# Kluwer Trademark Blog

## European trademark law in Wonderland

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CJEU 16 July 2015, C-681/13, Diageo Brands/Simiramida **available here**

Law can be strange and European law even stranger. The CJEU decision in this case reads as another fantasy novel where European exhaustion has become worldwide and an infringement a perfectly permissible act. All this because the overall principle of mutual trust in the administration of justice in the Union justifies that also trademark decisions that are evidently wrong should be recognised without the need for an additional procedure.

In this case Diageo seized a container with a large quantity of parallel imported bottles of whisky of its trademark JOHNNY WALKER in the Bulgarian port of Varna. The bottles originated from Georgia and hence fell outside the scope of European trademark exhaustion. The district court of Sofia allowed the seizure, but in appeal things went wrong for Diageo and the seizure was lifted. The appeal to the Bulgarian court of cassation failed as well and also in the full court proceedings the Sofia court kept applying worldwide exhaustion referring to a decision of the Bulgarian court of cassation who, apparently, interpreted the rule of European exhaustion as to apply worldwide. Tired of the Bulgarian stubbornness and trying to get back to right side of the looking glass, Diageo gave up. However, Simiranida did not, and started proceedings for damages against Diageo in the Netherlands. There the matter went up to the Supreme Court who asked the CJEU to clarify the conflict between the rules of European procedural law and the basic principle that wrong decisions should be remedied.

To create one Union, it is important that the member states of the EU recognise each other's decisions as if they were their own. If the courts of each member state would retry every decision coming out of another member state to check if the decision is really correct, the principle of free movement of goods/services would become obsolete. Hence, the rule of the Brussels Regulation (now 1215/2012, in this case still the old version 44/2001) that decisions of member state courts should be accepted without an additional procedure. Nevertheless, what should one do if a member state court renders an evidently false decision as in this case? The Brussels Regulation does provide for the option for a national court to refuse to recognise a decision if such recognition is manifestly contrary to public policy (ordre public) in the Member State addressed. So, was the clearly false Bulgarian decision as to trademark exhaustion contrary to public policy?

The answer is no, unfortunately for us trademark practitioners. The CJEU held that the provisions of the Trademarks Directive are part of a minimal harmonisation and although trademark exhaustion has a direct effect on the functioning of the internal market, this does not mean that an

incorrect application of that rule would qualify as infringement of a fundamental infringement of legal order of the Union. That puts European trademark law in a somewhat more humble position that we may have hoped for and in this case quashed all hopes for Diageo. Worse for Diageo, since it lost the proceedings against Simiramida, this infringer was even entitled to claim back its legal costs under the Enforcement Directive and is likely to be able to claim damages for a seizure that was lawful, until the Bulgarian courts decided it was not.

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