

Joined cases C-92/92 and C-326/92 Phil Collins v Imtrat Handelsgesellschaft mbH and Patricia Im- und Export Verwaltungsgesellschaft mbH and Leif Emanuel Kraul v EMI Electrola GmbH.

1 By order of 4 March 1992, received at the Court on the following 23 March and registered under number C-92/92, the Landgericht Munchen I (Regional Court Munich I) referred to the Court for a preliminary ruling under Article 177 of the EEC Treaty two questions on the interpretation of the first paragraph of Article 7 of the EEC Treaty.

2 By order of 30 April 1992, received at the Court on the following 30 July and registered under number C-326/92, the Bundesgerichtshof (Federal Supreme Court) also referred to the Court for a preliminary ruling under Article 177 of the Treaty two questions on the interpretation of that same provision.

3 The questions which the Landgericht Muenchen I submitted in Case C-92/92 were raised in proceedings between Phil Collins, singer and composer of British nationality, and a phonogram distributor, Imtrat Handelsgesellschaft mbH ("Imtrat"), relating to the marketing, in Germany, of a compact disk containing the recording, made without the singer's consent, of a concert given in the United States.

4 According to Paragraphs 96(1) and 125(1) of the German Copyright Act of 9 September 1965 (Urheberrechtsgesetz, hereinafter "the UrhG") performing artists who have German nationality enjoy the protection granted by Paragraphs 73 to 84 of the UrhG in respect of all their performances. In particular, they may prohibit the distribution of those performances which are reproduced without their permission, irrespective of the place of performance. In contrast, the effect of the provisions of Paragraph 125(2) to (6) of the UrhG, relating to foreign performers, as interpreted by the Bundesgerichtshof and the Bundesverfassungsgericht (Federal Constitutional Court), is that those performers cannot avail themselves of the provisions of Paragraph 96(1), where the performance was given outside Germany.

5 Phil Collins applied to the Landgericht Muenchen I for an interim injunction prohibiting the marketing of the compact disk in question. The national court considered that the provisions of Paragraph 125 of the UrhG were applicable to the proceedings, to the exclusion, in particular, of the terms of the international Rome Convention of 26 October 1961 for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Treaties Series, volume 496, No 7247), to which the United States, where the performance had taken place, had not acceded. It questioned, however, the conformity of those national provisions with the principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty.

6 In those circumstances, the Landgericht Muenchen I stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

"1. Is copyright law subject to the prohibition of discrimination laid down in the first Paragraph of Article 7 of the EEC Treaty?"

2. If so: does that have the (directly applicable) effect that a Member State which accords protection to its nationals for all their artistic performances, irrespective of the place of performance, also has to accord that protection to nationals of other Member States, or is it compatible with the first paragraph of Article 7 to attach further conditions (i.e. Paragraph 125(2) to (6) of the German Urheberrechtsgesetz of 9 September 1965) to the grant of protection to nationals of other Member States?"

7 In Case C-326/92 the questions were submitted by the Bundesgerichtshof in proceedings between EMI Electrola GmbH ("EMI Electrola") and Patricia Im- und Export Verwaltungsgesellschaft mbH ("Patricia") and its managing director, Mr Kraul, relating to the marketing, in Germany, of phonograms containing recordings of shows given in Great Britain by Cliff Richard, a singer of British nationality, in 1958 and 1959.

8 EMI Electrola is the holder, in Germany, of exclusive rights to exploit the recordings of those shows. It maintains that Patricia infringed its exclusive rights by marketing phonograms reproducing those recordings without its consent.

9 The Bundesgerichtshof, before which the matter had come by way of an appeal on a point of law, considered that the proceedings fell within the provisions of Paragraph 125(2) to (6) of the UrhG, to the exclusion, in particular, of the terms of the Berne Convention for the Protection of Literary and Artistic Works of 9 September 1886, as last revised by the Paris Act of 24 July 1971 (WIPO, vol. 287), which concerns copyright in the strict sense, and not related performers' rights, and of the terms of the Rome Convention, which in its view could not be applied retroactively to performances given in 1958 and 1959.

10 In the grounds for its order for reference the Bundesgerichtshof, which was aware of the questions referred to the Court by the Landgericht Muenchen I, states that, in the absence of Community legislation and, save on certain points, of harmonization of national laws, it did not appear to it that copyright and related rights fell within the scope of application of Community law, and more particularly of Article 7 of the Treaty.

11 In those circumstances, the Bundesgerichtshof stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

"1. Is the national copyright law of a Member State subject to the prohibition of discrimination laid down in the first paragraph of Article 7 of the EEC Treaty?

2. If so, are the provisions operating in a Member State for the protection of artistic performances (Paragraph 125(2) to (6) of the Urheberrechtsgesetz) compatible with the first paragraph of Article 7 of the EEC Treaty if they do not confer on nationals of another Member State the same standard of protection (national treatment) as they do on national performers?"

12 Reference is made to the Report for the Hearing for a fuller account of the facts, the procedure and the written observations submitted to the Court, which are mentioned or discussed hereinafter only in so far as is necessary for the reasoning of the Court.

The subject-matter of the references for a preliminary ruling

13 In proceedings under Article 177 of the Treaty the Court may rule neither on the interpretation of national laws or regulations nor on the conformity of such measures with Community law. Consequently, it may neither interpret the provisions of the UrhG nor may it assess their conformity with Community law. The Court may only provide the national court with criteria for interpretation based on Community law which will enable that court to solve the legal problem with which it is faced (judgment in Joined Cases 91 and 127/83 Heineken Brouwerijen v Inspecteurs der Vennootschapsbelasting, Amsterdam and Utrechts [1984] ECR 3435, paragraph 10).

14 The orders for reference mention the national rules applicable to copyright, and also Paragraph 125 of the UrhG which governs the rights of performers, known as "rights related to copyright". It is not for the Court to determine within which of those two categories of rights the disputes in the main proceedings fall. As the Commission has proposed, the questions referred to the Court should be regarded as relating to the rules which apply to both of those categories of rights.

15 Those questions concern the first paragraph of Article 7 of the Treaty which lays down the general principle of non-discrimination on the grounds of nationality. As is expressly provided in that paragraph, the prohibition of discrimination contained in it applies only within the scope of application of the Treaty.

16 The questions referred to the Court must accordingly be regarded as seeking, essentially, to ascertain:

- ° whether copyright and related rights fall within the scope of application of the Treaty within the meaning of the first paragraph of Article 7, and consequently, if the general principle of non-discrimination laid down by that article applies to those rights;
- ° if so, whether the first paragraph of Article 7 of the Treaty precludes the legislation of a Member State from denying to authors or performers from other Member States, and those claiming under them, the right, accorded by that legislation to the nationals of that State, to prohibit the marketing, in its national territory, of a phonogram manufactured without their consent, where the performance was given outside its national territory;
- ° whether the first paragraph of Article 7 of the Treaty may be directly relied upon before a national court by an author or performer from another Member State, or by those claiming under them, in order to claim the benefit of the protection reserved to nationals.

The application of the provisions of the Treaty to copyright and related rights

17 The Commission, the German Government, the United Kingdom, Phil Collins and EMI Electrola maintain that copyright and related rights, inasmuch as they constitute, in particular, economic rights which determine the conditions in which an artist's works and performances may be exploited in return for payment, fall within the scope of application of the Treaty; this, they maintain, is apparent, moreover, from the judgments of the Court in which Articles 30, 36, 59, 85 and 86 of the Treaty were applied to those rights, and also from the intense legislative activity of which those rights are the subject within the Communities. On the rare occasions where a specific provision of the Treaty does not apply, the general principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty, must, in any event, do so.

18 Imtrat maintains, to the contrary, that the conditions for the grant of copyright and related rights, which concern the existence, and not the exercise, of those rights, do not, according to Article 222 of the Treaty and well-established case law of the Court, fall within the scope of application of the Treaty. Taking up the findings of the Bundesgerichtshof on that point, Patricia and Mr Kraul submit in particular that at the material time in the main proceedings copyright and related rights were not, in the absence of Community rules or harmonization measures, governed by Community law.

19 As Community law now stands, and in the absence of Community provisions harmonizing national laws, it is for the Member States to establish the conditions and detailed rules for the protection of literary and artistic property, subject to observance of the applicable international conventions (see the judgment in Case 341/87 EMI Electrola v Patricia Im- und Export and Others [1989] ECR 79, paragraph 11).

20 The specific subject-matter of those rights, as governed by national legislation, is to ensure the protection of the moral and economic rights of their holders. The protection of moral rights enables authors and performers, in particular, to object to any distortion, mutilation or other modification of a work which would be prejudicial to their honour or reputation. Copyright and related rights are also economic in nature, in that they confer the right to exploit commercially the marketing of the protected work, particularly in the form of licences granted in return for payment of royalties (see the judgment in Joined Cases 55/80 and 57/80 Musik-Vertrieb membran v GEMA [1981] ECR 147, paragraph 12).

21 As the Court pointed out in the last-mentioned judgment (paragraph 13), whilst the commercial exploitation of copyright is a source of remuneration for the owner, it also constitutes a form of control of marketing, exercisable by the owner, the copyright management societies and the grantees of licences. From this point of view, the commercial exploitation of copyright raises the same problems as does the commercial exploitation of any other industrial and commercial property right.

22 Like the other industrial and commercial property rights, the exclusive rights conferred by literary and artistic property are by their nature such as to affect trade in goods and services and also competitive relationships within the Community. For that reason, and as the Court has consistently held, those rights, although governed by national legislation, are subject to the requirements of the Treaty and therefore fall within its scope of application.

23 Thus they are subject, for example, to the provisions of Articles 30 and 36 of the Treaty relating to the free movement of goods. According to the case-law of the Court, musical works are incorporated into phonograms which constitute goods the trade in which, within the Community, is governed by the above provisions (see, to that effect, the judgment in Musik-Vertrieb membran, cited above, paragraph 8).

24 Furthermore, the activities of copyright management societies are subject to the provisions of Articles 59 and 66 of the Treaty relating to the freedom to provide services. As the Court stated in its judgment in Case 7/82 GVL v Commission [1983] ECR 483, paragraph 39, those activities should not be conducted in such a way as to impede the free movement of services, and particularly the exploitation of performers' rights, to the extent of partitioning the common market.

25 Finally, the exclusive rights conferred by literary and artistic property are subject to the provisions of the Treaty relating to competition (see judgment in Case 78/70 *Deutsche Grammophon v Metro* [1971] ECR 487).

26 It is, moreover, precisely in order to avoid the risk of hindrances to trade and the distortion of competition that the Council has, since the disputes in the main proceedings arose, adopted Directive 92/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property, on the basis of Article 57(2) and Articles 66 and 100a of the Treaty (OJ 1992 L 346, p. 61).

27 It follows that copyright and related rights, which by reason in particular of their effects on intra-Community trade in goods and services, fall within the scope of application of the Treaty, are necessarily subject to the general principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty, without there even being any need to connect them with the specific provisions of Articles 30, 36, 59 and 66 of the Treaty.

28 Accordingly, it should be stated in reply to the question put to the Court that copyright and related rights fall within the scope of application of the Treaty within the meaning of the first paragraph of Article 7; the general principle of non-discrimination laid down by that article therefore applies to those rights.

Discrimination within the meaning of the first paragraph of Article 7 of the Treaty

29 *Imtrat* and *Patricia* maintain that the differentiation which is made between German nationals and nationals of the other Member States in the cases referred to it by the national courts is objectively justified by the disparities which exist between national laws and by the fact that not all Member States have yet acceded to the Rome Convention. That differentiation is not, in those circumstances, contrary to the first paragraph of Article 7 of the Treaty.

30 It is undisputed that Article 7 is not concerned with any disparities in treatment or the distortions which may result, for the persons and undertakings subject to the jurisdiction of the Community, from divergences existing between the laws of the various Member States, so long as those laws affect all persons subject to them, in accordance with objective criteria and without regard to their nationality (judgment in Case 14/68 *Wilhelm v Bundeskartellamt* [1969] ECR 1, paragraph 13).

31 Thus, contrary to what *Imtrat* and *Patricia* maintain, neither the disparities between the national laws relating to the protection of copyright and related rights nor the fact that not all Member States have yet acceded to the Rome Convention can justify a breach of the principle of non-discrimination laid down by the first paragraph of Article 7 of the Treaty.

32 In prohibiting "any discrimination on the grounds of nationality", Article 7 of the Treaty requires, on the contrary, that persons in a situation governed by Community law be placed on a completely equal footing with nationals of the Member State concerned (judgment in Case 186/87 *Cowan v Trésor Public* [1989] ECR 195, paragraph 10). In so far as that principle is applicable, it therefore precludes a Member State from making the grant of an exclusive right subject to the requirement that the person concerned be a national of that State.

33 Accordingly, it should be stated in reply to the question put to the Court that the first paragraph of Article 7 of the Treaty must be interpreted as precluding legislation of a Member State from denying, in certain circumstances, to authors and performers from other Member States, and those claiming under them, the right, accorded by that legislation the nationals of that State, to prohibit the marketing, in its national territory of a phonogram manufactured without their consent, where the performance was given outside its national territory.

The effects of the first paragraph of Article 7 of the Treaty

34 The Court has consistently held that the right to equal treatment laid down by the first paragraph of Article 7 of the Treaty, is conferred directly by Community law (judgment in Cowan, cited above, paragraph 11). That right may, therefore, be relied upon before a national court as the basis for a request that it disapply the discriminatory provisions of a national law which denies to nationals of other Member States the protection which they accord to nationals of the State concerned.

35 Accordingly, it should be stated in reply to the question put to the Court that the first paragraph of Article 7 of the Treaty should be interpreted as meaning that the principle of non-discrimination which it lays down may be directly relied upon before a national court by an author or performer from another Member State, or by those claiming under them, in order to claim the benefit of protection reserved to national authors and performers.

Decision on costs

Costs

36 The costs incurred by the German Government, the United Kingdom and the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court.

Operative part

On those grounds,

THE COURT,

in answer to the questions referred to it by the Landgericht Munchen I, by order of 4 March 1992 and by the Bundesgerichtshof by order of 30 April 1992, hereby rules:

1. Copyright and related rights fall within the scope of application of the Treaty, within the meaning of the first paragraph of Article 7; the general principle of non-discrimination laid down by that article is, therefore, applicable to them.

2. The first paragraph of Article 7 of the Treaty must be interpreted as precluding the legislation of a Member State from denying to authors and performers from other Member States, and those claiming under them, the right, accorded by that legislation to the nationals of that State, to prohibit the marketing in its national territory of a phonogram manufactured without their consent, where the performance was given outside its national territory.

3. The first paragraph of Article 7 of the Treaty must be interpreted as meaning that the principle of non-discrimination which it lays down may be directly relied upon before a national court by an author or performer from another Member State, or by those claiming under them, in order to claim the benefits of protection reserved to national authors and performers.

Judgment of the Court of 30 November 1993. - Deutsche Renault AG v AUDI AG. - Reference for a preliminary ruling: Bundesgerichtshof - Germany. - Free movement of goods - Trade-mark law. - Case C-317/91

1 The Bundesgerichtshof (First Civil Senate), by an order of 21 November 1991, received at the Court on 9 December 1991, has referred to the Court of Justice under Article 177 of the EEC Treaty a question on the interpretation of Articles 30 and 36 of the EEC Treaty in order to enable it to decide whether the protection of a designation consisting of the word for a numeral in a language of the Community other than that of the State of importation is compatible with those provisions.

2 This question arises in a dispute between Deutsche Renault AG (hereinafter "Renault"), the German subsidiary of a French motor-vehicle manufacturer, and AUDI AG (hereinafter "AUDI"), a German motor-vehicle manufacturer, regarding the use by Renault of the designation "Quadra".

3 According to the documents before the Court, the legal and factual background to the question is as follows.

4 According to the Warenzeichengesetz (Law on Trade Marks, hereinafter "the WZG"), numerals cannot be registered as trade marks (Paragraph 4(2)1 of the WZG) unless the mark in question has gained acceptance in the trade as a distinctive feature of the products to which it is applied (Paragraph 4(3) of the WZG). Moreover, the proprietor of a trade mark cannot prevent a competitor from applying to his products particulars of their special characteristics as long as such particulars are not used by way of a trade mark (Paragraph 16 of the WZG). Finally, a get-up ("Ausstattung") which is regarded in the trade circles concerned as

sufficiently distinctive is also protected, essentially in the same way as a registered trade mark (Paragraph 25 of the WZG).

5 AUDI has had the trade mark "Quattro" registered twice in the German trade-mark register. Since 1980 it has been marketing under that designation motor-cars with four-wheel drive. In mid-March 1988 Renault introduced on to the German market a motor-car with four-wheel drive manufactured in France and already marketed in other European countries under the designation "Espace Quadra".

6 In March 1988 Renault applied to the German Patent Office to have the two trade marks registered by AUDI removed from the register. By decisions of 9 August and 11 October 1990 the Trade-Mark Division of the German Patent Office removed both "Quattro" trade marks from the register on the ground that a numeral could not be registered even as a foreign word and that moreover at the time of registration the designation in question had not gained the necessary acceptance in the trade. An action brought by AUDI against those decisions was dismissed by the Bundespatentgericht, which, however, gave leave to appeal ("Rechtsbeschwerde"). It stated inter alia that the word "Quattro", as the Italian word for the number 4, must be left free for national trade but above all for purposes of the import and export trade in the motor-vehicle sector and that in any event in that sector the figure 4 had an importance in advertising or for designating models which could not be compared with that of any other figure.

7 In the litigation giving rise to this reference for a preliminary ruling AUDI claims that Renault should be ordered to cease to use the designation "Quadra" and to pay compensation. It contends that there is a risk of confusion between the designations "Quattro" and "Quadra" and bases its claim on its rights derived from the registration of the trade mark and from the right to a get-up under Paragraph 25 of the WZG. That paragraph is referred to in the main proceedings because under certain conditions it allows an unregistered mark to be protected.

8 AUDI was successful at first instance. In its decision of 30 November 1988 the Landgericht Muenchen I (Seventh Chamber for Commercial Cases) referred inter alia to the risk of phonetic as well as conceptual confusion between "Quattro" and "Quadra"; both concepts referred to the figure 4 for the same goods, namely motor vehicles with four-wheel drive.

9 The Oberlandesgericht Muenchen (Sixth Civil Senate), by a judgment of 21 September 1989 (that is, before the decisions of the German Patent Office referred to in paragraph 6 above) dismissed Renault's appeal. It based its decision essentially on the protection of get-up and decided in particular that AUDI's claims based thereon were justified and that there was no need for the designation to be kept free for competitors. The results of public opinion surveys produced by the applicant showed the acceptance in the trade required for protection

of the designation, since 61.1% of those polled (and 79.8 to 87.9% of driving-licence holders, motor-car owners, drivers, persons with an interest in the motor-vehicle trade and those intending to buy a car) knew the designation "Quattro" in relation to motor-vehicles and 51.2% of the public attributed the designation to a specific manufacturer.

10 Renault appealed on a point of law to the Bundesgerichtshof (hereinafter "the BGH"), which came to the conclusion, contrary to the appeal court, that specialist circles in motor-vehicle manufacturing had a considerable interest in ensuring that the figure 4, which was of importance for that sector in many respects, should be kept free for general use, even in the Italian version in its verbal form, which was widely understood in Germany. The extent of recognition found by the appeal court was not sufficient to confirm a right to a get-up or the legal validity of the trade mark. Consequently, the designation "Quattro" could be protected under the WZG only if a fresh appraisal of the factual situation by the court adjudicating on the facts showed that that designation had acquired the necessary high degree of recognition in the trade. A fresh opinion survey might possibly reveal such a high degree of recognition.

11 If that degree of recognition were to be proved, it would have to be accepted that the designation "Quattro" had acquired a highly distinctive character and required correspondingly increased protection. On that assumption, it would follow that there was a danger of confusion with the designation "Quadra" and that accordingly Renault must be prohibited from using it as a means of identification in Germany.

12 Since the defendant regards such a prohibition as an unlawful restriction of intra-Community trade, the court making the reference has decided to refer a question to the Court of Justice for a preliminary ruling so as to enable it to decide whether the case needs to be referred back to the fact-finding court for further clarification of the facts, which would be superfluous if the prohibition of the designation "Quadra" were unlawful under Community law. Its question is worded as follows:

"Is there an unlawful restriction of intra-Community trade for the purposes of Articles 30 and 36 of the EEC Treaty if a subsidiary trading in Member State A of an automobile manufacturer established in Member State B is prohibited from using as a mark in Member State A the designation 'Quadra', which the manufacturer has hitherto used without restriction for a four-wheel-drive motor vehicle, both in its own State and elsewhere, on the ground that another automobile manufacturer in Member State A claims ° validly under the internal law of Member State A ° a trade-mark right (' Warenzeichenrecht') and/or a right to a get-up (' Ausstattungsrecht') in the word 'Quattro', even though that word denotes a numeral in another Member State and that meaning is clearly discernible in yet other Member States, and even though the number 4 thereby designated plays a significant and varied role in automobile manufacturing and the automobile trade?"

13 Reference is made to the Report for the Hearing for a more detailed account of the facts of the case, the procedure and the written observations submitted to the Court, which are mentioned or discussed below only in so far as is necessary for the reasoning of the Court.

14 A preliminary point to note is that the period for the transposition of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1) was extended until 31 December 1992 by Article 1 of the Council Decision of 19 December 1991 (OJ 1992 L 6, p. 35). That directive, which moreover concerns only registered trade marks and not the right to a get-up, is therefore on any view, by reason of the date of its entry into force, inapplicable to this case, which must be decided exclusively in terms of Articles 30 and 36 of the EEC Treaty.

15 The question referred to the Court raises the problem whether provisions of national law of the kind at issue here are compatible with Community law. That problem has two aspects: first, with regard to establishment of the right to the designation, since according to such legal provisions the designation "Quattro" would be capable of being protected under trade-mark law; secondly, with regard to the exercise of the right, since according to those legal provisions it might be assumed that there is a risk of confusion between the designations "Quattro" and "Quadra".

16 These two points must be considered in turn.

Establishment of the right to the designation "Quattro"

17 According to the provisions of the EEC Treaty on the free movement of goods, one of which is Article 30, quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States. However, according to the first sentence of Article 36, those provisions do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property.

18 According to the second sentence of Article 36, the prohibitions and restrictions mentioned in the first sentence "shall not ... constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States".

19 In Case 34/79 Henn and Darby [1979] ECR 3795 at paragraph 21, it was held that the purpose of the second sentence of Article 36 is to prevent restrictions of intra-Community trade based on the grounds set out in the first sentence of Article 36 from being abused in such a way as to introduce discrimination against goods originating in other Member States or to provide indirect protection for certain national products.

20 As the Court decided in the judgments in Cases 144/81 Keurkoop [1982] ECR 2853 and in Case 238/87 Volvo [1988] ECR 6211 with regard to designs and in Case 35/87 Thetford [1988] ECR 3585 with regard to patents, in the present state of Community law and in the absence of Community standardization or harmonization of laws, the conditions and procedures for the protection of an intellectual property right are a matter for national law.

21 Consequently, the conditions for the protection of a designation such as "Quattro" are, subject to the limits imposed by the second sentence of Article 36, a matter for national law.

22 The first point to be made in this regard is that the national legislation at issue, in the interpretation given by the court making the reference, lays down very strict conditions for the protection under trade-mark law of a designation such as "Quattro".

23 Apart from the statutory limitations on the registration of a numeral as a trade mark (see paragraph 4 above), an unregistered trade mark is in general protected only if it has gained acceptance in trade, that is, if the mark is perceived by the German public as an indication that the goods to which it is applied come from a particular undertaking. That is the position only if the great majority of consumers have that impression.

24 This degree of recognition, which is called for by the court making the reference, must be all the higher if, as with the figure 4 in the automobile sector, the symbol is one which ought to remain available for use. In view of the importance of keeping the symbol available, the court making the reference regards the degree of recognition hitherto demonstrated as insufficient.

25 In addition, these rules apply also where the numeral is represented by a word in a foreign language, in so far as the language concerned is sufficiently well known in Germany.

26 Finally, it can be seen from Paragraph 16 of the WZG ° which is also applicable by analogy to the right to a get-up ("Ausstattungsrecht") ° that a competitor is not prevented by the protection of the mark from applying to his goods indications of their properties on condition that they are not used by way of a trade mark. The same rules apply to descriptive designations in foreign languages. However, the courts which had to decide the dispute in the main proceedings did not regard the use of the designation "Quadra" as descriptive.

27 Secondly, it should be noted that it does not appear from the documents before the Court that a manufacturer from another Member State is precluded from claiming under the same conditions the protection granted under German law to a registered or unregistered trade mark or that such protection varies according to whether or not the goods bearing that trade mark are of national or foreign origin.

28 It follows that national legal provisions such as those at issue in the main proceedings, which permit the establishment under the aforementioned conditions of an exclusive right to the use of a designation such as "Quattro", represent neither arbitrary discrimination nor a disguised restriction on intra-Community trade.

The risk of confusion between the designations "Quattro" and "Quadra"

29 With regard to the exercise of the right, the Commission states that the concept of actual risk of confusion must be strictly interpreted in order to avoid obstructing the free movement of goods further than is necessary for the protection of trade marks. As an exception to a basic principle of the common market Article 36 allows restrictions to the free movement of goods only in so far as they are justified by the protection of the rights which constitute the specific subject-matter of the industrial or commercial property at issue.

30 In view of that argument it should be noted, first, that the specific subject-matter of trade-mark rights consists in protecting the proprietor of the mark against a risk of confusion such as to allow third persons to take unlawful advantage of the reputation of the proprietor's goods (judgments in Case 16/74 Centrafarm v Winthrop [1974] ECR 1183 at paragraph 8 and in Case C-10/89 HAG GF ("HAG II") [1990] ECR I-3711 at paragraph 14).

31 Further, the adoption of criteria for a finding of risk of confusion forms part of the detailed rules for trade-mark protection which, as already stated (paragraph 20 of this judgment), are a matter for national law. A trade-mark right as an exclusive right and protection against marks giving rise to risk of confusion are in reality, as the Advocate General rightly emphasizes in section 21 of his Opinion, two sides of the same coin: reducing or extending the scope of protection against the risk of confusion simply reduces or extends the scope of the right itself. Both aspects must accordingly be governed by a single, homogeneous source of law ° that is, at present, by national law.

32 Community law does not therefore lay down any strict interpretative criterion for the concept of risk of confusion.

33 However, national law is subject to the restrictions set out in the second sentence of Article 36 of the Treaty. As it is, there is nothing in the documents before the Court to indicate that those restrictions have been exceeded. In particular, there is nothing to suggest that the German courts interpret the concept of confusion broadly where the protection of the trade mark of a German producer is at issue, but interpret the same concept strictly where the protection of the trade mark of a producer established in another Member State is concerned.

34 In these circumstances, national laws such as those in question here, under which an exclusive right to use a designation such as "Quattro" may be exercised in order to prevent the use of a designation such as "Quadra", which is assumed to be capable of creating a risk of confusion with the former designation, constitute neither arbitrary discrimination nor a disguised restriction on intra-Community trade.

35 The Commission further contends that, in order to appraise the risk of confusion, composite trade marks must be regarded in their entirety, so that in this case account must be taken of the fact that the vehicles in question are marketed under the designation "Espace Quadra" and "AUDI Quattro".

36 According to German law, there is a risk of confusion between two trade marks not only when the trade concerned might mistakenly assume that the goods concerned come from one and the same undertaking (direct risk of confusion) but also when the mistaken assumption relates to the existence of an organizational or economic link between the undertakings concerned, such as a licensing agreement under which one undertaking is authorized to manufacture a product with the same properties as the product of the other (risk of confusion in the broader sense).

37 No exception can be taken under Community law to the protection granted by a national law against this last-mentioned risk of confusion since it corresponds to the specific subject-matter of the trade-mark right which, as stated above, consists in protecting the proprietor against the risk of confusion.

38 It is for the national court to decide whether the use of the words "Quattro" and "Quadra" in composite designations such as "AUDI Quattro" and "Espace Quadra" is sufficient to exclude the risk of confusion, even if it be established that the designation "Quattro" has achieved a high degree of recognition.

39 In view of all the foregoing considerations, the answer to the question referred to the Court must be that it does not represent an unlawful restriction of intra-Community trade for the purposes of Articles 30 and 36 of the EEC Treaty if a subsidiary trading in Member State A of an automobile manufacturer established in Member State B is prohibited from using as a mark in Member State A the designation "Quadra", which the manufacturer has hitherto used without restriction for a four-wheel-drive motor vehicle, both in its own State and elsewhere, on the ground that another automobile manufacturer in Member State A claims ° validly under the internal law of Member State A ° a trade-mark right ("Warenzeichenrecht") and/or a right to a get-up ("Ausstattungsrecht") in the word "Quattro", even though that word denotes a numeral in another Member State and that meaning is clearly discernible in other Member States, and even though the number 4 thereby designated plays a significant and varied role in automobile manufacturing and the automobile trade.

Operative part

On those grounds,

THE COURT,

in answer to the question referred to it by the Bundesgerichtshof by order of 21 November 1991, hereby rules:

It does not represent an unlawful restriction of intra-Community trade for the purposes of Articles 30 and 36 of the EEC Treaty if a subsidiary trading in Member State A of an automobile manufacturer established in Member State B is prohibited from using as a mark in Member State A the designation "Quadra", which the manufacturer has hitherto used without restriction for a four-wheel-drive motor vehicle, both in its own State and elsewhere, on the ground that another automobile manufacturer in Member State A claims ° validly under the internal law of Member State A ° a trade-mark right ("Warenzeichenrecht") and/or a right to a get-up ("Ausstattungsrecht") in the word "Quattro", even though that word denotes a numeral in another Member State and that meaning is clearly discernible in other Member States, and even though the number 4 thereby designated plays a significant and varied role in automobile manufacturing and the automobile trade.

Judgment of the Court of 23 April 2002. - Boehringer Ingelheim KG, Boehringer Ingelheim Pharma KG, Glaxo Group Ltd, The Wellcome Foundation Ltd, SmithKline Beecham plc, Beecham Group plc, SmithKline & French Laboratories Ltd and Eli Lilly and Co. v Swingward Ltd and Dowelhurst Ltd. - Reference for a preliminary ruling: High Court of Justice (England & Wales), Chancery Division - United Kingdom. - Trade marks - Directive 89/104/EEC - Article 7(2) - Exhaustion of the rights conferred by the trade mark - Pharmaceutical products - Parallel importation - Repackaging of the trade-marked product. - Case C-143/00.

Grounds

3 Under Article 28 EC, quantitative restrictions on imports and measures having equivalent effect are to be prohibited between Member States. Article 30 EC, however, authorises prohibitions and restrictions on imports between Member States which are justified on grounds of the protection of industrial and commercial property, on condition that they do not constitute a means of arbitrary discrimination or a disguised restriction on intra-Community trade.

4 Article 7 of Directive 89/104, entitled Exhaustion of the rights conferred by a trade mark, provides:

1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

5 In accordance with Article 65(2) of the Agreement on the European Economic Area, in conjunction with Annex XVII, point 4, thereto, Article 7(1) of Directive 89/104 has been amended for the purposes of that agreement, the expression in the Community having been replaced by in a Contracting Party.

The main proceedings and the questions referred for preliminary ruling

6 Each of the pharmaceutical products concerned by the main proceedings has been marketed under a trade mark by one of the claimants within the Community, where it was purchased by one of the defendants and imported into the United Kingdom. For the latter purpose, the defendants have to some extent altered the packaging of the products and the instruction leaflets going with them.

7 The manner in which the different products concerned have been repackaged varies. In some cases, a label setting out certain critical information, such as the name of the parallel importer and its parallel import licence number, has been attached to the original package. On such packages, wording in languages other than English therefore remains visible and the trade mark is not covered up. In other cases, the product has been repackaged in boxes designed by the parallel importer on which the trade mark is reproduced. Finally, in some cases, the product has been repackaged in boxes designed by the parallel importer which do not bear the trade mark. Instead the generic name of the product is marked on the box. Inside this box, the inner packaging bears the original trade mark but is over-stickered with a label which indicates the generic name of the product as well as the identity of the manufacturer and of the parallel import licence holder. In all these cases of repackaging, the boxes contain an information leaflet for the patient written in English which bears the trade mark.

8 Boehringer, Glaxo, SmithKline, Wellcome and Eli Lilly object to these changes in packaging and claim that they are not necessary to enable the products concerned to be put on the market in the United Kingdom. According to them, it follows from the case-law of the

Court that the parallel importers are not entitled to make such changes. The claimants have therefore brought proceedings before the national court for trade mark infringement.

9 Since it took the view that the resolution of the disputes in the main proceedings was dependent on the interpretation of Community law, the High Court of Justice of England and Wales, Chancery Division, decided to stay proceedings and to refer the following eight questions to the Court for a preliminary ruling:

1. Can a proprietor of a trade mark use his trade mark rights to stop or hinder the import of his own goods from one Member State into another or to hinder their subsequent marketing or promotion when the importation, marketing or promotion causes no, or no substantial, harm to the specific subject-matter of his rights?

2. Is the answer to the previous question different if the ground relied on by the proprietor is that the importer or subsequent dealer is using his mark in a way which, although not prejudicial to its specific subject-matter, is not necessary?

3. If an importer of the proprietor's goods or a dealer in such imported goods needs to show that his use of the proprietor's mark is "necessary", is that requirement met if it is shown that the use of the mark is reasonably required to enable him to access (a) part only of the market in the goods, or (b) the whole of the market in the goods; or does it require that the use of the mark was essential to enabling the goods to be placed on the market and if none of these, what does "necessary" mean?

4. If the proprietor of a mark is, prima facie, entitled to enforce his national trade mark rights against any use of his mark on, or in relation to, goods which is not necessary, is it abusive conduct and a disguised restriction on trade, in accordance with the second sentence of Article 30 [EC], to use that entitlement in order to hinder or exclude parallel imports of his own goods which do not threaten the specific subject-matter or essential function of the trade mark?

5. Where an importer or someone dealing in imported goods intends to use the proprietor's trade mark on, or in relation to, those goods and such use does and will not prejudice the specific subject-matter of the mark, must he nevertheless give the proprietor advance notice of his intended use of the mark?

6. If the answer to the previous question is in the affirmative, does that mean that failure of the importer or dealer to give such notice has the effect of entitling the proprietor to restrain or hinder the importation or further commercialisation of those goods even though such importation or further commercialisation will not prejudice the specific subject-matter of the mark?

7. If an importer or someone dealing in imported goods must give prior notice to the proprietor in respect of uses of the trade mark which do not prejudice the specific subject-matter of the mark,

(a) does that requirement apply to all such cases of the trade mark, including in advertising, re-labelling and repackaging or, if only some uses, which?

(b) must the importer or dealer give notice to the proprietor or is it sufficient that the proprietor receives such notice?

(c) how much notice must be given?

8. Is a national court of a Member State entitled, at the suit of the proprietor of trade mark rights, to order injunctions, damages, delivery-up and other relief in respect of imported goods or the packaging or advertisements therefor where the making of such an order (a) stops or impedes the free movement of goods placed upon the market within the EC by the proprietor or with his consent but (b) is not for the purpose of preventing harm to the specific subject-matter of the rights and does not help to prevent such harm?

Preliminary observations

10 By its questions, the national court seeks to obtain clarification on a number of aspects of the Court's case-law relating to the repackaging of trade-marked pharmaceutical products by parallel importers without authorisation from the trade mark proprietor.

11 Accordingly, the essential elements of that case-law must be recalled.

12 First of all, it is clear from the Court's case-law, in particular from Case 102/77 Hoffmann-La Roche [1978] ECR 1139, paragraphs 6 and 7, that:

- Article 30 EC allows derogations from the fundamental principle of the free movement of goods between Member States only to the extent to which such derogations are justified in order to safeguard the rights which constitute the specific subject-matter of the industrial property concerned;

- in that context, account must be taken of the essential function of the trade mark, which is to guarantee to the consumer or end user the identity of the trade-marked product's origin by enabling him to distinguish it without any risk of confusion from products of different origin;

- that guarantee of origin means that the consumer or end user can be certain that a trade-marked product offered to him has not been subject at a previous stage of marketing to interference by a third party, without the authorisation of the trade mark proprietor, in such a way as to affect the original condition of the product.

13 The right attributed to a trade mark proprietor of preventing any use of the trade mark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trade mark rights. It is therefore justifiable under the first sentence of Article 30 EC to recognise that the proprietor of a trade mark is entitled to prevent an importer of a trade-marked product, following repackaging of that product, from affixing the trade mark to the new packaging without the authorisation of the proprietor (Hoffmann-La Roche, paragraphs 7 and 8).

14 It is clear from paragraph 14 of Hoffmann-La Roche that the proprietor of a trade mark right which is protected in two Member States at the same time is justified, for the purposes of the first sentence of Article 30 EC, in preventing a product to which the trade mark has lawfully been applied in one of those States from being put on the market in the other Member State after it has been repacked in new packaging to which the trade mark has been affixed by a third party. That paragraph also states, however, that such prevention of marketing will constitute a disguised restriction on trade between Member States, within the meaning of the second sentence of Article 30 EC, where:

- it is established that the use of the trade mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between Member States;

- it is shown that the repackaging cannot adversely affect the original condition of the product;

- the proprietor of the mark receives prior notice of the marketing of the repackaged product;

and

- it is stated on the new packaging by whom the product has been repackaged.

15 Next, in cases subsequent to Hoffmann-La Roche, in particular in Joined Cases C-427/93, C-429/93 and C-436/93 Bristol-Myers Squibb and Others [1996] ECR I-3457 and Case C-379/97 Upjohn [1999] ECR I-6927, the Court clarified what may constitute artificial partitioning of the markets between Member States. In certain circumstances, where repackaging is necessary to allow the product imported in parallel to be marketed in the importing State, opposition of the trade mark proprietor to the repackaging of pharmaceutical products is to be regarded as constituting artificial partitioning of markets.

16 In that case-law, the Court also elaborated on and clarified the other requirements which the parallel importer must meet in order to be able to repackage trade-marked pharmaceutical

products. It stated, in particular, that the presentation of the repackaged product must not be such as to damage the reputation of the trade mark.

17 Finally, it should be remembered that, before Directive 89/104 was adopted, the Court's case-law on those issues had been developed on the basis of the provisions of the EEC Treaty relating to intra-Community trade. Following adoption of that directive, Article 7 of which comprehensively regulates the question of the exhaustion of trade mark rights for products traded in the Community, the Court held that national rules on the subject had to be assessed in the light of that article (see *Bristol-Myers Squibb and Others*, paragraph 26).

18 However, Article 7 of the Directive, like Article 30 EC, is intended specifically to reconcile the fundamental interest in protecting trade mark rights with the fundamental interest in free movement of goods between Member States, so that those two provisions, which pursue the same result, must be interpreted in the same way. The Court's case-law under Article 36 of the EEC Treaty (subsequently Article 36 of the EC Treaty and now, after amendment, Article 30 EC) must therefore be taken as the basis for determining whether, under Article 7(2) of the Directive, a trade mark proprietor may oppose the marketing of repackaged products to which the trade mark has been reaffixed (see *Bristol-Myers Squibb and Others*, paragraphs 40 and 41).

The specific subject-matter of the trade mark

19 By its first, second, fourth and eighth questions, the national court seeks to obtain clarification of the concept of the specific subject-matter of the trade mark, as used in the Court's case-law, in order to determine the circumstances in which a trade mark proprietor may rely on its trade mark rights in order to prevent a parallel importer from repackaging pharmaceutical products.

20 The national court seeks to ascertain, in particular, whether it is possible to take the view, as some courts in other Member States have done, that repackaging is prejudicial to the specific subject-matter of the trade mark for the purposes of the Court's case-law, so that the trade mark proprietor may oppose repackaging as a matter of principle even if, in reality, that repackaging does not constitute a threat to its proprietary interests. According to the national

court, the repackaging in question in the present case concerns authentic goods marketed with the proprietor's consent and does not harm the original condition of the products, their reputation or the essential functions of the mark. The court raises the question whether, in circumstances where the mark is not used in such a way as to deceive consumers as to the origin and quality of the goods, such repackaging must be permitted even if it is not established that repackaging is necessary in order to allow the parallel importer effective access to the market.

Observations submitted to the Court

21 Boehringer submits that a trade mark proprietor may always legitimately oppose the further marketing of a pharmaceutical product where the parallel importer has repackaged the product and used the trade mark on, or in relation to, the product or interfered with the trade mark proprietor's rights in any other way, unless this interference is essential in the circumstances prevailing at the time of marketing in the Member State of importation in order for the product to be marketed in that State by the importer and such interference causes as little harm as possible to the trade mark proprietor's rights.

22 Glaxo submits that the repackaging of a trade mark proprietor's products without its consent is an interference with the specific subject-matter of the trade mark. Such conduct in itself would attract a sanction pursuant to an action for infringement of the trade mark, subject only to the four conditions laid down in the Court's case-law and set out in paragraph 14 above. There is no further requirement of proof that the repackaging is damaging or prejudicial to the specific subject-matter of the trade mark.

23 SmithKline claims that, according to the order for reference, the onus is on the trade mark proprietor to demonstrate some additional harm in order to prevent the parallel importation of goods bearing that trade mark. It submits that that approach is wrong having regard to the Court's case-law on the subject.

24 Swingward and Dowelhurst submit that it is clear from the case-law of the Court that trade mark rights can be relied on only where there is specific and material harm to the specific subject-matter of the trade mark.

25 The German Government submits that it is clear from the Court's case-law that to repackaging or relabel goods can adversely affect the trade mark proprietor's rights, including those constituting the specific subject-matter of the mark, and that there is no reason to depart from that settled case-law.

26 The Norwegian Government submits that the wording of Article 30 EC presupposes that restrictions on imports are justified only if industrial or commercial property is jeopardised. It cannot be deduced from the Court's case-law that a trade mark proprietor may oppose the importation of repackaged products which do not adversely affect the original condition of the product or damage the reputation of the trade mark and its proprietor.

27 The Commission submits that the essential question is whether the requirement of necessity has to be combined with the conditions relating to protection of the specific subject-matter of a trade mark. *Bristol-Myers Squibb and Others* is not entirely without ambiguity in that regard. However, if the Court had wished to alter the nature of the list of conditions laid down in *Hoffmann-La Roche* by making some of them alternatives, it could perfectly well have done so. The Commission thus considers the requirement of necessity to be additional to the criteria concerning protection of the specific subject-matter of a trade mark.

Findings of the Court

28 Although it is possible to derogate from the fundamental principle of free movement of goods where the proprietor of a mark relies on the mark to oppose the repackaging of pharmaceutical products imported in parallel, that is only to the extent necessary to enable the proprietor to safeguard rights which form part of the specific subject-matter of the mark, as understood in the light of its essential function.

29 It is not in dispute that the specific subject-matter of a mark is to guarantee the origin of the product bearing that mark and that repackaging of that product by a third party without the authorisation of the proprietor is likely to create real risks for that guarantee of origin.

30 Thus, in paragraphs 7 and 8 of Hoffmann-La Roche, the Court considered that the proprietor's right to oppose the repackaging of pharmaceutical products bearing its mark is, having regard to that risk to the guarantee of origin, related to the specific subject-matter of the mark. According to that case-law, it is the repackaging of the trade-marked pharmaceutical products in itself which is prejudicial to the specific subject-matter of the mark, and it is not necessary in that context to assess the actual effects of the repackaging by the parallel importer.

31 However, it is clear from paragraph 9 of Hoffmann-La Roche that the derogation from free movement of goods which is the consequence of the trade mark proprietor's opposition to repackaging cannot be accepted if the proprietor's exercise of that right constitutes a disguised restriction on trade between Member States within the meaning of the second sentence of Article 30 EC.

32 A disguised restriction within the meaning of that provision will exist where the exercise by a trade mark proprietor of its right to oppose repackaging contributes to artificial partitioning of the markets between Member States and where, in addition, the repackaging is done in such a way that the legitimate interests of the proprietor are respected. This means, in particular, that the repackaging must not adversely affect the original condition of the product and must not be such as to harm the reputation of the mark.

33 As was recalled in paragraph 15 above, the Court has found that a trade mark proprietor's opposition to repackaging of pharmaceutical products must be regarded as contributing to artificial partitioning of the markets between Member States where the repackaging is necessary in order to enable the product imported in parallel to be marketed in the importing State.

34 Thus it is clear from settled case-law that the change brought about by any repackaging of a trade-marked pharmaceutical product - creating by its very nature the risk of interference with the original condition of the product - may be prohibited by the trade mark proprietor unless the repackaging is necessary in order to enable the marketing of the products imported in parallel and the legitimate interests of the proprietor are also safeguarded (see, to that effect, Bristol-Myers Squibb and Others, paragraph 57).

35 The answer to the first, second, fourth and eighth questions must therefore be that Article 7(2) of the Directive must be interpreted as meaning that a trade mark proprietor may rely on its trade mark rights in order to prevent a parallel importer from repackaging pharmaceutical products unless the exercise of those rights contributes to artificial partitioning of the markets between Member States.

The need for repackaging

36 By its third question, the national court asks the Court in what circumstances repackaging by a parallel importer in order to market pharmaceutical products in the importing State may be considered to be necessary for the purposes of the Court's case-law. It seeks more specifically to ascertain whether repackaging may be considered necessary on the sole ground that, without it, the commercial success of the product would be adversely affected on the market of the importing State because a significant proportion of the consumers in that State mistrust pharmaceutical products which are manifestly intended for the market of another State.

37 The national court considers that repackaging should be regarded as necessary where it enables a real or potential impediment to the marketing of the products to be overcome. That issue is important since the claimants contend that repackaging by parallel importers, which consists in replacing the packaging of the products, is not necessary because marketing would still be possible simply by relabelling the products. According to the national court, there is real market resistance to relabelling and replacement of packaging is necessary to overcome that resistance.

Observations submitted to the Court

38 Boehringer submits that interference with the proprietor's trade mark rights is necessary only where, without such interference, the rules or practices in force in the importing State prevent the importer from selling the product in that State. The trade mark proprietor may therefore legitimately oppose repackaging dictated by consumer preference in that State for a

particular presentation of the product, so long as the rules and practices of the importing State allow it to be marketed without such interference.

39 Glaxo submits that the Court intended to draw a distinction between changes to packaging which are required to enable the goods to reach the market and changes which serve to maximise the acceptability of those goods on the market. It places in the second category changes whose purpose is to enable parallel importers to charge higher prices, to make the products more attractive to consumers or to increase sales. In so far as it is not established that the repackaging is necessary for the product to be sold in the importing Member State, the proprietor's opposition does not constitute artificial partitioning of the market. The principle of free movement of goods is observed so long as the importer can repackage the product where that is necessary in order to reach the market.

40 SmithKline submits that necessary repackaging must be understood as meaning that without which the product could not be placed on the market. To overcome the reluctance of consumers to accept over-stickered products is not a legitimate reason for repackaging.

41 Swingward and Dowelhurst identify only one case where repackaging cannot be regarded as necessary, namely where it is explicable solely by the parallel importer's attempts to secure a commercial advantage in the sense of Upjohn, that is, an unfair or abusive commercial advantage.

42 The German Government submits that the Court has clearly indicated the circumstances in which repackaging of trade-marked pharmaceutical products is permissible, by reference to the concept of necessity. Mere economic advantages, such as increasing sales, are not sufficient for repackaging to be deemed necessary. Accordingly, there is, for example, no objective need to repackage the product where relabelling or the use of foreign packaging is regarded less favourably. However, if the characteristics of the market make it very significantly harder to sell a product which has not been repackaged, then repackaging is to be regarded as necessary.

43 The Norwegian Government submits that no requirement of necessity can be deduced from the Court's case-law. If, however, such a requirement were to exist, it should be

considered to be satisfied if the parallel importer finds repackaging necessary in order to sell the product.

44 The Commission considers that consumer resistance does not give rise to necessity within the meaning of the Court's case-law unless it is of a kind which cannot be overcome by lower prices and greater information.

Findings of the Court

45 According to the Court's case-law, where a trade mark proprietor relies on its trade mark rights to prevent a parallel importer from repackaging where that is necessary for the pharmaceutical products concerned to be marketed in the importing State, that contributes to artificial partitioning of the markets between Member States, contrary to Community law.

46 The Court has found in that respect that it is necessary to take account of the circumstances prevailing at the time of marketing in the importing Member State which make repackaging objectively necessary in order that the pharmaceutical product can be placed on the market in that State by the parallel importer. The trade mark proprietor's opposition to the repackaging is not justified if it hinders effective access of the imported product to the market of that State (see, to that effect, *Upjohn*, paragraph 43).

47 Such an impediment exists, for example, where pharmaceutical products purchased by the parallel importer cannot be placed on the market in the Member State of importation in their original packaging by reason of national rules or practices relating to packaging, or where sickness insurance rules make reimbursement of medical expenses depend on a certain packaging or where well-established medical prescription practices are based, *inter alia*, on standard sizes recommended by professional groups and sickness insurance institutions. In that regard, it is sufficient for there to be an impediment in respect of one type of packaging used by the trade mark proprietor in the Member State of importation (see *Bristol-Myers Squibb and Others*, paragraphs 53 and 54).

48 In contrast, the trade mark proprietor may oppose the repackaging if it is based solely on the parallel importer's attempt to secure a commercial advantage (see, to that effect, Upjohn, paragraph 44).

49 In that context, it has also been held that the trade mark proprietor may oppose replacement packaging where the parallel importer is able to reuse the original packaging for the purpose of marketing in the Member State of importation by affixing labels to that packaging (see Bristol-Myers Squibb and Others, paragraph 55).

50 Thus, while the trade mark proprietor may oppose the parallel importer's use of replacement packaging, that is conditional on the relabelled pharmaceutical product being able to have effective access to the market concerned.

51 Resistance to relabelled pharmaceutical products does not always constitute an impediment to effective market access such as to make replacement packaging necessary, within the meaning of the Court's case-law.

52 However, there may exist on a market, or on a substantial part of it, such strong resistance from a significant proportion of consumers to relabelled pharmaceutical products that there must be held to be a hindrance to effective market access. In those circumstances, repackaging of the pharmaceutical products would not be explicable solely by the attempt to secure a commercial advantage. The purpose would be to achieve effective market access.

53 It is for the national court to determine whether that is the case.

54 The answer to the third question must therefore be that replacement packaging of pharmaceutical products is objectively necessary within the meaning of the Court's case-law if, without such repackaging, effective access to the market concerned, or to a substantial part of that market, must be considered to be hindered as the result of strong resistance from a significant proportion of consumers to relabelled pharmaceutical products.

Advance notice to the trade mark proprietor

55 By its fifth to seventh questions, the national court seeks to obtain clarification of the requirement that the parallel importer must give advance notice to the trade mark proprietor that the repackaged product is to be put on sale. It seeks in particular to ascertain whether, as long as the intended repackaging does not in the particular case prejudice the specific subject-matter of the mark, notice is nevertheless necessary; whether the importer himself must give notice or it is sufficient that the proprietor receive such notice from another source; the length of notice to be given; and the consequence of failure to give notice.

Observations submitted to the Court

56 Boehringer submits that there is no valid reason to reconsider the requirement of notice identified by the Court. That requirement does not impose an unreasonable burden on the parallel importer, does not impede free movement of goods, does not delay marketing of the imported products and does not render their marketing appreciably more difficult. Since that requirement is not dependent on a use of the mark interfering with its specific subject-matter, the proprietor can oppose any use of its mark by a parallel importer unless the importer has given it notice.

57 According to Glaxo, the requirement of notice is not onerous and it is reasonable. It should be enforced in accordance with the principles which were identified in Hoffmann-La Roche and have been consistently applied by the Court. The parallel importer itself should give notice to the proprietor prior to marketing, allowing a reasonable time for objections to be taken into account. The parallel importer should be penalised for failure to give notice, since otherwise there is simply no incentive for him to comply with that requirement. Advance notice of 28 days would be reasonable.

58 Swingward and Dowelhurst submit that it follows from the Court's case-law that the requirement that an importer give notice to the proprietor is a procedural requirement designed to place the proprietor in a position to safeguard its rights. Where there is no harm to the specific subject-matter of the trade mark, failure to give notice is not at all prejudicial to the proprietor. Accordingly, it would not be consistent with the principle of proportionality for failure to give notice to transform a legitimate use of the trade mark into an infringement

of the trade mark rights. Swingward and Dowelhurst consider a period of two days before the repackaged product is placed on the market to be reasonable. They further submit that the obligation of notice is fulfilled so long as the proprietor receives notice, whether it was sent by the importer or a third party. Since the United Kingdom authorities responsible for controlling pharmaceutical products notify the proprietor when they issue a parallel import licence, the proprietor is adequately informed about intended parallel imports.

59 The German Government submits that if a trade mark proprietor has not received adequate information about the type of repackaging intended before the repackaged goods are placed on the market, in sufficient time for it to be able to check that the requirements for repackaging laid down by the Court are satisfied, it is justified in preventing the importer from relying on exhaustion of the trade mark rights. Notice should be given by the parallel importer.

60 The Commission submits that it follows from the Court's case-law that a trade mark proprietor may oppose marketing by a parallel importer where it has not been given prior notice of the use of its mark. The notice period should allow the proprietor a reasonable opportunity to carry out the necessary examination and to determine whether it should raise an objection. The period will be longer if the parallel importer chooses to notify without simultaneously sending a sample. In this case, an additional period must enable the proprietor to request, and receive, a sample.

Findings of the Court

61 According to the Court's case-law, a parallel importer which repackages a trade-marked pharmaceutical product must give prior notice to the trade mark proprietor that the repackaged product is being put on sale (see *Hoffmann-La Roche*, paragraph 12). At the request of the trade mark proprietor, the importer must also supply it with a sample of the repackaged product before it goes on sale. That requirement enables the proprietor to check that the repackaging is not carried out in such a way as directly or indirectly to affect the original condition of the product and that the presentation after repackaging is not such as to damage the reputation of the trade mark. It also affords the trade mark proprietor a better

possibility of protecting himself against counterfeiting (see Bristol-Myers Squibb and Others, paragraph 78).

62 The purpose of the requirements set out in the preceding paragraph is to safeguard the legitimate interests of trade mark proprietors. As the claimants point out, satisfying those requirements scarcely poses any real practical problems for parallel importers provided that the proprietors react within a reasonable time to the notice. Adequate functioning of the notice system presupposes that the interested parties make sincere efforts to respect each other's legitimate interests.

63 As regards the requests for clarification from the national court as to those requirements, first, it follows from the reply to the first, second, fourth and eighth questions that a parallel importer must, in any event, in order to be entitled to repackage trade-marked pharmaceutical products, fulfil the requirement of prior notice. If the parallel importer does not satisfy that requirement, the trade mark proprietor may oppose the marketing of the repackaged pharmaceutical product.

64 Second, it is incumbent on the parallel importer itself to give notice to the trade mark proprietor of the intended repackaging. It is not sufficient that the proprietor be notified by other sources, such as the authority which issues a parallel import licence to the importer.

65 Third, the Court has not yet ruled on the period of notice to be given to the proprietor to react to the intended repackaging of the pharmaceutical product bearing its mark.

66 In that regard, it is self-evident that while, having regard to the purpose of notice to the trade mark proprietor, it is appropriate to allow a reasonable time for it to react to the intended repackaging, consideration must also be given to the parallel importer's interest in proceeding to market the pharmaceutical product as soon as possible after obtaining the necessary licence from the competent authority.

67 In the event of dispute, it is for the national court to assess, in the light of all the relevant circumstances, whether the trade mark proprietor had a reasonable time to react to the

intended repackaging. On the basis of the evidence before the Court, a period of 15 working days seems likely to constitute such a reasonable time where the parallel importer has chosen to give notice to the trade mark proprietor by supplying it simultaneously with a sample of the repackaged pharmaceutical product. That period being purely indicative, it remains open to the parallel importer to allow a shorter time and to the proprietor to ask for a longer time to react than that allowed by the parallel importer.

68 In the light of the foregoing, the answer to the fifth to seventh questions must be that a parallel importer must, in any event, in order to be entitled to repackage trade-marked pharmaceutical products, fulfil the requirement of prior notice. If the parallel importer does not satisfy that requirement, the trade mark proprietor may oppose the marketing of the repackaged pharmaceutical product. It is incumbent on the parallel importer himself to give notice to the trade mark proprietor of the intended repackaging. In the event of dispute, it is for the national court to assess, in the light of all the relevant circumstances, whether the proprietor had a reasonable time to react to the intended repackaging.

Operative part

THE COURT,

in answer to the questions referred to it by the High Court of Justice of England and Wales, Chancery Division, by order of 7 March 2000, hereby rules:

1. Article 7(2) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, as amended by the Agreement on the European Economic Area of 2 May 1992, must be interpreted as meaning that a trade mark proprietor may rely on its trade mark rights in order to prevent a parallel importer from repackaging pharmaceutical products unless the exercise of those rights contributes to artificial partitioning of the markets between Member States.
2. Replacement packaging of pharmaceutical products is objectively necessary within the meaning of the Court's case-law if, without such repackaging, effective access to the market

concerned, or to a substantial part of that market, must be considered to be hindered as the result of strong resistance from a significant proportion of consumers to relabelled pharmaceutical products.

3. A parallel importer must, in any event, in order to be entitled to repackage trade-marked pharmaceutical products, fulfil the requirement of prior notice. If the parallel importer does not satisfy that requirement, the trade mark proprietor may oppose the marketing of the repackaged pharmaceutical product. It is incumbent on the parallel importer himself to give notice to the trade mark proprietor of the intended repackaging. In the event of dispute, it is for the national court to assess, in the light of all the relevant circumstances, whether the proprietor had a reasonable time to react to the intended repackaging.