INTELLECTUAL PROPERTY - AUSTRIA

Selective distribution systems and exhaustion of trademark rights

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The Supreme Court recently affirmed once more that the exemptions to the principle of exhaustion of trademark rights must be construed narrowly.

Facts

The plaintiff traded in perfume products under a sublicence agreement using the EU word and figurative mark DAVIDOFF. Davidoff perfumes were distributed through authorised retailers in a selective distribution system.

The defendant was a mail-order company which also operated a web shop; some products were sold by the defendant directly, while others were sold by contractually bound distribution partners. The defendant did not belong to the selective distribution system of the plaintiff's group. One of the defendant's distribution partners offered original Davidoff products on the defendant's web shop by using not only the wordmark, but also the figurative mark DAVIDOFF. The distribution partner purchased the Davidoff products from an authorised dealer in Germany but was not an authorised dealer itself.

The plaintiff sought a cease and desist order under the Trademark Act and the Act on Unfair Competition, arguing that:

- the eye-catching use of the figurative mark DAVIDOFF conveyed the wrong impression that the defendant was an authorised dealer; and
- the use of the figurative mark DAVIDOFF impaired, among other things, the function of origin and the guarantee function of the trademark.

Therefore, according to the plaintiff, the reputation of the figurative mark DAVIDOFF was being unfairly exploited. The plaintiff further took the view that the trademark rights were not exhausted because it had a justified reason to resist the defendant's sale of the original products. In the first-instance proceedings, the plaintiff alleged, among other things, that there was a trade custom according to which outside dealers refrained from using figurative marks in an eye-catching manner within a running text – for example, quoting Amazon as the largest online dealer.

The first and second-instance courts rejected the claim.

Decision

The Supreme Court rejected the extraordinary appeal lodged by the plaintiff, highlighting that the plaintiff had not taken issue with the defendant's sale of Davidoff perfumes *per se*, but rather to the use of the figurative mark DAVIDOFF. Relying on the facts determined by the lower courts – namely, that the products were presented by the defendant in an appealing manner on in its professional web shop and the web shop did not suggest to viewers that the defendant was an authorised dealer of

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Davidoff perfumes – the Supreme Court found that:

- the defendant had not unfairly exploited the reputation of the figurative trademark; and
- the trademark rights were exhausted.

The Supreme Court confirmed the Vienna Appeals Court's view that the eye-catching use of a figurative mark in running text does not necessarily refer to the existence of an authorised dealer relationship. Moreover, it stressed that the principle of exhaustion of trademark rights applies as long as there is no legitimate reason for the proprietor to oppose further commercialisation of the goods – for example, where the condition of the goods is changed or impaired after they have been put on the market. The Supreme Court further highlighted that the principle of the exhaustion of trademark rights does not limit the use of a trademark for original products to the extent necessary.

Comment

The Supreme Court's decision confirms the wide-ranging effect of the exhaustion of trademark rights once more. It makes clear that once trademark rights are exhausted, resellers may use not only word marks, but also figurative marks without any limitations when advertising or reselling original products. The Supreme Court did not follow the plaintiff's argument that a figurative trademark must be used by a reseller of original products only to the extent necessary.

Although the Supreme Court did not deal with the plaintiff's argument that use of the figurative trademark in the running text by the defendant was contrary to a custom in trade, it appears that that Supreme Court does not adopt this view. This is welcome news. First, the principle of exhaustion of trademark rights is set out in the Trademark Directive and the Union Trademark Regulation. Neither the directive nor the regulation differs as to the exhaustion of trademark rights between words, figurative marks or other marks, so that all different types of mark are subject to the same principles. Second, trade customs may vary between member states. For that reason, it is impossible to consider trade customs when applying the principle of exhaustion of trademark rights, which must be the same in all member states. Finally, trade customs must not amend clear statutory provisions.

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