

Article 85 therefore is applicable to the extent to which imports of products which bear the same trade-mark and which originate in different Member States are prevented because the proprietors have acquired the trade-mark or the right to use it, whether by agreements between themselves or by agreements with third parties. The fact that under national legislation trade-mark rights may originate in legal circumstances other than the abovementioned agreements, such as registration of the trade-mark or its undisturbed use, does not preclude the application of Article 85.

3. Only a restrictive agreement which affects trade between Member States to an appreciable extent and which restricts competition within the Common Market comes under Article 85.

(cf. paragraph 7, summary, Judgment in Case 56/65, [1966] ECR 236)

If the combination of assignments to different users of national trade-marks protecting the same product has the result of re-erecting impenetrable frontiers between the Member States, such a practice may well affect trade between Member States and distort competition within the Common Market.

4. For Article 85 (1) to apply to a restrictive practice which arose before the Treaty entered into force, it is both necessary and sufficient that it continues to produce its effects after that date.

5. The proprietor of a trade-mark does not enjoy a 'dominant position' within the meaning of Article 86 merely because he is in a position to prevent third parties from putting into circulation, on the territory of a Member State, products bearing the same trade-mark. It is also necessary that the proprietor of the trade-mark should have power to impede the maintenance of effective competition over a considerable part of the relevant market, having regard in particular to the existence and position of any producers or distributors who may be marketing similar goods or goods which may be substituted for them.

The price level of the product does not necessarily suffice to disclose the abuse of a dominant position within the meaning of Article 86. It may, however, if unjustified by any objective criteria, and if it is particularly high, be a determining factor.

(cf. paragraph 3, summary, Judgment in Case 24/67, [1968] ECR 55)

In Case 40/70

Reference to the Court under Article 177 of the EEC Treaty by the Tribunale Civile e Penale, Milan, for a preliminary ruling in the action pending before that court between

SIRENA S.R.L.

and

EDA S.R.L.

FIorenza FERRARI,
TERESA FORMAGGIA,
PIETRO GRUGNI,
MARIO BIRAGHI,

NATALE MAPPI,
SERGIO PUPPO,
NOVIMPEX S.R.L.

on the interpretation of Articles 85 and 86 of the EEC Treaty,

THE COURT

composed of: R. Lecourt, President, A. M. Donner and A. Trabucchi, Presidents of Chambers, R. Monaco, J. Mertens de Wilmars, P. Pescatore and H. Kutscher (Rapporteur), Judges,

Advocate-General: A Dutheillet de Lamothe
Registrar: A. Van Houtte

gives the following

JUDGMENT

Issues of fact and of law

I — Facts

According to the order referring the matter, the facts on which this request is based may be summarized as follows: Sirena, the applicant in the main action, accuses the defendants of having infringed its trade-marks Nos 186046, 121719 and 112603, constituted by the words 'Prep' and 'Prep Good Morning' and by other words or symbols. In fact, the defendants imported into Italy pots of medicinal cosmetic cream on which the said trade-marks had been appended at the outset and which had been supplied by a German undertaking holding a licence from the American firm Mark Allen, the producer of 'Prep'. Sirena based its claim:

- on a contract concluded in 1937 with the firm Mark Allen in which the latter assigned to it the trade-mark 'Prep';
- on the quiet and exclusive enjoyment of the trade-mark 'Prep' since 1937;

— on enjoyment of this same trade-mark since 21 October 1944, the date from which the trade-mark which was originally registered in Italy by the firm Mark Allen began to lose its commercial validity and was not thereafter renewed or used by that firm;

— on its status as proprietor of the trade-marks Nos 121719 and 112603, which it registered in Italy in 1952 at a time when the commercial validity of the trade-mark 'Prep' as the mark of the products of Mark Allen had already diminished.

Novimpex, one of the defendants in the main action, contested the validity of the abovementioned contract. It states that the contract infringes Articles 85 and 86 of the EEC Treaty since it allows Sirena to prevent the importation from other Community countries of products to which the trade-mark 'Prep' had been lawfully attached in their place of origin. Furthermore, Novimpex claims that

Italian law is incompatible with the Community rule in so far as it supports the claims made by Sirena.

II—Wording and grounds of the order referring the questions

By order of 12 June 1970 the Tribunale Civile e Penale, Milan, decided to refer to the Court the following questions:

1. Are Articles 85 and 86 applicable to the effects of a contract of assignment of a trade-mark made before the Treaty entered into force?
2. Must the said Articles 85 and 86 be interpreted as preventing the proprietor of a trade-mark lawfully registered in one Member State from exercising the absolute right derived from the trade-mark to prohibit third parties from importing from other countries of the Community products bearing the same trade-mark, lawfully attached to them in their place of origin?

The order referring the matter is accompanied by the following reasoning:

- The measures adopted by the Commission of the European Communities, and in particular Article 3 (b) of Regulation No 67/67 of 22 March 1967 (OJ English Special Edition 1967, p. 10) reveal a tendency to consider as incompatible with Community law agreements on the registration and use of trade-marks intended to create monopolies and dominant positions within a country of the Community;
- the abovementioned provision pronounces a general principle, valid even apart from any appraisal of the validity of exclusive agreements and making clear the need to coordinate Community law on competition and national law on industrial property rights, in so far as the latter allows the proprietor of a trade-mark to enjoy an absolute territorial protection;

— this coordination is rendered necessary even if the right in the trade-mark was acquired through a contract concluded before the entry into force of the EEC Treaty where the proprietor continues to use the trade-mark which he holds in order to bring about a partition of territory within the Community for the distribution of a particular product;

— in this case, the exercise of the national court's 'discretionary power' to refer the matter to the Court is rendered necessary 'in view of the seriousness of the consequences which might result from the proposed interpretation of the Community rules and the need to submit appraisal of them to the court which is the best qualified to ascertain the spirit of the rules in the context of the politico-economic interests which led to their adoption'.

III—Procedure

The procedure followed the normal course.

In pursuance of Article 20 of the Protocol on the Statute of the Court of Justice of the EEC written observations were submitted by Sirena, Novimpex, the Government of the Kingdom of the Netherlands and the Commission of the European Communities.

After hearing the report of the Judge-Rapporteur and the views of the Advocate-General, the Court decided to open the oral procedure without any preparatory inquiry.

The oral observations of Sirena and Novimpex and of the Commission were presented at the hearing on 15 December 1970.

The Advocate-General delivered his opinion at the hearing on 21 January 1971.

In the procedure before the Court Sirena was represented by Mario Rotondi and Erminio Parini of the Milan Bar and Ernest Arendt of the

Luxembourg Bar, Novimpex by Giuseppe Celona and Rosario Nolasco of the Milan Bar, the Government of the Kingdom of the Netherlands by W. Riphagen, Legal Adviser to the Ministry for Foreign Affairs and the Commission of the European Communities by its Legal Adviser, Giuseppe Marchesini.

IV—Observations submitted to the Court

The observations submitted to the Court may be summarized as follows: Sirena puts forward the following arguments:

1. With regard to the facts, it must be made clear that:
 - Sirena is the proprietor of the following trade-marks entered in the Italian Register:
 - No 186646 registered on 2 April 1963 (renewal of trade-marks registered in 1931 and 1943 respectively) and covering the name 'Prep';
 - No 121719 registered on 26 April 1952 and relating to the words 'Prep' and 'Good Morning' as well as to symbols;
 - No 112603 registered on 26 September 1952 and relating to an entry containing the word 'Prep' as well as symbols;
 - For some time the Italian market has been flooded by a product imported from abroad and bearing the name 'Prep' and the legend 'Good Morning', all on labels entirely identical to those of trade-mark Nos 121719 and 112603 held by Sirena;
 - Sirena has obtained a sequestration order on the products bearing the trade-marks infringed; this order was made on traders who are all supplied by Novimpex; consequently, Sirena brought the main action against that company and against a number of re-sellers.
2. As regards the first question raised by the national court, it must be pointed

out that two of the trade-marks in dispute were registered in Italy by Sirena for the first time in 1952. Consequently, Sirena did not use these trade-marks in pursuance of a contract but on the basis 'of a personal, original and absolute right'; the reference to the EEC Treaty is therefore relevant.

The same applies to trade-mark No 186646. Here again, use is not based on a contractual relationship but on an absolute right. Even if the present right of Sirena derives from the contract concluded with Mark Allen and this contract was not valid, it nevertheless remains the case that the latter company did not register the trade-mark on its date of expiry, whereas Sirena, having always used the name 'Prep', made the later registrations. In any case, Sirena is therefore the exclusive proprietor of this trade-mark.

3. As regards the second question, the rules of the EEC Treaty on competition have not extinguished trade-mark rights. Novimpex is wrong in invoking the case-law of the Court (Judgment in Joined Cases 56 and 58/64, *Consten-Grundig*, [1966] ECR 299) and of national courts on parallel imports into exclusive areas since such a phenomenon is quite different. In fact, in these cases account must be taken of the effects of agreements whereby the sole proprietor of a distinctive mark seeks to limit legal trading in a product bearing his trade-mark by creating autonomous national areas which are closed to the importation of products to which that trade-mark has been legally attached in the country of origin. On the other hand, in cases like the present one, there 'exists in one country the trade-mark of a producer who has therefore an original and autonomous right valid throughout the whole territory of such country. In this case the manufacture or the importation by third parties of products bearing this trade-mark is a commonplace act of infringement'.

It is impossible to speak of a 'derived right' in respect of two trade-marks hav-

ing the same content where the proprietors in different countries are themselves different. It is a question in fact in such a case of 'two completely independent rights'. The prohibition on importation from one of these countries into the other does not depend on the intuition of the proprietor established in the exporting country but on the subjective right of the holder established in the importing country.

The expression 'trade-mark legally attached in another country' is equivocal, since the legal appending, along with the exclusive rights flowing from it, is limited to the country which has granted the trade-mark.

Moreover, Article 36 of the Treaty safeguards the exclusive rights of the proprietors of trade-marks.

The judgment of the Court in Case 24/67 (Parke, Davis and Co., [1968] ECR 55) constitutes the precedent to be followed in this case since what applies to patents is also valid in the case of trade-marks. However, the statement contained in that judgment according to which 'a higher sale price of the patented product as compared with that of the unpatented product coming from another Member State does not necessarily constitute an abuse' is of no importance in a case like the present where Novimpex is selling products at almost half the price of the product developed in Italy by Sirena 'on the basis of almost forty years' research and experience'.

In conclusion, Sirena maintains that the Court should therefore reply as follows to the questions raised by the national court:

— the right to the exclusive use of a trade-mark properly registered is perfectly compatible with Articles 85 and 86 and expressly recognized by Article 36 of the EEC Treaty and, in consequence, an agreement transferring this exclusive right to third parties in accordance with the rules in force in each country is perfectly compatible with those same rules; it is therefore of no consequence whether this transfer took place be-

fore or after the entry into force of the Treaty;

— the proprietor of a right to a trade-mark in a particular country has the right to prevent the production and sale of products bearing his distinctive mark, manufactured or placed on the market without his consent by a producer organization which has in another country, and by virtue of an original title or of a licence from a third party, the right to use in that country a similar distinctive mark.

The company *Novimpex* observes in particular that:

1. As regards the facts:

— it has imported into Italy a certain quantity of medicinal cosmetic cream 'Prep—Good Morning' manufactured in Germany under a licence granted by the firm Mark Allen, the owner of the formula and holder of the trade-mark;

— In doing so, Novimpex took into account the fact that, in Italy, whereas the same product was sold exclusively by Sirena at lit. 500 per jar it was possible to sell it for lit. 250 in spite of the cost of transport from Germany and still make a reasonable profit;

— before the national court, Novimpex asserted that since 'parallel imports' had been accepted as permissible by the Italian courts, the same principle must apply in respect of the proprietor of a national trade-mark, provided that the trade-mark appearing on the imported product had been legally attached at its place of origin;

— Novimpex requested that the matter be referred to the Court, in particular in order to obtain a declaration that agreements designed to transfer the right to a trade-mark in a restrictive manner in respect of one or more States of the Community and not in respect of the whole territory of the Community, are void.

2. The questions raised by the national court should therefore be answered as follows:

— Articles 85 and 86 of the EEC Treaty apply to contracts of assignment of trade-marks concluded either before or after the entry into force of the Treaty and having the effect, either direct or indirect, of partitioning the markets within the Community.

— The said articles must be interpreted as prohibiting the assertion of rights deriving from a trade-mark legally registered in a Member State in order to prevent the importation, from other Community countries, of products on which the same trade-mark has been legally attached at its place of origin.

In support of these propositions, Novimpex puts forward, *inter alia*, the following arguments:

(a) The view which it advocates does not adversely affect the protection granted by national laws since the penalties which such laws provide for the illegal attaching of a trade-mark continue to exist; similarly, the rule laid down by Article 222 of the Treaty—assuming it applies to industrial property—is observed.

On the other hand, Sirena's argument would result in the disappearance of the Common Market. It would suffice for any commercial operator to acquire any trade-mark whatsoever in order to prevent imports into the protected territory and this would apply to any product at all, and even semi-finished products or raw materials. The barriers thus erected would be even more effective than those resulting from customs duties since the latter obstacle can be surmounted through economic sacrifice. Competition would exist only to the extent to which an equivalent product was offered on the national market; modern consumer psychology has shown how restricted these limits are.

(b) The protection claimed by Sirena is contrary to Articles 2, 3(a) and (j), 5 and even 36 of the Treaty.

(c) Novimpex invokes the case-law of the Court in Cases *Grundig-Consten*

(loc. cit.), *Parke, Davis and Co.* (loc. cit.) and *Völk* (Case 5/69, [1969] ECR 296).

It next deals with the question of determining what the proprietor's right consists of, in other words, what the function of the trade-mark is. Relying on the case-law of the Member States and the opinion of various authors, it makes, *inter alia*, the following points:

— the trade-mark is intended to guarantee the origin of the product and to distinguish it from other goods; however, the product sold by the parallel importer is always the authentic product;

— the legislation on trade-marks has the aim, not of creating a monopoly in favour of the holder (unlike the law on patents) and of thereby restricting competition, but of preventing the public from being deceived by misleading names;

— today, many undertakings, the production of which is not protected by a patent, seek, however, to procure for themselves a dominant position through the expedient of trade-marks; however, that is an abuse and not a proper use;

— the absolute protection of the trade-mark is incompatible with the permissibility of parallel imports.

(d) It is not different in cases where there exist no economic links between the assignor and the assignee of trade-mark rights. This situation is moreover difficult to imagine, for, with the exception of French law—which stipulates however that 'only licences for use may create a territorial limitation'—the laws of Member States prohibit any assignment of a trade-mark right unaccompanied by the transfer of the business or a part of it.

It follows therefore that under every system of legislation, the absence of economic links between the contracting parties results in the nullity of the contract.

As regards contracts assigning 'know-how', they are only recognised as valid

where they provide for the temporal continuity of technical assistance and communication of all information concerning changes in and modernization of the product.

(e) For the purposes of the application of Article 85 of the Treaty, no distinction should be drawn between contracts assigning the trade-mark absolutely and contracts granting a temporary licence relating to the exercise of rights inherent in it. Otherwise, it would be simple to evade the principles laid down by the Court in its judgment in *Grundig-Consten*; it would suffice to make an absolute transfer or to allow for the registration *de novo* in the name of another undertaking, without fixing expressly the contractual and economic links between the producer and the authorized re-seller.

A person who acquires the absolute right to a trade-mark has no interest which warrants protection. In fact, such a person, by the fact of having chosen a trade-mark corresponding to that registered in another country, has waived the use of a name which, in relation to customers, may be capable of serving as an independent indication of origin and of guarantee. In such a case, it is not the established quality of the purchaser's product, but only that of the product of the original proprietor, which constitutes the subject-matter of the legitimate interest of the consumer.

(f) Citing again various authors whose argument it adopts, Novimpex points out that the fact of limiting the guarantee of the trade-mark to the territory in respect of which it is granted is incompatible with the very concept of a common market. This thesis does not stop the trade-mark from playing its proper role; on the contrary, if the seller wishes to prevent the public which demands the product from being deceived, he must ensure that the products of the person acquiring the trade-mark possess the same quality and the same characteristics, for otherwise the

trade-mark would suffer throughout the entire Common Market.

(g) Some consider that the prohibition laid down in Article 85(1) only operates in so far as the effects set out therein are 'appreciable'. In reality, however, this provision introduces no quantitative criterion. It suffices that the agreement or practice should be capable of affecting trade and competition, which is the case under the conditions described by the Court in its judgment in Case 56/65 (*Technique minière v Maschinenbau Ulm*), [1966] ECR 235). In each case the appraisal must be restricted to products subject to the agreement or the practice, in other words, those which are the direct subject-matter of such agreement or practice or which are in fact capable of being substituted for the latter. The product characterized by a trade-mark should not, however, be considered as capable of substitution since the function of a trade-mark is precisely that of creating a distinction.

(h) The above considerations have shown in particular:

- that the contract concluded between the original proprietor of the trade-mark and an assignee constitutes an instrument for the partitioning of markets;
- that, in any case, the fact that the original proprietor fails to assert his rights within the territory granted to his assignee amounts to a concerted practice;
- a recognition that the proprietor has the right to prohibit imports from other Member States would amount to giving any natural or legal person, whether a Community national or a foreign national, the power to prevent the free movement of goods within the Common Market, and through the mere fact of registration of a trade-mark;
- it should therefore be declared that Article 85 prohibits the assignment of a trade-mark having as its object or effect to impede free trade

between Member States in the product in question.

(i) Moving on to Article 86 of the Treaty, Novimpex points out the difficulty in defining generally the expression 'any abuse ... of a dominant position within the Common Market or in a substantial part of it'. On the other hand, the Court, when it gives a preliminary ruling, cannot act as an administrative authority for which it may possibly be permissible to exempt a certain number of trade-marks from the application of Article 86 and then to bring the exemptions to an end when it appears that they threaten to prevent freedom of trade. On the contrary, the Court must establish a uniform case-law which, in this case, can consist only in the applicability of Article 86 to all trade-marks.

The actual power to limit competition is always, and necessarily, the consequence of a dominant position.

Returning to the question of the boundaries of the actual market, which must in each case be taken into account, Novimpex cites several American economists who, justifiably, have emphasized the essentially heterogeneous character of any product as compared with any other, even though similar in appearance, and that this is so, even taking account of the mental attitude of buyers.

As one of those authors has stated, 'A monopoly is simply a product controlled from a single source and significantly different from others in the incalculable series of substitute products'. That is the only legally valid criterion for defining the degree of 'domination' attaching to a particular economic position. On the other hand, to adopt the criterion of the dominant position of the undertaking as such, would be to get trapped in a 'diabolical situation', since the concept of 'dominant position' eludes any definition applicable to all cases. In fact, every undertaking occupies such a position at least as regards its preferred market.

(j) For all these reasons, writers on the subject have accepted that a monopoly based on a trade-mark right may give rise to the creation of a dominant position within the meaning of Article 86 since industrial property is not, moreover, exempt from the application of the Treaty.

The proprietor of the trade-mark therefore enjoys by definition an absolute dominant position in relation to his product. The Treaty does not prohibit him from making use of this power, but prohibits him from abusing it, in other words, from using it for purposes incompatible with the function of the trade-mark.

Furthermore, in interpreting Article 86 one cannot disregard the content of Article 85. However, if the latter provision refers only to conduct which may affect trade and restrict competition, it is difficult to accept that Article 86 requires the domination of the whole Common Market or a sector of it. This is all the more true in that a person who is in a position to influence the market through his own position is obviously more powerful than a person who, to attain this object, must enter into agreements with others.

Finally, use of the quantitative criterion in the interpretation of the concept 'dominant position' may lead to the injustice, for example, of granting to the first ten or one hundred proprietors of trade-marks the right to prohibit parallel imports, whereas producers of competing goods, who later resorted to similar measures, would have applied against them the prohibitions of Articles 85 and 86, on the ground that their action leads to a total block on trade in the products in question.

The Government of the Kingdom of the Netherlands makes, *inter alia* the following observations:

On the first question

The question must be answered in the affirmative if, at the time when the

trade-mark right in question was used, the contract, by virtue of which this right may have been created or transferred, could still be considered as subsisting.

However, the mere fact that the acquisition or the creation of trade-mark rights which are used, *inter alia*, in order to prevent goods from being imported under the same trade-marks from other Member States, is the consequence of contracts concluded before or after the entry into force of the Treaty, does not suffice to bring into operation the prohibition of Article 85(1).

4. On the second question

The following conclusions may be drawn from the judgments in *Grundig-Consten* and *Parke Davis and Co.*:

Articles 85 and 86 of the Treaty do not affect the existence of the right to the exclusive use of a trade-mark granted to its proprietor by a Member State. However, the exercise of this right may fall within the ambit of these articles when the conditions necessary for their application are satisfied.

The dispute in the main action concerns the importation of goods to which a trade-mark, which is the same as that held by Sirena in Italy, has been legally attached in another country by an undertaking established there. It is possible that Sirena and the undertaking established in the other country have concluded an agreement or that their practices have been concerted with regard to the marketing of the said goods in Italy. In this case, the matter must be examined in the light of Article 85. If, however, the two firms acted independently, Article 85 cannot be applied. It must therefore be examined whether circumstances exist justifying the application of Article 86.

In this connexion, the following observations must be made: when the proprietor of the trade-mark exercises the exclusive right granted to him in the importing country in order to keep off the market

products bearing the same trade-mark as that of which he is the proprietor, this exercise cannot, by itself, constitute an abuse of a dominant position; any other point of view is contrary to the principles of national law on trade-marks and affects the very essence of such law. It may, however, happen that the exclusive right is exercised in circumstances such as are tantamount to abuse of a dominant position; but in this case, it is only by reason of these circumstances that Article 86 is applied. This, moreover, was how the Court decided, with regard to patents, in its judgment in *Parke, Davis and Co.*

The Commission of the European Communities, makes, *inter alia*, the following observations:

1. Facts

It emerges from the file that the following facts are established beyond dispute:

- trade-mark No 186646 derives from a trade-mark which was initially registered (in 1933) by Mark Allen and then transferred to Sirena which regularly renewed it on its own account and in its own name;
- the two other trade-marks in question were registered *ab initio* by Sirena;
- in consequence, the claims of this undertaking appear to be founded:
 - on a *derivative title* as regards the trade-mark 'Prep' (this trade-mark is also claimed, in the alternative, on the basis of a direct acquisition of title, namely by quiet and exclusive enjoyment since 1937; quiet and exclusive enjoyment, in any case, since 1944, the date when the trade-mark of the original proprietor, Mark Allen, expired, owing to the latter's failure to renew and use it;
 - on an *original acquisition of title* as regards the 'Good Morning' and the other names or symbols for which protection is requested.

Since Novimpex alleges the nullity of the contract of assignment concluded between Mark Allen and Sirena owing

to the absence of a transfer at the same time of the business or a part of the business, and since Sirena replies that such a condition was not required by the Italian law in force at the time, the dispute can only be settled by the national court. The latter, however, appears to assume that the assignment is valid under national law but raises the question of its conformity to the provisions of Community law on competition.

In addition, the parties to the main action disagree on the point whether the formulae for the manufacture of the products covered by the trade-mark 'Prep' were transferred. In any case, what is certain is that Sirena itself manufactured and placed on the Italian market the products identified by that trade-mark, a circumstance which is related to the fact that, as from the date when the transfer was concluded, Mark Allen refrained from exporting to Italy, as it had previously done, the 'Prep' products which it manufactured directly in America.

It seems certain that the parties to the contract of assignment sought no other consequences than those flowing, by virtue of the law, from the transfer of the trade-mark. The contract seems to have been executed immediately and with absolute legal effects, unqualified by any conditions or limitations as to time. No link continued to exist after 1937 between Mark Allen and Sirena either on the organizational level or of an economic or legal nature.

The manufacture of the respective products of these two firms developed independently, so that it is impossible to say what differences may exist at the present time between the products of Mark Allen and those manufactured by Sirena.

2. The relevance of the question

The Commission raises no objection in this connexion; it does however observe in relation to the relevance of the inter-

pretation requested that 'if it were found that there were no agreement, a finding especially likely in the case of an original acquisition of title, this would automatically preclude the application of Article 85'.

3. On the first question

The simple transfer of ownership in a trade-mark is not among the effects of a contract of assignment which may fall within the sphere of application of Articles 85 and 86. In fact, the case-law of the Court has affirmed that these provisions may have an effect on the exercise but not on the entitlement to such a right. On the other hand, as regards exercise of that right, the Court has stated that it is only the improper use of the rights flowing from national legislation on trade-marks which should be prevented. In these circumstances, the absolute assignment of a trade-mark can fall under the abovementioned provisions only if it has, even if only indirectly, objectives extraneous to the contract, or if it was used to obtain a result similar to that sought by prohibited restrictive practices.

The present case differs from the *Grundig-Consten* case in which there co-existed a sole distributorship contract and an ancillary contract concerning rights in the trade-mark and having as its sole object to guarantee absolute territorial protection. On the other hand, in the present case, it is a question of a single transfer of an intangible asset which took place prior to the entry into force of the Treaty.

As regards the applicability of Article 86, the Commission recalls the judgment in *Parke, Davis and Co.* from which it follows that the difference between the prices demanded by Sirena, on the one hand, and Novimpex, on the other hand, 'does not necessarily constitute an abuse'.

In conclusion, this question should be answered in the following manner:

'Article 85 and 86 of the EEC Treaty do not apply to the effects of a contract of absolute assignment of a trade-mark (in this case, of a contract made before the entry into force of the Treaty) in so far as such contract seeks no result and produces no effects extraneous to its specific purpose'.

4. On the second question

This question is closely linked to the first; if the latter receives the reply suggested above, it is impossible to see how the assignee's right to protect himself against imports made by third parties can be excluded, even where the competing products legally bear the same trade-mark.

'Territorial protection undoubtedly constitutes the most worrying effect—from the point of view of the Community rules on competition—of the contract of assignment of a trade-mark, as is shown both by the case-law of the Court and by that of the national courts. However, it is not possible in the con-

text of a contract which fulfils the function proper to it (namely, to guarantee the origin of a particular product) and which establishes no obligation or link between the parties apart from those flowing directly from the transfer of the ownership in the trade-mark to sever the legal consequences which the national law attaches to the status of proprietor'. The position of Sirena and Mark Allen corresponds in practice to that which would have ensued had they registered the trade-mark 'Prep' independently and *ab origine* and in Italy respectively.

Consequently, the present question should be answered in the following manner:

'Articles 85 and 86 of the EEC Treaty do not prohibit the proprietor of a trade-mark, which is legally registered in a Member State in the circumstances mentioned above, from using the right, granted to him by national law, to prevent imports from another Member State of products to which the same trade-mark was legally attached in its place of origin'.

Grounds of judgment

- 1 By order dated 12 June 1970, which reached the Court of Justice on 31 July 1970, the Tribunale Civile e Penale, Milan, referred to the Court under Article 177 of the EEC Treaty two questions concerning the interpretation of Articles 85 and 86 of the said Treaty. The Court is asked to decide whether Articles 85 and 86 of the Treaty are 'applicable to the effects of a contract of assignment of a trade-mark, made before the Treaty entered into force', and whether those articles must be interpreted 'as preventing the proprietor of a trade-mark lawfully registered in one Member State from exercising the absolute right derived from the trade-mark to prohibit third parties from importing, from other countries of the Community, products bearing the same trade-mark, lawfully attached to them in their place of origin'.
- 2 It appears from the file that the contract to which the national court refers is an agreement of 1937 whereby an American undertaking, as proprietor of a trade-mark on a cosmetic and medicinal cream which it produced, 'sold,

assigned and transferred . . . all rights, titles and interests in the said trade-mark', so far as concerned Italian territory, to an Italian company, which since then has produced, and put into circulation on that country's market, a cream bearing the same trade-mark, duly registered under Italian law. It appears also from the file that the main action concerns an application by the Italian company alleging infringement of a trade-mark, and seeking an injunction to prevent the distribution on Italian territory of a cream of the same kind imported from the Federal Republic of Germany, and provided with the disputed trade-mark by the German producer, who has entered into a similar agreement with the American undertaking, extending to German territory.

³ The question asked, therefore, amounts to this: assuming that the national law recognizes the right of a trade-mark proprietor to impede imports from other Member States, does Community law affect the extent of this right?

⁴ Article 85 and subsequent articles of the Treaty do not deal expressly with the relationships between the Community system of competition and national laws concerning industrial and commercial property rights and, more particularly, trade-marks. On the other hand, since national rules concerning the protection of industrial and commercial property have not yet been unified within the framework of the Community, the national character of this protection is likely to create obstacles, both to the free movement of proprietary products, and to the Community system of competition.

⁵ In the sphere of provisions relating to the free movement of products, prohibitions and restrictions on imports justified on the grounds of protection of industrial and commercial property are allowed by Article 36, subject to the express condition that they 'shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States'. Article 36, although it appears in the Chapter of the Treaty dealing with quantitative restrictions on trade between Member States, is based on a principle equally applicable to the question of competition, in the sense that even if the rights recognized by the legislation of a Member State on the subject of industrial and commercial property are not affected, so far as their existence is concerned, by Articles 85 and 86 of the Treaty, their exercise may still fall under the prohibitions imposed by those provisions.

⁶ Similar considerations, moreover, find expression in Article 3 of Regulation No 67/67/EEC of the Commission whereby the exemption afforded by Article 1 (1) of that regulation shall not apply 'in particular where the contracting parties exercise industrial property rights to prevent dealers or consumers from obtaining from other parts of the common market or from selling in the territory covered by the contract goods to which the contract

relates which are properly marked or otherwise properly placed on the markets'. Although it is clear from the ninth recital of the preamble that the said regulation was not intended thereby to 'prejudice the relationship between the law of competition and industrial property rights', the same recital nevertheless expresses the intention not to 'allow industrial property rights . . . to be exercised in an abusive manner in order to create absolute territorial protection'.

- 7 The exercise of a trade-mark right is particularly apt to lead to a partitioning of markets, and thus to impair the free movement of goods between States which is essential to the Common Market. Moreover, a trade-mark right is distinguishable in this context from other rights of industrial and commercial property, inasmuch as the interests protected by the latter are usually more important, and merit a higher degree of protection, than the interests protected by an ordinary trade-mark.
- 8 The request for interpretation is primarily directed to ascertaining in what circumstances the exercise of trade-mark rights may constitute infringement of the prohibition imposed by Article 85 (1).
- 9 By virtue of this provision, 'all agreements between undertakings, decisions by association of undertakings, and concerted practices' which may affect trade between Member States, and which have as their object or effect the distortion of competition, are prohibited as incompatible with the Common Market. A trade-mark right, as a legal entity, does not in itself possess those elements of contract or concerted practice referred to in Article 85 (1). Nevertheless, the exercise of that right might fall within the ambit of the prohibitions contained in the Treaty each time it manifests itself as the subject, the means or the result of a restrictive practice. When a trade-mark right is exercised by virtue of assignments to users in one or more Member States, it is thus necessary to establish in each case whether such use leads to a situation falling under the prohibitions of Article 85.
- 10 Such situations may in particular arise from restrictive agreements between proprietors of trade-marks or their successors in title enabling them to prevent imports from other Member States. If the combination of assignments to different users of national trade-marks protecting the same product has the result of re-enacting impenetrable frontiers between the Member States, such practice may well affect trade between States, and distort competition in the Common Market. The matter would be different if, in order to avoid any partitioning of the market, the agreements concerning the use of national rights in respect of the same trade-mark were to be effected in such conditions as to make the general use of trade-mark rights as Community level compatible with the observance of the conditions of competition and unity of

the market which are so essential to the Common Market that failure to observe them is penalized by Article 85 by a declaration that they are automatically void.

- 11 Article 85, therefore, is applicable to the extent to which trade-mark rights are invoked so as to prevent imports of products which originate in different Member States, which bear the same trade-mark by virtue of the fact that the proprietors have acquired it, or the right to use it, whether by agreements between themselves or by agreements with third parties. Article 85 is not precluded from applying merely because, under national legislation trade-mark rights may originate in legal or factual circumstances other than the abovementioned agreements, such as registration of the trade-mark, or its undisturbed use.
- 12 If the restrictive practices arose before the Treaty entered into force, it is both necessary and sufficient that they continue to produce their effects after that date.
- 13 Before restrictive practice can come under Article 85 (1), it must affect trade between Member States to an appreciable extent, and restrict competition within the Common Market.
- 14 Finally, the request for interpretation seeks to establish in what circumstances the exercise of trade-mark rights is incompatible with the Common Market, and prohibited under Article 86 of the Treaty.
- 15 It is clear from the wording of this provision that what it prohibits is a combination of three elements: the existence of a dominant position, its abuse, and the possibility that trade between Member States may thereby be affected.
- 16 It should first be observed that the proprietor of a trade-mark does not enjoy a 'dominant position' within the meaning of Article 86 merely because he is in a position to prevent third parties from putting into circulation, on the territory of a Member State, products bearing the same trade-mark. Since the article requires that the position in question should extend to at least a 'substantial part' of the Common Market, it is also necessary that the proprietor should have power to impede the maintenance of effective competition over a considerable part of the relevant market, having regard in particular to the existence and position of any producers or distributors who may be marketing similar goods or goods which may be substituted for them.

- 17 As regards the abuse of a dominant position, although the price level of the product may not of itself necessarily suffice to disclose such an abuse, it may, however, if unjustified by any objective criteria, and if it is particularly high, be a determining factor.

Costs

- 18 The costs incurred by the Commission and by the Government of the Kingdom of the Netherlands, both of which have submitted observations to the Court, are not recoverable and as these proceedings are, in so far as the parties to the main action are concerned, a step in the action pending before the Tribunale Civile e Penale, Milan, costs are a matter for that court.

On those grounds,

Upon reading the pleadings;

Upon hearing the report of the Judge-Rapporteur;

Upon hearing the oral observations of the parties to the main action and of the Commission of the European Communities;

Upon hearing the opinion of the Advocate-General;

Having regard to the Treaty establishing the European Economic Community, especially Articles 36, 85, 86 and 177;

Having regard to the Protocol on the Statute of the Court of Justice of the European Economic Community;

Having regard to the Rules of Procedure of the Court of Justice of the European Communities,

THE COURT

in answer to the questions referred to it by the Tribunale Civile e Penale, Milan, by the order of that court dated 12 June 1970, hereby rules:

1. (a) **Article 85 of the Treaty is applicable to the extent to which trade-mark rights are invoked so as to prevent imports of products which originate in different Member States, and bear the same trade-mark by virtue of the fact that the proprietors have acquired it, or the right to use it, whether by agreements between themselves or by agreements with third parties;**
- (b) **If the abovementioned agreements were concluded before the Treaty entered into force, it is both necessary and sufficient that they continue to produce their effects after that date;**

2. (a) The proprietor of a trade-mark does not enjoy a dominant position within the meaning of Article 86 of the Treaty merely because he is in a position to prevent third parties from putting into circulation, on the territory of a Member State, products bearing the same trade-mark. He must also have power to impede the maintenance of effective competition over a considerable part of the relevant market;

(b) Although the price level of a product may not, of itself, necessarily suffice to disclose the abuse of a dominant position within the meaning of the said article, it may, however, if unjustified by any objective criteria, and if it is particularly high, be a determining factor.

Lecourt

Donner

Trabucchi

Monaco

Mertens de Wilmars

Pescatore

Kutscher

Delivered in open court in Luxembourg on 18 June 1975.

A. Van Houtte
Registrar

A. M. Donner
President of Chamber
For the President

OPINION OF MR ADVOCATE-GENERAL
DUTHEILLET DE LAMOTHE
DELIVERED ON 21 JANUARY 1971¹

*Mr President,
Members of the Court,*

The dispute giving rise to the question you are called upon to decide today may be briefly summed up as follows.

An American company, Mark Allen, specializing in toilet preparations, had registered, originally in 1931 and in Italy in 1933, a trade-mark, 'Prep', covering a shaving cream. By a contract made in 1937, to which we shall return in due course, Mark Allen assigned this trade-mark, so far as Italy was concerned, to the Sirena company. It appears from the copy of this contract filed that the

contract did not involve any assignment of manufacturing processes, techniques or know-how.

Sirena thereupon manufactured a product which it marketed in Italy under the Prep trade-mark. Subsequently, it renewed this trade-mark in its own name, and registered two other trade-marks incorporating the slogan 'Prep Good Morning' as well as certain emblems.

Now, at a date we do not know, Mark Allen permitted a German company to use its trade-mark in Federal Germany. The latter company thereupon marketed shaving-creams under the same trade-marks. So long as it confined itself to

¹ — Translated from the French.