

Sharing the Burden of Proof in Parallel Importation Cases: A Proposal for a Synthesis of United States and European Union Trademark Law

In the European Economic Area¹ (EEA), the European Court of Justice (ECJ) has recently held that parallel importers of trademarked goods carry the burden of proving that the mark holder consented to the importation of such goods within the EEA.² While the United States has allocated the burden of proof on the trademark holder under the Lanham Act,³ the burden of proof is on the parallel importer under the Tariff Act.⁴ First, this paper will demonstrate the inadequacy of the current allocation of the burden of proof under the United States Tariff Act.⁵ Second, this paper will demonstrate the need for the ECJ to clarify the parallel importer's burden of proof in trade mark infringement cases. Finally, this paper will propose changes to both the United States' and the European Union's (E.U.) allocation of the burden of proof. For the purpose of simplicity, this paper will address the trademark holder as the "plaintiff" and the parallel importer as the "defendant."

I. THE UNITED STATES' BURDEN OF PROOF

The United States trademark law governing the parallel importation of genuine goods is found primarily in sections 42 and 32 of the Lanham Act and section 526 of the Tariff Act of 1930.⁶ Under the Lanham Act, the burden of proof is on the plaintiff to prove that the goods are not "genuine" and thus likely to cause consumer confusion.⁷

1. See Agreement on the European Economic Area, May 2, 1992, EU-Nor-Ice-Liech, EEA Supplement to the Official Jour. of the Eur. Comm, EFTA Secretariat (extending EU market to Liechtenstein, Norway and Sweden).

2. See Joined Cases C-414/99, C-415/99, C-416/99, Zino Davidoff SA v. A&G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd., 2001 ECJ CELEX LEXIS 2523, at *29 ¶54 (indicating burden of proof is on parallel importer); Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette Int'l Schmied v. Hartlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INT'L & COMP. L. 267 (2000) (explaining that parallel importers buy goods in one market to sell them in more expensive markets); *Consent of Trade Mark Holder Cannot be Inferred*, THE TIMES (London), Nov. 23, 2001, at 3; *Trademark Owners Can Block Imports*, BRAND STRATEGY, Jan. 9, 2002, at 2 (explaining parallel importer has a heavy burden of proof).

3. The Lanham Act of 1946, 15 U.S.C. §§ 1051-1127 (1994).

4. The Tariff Act of 1930 § 526, 15 U.S.C. § 1526(a) (1994).

5. *Id.*

6. 15 U.S.C. §§ 1114, 1124 (1994); 15 U.S.C. § 1526(a) (1994). See Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette Int'l Schmied v. Hartlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INT'L & COMP. L. at 283.

7. 15 U.S.C. § 1114(a) (1994). See *Diamond Supply Co. v. Prudential Paper Products Co.*, 589 F. Supp.

Generally, genuine goods are those “which emanate from the plaintiff or his affiliates,” are intended for sale in the United States market, and comply with any quality control measures the plaintiff trademark owner has established.⁸ If the plaintiff fails to carry this burden, the “unauthorized sale of [genuine] goods does not give rise to a claim for trademark infringement.”⁹

Under the Lanham Act a trademark holder has “the right to control the quality of the goods manufactured and sold under the . . . trademark.”¹⁰ Where a parallel importer sells goods without maintaining the mark holder’s quality control procedures, “the sale of the goods [is] sufficient ‘use’ for it to be liable for . . . infringement and its claimed lack of knowledge of its supplier’s infringement, even if true, provides no defense.”¹¹ Thus in *El Greco Leather Products v. Shoe World*,¹² the goods were not genuine because the parallel importer failed to obtain the certificates of quality approval required by the mark holder’s licensing agreement with the manufacturer.¹³ Likewise, in *Davidoff & CIE SA v. PLD Int. Corp.*,¹⁴ where a third party removed batch codes on the mark holders products, the goods were deemed not genuine because “the defendants [deprived the plaintiff mark holder] of their exclusive right to control the quality of their products.”¹⁵

Furthermore if goods are manufactured under quality control measures that are not established by the mark holder, the goods are not genuine.¹⁶ Consequently, in *Shell Oil Co. v. Commercial Petroleum Inc.*,¹⁷ the court found an infringement where the third party implemented its own quality control procedures.¹⁸

The plaintiff’s right to control quality measures, however, may be waived if the plaintiff has not previously enforced such quality control procedures.¹⁹ In *Polymer Technology Corp. v. Emile Mimran*,²⁰ the mark holder claimed that the defendant had infringed its trademark by not complying with the Food and Drug Administration’s (FDA) quality requirements.²¹ The *Polymer* court, while

470, 476 (S.D.N.Y. 1984) (finding no infringement where goods were produced at plaintiff’s behest and were unaltered upon resale).

8. *El Greco Leather Products Co., Inc. v. Shoe World, Inc.*, 806 F.2d 392, 398 (2d Cir. 1986) (citing 3A Callaman, UNFAIR COMPETITION TRADEMARKS AND MONOPOLIES § 21.06 at 23 (L. Altman fourth ed. 1983)). See *Original Appalachian Artworks, Inc. v. Granada Electronics*, 816 F.2d 68, 73 (2d Cir. 1987) (holding goods that were not intended for United States market were not genuine goods); *El Greco*, 806 F.2d at 396 (holding goods not complying with mark holder’s quality control measures were not genuine goods).

9. *Sasson Jeans, Inc. v. Sasson Jeans, L.A.*, 632 F. Supp. 1525, 1528 (S.D.N.Y. 1986).

10. The Lanham Act of 1946, 15 U.S.C. §1051 (1994). See also *El Greco*, 806 F.2d at 395 (explaining under Lanham Act mark holder has a right to control quality).

11. *El Greco Leather Products Co., Inc. v. Shoe World, Inc.*, 806 F.2d 392, 396 (2d Cir. 1986) (finding an infringement where the importer failed to obtain quality control certificates from the mark holder).

12. *Id.*

13. *Id.*

14. *Davidoff & CIE SA v. PLD Int. Corp.*, No.00-2635-Civ-Middlebrooks, 2000 U.S. Dist. LEXIS 19423 (D. Fl. Sept. 25, 2000).

15. *Id.* at *13.

16. See *Shell Oil Company v. Commercial Petroleum Inc.*, 928 F.2d 104, 107 (1991) (holding quality control measures must be established by mark holder).

17. *Id.*

18. *Id.*

19. See *Matrix Essentials, Inc., v. Emporium Drug Mart*, 988 F.2d 587, 591 (5th Cir. 1993) (rejecting plaintiff’s infringement claims where plaintiff itself had failed to maintain quality control measures).

20. *Polymer Tech. Corp. v. Emile Mimran*, 37 F.3d 74 (2d Cir. 1994).

21. *Id.* at 79.

noting that the trademark holder was subject to criminal penalty for failure to comply with the FDA's requirements, found that the mark holder must impose similar requirements on its authorized distributors in order to claim infringement by a non-complying third party.²² Likewise, in *Diamond Supply Co. v. Prudential Paper Products*,²³ where the plaintiff mark holder told the defendant manufacturer to "do whatever it wanted" with rejected supplies, it thereby waived its right to enforce quality control procedures when the goods were sold to a third party.²⁴

Restrictive contract language may also affect the genuine status of a good.²⁵ Thus a plaintiff may bear his burden by proving the goods in question were intended for sale on a foreign market or for a different class and that their resale on the current market causes confusion among customers.²⁶ If a trademark holder's "intent to restrict resale [to a class of customers or territory] is clear," the parallel importer may be held liable for infringement regardless of his knowledge of the restriction.²⁷ In such a case, the burden is on the plaintiff to show that the sale of the goods was contractually restricted and the goods are materially different from those on the United States market.²⁸ Thus in *Original Appalachian Artworks v. Granada Electronics*,²⁹ the court found an infringement where the mark holder had contractually restricted the sale of its goods by a licensee to the territory of Spain.³⁰ The *Original* Court concluded that because the instructions for the goods manufactured in Spain were in a different language from those distributed in the United States, they were materially different and thus confusing to the public.³¹ The *Original* court, however, noted that there generally is no infringement where the goods sold by the parallel importer are manufactured for sale in the United States, despite differences or inferior quality to those manufactured in the United States.³²

The material differences in the products must lead to the confusion of customers.³³ In *Polymer Tech Corp. v. Emile Mimran*,³⁴ the plaintiff mark holder had not included contractual restrictions but had labeled the goods "for

22. *Id.*

23. *Diamond Supply Co. v. Prudential Paper Products Co.*, 589 F. Supp. 470 (S.D.N.Y. 1984).

24. *Id.* at 476.

25. See *Original Appalachian Artworks v. Granada Electronics*, 816 F.2d 68, 73 (2d Cir. 1987) (explaining goods were not genuine because they were intended only for Spanish market); *Polymer Tech. Corp. v. Emile Mimran*, 975 F.2d 58, 64 (2d Cir. 1992) (noting lack of a contractual restriction in trademark holder's licensing agreement), *aff'd per curiam*, 37 F.3d 74 (2d Cir. 1994).

26. See generally *Original Appalachian Artworks v. Granada Electronics*, 640 F. Supp. 928 (S.D.N.Y. 1986) (holding goods under a restrictive agreement and not intended for United States market were not genuine), *aff'd per curiam*, 816 F.2d 68 (2d Cir. 1987).

27. *Polymer Tech. Corp. v. Emile Mimran*, 975 F.2d 58, 64 (2d Cir. 1992), *aff'd*, 37 F.3d 74 (2d Cir. 1994).

28. See *id.* at 62. See also *Original Appalachian Artworks v. Granada Electronics*, 816 F.2d at 73 (explaining a likelihood of consumer confusion existed where goods' instructions were in a different language).

29. *Original Appalachian Artworks v. Granada Electronics*, 640 F. Supp. 928 (S.D.N.Y. 1986), *aff'd*, 816 F.2d 68 (2d Cir. 1987).

30. *Id.* at 933.

31. *Id.*

32. *Id.* See also *Sasson Jeans, Inc. v. Sasson Jean, L.A., Inc.*, 632 F. Supp. 1525, 1528-29 (S.D.N.Y. 1986) (stressing there is no infringement for "unauthorized sale of authorized goods").

33. See *Polymer Tech. Corp. v. Emile Mimran*, 37 F.3d 74, 89 (2d Cir. 1994).

34. *Polymer Tech Corp v. Emile Mimran*, 975 F.2d 58 (2d Cir. 1992), *aff'd*, 37 F.3d 74 (2d Cir. 1994).

professional dispensing only.”³⁵ The *Polymer* court found that the defendant could not be liable for infringement if there was not a contractual restriction on resale.³⁶ In addition, the *Polymer* court noted that even if there was a contractual restriction, the trademark owner must prove consumer confusion.³⁷ Subsequently, the *Polymer* Court concluded that there was no infringement because the plaintiff failed to prove that the label would cause consumer confusion when sold in a retail store.³⁸

United States trademark owners also receive protection under section 526 of the Tariff Act.³⁹ The Tariff Act generally prohibits the importation of goods under a trademark owned by a United States citizen without the written consent of the trademark holder.⁴⁰ The Tariff Act was the congressional response to a court of appeals decision that failed to enjoin a foreign trademark owner from importing its goods into the United States after it sold the trademark and distribution rights to a domestic firm.⁴¹ There are, however, exceptions to the Tariff Act’s general prohibition of parallel importation.⁴² In *Kmart v. Cartier*,⁴³ the Supreme Court established the “common control exception” which effectively permits the importation of trademarked goods without the consent of the domestic trademark holder “where that mark holder is either a parent, a subsidiary of, or held in common ownership with a foreign manufacturer.”⁴⁴ The common control exception, however, is limited to situations where the imported goods are identical to those on the United States market.⁴⁵ Therefore, if goods are imported by an entity that has a corporate relationship with a domestic trademark holder, the burden is on the plaintiff trademark holder to prove the goods in question are materially different from those on the United States market.⁴⁶

The Court in *Kmart*, while allowing for the common control exception to the Tariff Act, rejected a proposed “authorized use exception.”⁴⁷ The Court reasoned that the authorized use exception would allow a third party who bought the goods from a foreign manufacturer to legally import those goods into the United States without the permission of the mark holder, resulting in

35. *Id.* at 61.

36. *Polymer Tech Corp v. Emile Mimran*, 37 F.3d 74, 80 (2d Cir. 1994) .

37. *See id.*

38. *See id.*

39. The Tariff Act of 1930, 15 U.S.C. § 526 (1994).

40. *Id.* But see *Kmart v. Cartier*, 486 U.S. 281, 283 (1988) (introducing general exception to Tariff Act of 1930 for commonly owned entities).

41. *See Kmart*, 486 U.S. at 281 (discussing purpose of Tariff Act to protect good will of investor); *A Bourjois & Co v. Katzel*, 275 F. 539 (2d Cir. 1921), *rev'd* , 260 U.S. 689 (1923) (failing to enjoin importation of a foreign mark holder after it sold rights to United States firm).

42. *See generally Kmart*, 486 U.S. 281 (detailing common control exception to Tariff Act).

43. 486 U.S. 281 (1988).

44. *Kmart*, 486 U.S. at 282; *Olympus Corp v. United States*, 792 F.2d 315, 317 (2d. Cir.1986). *See also* 19 C.F.R. § 133.21 (c) (2) (1985) (codifying common control exception).

45. *Kmart v. Cartier*, 486 U.S. 281, 283 (1988). *See Lever Bros. Co. v. United States*, 981 F.2d 1330, 1339 (D.C. Cir. 1993) (holding Lanham Act bars importation of physically different goods despite common control exception); *Olympus*, 792 F.2d at 321 (explaining Lanham Act only applies if goods are materially different).

46. *See Lever*, 981 F.2d at 1331 (noting plaintiff trademark holder’s argument that material differences between goods caused consumer confusion).

47. *See Kmart*, 486 U.S. at 282.

“steep intrabrand competition.”⁴⁸ The Court concluded that if such parallel importation were permitted it could “jeopardize the trademark holder’s investment.”⁴⁹

A parallel importer who violates the Tariff Act may be subject to damages and profits and required to either export or destroy the merchandise.⁵⁰ While trademark owners must register their authorized licensees with Customs, the mere listing of an authorized licensee does not indicate the trademark holder’s consent to imports by that licensee or by a third party.⁵¹ Customs interpretation of the Tariff Act merely provides administrative ease by allowing Customs to exclude importers who are not listed as licensees of the domestic trademark holder.⁵²

In summary, cases involving violations of the Lanham Act turn on the plaintiff’s ability to prove the goods in question are not genuine and thus likely to cause confusion.⁵³ Because the burden of proof is allocated to the plaintiff in these actions, the goods are presumed to be on the market with the brand owner’s consent.⁵⁴ This presumption is in accord with the general rule that an “unauthorized sale of authorized [or genuine] goods does not give rise to a claim for trademark infringement.”⁵⁵ If the plaintiff is able to prove that the goods are not genuine and likely to cause confusion, the presumption fails and the defendant parallel importer is liable for infringement.⁵⁶ If however, the plaintiff fails to carry this burden of proof, the presumption of consent stands.⁵⁷ The concept of waiver under the Lanham Act could be characterized as the trademark holder’s implied consent.⁵⁸ By failing to adequately enforce quality control measures or include unambiguous contractual restrictions, the trademark holder has impliedly consented or waived his right to protest further resale.⁵⁹

In contrast, under the Tariff Act the burden is on the defendant to prove it had the express written consent of the trademark holder, or that the goods are identical and it has a corporate relationship with the trademark holder.⁶⁰ There

48. *Id.* at 286

49. *Id.*

50. Tariff Act of 1930, 15 U.S.C. § 1526 (1994).

51. See 19 C.F.R. §§ 133.21 (c), 133.21-.24 (1985). See also *Original Appalachian Artworks v. Granada Electronics*, 640 F. Supp at 933 (noting trademark holder had registered its authorized licensees as required by Customs); *Olympus Corp v. United States*, 792 F.2d 315, 320 (2d Cir. 1986) (maintaining that while Customs may fail to reject goods, mark holder may still bring an infringement suit).

52. 15 U.S.C. § 1526. See *Olympus*, 792 F.2d at 320.

53. The Lanham Act of 1946, 15 U.S.C. § 1051 (1994). See *Diamond Supply Co. v. Prudential Paper Products Co.*, 589 F. Supp. 470, 476 (S.D.N.Y.1984) (explaining the burden under the Lanham Act).

54. See Thomas Hays, *The Burden of Proof In Parallel Importation Cases*, 8 EUR. INTELL. PROP. REV. 353 (2000).

55. *Sassoon Jeans, Inc. v. Sassoon Jeans, L.A.*, 632 F. Supp. 1525, 1528 (S.D.N.Y 1986).

56. See *Original*, 640 F. Supp at 933 (holding defendant liable for infringement where goods were not genuine).

57. *Id.*

58. The Lanham Act of 1946, 15 U.S.C. § 1051 (1994).

59. See *Polymer Tech. Corp. v. Emile Mimran*, 975 F.2d 58, 64 (2d Cir. 1992) (noting lack of a contractual restriction in trademark holder’s licensing agreement); *Polymer Tech. Corp. v. Emile Mimran*, 37 F.3d 74, 79 (2d Cir. 1994) (finding no infringement where plaintiff itself had not complied with quality control procedures).

60. The Tariff Act of 1930, 19 U.S.C. § 1526. See *Sassoon*, 632 F. Supp. at 1529 (finding for defendant importer where plaintiff had provided a letter extending licensing agreement); *Olympus Corp. v. United States*, 792 F.2d 315, 321 (2d Cir. 1986) (finding for foreign defendant company under common control exception).

is a lack of implied consent cases under the Tariff Act, which is likely a consequence of the decision in *Kmart v. Cartier*.⁶¹ As a result of the *Kmart*⁶² decision, if a third party buys goods from an independent foreign manufacturer under a territorially restrictive agreement and imports them into the United States without written consent it has violated the Tariff Act.⁶³ The Court's interpretation of the Tariff Act in *Kmart* does not envision the possibility of implied consent cases.⁶⁴ It is foreseeable that a trademark holder who negligently failed to enforce territorial restrictions or quality controls on its authorized licensees could prevail under the Tariff Act.⁶⁵ Although the foreign defendant importer may prove the goods are identical to those on the United States market, because they were imported without written consent of the trademark holder, this alone arguably would not suffice.⁶⁶ Under the Tariff Act the goods could then be subject to forfeiture or seizure.⁶⁷

Paradoxically, it appears that if this hypothetical trademark holder sought relief under the Lanham Act, it could fail to carry the requisite burden of proof.⁶⁸ Under the Lanham Act the plaintiff must prove that the goods are not genuine.⁶⁹ It is foreseeable that goods produced by an independent foreign licensee could be identical to those on the United States market.⁷⁰ If the goods are identical to those on the United States market it is unlikely there would be confusion among customers.⁷¹ Moreover, it's arguable that the plaintiff has impliedly consented to the importation by not enforcing restrictions.⁷² Under the current Tariff Act, however, the defendant is not able to show waiver or implied consent.⁷³

61. *Kmart*, 486 U.S. 281; Tariff Act of 1930, 15 U.S.C. § 1526.

62. *Kmart*, 486 U.S. 281.

63. *Id.* See also *id.* at 282 (holding authorized use exception is "in conflict with the unequivocal language of the Tariff Act").

64. *Id.* See also 15 U.S.C. § 1526 (requiring express consent of the trademark holder).

65. 15 U.S.C. § 1526.

66. See 15 U.S.C. § 1526; *Kmart*, 486 U.S. at 282-88 (introducing exception to consent requirement for commonly owned entities but rejecting authorized use exception).

67. See 15 U.S.C. § 1526(c) (indicating that foreign imports are subject to seizure and forfeiture if imported without written consent). *But see* *Olympus Corp v. United States*, 792 F.2d 315, 321 (2d Cir. 1986) (refusing to grant an injunction where defendant importer was commonly controlled).

68. The Lanham Act of 1946, 15 U.S.C. § 1051. See *Olympus*, 792 F.2d at 321 (explaining Lanham Act only applies if goods are materially different); *Original Appalachian Artworks v. Granada Electronics, Inc.*, 816 F.2d 68, 73 (2d Cir. 1997) (noting domestic mark holder arguably could not be hurt by importation of identical goods); *Polymer Tech. Corp. v. Emile Mimran*, 37 F.3d 74, 79 (2d Cir. 1994) (finding no infringement where plaintiff itself had not complied with quality control procedures); *Polymer*, 37 F.3d at 79 (explaining that under Lanham Act "Even if there [is] a contractual restriction, the [plaintiff] must prove consumer confusion.").

69. 15 U.S.C. § 1051. See *Diamond Supply Co. v. Prudential Paper Products Co.*, 589 F. Supp. 470, 476 (S.D.N.Y. 1984) (noting plaintiff must prove goods are not genuine).

70. See *Monte Carlo Shirt Inc. v. Daewoo Int. Corp.*, 707 F.2d 1054, 1058 (9th Cir. 1983) (finding goods produced and sold by licensed foreign manufacturer were genuine). *But see* *El Greco Leather Products Co. v. Shoe World*, 806 F.2d 392 (2d Cir. 1986) (finding identical goods not genuine because importer did not comply with maintained quality control procedures).

71. See *Original*, 816 F.2d at 73 (noting domestic trademark holder arguably would not be hurt by importation of identical goods).

72. See *Polymer*, 37 F.3d at 79 (finding trademark holder must impose similar requirements on authorized distributors in order to claim infringement); *Diamond*, 589 F. Supp. at 476 (declaring no infringement where plaintiff told the manufacturer to "do whatever it wanted" with supplies).

73. The Tariff Act of 1930, 15 U.S.C. § 1526. See *Kmart v. Cartier*, 486 U.S. at 282-83 (accepting only common control exception to written consent requirement under Tariff Act).

The *Kmart* decision was incorrect to the extent that it rejected the authorized use exception.⁷⁴ As Justice Brennan explained in his dissenting opinion in *Kmart*, if the legislators who created the Tariff Act could have foreseen the possibility of a trademark owner being able to license an independent manufacturer in a restricted territory, they would have concluded that such licensor no longer could prevent importation of those goods via the Tariff Act.⁷⁵ Furthermore the Court in *Kmart* reasoned that if the authorized use exception were allowed it would cause “steep intrabrand competition.”⁷⁶ However, the main focus of United States Antitrust law is interbrand competition.⁷⁷ Intrabrand competition would appear to benefit consumers by creating lower prices within a particular brand while decreasing interbrand barriers to entry.⁷⁸ In addition, as Justice Brennan argued in *Kmart*,⁷⁹ the trademark holder’s investment does not need protection from the importation of identical goods without express consent because the trademark owner has the option of choosing not to issue or to provide for termination of licensing agreements.⁸⁰

II. THE EUROPEAN ECONOMIC AREA AND ITS NEW BURDEN OF PROOF

Within the EEA, the parallel importation of trademarked goods is governed by the First Council Directive 89/104/EEC (Directive), which calls for the harmonization of trademark laws among the member states.⁸¹ Article 7(1) of the Directive provides for a principle of Community-wide exhaustion.⁸² This principle provides that once goods have been placed on the market within the EEA either directly or with the trademark holder’s consent, the trademark holder may not subsequently prevent the importation or resale of those goods within another member state.⁸³ Thus in *CentraFarm B.V. v. Winthrop B.V.*,⁸⁴ where the mark holder had placed its goods on the market in the United Kingdom (U.K.), he could not use his Dutch trademark to prevent the defendant from importing goods into the U.K.⁸⁵ Community exhaustion is thus in accord with the goal of the Directive to prevent the obstruction of the free

74. *Kmart v. Cartier*, 486 U.S. 281, 282 (1988).

75. 15 U.S.C. § 1526. See *Kmart*, 486 U.S. at 315.

76. *Kmart v. Cartier*, 486 U.S. 281, 286 (1988).

77. See *Continental TV v. GTE Sylvania*, 433 U.S. 36, 52 (1977) (holding intrabrand competition is secondary in concern to interbrand competition). See also *State Oil Co. v. Khan*, 522 U.S. 3, 13 (1997) (confirming primary concern of antitrust policy is interbrand competition).

78. See *Continental*, 433 U.S. at 52.

79. *Kmart*, 486 U.S. 281.

80. *Id.* at 317. See also *Original Appalachian Artworks v. Granada Electronics, Inc.*, 816 F.2d 68, 73 (2d Cir. 1987) (noting domestic trademark holder arguably could not be hurt by importation of identical goods).

81. Council Directive 89/104/EEC, 1989 O.J. (L 40) 1. See Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette Int’l Schmied V. Hartlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INT’L & COMP. L. 267, 270-271 (2000).

82. *Id.*

83. Council Directive 89/104/EEC, 1989 O.J. (L 40) 1. See Case 16/74, *Centrafarm B.V. v. Winthrop B.V.*, 1974 E.C.R. 1183, 1190 (holding where goods had been placed in the market by mark holder, resale could not be prevented).

84. Case 16/74, *Centrafarm B.V. v. Winthrop B.V.*, 1974 E.C.R. 1183.

85. See *id.* at 1190.

movement of goods within the EEA.⁸⁶ According to Article 7(2) of the Directive, however, the proprietor's rights are not exhausted if the condition of the goods has been changed or altered after they are placed on the market by the trademark holder.⁸⁷

In 1998 the ECJ considered the language of Article 7(1) in *Silhouette v. Hartlauer Hadelsgesellschaft*⁸⁸ and concluded there must be consent for imports from outside of the EEA.⁸⁹ The ECJ further stated that member states are not permitted under the Directive to create national laws providing for international exhaustion.⁹⁰ Thus in *Silhouette v. Hartlauer*⁹¹ the ECJ held that the mark holder was entitled to prevent the importation of goods into the EEA because the goods presumably were marketed outside of the EEA. In *Silhouette*,⁹² however, it was not clear from whom the parallel importer acquired the goods or whether the sale was actually subject to territorial restrictions.⁹³ While the ECJ noted this absence of information it decided the case without these facts and consequently failed to indicate whether the plaintiff or defendant carried the burden of proving the trademark holder's consent.⁹⁴

In *Sebago Inc. v. GB Unic*,⁹⁵ the ECJ confirmed *Silhouette*.⁹⁶ In *Sebago*,⁹⁷ the defendant imported genuine goods into Belgium that he had acquired via a parallel importer who in turn had purchased them from a San Salvadoran manufacturer.⁹⁸ Because the mark holder had sold identical goods within the EEA, the defendant argued the mark holder had "consented" to the marketing of the entire product line within the EEA.⁹⁹ In the alternative, the defendant argued that because the mark holder had not prohibited its licensee manufacturer in El Salvador from exporting goods into the EEA, it "impliedly consented" to the importation of the goods into the EEA.¹⁰⁰ Nevertheless, the

86. See Council Directive 89/104/EEC, 1989 O.J. (L 40) 1.

87. Council Directive 89/104/EEC, 1989 O.J. (L 40) 1. *But see* Zino Davidoff SA v. A & G Imports Ltd., 3 All E.R. 711 (1999) (indicating not all alterations give trademark holder a right to prevent resale).

88. Case C-355/96, *Silhouette Int'l Schmied v. Hartlauer Hadelsgesellschaft*, 1988 E.C.R. I-4799, 2 C.M.L.R. 953 (1998).

89. See *id.* at I-4812 (finding plaintiff could prevent re-importation of goods because they were marketed outside of EU).

90. *Id.* at I-4813. Council Directive 89/104/EEC, 1989 O.J. (L 40) 1. *But see* Op. Adv. Gen. Zino Davidoff SA v. A&G Imports Ltd, C-414/99, C-415/99, C-416/99; Levi Strauss & Co, Levi Strausee (U.K.) Ltd v. Tesco Stores, Tesco plc and Costco Wholesale U.K. Ltd, C-414/99, C-415/99, C-416/99) (2001) (indicating that international exhaustion may apply where mark holder or licensees have exerted control over goods).

91. Case C-355/96, *Silhouette Int'l Schmied v. Hartlauer Hadelsgesellschaft*, 1988 E.C.R. I-4799, 2 C.M.L.R. 953 (1998).

92. *Id.*

93. See *id.* at I-4808.

94. See generally Hays, *supra* note 54, at 353 (noting ECJ failed to allocate a burden of proof in *Silhouette*).

95. Case C-173/98, *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. GB Unic, SA.*, 2 C.M.L.R. 1317 (1999).

96. Case C-355/96, *Silhouette Int'l Schmied v. Hartlauer Hadelsgesellschaft*, (1998) E.C.R. I-4799, 2 C.M.L.R. 953 (1998).

97. Case C-173/98, *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. GB Unic, SA.*, 2 C.M.L.R. 1317 (1999).

98. See *id.* at 1321.

99. See *id.* at 1322.

100. *Id.*

ECJ confirmed *Silhouette*¹⁰¹ and held “consent must relate to each individual item of the product in respect of which exhaustion is pleaded.”¹⁰² Furthermore the ECJ rejected the defendant’s implied consent argument reasoning “that to accept it would be to impose a de facto rule of international exhaustion” making it possible for all parallel imports to be legally admitted into the EEA.¹⁰³ In so concluding, however, the ECJ may have recognized the nonsensicality of barring the parallel import of identical goods when it stated “it would be overreaching to interpret article seven [in such a manner].”¹⁰⁴ Once again, the ECJ failed to address who should bear the burden of proof but rather based its decision on a general perception of a lack of consent.¹⁰⁵

The ECJ’s holding in *Silhouette*¹⁰⁶ has been controversial because some EEA member states favor a policy of international exhaustion.¹⁰⁷ This tension was reflected in 1999 when, despite the ECJ holding in *Silhouette*,¹⁰⁸ the U.K. Chancery Court in *Zino Davidoff SA v. A&G Imports*¹⁰⁹ applied a theory of contract law allowing for international exhaustion.¹¹⁰ In *Davidoff*¹¹¹ the defendant acquired stocks of the plaintiff’s genuine goods some of which apparently came from a distributor under a restricted licensing agreement in Singapore and imported them back into the EEA for sale in England.¹¹² The defendant refused to reveal his suppliers and the batch codes enabling tracing had been erased.¹¹³ The UK Chancery Court noted, “Whoever bears the legal burden of proving where the goods come from. . . the evidentiary burden is on the defendant.”¹¹⁴ Instead of imposing this burden on the defendant, however, the Chancery Court determined that the goods were likely from Singapore and based its decision on what appeared to be a desire to create a rule of

101. Case C-355/96, *Silhouette Int’l Schmied v. Hartlauer Handelsgesellschaft*, (1998) E.C.R. I-4799, 2 C.M.L.R. 953 (1998).

102. Case C-173/98, *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. GB Unic, SA*, 2 C.M.L.R. at 1330 (1999). See Gavin Murphy, *Who’s Wearing The Sunglasses Now*, EUR. COMPETITION L. REV. 2000, 21 (explaining ECJ indicated consent is required for each individual batch of goods).

103. Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. GB Unic, SA*, 2 C.M.L.R. 1317, at 1330 (1999). See Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette International Schmied v. Hartlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INTL & COMP. L. 267, 291 (2000) (citing case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. G-B Unic, S.A.*, 2 C.M.L.R. 1317, at 1326) (1999)).

104. See Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette International Schmied v. Hartlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INT’L & COMP. L. 267, 291 (2000) (citing case C-173/98, *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. G-B Unic, S.A.*, 2 C.M.L.R. 1317, at 1326) (1999)).

105. See Hays, *supra* note 54, at 353.

106. Case C-355/96, *Silhouette Int’l Schmied v. Hartlauer Handelsgesellschaft*, (1988) E.C.R. I-4799, 2 C.M.L.R. 953 (1998).

107. See Anna Carboni, *Zino Davidoff v. A&G Imports Ltd: A Way Around Silhouette*, EUR. INTELL PROP. REV. 1999, 21(10), 524-527 (noting the UK Chancery Court has expressed a policy favoring international exhaustion). See also Christopher Benson, *Fortress Europe-The Battle Continues*, I.C.C.L.R. 1999, 10(9), 265-68.

108. Case C-355/96, *Silhouette Int’l Schmied v. Hartlauer Handelsgesellschaft*, E.C.R. I-4799, [1998] 2 C.M.L.R. 953 (1998).

109. *Zino Davidoff SA v. A&G Imports, Ltd.*, 3 All E.R. 711 (1999).

110. *Id.* at 721.

111. *Zino Davidoff SA v. A&G Imports, Ltd.*, 3 All E.R. 711 (1999).

112. *Id.* at 716.

113. *Id.*

114. *Id.*

international exhaustion.¹¹⁵ Reviewing the ECJ's decision in *Silhouette*,¹¹⁶ the UK Chancery Court stated, "[The ECJ] has bestowed on a trademark owner a parasitic right to interfere with the distribution of goods."¹¹⁷ Using a contract theory, the Chancery Court concluded that where a licensee contract with the distributor does not impose restrictions on all subsequent purchasers, the plaintiff impliedly consents to importation.¹¹⁸ Furthermore, the Court found that erased batch codes were not a sufficient physical or mental change to the products subject matter to prevent importation.¹¹⁹

The U.K. Chancery Court decision in *Zino Davidoff*¹²⁰ was referred to the Advocate General and was rejected.¹²¹ The Advocate General held the meaning of consent could not be based on contract law because contract law has not been harmonized among the member states and it was in direct contravention of the ECJ *Silhouette*¹²² holding for national laws to provide for international exhaustion.¹²³ Furthermore the Advocate General noted that the Chancery Court's implied consent interpretation does not explain why Article 7(1) of the Directive differentiates between the goods being placed on the market by the mark holder himself or with his consent.¹²⁴

Nevertheless, the Advocate General appeared to open up the possibility of international exhaustion under certain circumstances.¹²⁵ The Advocate General held that consent should be defined as the "exclusive right of maximum control over marketing."¹²⁶ The Advocate General explained that the plaintiff's rights would therefore "be exhausted in the case of parallel imports from non-member countries if he or she was able, or could have been able, to control the distribution of the goods in question within the EEA."¹²⁷ In determining whether such a waiver has occurred, the Advocate General explained that the national courts must consider the plaintiff's previous conduct.¹²⁸ For example, depending on the distribution policies taken by the mark holder, "they may . . .

115. See *id.*; Anna Carboni, *Zino Davidoff SA v. A&G Imports Limited: A Way Around Silhouette*, EUR. INTEL. PROP. REV., vol. 199, § 21(10), 524-27 (proposing Davidoff opinion expressed dislike of use of trademarks to preserve price disparities).

116. Case C-355/96, *Silhouette Int'l Schmied v. Hartlauer Handelsgesellschaft*, (1998) E.C.R. I-4799, 2 C.M.L.R. 953 (1998).

117. *Zino Davidoff SA v. A&G Imports, Ltd.*, (1999) 3 All E.R. 711, 12 (1999). See Anna Carboni, *Zino Davidoff v. A&G Imports Ltd: A Way Around Silhouette*, EUR. INTEL. PROP. REV. vol. 199, § 21(10), 524-27.

118. See *Zino Davidoff SA v. A&G Imports, Ltd.*, (1999) 3 All E.R. 711, at 13.

119. *Id.*

120. *Id.*

121. See generally Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd; Levi Strauss & Co, Levi Strausee (UK) Ltd v. Tesco Stores, Tesco plc and Costco Wholesale UK Ltd*, C-414/99, C-415/99, C-416/99 (2001).

122. Case C-355/96, *Silhouette Int'l Schmied v. Hartlauer Handelsgesellschaft*, E.C.R. I-4799, [1998] 2 C.M.L.R. 953).

123. Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd*, C-414/99, C-415/99, C-416/99 at articles 40-42.

124. See *id.* at article 42

125. See *id.* at article 84 (indicating that Art 7(1) should be considered in cases involving importation from outside of the E.U.). See generally Paul Geitner, *British Discounter Gets Boost From European Court Opinion on Cheap Levis*, ASSOCIATED PRESS NEWSWIRE, April 5, 2001, at 2 (indicating that mark holders will no longer have unrestricted rights to prevent imports from outside E.U.).

126. Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd*, C-414/99, C-415/99, C-416/99 at article 87.

127. *Id.*

128. *Id.* at article 99.

give rise to legitimate expectations on the part of other parties which merit protection.”¹²⁹ This statement acknowledges the possibility of implied consent and international exhaustion.¹³⁰ However, the Advocate General held that the national courts could not create a “general presumption of waiver.”¹³¹

In addition, the Advocate General held that where the parties are economically linked, community exhaustion must apply.¹³² Citing the ECJ, the Advocate General explained that control relates to “the possibility of determining, enforcing or monitoring the distribution chain”...[and] “very likely covers marketing by an undertaking itself and marketing via licensees.”¹³³ The Advocate General thus held that an economically linked entity could potentially exert control on behalf of the trademark holder.¹³⁴ However, the Advocate General noted that where a plaintiff has so waived his rights, if the defendant importer, for example, erases the batch codes from the goods in question, the plaintiff may have a legitimate reason to prevent further commercialization within the EEA.¹³⁵

While creating a community-wide definition of consent, the Advocate General gave the responsibility of determining when such consent occurs to the member states’ national courts.¹³⁶ If the burden of proof were placed on the plaintiff to prove that it effectively withheld consent, a presumption would be created that the goods in question are present with the brand owner’s consent.¹³⁷ Because the Advocate General indicated the member states may not create national laws indicating a presumption of waiver, she indirectly indicated that the member states must allocate the burden of proof on the defendant parallel importer.¹³⁸

While the Advocate General’s opinion is not binding, the ECJ “usually adopts the Advocate’s general findings.”¹³⁹ However, the ECJ recently reviewed the *Zino Davidoff*¹⁴⁰ case and, while accepting the Advocate’s

129. *Id.* at article 98.

130. *See id.* *See generally* Emma Cowling, *Jeans War Victory for Tesco*, THE SCOTSMAN, Apr. 6, 2001, at 1 (noting national courts must decide when mark holder has waived his rights); Jonathan Kapstein, *To Discount Or Not to Discount*, THE NATIONAL LAW JOURNAL, Apr. 30, 2001, at 1 (interpreting Advocate General opinion as providing for waiver of trademark holder rights).

131. Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd*, C-414/99, C-415/99, C-416/99 at article 123(3).

132. *Id.* at article 89.

133. Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd*, C-414/99, C-415/99, C-416/99 at articles 90, 91.

134. *Id.*

135. *Id.* at article 120.

136. *See id.* at articles 45, 123(3) (establishing a uniform definition of consent for national courts to interpret); Emma Cowling, *Jeans War Victory for Tesco*, THE SCOTSMAN, Apr. 6, 2001, at 1 (indicating that it has been left to national courts to decide whether waiver has occurred).

137. *See* Hays, *supra* note 54, at 355.

138. *See* Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd*, C-414/99, C-415/99, C-416/99 at article 123(3); Hays, *supra* note 54, at 355 (proposing that a burden of proof on plaintiff mark holder creates a presumption of consent).

139. Paul Geitner, *British Discounter Gets Boost from European Court Opinion on Cheap Levi’s*, ASSOCIATED PRESS NEWSWIRE, Apr. 5, 2001, at 1. *See* Emma Cowling, *Jeans War Victory for Tesco*, THE SCOTSMAN, April 6, 2001, at 2 (noting ECJ has adopted majority of opinions written by its Advocates General); Linda Tsang, *Levi’s Wins Battle Against Cut-Price Clothes*, THE TIMES (London), Nov. 27, 2001, at 1 (expressing surprise that ECJ chose not to follow Advocate’s Opinion given controversy surrounding case).

140. *Joined Cases C-414/99, C-415/99, C-416/99, Zino Davidoff SA v. A&G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd.*, 2001 ECJ CELEX LEXIS 2523.

proposal for a burden of proof on the parallel importer, it rejected the Advocate's interpretation of implied consent or waiver.¹⁴¹

Under the Advocate General's theory, exhaustion could apply where a parallel importer purchases goods from a source in a nonmember country and the trademark holder had the opportunity but failed to include contractual restrictions.¹⁴² In addition, exhaustion would apply where the plaintiff could have or did exert control over the distribution via an economic relationship.¹⁴³ If the defendant subsequently altered the condition of the goods, however, the plaintiff would retain rights to prevent the importation.¹⁴⁴

In contrast, the ECJ held that consent may be implied only where the national court determines that the mark holder's conduct "unequivocally demonstrates that the proprietor has renounced their right[s]. . .".¹⁴⁵ The ECJ further indicated that consent may not be inferred from a lack of contractual restrictions or from the proprietor's mere silence.¹⁴⁶ The ECJ, while noting the circumstances under which consent could not be implied, failed to indicate the facts that would warrant a finding of implied consent. Arguably, the ECJ has left the parallel importer with little room to prove implied consent. Furthermore, while the Advocate General appeared to open the door to the possibility of international exhaustion, the ECJ confirmed the holding in *Silhouette*¹⁴⁷ and thereby confirmed the community exhaustion policy.¹⁴⁸

The ECJ failed to address the Advocate General's economic link proposal.¹⁴⁹ Because the ECJ's judgments are binding on national courts within the EEA, presumably a parallel importer may not prove implied consent by showing an economic link between the mark holder and its distributor source.¹⁵⁰

141. See Op. Advoc. Gen. Zino Davidoff SA v. A&G Imports Ltd, C-414/99, C-415/99, C-416/99 at article 123(3) (indirectly indicating member states must place burden on defendant); *id.* at article 98 (noting national courts could find waiver by considering a mark holders distribution policy); Joined Cases C-414/99, C-415/99, C-416/99, Zino Davidoff SA v. A& G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd., 2001 ECJ CELEX LEXIS 2523 at *29 (indicating burden of proof is on parallel importer not trademark holder); *id.* at *2 (holding implied consent may not be inferred from mere silence or a lack of contract restrictions). See generally Clare Henderson, *Behind Parallel Bars, Cosmetics Industry Hit by European Court of Justice Ruling, SOAP PERFUMERY & COSMETICS*, Dec. 1, 2001, at 1 (stating ECJ ignored Advocate's opinion that mark holder's rights are limited).

142. See Op. Advoc. Gen. Zino Davidoff SA v. A&G Imports Ltd, C-414/99, C-415/99, C-416/99 at article 98 (explaining trademark holder may not deny his prior conduct).

143. See *id.* at article 87.

144. Council Directive 89/104/EEC, 1989 O.J. (L 40) 1.

145. Joined Cases C-414/99, C-415/99, C-416/99, Zino Davidoff SA v. A& G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd., 2001 ECJ CELEX LEXIS 2523 at *2.

146. *Id.* at *26

147. Case C-355/96, *Silhouette Int'l Schmied v. Hartlauer Handelsgesellschaft*, 1988 E.C.R. I-4799, [1998] 2 C.M.L.R. 953.

148. See Op. Advoc. Gen. Zino Davidoff SA v. A&G Imports Ltd, C-414/99, C-415/99, C-416/99 at article 84 (indicating that Art 7(1) should be considered in cases involving importation from outside of EU); Joined Cases C-414/99, C-415/99, C-416/99, Zino Davidoff SA v. A& G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd., 2001 ECJ CELEX LEXIS 2523 at *21 (citing *Silhouette* and explaining that mark holders retain right to control initial distribution within EU); Paul Geitner, *British Discounter Gets Boost From European Court Opinion on Cheap Levis*, ASSOCIATED PRESS NEWSWIRE, Apr. 5, 2001, at 1 (indicating that mark holders will no longer have unrestricted rights to prevent imports from outside E.U.); *Trademark Owners Can Block Imports*, BRAND STRATEGY, Jan. 9, 2002, at 2 (noting ECJ confirmed *Silhouette*).

149. See Op. Advoc. Gen. Zino Davidoff SA v. A&G Imports Ltd, C-414/99, C-415/99, C-416/99 at articles 87, 90-91 (proposing that community exhaustion must apply where parties are economically linked).

150. See generally Linda Tsang, *Levi's Wins Battle Against Cut-Price Clothes*, THE TIMES (London), Nov. 27, 2001, at 1 (explaining ECJ decision will be applied by U.K. court in *Zino Davidoff*).

III. A COMMUNITY -WIDE BURDEN OF PROOF

The ECJ's decision in *Zino Davidoff*, similar to its decision in *Silhouette*, has been a controversial one.¹⁵¹ The U.K. and Sweden have ardently supported a policy of international exhaustion which would allow for the importation of lower priced gray market goods.¹⁵² In contrast, Italy and France, both boasting large luxury- good industries, support the community exhaustion policy favoring trademark holders.¹⁵³

The ECJ *Davidoff* decision, although controversial in some of its holdings, is also a significant one in that the E.U. has now established a community- wide burden of proof.¹⁵⁴ Without a community-wide burden of proof, the member states' allocation of the evidential burden varies and, accordingly, parallel importers can choose to import into those countries with the most favorable burden of proof.¹⁵⁵ In addition, courts decide parallel importation cases without the history of the goods being before it.¹⁵⁶ The allocation of a burden of proof will bring to light violations of the competition law, breaches of contract, and possibly implied consent or waiver issues, which could affect the outcome of a case.¹⁵⁷ The creation of a community-wide burden of proof on the defendant is also in compliance with the Directive's call for harmonization of trademark law among member states.¹⁵⁸

IV. CONCLUSION

The United States, and recently the EEA, have established burdens of proof that could each be improved. Under both legal systems, the rights of the trademark holder have been extended to the detriment of the consumer.

In contrast to the EEA, the United States has recognized international exhaustion in certain circumstances by allowing for the Tariff Act's common control exception.¹⁵⁹ Under the current Tariff Act, however, the defendant is not

151. See Anna Carboni, *Zino Davidoff v. A&G Imports Ltd: A Way Around Silhouette*, EUR. INTELL. PROP. REV. 1999, 21(10), 524-27 (noting the U.K. Chancery Court has expressed a policy favoring international exhaustion); Christopher Benson, *Fortress Europe-The Battle Continues*, I.C.C.L.R. 1999, 10(9), 265-68; *Trademark Owners Can Block Imports*, BRAND STRATEGY, Jan. 9, 2002, at 1 (indicating some E.U. commentators think ECJ has favored trademark holders to detriment of consumers).

152. See Martin O'Neill, *Shoppers Pay the Price of Label Love*, EVENING NEWS (Edinburgh), Nov. 22, 2001, at 2.

153. *Id.*

154. Joined Cases C-414/99, C-415/99, C-416/99, *Zino Davidoff SA v. A&G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd.*, 2001 ECJ CELEX LEXIS 2523 at *29 (indicating burden of proof is on parallel importer). See Linda Tsang, *Levi's Wins Battle Against Cut-Price Clothes*, THE TIMES (London), Nov. 27, 2001, at 2 (noting "the consensus [among lawyers] is the grey market is no longer a grey area of law.")

155. See Hays, *supra* note 54, at 355 (proposing that parallel importers would "forum shop"); Christopher Benson, *Fortress Europe-The Battle Continues*, I.C.C.L.R. 1999, 10(9), 265-268, at 266 (opining importers look for more favorable forums.)

156. See Hays, *supra* note 54, at 353 (proposing *Silhouette*, *Sebago* and *Davidoff* were decided without commercial history of goods).

157. See *id.* at 354 (proposing courts are not reviewing intrinsic issues that arise in parallel importation cases).

158. See Op. Advoc. Gen. *Zino Davidoff SA v. A&G Imports Ltd*, C-414/99, C-415/99, C-416/99 at article 123(3); Council Directive 89/104/EEC, 1989 O.J. (L 40) 1.

159. The Tariff Act of 1930, 15 U.S.C. § 1526. *But see* *Kmart v. Cartier*, 486 U.S. 281, 283 (1988) (introducing general exception to Tariff Act of 1930 for commonly owned entities).

able to show waiver or implied consent.¹⁶⁰ The Tariff Act should be amended to allow for the authorized use exception rejected in *Kmart*.¹⁶¹

Under the authorized use exception an independent foreign manufacturer could import identical goods where the trademark holder negligently fails to include or enforce contractual restrictions on its authorized distributors. In this manner, the authorized use exception would prevent a domestic trademark holder from using the Tariff Act to manipulate the effectiveness of the Lanham Act.¹⁶²

The EEA burden of proof is similar to the burden of proof under the United States Tariff Act.¹⁶³ While the ECJ stated that consent may be implied, it also indicated that consent may not be implied from a lack of contractual restrictions or the proprietor's mere silence.¹⁶⁴ Furthermore, the ECJ failed to provide the national courts with any guidance as to what set of circumstances would warrant a finding of implied consent.¹⁶⁵ Arguably, the ECJ avoided addressing the implied consent issue because of its stated obligation to comply with Article 7(1) of the Directive that provides for a policy of community exhaustion.¹⁶⁶

The EEA community exhaustion policy extends the trademark holder's rights beyond the essential function and subject matter of the trademark to the detriment of European consumers.¹⁶⁷ While the ECJ is arguably interpreting the Directive correctly, in that it only allows for a policy of community exhaustion, its reasoning in *Sebago* is questionable.¹⁶⁸ The Directive could be amended to allow for international exhaustion under certain circumstances without creating "a de facto rule of international exhaustion."¹⁶⁹

160. 15 U.S.C. § 1526; *Kmart v. Cartier*, 486 U.S. 281, 282-88 (1988) (introducing exception to consent requirement for commonly owned entities but rejecting authorized use exception).

161. *Kmart v. Cartier*, 486 U.S. 281, 282-88 (1988).

162. The Tariff Act of 1930, 15 U.S.C. § 1526; The Lanham Act of 1946, 15 U.S.C. § 1051

163. Joined Cases C-414/99, C-415/99, C-416/99, *Zino Davidoff SA v. A& G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd.*, 2001 ECJ CELEX LEXIS 2523 at *29 (indicating burden of proof is on parallel importer). The Tariff Act of 1930 § 526, 15 U.S.C. § 1526(a) (1994).

164. Joined Cases C-414/99, C-415/99, C-416/99, *Zino Davidoff SA v. A& G Imports Ltd. and Levi Strauss & Co. v. Tesco Stores Ltd.*, 2001 ECJ CELEX LEXIS 2523 at *29 (placing burden of proof on defendant parallel importer to prove implied consent). See also *id.* at *21 (confirming *Silhouette*).

165. *Id.*

166. Council Directive 89/104/EEC, 1989 O.J. 1. See Linda Tsang, *Levi's Wins Battle Against Cut-Price Clothes*, THE TIMES (London), Nov. 27, 2001, at 1 (quoting IP lawyers describing it as a "quirk in the law" requiring legislative action).

167. See Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette Int'l Schmid v. Hartlauer Handelgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INT'L & COMP. L. 267, 274 (2000) (proposing *Silhouette* decision strengthened mark holder's rights to detriment of consumer); Emma Cowling, *Tesco Invokes Human Rights Over Jeans*, THE SCOTSMAN, Dec. 18, 2001, at 1 (noting Tesco plans to appeal judgment of ICJ claiming abuse of international human rights); Jonathan Kapstein, *To Discount or Not to Discount*, THE NATIONAL LAW JOURNAL, Apr. 4, 2001, at 1 (quoting Swedish Minister of Trade, "[trademark law] tilts in favor of trademark holders instead of the consumer"); Mark Smith, *Levi Wins Cheap Jeans Battle Against Tesco*, EVENING NEWS (Edinburgh), Nov. 20, 2001, at 1 (quoting Consumer Association, "[the ECJ's decision is] not a surprise but . . . a great disappointment for consumers."); Linda Tsang, *Levi's Wins Battle Against Cut-Price Clothes*, THE TIMES (London), Nov. 27, 2001, at 1 (noting ECJ Davidoff decision favors brand owner).

168. See Linda Tsang, *Levi's Wins Battle Against Cut-Price Clothes*, THE TIMES (London), Nov. 27, 2001, at 1 (quoting an E.U. lawyer, "the court's interpretation of the law is a correct one and unequivocal"). Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. GB Unnic, A.*, 2 C.M.L.R. 1317 (1999).

169. Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois et Fils, SA v. GB Unnic, A.*, 1999 2 C.M.L.R. 1317, 1330.

European trademark law serves to protect the trademark holder's right to place a marked good into circulation for the first time and to guarantee the origin of a product to consumers.¹⁷⁰ Similarly, United States trademark law serves to protect the trademark holder's investment and prevent consumer confusion.¹⁷¹ Generally, the burden of proof under the Tariff Act, like that of the EEA, requires the parallel importer to prove the trademark holder expressly consented to the importation of its marked goods.¹⁷² The United States Tariff Act, however, allows for importation without consent where the parties are commonly controlled and the goods in question are identical.¹⁷³

The ECJ should address the Advocate General's economic link theory and allow for importation under circumstances similar to those allowed for under the United States Tariff Act.¹⁷⁴ Arguably, a trademark holder within the EEA who is commonly controlled or economically related to a distributor in a nonmember country already reaps the benefits of placing the marked goods on the market for the first time. Furthermore, if the goods in question are identical to those on the market in the EEA, there is no readily apparent need to protect the EEA consumer. In conclusion, the United States and the EEA should share their burdens of proof and thereby more effectively protect the consumer and promote international trade.

Elizabeth Brasser

170. See Lisa Harlander, Note, *Exhaustion of Trademark Rights Beyond the E.U. in Light of Silhouette Int'l Schmied v. Harlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, 28 GA. J. INT'L & COMP. L. REV. 267, 279 (2000) (explaining difference between essential function and specific subject matter of an E.U. trademark).

171. See 15 U.S.C. § 1114(a) (1994) (codifying requirement for an infringement action that goods cause consumer confusion); *Kmart v. Cartier*, 486 U.S. 281 (1988) (discussing purpose of Tariff Act to protect good will of investor).

172. 19 U.S.C. §1526. *But see* *Kmart*, 486 U.S. at 283 (introducing general exception to Tariff Act of 1930 for commonly owned entities).

173. *Id.* See also *Lever Bros. Co. v. United States*, 981 F.2d 1330, 1339 (D.C. Cir. 1993) (holding Lanham Act bars importation of physically different goods despite common control exception).

174. See Op. Advoc. Gen. Zino Davidoff SA v. A&G Imports Ltd, C-414/99, C-415/99, C-416/99 at article 89 (proposing community exhaustion has been applied where parties are economically linked); 19 C.F.R. § 10(c)(2) (1985) (codifying common control exception).

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