European Court of Justice, 18 February 1971, Sirena

TRADEMARK RIGHTS

Prohibition on cartels

- **Is applicable to exercising a trademark right to distort import from other member states when the trademark or trademark license is aquired by means of an agreement**

When a trademark 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.

Such situations may in particular arise from restrictive agreements between proprietors of trademarks 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 trademark 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.

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 trademark, or its undisturbed use.

Abuse of dominant position

- **A trademark as such does not constitute a dominant position; also necessary that the proprietor should have power to impede the maintenance of effective competition over a con-siderable part of the relevant market.**

It should first be observed that the proprietor of a trademark 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.

- **Price difference may be a determining factor to disclose abuse**

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.

Source: **eur-lex.europa.eu**

European Court of Justice, 2 November 1997

(R. Lecourt; A.M. Donner, A. Trabucchi; R. Monaco, J. Mertens de Wilmars, P. Pescatore, H. Kutscher)

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.

(…)

Subject of the case

On the interpretation of articles 85 and 86 of the EEC treaty,

Grounds

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.

Decision on 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.

Operative part

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.