

## Trade Mark Infringement or Unfair Commercial Conduct? The Complications of Case C-129/17 “Mitsubishi”

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**Abstract** *The protection of IP rights has always caused friction between the interests of rightsholders and consumers. To aid in alleviating this tension, the various branches of IP law have developed their own doctrines of exhaustion. Regarding European Union (“EU”) trade mark law, the Court of Justice of the European Union (“CJEU”) authoritatively considers the EU Trade Mark Directive (“EUTMD”) and EU Trade Mark Regulation (“EUTMR”) as adopting a model of regional exhaustion. However, the author considers that following Case C-129/17 “Mitsubishi”, the CJEU has illegitimately extended the scope of EU trade mark law to cover situations that, when properly considered, ought to be dealt with under the national laws of EU Member States as unfair competition issues. The following exposition shall substantiate this claim.*

### 1. Introduction

The *primary function* of a trade mark is to provide consumers with information relating to the commercial origin of its goods and/or services. This informs consumers’ purchasing decisions when faced with competing products in the marketplace. The primary function is even more important when considering the EU’s focus on removing barriers to free trade. Theoretically, anyone can penetrate any product market<sup>1</sup> and thus, the profitability of an undertaking is intrinsically linked with its ability to distinguish itself within the relevant market. Ergo, the protection of an undertaking’s “brand image” constitutes an integral part of ensuring fair and effective competition. Nevertheless, the importance of adopting a holistic approach to maintain unfettered competition must not be underestimated. To grant unlimited monopolies to trade mark proprietors would be counterproductive as dominant undertakings

leading to the detriment of potential competitors and ultimately, consumers. It is the constant pursuit of balancing these polarised considerations—which aim to achieve the same goal that

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<sup>1</sup> Subject of course to certain limitations, most importantly the principle contained in Article 15(2) EUTMD, which provides that a trade mark proprietor may oppose the further commercialisation of goods whose trade mark rights have been deemed exhausted within the EU as long as there exists a legitimate reason for them to do so.

ought to be at the forefront of the minds of policymakers and judges while considering trade mark legislation/disputes.

Within this dynamic lies the role of the parallel importer<sup>2</sup> who acts simultaneously as a consumer and seller of trade marked goods. There are many arguments for and against the legalisation of parallel imports but, presently, it is sufficient to say that the CJEU's 'Europe First' approach<sup>3</sup> towards trade marks and international trade promotes double remuneration for trade mark proprietors at the detriment of overall consumer welfare. This case comment shall further highlight the CJEU's disregard for the degree of control that trade mark proprietors have over their IP rights internationally.

## 1. The 'Mitsubishi' issue

The territorial nature of national trade mark law, the existence of cross-border trade tariffs, and disparities in labour costs and Gross Domestic Product per capita, i.e. the measure of a country's total economic output divided by its total population,<sup>4</sup> leads to the creation of separate national markets for identical (or substitutable) products made by the same undertaking. This causes significant price discrimination. This presents a lucrative business opportunity to enterprising individuals— *legitimately produced* trade marked goods can be bought at a much lower price in one country and then resold in another country at a profit. This is the essence of parallel importing.<sup>5</sup>

Many arguments exist for and against parallel importing. Proponents of the former view argue that parallel importing leads to a direct increase in consumer welfare,<sup>6</sup> aids by eliminating "gold-plating" and other tying practices by dominant manufacturers,<sup>7</sup> and results in no real provable loss of profits to manufacturers and rightsholders.<sup>8</sup> On the other hand, parallel importing is seen as liable to cause consumer confusion,<sup>9</sup> encourage "free riding" to the

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<sup>2</sup> By reference to the term 'parallel importer', the author is only referring to a reseller of lawfully made and purchased trade marked goods, and not any entity dealing with counterfeit products.

<sup>3</sup> A Zappalaglio, 'International Exhaustion of Trade marks and Parallel Imports in the US and the EU: How to Achieve Symmetry' (2015) 5 *QMJP* 68, 75, 83 – 84

<sup>4</sup> K Amadeo, 'What is GDP per capita?' (Updated 22<sup>nd</sup> June 2020) <<https://www.thebalance.com/gdp-per-capita-formula-u-s-compared-to-highest-and-lowest-3305848>>, accessed 24<sup>th</sup> June 2020

<sup>5</sup> MJ Davison, 'Parallel Importing: Unlawful Use of Trade Marks' (1990) 19 *FLR* 420, 420

<sup>6</sup> K Scholes, 'Parallel Importing' (1997) 6 *CLR* 564, 583; *Kirtsaeng v John Wiley & Sons Inc* 586 US 519 (2013).

<sup>7</sup> Case T-201/04 *Microsoft Corp and Others v Commission of the European Communities and Others* ("Microsoft") ECLI:EU:T:2007:289.

<sup>8</sup> Scholes (n 6) 583 – 584.

<sup>9</sup> *Colgate Palmolive Ltd v Markwell Finance Ltd* [1989] *RPC* 497; Scholes (n 6) 581.

detriment of manufacturers and rightsholders,<sup>10</sup> reduce profit margins and consequently harm innovation,<sup>11</sup> and allow pirated goods to proliferate the market more easily.<sup>12</sup>

Adding to this already tumultuous situation are the notions of de-branding, i.e., where trade marked goods are genericised through the removal of their trade marks and rebranding which replaces those marks with the marks of another undertaking to create a *sui generis* form of reverse passing off.<sup>13</sup> This was precisely what the CJEU was confronted with in “*Mitsubishi*”.<sup>14</sup>

### 1.1. Facts and Issues

The First Claimant, Mitsubishi Shoji Kaisha Ltd (“Mitsubishi”), manages the worldwide trade mark portfolio of the Mitsubishi Group. It owns the following trade marks: an EUTM for the word “MITSUBISHI”, a figurative EUTM, *inter alia*, for motor vehicles, electric vehicles and forklift trucks,<sup>15</sup> and two Benelux trade marks which are identical to the former EUTMs. The Second Claimant, Mitsubishi Caterpillar Forklift Europe BV (“MCFE”), is the exclusive manufacturer of Mitsubishi forklifts within the EEA. They were also exclusively authorised to sell and provide aftersales support of those forklifts within the EEA.

The First Defendant, Duma Forklifts NV (“Duma”), is engaged in the worldwide purchase and sale of new and used forklifts manufactured, *inter alia*, by Mitsubishi. Additionally, Duma manufactures its own forklifts under the names “GSI”, “GS”, and “Duma”, and is a wholesale supplier of forklifts and other machinery both inside and outside the EEA. Until the mid-1990s, Duma was one of Mitsubishi’s authorised dealers for forklifts in Belgium. The Second Defendant, GS International BVBA (“GSI”), is affiliated with Duma, and builds and repairs forklifts for wholesale international import and export. It also modifies forklifts to conform with the EU regulations and, in doing so, provides them with their own serial numbers.

<sup>10</sup> L Telser, ‘Why Should Manufacturers want Fair Trade?’ (1960) 3 *JLE* 86, Scholes, (n 6), 581 – 582

<sup>11</sup> Davison, (n 5), 440; Scholes, (n 6), 582

<sup>12</sup> Scholes, (n 6), 582 – 583

<sup>13</sup> On the notion of passing off, see *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 and *Reckitt and Coleman Products Ltd v Borden Inc* [1990] 1 WLR 491. On reverse passing off in particular, see *John Robert Powers School Inc and Others v Denyse Bernadette Tessensohn* [1995] FSR 947.

<sup>14</sup> Case C-129/17 *Mitsubishi Shoji Kaisha Ltd and Another v Duma Forklifts NV and Another* (“*Mitsubishi*”) ECLI:EU:C:2018:594

<sup>15</sup> “Vehicles; apparatus for locomotion by land, air or water”, <[https://www.wipo.int/classifications/nice/nclpub/en/fr/?basic\\_numbers=show&class\\_number=12&explanatory\\_notes=show&lang=en&menulang=en&mode=flat&notion=&pagination=no&version=20200101](https://www.wipo.int/classifications/nice/nclpub/en/fr/?basic_numbers=show&class_number=12&explanatory_notes=show&lang=en&menulang=en&mode=flat&notion=&pagination=no&version=20200101)>, accessed 8<sup>th</sup> July 2020

Since 2009, Duma and GSI have lawfully purchased forklifts from Mitsubishi and MCFE's authorised sellers, placed them in a customs warehouse, and: [1] wholly de-branded them; [2] modified them to conform with EU regulations; [3] rebranded them with their own logos, identification plates, and serial numbers; and [4] imported them into the EEA for sale.

Mitsubishi and MCFE argued that Duma and GSI's conduct should be prohibited under EU trade mark law since the predecessors to both the EUTMD's and the EUTMR's exclusive rights provisions<sup>16</sup> should be interpreted as prohibiting the de-branding and rebranding of trade marked goods that have yet to be placed on the market within the EEA.<sup>17</sup> Furthermore, they argued that the prohibited conduct under Article 5(3) of the EUTMD (2008) and Article 9(2) of the EUTMR(2009) should not be construed as a closed list. This is especially when considering third party conduct aimed at circumventing a trade mark proprietor's exclusive right to control the first sale of their goods within the EEA.<sup>18</sup> They also contended that consumers would recognise their forklifts despite Duma and GSI's actions, thereby affecting the functions of their trade marks.<sup>19</sup>

Duma and GSI responded by stating that their actions did not, upon any reasonable interpretation, constitute use of any sign identical or similar to Mitsubishi and MCFE's trade marks, since those were removed prior to their sale within the EEA.<sup>20</sup> Essentially, trade mark proprietors should only be permitted to oppose the first sale of goods bearing their trade mark at the time of sale.<sup>21</sup>

## 2. First objection – Contrary to EUTMD and EUTMR

### 2.1. *Non-use*

The Advocate-General (“AG”) emphasised the need to consider whether Duma and GSI's actions could properly be classed as “use” EU trade mark law.<sup>22</sup> In response to the aforementioned, the AG considered that a semantical analysis of the word “use” indicated that

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<sup>16</sup> Directive 2008/95/EC of the European Parliament and of the Council of 22<sup>nd</sup> October 2008 to approximate the laws of the Member States relating to trade marks [2008] OJ L299/25, Article 5, L299/28 – L299/29; Council Regulation (EC) No 207/2009 of 26<sup>th</sup> February 2009 on the Community trade mark [2009] OJ L78/1, Article 9, L78/5

<sup>17</sup> Case C-129/17, Opinion of Advocate-General Campos Sánchez-Bordona (“AG Opinion”) ECLI:EU:C:2018:292, [29]

<sup>18</sup> *ibid.*, [30]

<sup>19</sup> *ibid.*, [31]

<sup>20</sup> *ibid.*, [32]

<sup>21</sup> *ibid.*, [33]

<sup>22</sup> Case C-129/17, Opinion of Advocate-General Campos Sánchez-Bordona (“AG Opinion”) ECLI:EU:C:2018:292, [42]

the term includes some form of positive act ‘to utilise an article for something’, which is diametrically opposed to the removal of a trade mark from a product.<sup>23</sup> Thus, whilst Articles 5(3) EUTMD and 9(2) EUTMR are not exhaustive, it is only logical that the removal of a trade mark is not covered by them.<sup>24</sup>

The CJEU, however, disagreed with this view, and whilst not explicitly addressing the issue in terms of “use” or lack thereof, chose simply to state that any act that interfered with a trade mark’s essential function<sup>25</sup> with a view to sell products in the EEA ought to be regarded as “use in the course of trade”.<sup>26</sup> Examining the language used in both Article 5 of the EUTMD (2008) and Article 9 of the EUTMR (2009), the author considers that CJEU’s decision is flawed as it is contrary to the spirit and wording of the legislation. The following sub-sections shall substantiate this claim.

### 2.1.1. “Use”

A semantical analysis indicates that the word “use”, as a verb, can have four meanings:<sup>27</sup> [1] to put something to a particular purpose; [2] to reduce or finish something, usually by way of a chemical process or through eating/drinking; [3] to say or write particular words or phrases; or [4] to take advantage of, or exploit, a person or situation.

Regardless, all four iterations clearly indicate that “use” requires action, rather than inaction, *vis-à-vis* the thing it is applied or related to. Thus, within the context of trade mark law, “use” should mean any act that results in some form of *representation* of that mark, or a sign identical/similar to it, to consumers on goods and/or services.<sup>28</sup> Both the open-ended list of uses in the EUTMD and the EUTMR<sup>29</sup> and the fact that a trade mark, unlike a registered

<sup>23</sup> *ibid.*, [50] – [53]

<sup>24</sup> *ibid.*, [55]

<sup>25</sup> Case C-206/01 *Arsenal Football Club plc v Matthew Reed (“Arsenal”)* ECLI:EU:C:2002:651, [48] – a trade mark’s essential function is to indicate the commercial origin of particular goods or services.

<sup>26</sup> “*Mitsubishi*”, (n 14), [48]

<sup>27</sup> Cambridge English Dictionary Online <<https://dictionary.cambridge.org/dictionary/english/use>>, accessed 13<sup>th</sup> July 2020

<sup>28</sup> F Angelini and SV Galletti, ‘If You Remove It, You Use It: The Court of Justice of the European Union on Debranding – On the *Mitsubishi v Duma* Judgement by the Court of Justice of the European Union’ (2019) 109 *TMR* 875, 877

<sup>29</sup> Directive (EU) 2015/2436 of the European Parliament and of the Council of 16<sup>th</sup> December 2015 to approximate the laws of the Member States relating to trade marks (“EUTMD”) [2015] OJ L336/1, Article 10(3)(a) – (f), L336/11; Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14<sup>th</sup> June 2017 on the European Union trade mark (“EUTMR”) [2017] OJ L154/1, Article 9(3)(a) – (f), L154/11; J Mellor QC *et al*, *Kerly’s Law of Trade marks and Trade Names* (Sweet & Maxwell, 16<sup>th</sup> ed, 2017) (“*Kerly*”), §16-014

design (“RCD”),<sup>30</sup> must be registered for specific goods and/or services, further confirms this interpretation.<sup>31</sup>

The EUTMD and the EUTMR provide that a trade mark proprietor must put their mark to “genuine use” within a five-year period following its registration, unless there are proper reasons for non-use.<sup>32</sup> Using a mark in a form that does not alter its distinctive character, as well as affixing it to packaging and goods solely for international exportation, are specifically regarded as situations of “genuine use”.<sup>33</sup> Furthermore, “genuine use” must be more than merely tokenistic, consistent with a trade mark’s essential function – it must entail use of the mark on the market for the goods and services it is applied to.<sup>34</sup> This clearly indicates the need for some form of positive action in order for a finding of “use” to be made – the author submits that a proprietor using their trade mark in the “*Mitsubishi*” sense could legitimately be subject to invalidation proceedings for non-use.

The absence of any provisions under EU trade mark law concerning de-branding must be taken to indicate the legislative intent to exclude such conduct from the trade mark regime. The divergent treatment of de-branding under the national laws of Member States demonstrates that, in order to constitute an actionable ground of trade mark infringement, an express provision must be made.<sup>35</sup> In the absence of such express provision, debranding has been decisively rejected as a form of actionable use for the purposes of trade mark infringement.<sup>36</sup> Furthermore, both the EUTMD and the EUTMR provide that their application is without prejudice to the rights of aggrieved parties to seek redress under national unfair competition laws,<sup>37</sup> thereby recognising that any such legislation is separate and distinct from EU trade mark law, and remains unharmonized. Consequently, it is submitted that EU trade mark law

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<sup>30</sup> Council Regulation (EC) No 6/2002 of 12<sup>th</sup> December 2001 on Community designs (“CDR”) [2002] OJ L3/1, Article 36(6), L3/11

<sup>31</sup> EUTMD, (n 44), Article 37(1)(c), L336/18; EUMTR, (n 44), Article 31(1)(c), L154/18

<sup>32</sup> EUTMD, (n 44), Article 16(1), L336/13; EUTMR, (n 44), Article 18(1), L154/13

<sup>33</sup> EUTMD, (n 44), Article 16(5), L336/13; EUTMR, (n 44), Article 18(1), L154/13

<sup>34</sup> Case C-40/01 *Ansul BV v Ajax Brandbeveiliging BV (“Ansul”)* ECLI:EU:C:2003:145, [36] – [37]; Case C-259/02 *La Mer Technology Inc v Laboratories Goemar SA (“La Mer”)* ECLI:EU:C:2004:50, [27]; Case T-300/12 *Lidl Stiftung & Co KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (“Lidl”)* ECLI:EU:T:2014:864, [26] & [53]

<sup>35</sup> The French IP Code expressly states that the removal of a lawfully affixed trade mark constitutes a form of trade mark infringement. See *Code de la propriété intellectuelle*, Article L713-2.

<sup>36</sup> Both the UK and Germany have rejected the notion that de-branding equates to use of a trade mark. See *Boehringer Ingelheim KG and Another v Swingward Ltd* [2008] EWCA Civ 83, [51] – [53] (Jacob LJ) and BGH, Judgement of 12<sup>th</sup> July 2007, I ZR 148/04 (“*CORDARONE*”), [24].

<sup>37</sup> EUTMD, (n 44), Recital 40, L336/6; EUTMR, (n 44), Article 17(2), L154/13

cannot and should not be interpreted to “fill the gaps” resulting from lack of EU harmonisation of unfair competition, unlike the US’ Lanham Act.<sup>38</sup>

### 2.1.2. “In the Course of Trade”

The CJEU’s observation on the relevance of the Defendants’ de-branding and rebranding of the goods within a customs warehouse procedure is subject to less criticism since it satisfies both requirements noted in “*Arsenal*”,<sup>39</sup> namely that such use must take place in the context of commercial activity with a view to economic advantage and not as a private matter. However, in the absence of both “use” and identity/similarity, this conclusion makes little difference, since an action for infringement must be premised on proof of *all* the constituent elements contained in the legislation. Furthermore, relying too heavily on the “*Arsenal*” test creates backdoor harmonisation of unfair competition law within the EU, since it allows trade mark proprietors to claim trade mark “infringement” to combat commercial acts, rather than those legitimately threatening their IP rights;<sup>40</sup> differences will always exist in the treatment of such acts within various EU Member States until the treatment of such conduct is harmonised via legislative action.<sup>41</sup> As so often is the case, the CJEU’s relative inexperience in specialist subject matter is highlighted due to its over-enthusiasm to maintain the integrity of EU laws and customs.<sup>42</sup>

### 2.1.3. “Identical or Similar”

The AG noted that Duma and GSI did not rebrand the forklifts with a sign identical or similar to that used by Mitsubishi or MCFE.<sup>43</sup> The CJEU itself conceded that the Defendants did not use any signs identical or similar to the trade mark at any point,<sup>44</sup> choosing to focus wholly on its observation that de-branding alone constituted interference with the trade mark’s

<sup>38</sup> 15 USC §1051 *et seq.*

<sup>39</sup> Case C-206/01 *Arsenal Football Club plc v Matthew Reed* (“*Arsenal*”) ECLI:EU:C:2002:651, [40]; *Kerly*, (n 44), §16-033

<sup>40</sup> Angelini and Galletti, (n 43), 883

<sup>41</sup> “AG Opinion”, (n 37), [91]

<sup>42</sup> There is a dearth of case law by the CJEU which purports to resolve issues in the interpretation of competition law within the EU under Articles 101 and 102 of the Treaty on the Functioning of the European Union (“TFEU”). However, many such cases appear to create more confusion instead from a competition perspective. For a brief discussion on one such case where the CJEU overemphasised the integrity of the internal market and harmonisation over those of consumer welfare and unfettered competition, see S Parimalam, ‘Vertical Agreements, ATP, and Minimum RPM – Revisiting on of EU Competition Law’s Oldest Fallacies’ (2019) 1 *Lincoln’s Inn Student Law Journal* 53. Readers are also directed to A Jones and B Sufirin, *EU Competition Law: Text, Cases, and Materials* (OUP, 6th ed, 2016).

<sup>43</sup> “AG Opinion”, (n 37), [32]

<sup>44</sup> “*Mitsubishi*”, (n 14), [41]

functions.<sup>45</sup> This creates a logical fallacy, since it implies a finding of infringement without the need for a third party's actions to have any correlation to a trade mark. This, in turn, amalgamates trade mark protection with that provided by other IP rights by permitting acts interfering with the physical goods themselves to constitute infringement.

This fully contradicts the underlying rationale for granting trade mark protection. Trade marks *must* indicate the commercial origin of the goods or services they are applied to.<sup>46</sup> Nothing more, nothing less. Rewarding of inventive or creative efforts is a matter for other areas of IP law. Patents protect manufacturers of any novel product or process of industrial application involving an inventive step.<sup>47</sup> Authors can rely on copyright law under the InfoSoc Directive<sup>48</sup> and related jurisprudence by the CJEU<sup>49</sup> to protect their expressions of creative freedom. RCDs provide patent-style protection on similar terms for designers.<sup>50</sup> Consumers may associate certain trade marks with better quality products, but those marks themselves cannot add any substantial value to the goods they are applied to.<sup>51</sup>

#### 2.1.4. *Effect on Functions*

“Use” infringes if it effects the functions of a trade mark,<sup>52</sup> i.e., if any particular act by a third party were to disturb the very essence for which a trade mark is affixed to goods or used in relation to services. In “*Mitsubishi*”, however, this connection was never present – a trade mark can only perform its functions if it remains visible on goods for consumers to see.<sup>53</sup> De-branding trade marked goods with a view to parallel importation deprives proprietors of

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<sup>45</sup> *ibid.*, [42] – [43]

<sup>46</sup> Zappalaglio, (n 3), 77; C Fink, ‘Entering the Jungle of Intellectual Property Rights Exhaustion and Parallel Importation’ in C Fink and KE Maskus, *Intellectual Property and Development: Lessons from a Recent Economic Research* (OUP 2005), 174

<sup>47</sup> Convention on the Grant of European Patents (European Patent Convention) of 5 October 1973, as revised by the Act revising Article 63 EPC of 17 December 1991 and the Act revising the EPC of 29 November 2000 (“EPC”), Article 52(1)

<sup>48</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22<sup>nd</sup> May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (“InfoSoc Directive”) [2001] OJ L167/10

<sup>49</sup> Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* (“*Infopaq*”) ECLI:EU:C:2009:465; Case C-145/10 *Eva-Maria Painer v Standard VerlagsGmbH and Others* (“*Painer*”) ECLI:EU:C:2011:798

<sup>50</sup> CDR, (n 45)

<sup>51</sup> EUTMD, (n 44), Article 4(1)(e)(iii), L336/7; EUMTR, (n 44), Article 7(1)(e)(iii), L154/8

<sup>52</sup> *Kerly*, (n 44), §16-043; Case C-63/97 *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Ronald Karel Deenik* (“*BMW v Deenik*”) ECLI:EU:C:1999:82, [38]. In Case C-487/07 *L’Oréal SA and Others v Bellure NV and Others* (“*L’Oréal*”) ECLI:EU:C:2009:378, the CJEU noted that a trade mark’s additional functions include guaranteeing the quality of goods and services, as well as communication, investment, and advertising.

<sup>53</sup> Angelini and Galletti, (n 43), 882 – 883; C Gielen, ‘Debranding: A form of Trade mark Infringement? A Discussion of the CJEU Decision in *Mitsubishi/Duma*’ (2019) 41 *EIPR* 605, 606



their ability to claim *additional remuneration* for those goods<sup>54</sup> on the basis of an incorrectly interpreted legal fiction.<sup>55</sup> It does not deprive them of their exclusive rights *per se*, which have already been lawfully exercised upon first sale.

A trade mark's additional functions are merely subsets of its essential function. The CJEU itself notes this truism – “[A] trade mark is always supposed to fulfil its function of indicating origin, whereas it performs its other functions only insofar as its proprietor uses it to that end”.<sup>56</sup> Thus, the preferable view is to consider only interference with a trade mark's essential function as actionable; the needless expansion of a trade mark's functions to include legal protection for the myriad of ways it *might* be used as an instrument of commercial strategy is unnecessary *from a trade mark perspective*. By detracting from the rationale for trade mark protection,<sup>57</sup> “*Mitsubishi*” promotes the delegitimization of trade mark protection in the eyes of the public and consumers.

## 2.2. *Wrongful Consideration of Exhaustion Doctrine*

At the outset, the CJEU considered de-branding as irreconcilable with the EU's conception of exhaustion since it prevents proprietors from controlling the first sale of goods bearing their mark.<sup>58</sup> However, by its own admission, it recognised that Duma and GSI never sold the forklifts within the EEA under Mitsubishi or MCFE's trade marks.<sup>59</sup> Herein lies another logical fallacy – exhaustion and its exemptions can only be applied where some nexus exists between the trade mark and the goods as first sold within the EEA, not as an independent concept in its own right.

The CJEU's jurisprudence from “*Silhouette*”<sup>60</sup> to “*Van Doren + Q*”<sup>61</sup> all indicate that exhaustion is a defence available to a third party accused of reselling products within the EEA bearing a trade mark, or a sign which is identical or similar to it. Those cases also illustrate the onerous conditions a third party must comply to rely on such a defence, and further stipulate that this defence applies in such a manner to wholly prohibit parallel importation within the

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<sup>54</sup> Angelini and Galletti, (n 43), 882

<sup>55</sup> See Section 2(2), below

<sup>56</sup> Case C-323/09 *Interflora Inc v Marks & Spencer plc* (“*Interflora*”) ECLI:EU:C:2011:604, [40]

<sup>57</sup> See Section 2(1)(c), below

<sup>58</sup> “*Mitsubishi*”, (n 14), [44]

<sup>59</sup> *ibid.*, [41]

<sup>60</sup> Case C-355/96 *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* (“*Silhouette*”) ECLI:EU:C:1998:374

<sup>61</sup> Case C-244/00 *Van Doren + Q. GmbH v Lifestyle sports + sportswear Handelsgesellschaft mbH and another* (“*Van Doren + Q*”) ECLI:EU:C:2003:204

EEA.<sup>62</sup> However, those cases are distinguishable from “*Mitsubishi*” in two respects. Firstly, the Defendants in all those cases alleged that the exhaustion doctrine provided them with a defence, unlike in “*Mitsubishi*”.<sup>63</sup> Secondly, those cases concerned the instances where exhaustion was found inapplicable to ensure that proprietors retained control over their *trade mark* as affixed on those goods, not the goods *in abstracto*.

Whilst both the EUTMD and the EUTMR have harmonised national trade mark laws to adopt regional exhaustion, they make no indication as to whether such exhaustion is the minimum standard, or the ultimate one.<sup>64</sup> The author considers the former view to be preferable. Bearing in mind the author’s earlier submission that a trade mark’s additional functions are a subset of its essential function, the economic value of a trade mark should simply be the fair price attributable to it for designating the commercial origin of goods or services. *Ex hypothesi*, since all trade marks must be capable of making this distinction, the amount added to the sale price of a product on this basis must be the same for every registered trade mark. This would reflect the truism that any differences in consumer preference are based on the differences in the specific characteristics of the goods themselves, rather than due to the particular trade mark(s) they bear.

### 3. Second objection – incomplete theory of harm

In “*Mitsubishi*”, the CJEU’s decision was heavily premised on Mitsubishi and MCFE’s allegation that Duma and GSI’s actions were calculated to circumvent its jurisprudence enjoining parallel imports within the EEA, while the AG’s opinion was predominantly based on the lack of use by them. The lack of any actual or potential harm from a trade mark perspective has already been discussed.<sup>65</sup> The forthcoming discussion shall endeavour to show that a similar lack of harm arises when considering the usual objections<sup>66</sup> to parallel importing.

#### 3.1. Consumer Confusion

Unlike the situation in *Colgate*, the Duma and GSI actively disassociated Mitsubishi and MCFE’s trade mark from the goods. Furthermore, nothing in either the AG’s opinion or the CJEU’s decision indicates that consumers would still recognise the Claimants’ goods after

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<sup>62</sup> Zappalaglio, (n 3), 73 – 75

<sup>63</sup> AG Opinion, (n 37), [30]

<sup>64</sup> T Hays, *Parallel Importation Under EU Law* (Sweet & Maxwell, 2004), 296

<sup>65</sup> See Section 2(1)(b) – (c), above

<sup>66</sup> *supra*, (n 9) – (n 12)

the Defendants' rebranding and thus, lead to any perception of a commercial link between the parties.

### **3.2. "Free Riding"**

In rebranding the goods with their own signs and marks, the Defendants assumed complete responsibility over their sale.<sup>67</sup> Consumers would purchase the rebranded forklifts from them based on their professional reputation, and not that of the Claimants. With regards to the CJEU's ruling, nevertheless, the Defendants' actions affected the Claimants' right to the development of any *future* reputation/goodwill using their trade mark originally affixed on the goods, whilst such considerations might form the basis of an objection under unfair competition law,<sup>68</sup> they remain outside the scope of EU trade mark law.<sup>69</sup>

### **3.3. Lack of Incentivisation for Innovation**

Whilst it is true that every forklift that the Defendant sells within the EEA *may* constitute one less sale for the Claimants *within the EEA*, reduced profit margins are not the concern of IP law. Trade mark protection is *one element* within the overall objective of undistorted competition, but it is not a substitute or miracle cure for the *lacunae* in the EU's competition regime. Additionally, the Defendants are selling original goods lawfully purchased in a third country – the selling price of those goods, as determined by the Claimants or any economically linked undertaking(s), would (and should) already have accounted for all the relevant IP rights associated with their production. Ergo, the proceeds of such sale(s) have already remunerated the Claimants.

### **3.4. Black Market Proliferation**

The Defendants did not seek to sell the goods under the Claimants' trade mark. The question of whether they might find it easier to sell pirated versions of the Claimants' goods alongside their parallel imports only become relevant when both types of goods bear similar or identical trade marks and signs. At present, if the Defendants were to sell such pirated goods, the Claimants would have no harder task of rooting out such illegality than if they would with any other counterfeiter.

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<sup>67</sup> AG Opinion, (n 37), [43]

<sup>68</sup> Gielen, (n 68), 607

<sup>69</sup> See Section 2(1), above

#### 4. Third objection – No competitive advantages

The author's third objection against the CJEU's decision requires further appreciation of the three main economic schools rationalising competition protection. The Harvard School contends that the structure of any given market determines the conduct of undertakings operating within it, which in turn influences the performance within that market ("SCP theory").<sup>70</sup> The Chicago School emphasises the importance of consumers within the market, whilst theorising that market deficiencies are self-correcting.<sup>71</sup> In other words, the overarching objective of competition law ought to be the pursuit of efficiency, but does not seem to accurately define *whose* efficiency ought to be protected. Finally, the Austrian School suggests that individuals place their own, subjective value on particular goods, i.e., the marginal utility of those goods, which then influences their value, as opposed to the labour inputs for those goods.<sup>72</sup> As such, competition in innovation will always be more important than price competition, since it constitutes a more effective means of obtaining a competitive advantage.<sup>73</sup> Despite these differing rationales, the author suggests that a central theme of all three approaches is common – some form of advantage to consumers, either in the form of lower prices or technologically superior products through a combination of protecting consumers and competitors accordingly. Recognising this, the CJEU's competition jurisprudence<sup>74</sup> has consistently referenced the need to protect not only the interests of individual competitors or consumers, but also the structure of the market and the competition as such.<sup>75</sup>

"*Mitsubishi*" is at odds with this, however, since despite repeating the often-quoted mantra that trade mark law constitutes an indispensable part of the system of maintaining unfettered competition within the EEA, the CJEU's decision does nothing to advance consumer welfare. In fact, it directly hinders such welfare.

##### 4.1. Unjustified Double Remuneration

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<sup>70</sup> A Jones and B Sufirin, *EU Competition Law: Text, Cases, and Materials* (OUP, 6<sup>th</sup> ed, 2016), 13

<sup>71</sup> *ibid.*, 14

<sup>72</sup> C Menger, *Principles of Economics* (Reprinted, Ludwig von Mises Institute, 2007)

<sup>73</sup> JA Schumpeter, *Capitalism, Socialism and Democracy* (Harper, 1942)

<sup>74</sup> See generally: Case 27/76 *United Brands Company and Another v Commission of the European Communities* ("*United Brands*") ECLI:EU:C:1978:22; Case C-52/09 *Konkurrensverket v Teliasonera Sverige AB* ("*Teliasonera*") ECLI:EU:C:2011:83; Case C-95/04P *British Airways v Commission of the European Communities* ("*British Airways*") ECLI:EU:C:2007:166

<sup>75</sup> Case C-8/08 *T-Mobile Netherlands BV and Others v Raad van bestuur van de Nederlandse Mededingingsautoriteit* ("*T-Mobile*") ECLI:EU:C:2009:343, [38]

As noted above, the Defendants' conduct did not cause any loss of incentivisation to the Claimants – the latter were already commensurately rewarded during the first sale of the goods.<sup>76</sup> However, by delegitimising the Defendants' conduct, the CJEU has inadvertently rubber-stamped the provision of double remuneration for trade mark proprietors without the need for them to show any provable loss or harm. The CJEU created an amalgamated right whereby non-use can be regarded as use and where infringement can occur even without any nexus between a third party's conduct and a proprietor's trade mark, without ever elaborating on *why* such a right is necessary from either an IP or competition perspective. This course of action is ill-advised as it effectively protects businesses against bad commercial decisions; this should *never* be a concern for *any* law.

#### ***4.2. No Advantages to Competitors or Consumers***

The absence of any actual or potential harm from either a trade mark or an economic perspective, coupled with the lack of justifications for ensuring double remuneration for the Claimants, could be “cured” *if* estopping the Defendants resulted in some advantages to consumers. Yet, this is not the case: consumers would be deprived of choosing between the Claimants' forklifts and the Defendants' forklifts and of the price competition and variations in aftermarket support etc. that this would entail. They would be forced to purchase *only* the Claimants' forklifts – therefore, if the Claimants are a market dominant player, consumers would be at their mercy. Arguing that competition law will then get involved to protect consumers is akin to closing the door after the horse has bolted. Additionally, preventing the Defendants from engaging in such conduct is directly detrimental to competitors, since it creates an artificial barrier to entry.

### **5. Practical Significance**

The author considers “*Mitsubishi*” as contrary to the accepted notions of EU trade mark law. Furthermore, it presents no discernible issues associated traditionally with parallel importing or EU competition law. It appears that the CJEU has finally been confronted with a clear case of unfair competitive acts by an undertaking and, in struggling to find a solution within the EU law, has decided to unjustly extend the scope of trade mark infringement. Unfair competition, as noted above, still remains within the remit of the national laws of EU Member States, and any changes to the *commune acquis* must start with an amendment to the EU

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<sup>76</sup> See Section 3(3), above

Treaties, followed by the adoption of Regulations and/or Directives by the EU Legislature. It would be ill-advised for the CJEU to overstep its authority and attempt backdoor harmonisation, but it would not be the first time in either IP law or competition law where it has appeared to do so, presumably due to a lack of appreciation of the nuances in those areas.

In any case, careful analysis must be undertaken as to the true harm arising from debranding and rebranding lawfully made goods. A superficial analysis, such as that by the CJEU in *“Mitsubishi”*, which merely restates existing principles of law without tying them to the particular facts of the case, is of little use to anyone. The CJEU’s traditional “tunnel vision” approach towards developing the overall goals of the EU and protecting the integrity of its earlier decisions must be made to yield to common sense and new developments in business and technology. Any area of law stretched beyond its logical boundaries loses sight of its ultimate objective and, consequently, its legitimacy in the eyes of the public.

The author’s view should not, however, be taken to suggest that trade mark proprietors must have their rights curtailed to less than what they have traditionally enjoyed. Rightsholders must be fairly rewarded for their ability to distinguish themselves from their competitors on the marketplace, *but* the rights that third parties have traditionally enjoyed must not be ignored. Neither party should enjoy an unjustified extension of their existing rights or liberties. The author also does not consider the promotion of consumer welfare to mean that everyone must be capable of purchasing every product available. However, they should not be so limited in their purchasing options such as to be wholly at the mercy of large (but not necessarily dominant) manufacturers and their authorised distributors. Nor should new businesses be prevented from utilising existing legal channels to establish themselves on any given market.