

European Union: Expansion of Exhaustion of Trademark Rights Principle

Schweppes v. Red Paralela and Others (case C-291/16, December 20, 2017)

Ownership Background

Prior to 1999, all the SCHWEPPES trademarks (“SCHWEPPES Marks”) registered in the European Economic Area (“EEA”), including in the UK, were owned by Cadbury Schweppes. [More](#)

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Ownership Background

Prior to 1999, all the SCHWEPPES trademarks (“SCHWEPPES Marks”) registered in the European Economic Area (“EEA”), including in the UK, were owned by Cadbury Schweppes. In 1999, Cadbury Schweppes sold the SCHWEPPES registrations in the UK and ten other EU member states to Coca-Cola/Atlantic Industries (“Coca-Cola”) (“Coca-Cola parallel marks”), retaining ownership of the remaining SCHWEPPES marks, including those registered in Spain, through its Spanish subsidiary, Schweppes SA (“Spanish parallel marks”). After various acquisitions and restructurings, the Spanish parallel marks came under ownership by Schweppes International Ltd., a UK Company (“Schweppes International”). Schweppes International granted Schweppes SA an exclusive license over the Spanish parallel marks. Schweppes SA and Schweppes International are controlled by Orangina Schweppes Holding BV (a Netherlands company), which is the ultimate parent company of the Orangina Schweppes group (“Orangina”).

The Litigation

On May 29, 2014, Schweppes SA (owner of the Spanish parallel marks) brought infringement proceedings before Commercial Court No. 8 (Barcelona, Spain) (“Barcelona Court”), against Red

Paralela SL and Red Paralela BCN SI (formerly Carbòniques Montaner SL) (collectively, “Red Paralela”), objecting to Red Paralela’s import into and distribution in Spain of bottles of SCHWEPPEs brand tonic originating in the UK. In particular, Schweppes SA claimed that the subject goods were manufactured and placed on the market not by itself or with its consent as trademark owner in Spain, but by Coca-Cola, which had no economic or legal connection with Orangina. Accordingly, given the identical marks and goods, consumers would not be able to distinguish the origin of the subject goods.

In its defense, Red Paralela argued that “...the Schweppes goods originating in Member States of the European Union where Coca-Cola is the proprietor of the parallel [Coca-Cola] trademarks, have been exhausted.” Red Paralela also claimed that “there are undeniable legal and economic links between Coca-Cola and Schweppes International in their joint exploitation of the sign ‘Schweppes’ as a universal trademark.” (Decision, par. 13).

Questions Referred

The Barcelona Court stayed the proceedings and referred the following questions to the ECJ:

(1) Is it compatible with Article 36 TFEU [Treaty on the Functioning of the European Union] and with Article 7(1) of Directive 2008/95 [Exhaustion of the rights conferred by a trademark] and Article 15(1) of Directive [2015/2436] [approximating the laws of the Member States relating to trademarks] for the proprietor of a trademark in one or more Member States to prevent the parallel importing or marketing of goods coming from another Member State which bear a trademark that is identical or practically identical and is owned by a third party, **when that proprietor has promoted a global trademark image that is associated with the Member State from which the goods whose import it seeks to prohibit originate?** (Emphasis added.)

(2) Is it compatible with Article 36 TFEU and with Article 7(1) of Directive 2008/95 and Article 15(1) of Directive 2015/2436 for goods to be sold under a trademark, which is well known, within the European Union **when the registered proprietors maintain throughout the EEA a global trademark image which gives rise to confusion in the minds of average consumers concerning the commercial origin of the goods?** (Emphasis added.)

(3) Is it compatible with Article 36 TFEU and with Article 7(1) of Directive 2008/95 and Article 15(1) of Directive 2015/2436 for the proprietor of identical or similar national trademarks registered in various

Member States to oppose the importation into a Member State **where it owns the trademark of goods, bearing a trademark identical or similar to its own, coming from a Member State in which it is not the proprietor, when in at least one other Member State where it is ... the proprietor of the trademark it has expressly or tacitly consented to the importation of those same goods?** (Emphasis added.)

(4) Is it compatible with Article 7(1) of Directive 2008/95 and Article 15(1) of Directive 2015/2436 and with Article 36 TFEU for the proprietor A of a trademark X registered in one Member State to oppose the importation of goods bearing that trademark if those goods come from another Member State where a trademark Y, identical to trademark X, belongs to another proprietor B which markets it and:

– proprietors A and B **maintain intense commercial and economic relations, although, strictly speaking, there is no dependency** between them regarding the joint exploitation of trademark X; (Emphasis added.)

– proprietors A and B **maintain a coordinated trademark strategy deliberately promoting vis-à-vis the relevant public an appearance or image of a single global trademark; or** (Emphasis added.)

– proprietors A and B maintain intense commercial and economic relations, although, strictly speaking, there is no dependency between them regarding the joint exploitation of the trademark X, **and in addition they maintain a coordinated trademark strategy deliberately promoting vis-à-vis the relevant public an appearance or image of a single global trademark?** (Emphasis added.)

Decision, par. 16.

ECJ Decision

In ruling in Red Paralela's favor on the issue of exhaustion, the ECJ concluded that Article 7(1) of Directive 2008/95 (read in light of Article 36 TFEU) "preclude[s] the proprietor of a national trademark from opposing the import of identical goods bearing the same mark originating in another Member State in which that mark, which initially belonged to that proprietor, is now owned by a third party which has acquired the rights thereto by assignment, when, following that assignment,

– the proprietor, either acting alone or maintaining its coordinated trademark strategy with that third party, has actively and deliberately continued to promote the appearance or image of a single global

trademark, thereby generating or increasing confusion on the part of the public concerned as to the commercial origin of goods bearing that mark,

Or

– there exist economic links between the proprietor and that third party, inasmuch as they coordinate their commercial policies or reach an agreement in order to exercise joint control over the use of the trademark, so that it is possible for them to determine, directly or indirectly, the goods to which the trademark is affixed and to control the quality of those goods.

Decision, par. 55

Result and Implications

Given the facts found by the referring court, including especially those evidencing Schweppes International's continued promotion of SCHWEPPES as a global mark and Coca-Cola's contribution to maintaining that global image, it seems quite likely that Red Paralela may not be held liable for infringement. More generally, the court's interpretation of the relevant law has taken the principle of exhaustion beyond situations in which trademarks are held by "economically linked" companies, to circumstances where the parties involved have actively promoted the subject mark as a global brand. Whether the numerous facts in this case evidencing ties between/among the parties will serve to limit broader application of this principle remains to be seen.

Primary Contacts

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