

EU Legislative Agenda

Opening Up the EU Market

Background

- EU Exhaustion Theory
 - Trademark holder's rights are exhausted only when the property is sold for the first time in the EU.
 - Original proposal in EU (1989) was for worldwide exhaustion (i.e., the initial sale anywhere in the world exhausted the Trademark holder's rights).
 - That was the prior rule in several EU countries (e.g., Germany).
- Compare to U.S. First Sale Doctrine
 - Wiley & Sons, the recent Supreme Court case where AscdiNatd participated in the submission of an *amicus* brief decided the same issue and came down on the side of worldwide exhaustion.
 - That case merely expanded existing domestic law to cover overseas sales as well.
 - There is concern that legislation will be introduced to "reverse" the Supreme Court's decision. Hence our U.S. lobbying effort.

AscdiNatd History on EU Exhaustion Theory

- In 2007, ASCDI filed Petition with the UK Office of Fair Trading against Sun Microsystems (now Oracle).
 - Claimed Oracle's use of trademark to block import of used Sun equipment is restraint of trade.
 - Refusal to even identify which equipment is of EU origin (and therefore satisfying the EU Exhaustion of its rights) was in violation of competition laws.
 - OFT refused to hear the claim.
- In 2009-10, ASCDI pursued a complaint with the EU Commission.
 - After one year, the effort lost steam when the Commission stopped responding.

1999 “Review”

- Major examination of issue in EU took place in 1999
 - Report on trademark exhaustion and “parallel trade” by NERA Economic Consulting (reported large volume in musical recordings, cosmetics and perfumes).
 - Result was affirmation of EU Theory of Exhaustion.
- Hearings for NERA report were held with:
 - EU Commission members
 - Member countries
 - “Public” where more than 180 interested parties attended (trademark holders such as software companies; consumer groups; parallel traders and retailers).

Issues/Arguments

- 1999 discussions articulated the issues.
- Supporters of EU Exhaustion argued that:
 - Worldwide exhaustion would lessen the value of a trademark, damage innovation and investment and result in unemployment.
 - Also claimed that parallel trade contributed to counterfeiting.
- Supporters of Worldwide Exhaustion mainly based their arguments on the perceived benefits for the consumer in terms of lower prices and broader availability of product.

Relevant Litigation

- Amtec Computer case (2006) used as precedent in UK supporting the EU Theory of Exhaustion.
- Oracle later won a summary judgment against M-Tech, despite support from ASCDI and some favorable language at the appellate level.
- Levi Strauss
- Recent decision against IBM re: parts availability to third party maintainers.
- Surely there are others in EU and EU member countries.

What Can Be Done?

- EU Theory of Exhaustion is an EU Council Directive.
- Can it be changed by Legislation?
 - EU Parliament does not introduce legislation – must come from EU Commission or member countries.
 - Would require major lobbying effort on two levels:
 - First, EU Commission and European Parliament;
 - Second, member countries' internal legislative and executive bodies and their representatives to the EU Commission and Parliament and other agencies.
- What about further litigation?
 - Might chip away at some issues (e.g., challenge refusal to provide information re: origin as “abuse of dominant position”).

Lobbying & Lobbyists

- Thousands of professional and NGO lobbyists in Brussels
- Thousands more acting in member countries
- Choice to establish our own (with partners) or identify appropriate representative as we have done in U.S.
- Get partners to join us:
 - E-bay
 - Other equipment vendor trade associations
 - More?
- Parallel efforts in U.S. (EU FTA talks in progress)

What Professionals?

- Initial Discussions have led us to several knowledgeable attorneys:
 - Jose Rivas at Bird & Bird – a large European firm with international presence (www.twobirds.com)
 - Peter Wytinck at Stibbe – a Brussels and Amsterdam based international firm (www.stibbe.com)
 - Philippe Bruno at the Washington office of Greenberg Traurig (www.gtlaw.com)
 - All three shared information and links regarding various aspects of Trademark, EU Exhaustion issues and related litigation.
- We have also received an initial “pitch” from a Brussels lobbyist/consultant, KEA (www.keanet.eu).

Next Steps

- Members to investigate current and prior law in their countries.
 - Who is representative body to EU Commission in your country?
 - Set up meeting – talking points to be prepared.
 - Identify possible NGO partners.
 - Data regarding results to be compiled – Where/Who are our supporters?
- Examine efforts in EU FTA talks.
- Identify possible lobbyists and obtain quotes.
- Counsel to coordinate with Joe.
- Board to address budget.