

Q294

Exhaustion of trade mark rights

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17

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I. Current law and practice

Please answer the below questions with regard to your Group's current law and practice.

5. A) Causes of/criteria for exhaustion of trade marks rights

1) Can exhaustion of trade mark rights result from any of the following?

- ☒ an act involving the transfer of ownership of goods bearing the trade mark, e.g. the sale of the good, donation or exchange agreement;
- ☒ an act that does not involve a transfer of ownership but transfers the right to dispose of the goods, provided the trade mark holder receives remuneration reflecting the economic value of the goods, e.g. rental or lease ;
- ☒ an act such as placing the goods in the possession of a third party, where the third party does not have independent authority to dispose of the goods, e.g. where the goods are sold on consignment, or there is a retention of title clause over the goods until payment is made in full.

6. 1) (continued) Comments

Based on paragraph 34 of CJEU Decision No. C-9/93. (IHT Internationale Heiztechnik), i.e.: „This principle, known as the exhaustion of rights, applies where the owner of the trade mark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked. A number of situations are covered: products put into circulation by the same undertaking, by a licensee, by a parent company, by a subsidiary of the same group, or by an exclusive distributor.”; and based on paragraphs 39 and 44 of CJEU Decision No. C-16/03. (Peak Holding). i.e.: „where he sells goods bearing his trade mark to a third party in the EEA, the proprietor puts those goods on the market within the meaning of Article 7(1) of the Directive. [...] The answer to the first question must therefore be that Article 7(1) of the Directive must be interpreted as meaning that goods bearing a trade mark cannot be regarded as having been put on the market in the EEA where the proprietor of the trade mark has imported them into the EEA with a view to selling them there or where he has offered them for sale to consumers in the EEA, in his own shops or those of an associated company, without actually selling them.”

7. 2) Can exhaustion of trade mark rights be caused by any of the following?

- ☒ a) a contract of sale,
- ☒ b) a contract of sale with an explicit reservation of ownership
- ☒ c) a contract of cross-border sale within a business concern,
- ☒ d) an exchange agreement,
- ☒ e) a donation agreement,
- ☒ f) a distribution agreement,
- ☒ g) a licence agreement,
- ☒ h) a rental agreement,
- ☒ i) a lease agreement,
- ☒ j) a leasing contract,
- ☐ k) handing over of goods to a forwarder, carrier, agent,
- ☐ l) transit of goods,
- ☐ m) other, please clarify.

8. 2) (continued) Comments

Based on paragraphs 39 and 44 of CJEU Decision No. C-16/03. (Peak Holding).

9. **3)** Which of the following conditions must be met for the trade mark right to be exhausted when goods are put into the market?

- ☒ goods are put into the market exclusively by the trade mark holder or with its consent;
- ☒ goods are put into the market by an entity having a business relationship with the trade mark holder even without the trade mark holder's consent;
- ☒ goods are put into the market by the licensee or sublicensee even without the trade mark holder's consent.

10. **3) (continued)** Comments

Pursuant to Art. 16(1) of Act XI of 1997 on the Protection of Trademarks and Geographical Indications (the "Hungarian Trademark Act") the trade mark holder can't prohibit use of the trademark in relation to goods that have been placed on the market in the EEA by the trade mark holder or by others with its express consent. As per CJEU judgement in case C-9/93 IHT v Ideal Standard (22 June 1994), exhaustion of trade mark rights likewise exists if the goods are put on the market "by an operator with economic links" to the proprietor, for example a licensee. In that case consent is presumed to be present.

11. **4)** What is required regarding the trade mark holder's consent to exhaust the trade mark rights?

- ☒ a) the consent must be expressed in a manner which unequivocally demonstrates the trade mark holder's intention to place the goods on the market in the territory concerned;
- ☒ b) the consent may be implied, but this does not allow a presumption of the existence of consent, e.g. it cannot be inferred from silence;
- ☐ c) the consent must exist at the time of putting the goods into the market;
- ☒ d) the consent may be expressed a posteriori.

12. **4) (continued)** Comments

The CJEU in the joined cases C-414/99 to C-416/99 Davidoff (20 November 2001) stated that "consent" as per Art. 7 of Directive (EU) 89/104 (now Art. 15 of Directive (EU) 2015/2436) must be interpreted uniformly throughout the European Union and concluded that it "must be so expressed that an intention to renounce those rights is unequivocally demonstrated" which "will normally be gathered from an express statement of consent". However, in some cases the consent of the trade mark holder may be implied, where it follows from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his right to oppose placing of the goods on the market within the EEA. Implied consent cannot be inferred from mere silence, ie. (i) from the fact that the proprietor of the trade mark has not communicated to all subsequent purchasers of the goods placed on the market outside the European Economic Area his opposition to marketing within the EEA; (ii) from the fact that the goods carry no warning of a prohibition of their being placed on the market within the European Economic Area; (iii) from the fact that the trade mark proprietor has transferred the ownership of the products bearing the trade mark without imposing any contractual reservations and that, according to the law governing the contract, the property right transferred includes, in the absence of such reservations, an unlimited right of resale or, at the very least, a right to market the goods subsequently within the European Economic Area.

13. **5)** Can contractual agreements or practices override the principle of exhaustion of trade mark rights?

- ☒ a) No, contractual agreements or practices cannot override the principle of exhaustion of trade mark rights.
- ☐ b) Yes, through explicit contractual provisions (e.g., a clause explicitly stating "no exhaustion applies").
- ☐ c) Yes, by indirect mechanisms, such as structuring the transaction as a service agreement rather than a sale.
- ☐ d) Yes, by including explicit restrictions on the product itself (e.g., labeling it "not for resale")
- ☐ e) Other, please clarify.

14. **5) (continued)** Please clarify

15. **B) Legitimate reasons to oppose further commercialization of the trade marked goods**

6) What types of reasons may be deemed legitimate for prohibiting the use of a trade mark in relation to goods subject to exhaustion of trade mark rights?

- ☒ a) alteration or impairment of goods,
- ☒ b) harm to brand reputation,
- ☒ c) risk of consumer confusion,
- ☒ d) deceptive marketing practices,
- ☒ e) repackaging without notice,
- ☒ f) defects in goods,
- ☐ g) economic reasons, such as maintaining higher prices in certain markets,
- ☐ h) trade mark holder's subjective preferences about who resells their goods,
- ☐ i) other, please clarify.

16. **6) (continued)** Please clarify

17. **7)** Under what circumstances can a trade mark holder oppose the refurbishment, disassembly, refilling, or subsequent resale of trade marked goods when trade mark rights have been exhausted?

- ☒ a) alteration or impairment of goods,
- ☒ b) harm to brand reputation,
- ☒ c) risk of consumer confusion,
- ☒ d) deceptive marketing practices
- ☒ e) repackaging without notice,
- ☒ f) defects in goods,
- ☐ g) economic reasons, such as maintaining higher prices in certain markets,
- ☐ h) trade mark holder's subjective preferences about who resells their goods,
- ☐ i) other, please clarify

18. **7) (continued)** Please add comments below

19. **8)** Under what circumstances can a trade mark holder oppose the debranding, rebranding, cobranding, or subsequent resale of trade marked goods when trade mark rights have been exhausted?

- ☒ a) alteration or impairment of goods,
- ☒ b) harm to brand reputation,
- ☒ c) risk of consumer confusion
- ☒ d) deceptive marketing practices,
- ☒ e) repackaging without notice
- ☒ f) defects in goods,
- ☐ g) economic reasons, such as maintaining higher prices in certain markets,
- ☐ h) trade mark holder's subjective preferences about who resells their goods,
- ☐ i) Other, please clarify.

20. **8) (continued)** Please add comments

21. **9)** Can considerations related to the green and sustainable economy influence the assessment of legitimate reasons for altering the condition of goods? If so, in what circumstances?

- ☐ a) In a situation where customization was requested by customers on their own goods, the rights to which have been exhausted in accordance with the law, i.e. the customer has bought the goods and then approached a third party for customization.
- ☐ b) In a situation where the commercialization of the customized goods, the rights to which have been exhausted in accordance with the law, occurs after modifications are made to the goods, and the modifications were not made due to a customer's request, but as a business model, i.e. a business buys several of the goods, modifies them, and then sells the modified goods to the public.
- ☐ c) Other, please clarify.

22. **9) (continued)** Please add comments

In the current Hungarian legal framework in force the green and sustainable economy is not considered as legitimate reasons for altering the condition of goods and is not taken into consideration at the assessment as well.

23. **C) Burden of proof**

10) Which party bears the burden of proof to demonstrate that the trade mark rights were exhausted, solely the party invoking exhaustion of trade mark rights, or generally the party relying on the trade mark rights?

The Hungarian case law is in line with the well-established case law of the CJEU, namely that in infringement cases the party relying on the trade mark right (the claimant) needs to prove that the trademark is valid and the defendant has infringed the trade mark right by use, while the defendant invoking exhaustion of trade mark rights bears the burden of proof to demonstrate that the trade mark rights were exhausted (e.g. case no. FIT 8.Pf.20.699/2007/19.).

24. **10) (continued)** Please clarify

25. **11)** Can the burden of proof shift to the other party, and if so, under what circumstances?

YES.

26. **11) (continued)** Please add comments

Yes, in limited cases in line with the judgements of the CJEU (e.g. Hewlett Packard v. Senetic (C-367/21); Van Dorren (C-244/00)). If placing the burden on the defendant enables the trade mark holder to partition markets and maintain price disparities across EU Member States, the burden must shift to the trade mark holder.

II) Policy considerations and proposals for improvements of your Group's current law

Current Law

27. **12)** Do you consider your Group's current law or practice relating to exhaustion of trade mark rights adequate, or do you consider that the law should be changed? Please answer YES or NO and explain.

☒ Yes

☐ No

28. **12) (continued)** Please clarify

YES, we believe that the current Hungarian law and practice relating to exhaustion of trade mark rights adequate.

29. **13)** Could any of the following aspects of your Group's current law or practice relating to the exhaustion of trade mark rights be improved? If YES, please explain.

☐ a) Causes of/criteria for exhaustion of trademark rights.

☐ b) Legitimate reasons to oppose further commercialization of trademarked

☐ c) Burden of proof..

30. **13) (continued)** Please clarify

NO improvement needed.

31. **14)** Do you consider your Group's current law or practice relating to exhaustion of trade mark rights adequately address the goals of a green and sustainable economy, and how can legitimate reasons for opposing further commercialization be aligned to promote sustainability?

32. **14) (continued)** Please clarify

33. **15)** Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question? Please answer YES or NO and explain.

☐ Yes

☒ No

34. **15) (continued)** Please clarify

NO proposals.

III) Proposals for harmonisation

35. **16)** Do you believe that there should be harmonisation in relation to issues regarding exhaustion of trade mark rights? Please answer YES or NO.

If YES, please respond to the following questions WITHOUT regard to your Group's current law or practice.

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

☒ Yes

☐ No

36. **16) (continued)** Please add comments

37. **Causes of/criteria for exhaustion of trade marks rights**

17) Should exhaustion of trade mark rights result from any of the following?

- ☒ a) an act involving the transfer of ownership of goods bearing the trade mark ,e.g. the sale of the good, donation or exchange agreement;
- ☒ b) an act that does not involve a transfer of ownership but transfers the right to dispose of the goods, provided the trade mark holder receives remuneration reflecting the economic value of the goods, e.g. rental or lease;
- ☒ c) an act such as placing the goods in the possession of a third party, where the third party does not have independent authority to dispose of the goods, e.g. where the goods are sold on consignment, or there is a retention of title clause over the goods until payment is made in full.

38. **17) (continued)** Please clarify

39. **18)** Should exhaustion of the trade mark rights be caused by any of the following?

- ☒ a) a contract of sale
- ☒ b) a contract of sale with an explicit reservation of ownership,
- ☒ c) a contract of cross-border sale within a business concern,
- ☒ d) an exchange agreement,
- ☒ e) a donation agreement,
- ☒ f) a distribution agreement
- ☒ g) a licence agreement,
- ☒ h) a rental agreement,
- ☒ i) a lease agreement,
- ☒ j) a leasing contract,
- ☐ k) handing over of goods to a forwarder, carrier, agent,
- ☐ l) transit of goods,
- ☐ m) other, please clarify

40. **18) m) (continued)** Please clarify

41. **19)** Which of the following conditions must be met for the trade mark right to be exhausted when goods are put into the market?

- ☒ a) goods should be put into the market exclusively by the trade mark holder or with its consent;
- ☒ b) goods should be put into the market by an entity having a business relationship with the trade mark holder even without the trade mark holder's consent
- ☒ c) goods should be put into the market by the licensee or sublicensee even without the trade mark holder's consent.

42. **19) (continued)** Please add comments

43. **19) (continued)** Please add comments

44. **20)** What should be required regarding the trade mark holder's consent to exhaust the trade mark right?

- ☒ a) The consent must be expressed in a manner which unequivocally demonstrates the trade mark holder's intention to place the goods on the market in the territory concerned;
- ☒ b) The consent may be implied, but this does not allow a presumption of the existence of consent, e.g. it cannot be inferred from silence;
- ☐ c) The consent must exist at the time of putting the goods into the market;
- ☒ d) The consent may be expressed a posteriori

45. **20) (continued)** Please add comments

46. **20) (continued)** Please add comments

47. **21)** Should contractual agreements or practices override the principle of exhaustion of trade mark rights? If yes, which of the following:

- ☒ a) No, contractual agreements or practices should not override the principle of exhaustion of trade mark rights.
- ☐ b) Through explicit contractual provisions (e.g., a clause explicitly stating "no exhaustion applies").
- ☐ c) By indirect mechanisms, such as structuring the transaction as a service agreement rather than a sale.
- ☐ d) By including explicit restrictions on the product itself (e.g., labeling it "not for resale").
- ☐ e) other, please clarify.

48. **21) e)** Please clarify

49. **21) (continued)** Please add comments

The purpose of the exhaustion principle is to ensure the free movement of goods within the EU/EEA and is a shield for market freedom and competition. Allowing it to be overridden by a private contract would undermine its purpose.

50. **Legitimate reasons to oppose further commercialization of the trade marked goods**

22) What types of reasons should be deemed legitimate for prohibiting the use of a trade mark in relation to goods subject to exhaustion of trade mark rights?

- ☒ a) alteration or impairment of goods,
- ☒ b) harm to brand reputation,
- ☒ c) risk of consumer confusion,
- ☒ d) deceptive marketing practices,
- ☒ e) repackaging without notice,
- ☒ f) defects in goods,
- ☐ g) economic reasons, such as maintaining higher prices in certain markets,
- ☐ h) trade mark holder's subjective preferences about who resells their goods,
- ☐ i) other, please clarify.

51. **22) i)** (continued) Please clarify

52. **22) (continued)** Please add comments

53. **23)** Under what circumstances should a trade mark holder have the right to oppose the refurbishment, disassembly, refilling, or subsequent resale of trade marked goods when trade mark rights have been exhausted?

- ☒ a) alteration or impairment of goods,
- ☒ b) harm to brand reputation,
- ☒ c) risk of consumer confusion,
- ☒ d) deceptive marketing practices,
- ☒ e) repackaging without notice,
- ☒ f) defects in goods,
- ☐ g) economic reasons, such as maintaining higher prices in certain markets,
- ☐ h) trade mark holder's subjective preferences about who resells their goods,
- ☐ i) other, please clarify

54. **23) (continued)** Please add comments

55. **24)** Under what circumstances should a trade mark holder have the right to oppose the debranding, rebranding, cobranding, or subsequent resale of trade marked goods when trade mark rights have been exhausted?

- ☒ a) alteration or impairment of goods,
- ☒ b) harm to brand reputation,
- ☒ c) risk of consumer confusion,
- ☒ d) deceptive marketing practices,
- ☒ e) repackaging without notice,
- ☒ f) defects in goods,
- ☐ g) economic reasons, such as maintaining higher prices in certain markets,
- ☐ h) trade mark holder's subjective preferences about who resells their goods,
- ☐ i) other, please clarify

56. **24) (continued)** Please add comments

All of the above highlighted items are considered "legitimate reasons" within the meaning of Article 15(2) of the EUTMR as interpreted by the Court of Justice of the European Union (CJEU). We believe that these exceptions provide a fair balance between the exclusive rights of rightholders and the economic interests of resellers.

57. **25)** Should considerations related to the green and sustainable economy influence the assessment of legitimate reasons for altering the condition of goods? If so, in what circumstances?

- ☐ a) In a situation where customization was requested by customers on their own goods the rights to which have been exhausted in accordance with the law, i.e. the customer has bought the goods and then approached a third party for customization;
- ☐ b) In a situation where the commercialization of the customized goods the rights to which have been exhausted in accordance with the law, occurs after modifications are made to the goods, and the modifications were not made due to a customer request, but as a business model, i.e. a business buys several of the goods, modifies them, and then sells the modified goods to the public
- ☐ c) Other, please clarify.

58. **25) (continued)** Please add comments

Yes. It is crucial to strike a balance between encouraging eco-friendly practices and upholding intellectual property rights. Trademark law could evolve to better accommodate the green economy without compromising trademark owners' rights or creating significant legal ambiguity. Products that are altered for sustainability purposes, such as being refurbished, repaired, or upcycled, could have different exhaustion thresholds, allowing these practices without triggering a full reassertion of trademark rights. This would apply primarily in cases where the alteration does not affect the quality or origin of the goods in a way that could confuse consumers. To harmonize the goals of sustainability with trademark law, a nuanced approach is needed. This could involve clear exceptions for environmentally conscious alterations, the creation of new certification standards, and the development of collaborative models that allow for innovation in the circular economy while maintaining the integrity of trademark law.

59. **Burden of proof**

26) Which party should bear the burden of proof to demonstrate that the trade mark rights were exhausted, solely the party invoking trade mark exhaustion, or generally the party relying on the trade mark rights?

The Hungarian Group is of the view that the current Hungarian practice adequately serves the interests of the parties, especially of the trademark proprietors' interest. The defendant uses the trade mark of the claimant without authorisation; thus, it is his sole task to successfully prove that the claimant's trade mark rights are exhausted.

60. **27)** Could the burden of proof shift to the other party, and if so, under what circumstances?

The shift of the burden of proof needs further clarification, preferably at legislative level. The burden of proof regarding the exhaustion of trade mark rights shifts from a third party to the trade mark proprietor when there is a real risk of foreclosure of national markets if the third party itself bears this burden. Such a risk might arise when the trade mark proprietor uses an exclusive distribution system. However, the mere use of an exclusive distribution system does not necessarily entail the said risk. This respect the clear clarification of the shift of the burden of proof is desirable.

61. **Others**

28) Please comment on any additional issues concerning any aspect that you consider relevant to this Study Question.

No further comments.

62. **29)** Please indicate which industry sector views provided by in-house counsel are included in your Group's answers.

N/A.