Regulation
N Y Law Sch J Int Comp L	New York Law School Journal of International and Comparative Law
N Y Univ J Int Law Policy	New York University Journal of International Law and Policy
NIR	Nordiskt immateriellt rättsskydd
NJW	Neue Juristische Wochenschrift
NJW-RR	Neue Juristische Wochenschrift – Rechtsprechungsreport Zivilrecht
Northwest J Int Law Bus	Northwestern Journal of International Law & Business
Notre Dame Law Rev	Notre Dame Law Review
Notre Dame L.	Notre Dam Lawyer
Nr./No.	Number
ÖBL	Österreichische Blätter
OGH	Der Oberste Gerichtshof (Austrian Supreme Court)
ÖJZ	Österreichische Juristen-Zeitung
OLG	Oberlandesgerichtshof
OLGR	Oberlandesgericht – Report
Pac Econ Rev	Pacific Economic Review
Pac Law J	Pacific Law Journal

Pac Rim Law Policy J	Pacific Rim Law & Policy Journal
Pace Law Rev	Pace Law Review
RabelsZ	Rabels Zeitschrift für ausländisches und internationales Privatrecht
RCP	Report of Patent, Design and Trade Mark Cases
RG	Reichsgericht (the old name of the German Supreme Court)
RGSt	Amtliche Sammlung der Entscheidungen des Reichsgerichts in Strafsachen
RGZ	Amtliche Sammlung der Entscheidungen des Reichsgerichts in Zivilsachen
RIW/AWD	Recht der Internationalen Wirtschaft/ Außenwirtschaftsdienst des Betriebsberaters
RIW	Recht der Internationalen Wirtschaft
RTD Com.	Revue trimestrielle de droit commercial et de droit économique
RTDE	Revue trimestrielle de droit européen
Rutgers L. Rev.	Rutgers Law Review
S. Rep. No.	Senate Report No.
S.D.	Southern District
S.L.T.	Scots Law Times
Santa Clara Comput High Technol Law J	Santa Clara Computer and High Technology Law Journal
Sec.	Section
Seton Hall Legis J	Seton Hall Legislative Journal
South Calif Law Rev	Southern California Law Review
South Ill Univ Law J	Southern Illinois University Law Journal
Southwest Univ Law Rev	Southwestern University Law Review
Syracuse J Int Law Commer	Syracuse Journal of International Law and Commerce
SZIER	Schweizerische Zeitschrift für internationales und europäisches Recht
SZW	Schweizerische Zeitschrift für Wirtschaftsrecht
TEU	Treaty on the European Union
Tex Int Law J	Texas International Law Journal
TFEU	Treaty on the Functioning of the European Union
Trademark Rep	The Trademark Reporter
Transnat'l Law	The Transnational Lawyer
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods
Univ Chic Law Rev	University of Chicago Law Review

Univ Pa J Int Bus Law	University of Pennsylvania Journal of International Business Law
Univ Pa J Int Econ Law	University of Pennsylvania Journal of International Economic Law
Univ Pa Law Rev	University of Pennsylvania Law Review
Univ Toledo Law Rev	University of Toledo Law Review
u.a.	Unter anderem (inter alia)
U.S.	United States Reports
U.S.C.	United States Code
U.S.C.C.A.N.	United States Code Congressional and Administrative News (U.S.C.C.A.N.)
U.S.P.Q. 2d	The United States Quarterly, Second Series
U.S.P.Q	United States Patents Quarterly
UCLA Law Rev	UCLA Law Review
UCLA Pac Basin Law J	UCLA Pacific Basin Law Journal
Union	European Union
v.	Versus
Va J Int L	Virginia Journal of International Law
Va L Rev	Virginia Law Review
Verl.	Verlag (editions)
Vol.	Volume
Wake Forest Law Rev	Wake Forest Law Review
Wash Law Rev	Washington Law Review
Washburn Law J	Washburn Law Journal
WBl	Wirtschaftsrechtliche Blätter
William Mitchell Law Rev	William Mitchell Law Review
WIPO	World Intellectual Property Organization
Wm & Mary L Rev	William and Mary Law Review
WRP	Wettbewerb in Recht und Praxis
WTO	World Trade Organization
WuW	Wirtschaft und Wettbewerb
WZG	Warenzeichhengesetz (German Trade mark Act of 1936.
Yale Law J	Yale Law Journal
ZGR	Zeitschrift für Unternehmens- und Gesellschaftrecht
ZHR	Zeitschrift für das gesamte Handelsrecht und Wirtschaftsrecht

Contents