

JUDGMENT OF THE COURT
17 October 1990 *

In Case C-10/89,

REFERENCE to the Court under Article 177 of the EEC Treaty by the Bundesgerichtshof (Federal Court of Justice) for a preliminary ruling in the proceedings pending before that court between

SA CNL-SUCAL NV, a company incorporated under Belgian law, with its registered office in Liège (Belgium),

and

HAG GF AG, a company incorporated under German law, with its registered office in Bremen (Federal Republic of Germany),

on the interpretation of Articles 30, 36 and 222 of the EEC Treaty,

THE COURT,

composed of: O. Due, President, T. F. O'Higgins, J. C. Moitinho de Almeida, G. C. Rodríguez Iglesias and M. Díez de Velasco (Presidents of Chambers), Sir Gordon Slynn, C. N. Kakouris, R. Joliet, F. A. Schockweiler, F. Grévisse and M. Zuleeg, Judges,

Advocate General: F. G. Jacobs

Registrar: H. A. Rühl, Principal Administrator,

* Language of the case: German.

after considering the observations submitted on behalf of

SA CNL-SUCAL NV, by Gisela Wild, Rechtsanwältin, Hamburg, and Professor Ernst-Joachim Mestmäcker,

HAG GF AG, by Bruckhaus, Kreifels, Winkhaus and Lieberknecht, Rechtsanwälte, Düsseldorf,

the Government of the Federal Republic of Germany, by Horst Teske, Ministerialrat, and Alexander von Mühlendahl, Regierungsdirektor, both of the Ministry of Justice, and M. Seidel, Ministry of Economic Affairs, acting as Agents,

the Government of the Kingdom of the Netherlands, by H. J. Heinemann, Deputy General Secretary in the Ministry of Foreign Affairs, acting as Agent,

the United Kingdom of Great Britain and Northern Ireland, by S. J. Hay, of the Treasury Solicitor's Department, and M. N. Pumfrey, acting as Agents,

the Government of the Kingdom of Spain, by Javier Conde de Saro, Director-General for Community Legal and Institutional Coordination, and Rafael García-Valdecasas y Fernández, abogado del Estado, Head of the State Legal Department for Matters before the Court of Justice of the European Communities, acting as Agents,

the Commission of the European Communities, by its Legal Adviser Jörn Sack, acting as Agent,

having regard to the Report for the Hearing and further to the hearing on 18 January 1990,

after hearing the Opinion of the Advocate General delivered at the sitting on 13 March 1990,

gives the following

Judgment

- 1 By order of 24 November 1988, which was received at the Court on 13 January 1989, the Bundesgerichtshof referred to the Court under Article 177 of the EEC Treaty a number of questions on the interpretation of Articles 30, 36 and 222 of that Treaty in connection with trade mark law.
- 2 Those questions were raised in the course of proceedings between the Belgian company SA CNL-SUCAL NV and the German company HAG GF AG. The latter produces and distributes coffee decaffeinated by a process of its invention. It is the proprietor of several trade marks in the Federal Republic of Germany — the oldest registered in 1907 — in which the essential element is the word 'HAG', which is also part of its corporate name.
- 3 In 1908 it registered two trade marks in Belgium which included the proprietary name 'Kaffee HAG'. In 1927, it established a subsidiary company in Belgium, trading as 'Kaffee HAG SA', which it controlled and wholly owned. The subsidiary company registered at least two trade marks, one of which includes, *inter alia*, the proprietary name 'Café HAG'. With effect from 1935, HAG GF AG also transferred the trade marks registered in its own name in Belgium to this subsidiary.
- 4 In 1944 Café HAG SA was seized as enemy property. The Belgian authorities subsequently sold the shares *en bloc* to the Van Oevelen family. In 1971 Café HAG SA assigned the Benelux marks which it held to Van Zuylen Frères, a limited partnership (*société en commandite*) based in Liège.

- 5 SA CNL-SUCAL NV was created as a result of changes to the legal constitution and the trade name of the Société en commandite Van Zuylen Frères. It has now begun to import into the Federal Republic of Germany decaffeinated coffee under the proprietary name 'HAG'.
- 6 In order to prevent such importation, HAG AG, which asserts that 'Kaffee HAG' has become a well-known brand name in Germany and that the decaffeinated coffee which it markets under that name is, by virtue of a new manufacturing process, superior in quality to the decaffeinated coffee imported by SA CNL-SUCAL NV into the Federal Republic of Germany, instituted proceedings before the German courts.
- 7 The dispute came before the Bundesgerichtshof on appeal on a point of law and that court decided to stay the proceedings and to submit to the Court of Justice for a preliminary ruling under Article 177 of the EEC Treaty the following questions:
- '(1) Is it compatible with the provisions on the free movement of goods (Articles 30 and 36 of the EEC Treaty) — having regard also to Article 222 — that an undertaking established in Member State A should, by virtue of its national rights in trade names and trade marks, oppose the importation of similar goods of an undertaking established in Member State B if, in State B, those goods have legally received a mark which:
- (a) may be confused with the trade name and trade mark reserved in State A to the undertaking established there, and
 - (b) had originally existed in State B — albeit registered later than a mark protected in State A — for the benefit of the undertaking established in State A and had been transferred by that undertaking to a subsidiary undertaking set up in State B and forming part of the same concern, and

- (c) was, as a consequence of the expropriation in State B of that subsidiary, transferred as an asset of the sequestrated subsidiary (together with that undertaking as a whole) to a third party which, in turn, assigned the mark to the legal precursor of the undertaking which now exports the goods bearing that mark to State A?

- (2) Should the answer to the first question be negative:

Would the answer to the above question be different if the mark protected in State A has become a “famous” brand name in that State and it is probable that, as a result of the exceptional prominence which it enjoys, if the same mark is used by a third-party undertaking, the task of informing the consumer as to the commercial origin of the goods could not be accomplished without adverse repercussions on the free movement of goods?

- (3) Alternatively, again if the first question is answered in the negative:

Does the same answer hold good even if consumers in State A associate the mark protected in that State not only with a certain commercial origin but also with certain perceptions as to the characteristics, in particular the quality of the marked goods and if the goods exported from State B under the same mark do not meet those expectations?

- (4) If the first, second and third questions are all answered in the negative:

Would the answer be different if the separate conditions set out in the second and third questions were cumulative and were all satisfied?

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

The first question

- 9 In its first question, the national court essentially seeks to ascertain whether Articles 30 and 36 of the EEC Treaty preclude national legislation from allowing an undertaking which is the proprietor of a trade mark in a Member State to oppose the importation from another Member State of similar goods which lawfully bear in that latter State an identical trade mark or one which may give rise to confusion with the protected trade mark, even though the mark under which the goods in dispute were imported initially belonged to a subsidiary of the undertaking which opposes such importation and was acquired by a third undertaking following the expropriation of that subsidiary.
- 10 Bearing in mind the points outlined in the order for reference and in the discussions before the Court concerning the relevance of the Court's judgment in Case 192/73 *Van Zuylen v HAG* [1974] ECR 731 to the reply to the question asked by the national court, it should be stated at the outset that the Court believes it necessary to reconsider the interpretation given in that judgment in the light of the case-law which has developed with regard to the relationship between industrial and commercial property and the general rules of the Treaty, particularly in the sphere of the free movement of goods.
- 11 It ought to be recalled in this connection that prohibitions and restrictions on imports which are justified on grounds of the protection of industrial and commercial property are permitted under Article 36 subject to the express condition that they do not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.
- 12 As the Court has consistently held, Article 36 only admits derogations from the fundamental principle of the free movement of goods within the common market to the extent to which such derogations are justified for the purpose of safe-

guarding rights which constitute the specific subject-matter of such property; consequently, the owner of an industrial property right protected by the legislation of a Member State cannot rely on that legislation to prevent the importation or marketing of a product which has been lawfully marketed in another Member State by the owner of the right himself, with his consent, or by a person economically or legally dependent on him (see, in particular, the judgments in Case 78/70 *Deutsche Grammophon v Metro* [1971] ECR 487, in Case 16/74 *Centrafarm v Winthrop* [1974] ECR 1183 and in Case 19/84 *Pharmon v Hoechst* [1985] ECR 2281).

- 13 Trade mark rights are, it should be noted, an essential element in the system of undistorted competition which the Treaty seeks to establish and maintain. Under such a system, an undertaking must be in a position to keep its customers by virtue of the quality of its products and services, something which is possible only if there are distinctive marks which enable customers to identify those products and services. For the trade mark to be able to fulfil this role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality.
- 14 Consequently, as the Court has ruled on numerous occasions, the specific subject-matter of trade marks is in particular to guarantee to the proprietor of the trade mark that he has the right to use that trade mark for the purpose of putting a product into circulation for the first time and therefore to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that mark. In order to determine the exact scope of this right exclusively conferred on the owner of the trade mark, regard must be had to the essential function of the trade mark, which is to guarantee the identity of the origin of the marked product to the consumer or ultimate user by enabling him without any possibility of confusion to distinguish that product from products which have another origin (see, in particular, the judgments in Case 102/77 *Hoffmann-La Roche v Centrafarm* [1978] ECR 1139, paragraph 7, and in Case 3/78 *Centrafarm v American Home Products Corporation* [1978] ECR 1823, paragraphs 11 and 12).
- 15 For the purpose of evaluating a situation such as that described by the national court in the light of the foregoing considerations, the determinant factor is the absence of any consent on the part of the proprietor of the trade mark protected by national legislation to the putting into circulation in another Member State of

similar products bearing an identical trade mark or one liable to lead to confusion, which are manufactured and marketed by an undertaking which is economically and legally independent of the aforesaid trade mark proprietor.

- 16 In such circumstances, the essential function of the trade mark would be jeopardized if the proprietor of the trade mark could not exercise the right conferred on him by national legislation to oppose the importation of similar goods bearing a designation liable to be confused with his own trade mark, because, in such a situation, consumers would no longer be able to identify for certain the origin of the marked goods and the proprietor of the trade mark could be held responsible for the poor quality of goods for which he was in no way accountable.
- 17 This analysis cannot be altered by the fact that the mark protected by national legislation and the similar mark borne by the imported goods by virtue of the legislation of their Member State of origin originally belonged to the same proprietor, who was divested of one of them following expropriation by one of the two States prior to the establishment of the Community.
- 18 From the date of expropriation and notwithstanding their common origin, each of the marks independently fulfilled its function, within its own territorial field of application, of guaranteeing that the marked products originated from one single source.
- 19 It follows from the foregoing that in a situation such as the present case, in which the mark originally had one sole proprietor and the single ownership was broken as a result of expropriation, each of the trade mark proprietors must be able to oppose the importation and marketing, in the Member State in which the trade mark belongs to him, of goods originating from the other proprietor, in so far as they are similar products bearing an identical mark or one which is liable to lead to confusion.
- 20 Consequently the answer to the first question must be that Articles 30 and 36 of the EEC Treaty do not preclude national legislation from allowing an undertaking

which is the proprietor of a trade mark in a Member State to oppose the importation from another Member State of similar goods lawfully bearing in the latter State an identical trade mark or one which is liable to be confused with the protected mark, even if the mark under which the goods in dispute are imported originally belonged to a subsidiary of the undertaking which opposes the importation and was acquired by a third undertaking following the expropriation of that subsidiary.

The second, third and fourth questions

- 21 In view of the answer to the first question, the second, third and fourth questions no longer serve any purpose.

Costs

- 22 The costs incurred by the Governments of the Federal Republic of Germany, the Kingdom of the Netherlands, the United Kingdom of Great Britain and Northern Ireland, the Kingdom of Spain and by the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, in so far as the parties to the main proceedings are concerned, in the nature of a step in the action pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the questions referred to it by the Bundesgerichtshof, by order of 24 November 1988, hereby rules:

Articles 30 and 36 of the EEC Treaty do not preclude national legislation from allowing an undertaking which is the proprietor of a trade mark in a Member State to oppose the importation from another Member State of similar goods lawfully

bearing in the latter State an identical trade mark or one which is liable to be confused with the protected mark, even if the mark under which the goods in dispute are imported originally belonged to a subsidiary of the undertaking which opposes the importation and was acquired by a third undertaking following the expropriation of that subsidiary.

Due	O'Higgins	Moitinho de Almeida	Rodríguez Iglesias
	Díez de Velasco	Slynn	Kakouris
Joliet	Schockweiler	Grévisse	Zuleeg

Delivered in open court in Luxembourg on 17 October 1990.

J.-G. Giraud
Registrar

O. Due
President