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Exhaustion of the rights conferred by a trade mark: Exceptions

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The legal concept of exhaustion of the rights conferred by a trade mark was transposed to the Portuguese Industrial Property Code following the approval of Directive 89/104/CEE of 21.12.88. The provision concerning the exhaustion of rights was updated in 2003 with the approval of the new Portuguese Industrial Property Code, as per article 259º, no. 1.

Although the legal concept has been fully integrated in the Portuguese Legal System, the exceptions provided for in no. 2 of article 259º still continue of dubious interpretation and, sometimes, implementation, in part due to the wording “legitimate reasons”.

In fact, the Portuguese translation of “exhaustion of rights” due to its specific semantic meaning in Portuguese has been interpreted as meaning an effective “rights compression”, therefore allowing a limited, but relevant, number of exceptions to the rule’s application. As opposed to an effective exhaustion of rights which evokes a real rights disappearance.

As referred the number of exceptions the trade mark owner can exercise are limited and have been circumscribed by the Portuguese studies in the following group of legitimate reasons:

1. Offenses to the integrity of the product;
2. Likelihood of association; and,
3. Protection of brand reputation.

Offences to the integrity of a trademark are intended to protect the trade mark owners from any activity that might prejudice the true nature of its products. As stated in the most recent case law only serious changes and/or adulterations of a product which imply a serious and relevant modification of the original characteristics of the same are legally considered. On the other hand, repairs, slight changes or product maintenance cannot be considered. Furthermore, the commercial sector must be considered as to clearly define the bounds of an intervention.

The likelihood of association has been recognized as a legitimate reason and can be exercised by the trade mark owner whenever a third party removes the trade mark from the product. The trade mark owner is entitled to demand that the trade mark must be maintained with the product until the final consumer acquires the same.

The protection of the brand reputation was construed to enable a secure defense to the trade mark owner, whenever a third party act might give cause to situations where the public recognition and

prestige of a brand are affected due to offensive and/or contemptuous business or marketing practices.

A final legitimate reason to be considered refers to the marketing and commercial activity of a third party that, by its nature and characteristics may raise doubts in the consumers mind concerning a possible special relation with the trade mark owner.

In Portugal, the situation referred in the previous paragraph has been the most frequent and less consistently decided “legitimate reason”. In fact, is yet to be rendered a decision where the use of a trade mark by a third party in the scope of the a website, social network page or other means of advertisement, on its own, to identify the existence for sale of such products is, or is not, and if so, to which extent, a legitimate reason for the trade mark owner to oppose to the exhaustion of the rights.

As per the Portuguese most recent case law, the exhaustion of the rights conferred by a trade mark must be invoked by the interested party (and not through the Court’s own moto) as the trade mark holder must be entitled to exercise the right to submit further allegations to demonstrate “legitimate reasons”.

Considering the aforesaid and the recent developments in the Portuguese case law, the Portuguese market may expect further clarification to the legitimate reasons based on aggressive commercial policies in the near future.

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