

European Court of Justice, 31 October 1974, Centrafarm v Winthrop



TRADEMARK RIGHTS

Exhaustion – free movement of goods

- Exercising trademark rights to prohibit sale of a product marketed in another member state with the trademark owner's consent is incompatible with the free movement of goods

The question referred should therefore be answered to the effect that the exercise, by the owner of a trade mark, of the right which he enjoys under the legislation of a member state to prohibit the sale, in that state, of a product which has been marketed under the trade mark in another member state by the trade mark owner or with his consent is incompatible with the rules of the eec treaty concerning the free movement of goods within the common market.

Price differences of no significance

- In this connection, it is a matter of no significance that there exist, as between the exporting and importing member states, price differences resulting from governmental measures adopted in the exporting state with a view to controlling the price of the product

Protecting public against defective products is no justification

- The owner of a trade mark relating to a pharmaceutical product cannot avoid the incidence of community rules concerning the free movement of goods for the purpose of controlling the distribution of the product with a view to protecting the public against defects therein

No cartel within a group of companies

- When undertakings form an economic unit, in which the subsidiary has no real freedom to operate independently on the market, and if an agreement or concerted practices result in an internal allocation of tasks, there is no cartel.

Article 85, however, is not concerned with agreements or concerted practices between undertakings belonging to the same concern and having the status of parent company and subsidiary, if the undertakings form an economic unit within which the subsidiary has no real freedom to determine its course of action on the market, and if the agreements or practices are concerned merely with the internal allocation of tasks as between the undertakings .

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European Court of Justice, 31 October 1974

(Lecourt, O Dalaigh, Mackenzie Stuart, Donner, Monaco, Mertens De Wilmars, Pescatore, Kutscher, Sorensen)

In case 16/74

Reference to the court under article 177 of the eec treaty by the hoge raad of the netherlands for a preliminary ruling in the action pending before that court between

Centrafarm bv, with registered office in rotterdam, with adriaan de peijper, resident at nieuwerkerk aan de ijsel,

And

Winthrop bv, with registered office in haarlem,

Subject of the case

On the interpretation of the rules of the eec treaty on the free movement of goods, in conjunction with article 42 of the act annexed to the treaty concerning the accession of the new member states to the european economic community, and on the interpretation of article 85 of the eec treaty, in relation to trade mark rights,

Grounds

1 By interim decision of 1 march 1974, registered at the court on 4 march, the hoge raad der nederlanden (dutch supreme court) referred certain questions, by virtue of article 177 of the eec treaty, on trade mark rights in relation to the provisions of the treaty and of the act concerning the accession of the three new member states .

2 In the decision making the reference the hoge raad set out as follows the elements of fact and of national law in issue in relation to the questions referred :

- several undertakings forming part of the same concern are entitled to use the same trade mark for a certain product in various states belonging to the eec,

- products bearing that trade mark, after being lawfully marketed in one of the member states by the trade mark owner, are subsequently acquired and exported by third parties to one of the other states, where they are marketed and further dealt in,

- the trade mark legislation in the last-mentioned state gives the trade mark owner the right to take legal action to prevent goods from being marketed there under the relevant trade mark by other persons, even if such goods had previously been marketed lawfully in another country by an undertaking there entitled to use that trade mark and forming part of the same concern .

As regards question i (a)

3 This question requires the court to state whether, under the conditions postulated, the rules in the eec treaty concerning the free movement of goods prevent the trade mark owner from ensuring that a product protected by the trade mark is not marketed by others .

4 As a result of the provisions in the treaty relating to the free movement of goods, and in particular article 30, quantitative restrictions on imports and all measures having equivalent effect are prohibited between member states .

5 By article 36 these provisions shall nevertheless not include prohibitions or restrictions on imports justified on grounds of the protection of industrial or commercial property .

6 Nevertheless, it is clear from this same article, in particular its second sentence, as well as from the context, that whilst the treaty does not affect the existence of rights recognized by the legislation of a member state in matters of industrial and commercial property, yet the exercise of these rights may nevertheless, depending on the circumstances, be affected by the prohibitions in the treaty .

7 Inasmuch as it provides an exception to one of the fundamental principles of the common market, article 36 in fact only admits of derogations from the free movement of goods where such derogations are justified for the purpose of safeguarding rights which constitute the specific subject-matter of this property .

8 In relation to trade marks, the specific subject-matter of the industrial property is 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, and is 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 .

9 An obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a trade mark owner's right is not exhausted when the product protected by the trade mark is marketed in another member state, with the result that the trade mark owner can prevent importation of the product into his own member state when it has been marketed in another member state .

10 Such an obstacle is not justified when the product has been put onto the market in a legal manner in the member state from which it has been imported, by the trade mark owner himself or with his consent, so that there can be no question of abuse or infringement of the trade mark .

11 In fact, if a trade mark owner could prevent the import of protected products marketed by him or with his consent in another member state, he would be able to partition off national markets and thereby restrict trade between member states, in a situation where no such restriction was necessary to guarantee the essence of the exclusive right flowing from the trade mark .

12 The question referred should therefore be answered to the effect that the exercise, by the owner of a trade mark, of the right which he enjoys under the legislation of a member state to prohibit the sale, in that state, of a product which has been marketed under the trade mark in another member state by the trade mark owner or with his consent is incompatible with the rules of the eec treaty concerning the free movement of goods within the common market .

As regards question i (b)

13 This question was referred to cover the possibility that community rules do not under all circumstances

prevent the trade mark owner from exercising the right, under his national law, to prohibit imports of the protected product .

14 It follows from the answer given to question i (a) that question i (b) has become devoid of object .

As regards question i (c)

15 This question requires the court to state, in substance whether the trade mark owner can, notwithstanding the answer given to the first question, prevent importation of products marketed under the trade mark, given the existence of price differences resulting from governmental measures adopted in the exporting country with a view to controlling prices of those products .

16 It is part of the community authorities' task to eliminate factors likely to distort competition between member states, in particular by the harmonization of national measures for the control of prices and by the prohibition of aids which are incompatible with the common market, in addition to the exercise of their powers in the field of competition .

17 The existence of factors such as these in a member state, however, cannot justify the maintenance or introduction by another member state of measures which are incompatible with the rules concerning the free movement of goods, in particular in the field of industrial and commercial property .

18 The question referred should therefore be answered in the negative .

As regards question i (d)

19 This question requires the court to state whether the trade mark owner is authorized to exercise the rights conferred on him by the trade mark, notwithstanding community rules concerning the free movement of goods, for the purpose of controlling the distribution of a pharmaceutical product with a view to protecting the public against the risks arising from defects therein .

20 The protection of the public against risks arising from defective pharmaceutical products is a matter of legitimate concern, and article 36 of the treaty authorizes the member states to derogate from the rules concerning the free movement of goods on grounds of the protection of health and life of humans and animals.

21 However, the measures necessary to achieve this must be such as may properly be adopted in the field of health control, and must not constitute a misuse of the rules concerning industrial and commercial property .

22 Moreover, 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 .

23 The question referred should therefore be answered in the negative .

As regards question i (e)

24 This question requires the court to state whether article 42 of the act concerning the conditions of accession of the three new member states implies that the rules of the treaty concerning the free movement of goods cannot be invoked in the netherlands until 1

january 1975, insofar as the goods in question originate in the united kingdom .

25 Paragraph 1 of article 42 of the act of accession provides that quantitative restrictions on imports and exports shall, from the date of accession, be abolished between the community as originally constituted and the new member states .

26 Under paragraph 2 of the same article, which is more directly relevant to the question, 'measures having equivalent effect to such restrictions shall be abolished by 1 january 1975 at the latest ' .

27 In the context, this provision can refer only to those measures having an effect equivalent to quantitative restrictions which, as between the original member states, had to be abolished at the end of the transitional period, pursuant to articles 30 and 32 to 35 of the eec treaty .

28 It therefore appears that article 42 of the act of accession has no effect upon prohibitions on importation arising from national legislation concerning industrial and commercial property .

29 The case under consideration is therefore subject to the principle enshrined in the treaty and in the act of accession, according to which the provisions of the treaties establishing the european communities concerning the free movement of goods and, in particular, article 30, are applicable, from the date of accession, to the new member states, save where the contrary is expressly stated .

30 It follows that article 42 of the act of accession cannot be invoked to prevent importation into the netherlands, even before 1 january 1975, of goods put onto the market in the united kingdom under the conditions set out above by the trade mark owner or with his consent .

As regards question ii

31 This question requires the court to state whether the fact that an undertaking forming part of a concern uses its trade mark rights to prevent the sale by a third party of a product which has previously been put into circulation in another country by an undertaking entitled to use the trade mark in that other country and which forms part of the same concern constitutes a concerted practice as prohibited by article 85 of the treaty .

32 Article 85 is not concerned with agreements or concerted practices between undertakings forming part of the same concern and having the status of parent company and subsidiary, if the undertakings form an economic unit within which the subsidiary has no real freedom to determine its course of action on the market, and if the agreements or practices are concerned merely with the internal allocation of tasks as between the undertakings .

Decision on costs

33 The costs incurred by the commission of the european communities, which has submitted observations to the court, are not recoverable .

34 As these proceedings are, insofar as the parties to the main action are concerned, a step in the action pending before the hoge raad der nederlanden, costs are a matter for that court .

Operative part

On those grounds,

The court

In answer to the question referred to it by the hoge raad der nederlanden, by interim decision of 1 march 1974, hereby rules :

1 . The exercise, by the owner of a trade mark, of the right which he enjoys under the legislation of a member state to prohibit the sale, in that state, of a product which has been marketed under the trade mark in another member state by the trade mark owner or with his consent is incompatible with the rules of the eec treaty concerning the free movement of goods within the common market .

2 . In this connection, it is a matter of no significance that there exist, as between the exporting and importing member states, price differences resulting from governmental measures adopted in the exporting state with a view to controlling the price of the product .

3 . The owner of a trade mark relating to a pharmaceutical product cannot avoid the incidence of community rules concerning the free movement of goods for the purpose of controlling the distribution of the product with a view to protecting the public against defects therein .

4 . Article 42 of the act concerning the conditions of accession and the adjustments to the treaties cannot be invoked to prevent importation into the netherlands, even before 1 january 1975, of goods put onto the market in the united kingdom by the trade mark owner or with his consent .

5 . Article 85 is not concerned with agreements or concerted practices between undertakings belonging to the same concern and having the status of parent company and subsidiary, if the undertakings form an economic unit within which the subsidiary has no real freedom to determine its course of action on the market, and if the agreements or practices are concerned merely with the internal allocation of tasks as between the undertakings.