

OPINION OF ADVOCATE GENERAL JACOBS

delivered on 24 October 1996 \*

1. The present case, which comes by way of a reference for a preliminary ruling from the Tribunal de Commerce, Pontoise, raises questions on the principle of the exhaustion of a trade mark owner's rights under Community law.

**The facts and the questions referred**

2. Very little information is contained in the order for reference. The facts as set out in that order are as follows.

3. In June 1994 a company called SA Jean Bourdon ('Jean Bourdon') placed an order with a company called SA Phytheron International ('Phytheron') for 3 000 litres of Previcur N, a pesticide based on propamocarbe hydrochloride, which had been imported from Germany into France but came from Turkey. According to the order for reference 'it is undisputed that that product originates with [a] German company Schering, a subsidiary of the German chemical group Hoechst, which has the product manufactured by another subsidiary in Turkey and imports it into Germany'.

4. Before delivery, Jean Bourdon cancelled its order. It appears from the order for reference that Jean Bourdon claimed that the import into France of plant health products originating in third countries was unlawful in France without the authorization of the trade mark owner, that to its knowledge there was no such authorization, and that if it purchased the products it would expose itself to an action by the trade mark owner for infringement of its trade mark. Phytheron subsequently brought an action against Jean Bourdon for damages for repudiation of the contract.

5. According to the national court, under French law only the owner of the trade mark or his licensee may market a product bearing a trade mark registered in France. Jean Bourdon argued that, since the marketing of the products had not been approved by the owner of the trade mark or his licensee, it was accordingly illegal and that the obligation to purchase those products could not, therefore, be enforced. Phytheron, however, argued that Community law prevails over any conflicting national law and that, under Community law, when a product is lawfully imported into and marketed in a Member State (in this case, Germany), it may move freely inside the European Community (and thus in France). According to the order for reference, Phytheron maintained that when the product 'the Turkish manufacturing

\* Original language: English.

origin of which is not disputed, arrives in Germany, it acquires the right of free movement by application of the international system of the exhaustion of rights'. The national court provides no further explanation of the parties' arguments or of the application of those arguments to the facts.

— has not undergone any alteration in packaging, save for the addition on the label of a number of statements designed to comply with the legislative requirements of Member State A; and

— is also approved in Member State A?

6. Considering that resolution of the dispute depended on the interpretation of Community rules concerning the principle of free movement of products bearing trade marks, the national court referred the following questions to the Court for a preliminary ruling:

(2) Does a prohibition based on the trade mark legislation of Member State A infringe Article 30 of the Treaty?

(1) Can a product which is covered by a protected trade mark and which is lawfully acquired by a trader of Member State A in Member State B, where it is approved and marketed under the same trade mark, be lawfully imported from Member State B and marketed in Member State A when the product in question:

— is a genuine product which has not undergone any processing;

7. In summary, therefore, the information contained in the order for reference, and the way in which the questions are phrased, suggest that the factual situation was as follows. The product Previcur N 'originate(d)' with the German company Schering (which presumably therefore owned the trade mark for Previcur N in Germany). Schering did not, however, manufacture the product itself. Instead it was manufactured in Turkey by a company in the same group as Schering. It was then imported into (and, in my view, by implication placed on the market in) Germany by Schering (or at least by an affiliated company). Phytheron purchased a certain quantity of the product and imported it from Germany into France. It entered into a contract with Jean Bourdon for the sale of 3 000 litres of the imported product. Jean Bourdon, however, cancelled its order because it

feared that the owner of the trade mark Previcur N in France would oppose the marketing of the product in France.

was imported into the Community by the owner of the trade mark or at least by an affiliated company under the same overall control.

8. No details are given of the group structure of the companies. However, it seems to be implicit that both Schering and the Turkish subsidiary of the Hoechst group were at the relevant time under the control of the parent company of the Hoechst group. It seems to be implicit also that the owner of the trade mark in France was either Schering or a company affiliated to Schering and under the control of that parent company.

9. The Commission maintains that it is not entirely clear whether the particular batch of products in question (i. e. the 3 000 litres) was imported into the Community (Germany) by a member of the Hoechst group or whether it was imported by a third party and the Hoechst group simply imported other batches. However, although the order for reference alludes to the principle of the international exhaustion of rights — according to which, if a trade mark owner consents to the marketing of his products in any other country, he cannot oppose the subsequent importation of those products by a third party — there is no suggestion in the facts set out in the order for reference that anyone other than the Hoechst group imported the batch in question into the Community. In my view it must, therefore, be assumed from the order for reference that the batch in question

10. Subsequent to its order for reference, the national court wrote suggesting a somewhat different version of the facts. It stated that the products in issue circulated lawfully in Germany for the sole reason that that country applied the principle of the international exhaustion of rights, thus implying that the goods in question were in fact imported by a third party. In addition, Phytheron makes further assertions in its observations which partly conflict with and partly supplement the order for reference. Phytheron states, in particular, that it acquired the batch of products in question from a company called Chembico GmbH which had purchased the products in Turkey from the Turkish subsidiary of the Hoechst group.

11. Both the subsequent letter from the national court and Phytheron's observations accordingly suggest that at least the batch of products in question may well have been marketed in the Community without the express consent of the trade mark owner. If so, the question which then arises is whether, if products are circulating freely in a Member State purely by reason of the application

by that State of the principle of the international exhaustion of rights, the trade mark owner can prevent the marketing of such products in other Member States on the basis of his trade mark rights in those other States; and whether it is relevant in considering that issue that, whilst the trade mark owner had not consented to the import into the Community of the particular batch in question, it had nevertheless consented to the import of other batches.

12. In my view, however, the facts must be taken as set out in the order for reference. The information provided and the questions raised in orders for reference must be not only such as to enable the Court usefully to reply but also such as to give the Governments of the Member States and other interested parties the opportunity to submit observations pursuant to Article 20 of the Statute of the Court of Justice of the EC.<sup>1</sup> In the present case they did not have the opportunity to submit written observations on the facts as set out in the subsequent letter from the national court and Phytheron's observations. Moreover, since the defendant in the national proceedings, Jean Bourdon, has not submitted observations, it is not clear whether the facts as set out by Phytheron are agreed. The facts and questions must, therefore, be taken as set out in paragraphs 3 to 9 above.

## Admissibility

13. The French Government submits that the order for reference is inadmissible because the information set out therein is incomplete. It maintains that the Order does not state who holds the trade mark Previcur N, whether the actual products in question were marketed in Germany by the trade mark owner or with his consent, and what exactly is meant by the reference, in the first question referred, to the addition on the label of a number of statements designed to comply with the requirements of the Member State into which the products were imported.

14. As I mentioned earlier, however, I consider it to be implicit from the order for reference that the trade mark is held in both Germany and France within the Hoechst group and that the owner of the mark or another company in that group placed the products on the market in Germany. For reasons which I shall discuss below,<sup>2</sup> that is sufficient information as to the ownership of the mark. Furthermore, it has not been suggested that the statements added to the label were such as to affect the trade mark owner's rights, so that I do not consider further details as to the nature of those statements to be necessary.

<sup>1</sup> — See, for example, Order of the Court of 2 February 1996 in Case C-257/95 *Bresle* [1996] ECR I-233, paragraph 19.

<sup>2</sup> — Paragraphs 19 and 20.

15. In view of the information subsequently provided by the national court's letter, it might also be objected that a ruling on the questions raised by the national court in the order for reference is not necessary for the resolution of the litigation.<sup>3</sup> However, the information contained in that letter is not sufficiently clear to enable it to be said with any certainty that that is the case. In my view, therefore, the order for reference cannot be dismissed as inadmissible.

The law

16. As observed at the outset, this case concerns the principle of the exhaustion of trade mark rights: i.e. the well-established principle that the owner of a trade mark protected by the legislation of a Member State cannot, as a general rule, rely on that legislation in order to oppose the importation or marketing of a product which was put on the market in another Member State by him or with his consent.<sup>4</sup>

17. Although the national court's questions are framed in terms of Article 30 of the Treaty, the principle of the exhaustion of

trade mark rights has now been enshrined in Article 7 of Council Directive 89/104/EEC ('the Trade Mark Directive').<sup>5</sup> That article was based on the Court's previous case-law under Articles 30 and 36 of the Treaty and provides that:

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

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

Article 7 was implemented in French law by Article 15 III of Law No 91-7 of 4 January 1991.<sup>6</sup>

3 — See, for example, Case C-286/88 *Falciola* [1990] ECR I-191; Case C-343/90 *Lowrenço Dias v Director da Alfândega do Porto* [1992] ECR I-4673; Case C-83/91 *Meilicke v ADV/ ORGA* [1992] ECR I-4871; Case C-428/93 *Monin Automobiles* [1994] ECR I-1707.

4 — See, for example, Case 16/74 *Centrafarm v Winthrop* [1974] ECR 1183; Case C-9/93 *IHT Internationale Heiztechnik v Ideal Standard* [1994] ECR I-2789; Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb and Others v Paranova*, Joined Cases C-71/94, C-72/94 and C-73/94 *Eurin-Pharm and Case C-232/94 MPA Pharma*, judgment of 11 July 1996.

5 — First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1989 L 40, p. 1.

6 — *Official Journal of the French Republic*, 6 January 1991, p. 317. Now repealed and incorporated in the *Code de la propriété intellectuelle*, article L.713-4.

18. As the Court stated in its recent judgment in *Bristol-Myers Squibb and Others v Paranova*,<sup>7</sup> Article 7 of the Trade Mark Directive 'comprehensively regulates the question of the exhaustion of trade mark rights for products traded in the Community'. However, that Directive 'must be interpreted in the light of the Treaty rules on the free movement of goods and in particular Article 36'.<sup>8</sup>

19. As the Court explained in *Ideal Standard*,<sup>9</sup> the principle of the exhaustion of rights 'applies where the owner of the trade mark in the importing State and the owner of the trade mark in the exporting State are the same or where, even if they are separate persons, they are economically linked. A number of situations are covered: products put into circulation by the same undertaking, by a licensee, by a parent company, by a subsidiary of the same group, or by an exclusive distributor.'<sup>10</sup> The Court added in that case that 'it must further be stressed that the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control. Accordingly, a national law allowing the licensor to oppose importation of the licensee's products on grounds of poor quality would be precluded as contrary to Articles 30 and 36: if the licensor tolerates the manufacture of poor quality products,

despite having contractual means of preventing it, he must bear the responsibility. Similarly if the manufacture of products is decentralized within a group of companies and the subsidiaries in each of the Member States manufacture products whose quality is geared to the particularities of each market, a national law which enabled one subsidiary of the group to oppose the marketing in the territory of that State of products manufactured by an affiliated company on grounds of those quality differences would also be precluded. Articles 30 and 36 require the group to bear the consequences of its choice.'<sup>11</sup>

20. Since it must be assumed, for the reasons mentioned above,<sup>12</sup> that the products in question in the present case were marketed in Germany by or with the consent of the owner of the trade mark in Germany and that that trade mark was owned in both Germany and France by the same company or at least by affiliated companies under the same overall control, it is accordingly clear that the application of the principle of the exhaustion of trade mark rights to the present case cannot be excluded on grounds relating to separate ownership of the mark in Germany and France. The application of that principle to the present case is, therefore, subject only to there being no 'legitimate reason' within the meaning of Article 7(2) of the Trade Mark Directive for opposition by the trade mark owner to the marketing of the products in France.

7 — Cited in note 4, paragraph 26 of the judgment.

8 — Paragraph 27 of the judgment.

9 — Cited in note 4.

10 — Paragraph 34 of the judgment.

11 — Paragraph 38 of the judgment.

12 — See paragraphs 2 to 9 above.

21. The first question referred by the national court states that the products in question are genuine products which have not undergone any processing or any alteration in packaging, 'save for the addition on the label of a number of statements designed to comply with the legislative requirements of [the Member State of importation]'. Unlike cases such as *Bristol-Myers Squibb and Others v Paranova*, therefore, in the

present case the contents of the product have not been modified by the parallel importer, nor have they been re-packaged as such. Furthermore, in contrast to that case, it is not suggested that the trade mark owner's rights have been affected by the addition of such statements. It must, therefore, be assumed that there are no 'legitimate reasons' for the trade mark owner to oppose the importation of the products from Germany.

## Conclusion

22. Accordingly, I am of the opinion that the questions referred to the Court should be answered as follows:

Article 7 of Council Directive 89/104/EEC must be interpreted as meaning that, where (a) a product is imported into a Member State A from a Member State B, (b) that product was placed on the market in Member State B by the owner of the trade mark in Member State B or with his consent, (c) the trade mark is owned in both Member States by the same company or by affiliated companies under the same overall control, (d) the product undergoes in respect of its marketing in Member State A no transformation other than the addition on the label of a number of statements designed to comply with the legislative requirements of Member State A, and (e) it is not suggested that the trade mark owner's rights are infringed by the addition of such statements, neither the trade mark owner nor his licensee can invoke the trade mark legislation of Member State A to oppose the marketing of that product in that Member State.