

Recent Developments of the Bulgarian Trademark Legislation and Practice

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Introduction

The importance of the designations of origin in commercial activities has been out of question for centuries. There are evidences for the use of signs capable of indicating the origin since the earliest data of commercial transactions². Objectively nowadays a merchant can hardly act lawfully on the market without providing of certain minimum data regarding information of origin³. Protection of signs of origin under trademarks legislation reflects both the interest of the traders and those of the consumers. Moreover it is also in close relation to the establishment of free competition rules on the markets. It is a small portion of companies that can afford to develop inventions, utility models, invest in new technologies, etc. or pay for licenses for their use, but every player on the market can enjoy trademark protection on relatively low cost. Therefore it is essential each market to rely on appropriate legal framework that serves its development and corresponds to the interests both of the merchants and the consumers and also providing guarantees that free competition will not be distorted.

The standards of trademark protection have passed a long way since the Paris Convention and the first national laws. They have been changing both domestically and internationally and on EU level providing a scope of broader protection of the trademark holders⁴. The establishment and the functioning of the EU's Internal Market go through adoption of secondary legislation in the area of trademark protection that influences national laws on one hand and establishes a system for Community Trademarks Protection on the other. It has been more than 20 years now since the adoption of the first Directive⁵ harmonizing the national laws in the member states and almost that time has passed after the adoption of the Regulation establishing the Community Trademark⁶. For that time the Court of the EU and the national courts of the member states have ruled on numerous cases and still many questions are not less debatable. The Internal Market of the EU needs appropriate, simple and clear rules for the benefit on the companies, the consumers and the market itself. These rules should be uniformly applied throughout all the territory of the Union. It would have been easier if the community trademarks (CTMs) were the only trademarks to enjoy protection within the EU, but this is not the case and even if we come to this point it is still far in the future as it is not under question that both CTM and national systems will continue to coexist. As national trademarks of member states enjoy protection there are many questions of significance not only for the member state concerned, but for the Internal Market which are answered by the relevant national laws and court practice. A company acting in two or more member states can find different legislative approaches to the registration and the protection of national trademarks⁷ and different rulings by the national courts. As the Directive aims approximation of national laws limited only to those provisions which most directly affect the functioning of the internal market⁸, issues of major importance for the applicants and for the right holders, such as the procedures for registration or invalidity will remain subject matter of the relevant national laws. Nevertheless the Directive does not establish rules for approximation in the areas mentioned above, it seems that member states might find good reasons to follow the approach of the Regulation and adopt similar laws that would make the national procedures more attractive for the proprietors.

1. National trademarks legislation development in Bulgaria

Bulgaria, together with Romania joined the EU in 2007 and thus its market became part of the Internal Market of the EU. As a result of the accession the CTM system spread its effect over the territory of the country and since then the trends clearly show increasing interest of the local merchants towards the CTM system⁹ and decreasing number of national applications¹⁰. At the same time incomes from trademarks registrations is of major importance for the flow of the fees into the budget of the Bulgarian Patent Office¹¹. There are several major factors influencing the choice of the applicants between national and CTM application, among which the awareness for the CTM system that is constantly increasing; the fees for the registration, that were recently lowered by OHIM and the scope of the market activities of the local companies, that is enlarging due to the opportunities established under the free movement of goods and the freedom to provide services granted by the EU legislation. These negative trends for the national applications might be softened to certain extent by the latest amendments of the Law on Trademarks and Geographical Indications, introduced by the National Assembly¹² that entered into force in March 2011.

1.1. Change of the registration procedure

Since the Law on Trademarks and Geographical Indications was adopted in 1999 the procedure for registration of national trademarks was based on ex officio examination for earlier rights. The latest amendments of Law introduce a switch from ex officio to an opposition procedure where the owners of earlier rights may invoke these rights in the process of registration. An opposition can be filed both for national and international applications by the holders of earlier national, CTM or international trademarks with effect on the territory of Bulgaria, as well as earlier applicants for such marks; by holders of well known trademarks and by licensees of exclusive licenses for such trademarks; by a proprietor of trademark against application by agent or representative and at last by a proprietor of non-registered trademark, used in commerce on the territory of Bulgaria, for which an application was filed. The entitled parties are the same as in the Regulation, with one exception. The scope of licensees that can oppose is limited only to those with an exclusive license, while under the Regulation any licensee, authorized by the owner is entitled to act. Narrowing the scope of the entitled licensees seems to have no objective grounds moreover under the Law on Trademarks, when authorized by the licensor licensee of non-exclusive license can undertake civil action at law before the court¹³ and also have to be notified by the proprietor in case the latter intends to surrender the trademark registration¹⁴. It seems justified such a licensee to be recognized the right to oppose as it might be the interest of the proprietor, especially in case where the earlier rights are invoked on the bases of international or Community trademark and there is no exclusive, but only non-exclusive licensee on the territory of Bulgaria. The Bulgarian law deals in an unusual manner with the rights of the proprietors of earlier non-registered trademarks. The Directive¹⁵ provides that member states can establish rules that grant certain rights to proprietors of earlier non-registered marks, namely to prevent from registration of these marks other parties and also invalidate such registrations. Under the Directive, as well as under the Regulation, the rights over non-registered trademarks are granted on the basis of earlier use of the trademark in the course of trade. Within the opposition proceedings the Law on Trademarks requires cumulatively use in the course of trade and application for registration for the non-registered trademark. Member states can decide if they will introduce protection of non-registered trademarks in their national laws, but once they do so the standards of the Directive have to be met. The second condition of the Bulgarian law imposes to the proprietor to apply for registration of the earlier trademark in order to be entitled to oppose. But in case of applying for registration the trademark will no longer be non-registered trademark, as after registration it will be protected since the date of the application as registered one. As a result the Bulgarian law actually does not provide

protection of non-registered trademarks but rather grants some sui generis rights to applications of those who evidence prior actual use of the non-registered trademark in the course of trade. Signs used in the course of trade, even if not-registered, are protected against misleading use by other merchants under the Law on Unfair Competition.

1.2. Opposition procedural rules

The Law on Trademarks establishes a three months term for filing an opposition calculated since the date of the publication of the application for national registrations. The notice for opposition should be in writing, in two originals and specify the grounds and to include the arguments of the party. If needed the evidences may be submitted together with the notice of opposition. In case the earlier rights are invoked on the basis of well known mark or trademark with reputation, evidences should also be presented. It must be noted that the Law on Trademarks does not adopt the wording “trademarks with reputation”, as the Regulation and the Directive do in the official Bulgarian language version but uses the descriptive “marks that are known”. In compliance to the requirements of the Directive, the Law on Trademarks includes among the grounds for refusal of registration earlier trademarks where the use of the later mark with no due cause would take unfair advantage or cause damage to the distinctive character or to the reputation of the trademark. Although it is clear that the so called “known marks” are actually trademarks with reputation the use of different terminology for one and the same objects in the Law on the Trademarks, on one hand, and the Regulation and the Directive in their Bulgarian versions, on the other, may cause confusion and misinterpretation, especially where the mark with reputation is a Community trademark.

If the opposing party is not entitled to oppose, or the notice is after expiry of the opposition period or no fee is paid, then the notice will be deemed inadmissible and no opposition proceedings will start. For other deficiencies, regarding opposing party details, the earlier trademarks or other rights, lack of arguments or evidences, etc., the opposing party will be given two months to remedy them or otherwise the opposition proceeding will be terminated. Opposition procedure rules in general terms follow the ones of COMMISSION REGULATION (EC) No 2868/95. The examination is held by a panel of three experts. When opposition is found admissible, the notice and all evidences are communicated to the applicant of the opposed trademark. Both parties are notified and given three months to reach a settlement and the latter period can be extended up to two more times under written request signed by both parties. If no settlement is reached the applicant can rely on two months period to submit his observations that is communicated to the opposing party. The opposing party then, in one month period will be expected to submit a statement. Under request of the applicant, the opposing party should also submit proof of use of the earlier trademark during the period of five years prior the date of publication of the application of the opposed trademark. Such a request can be made by the applicant not later then the expiry of the term for submission of first observations. Within six months after the end of the communication between the parties, the panel should issue its decision. The decision of the panel on the opposition is appealed at the Dispute Division and the Dispute Division’s decisions are subject to further appeal at the Sofia Administrative Court. More detailed rules regarding the examination procedure are expected to be adopted by an Ordinance issued by the Council of Ministers of the Republic of Bulgaria.

1.3. Protection of well-known marks and marks with reputation

Other important changes of the Law on Trademarks concern determination of well known trademarks and trademarks with reputation. In 2006 provisions were included into the Law on Trademarks establishing special procedure at the Patent Office for determination of well known marks and marks with reputation that might be initiated on request of the proprietor after payment and furnishing of evidences. Under these rules a panel examines the request and based on its opinion the President of the Patent Office issues a decision for determining of the

trademark as well known or as mark with reputation. The trademark then is being published and entered into the Register for a term of five years. The detailed rules were adopted in an Ordinance¹⁶ that also governs in its article 2 (1) that “The status of a well known mark or mark with reputation on the territory of the Republic of Bulgaria is acquired after a decision of the President of the Patent Office based on statement of a panel appointed by him.” The Law on Trademarks also provides that a well known mark or mark with reputation can be determined as such by the Sofia City Court in the course of civil proceedings, but the decision of the Court may not be opposed to third parties. After entry into force of the amendments of the Law on Trademarks in March 2011, no such procedure will be conducted and well known marks and marks with reputation will be determined by the Sofia City Court or by The Patent Office within the opposition or invalidation proceedings. The abandonment of the “registration” of well known marks and marks with reputation is a result of the opposition system as no more ex officio examination for relative grounds will be held by the Patent Office.

1.4. Absolute and relative grounds for refusal of registration and other changes

While in opposition proceedings earlier rights may be invoked the amendments provide any third party the opportunity to submit an observation against an application based on any of the absolute grounds for refusal of registration and thus the Law on Trademarks provides a mechanism for securing of public interest in trademark registrations. The wording of the rule follows Article 40 of the Regulation and these third parties will not be entitled to act further within the proceedings. The applicant is given the opportunity to submit observations and the Office will decide following the opposition procedure rules.

The amendments of the Law on Trademarks enlarge both absolute and relative grounds for refusal of registration. A new absolute ground for refusal refers to trademarks which include badges, emblems or escutcheons other than those covered by Article 6ter of the Paris Convention and which are of particular public interest¹⁷. Such a trademark still might enjoy protection after receiving the consent of the competent authority. While the above rule clearly intends to serve the public interest, a new paragraph¹⁸ of the Law on Trademarks might result in confusion. Before the changes the relative grounds for refusal included the case where the applied trademark consisted of a geographical indication or derivatives thereof. Now the latter comes explicitly among the absolute grounds, but exception is made in the situation where the applied trademark does not constitute of, but contains a geographical indication for which the applicant is entered as a registered user. The amended text provides that a trademark which contains geographical indication that is applied for registration or is registered on the territory of the Republic of Bulgaria or derivatives thereof shall be refused for registration unless the applicant is a registered user of the geographical indication. The Directive leaves it open to the member states to provide legislation where indications of origin constitute marks¹⁹, in particular allowing signs in trade that designate geographical origin to constitute collective, guarantee or certification marks. The Bulgarian Law on Trademarks establishes an exception that seems not to correspond strictly the limitations set by the Directive. Problems might arise in relation of license rights granted of such trademark to third parties where no guarantees for certain characteristics of the goods in question will be assured by the licensee, as such might be established as for designating the goods of all registered users of the appellation of origin that has been included into the trademark. Such situation might be prevented in a case where the trademark that contains the geographical indication can be only registered as collective or certificate mark. There is a provision under article 25 of the Law on Trademarks establishing that when use of the mark by the proprietor or by another person authorized by him is made in a way that users are misled as to the quality or geographical origin of the goods or services anyone is entitled to request revocation of the registration. Nevertheless limiting such registrations to only collective or certificate marks

would provide more guarantees for avoiding the risk for the consumers to be misled by the use of the geographical indications.

Other amendments regarding relative grounds for refusal of registration define the meaning of “earlier trademarks” which corresponds to the wording of the Directive and the Regulation. New articles are added in order of prevention of registration of a trademark by an agent or representative without the consent of the proprietor as well as registration of non-registered trademark that has been actually used in the course of trade before the application.

Finally the amendments introduce changes into the terms for payments of fees that are shortened from three months to one month providing the option for payment after expiry of the term the double size of the fee. It is a long expected step that was undertaken with the new rules to provide for on-line application for registration. After the changes the Law on Trademarks finally adopts the on-line register of trademarks and on-line applications which will be a major ease for the proprietors and for the public to benefit more from the system for national protection of the trademarks in Bulgaria.

2. Parallel imports from the perspective of the Bulgarian court practice

The exhaustion of the trademark rights has been one of the most controversial and debated issues after the establishment of the CTM system and even since the Treaty of Rome²⁰. The Court of the EU has ruled a number of times on this problem but is still being brought before national jurisdictions. That could easily be explained as the EU common market is a major target for parallel importers as it is an area with no internal boundaries where prices of original products are usually higher compared to many third countries’ markets where the same goods are distributed at lower prices.

2.1. The Supreme Court of Cassation Interpretative Decision on Parallel Imports

Bulgaria was no exception as the national courts have not been consistent in their rulings on parallel imports. In the first years of Bulgaria’s membership in the EU that led to controversy in the judgments that needed to be overcome. In 2008 the Chairman of the Supreme Court of Cassation requested the General Meeting of the Commercial Judges for interpretation on certain articles from the Law on the Trademarks²¹. The request was made on the grounds of article 125 from the Law on Judicial Power for interpretation of the legislation in order of securing equal application of the legislative rules by the national courts.

The questions brought for interpretation were (1) if importation of original goods without the consent of the proprietor, where the trademark is affixed to these goods with the consent of the proprietor, constitute infringement of article 73, (1)²² in relation to article 13, (2), point 3²³ of the Law on the Trademarks, as first question and (2) when trademark rights should be deemed exhausted – at the time of putting on the market by the proprietor or with his consent of good form the same type for which the trademark is registered or after putting on the market of each one particular good?

According to the Supreme Court of Cassation the controversy in the practice of the national courts could be found in the existence of two opposite interpretations:

Some of the courts rule that importation of goods without the consent of the proprietor does not constitute infringement of article 73, (1) in relation to article 13, (2), iii. These courts would interpret the Law on Trademarks in a way that the infringement under article 73 of the Law should be applied in strict relation to the rule of article 13, (1) and to be namely established if the goods are not original (if the sign is not been affixed by the proprietor or by third party with his consent). On the other hand, some of the courts would find an infringement in the case of import of original goods grounded on the lack of consent of the proprietor, interpreting article 13 of the Law in a way that rules (1) and (2) are regulating different cases of infringement. These courts would consider the originality of the goods irrelevant for the infringement.

The Supreme Court first discussed the specific subject matter of the protection against infringement of trademark rights established by the Law on the Trademarks. It came to the conclusion that under the special rules of the Law on Trademarks the protection against infringement is limited as to the prohibition established for the use in the course of trade by third parties without the consent of the proprietors of a sign that is identical or similar to the trademark for identical or similar goods and that any infringements related to the exercising of the rights of the proprietor to use and to dispose the trademark are subject matter of protection of the civil and commercial legislation. According to the Supreme Court the actions provided by the Law on Trademarks for protection of the proprietor are in the case only of lack of consent on behalf of the latter for the use of identical or similar sign (affixing the sign to the goods). Then the Court defined the essential function of the trademarks to serve as signs capable of designating the goods or the services of certain entity and distinguishing them from the goods or services of other entities thus providing guarantees for the consumers as to the identity and source of origin of these goods or services and preventing the existence of likelihood of confusion on behalf of the consumers. Based on the above assumptions the Court established that whenever original goods are being traded on the market it will be with the consent of the proprietor and the latter will not be entitled to the actions provided for protection in the case of infringement under article 73 of the Law (as it only includes cases of non original goods). According to the Court the protection can be relied upon circumstances where the sign or its copy have been affixed to the goods by third party without the consent of the proprietor, as the consent under article 13 is such regarding the designation of the goods. Thus the Court actually adopted the principle of worldwide exhaustion of the trademark rights without referring to the rule for the exhaustion. Interpreting the rule of article 15 of the Law²⁴ on Trademarks for the exhaustion of the rights conferred upon the registration, the Supreme Court came to the conclusion that it is irrelevant to the liability established under article 73 of the Law. The arguments here were that article 73 from the Law made no reference for infringements to the exhaustion rule of article 15, but only to article 13 and as a norm that imposes sanctions it cannot be widened in its interpretation.

Finally the Court stated that in cases of parallel importation of original goods the proprietors should seek protection for their non exhausted rights on the grounds of contractual or non contractual liability against the third parties that import the original goods but not to rely on the special protection under article 73 of the Law. Thus, answering the question of the Chairman, the Supreme Court of Cassation interpreted the Law on Trademarks in a way that an import of original goods where the trademark has been affixed by the proprietor or with his consent does not constitute infringement of the trademark rights under article 73 (1) in relation to article 13 (2), iii.

2.2. Sofia City Court brings the issue to the Court of the EU

The decision of the Supreme Court did not succeed to settle down the spirits. There were negative reactions mostly on behalf of the industries which rights were affected. There were also some critical reviews from professionals²⁵. In fact the decision itself was far from unanimous as five of the judges including the Chairman had did not support it. The courts that were obliged to follow that interpretation on their side found it controversial to the EU Directive and to the decisions of the Court of the EU.

The saga continued within a case brought at the Sofia City Court (Sofiyski gradski sad) by Cannon that was claiming infringement based on unauthorized import in Bulgaria of some toner cartridges. The goods were purchased in a country outside the EU and then the buyer shipped them to the port of Bourgas in Bulgaria but border measures were taken against him. The Sofia City Court allowed as security measure seizure of the products which was appealed by the buyer and confirmed by the Appellate Court. Cannon then started proceedings before the Sofia City Court, claiming infringement of its exclusive rights by the buyer. Under the

Law on Judicial Power the Court had to apply the interpretation of the Supreme Court of Cassation. Still Sofia City Court decided to stop the proceedings and refer to the Court of the European Union for a preliminary ruling for interpretation of article 5 in relation to article 7 of First Directive asking the following question²⁶:

“Is Article 5 of First Council Directive 89/104/EEC 1, in so far as it confers on the trade mark proprietor the exclusive right to prevent all third parties not having his consent from using in the course of trade any sign which is identical with the trade mark, for example importing or exporting goods under the sign, to be interpreted as meaning that the trade mark proprietor's rights include the right to prohibit use of the trade mark without his consent through the importation of original goods, provided that the trade mark proprietor's rights under Article 7 of the directive are not exhausted?”

The Court of the EU issued an Order from October 28 2010 where it held²⁷ that the answer of this question has already been formulated in previous rulings and applied paragraph 104 (3) from the Rules of Procedure of the Court of Justice²⁸. A number of rulings were cited by the Court, first to be *Class International* (C-405/03, paragraph 58) where the Court held that “if the offering or the sale necessarily entails putting goods bearing the mark on the market in the Community, the exclusive rights conferred on the proprietor of that mark by Article 5(1) of the Directive and Article 9(1) of the Regulation have been adversely affected, regardless of the place in which the addressee of the offer or the purchaser is established and irrespective of the provisions of the contract ultimately concluded regarding any restrictions on resale or the customs status of the goods. The offering or the sale is then ‘using [the mark] in the course of trade’ within the meaning of Article 5(1) of the Directive and Article 9(1) of the Regulation. It follows that the trade mark proprietor may oppose it pursuant to Article 5(3)(b) of the Directive and Article 9(2)(b) of the Regulation.” Following the Court stated that it is within the competence of the national jurisdiction to establish where in the particular situation the importer personally or through a third party intended to put the goods on the EEA market (paragraph 20). As for the interpretation of the national legislation in relation to the European Union law the Court referred to the *Silhouette International Schmied* (C 355/96), where in paragraph 26 of the Decision it held that: “...the Directive cannot be interpreted as leaving it open to the Member States to provide in their domestic law for exhaustion of the rights conferred by a trade mark in respect of products put on the market in non-member countries.” Further on in paragraph 23 of its Order the Court held it has been already established in consecutive decisions that the exhaustion is limited only to cases of putting of the goods on the market within the European Economic Area thus allowing the proprietor to exercise control over the initial marketing of the goods in the EEA (*Zino Davidoff*, C 414/99—C 416/99, *Van Doren* C-244/00, paragraph 26, and *Peak Holding*, C-16/03, paragraph 36).

The Court then stated in paragraphs 24 and 25 that when the goods were not put on the market by the proprietor or with his consent the latter will be entitled to prevent any third party from importing these goods (*Peak Holding*, paragraph 34) and that following the established practice of the Court, in the case where the national jurisdiction reaches a conclusion that the importer is intending to put the goods on the market or sells the goods to a third party that will necessarily entail putting them on the market of EEA then it will constitute first putting on the market of original goods without the consent of the proprietor and the court practice referred above should be applied.

Finally, the Court of the EU answered the question of the Sofia City Court that article 5 of the Directive must be interpreted “as meaning that the trade mark proprietor may oppose the first placing into circulation in the course of trade in the European Economic Area, without his consent, of original goods bearing that mark”.

2.3. Back to the beginning

Thus the decision of the Supreme Court of Cassation was de facto “overruled” by the Order of the Court of the EU and has not to be followed by the national courts in Bulgaria. The Order of the Court of the EU left no doubt on the interpretation of article 5 of the Directive and the principle of the primacy of the European Union Law obliges the Bulgarian courts to give preference to it before any internal acts including the decision of the Supreme Court of Cassation. But these two rulings bring to front some important issues. At first it was made clear that the courts in Bulgaria are well acquainted to the EU legislation and to the practice of the Court of the EU. Through its request to the Court of the EU the Sofia City Court found its way to decide in compliance to the established practice of the Court of the EU regardless the binding interpretation of the Supreme Court of Cassation. On second place it is also evident that the problem is more than one of interpretation of the legislation, but rather driven by the function of the trademarks to serve as indication of the origin of certain goods or services. In its decision²⁹ the Supreme Court underlined as an essential characteristic of a trademark that it should establish guaranties to the consumer as to the identity of the origin of certain goods that would enable the latter to recognize these goods and to avoid confusion to goods that are with different origin. In regard to the liability of the third parties provided under the Law of Trademarks the Court refused to treat in the same way cases where the sign is affixed to the goods without the consent of the proprietor and cases where goods are original. It made reference to the civil legislation and to the Consumer Protection Act as laws establishing the relevant legislation that would provide special legal actions for protection of the proprietor against infringement by his contracting parties³⁰. The Supreme Court also stated that the legislator has adopted different means for protection in cases where goods are original on one hand and in cases where they are not on the other hand and that the protection against infringement of original goods should be based on the rules of the contractual or non contractual civil liability. Indeed it could hardly be defended that piracy and counterfeiting and parallel imports are two cases of infringement to which the same remedies should be applied. Such kind of general and broad interpretation has soundly been criticized as inappropriate³¹. It has been also reasonably argued that under article 13 of the Law on Trademarks the fact of infringement does not include cases where the goods are original³². It is established principle under the Bulgarian law that sanctions can be imposed only for the explicitly defined by the legal acts cases. Just on the contrary, following the EU exhaustion doctrine, the Law on Trademarks appears to provide sanctions for an act that is not itself defined as an infringement. The bare fact of non exhaustion of the trademarks rights does not constitute infringement³³. Therefore it is indeed not well founded to apply one and the same rules for counterfeiting and parallel imports. Another important issue is the one related to the consent of the proprietor for first placing of the goods on the market. The consent has been a milestone in the establishment of the EU exhaustion doctrine. The problem here occurs as different national laws and practice have developed different concepts on the consent³⁴. In some states the consent for re-sale of goods designated by a trademark will be deemed to be implied into the act of first sale, unless otherwise specified, while in other countries the consent should be given explicitly by the proprietor. On the other hand receiving the explicit consent sometimes seems to be practically infeasible, as the goods in question might have been sold numerous times before been purchased by the parallel importer. As under the Bulgarian trademark legislation there is no specific rule defining the consent for re-sale of branded goods, the latter should be deemed to be implied within the act of the first sale under the general rules of the civil law. To overcome these differences between the states the issue has been decided by the Court of the European Union in a way that consent should be explicitly given³⁵. Resulting from the above both states where the exhaustion was based on the implied consent doctrine (Great Britain) and states where the world wide exhaustion of rights was applied with the explicit consent needed (Germany), reach the very same end,

namely exhaustion limited to the EU and EEA countries and consent expressly given at the time of the first sale.

The ruling of the Supreme Court of Cassation is just another indication for the need of finding a different solution. Problems arise in relation to national substantive and procedural laws, free movement and competition rules and even the WTO law³⁶. The EU exhaustion of rights does not fit two essential concepts, namely the function of the trademark to designate the origin of the goods or the services and the world wide exhaustion applied to other intellectual property rights. Besides that in certain cases it results in imposing sanctions such as for counterfeiting for the sales of original goods. It seems that if anyone benefits it will not be the consumer, but rather the proprietor. And though there is nothing wrong for the proprietor to increase its profits should it be by means of the trademark legislation and at the expense of the consumers?

Concluding remarks

Trademark legislation and practice in Bulgaria are facing the challenges of the membership in the European Union. The spread of the CTM system over the Bulgarian territory led to decrease of the national applications for registration of trademarks. The switch to the opposition based registration may soften that effect to a certain extent at least in regard to cutting the terms of the registration process. On the other hand EU rules are now applied and followed by the national courts. Still Bulgaria's courts seem not to be an exception when it comes to interpretation of exhaustion of rights in relation to parallel imports. That has been one of the biggest issues of the national court disputes in the recent years. This situation resulted in a decision of the Supreme Court of Cassation that made the Court of the EU to confirm again what it has ruled in its previous decisions. It is indicative that for the Supreme Court parallel imports and counterfeiting should be treated differently. The decision brought to front the consumer's interests and underlined the essential function of the trademarks to serve as indications of origin. Once more the need of another solution has been demonstrated. Possible answers have been already given³⁷, namely adoption of world wide exhaustion principle and territorial restrictions by contracts. After all, if the function of the trademark is to designate the origin, then once the original goods are placed on the market, "a trademark right in a product can comfortably end"³⁸.

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² Brian J Winterfield, Dow, Lohnes and Albertson, (2002), Historical trademarks, INTA Bulletin March 2002

³ Such as the ones established in the EU member states under the requirements of article 3, paragraph 1, (1) and (7) of DIRECTIVE 2000/13/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 March 2000 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs, Official Journal of the European Communities L 109/29.

⁴ It is worth mentioning the Decision of the Court of the EU *L'Oréal v. Bellure* (case C-487/07), where in paragraph 58 the Court held that the function of the trademark "include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising". See also Kur, Annette, Bently, Lionel A. F. and Ohly, Ansgar, *Sweet Smells and a Sour Taste - The ECJ's L'Oréal decision* (August 17, 2009). Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper No. 09-12; University of Cambridge Faculty of Law Research Paper No. 10/01. Available at SSRN: <http://ssrn.com/abstract=1492032>, accessed 29.03.2011

⁵ First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks

⁶ Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark

⁷ A comparison of the national trademark laws can be found in the OHIM "National Law Relating to the Community Trade Mark and the Community Design" compilation, <http://oami.europa.eu/ows/rw/pages/CTM/legalReferences/nationalLaw.en.do>, accessed 29.03.2011

⁸ Recital (4) Directive 2008/95

⁹ The number of CTM applications from Bulgaria starts at 273 for the first year of EU membership and reaches 411 in 2010, OHIM Statistics by country, http://oami.europa.eu/country_reports/SSC003.1%20-%20Statistical%20travel%20pack%20by%20country%20%28BG%29.pdf accessed 29.03.2011

¹⁰ The number of the national applications has decreased from 9170 in 2006 to 5140 in 2009 which is also 28% less than in 2008. See Bulgarian Patent Office, Annual Reports 2006, 2007, 2008, 2009, http://www1.bpo.bg/index.php?option=com_content&task=view&id=23&Itemid=150, accessed 29.03.2011

¹¹ Just for one year (2009) the income from trademark fees has decreased up to more than 20%. BPO Annual Report 2009

¹² State Gazette N 80 from 12 of October 2010

¹³ Law on Trademarks and Geographical Indications, Article 74

¹⁴ Law on Trademarks and Geographical Indications, Article 24

¹⁵ Directive 2008/95/EC, OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version), Article 4, para. 4 (b).

¹⁶ Ordinance Establishing the Conditions and Procedures for Determination by the Patent Office of a Mark as Well-known mark and Mark with Reputation on the Territory of the Republic of Bulgaria, Promulgated in State Gazette N77 from 25 of September 2007

¹⁷ Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, Article 7, 1 (i)

¹⁸ Law on Trademarks and Geographical Indications, Article 11 (1) 13

¹⁹ DIRECTIVE 2008/95/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2008 to approximate the laws of the Member States relating to trade marks, Article 15 (2)

²⁰ Calboli, Irene, Trademark Exhaustion in the European Union: Community-Wide or International? The Saga Continues. *Marquette Intellectual Property Law Review*, Vol. 6, pp. 47-90, 2002. Available at SSRN: <http://ssrn.com/abstract=802226>, accessed on 22 March 2011

²¹ Interpretative Decision 1/2008 of June 15

²² Art. 73. (1) Any person who, in his business activity, uses a sign as provided in Article 13 without the consent of the proprietor thereof shall be regarded as an infringer.

²³ Rights Conferred by a Mark

Art. 13. (1) The right in a mark shall comprise the right of its holder to use it and dispose of it, and to prevent third parties not having his consent from using in the course of trade:

(i) any sign which is identical with the mark in relation to goods or services which are identical with those for which the mark is registered;

(ii) (suppl. - State Gazette No. 43/2005, in force since 21.08.2005) any sign where, because of its identity with or similarity to the mark and the identity or similarity of the goods or services covered by the mark and the sign, there exists a likelihood of confusion on the part of the consumers; the likelihood of confusion includes the likelihood of association between the sign and the mark;

(iii) (amended - State Gazette No. 43/2005, in force since 21.08.2005) any sign which is identical with or similar to the mark in relation to goods or services which are not identical with or similar to those for which the mark is registered, where the earlier mark has a reputation in the territory of the Republic of Bulgaria and where use of that sign without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier mark.

(2) (amended - State Gazette No. 43/2005, in force since 21.08.2005; amended – State Gazette No. 73/2006, in force since 06.10.2006) For the purposes of paragraph (1), "using in the course of trade" means:

(i) affixing the sign to the goods or to the packaging thereof;

(ii) offering the goods, placing them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

(iii) importing or exporting the goods under that sign;

(iv) using the sign on business papers and in advertising.

²⁴ Art. 15. (1) (amended – State Gazette No. 73/2006, in force since the date of Accession of the Republic of Bulgaria to the European Union) A mark shall not entitle the proprietor to prohibit its use in relation to goods or services which have been put on the market in the territory of the European Union member states, respectively of the European Economic Area, under that mark by the proprietor or with his consent

²⁵ Politov, Yordan, (2010) The Exclusive Trademark Right and the Parallel Imports, *Sobstvenost i pravo*, No 5 (2010), 79-94

²⁶ Reference for a preliminary ruling from the Sofiyski gradski sad (Bulgaria) lodged on 18 November 2009 - Canon Kabushiki Kaisha v IPN Bulgaria (Case C-449/09), <http://curia.europa.eu/>, accessed 29.03.2011

²⁷ Order of the Court (Fifth Chamber) of 28 October 2010, (Case C-449/09)

²⁸ Where a question referred to the Court for a preliminary ruling is identical to a question on which the Court has already ruled, or where the answer to such a question may be clearly deduced from existing case-law, the Court may, after hearing the Advocate General, at any time give its decision by reasoned order in which reference is made to its previous judgment or to the relevant case-law.

²⁹ Supra note 21, Paragraph 3

³⁰ Supra note 21, Paragraph 6

³¹ Kur, Anette, (2008) Fundamental concerns in the harmonization of (European) trademark law, *TRADEMARK LAW AND THEORY*, pp 151-177, page 172, The author discusses a proposal for a directive on criminal remedies for infringement and the trends to broaden the scope of trademark protection to the extent that “virtually all modes of trademark use fall under its provisions”

³² Markov, Emil, (2009), *The Principle of Exhaustion of Trademark Rights*, 293 – 334

³³ Supra note 32. The author also refers to the second answer of the Court in the Silhouette Case (C-355/96) „2. Article 7(1) of Directive 89/104 cannot be interpreted as meaning that the proprietor of a trade mark is entitled, on the basis of that provision alone, to obtain an order restraining a third party from using his trade mark for products which have been put on the market outside the European Economic Area under that mark by the proprietor or with his consent.”

³⁴ Thomas Hays, (2008) The free movement (or not) of trademark protected goods in Europe, *TRADEMARK LAW AND THEORY*, 204-229, page 219

³⁵ *Zino Davidoff v A&G Imports*.

³⁶ Herman Cohen Jehoram, (1998) International exhaustion versus importation right: a murky area of intellectual property law, *GRUR International* 1996-4, 280-284.

³⁷ Supra note 32, supra note 36

³⁸ Supra note 34, page 227