— 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.

2. To the extent to which the exercise of a trade-mark right is lawful in accordance with the provisions of Article 36 of the Treaty, such exercise is not contrary to Article 86 of the Treaty on the sole ground that it is act of an undertaking occupying a dominant position on the market if the trade-mark right has not been used as an instrument for the abuse of such a position.

Kutscher Sørensen Bosco

Mertens de Wilmars Mackenzie Stuart O'Keeffe Touffait

Delivered in open court in Luxembourg on 23 May 1978.

A. Van Houtte — Registrar

H. Kutscher — President

OPINION OF MR ADVOCATE GENERAL CAPOTORTI DELIVERED ON 14 MARCH 1978 [1]

Mr President,
Members of the Court,

1. It is of the very essence of the industrial and commercial property rights recognized by the legal systems of the various Member States that their exclusive and territorial nature should impede the free movement of goods in the Community and the proper functioning of the rules of competition. It was therefore necessary to provide in Article 36 of the EEC Treaty a provision protecting such rights; but we know how delicate and difficult the balance is that Article 36 seeks to establish when it states that prohibitions or restrictions on imports, exports or goods in transit *justified* on the grounds of the protection of industrial and commercial property shall not be precluded and then immediately adds that "such prohibitions or restric-

1 — Translated from the Italian.

tions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States". Accordingly, on several occasions in the exercise of its jurisdiction to interpret the Treaty the Court has had to determine the exact point at which the fundamental Community principles of the free movement of goods and freedom of competition are actually to be reconciled with the recognition accorded to the rights in question by the various national laws.

In particular, the case-law of the Court has contributed to the gradual definition of the limits to the protection of individual claims based on a trade-mark right, which are undoubtedly lawful from the point of view of a particular national legal system but which are incompatible with the Community system.

It is clear as regards trade-marks that the national legal systems, which were conceived and developed independently before the EEC Treaty entered into force, quite independently of the phenomenon of economic and legal integration which took place with the establishment of the common market, but which continued to govern independently that important sector of law, are, from the point of view of their application and effect, henceforward restricted in many respects by the effect of Community law.

The present case which presents certain new aspects in relation to the previous cases considered by the Court in the sphere of industrial and commercial property offers a further opportunity to develop the case-law.

2. I have already summarized the facts which are at the origin of the present case in my opinion of 5 May 1977 in Case 107/76 between the same parties ([1977] ECR 975). It will be recalled that by order dated 14 October 1976 the Oberlandesgericht Karlsruhe had referred to this Court the two questions of interpretation which are today raised by the Landgericht Freiburg in the same circumstances; those questions at the time were subject to a procedural question concerning the third paragraph of Article 177 of the EEC Treaty and the Court restricted itself in its judgment of 24 May 1977 to answering that preliminary question. For the sake of clarity I cannot avoid today referring briefly to certain facts which I mentioned at the time, supplementing them with other matters which appear to me appropriate.

Since 1963 the undertakings of the multi-national pharmaceutical group Roche-SAPAC have been manufacturing and selling in all countries a tranquillizer called "Valium". This is a psychotherapeutic medicinal product coming within the class of products called "benzo-diazepine". In Germany this medicinal product is manufactured by the German company Hoffmann-La Roche under a licence given it by Hoffmann-La Roche, Basel, and it is sold under the name "Valium-Roche". Both those names are internationally protected by means of registered trademarks, the proprietor of which is the parent company in Basel. The German company puts Valium on the market in the Federal Republic of Germany exclusively in packages of 20 and 50 tablets; further, it sells to hospitals as one single package five of such packages of 50 tablets in one wrapping.

The British subsidiary of the same Roche-SAPAC group also makes Valium which it markets in Great Britain in packages containing 100 and 500 tablets at prices which are considerably lower than those charged by the German subsidiary.

The German undertaking Centrafarm GmbH, a subsidiary of the Netherlands company Centrafarm B.V., which is engaged in the manufacture and sale of pharmaceutical products, receives from Great Britain, through the parent

company which purchases it there, Valium manufactured and marketed by Roche in Great Britain. The Netherlands company buys the product in Great Britain in bottles of 500 tablets, each of which bears the trade-mark Roche, and repackages it in the Netherlands in bottles of 1 000 tablets. The operation is carried out under the surveillance of a pharmacist and in conformity with the Netherlands health laws. The new bottles and the external wrapping have printed on them, albeit in a slightly different form from the original packaging of the British producer, the names "Valium" and "Roche". Included also on the new packages, for the purpose of the sale of the product on the German market, is the registration number of the medicinal product on the register of the Federal public health office, the name "Centrafarm" and finally the legend "marketed by Centrafarm GmbH" together with the address and telephone number of that undertaking in the Federal Republic of Germany.

Each wrapping carries a notice in German, basically identical to that which is affixed by Hoffmann-La Roche Germany on the packaging of its original product. That notice also includes the trade-mark Hoffmann-La Roche and states that the preparation is distributed by Centrafarm GmbH.

The product was introduced to the market of the Federal Republic of Germany in this new presentation for sale in particular to hospitals, clinics and other medical establishments.

It should be observed that Centrafarm had notified its intention of putting the same product of British origin on sale in Germany in smaller packages, as is done by the German subsidiary of Roche, for sale in chemists' shops to individual consumers, but so far it does not seem that effect has been given to such intention.

Acting in the name of the Swiss parent company, the German company Hoffmann-La Roche has brought legal proceedings against Centrafarm before the Landgericht Freiburg on the grounds that under the German law on trade-marks (Warenzeichengesetz), and in particular Article 15 thereof, there has been an infringement of the trade-mark right, of which the Swiss company is the proprietor.

By interlocutory order dated 31 December 1975 the Landgericht Freiburg found in favour of the plaintiff and issued an injunction against Centrafarm restraining it from using the names Valium and Roche either together or separately in its own trade in medicinal products, subject to being able to market the product in the original presentation in which it was marketed in a Member State of the Community by an undertaking licenced by Hoffmann-La Roche & Co. AG of Basel. That order was confirmed by an interim judgment of the same court dated 16 February 1976.

At a subsequent stage of the dispute, when it was possible to give closer examination to the matter during ordinary proceedings, the Swiss parent company, the proprietor of the trade-mark, intervened in the proceedings in support of the claims of the German subsidiary.

By order dated 20 June 1977 the Landgericht Freiburg referred the following questions for a preliminary ruling under the second paragraph of Article 177 of the EEC Treaty:

"1. Is the person entitled to a trade-mark right protected for his benefit both in Member State A and in Member State B empowered under Article 36 of the EEC Treaty, in reliance on this right, to prevent a parallel importer from buying from the proprietor of the mark or with his consent in Member State A of the Community medicinal prepara-

tions which have been put on the market with his trade-mark lawfully affixed thereto and packaged under this trade-mark, from providing them with new packaging, affixing to such packaging the proprietor's trade-mark and importing the preparations distinguished in this manner into Member State B?

2. Is the proprietor of the trade-mark entitled to do this or does he thereby infringe provisions of the EEC Treaty — in particular those contained in Article 86 thereof — even if he acquires a dominant position within the market in Member State B with regard to the medicinal preparation in question, when prohibition on imports of a repacked product to which the proprietor's trade-mark has been affixed has in actual fact a restrictive effect on the market, because different sizes of packages are used in countries A and B and because the importation of the product in another manner has not yet in fact made any appreciable progress on the market, and when the actual effect of the prohibition is that between the Member States there is maintained a substantial — in certain circumstances disproportionate — price differential, without its being possible to prove that the owner of the mark is using the prohibition solely or mainly to maintain this price differential?"

3. The problems raised in these questions are, as I have already said, the same as those put to the Court by the Oberlandesgericht Karlsruhe in Case 107/76. The Landgericht Freiburg seems to share the opinion in respect of them already expressed by the Oberlandesgericht Karlsruhe in its order of reference and it recalls the grounds contained in that order. It accordingly seems to me necessary to take account of that statement, especially as in my view it seems correctly to reflect the rules and legal concepts of German law on the subject as applicable to this particular case.

According to the court at Karlsruhe, a medicinal product which has been repackaged can no longer be attributed to the original manufacturer. This view is based mainly on Article 15 (1) of the Warenzeichengesetz, which gives the proprietor of the trade-mark designating a product the exclusive right of affixing the trade-mark to packages containing that product. The Oberlandesgericht also referred to the German law on medicines (Arzneimittelgesetz) of 16 May 1961, which provides that "production" includes the packing of medicinal preparations into packages for sale to the consumer, and to the new law of 24 August 1976 (due to enter into force in 1978), which provides that "production" also includes transfer into other containers, repacking and marking and renders those operations subject to the grant of a licence, as is the case with production in the strict sense. That is why the above-mentioned Oberlandesgericht Karlsruhe, whilst accepting that the defendant and its parent company had fulfilled all the requirements of health legislation in repacking the product, reached the conclusion that the application of the mark of the original manufacturer to the new containers by an unauthorized third party was at variance with the function of indicating the origin of the product. Since in Community case-law that function has also been recognized as the essence of the trade-mark right, the said Article 15 (1) of the Warenzeichengesetz is compatible with Community law: in other words, it forms part of that area of trade-mark law which is protected by Article 36 of the EEC Treaty.

The German court subsequently justified that conclusion by stating that if the undertaking distributing the product applied the manufacturer's mark to a

new container the consumer might be led falsely to believe that the product had been marketed in that packaging by the manufacturer himself whereas, since the manufacturer has had no part in the repackaging, he cannot be responsible for the condition of the product thereafter. The other function of the mark, which is to provide the consumer with an assurance as to quality, would also be jeopardized. In short, in the present case Centrafarm, by applying the plaintiff's trade name, even at the foot of the notice affixed to the medicine, has given the impression that Hoffmann-La Roche has authorized it to print and sign that notice; it has thereby infringed the right conferred upon the plaintiff by Article 16 of the said Warenzeichengesetz.

4. Let us now consider the case-law of the Court of Justice concerning industrial and commercial property rights. Of the judgments treating the question of the compatibility of such rights with the Community system having regard to Article 36 of the EEC Treaty, I shall recall in particular the judgments of 8 June 1971 in Case 78/70 *Deutsche Grammophon* ([1971] ECR 487); of 3 July 1974 in Case 192/73 *Hag* ([1974] ECR 731); of 31 October 1974 in Cases 15/74 and 16/74 *Centrafarm* v *Sterling Drug* and *Centrafarm* v *Winthrop* ([1974] ECR 1147 and 1183), and of 22 June 1976 in Case 119/75 *Terrapin* ([1976] ECR 1039).

The basic concept which all those decisions confirm is that, whilst the EEC Treaty does not prejudice the existence of industrial and commercial property rights conferred by the legislation of each Member State, nevertheless it may be that the Community prohibitions intended to ensure the free movement of goods impinge on the exercise of those rights. The Court of Justice has considered that Article 36 of the Treaty is a provision which is in the nature of a derogation from one of the basic principles of the common market. Accordingly, the exceptions which that article establishes to the free movement of goods in order to permit the exercise of the rights which are conferred upon the proprietor of a mark under national legislation are allowed only where they are essential to the safeguarding of rights which constitute the "specific subject-matter" of the mark, that is, to enable the latter to perform its essential function.

In the above-mentioned judgment in the *Terrapin* case the Court of Justice defined that essential function as being to guarantee to consumers the identity of the origin of the product (paragraph 6 of the decision). Indeed, as an expert in trade-mark law has observed, despite the differences which exist between the trade-mark laws of the various Member States the national legal systems are at one in recognizing that the characteristic function of the trade-mark is to identify the products of a manufacturer or trader and therefore to indicate the origin of such products (F. K. Beier *"La Territorialité du Droit des Marques et des Echanges Internationaux"* in Journal du Droit International, 1971, p. 19).

That is why the Court of Justice conceded in the *Terrapin* case that an industrial or commercial property right which has been lawfully acquired in a Member State may be relied upon for the purposes of Article 36 of the Treaty if, in the case of similar products coming from different Member States and bearing similar marks belonging to legally and economically independent persons, there is a risk of confusion between such marks ([1976] ECR 1061/2).

Previously, in the *Centrafarm* v *Winthrop* case, the Court went some way towards defining the specific subject-matter of commercial property, perceiving this to be *inter alia* "the guarantee that the owner of the trade-mark has the exclusive right to use that

trade-mark, for the purpose of putting products protected by the trade-mark into circulation for the first time, [it being] therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trade-mark by selling products illegally bearing that trade-mark" (paragraph 8 of the decision). Nevertheless, as the Court has further stated, it must be considered that such specific subject-matter does not cover either a claim by the proprietor of the mark to prohibit the importation of a product which has already been put onto the market by him or with his consent (cf. paragraph 10 of the judgment in the *Centrafarm* v *Winthrop* case) or the claim of such proprietor to prohibit the marketing in a Member State of a product legally bearing a trade-mark registered in another Member State for the sole reason that an identical trade-mark having the same origin exists in the first State (paragraph 15 of the said decision in the *Hag* case). These two important statements of principle were prompted by the desire to eliminate any risk of the use of trade-marks to establish artificial divisions within the common market. On the other hand, they confirm that the Court of Justice holds Article 36 to be a provision which must be strictly interpreted and has accordingly restricted the safeguarding of national provisions for the protection of trade-marks to the minimum which appears inseparably linked with the raison d'être of that legal institution.

5. I must now consider the present case in the light of these decisions, whose main points I have recalled. This case does not turn purely and simply on a matter of parallel imports: the plaintiffs have stated that they would have no objection whatever to the importation by any person of Valium in the form in which it is produced in Great Britain by their subsidiary and that they challenge only the repackaging of the product. Nor does it present a problem of identical marks having the same origin: the only mark in question is Valium Roche and the plaintiffs complain that the defendant has applied it to new containers without their consent, and not that it has used a competing mark. With regard to passing off, this point could be raised only if the application to the new packaging of the name Centrafarm in addition to the name Valium Roche were considered as such: this is an aspect of the problem to which I shall turn later. However, the problem does not concern similar trade-marks covering like products on the same basis: in fact the mark "Valium Roche" denotes the product and its manufacturer whilst the name "Centrafarm" has been added together with the words "marketed by Centrafarm".

It thus seems to me that the case-law of the Court of Justice provides us in particular with the following assistance in the present case: it must be established whether there is a necessary connexion between the essential function of the mark and the right which German law appears to attribute to the plaintiff undertakings to prohibit the defendant from marketing in Germany a pharmaceutical product manufactured and sold in Great Britain by an undertaking of the Roche group on the sole ground that Centrafarm has altered the packaging of that product and subsequently re-applied the trade-mark without authorization.

I would observe that it appears that the proprietor of the mark in question is relying on his trade-mark right against the importer of the British product much as he could do against a re-seller of the same product if it had been manufactured in Germany and the re-seller had, without authorization, repackaged it. In purely formal terms, such an exercise of a trade-mark right may be envisaged regardless of whether the goods in question constitute a domestic product or a product coming from another

Member State. Nevertheless, in practice a proprietor of a mark will chiefly claim to exercise his right in respect of products coming from other States, in that third parties have an interest in altering the original packaging only in so far as it is more advantageous to acquire the product in another Member State but it is not obtainable packed (or bottled) in the quantities usually in demand in the State in which it is intended to re-sell that product.

The fact that the prohibition which Hoffmann-La Roche is applying to Centrafarm on the basis of its trade-mark right is not discriminatory does not, however, of itself place it outside the limits which Article 36 lays down with regard to the protection of industrial and commercial property rights. Indeed, viewed objectively, that prohibition entails a restriction on the free movement of goods which in practice has much more serious effects on trade in imported products than on trade in domestic products.

In the present case it is clear that a decision condemning the alteration of the packaging of the medicaments in question would entail a restriction on the free movement of such medicaments within the Community. This is shown in particular by the fact, which is not in dispute, that for the purposes of public sale it would be difficult to distribute the goods in the form in which they were packed by the British producer through chemists in the Federal Republic of Germany where it is prohibited for chemists to distribute in small quantities medicaments which are originally packed in large quantities. It is true that up to the time to which the facts in question before the German court relate Centrafarm had marketed in Germany only packages intended for hospitals. Nevertheless, as I have stated, Centrafarm had announced its intention of marketing the product in smaller quantities, intended for sale by chemists.

The wording of the question submitted by the German court leaves no doubt on this point, which was also mentioned in the order of the Oberlandesgericht Karlsruhe to which reference was made by the court requesting the preliminary ruling; it is principally from this angle, it appears to me, that one can see the barrier to the free movement of goods which is entailed in the claim of the proprietor of the mark to prohibit the distributor from altering the packaging.

6. Before broaching the substance of the problem it is necessary to dispose of two arguments which have been sustained by the plaintiff undertakings and by certain of the governments which submitted observations in this case but which in my view cannot affect the answers to be given to the first question of the Landgericht Freiburg.

The first argument concerns the alleged connexion between the prohibition on the repackaging of pharmaceutical products (which, it is maintained, is based on the trade-mark right) and the requirement of safeguarding consumers and protecting public health. In reality, even if such a connexion exists, it cannot be used to show that that prohibition stems from the specific function of the trade-mark. The Court of Justice has already had occasion to state in its above-mentioned judgment of 31 October 1974 in Case 16/74 *Centrafarm* v *Winthrop* ([1974] ECR 1196) that measures necessary for the protection of consumers against risks arising from defective pharmaceutical products must be adopted in the field proper to health control. Measures for the protection of the health and life of humans and animals may in fact be adopted by the Member States in pursuance of Article 36 of the Treaty, even if such measures derogate from the rules on the free circulation of goods. The safeguarding of such lawful requirements cannot however be undertaken by means of trade-mark rights since, as the Court

itself stated in the same judgment, "the specific considerations underlying the protection of industrial and commercial property are distinct from the considerations underlying the protection of the public and any responsibilities which that may imply" (cf. paragraph 22 of the decision).

Secondly, reliance has been placed on the actual function of a trade-mark in arousing the expectations of consumers as to a specific and constant quality in the product. However, this function cannot be considered as an essential element in the trade-mark right. As Professor Beier stated in his above-mentioned article, the economic functions of the mark, such as the provision of publicity and the generation of a certain confidence in the quality of the product, are not covered by the protection afforded by the trade-mark right. Professor Beier, concurring with the outcome of the research undertaken by another authority in this field (Vanzetti, *"La Funzione e la Natura Giuridica del Marchio"*, Rivista del Diritto Commerciale 1961 I, p. 16 *et seq.*), stated that "the sole function obtaining protection under trade-mark law is, even today, that of the guarantee of origin which stems from the distinguishing function of the mark" *(loc. cit.*, p. 21). The expectation of consumers that a product with a specific mark will have a constant and specific standard of quality "is not protected under trade-mark law. Protection against fraud in matters of quality pertains to the law on unfair competition and to the criminal law" *(ibid.*, p. 22).

In any event, even if one or more domestic legal systems provide protection for certain ancillary functions of a trade-mark it nevertheless remains true that in the Community system such protection can be held permissible only in so far as it is not at variance with the full observance of the principle of the free movement of goods (as well as the principle of freedom of competition). National legislation, learned writing and case-law which, before the establishment of the Community, and at all events leaving out of account the fact of the Community, emphasized, in different ways and within various limits, ancillary aspects of trade-mark law, clearly proceeded from the specific requirements of their respective national markets; in the present case, however, regard must be had for the dictates of the Common Market and for the legal requirements of the EEC Treaty.

7. For reasons of completeness, however, I cannot omit a rapid analysis of the tendencies displayed by the domestic legal systems of the Member States in so far as they concern the problem arising when a distributor carries out an unauthorized alteration of the packaging of products bearing a manufacturer's mark.

From the information on the file in the present case it is clear that the laws of the Member States recognize generally the right of the proprietor of a mark to prevent any alteration to the original packaging of the product which is intended for re-sale by a third party in the new package. Nevertheless, it does not seem that this prohibition is as unconditional as the applicants think. It applies with certainty only in so far as the unauthorized intervention of third parties could cause confusion as to the origin of the product and thus harm the reputation of the mark.

In certain countries (Great Britain, Ireland and Denmark) chemists are entitled to remove medicaments, no matter how they have been packed, from their original containers and to supply to the consumer the quantity requested in a new package which the chemist himself prepares and to which he applies the mark which appeared on the product in its original packaging. Further, in Denmark — according to what the Commission stated in its observations on the report of the plaintiffs' expert

witness — case-law has established that third parties may interfere with a product bearing a mark if they do not alter its basic characteristics, provided that provision is made for informing consumers of the nature of such interference.

The significance of the Uniform Benelux Law on Trade-marks is by no means clear on the relevant point, and this applies in particular to Article 13 A (3) thereof, which provides: "le droit exclusif à la marque n'inclut cependant pas le droit de s'opposer à l'utilisation de la marque pour des marchandises que le titulaire de cette marque ou son preneur de licence a mis en circulation sous la marque intéressée, à moins que l'état des marchandises n'ait été modifié".

According to the statement of reasons contained in that Uniform Law, which the Commission quoted, only alterations of a product capable of adversely affecting the repute of the mark constitute passing off under that mark. In a recent decision, the Arrondissementsrechtbank (District Court), Rotterdam, ruled, on the basis of the said provision of the Uniform Law, that, since the product itself had not been altered, the alteration of the outer or inner packaging of a pharmaceutical product in the form of pills did not constitute passing off (Decision No 241/76 of 28 September 1976, *Pfizer* v *Centrafarm*, cited by the Commission).

The foregoing is at variance with the argument of the plaintiffs that the concept of alteration of the condition of the goods, embodied in Article 13 A (3) *in fine*, in any case also covers alterations to the packaging or container of such goods.

German case-law has indeed recognized the right of the proprietor of a trade-mark to prohibit the re-application of the mark by third parties after the latter have interfered with the product. Nevertheless, the Commission has observed that such decisions related to cases differing from the present proceedings. The Commission maintains that such case-law, which was developed in connexion with cases in which the intervention of third parties might entail a serious alteration in the product, does not preclude a different result in cases in which there is only a change in the packaging, which does not affect the specific characteristics of the product itself.

On various occasions the German courts have ruled that a trade-mark right cannot be relied upon against the intervention of third parties which leaves intact those characteristics of the product which indicate that the latter originates from the proprietor of the mark (cf. the case-law cited by Hefermehl in Bambach-Hefermehl, *Kommentar zum Warenzeichengesetz*, 1969, Article 15, Note 36). The Commission emphasizes that in the *Singer* judgment itself, which the plaintiffs have in fact cited in support of their view, the Reichsgericht stated that the alteration of a product distinguished by a mark often affects its economic characteristics so slightly that such alteration does not constitute an infringement of the proprietor's trade-mark right (Entscheidungen des Reichsgerichts in Zivilsachen, Volume 161, p. 29).

The plaintiffs naturally dispute this view of German case-law. Nevertheless, in my view, there is at least good reason to state that the right of the proprietor of a trade-mark to prevent alterations to the packaging by third parties is not as uniformly recognized in the Member States of the Community as the plaintiffs maintain.

In any event, it should be emphasized that the position on this point in the domestic legal systems is not of decisive importance. Even if the above-mentioned subjective right were in large measure conceded in all the Member

States in such a way as to justify the prohibition by the proprietor of a mark of all repackaging, regardless of whether there is evidence of actual injury or at least of an ascertainable risk, it would not thereby be established that under Community law it is necessary to accept that the same right with the same extensive scope exists on the basis of Article 36 of the Treaty. In fact Article 36 does not automatically protect all the rights which proprietors of trade-marks enjoy in the national legal systems but, as we have seen, only those rights which are closely connected with the essential function of the mark, that is the identification of the origin of the product.

8. We must now broach the main problem in the present case, that is, to consider whether the right of the proprietor of a mark to prohibit the repackaging of the product, even though bearing the same mark, may be held to be justified by the requirement of avoiding confusion as to the origin of the product.

In general, it cannot be denied that the substitution of the packaging of the product may entail risks regarding the identification of the origin, even though the mark has been re-affixed: one need only consider, for example, cases in which the new packaging provides a much-reduced space for the manufacturer's mark or shows in addition to that mark further names or information which might induce doubt or hesitation in the consumer. The characteristics of the original packaging and those of the product will also have individual significance: in particular, if the mark has been applied by the manufacturer not only to the exterior of the original packaging but also to an internal container which the third party does not replace, or if the product itself has been stamped with the manufacturer's mark, the risk of confusion as to the origin of the product will be reduced or eliminated entirely. In order completely to eliminate all risks of ths kind it would, it is true, be necessary to deny any third party who was not authorized by the proprietor of the mark the possibility of interfering with the packaging of the product. However, this would entail sanctioning restrictions on the movement of goods which seem incommensurate with the objective pursued by Article 36 of the Treaty, that is to protect the essential function of the trade-mark. Since, however, the restrictions on the free movement of goods permitted under that provision, which is a derogatory and exceptional provision, must be contained within the limits strictly necessary for that objective, I consider that it is incompatible with community law to concede a general power to the proprietor of the mark to prohibit the repackaging of the product even where the attainment of the essential objective of the mark is not in fact jeopardized.

At the most, the right of the proprietor of a trade-mark to prohibit alterations to the original packaging could be recognized when, having regard to the type of product, any change in the container thereof entails an actual risk of a modification of the essential characteristics of the product itself such as to affect its identity. Apart from such cases, I consider that it would be in breach of Article 36 of the Treaty to recognize the right of the proprietor of a mark to object in general to any alteration whatever in the packaging in order to ensure that the identity of the product is not misrepresented, without the need to establish whether in a given case there is an actual danger of this nature, having regard to the conditions under which the repackaging is carried out.

It is important not to pass over the links between the situation involved in the present case and that in connexion with which the Court of Justice has developed in its case-law the criterion of the

prohibition on the suppression of parallel imports. The present case also concerns a product bearing a trade-mark, manufactured and put on the market in a regular manner in a Member State with the consent of the proprietor of the mark and subsequently imported by an independent undertaking in another Member State in which the same proprietor owns the trade-mark which is characteristic of the product in question. Since the importation of the product is profitable only in so far as it is possible to repack it, and since the proprietor wishes to rely on his mark in order to preclude such repackaging, his behaviour results in the prevention of parallel imports. In those circumstances I consider that a general risk of confusion as to the origin of the product as the result of the alteration to the packaging is not sufficient to justify the exercise of a power recognized under national law, entailing the right to prevent repackaging; having regard to the exceptional nature of the derogation provided for in Article 36 it is necessary for there to be at least a specific risk, the existence of which may be established only in connexion with the particular type of product in question.

Returning to the present case, Valium is a solid product in the form of pills, to each of which the manufacturer's mark had originally been applied. An alteration to the packaging of a product thus distinguished does not appear to entail an appreciable risk of an alteration in its basic characteristics. With regard to a product of this kind I think it impossible to concede the right of the proprietor of the mark to prevent repackaging without regard for the circumstances distinguishing the repackaging in question in the particular case.

Viewed in this light it becomes important, in a specific case, to ascertain whether the repackaging was effected under conditions which do not provide a sufficient guarantee that the identity, and thus the basic character, of the product will be preserved. In the present case it appears that this can be ruled out. The Oberlandesgericht Karlsruhe accepted that the alteration of the packaging undertaken by Centrafarm under the supervision of a chemist fulfilled all the requirements in this matter in accordance with the relevant national legislation. However, we are dealing at this point with the appraisal of matters of fact, which is the exclusive sphere of the national court which is required to rule on the substance of the main action.

9. In the course of these proceedings the parties have frequently referred to the preparatory work on the regulation which is to establish the Community trade-mark. I do not consider that the view which I have put forward is invalidated by the fact that in the course of those preparations provision has recently been made, in derogation from the principle of the exhaustion of the proprietor's right, for a clause whereby that principle shall apply only to products which retain the form in which they were originally put on the market. In this connexion, it should be decided from the outset whether the 'form of the product' always includes the packaging or whether it may refer only to the product contained in such packaging. Apart from the foregoing it is perfectly conceivable that the proprietor of a mark covered by a single system for the entire Community should enjoy rights which are not restricted to the protection of the essential function of distinguishing the product defined above but which extend also to certain ancillary functions of the mark itself. This would in fact be an exclusive right subject to the Community rules and thus uniformly applicable throughout the entire Community; in that context the protection of further rights does not entail those risks of abuse, with adverse effects on the principle of the free movement of goods, which would on the other hand follow from the indiscrimi-

nate protection of such rights for the benefit of proprietors whose marks are recognized on the basis of the national territory.

The plaintiffs, with reference to the point of view put forward by the French Government in its observations in Case 107/76, then state that the unauthorized alteration of the packaging of proprietary medicinal products is contrary to the provisions of the Council Directive of 26 January 1965 on the approximation of provisions laid down by law, regulation or administrative action relating to proprietary medicinal products, and especially to Articles 4 and 13 thereof.

Article 4 lays down the procedure which must be followed in order to obtain an authorization to place a proprietary medicinal product on the market; in accordance with Article 3 that authorization must be issued by the competent authority in each Member State. Article 13 establishes what information must appear on containers and outer packages of medicinal products. I do not, then, understand how it can be held that these provisions forbid any alteration to the packaging; the important point is that the new packaging should meet the requirements laid down in Article 13 and that the proprietary medicinal product therein contained should be identical with that in respect of which the appropriate authorization was issued pursuant to Article 4. In any event, it does not appear to me that compliance or otherwise with those provisions is relevant to the problem of the protection of the trade-mark right which has been raised in the questions from the Landgericht Freiburg which we have hitherto considered.

10. Finally, brief consideration should be given to an argument of another nature put forward by the plaintiff undertakings: namely that, since the original proprietor of the mark is responsible for the quality of the product, he must for that purpose be able to check both the manufacture and packaging of the product and he can no longer be answerable for the quality of a product which has been repacked by third parties. It seems to me in fact that this argument was effectively rejected in the judgment of the Court in the *Centrafarm* v *Winthrop* case, from which I have already quoted the passage which emphasizes the distinction between the specific subject-matter of industrial and commercial property and the objective of the protection of consumers and any responsibilities which may be entailed thereby. I should like to add that it is always possible to establish the liability of a person who, in repacking a product, has altered its quality; where has it ever been laid down that a manufacturer is also liable for events taking place after production and over which he has no control? However, in order to assist in establishing any fault on the part of an importer who has altered a product in the course of repackaging it, it appears to me possible to concede, along the lines of the Danish case-law to which I have earlier referred, the right of the proprietor of the mark to require that there should appear on the new packaging a statement to the effect that the repackaging was carried out by the importer.

11. Let us now turn to a consideration of the second question, by which the Court of Justice is asked whether an undertaking which enjoys a dominant position on the market for specific pharmaceutical product in a Member State infringes Article 86 of the Treaty by prohibiting on the basis of its trade-mark the importation of the above-mentioned product on the ground that it has been repacked without authorization in a new container to which the importer has re-affixed the original mark.

According to the statement of the court making the reference, in making that appraisal it is necessary to take account

of the fact that such prohibition has in actual fact a 'restrictive effect on the market' because the individual quantities marketed and generally used in the importing country are different from those of the producing country and therefore the imported product, in its original packaging, does not make any appreciable progress on the market so that a substantial difference in the selling price to consumers of the product in question is maintained between the Member States, without its being possible to prove that the proprietor of the mark is maintaining the prohibition solely or principally for the purpose of maintaining that price differential.

In my view the solution which I have advocated above for the problem raised by the first question renders the second question irrelevant in practical as well as in theoretical terms; nevertheless, I shall submit some short considerations on this point for the Court.

It cannot be held that the exercise of a trade-mark right by an undertaking enjoying a dominant position in itself constitutes an abuse within the meaning of Article 86 of the EEC Treaty. It is indeed true that in the context of the provisions on competition the same behaviour can present differing aspects and accordingly be appraised differently for the purposes of Articles 85 and 86, depending on whether such behaviour is attributable to a small or medium-sized undertaking operating in an extremely competitive market or to an undertaking which dominates the market in the products in question. Nevertheless, the foregoing cannot justify a concept of the specific subject-matter of the mark which varies depending on the market position of the undertaking which uses that mark. The exercise of a trade-mark within the limits which are necessary to protect its essential function, as has been set out above, cannot be precluded for a given undertaking merely because it occupies a dominant position. With regard to the protection of the trade- mark, the treatment accorded to undertakings cannot vary. However, where the exercise of the trade-mark right by an undertaking which occupies a dominant position exceeds the limits within which such exercise is justified by Article 36 of the Treaty it may constitute a relevant factor in ascertaining whether there has been an infringement of Article 86, in so far as it promotes behaviour by the undertaking on the market which may be contrary to that article.

I have already observed that an endeavour to rely on the trade-mark right, with regard to a product of the kind in question in the present proceedings, in order to achieve a general and complete prohibition on imports solely on the basis of an alteration in the packaging is not justified under Article 36. Such unjustified exercise of a trade-mark right by an undertaking occupying a dominant position may accordingly, together with other factors, constitute an infringement of Article 86 of the Treaty if it is instrumental in allowing that undertaking to exploit the market in which it operates. This seems to me precisely the situation described in the second question, since the undertaking in a dominant position has relied on the different dimensions of the packaging of the product marketed in the Member States in question to exercise its rights as proprietor of the mark in order to shield itself against 'parallel' imports, which enables it to maintain on the German market prices which are appreciably higher than those charged by its British subsidiary. The abuse prohibited under Article 86 does not therefore consist merely in restraining competition by the prevention of parallel imports on the basis of the trade-mark. Rather, such an exercise of the mark constitutes a factor in a more complex behaviour-pattern, the decisive factor in which with regard to the infringement of Article 86 consists, in the case described

by the court making the reference, in the substantial or even disproportionate difference in the prices charged by the undertaking in the dominant position and those charged for the same product by the related undertaking in another Member State, it being understood, naturally, that there is no objective justification for the higher price prevailing on the German market.

It should further be noted that for the purposes of the application of the prohibition laid down in Article 86 of the Treaty proof that the above-described behaviour was intentional is not decisive. The concept of abuse of Article 86 is generally considered to be objective in character. In the *Sirena* case (judgment of 18 February 1971 in Case 40/70 [1971] ECR 69 *et seq.*) the Court of Justice sanctioned this objective concept where it states (paragraph 17 of the decision): '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'. Accordingly, in the circumstances outlined by the German court it is unnecessary for the purposes of Article 86 to establish that the proprietor of the mark relies thereon exclusively or principally with the specific intention of maintaining artificially an excessive price differential between the various national markets. It is sufficient that his conduct in fact produces that result.

Finally, I should like to observe that it is not for the Court of Justice in the context of a preliminary ruling to consider whether there are present in this case all the conditions necessary to establish that Article 86 has been infringed. This applies in particular to the question whether the prices maintained by Hoffmann-La Roche on the German market are or are not excessive.

12. In conclusion, I suggest that the Court of Justice should reply as follows to the preliminary questions submitted by the Landgericht Freiburg im Breisgau by its order of 20 June 1977:

1. (a) In principle, the provisions of the EEC Treaty on the free movement of goods do not permit the proprietor of a trade-mark which is protected in two countries of the Community to rely on that mark to prevent third parties who have acquired in one of those States pharmaceutical products to which the mark has lawfully been affixed and which have been marketed by the proprietor himself or with his consent from importing such products into the other Member State and transferring them into new packages to which the manufacturer's mark is reapplied.

   (b) Such exercise of the trade-mark right is permitted by Article 36 of the EEC Treaty only in so far as the alteration to the packaging carried out by unauthorized third parties is liable adversely to affect the basic function of the mark, namely to specify the origin, and thus the identity of the product. This would be so in the present case if the alteration to the packaging, having regard to the characteristics of the product in question and to the conditions of law and of fact

pertaining to its repackaging, entailed a serious risk of alteration of the essential characteristics of the product.

(c) The proprietor of the mark may lawfully require the importer to indicate clearly on the new packaging, and where appropriate on any container therein, that the importer and not the manufacturer repacked and, where such is the case, transferred the product to the new container.

2. The exercise of a trade-mark right which, while it is unnecessary in order to protect the specific subject-matter of that right, hinders parallel imports of the product in respect of which the proprietor of the mark occupies a dominant position, contributes, in particular where such measures have the effect of permitting the proprietor to maintain excessive prices for that product on his national market, to an abuse of a dominant position and accordingly falls under the prohibition contained in Article 86.