



REPORT FOR THE HEARING
in Joined Cases E-9/07 and E-10/07*

REQUESTS to the Court under Article 34 of the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice by Follo tingrett (Follo District Court) and Oslo tingrett (Oslo District Court), Norway, in cases pending before them between

L'Oréal Norge AS (Case E-9/07 and Case E-10/07);

L'Oréal SA (Case E-10/07)

and

Per Aarskog AS (Case E-9/07);

Nille AS (Case E-9/07);

Smart Club AS (Case E-10/07)

concerning the interpretation of the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC).¹

I Introduction

1. By a letter dated 24 October 2007, registered at the Court on 31 October 2007 as Case E-9/07, Follo tingrett made a request for an Advisory Opinion in a case pending before it between L'Oréal Norge AS and Per Aarskog AS and Nille AS.

2. By a letter dated 26 November 2007, registered at the Court on 29 November 2007 as Case E-10/07, Oslo tingrett made a request for an Advisory Opinion in a case pending before it between L'Oréal SA and L'Oréal Norge AS and Smart Club AS.

3. By a decision of 10 December 2007, the Court, pursuant to Article 39 of the Rules of Procedure and after having received observations from the parties, joined the two cases for the purposes of the written and oral procedures.

* Revised in paragraph 29.

¹ OJ 1989 L 40, p. 1, referred to at point 4 of Annex XVII to the EEA Agreement.

II Facts and procedure

4. The case concerns the question of whether it is in conformity with EEA law for an EFTA State in the EEA to maintain a principle of international exhaustion of trade mark rights.

5. The Plaintiffs, L'Oréal SA and L'Oréal Norge AS, are the parent company and a wholly-owned subsidiary in the L'Oréal Group.

6. The Defendants in Case E-9/07, Per Aarskog AS and Nille AS, are sister companies within the same group, where Nille Holding AS is the parent company. Per Aarskog AS is a wholesale company and provides for import and supply of goods to Nille retail stores in Norway.

7. The Defendant in Case E-10/07, Smart Club AS, is a wholesale and retail company in the CG Holding Group. There are 6 Smart Club department stores in Norway. Hereinafter, the Defendants in Case E-9/07 and the Defendant in Case E-10/07, will be referred to jointly, as the "Defendants".

8. The REDKEN trade mark belongs to the companies in the L'Oréal Group. REDKEN is registered as a word trade mark for the whole of class 3 and products marked REDKEN have been sold in Norway since 1980.

9. The Defendants have all carried out parallel imports by importing REDKEN products to Norway from the USA/North America via third parties. The imports have been carried out without the consent from the trade mark proprietor. The REDKEN products in question have been produced, put on the market and marketed in the USA upon consent from the trade mark proprietor.

10. With the plea that the imports infringe their exclusive trade mark rights, the Plaintiffs filed law suits before Follo tingrett (Case E-9/07) and Oslo tingrett (Case E-10/07) in January 2007. In both cases, the Plaintiffs are seeking an order that the Defendants be prohibited from importing, offering and putting on the market products marked REDKEN which have not been put on the market within the EEA by L'Oréal or with the consent of L'Oréal. The Plaintiffs also claim compensation for the alleged breach of their trade mark rights.

11. The Plaintiffs claim that EEA regional exhaustion must apply in Norwegian trade mark law and thus that the trade mark rights are not exhausted.

12. The Defendants claim that the import and resale of REDKEN products is neither contrary to Section 4 of the Norwegian Trade Mark Act nor contrary to Article 7(1) of Council Directive 89/104/EEC (hereinafter "the Trade Mark Directive" or "the Directive"). The Defendants state that within the context of EEA law, Article 7(1) does not prohibit international exhaustion.

Consequently, the trade mark rights are exhausted according to the principle of international exhaustion as laid down in Norwegian trade mark law both before and after the implementation of the Trade Mark Directive.

13. Follo tingrett and Oslo tingrett have submitted their requests in the light of the Advisory Opinion of the EFTA Court in *Maglite* and the Judgment of the Court of Justice of the European Communities (hereinafter the “ECJ”) in *Silhouette*.²

III Questions

14. The following questions have been referred to the Court:

1. Is Article 7(1) of Council Directive 89/104/EEC to be understood to the effect that a trade mark proprietor has the right to prevent imports from third countries outside the EEA when such imports take place without the consent of the trade mark proprietor?

2. Is Article 7(1) of Council Directive 89/104/EEC to be understood to the effect that international exhaustion is permitted?

IV Legal background

National law

15. The basic statutory provisions concerning trade marks under Norwegian law are set forth in *lov av 3. mars 1961 nr. 4 om varemerker* (the Trade Mark Act of 3 March 1961 No 4), as amended *inter alia* by Act No 113 of 27 November 1992. The Trade Mark Act contains no rules dealing directly with exhaustion of trade mark rights, but traditionally it has been construed to imply international exhaustion.

16. When the Trade Mark Directive was implemented into Norwegian internal legal order in connection with the adherence to the EEA Agreement, the lack of statutory provisions concerning exhaustion of rights was commented on in the preparatory parliamentary bill, Ot.prp. No 72 (1991–92) p. 55, in the following manner:

The Trade Mark Act contains no explicit rules on exhaustion. However, it is established Norwegian law that international exhaustion applies for trade marks.

...

² Respectively Case E-2/97 *Mag Instrument Inc. v California Trading Company Norway* [1997] EFTA Ct. Rep. 129 and Case C-355/96 *Silhouette International Schmied v Hartlauer Handelsgesellschaft* [1998] ECR I-4799, hereinafter “*Maglite*” and “*Silhouette*”.

Since international exhaustion is the approach which creates the greatest price competition on the Norwegian market and is, therefore, best for Norwegian consumers, the Ministry is of the view that there should be no aim to switch over to EEA regional exhaustion until the issue is elucidated in more detail in further consultation or by the EFTA Court or the ECJ.

EEA law

17. Article 65(2) of the Agreement on the European Economic Area (hereinafter “the EEA Agreement” or “EEA”) reads as follows:

Protocol 28 and Annex XVII contain specific provisions and arrangements concerning intellectual, industrial and commercial property, which, unless otherwise specified, shall apply to all products and services.

18. The obligations on the Contracting Parties with regard to principles of exhaustion of intellectual property rights, and in particular trade mark rights, are set forth in Article 2(1) of Protocol 28 to the EEA Agreement (hereinafter “Protocol 28”), which reads as follows:

1. 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 meaning established in the relevant rulings of the Court of Justice of the European Communities given prior to the signature of the Agreement.

19. The Trade Mark Directive is referred to at point 4 of Annex XVII to the EEA Agreement. Pursuant to Article 65(2) EEA and adaptation c in point 4 of Annex XVII, Article 7(1) of the Directive shall, in an EEA context, be replaced by the following:

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

20. Article 2(1), first sentence of Protocol 4 EEA on Rules of Origin reads as follows:

1. For the purpose of implementing the Agreement, the following products shall be considered as originating in the EEA:

(a) products wholly obtained in the EEA within the meaning of Article 4;

(b) products obtained in the EEA incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing in the EEA within the meaning of Article 5.

V Written Observations

21. Pursuant to Article 20 of the Statute of the Court and Article 97 of the Rules of Procedure, written observations have been received from:

- the Plaintiffs, represented by Toril Melander Stene, attorney-at-law, Oslo;
- the Defendants, represented by Kjetil Vågen, attorney at law, Oslo, and Håvard Wiker, attorney at law, Oslo;
- the Government of the Kingdom of Norway, represented by Siri Veseth, Adviser, Ministry of Foreign Affairs, and Fanny Platou Amble, Advocate, Office of the Attorney General (Civil Affairs) , acting as Agents;
- the Government of Iceland, represented by Sesselja Sigurðardóttir, First Secretary and Legal Officer, Ministry for Foreign Affairs, acting as Agent;
- the Government of the Principality of Liechtenstein, represented by Sabine Tömördy, Deputy Director, and Thomas Bischof, Legal Officer, EEA Coordination Unit, acting as Agent;
- the EFTA Surveillance Authority, represented by Per Andreas Bjørgan, Deputy Director, and Ida Hauger, National Expert, acting as Agents; and
- the Commission of the European Communities, represented by Hannes Krämer, member of its Legal Service, acting as Agent.

The Plaintiffs

22. The Plaintiffs maintain that the interpretation of Article 7(1) of the Trade Mark Directive as clarified by the ECJ in *Silhouette* also applies under EEA law.

23. According to the Plaintiffs, it follows from the wording of Article 7(1) and the legislative history of the Directive that the EU deliberately chose Community-wide, not international exhaustion.³

24. Furthermore, it is argued that the ECJ in *Silhouette* established that Articles 5 to 7 of the Directive must, in light of the first and ninth recitals in the Preamble to the Directive, be construed as embodying a complete harmonisation of the rules relating to the rights conferred by a trade mark. Accordingly, the Directive cannot be interpreted as leaving it up to the Member

³ The Plaintiffs refer to the Report for the Hearing in *Maglite*, at paragraphs 45–46.

States to provide for exhaustion of rights conferred by a trade mark in respect of products put on the market in non-member countries.⁴

25. The Plaintiffs emphasise the importance of homogeneity. Reference is made to Article 1(1) EEA and to the fourth and fifteenth recitals of the Preamble to the EEA Agreement. The realisation of the homogeneity objective rests, in particular, on the incorporation into national law of material provisions corresponding to EC provisions, and on certain mechanisms established to ensure the homogenous interpretation of the incorporated provisions, see, *inter alia*, Article 6 EEA and Article 3 of the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice (hereinafter “SCA”). Reference is also made to Article 65(2) EEA, Article 2 of Protocol 28 and Annex XVII to the EEA Agreement.

26. According to the Plaintiffs, Community-wide exhaustion is extended to EEA-wide exhaustion through the EEA Agreement, cf. Article 2(1), first sentence, of Protocol 28. In this context it is noted that in *Maglite*, the EFTA Court held Protocol 28 not to be relevant on the grounds that no rulings of the ECJ existed on the matter prior to the date of signature of the EEA Agreement, or even at the time of the advisory opinion in *Maglite*. However, in the Plaintiffs’ view, the reasoning in *Maglite* is not in line with other cases of the Court.⁵ Moreover, it follows from Article 2(1) of Protocol 28 that due consideration must be paid to relevant rulings of the ECJ subsequent to the signing of the EEA Agreement. Besides, according to the legislative history and legal doctrine, the distinction made between rulings of the ECJ prior to signature of the EEA Agreement and decisions taken after that date is more of a formal nature and of little importance in practice.⁶

27. Besides, it is noted that the case law of the EFTA Court shows that the Court attaches much weight to ensuring a homogenous interpretation of the rules stipulated in the EEA Agreement which correspond to the EC rules on internal market matters.⁷ On the basis that the Joined Cases E-9/07 and E-10/07 concern the functioning of the internal market, it is argued that the objective of homogeneity applies in full to the interpretation of the Directive.

28. In the Plaintiffs’ opinion, in light of *Silhouette* and the homogeneity objective, Article 7(1) of the Directive must be construed, in the EEA context,

⁴ The Plaintiffs refer to *Silhouette*, at paragraphs 25–26.

⁵ The Plaintiffs refer to Ole-Andreas Rognstad: *The Conflict between Internal Market and Third Country Policy Considerations*, in Peter-Christian Müller-Graff/Erling Selvis (eds.): *EEA-EU Relations*, Berlin 1999, p. 138.

⁶ The Plaintiffs refer to Ole-Andreas Rognstad: *EF-domstolen og EFTA-domstolens praksis som rettskilder ved tolkningen av EØS-avtalen*, TfR 2001 p. 435, on p. 446.

⁷ The Plaintiffs refer also to Case E-9/97 *Erla María Sveinbjörnsdóttir v The Government of Iceland* [1998] EFTA Ct. Rep. 95, at paragraph 60 and Case E-1/98 *The Norwegian Government v Astra Norge AS* [1998] EFTA Ct. Rep. 140, at paragraph 16.

as embodying a complete harmonisation of the trade mark rules, and therefore must be interpreted as imposing regional exhaustion in such a way that the Contracting Parties may not provide for a principle of international exhaustion of trade mark rights.⁸ In *Silhouette*, the ECJ emphasised that this is the only interpretation which is fully capable of ensuring that the purpose of the Directive is realised, namely to safeguard the functioning of the internal market.⁹ Thus, the findings in *Maglite*, at paragraphs 22–23, cannot be upheld after *Silhouette*.¹⁰

29. It is underlined that the fact that the interpretation of Article 7(1) of the Directive was debated earlier cannot lead to the conclusion that the EFTA States may now derogate from the established application of the regional exhaustion rule.¹¹ Moreover, the Community has adopted several directives on intellectual property rights – all requiring regional exhaustion, although with some differences in the wording.¹² Thus, consistency with other harmonised rules on intellectual property rights is an argument in favour of applying regional exhaustion also to the trade mark rules. In the Plaintiffs' opinion, the case law of the ECJ, *inter alia*, supports this view.¹³ It is noted in this context that the large majority of branded products are covered by a plurality of intellectual property rights. In any case, a difference in wording amongst related Directives cannot in and of itself justify a difference in interpretation.

30. Moreover, not following *Silhouette* would lead to inconsistent consequences with regard to harmonised rules on product requirements. Third country goods that are not in compliance with EEA technical standards cannot be put on the market, whether in the EC or in the EFTA States. Thus, those harmonised technical standards may also be used to effectively block the

⁸ The Plaintiffs refer to case law of the ECJ concerning Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society, which, in their opinion, give support to the statement above, cf. Case C-479/04 *Laserdisken* [2006] ECR I-8089.

⁹ The Plaintiffs refer to *Silhouette*, at paragraph 27.

¹⁰ The Plaintiffs refer to Article 4(2) of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society and recital 28 of the Preamble to this Directive.

¹¹ The Plaintiffs refer to *Maglite*, at paragraph 21.

¹² The Plaintiffs refer to, *inter alia*, Directive 87/54/EEC on the legal protection of topographies of semiconductor products; Directive 91/250/EEC on the legal protection of computer programs; Regulation (EC) No 2100/94 on Community plant variety rights; Directive 96/9/EC on legal protection of databases; Directive 98/71/EC on the legal protection of designs; Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society; Directive 2006/115/EC on rental right and lending right and on certain rights related to copyright in the field of intellectual property.

¹³ The Plaintiffs refer to Case C-479/04 *Laserdisken* [2006] ECR I-8089, at paragraphs 10 and 25–26; Case T-198/98 *Micro Leader v Commission* [1999] ECR II-3839, at paragraphs 29–30 and 34; Fact Sheet of the European Free Trade Association on Free Movement of Goods March 2007, p. 4; and the EFTA Surveillance Authority Notice, Guidelines to the Application of Article 53 of the EEA Agreement to Technology Transfer Agreements, at paragraph 5.

parallel import of goods originating from third countries, for instance goods that are not marked with the CE Mark when so required by the relevant legal act.

31. The Plaintiffs contest that the lack of a customs union and a common commercial policy in the EEA is relevant for the interpretation of the Directive in relation to the question of exhaustion of rights within the context of the EEA Agreement. According to the Plaintiffs, this can be derived already from the fact that the Directive is based on Article 95 (ex Article 100a) of the EC Treaty, which provides for harmonisation measures ensuring the function of the internal market, and not the EC Treaty provisions regarding the Common Commercial Policy (Article 126 ex Article 113). It also follows from *Silhouette* that Article 95 (ex Article 100a) forms the proper legal basis for the rules excluding the Member States from allowing parallel imports.

32. Furthermore, Article 7(1) of the Directive must be interpreted in the light of Article 65 EEA and Protocol 28. According to the Plaintiffs, it follows from the wording of Article 65 that Protocol 28 applies to all products, both originating and non-originating. This conclusion is borne out by Article 8(2) EEA which limits the applicability of certain provisions of the Agreement to goods originating in the EEA. Article 65 is not among the provisions referred to in Article 8(2). In the opinion of the Plaintiffs, it also follows from the discussions between the Contracting Parties to the EEA Agreement that the Parties intended to make the provisions concerning *inter alia* exhaustion of trade mark rights applicable to both originating and non-originating products.¹⁴

33. Consequently, the arguments in *Maglite*, that goods originating in third countries fall outside the scope of the EEA Agreement and therefore may be subject to international exhaustion, cannot be upheld in the aftermath of *Silhouette*.¹⁵ It is argued that the purpose, structure and explicit wording of the EEA Agreement clarify that Article 7(1) of the Directive also applies to products originating in third countries.

34. The Plaintiffs do not dispute that the EFTA States retain their freedom to conclude treaties with third States in relation to foreign trade. However, certain aspects of the EEA Agreement, such as the exhaustion of trade mark rights and rules on technical trade barriers, do have repercussions on trade in third country goods. Indeed, precisely because agreements with third States on intellectual property rights may have a considerable impact on the internal market, the Contracting Parties to the EEA Agreement have undertaken, in Article 7 of Protocol 28, to exchange information and to consult in matters relating to international organisations and agreements pertaining to intellectual

¹⁴ The Plaintiffs refer to Blanchet, Piiponen and Westman-Clement: *The Agreement on the European Economic Area*, Clarendon Press, Oxford, pp. 43 and 118.

¹⁵ The Plaintiffs refer to *Maglite*, at paragraph 26.

property rights. Whether or not any of the Contracting Parties¹⁶ to the EEA Agreement should, after consulting with the other Contracting Parties, decide to enter into agreements with third States to extend the exhaustion principle depends on policy considerations. Such considerations should not influence the interpretation of the Directive and, therefore, cannot in themselves be a reason for not following the objective of homogenous rules in the EEA and the interpretation of Article 7(1) as clarified by the ECJ.

35. An interpretation of the Directive in line with *Maglite* would allow the legislators or the courts of the EFTA States to *generally and unilaterally* decide whether they wish to introduce or maintain the principle of international exhaustion of goods originating from outside the EEA. In the Plaintiffs' view, such an interpretation is in direct conflict with the intentions of the Contracting Parties, with the structure and wording of the EEA Agreement, and with the obligation under the EEA Agreement to seek solutions that are, to the greatest extent possible, compatible with the aim of homogeneity. Furthermore, the position in *Maglite* does not strike the proper balance between third party and internal market considerations, but deviates much further from the aim of homogeneity than what is required for the maintenance of third country relations of the EFTA States. The interpretation should, in the view of the Plaintiffs, take into consideration third country relations and the internal market, as well as the legal developments signalled by *Silhouette*.

36. Thus, if, and to the extent that, the EFTA States have not entered into agreements with third States, Article 7(1) of the Directive shall, in the EEA context, be interpreted in light of Article 65(2), Protocol 28 and the objective of homogeneity, which require the EEA States to provide for trade mark exhaustion limited to the EEA.

37. The Plaintiffs maintain that not applying the principle of EEA-wide exhaustion on third country goods may also have unfortunate consequences for the internal trade within the EEA, or even within the EU.¹⁷

38. It is added that the choice of exhaustion regime (regional or international exhaustion of trade mark rights), does not have a significant impact on consumer prices. Furthermore, it is argued that international exhaustion tends to disadvantage consumers by weakening the effectiveness of trade marks in assuring quality, identifying origin and protecting the consumer.¹⁸

¹⁶ As to the freedom of the European Community, Article 7(1) of the Directive notwithstanding, to enter into agreements with non-member States on exhaustion of trade mark rights, the Plaintiffs refer to *Silhouette*, at paragraphs 26–30.

¹⁷ The Plaintiffs refer to Ole-Andreas Rognstad: *The Conflict between Internal Market and Third Country Policy Considerations in the EEA. Maglite vs Silhouette*, in Peter-Christian Müller-Graff/Erling Selvig (eds.): *EEA-EU Relations*, Berlin 1999, p. 141 and to Ole-Andreas Rognstad: *Spreidning av verkseksemplar*, Oslo 1999, pp. 621–627.

¹⁸ The Plaintiffs refer to, *inter alia*, the assessments of the study that the Commission commissioned from the NERA Institute in London: *The Economic Consequences of the*

Consequently, it is argued that the EFTA Court exaggerated the advantages of international exhaustion in *Maglite*, at paragraph 19. Furthermore, it is argued that the EFTA Court did not duly take into account the economic and competitive disadvantages inflicted upon the brand owners when applying international exhaustion. It is also noted that the EU has gained 12 new members from 2004, which has led to more choice and lower prices for consumers within the EEA.

39. The Plaintiffs also emphasise as essential functions of a trademark that the mark is both an indicator of origin and a bearer of goodwill. This, it is argued, has also been recognised by the ECJ.¹⁹ In the opinion of the Plaintiffs, the EFTA Court did not fully acknowledge that the trade mark is an important bearer of goodwill for the producers of the products concerned in its reasoning in *Maglite*, at paragraph 20. Neglecting the trade mark's function as bearer of goodwill may damage the luxury image of branded products and weaken the effectiveness of the brand in assuring quality.

40. The Plaintiffs suggest answering the questions as follows:

Article 7, paragraph 1 of Council Directive 89/104/EEC ([the] Trade Mark Directive) is, in the EEA context, to be interpreted as conferring a right on the proprietor to prevent imports from a third country outside the EEA, when said import takes place without the consent of the proprietor.

Article 7, paragraph 1 of Council Directive 89/104/EEC ([the] Trade Mark Directive) is to be interpreted as imposing regional exhaustion in such a way that the Contracting parties may not provide for a principle of international exhaustion of trademark rights.

The Defendants

41. The Defendants have submitted observations which are essentially similar in substance. They both maintain that their parallel import is in conformity with Norwegian legislation regarding trade marks and the EEA Agreement.

Choice of Regime of Exhaustion in the Area of Trademarks, NERA 8 February 1999 and Commissioner Bolkestein: *Communiqué on the Issue of Exhaustion of Trade Mark Rights*, 7 June 2000.

¹⁹ The Plaintiffs refer to Case C-337/95 *Parfums Christian Dior v Evora* [1997] ECR I-6013, at paragraphs 43–44; Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, at paragraph 50 and Case C-348/04 *Boehringer Ingelheim and Others* [2007] ECR I-3391, at paragraphs 32 and 42–43. Furthermore, the Plaintiffs refer to the assessments of exhaustion regimes from the NERA Institute in London: *The Economic Consequences of the Choice of Regime of Exhaustion in the Area of Trademarks*, NERA 8 February 1999, at pp. 3 and 5–7.

42. It is pointed out that Question 1, concerning the interpretation of Article 7(1) of the Trade Mark Directive, is mainly identical to Question 1 in *Maglite*. In the opinion of the Defendants, the state of law in the EFTA States has not changed since the EFTA Court gave its opinion in *Maglite*. The Defendants endorse the arguments put forward by the EFTA Court in that case and submit that the circumstances underpinning the conclusion of the EFTA Court have not changed. Consequently, the EFTA States may still provide for international exhaustion.

43. It is added that the EC law principles of direct effect and primacy are not a part of EEA law.²⁰ The Defendants emphasise that herein lies a significant difference between EU Member States and the EFTA States. Specific reference is made to Article 3 and 7 EEA and, furthermore, to Protocol 35 EEA.

44. In relation to Question 2, in the view of the Defendants it is correct to interpret the text of Article 7(1) of the Directive differently in the EU and the EEA contexts, respectively.

45. The Defendants argue that neither the wording of the Directive nor the preparatory works offer a precise basis for claiming any territorial limitation, except for EEA regional exhaustion as a minimum requirement, cf. also *Maglite*. By comparison, it is noted that in other directives on intellectual property rights, it is clearly emphasised in the text of the relevant Directive that the exhaustion rules are territorially limited.²¹

46. Thus, the two judgments, *Maglite* and *Silhouette*, constitute important source material in terms of answering the question whether Article 7(1) of the Directive must be interpreted as prohibiting international exhaustion. The Defendants submit that that the decision in *Silhouette* can be deemed as having laid down with binding effect a general rule against applying the principle of international exhaustion within the EU.

47. However, the fact that the ECJ, in *Silhouette*, made no mention of the EFTA Court's Advisory Opinion in *Maglite*, even though the latter existed at the time when the ECJ pronounced its judgment, is interpreted by the Defendants as implied acceptance by the ECJ of the EFTA States having a different practice in this area than what the ECJ considers to be applicable law for the EU Member States. If the ECJ were of another opinion, it had ample opportunity to make its comments in the *Silhouette* case. Hence, it is submitted that there exists no formal conflict between the two opinions.

²⁰ The Defendants refer to Case E-1/07 *Criminal proceedings against A* [2007] EFTA Ct. Rep. 246, at paragraphs 40 and 43. They also refer to Case E-4/01 *Karl K. Karlsson hf. v The Icelandic State* [2002] EFTA Ct. Rep. 242, at paragraph 28, *Silhouette*, at paragraph 40 and *Maglite*, at the operative part.

²¹ The Defendants refer to e.g. Directive 92/100/EEC, now Directive 2006/115/EC on rental right and lending and on certain rights related to copyright in the field of intellectual property rights, Article 9(2), which expressly discards the principle of international exhaustion.

48. Furthermore, strong policy considerations weigh in favour of maintaining such a distinction. The Defendants argue that the EEA Agreement, unlike the EC Treaty, does not establish a customs union, only a free trade area. Thus, the purpose and scope of the EC Treaty and the EEA Agreement are different.

49. In the opinion of the Defendants, the principle of international exhaustion is in the interest of free trade and competition and thus in the interest of consumers. It is stated that there is a broad agreement that international exhaustion leads to a greater supply on the market of trade marked goods at competitive prices, *inter alia* to the benefit of consumers.

50. According to Article 8 of the EEA Agreement, the principle of free movement of goods, as regulated in Articles 11 to 13 of the EEA Agreement applies only to goods originating in the EEA while, within the Community, a product is in free circulation once it has been lawfully placed on the market in a Member State. Since the relevant products in this case have their origin in the USA, the principle of free movement of goods within the EEA is not applicable. Thus, the principle of free movement of goods pursuant to the EEA Agreement is not in conflict with the principle of international exhaustion as concerns goods with origin outside the EEA.

51. Furthermore, it is stated that the EEA Agreement does not entail a common commercial policy towards third States (see in particular Article 113 of the EC Treaty). The EFTA States have not transferred their respective treaty-making powers to any kind of supranational organ. Thus, the EFTA States are free to conclude treaties and agreements with third States concerning foreign trade, cf. Articles 5 and 6 of Protocol 28. If Article 7(1) of the Directive in the EEA context were to be interpreted as obliging the EFTA States to apply the principle of EEA-wide exhaustion this would impose substantial limitations on the EFTA States' third country relations. In the opinion of the Defendants, such a result would not be in accordance with the purpose of the EEA Agreement, which is to create an improved free trade area, not a customs union with a uniform foreign trade policy.

52. In their assessment of whether the EFTA States have the option to apply a principle of international exhaustion, the Defendants refer to the TRIPS Agreement.²² In their opinion, Article 6 of that Agreement supports the view that the EFTA States are free to determine whether they wish to maintain the principle of international exhaustion. Thus, Norway is not acting in violation of the TRIPS Agreement.²³ Consequently, an interpretation of Article 7(1) within the EEA that could prohibit international exhaustion would also come in conflict with the principles on which the TRIPS Agreement is based.

²² The Agreement on Trade-Related Aspects of Intellectual Property Rights.

²³ The Defendants refer to *Maglite*, at paragraph 29.

53. Finally, the Defendants state that, as far as they are informed, all the EEA/EFTA States apply the principle of international exhaustion of trademarks, either in the form of a distinct statutory provision or as a clear premise for the interpretation of national trade mark legislation.²⁴ In the Defendants' opinion, this supports the understanding in this area that the EFTA States have the option to maintain their present systems and are not obliged to change their national law to conform with the ECJ's understanding of the obligations for the EU Member States.²⁵

54. The Defendants in Case E-9/07 suggest answering the questions as follows:

Question no. 1:

Article 7 no. 1 of Council Directive 89/104/EEC (the "Trade Mark Directive") referred to in Annex XVII to the EEA Agreement is not to be understood as conferring a right on a trade mark proprietor to prevent an import from a third country outside the EEA, when said import takes place without the consent of the trade mark proprietor, unless the principle of regional exhaustion is implemented and international exhaustion is prohibited under national law.

Question no. 2:

Article 7 no. 1 of Council Directive 89/104/EEC is, in the EEA context, to be interpreted as leaving it up to the EFTA States to decide whether they wish to introduce or maintain the principle of international exhaustion of rights conferred by a trade mark with regard to goods originating from outside the EEA.

55. The Defendant in Case E-10/07 suggests answering the questions as follows:

Question no. 1:

Article 7, section 1 of Council Directive 89/104/EEC (the Trade Mark Directive), referred to in Annex XVII of the EEA Agreement, is not to be understood as conferring a right on a trade mark proprietor to prevent import from a third country outside the EEA, when said import takes place without the consent of the trade mark proprietor, unless the principle of regional exhaustion is implemented and international exhaustion is prohibited under national law.

²⁴ The Defendants refer to Article 6, second paragraph, of the Icelandic Trade Mark Act, to Article 13 No 6 of Liechtenstein's Trade Mark Act and to Section 4 of the Norwegian Trade Mark Act and its preparatory works (Ot.prp. No 72 (1991–92) p. 54 and NOU 2001: 8 p. 38).

²⁵ The Defendants refer to legal doctrine, *inter alia*, Carl Baudenbacher in Fordham International Law Journal 1999, Vol 22, pp. 645–695 and GRUR International 2000, Vol 7, pp. 584–596.

Question 2:

Article 7 no 1 of Council Directive 89/104/EEC is, in the EEA context, to be interpreted as leaving it up to the Efta States to decide whether they wish to introduce or maintain the principle of international exhaustion of rights conferred by a trade mark with regard to goods originating from outside the EEA.

The Government of the Kingdom of Norway

56. In connection with the implementation of the Trade Mark Directive in the EEA Agreement, cf. point 4 in Annex XVII EEA, the Government of the Kingdom of Norway (hereinafter “the Norwegian Government”) took the position that Norwegian law should not be amended so as to prescribe a principle of EEA regional exhaustion of trade mark rights until the question of whether international exhaustion is compatible with the Directive had been resolved on by the EFTA Court or the ECJ.²⁶

57. In *Maglite*, the governments of several EC Member States and the European Commission argued before the EFTA Court that international exhaustion could lead to internal disparities in the market.²⁷ However, the EFTA Court referred to the fact that the EEA Agreement does not establish a customs union, but a free trade area. The EFTA Court argued that this difference should be reflected in the application of the principle of exhaustion of trade mark rights. Furthermore, it is also emphasised in *Maglite* that the EEA Agreement does not provide for a common commercial policy towards third States.²⁸

58. Thus, the Norwegian Government argues that the ruling of the EFTA Court in *Maglite* resolves the interpretation of Article 7(1) of the Directive for the EFTA States in the EEA context. Similar to *Maglite*, the present cases concern products originating in the US that have been imported to Norway, and should therefore be resolved in accordance with the EFTA Court’s advisory opinion in *Maglite*.

59. The Norwegian Government is aware of the judgments in *Silhouette* and *Sebago*²⁹ in which the ECJ found that national rules providing for exhaustion of trade mark rights in respect of products put on the market outside the EEA under that mark by the proprietor or with his consent are contrary to Article 7(1) of the Directive. However, as the purpose and the scope of the EEA Agreement and the EC Treaty differ on certain essential points, the judgments

²⁶ The Norwegian Government refers to Ot.prp. No 72 (1991–92) p. 55.

²⁷ The Norwegian Government refers to *Maglite*, at paragraph 24.

²⁸ The Norwegian Government refers to *Maglite*, at paragraphs 19 and 26–27.

²⁹ Case C-173/98 *Sebago and Maison Dubois* [1999] ECR I-4103.

of the ECJ in *Silhouette* and *Sebago* cannot alter the EFTA Court's interpretation of the Directive in the EEA context.

60. On this basis, the Norwegian Government respectfully submits that the EFTA Court provides the following answers to the questions posed by Follo and Oslo District Courts:

1. Article 7 (1) of Council Directive 89/104/EEC cannot be understood to the effect that a trade mark proprietor has the right to prevent an import of goods originating from outside the EEA to Norway from third countries outside the EEA, which have been put on the market in such a third country under that trade mark by the proprietor or with his consent, even if such import to Norway take[s] place without the consent of the trade mark proprietor.

2. Article 7 (1) of Council Directive 89/104/EEC does not preclude Norwegian law from prescribing international exhaustion of trade mark rights for goods originating from outside the EEA.

The Government of Iceland

61. As a starting point, the Government of Iceland notes that the facts and questions in this case correspond to those in *Maglite*.

62. In the view of the Government of Iceland, the two questions referred by the Norwegian district courts essentially concern the issue whether regional exhaustion of trade mark rights within the EU is an obligation or a minimum requirement in the EEA context. The Government of Iceland argues the latter approach, stating that this is also in line with *Maglite*.³⁰

63. It is argued that Article 65(2) EEA and Article 2 of Protocol 28 should be interpreted as meaning that EEA regional exhaustion is a minimum standard and that international exhaustion is neither precluded by the wording of the Protocol nor by Article 7 of the Directive. Thus, the EFTA States are free to decide whether to introduce or maintain the principle of international exhaustion of trade mark rights.

64. The Government of Iceland points out that the case-law of the ECJ before *Silhouette* had only established that national exhaustion was not permitted.³¹ Nevertheless, when faced with the question of international exhaustion in *Silhouette*, the ECJ concluded that international exhaustion of trade marks was not permitted within the EU.³² However, in the opinion of the

³⁰ The Government of Iceland refers to *Maglite*, at paragraphs 25–28.

³¹ The Government of Iceland refers to the legal situation up to *Maglite: inter alia*, Case 78/70 *Deutsche Grammophon v Metro SB* [1971] ECR 487, at paragraph 13 and Case 16/74 *Centrafarm BV and Others v Winthrop BV* [1974] ECR 1183, at paragraphs 9–12.

³² The Government of Iceland refers to *Silhouette*, at paragraph 31.

Government of Iceland, the *Maglite* position of the EFTA Court is still valid in the context of the EEA Agreement. The main reasons for this are, as pointed out by the EFTA Court in *Maglite*, that the EFTA States are not parties to the EU customs union and that the EFTA States are free to decide on their own policies as regards their relationship with third States. As part of their autonomy in relation to third States it should be left to the EFTA States themselves to decide whether a trade mark proprietor has the right to prevent imports from third States outside the EEA or not.

65. Furthermore, international exhaustion is, in the opinion of the Government of Iceland, the best way to realise the objectives of the EEA Agreement. Free competition is in the consumer's best interest as it keeps prices lower and quality levels higher. Precluding parallel import into the EEA of products legally put on the market in third countries would be to the detriment of consumers and contrary to the objectives of the EEA Agreement, as trade mark owners could e.g. partition markets and thereby limit consumers' choice. The exhaustion rules should not lead to protection of the trade mark proprietor, but rather to enhanced competition for the benefit of consumers. On these grounds, the Government of Iceland emphasises that it strongly supports international exhaustion and that it is a part of Icelandic national law.³³

66. The Government of Iceland suggests answering the questions as follows:

Article 7, paragraph 1 of Council Directive 89/104/EEC ([the] Trade Mark Directive) referred to in Annex XVII to the EEA Agreement is, in the EEA context, to be interpreted as leaving it up to the EFTA States to decide whether they wish to introduce or maintain the principle of international exhaustion of rights conferred by a trade mark.

The Government of the Principality of Liechtenstein

67. The Government of the Principality of Liechtenstein (hereinafter "the Liechtenstein Government") essentially shares the opinion of the Norwegian Government and the Government of Iceland as regards exhaustion of trade mark rights in relation to products originating from outside the EEA. However, on the grounds that the facts in the case at hand are somewhat unclear when it comes to origin of the relevant products, the Liechtenstein Government suggests that the EFTA Court, when answering the questions referred above, should also take into account the situation where products with EEA-origin (as defined by Protocol 4 EEA) are re-imported from outside the EEA.

68. According to the Liechtenstein Government, it follows from the wording of Article 3(2) SCA that a divergence in case law between the EFTA Court and the ECJ in relation to judgments rendered by the ECJ after the signature of the EEA does not constitute an infringement of the EEA Agreement when a

³³ The Government of Iceland refers to *Maglite*, at paragraphs 19 and 29.

divergent interpretation is justified by legitimate reasons. Furthermore, it is argued that the EFTA Court may even deviate from “old” ECJ case law when differences in the purpose and scope of the EEA Agreement compared to those of the EC Treaty require a different solution.³⁴ Thus, coexistence of divergent case law within the EEA does not, *a priori*, lead to a judicial conflict. It is pointed out that, albeit the ECJ has given a divergent interpretation in *Silhouette*, the dispute settlement mechanism of Article 111 EEA has not been applied. In the opinion of the Liechtenstein Government, this indicates that the Contracting Parties did not consider *Silhouette* to be in conflict with *Maglite*.

69. In order to answer whether *Silhouette* has to be applied to the provisions of the EEA Agreement, it is necessary to compare the purpose and scope of the EEA Agreement, on the one hand, and those of the EC Treaty, on the other.

70. The scope of the EEA Agreement goes far beyond what is usual for an agreement under public national law. However, in the view of the Liechtenstein Government, it is also to be acknowledged that the depth of integration under the EEA Agreement is less far reaching than that under the EC Treaty.³⁵ Furthermore, it is emphasised that the EEA, unlike the EC (see Articles 131 *et seq.* EC) does not provide for a common commercial policy. Thus, mandatory requirements of regional exhaustion would without doubt have an effect on the EFTA States’ position when it comes to making free trade agreements with third States. Therefore, such requirements would be in conflict with the autonomy and freedom of the EFTA States in this field.

71. In *Silhouette*, the ECJ focused on safeguarding the coherence of the Community’s internal market.³⁶ The ECJ argued that a situation where some Member States could provide for international exhaustion would inevitably give rise to barriers to the free movement of goods. However, in the opinion of the Liechtenstein Government, EEA falls short of the situation which prevails on the Community’s internal market. Under EEA law, third country products generally do not benefit from free movement. Furthermore, it is argued that the fundamental differences as regards third country relations speak for leaving it up to the EFTA States to decide whether trade mark rights concerning imports from third countries outside the EEA shall be exhausted. In this regard, it is stated that it must be irrelevant from where the products in question effectively originate (outside or within the EEA). In any case, the introduction of a regional customs border for the EEA, which would be the consequence if *Silhouette* were to be applied within the context of the EEA, would undermine the very principle of a free trade area as established under the EEA Agreement.

³⁴ The Liechtenstein Government refers to Opinion 1/91 [1991] ECR I-6079, at paragraph 14.

³⁵ The Liechtenstein Government refers to Case E-4/01 *Karl K. Karlsson hf. v The Icelandic State* [2002] EFTA Ct. Rep. 242, at paragraph 25; Case E-9/97 *Erla María Sveinbjörnsdóttir v The Government of Iceland* [1998] EFTA Ct. Rep. 95, at paragraph 59 and *Maglite*, at paragraphs 25–26.

³⁶ The Liechtenstein Government refers to *Silhouette*, at paragraph 27.

Thus, the Liechtenstein Government is of the opinion that the position taken by the EFTA Court in *Maglite* should be declared as still valid within the EEA context. In practical terms, this means that *Maglite* is applicable to situations of trade towards and between the EFTA Members of the EEA, while *Silhouette* governs trade towards and between the EC Member States of the EEA.

72. The Liechtenstein Government suggests answering the questions as follows:

Article 7, paragraph 1 of Council Directive 89/104/EEC ([the] Trade Mark Directive) referred to in Annex XVII to the EEA Agreement is, in the EEA context, to be interpreted as leaving it up to the EFTA States to decide whether they wish to introduce or maintain the principle of international exhaustion of rights conferred by a trade mark.

The EFTA Surveillance Authority

73. The EFTA Surveillance Authority (hereinafter “ESA”) is of the opinion that the two questions referred by the national courts are in essence whether EEA law precludes Norway from maintaining the principle of international exhaustion and that they are, in substance, identical to the questions answered by the EFTA Court in *Maglite* and by the ECJ in *Silhouette*. Nevertheless, it is noted that Question 1 could also be interpreted as touching upon the possibilities of the trade mark proprietor to enforce rights stemming from Article 7(1) of the Trade Mark Directive by relying on the Directive itself. However, given that, regardless of the interpretation of the provision, it will not be directly applicable in EEA law, ESA proposes not to dwell on that issue.

74. ESA points out that the description of facts concerning the origin of the REDKEN products is unclear in the requests from the Norwegian district courts. In ESA’s view, the matter of the origin of the products is of crucial importance for the case at hand. Thus, ESA emphasises that its submission is based on the assumption that the products in question have been put on the market in the USA by a trade mark proprietor or with his consent. Moreover, ESA assumes that these products originate outside the EEA and, thus, that they are not goods within the meaning of Article 8 EEA.

75. First, ESA gives some general considerations pertaining to the principle of homogeneity, then assesses the principle in relation to the field of intellectual property and the questions in the present cases.

76. It is pointed out that the principle of homogeneity between Community law and EEA law is of paramount importance for the functioning of the EEA Agreement.³⁷ It follows from Article 6 EEA that the EEA Agreement shall be

³⁷ ESA refers to recitals 4 and 15 of the Preamble to the EEA Agreement and Article 1(1) EEA and Article 106 EEA.

interpreted in conformity with the relevant rulings of the ECJ handed down *prior* to the signature of the EEA Agreement. Moreover, it follows from Article 3(2) SCA when interpreting the EEA Agreement, due account shall be paid to rulings by the ECJ delivered *after* the date of signature of the EEA Agreement. In ESA's view, Article 3(2) SCA illustrates that the EEA Agreement aims to secure a joint and parallel development of the legal orders of the EC and the EFTA States in all areas covered by the Agreement, not only with regard to legislation, but also with regard to case law. Hence, if the ECJ arrives at a different conclusion concerning the correct interpretation of, for instance, the notion of State aid or the concept of state monopolies than the one given in an earlier judgment of the EFTA Court, it is submitted that considerations relating to continuous and dynamic homogeneity speak heavily in favour of the EFTA Court reviewing its own case law in order to align its interpretation of the provision with that of the ECJ.

77. However, in ESA's view, the principle of homogenous interpretation laid down in the above-mentioned provisions is consistently linked to EEA rules that are identical "in substance" with provisions of Community law. Moreover, it is limited to rulings that are relevant in an EEA context. In the opinion of ESA, these links and limitations have two important consequences.

78. Firstly, minor differences as to the precise wording of an EC rule and an EEA rule do not of themselves imply that the homogeneity principle does not apply.

79. Secondly, even if the respective EC rule and EEA provisions have the same wording, it might still be so that the two texts should be construed differently because of the different aims and scope of EC law and EEA law. This is so because of the principle common to Community law and EEA law that the secondary legislation must be interpreted in light of the basic provisions of the Treaty and the main part of the EEA Agreement, which in turn must be interpreted in light of the overall aims of each legal system. Hence, it cannot be excluded that differences as to those overall aims might, in certain exceptional cases, have a bearing on the interpretation even if the texts are identically worded.³⁸ Where this is the case, the principle of dynamic homogeneity in Article 3(2) SCA does not apply for the very reason that the two texts are in reality not identical in substance. Hence, considerations of homogeneity will not argue in favour of the EFTA Court revising its case law in light of later judgments from the ECJ concerning the similarly worded Community law provision.

80. Thus, the question is whether the different results in *Maglite* and *Silhouette* reflect divergent *interpretations* of rules that are indeed identical in

³⁸ ESA refers to, *inter alia*, Case E-3/98 *Herbert Rainford-Towning* [1998] EFTA Ct. Rep. 207, at paragraph 21 and Case E-9/97 *Erla María Sveinbjörnsdóttir v The Government of Iceland* [1998] EFTA Ct. Rep. 95.

substance or whether the different results rather reflect that the two rules, although worded in an almost identical manner, do, in fact, when construed in their proper context, have a different *content*, in which case the different results of the judgments are explained by different contexts.

81. As a starting point, ESA submits that there is a strong presumption against the existence of such differences. ESA derives from the case law of the EFTA Court that the Court has taken a similar stand.³⁹ Accordingly, where parallel provisions are to be interpreted, homogeneity should prevail unless *specific* circumstances indicate that the differences in the scope and purpose of the EEA Agreement as compared to the EC Treaty should lead to an interpretation of the EEA provision that diverges from that given to the corresponding provision under the EC Treaty.⁴⁰

82. As regards exhaustion in the field of intellectual property, it is argued that the principle of homogeneity is subject to the *lex specialis* contained in Article 2 of Protocol 28. Here the provision is not limited to regulating the interpretation of common provisions as in Article 6 EEA, but also confers points of substantive law on the Contracting Parties. The reason behind the framing of the Article is that at the time of the signing of the EEA Agreement, the field of intellectual property rights was mainly regulated in the Community through case law, with codifying legislation still at a preparatory stage. Protocol 28 was the instrument chosen to integrate the *Community acquis* into the EEA Agreement. However, in the field of trade marks, the process of codification had already resulted in secondary legislation at the time of the signing of the EEA Agreement. ESA submits that, in such circumstances, the obligation of homogeneity set out in Article 2 of Protocol 28 cannot be more extensive as a principle of interpretation than what would follow from applying the more general principle in Article 6 EEA. In other words, it is subject to the same limitations with regard to time and relevance.

83. Consequently, it is necessary, as a starting point, to interpret the Directive in light of the Community measures and case law prevailing *prior* to the signature of the Agreement. ESA points out that this has already been done by the EFTA Court in *Maglite*.⁴¹ The Court concluded that Article 2 of Protocol 28 entailed only a minimum requirement of EEA-wide exhaustion and could therefore not be relevant for rejecting a principle of international exhaustion. The EFTA Court also emphasised the differences in scope and objectives between the EEA Agreement and the EC Treaty, and its conclusion was intrinsically linked to the special features of the EEA Agreement. ESA also points to the Opinion of the Advocate General in *Silhouette*, who emphasised

³⁹ ESA refers to Case E-4/00 *Dr Johann Brändle* [2000-2001] EFTA Ct. Rep. 123; Case E-5/00 *Dr Josef Mangold* [2000-2001] EFTA Ct. Rep. 163 and Case E-6/00 *Dr Jürgen Tschannett* [2000-2001] EFTA Ct. Rep. 203.

⁴⁰ ESA refers to Case E-3/98 *Herbert Rainford-Towning* [1998] EFTA Ct. Rep. 207.

⁴¹ ESA refers to *Maglite*, at paragraph 22.

the possibility that an identically worded provision can be construed differently in a different context, such as the EEA Agreement.⁴²

84. Furthermore, the principle of dynamic and continuous homogeneity, cf. Article 3(2) SCA, entails an obligation to pay due respect also to the judgments handed down by the ECJ *after* the signing of the EEA Agreement. It is submitted that the weight to be attached to a subsequent ruling of the ECJ depends on the extent to which arguments underpinning its conclusion are relevant in an EEA context. Concerning the relevance of *Silhouette*, it is noted that the fact that ECJ reached a conclusion in an EU context which is different from the conclusion reached by the EFTA Court in an EEA context is not necessarily *in itself* sufficient to warrant a re-examination of the principle of exhaustion under EEA law.

85. ESA derives from *Silhouette* that the key argument for the conclusion of the ECJ was the textual interpretation of the Directive. In itself, an interpretation given on such a basis should be equally applicable in the EEA legal order. However, in ESA's view, the ECJ's textual analysis was clearly influenced by what it identified as the main objective behind the Directive.⁴³ In the assessment of whether this objective has the same meaning in the context of the EEA Agreement, ESA raises the question whether the practice of international exhaustion in the EFTA States has negative consequences for the internal market. Based on the reasoning in *Maglite*, ESA submits that if the EFTA States apply the principle of international exhaustion with regard to products originating from outside the EEA, the only effect on the internal market would perhaps be that a lower price for third country products could make it less advantageous for producers of goods in another EEA State to export their products into the Norwegian market. In the opinion of ESA, such a "disturbance" of the market caused by products not covered by the EEA Agreement can hardly be considered to be problematic for the functioning of the internal market. Nor can it be viewed as a restriction within the meaning of Article 11 EEA. Furthermore, in ESA's opinion, in *Maglite* the Court has already explicitly dealt with the possibility of a disturbance of the internal market and rejected this argument as irrelevant in an EEA context.⁴⁴

86. Consequently, it is submitted that there is no reason to enter into a renewed assessment of the correct interpretation of the Directive independently of the judgment in *Maglite*. Nevertheless, with a view to securing the

⁴² ESA refers to the Opinion of the Advocate General in *Silhouette*, at point 61.

⁴³ ESA refers to *Silhouette*, at paragraph 27.

⁴⁴ ESA also refers to Case E-3/98 *Herbert Rainford-Towning* [1998] EFTA Ct. Rep. 207 and Case E-9/97 *Erla María Sveinbjörnsdóttir v The Government of Iceland* [1998] EFTA Ct. Rep. 95.

harmonious co-existence of the two legal orders, ESA emphasises that only in exceptional circumstances should differences in interpretation be possible.

87. ESA concludes that the questions in the present cases have already been subject to judicial scrutiny by the EFTA Court, and that the judgment in *Maglite* takes into account the possibility of an opposite conclusion by the ECJ, by emphasising the differences between the Community and the EEA with regard to objective and scope. Consequently, the questions must be answered by reference to the previous judgment in *Maglite*.

88. Finally, ESA considers, alternatively, the situation if the goods were not of a third country origin but of EEA origin. As mentioned above, ESA considers the origin of the products to be of crucial importance in the cases at hand, since the effect on the internal market of international exhaustion might be different in relation to parallel imported products originating in the EEA. If goods of EEA origin are exported to a third country and then re-imported into the Norwegian market and offered for sale without the consent of the trade mark proprietor, the products could be covered by Article 8 EEA and thereby, at the outset, enjoy protection under the free movement of goods in the whole EEA. There would, however, be a conflict of rules since the trade mark proprietor's right would not be exhausted in the Community, on the grounds that he would not be deemed to have put the product on the market in the EEA. Accordingly, under Community law, he would arguably be able to rely on his trade mark right to deny the goods access to the market in the Community. ESA is of the opinion that this conflict was not solved in *Maglite*, as both the argumentation and the answer of the EFTA Court were exclusively linked to goods of third country origin. ESA concludes that the functioning of the EEA Agreement could be affected if international exhaustion concerning goods of EEA origin were applied in the EFTA States.

89. The EFTA Surveillance Authority suggests answering the questions as follows:

Article 7(1) of Council Directive 89/104/EEC (the Trade Mark Directive) referred to at point 4 in Annex XVII to the EEA Agreement is, in the EEA context, to be interpreted as leaving it up to the EFTA States to decide whether they wish to introduce or maintain the principle of international exhaustion of rights conferred by a trade mark with regard to goods originating from outside the EEA.

The Commission of the European Communities

90. It appears to the Commission of the European Communities (hereinafter "the Commission"), that there is a divergence between the rulings in respectively *Maglite* and *Silhouette* as regards goods originating from outside the EEA. According to the Advisory Opinion in *Maglite*, international exhaustion may be provided for, albeit only by the EFTA States, whilst it

follows from the judgment in *Silhouette*, which makes no distinction following the origin of the goods in question, that such an exhaustion rule is incompatible with Article 7(1) of the Trade Mark Directive, as amended by the EEA Agreement.

91. The Commission points out the importance of the obligation in Article 3(2) SCA to pay due account, in the interpretation and application of the EEA Agreement, to the relevant rulings by the ECJ given *after* the date of the signature of the EEA Agreement which concern the interpretation of Community law identical in substance to the provisions, *inter alia*, of the EEA Agreement.

92. The Commission derives from *Silhouette* that the principal line of reasoning followed by the ECJ in its judgment is that the Directive provides for a uniform scope of protection of the trade mark proprietor throughout the Community.⁴⁵ Thus, Articles 5 to 7 of the Directive are construed as embodying a complete harmonisation of the rules on trade marks. Therefore, just as the Member States are not free to provide for exhaustion only in respect of products put on the market in the Member State concerned, they are also not free to provide for exhaustion in respect of products put on the market in third countries, cf. *Silhouette*.⁴⁶

93. The Commission is of the opinion that, firstly, nothing in Article 65(2) EEA read in conjunction with adaptation c in point 4 of Annex XVII, confines the application of Article 7(1) of the Directive to goods originating from inside the EEA and that, secondly, this provision is to be understood as aiming at defining a uniform scope of protection of the trade mark proprietor throughout the EEA.

94. Thus, irrespective of the origin of the goods in question, national rules providing for exhaustion of trade mark rights in respect of goods put on the market outside the EEA under that mark by the proprietor or with his consent are contrary to this provision.

95. Furthermore, it is argued that it follows implicitly but necessarily from the operative part of the Advisory Opinion in *Maglite*, read in conjunction with paragraphs 24 to 26 of the grounds, that the EFTA Court itself does not admit a rule of international exhaustion with respect to goods originating from inside the EEA. In practice, however, it will often be far more difficult for operators in the chain of trade to retrace the place of manufacturing of a product (in order to distinguish goods originating from inside or outside the EEA) than to merely retrace the place where it has been first put on the market. Hence, it is suggested that admitting a rule of international exhaustion with respect to

⁴⁵ The Commission refers to *Silhouette*, at paragraphs 16–18.

⁴⁶ The Commission refers to *Silhouette*, at paragraphs 22, 24, 25 and 29.

goods originating *outside* the EEA might potentially entail a serious risk for the effective exercise of the trade mark proprietor's rights with respect even to goods originating from *inside* the EEA. In effect, in case of the latter goods, provided that they have been first put on the market outside the EEA, a violation of the trade mark proprietor's right to control further marketing inside the EEA could only be avoided by costly measures required to retrace the place of manufacturing.

96. As regards to the reasoning of ECJ relating to the free movement of goods,⁴⁷ it is clear from the introductory expression "*moreover*" that this is of a merely additional character. Therefore, the Commission argues that divergent interpretations of Article 7(1) of the Directive with respect to the Member States of the EC on one hand and the EFTA States on the other cannot be justified by the argument that, since goods originating from outside the EEA are not subject to the principle of the free movement of goods within the EEA, admitting a rule of international exhaustion with respect to such goods in the legislation of the EFTA States would not give rise to barriers to the free movement of goods.⁴⁸ Nor can such a divergent interpretation be supported by the argument that the ruling in *Maglite* does not, strictly speaking, undermine the effectiveness of the prohibition of international exhaustion within the EC.

97. Furthermore, it is pointed out that before the enactment of the Directive, the ECJ had indeed ruled out national exhaustion and established Community-wide exhaustion as a minimum standard, without requiring the Member States to give up the principle of international exhaustion, cf. the case law quoted at paragraph 15 of *Maglite*. According to the principle of Community-wide exhaustion, the proprietor of a trade mark protected by the legislation of a Member State cannot rely on that legislation to prevent the import or marketing of a product which was put on the market in another Member State by him or with his consent.

98. However, it is stated that this case law only concerned the interpretation of then Articles 30 and 36 of the EC Treaty (now Articles 28 and 30 EC) on the free movement of goods. Whilst it is equally true that this case law is *reflected* in Article 7(1) of the Directive, it has to be borne in mind that the purpose of the latter provision goes far *beyond* that of the said case law. Indeed, Article 7(1) of the Directive aims not merely at fixing a minimum standard but at defining a uniform scope of protection of the trade mark proprietor throughout the EEA, as follows clearly from the judgment in *Silhouette*. Therefore, in the opinion of the Commission, the case law quoted at paragraph 15 in *Maglite* cannot serve as guidance to the interpretation of this provision.

⁴⁷ The Commission refers to *Silhouette*, at paragraph 27.

⁴⁸ The Commission refers to *Maglite*, at paragraphs 24–26.

99. Finally, the Commission holds that under Article 2(1) of Protocol 28, the fact that the rulings of the ECJ given prior to the signature of the EEA Agreement only banned national exhaustion but did not require the Member States to give up the principle of international exhaustion does not support the conclusion that the EFTA States may still provide for a principle of international exhaustion, albeit only with respect to goods originating from outside the EEA. Firstly, this provision itself contains an express reservation relating to “*future developments of law*”. Secondly, it has to be read in conjunction with Article 3(2) SCA, according to which, in the interpretation and application of the EEA Agreement, due account shall be paid to the principles laid down by the relevant rulings of the ECJ given after the date of signature of the EEA Agreement and which concern the interpretation of Community law identical in substance to the provisions, *inter alia*, of the EEA Agreement.

100. The Commission suggests answering the questions as follows:

Irrespective of the origin of the goods in question, national rules providing for exhaustion of trade mark rights in respect of goods put on the market outside the EEA under that mark by the proprietor or with his consent are contrary to Article 7(1) of the Directive.

Henrik Bull
Judge-Rapporteur