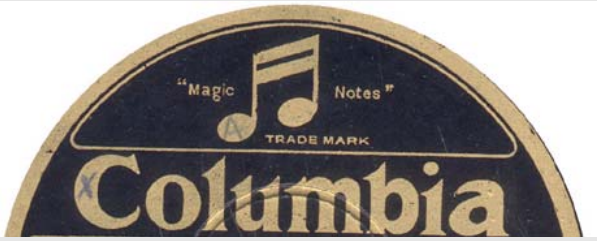
European Court of Justice, 15 June 1976, EMI v CBS



TRADEMARK RIGHTS – FREE MOVEMENT OF GOODS

Enforcement of trademark rights

- **Trademark owner can exercise trademark rights against products bearing the same mark, which is owned in a third country, provided that the exercise is not the result of an agreement or concerted practice to isolate or partition the common market**

The principles of community law and the provisions on the free movement of goods and on competition do not prohibit the proprietor of the same mark in all the member states of the community from exercising his trade-mark rights, recognized by the national laws of each member state, in order to prevent the sale in the community by a third party of products bearing the same mark, which is owned in a third country, provided that the exercise of the said rights does not manifest itself as the result of an agreement or of concerted practices which have as their object or effect the isolation or partitioning of the common market.

- **Consequence can be that third pary must obliterate the mark on the products and perhaps apply a different mark**

In so far as that condition is fulfilled the requirement that such third party must, for the purposes of his exports to the community, obliterate the mark on the products concerned and perhaps apply a different mark forms part of the permissible consequences of the protection which the national laws of each member state afford to the proprietor of the mark against the importation of products from third countries bearing a similar or identical mark.

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

European Court of Justice, 15 June 1976

(Lecourt, Kutscher, O' Keeffe, Donner, Mertens De Wilmars, Sorensen, Capotorti).

In case 86/75

Reference to the court under article 177 of the EEC treaty by the SO- OG Handelsret, Copenhagen, (the admiralty and commercial court, Copenhagen) for a preliminary ruling in the action pending before that court between

EMI records limited, Middlesex,

And

CBS grammofon a/s, Vanlose,

Subject of the case

On the interpretation of the provisions of the treaty on the free movement of goods and on the rules on competition in the matter of the law on trade-marks,

Grounds

1 By an order of 24 july 1975 which was received at the court registry on 1 august 1975 the so- og handelsret, copenhagen, submitted, pursuant to article 177 of the eec treaty, the following question for a preliminary ruling :

' Must the provisions in the treaty establishing the european economic community, especially these relating to the free movement of goods, be interpreted as disentitling a from exercising its rights deriving from the national trade-mark law of the member states to prevent the sale by b in the member states of goods bearing trade-mark x, when such goods are manufactured and marked with the mark x outside the community where b is entitled to use mark x? '

2 It is clear from the information supplied by the national court that the trade-mark in question originally belonged to an american company which in 1917 transferred to its english subsidiary its interests and goodwill in various countries including the states which presently make up the community.

3 At the same time the american company transferred to its english subsidiary a number of trade-marks, including the one in dispute, in respect of the said countries whilst retaining this mark in respect of the united states and other third countries.

4 This mark was successively acquired after 1922 by various american and english undertakings and is presently owned in a certain number of countries including the member states by the english company, EMI records limited, and in other countries, including the united states, by the american company CBS inc., of which CBS grammophon a/s is its subsidiary in denmark.

5 It is clear from the information supplied by the so- og handelsret that the proprietor of the mark in the united states sells in the community through its subsidiaries established there products bearing this mark and manufactured in the united states.

6 The essential purpose of the question submitted is to ascertain whether the proprietor of a mark in a member state of the community may exercise his exclusive right to prevent the importation or marketing in that member state of products bearing the same mark coming from a third country.

7 This is why the national court asks the court of justice to examine the question submitted in the light of the principles and rules of community law relating to the free movement of goods and to competition.

1. With regard to the free movement of goods

8 Within the framework of the provisions of the treaty relating to the free movement of goods and in accordance with article 3 (a), article 30 et seq. On the elimination of quantitative restrictions and of measures having equivalent effect expressly provides that such restrictions and measures shall be prohibited ' between member states '.

9 Article 36, in particular, after stipulating that articles 30 to 34 shall not preclude restrictions on imports, exports or goods in transit justified inter alia on grounds of the protection of industrial and commercial property, states that such restrictions shall in no instance constitute a means of arbitrary discrimination or disguised restriction on trade ' between member states '.
10 Consequently the exercise of a trade-mark right in order to prevent the marketing of products coming from a third country under an identical mark, even if this constitutes a measure having an effect equivalent to a quantitative restriction, does not affect the free movement of goods between member states and thus does not come under the prohibitions set out in article 30 et seq. Of the treaty.
11 In such circumstances the exercise of a trade-mark right does not in fact jeopardize the unity of the common market which article 30 et seq. Is intended to ensure.
12 Furthermore if the same proprietor holds the trade-mark right in respect of the same product in all the member states there are no grounds for examining whether those marks have a common origin with an identical mark recognized in a third country, since that question is relevant only in relation to considering whether within the community there are opportunities for partitioning the market.
13 It is impossible to avoid these conclusions by relying on articles 9 and 10 of the treaty.
14 According to article 10 (1) of the treaty products coming from a third country shall be considered to be in free circulation in a member state if the import formalities have been complied with and any customs duties or charges having equivalent effect which are payable have been levied in the importing member state.
15 According to article 9 (2) of the treaty the provisions of chapter 1, section 1 and of chapter 2 of title i of part two shall apply to products coming from third countries which are in free circulation in member states.
16 Since those provisions only refer to the effects of compliance with customs formalities and paying customs duties and charges having equivalent effect, they cannot be interpreted as meaning that it would be sufficient for products bearing a mark applied in a third country and imported into the community to comply with the customs formalities in the first member state where they were imported in order to be able then to be marketed in the common market as a whole in contravention of the rules relating to the protection of the mark.
17 Furthermore the provisions of the treaty on commercial policy do not, in article 110 et seq., lay down any obligation on the part of the member states to extend to trade with third countries the binding principles governing the free movement of goods between member states and in particular the prohibition of measures having an effect equivalent to quantitative restrictions.
18 The arrangements concluded by the community in certain international agreements such as the acp-eec convention of lome of 28 february 1975 or the agreements with sweden and switzerland of 22 july 1972 form part of such a policy and do not constitute the performance of a duty incumbent on the member states under the treaty.
19 The binding effect of commitments undertaken by the community with regard to certain countries cannot be extended to others.
20 Furthermore with regard to the provisions of regulation no 1439/74 of 4 june 1974 (oj 1974, l 159, p. 1) introducing common rules for imports, these provisions relate only to quantitative restrictions to the exclusion of measures having equivalent effect.
21 It follows that neither the rules of the treaty on the free movement of goods nor those on the putting into free circulation of products coming from third countries nor, finally, the principles governing the common commercial policy, prohibit the proprietor of a mark in all the member states of the community from exercising his right in order to prevent the importation of similar products bearing the same mark and coming from a third country.

2. With regard to competition

22 Under article 85 (1) of the treaty there shall be prohibited as incompatible with the common market ' all agreements between undertakings, decisions by associations of undertakings and concerted practices ' which may affect trade between member states and which have as their object or effect to affect adversely competition within the common market.
23 A trade-mark right, as a legal entity, does not possess those elements of contract or concerted practice referred to in article 85 (1).
24 Nevertheless, the exercise of that right might fall within the ambit of the prohibitions contained in the treaty if it were to manifest itself as the subject, the means, or the consequence of a restrictive practice.
25 A restrictive agreement between traders within the common market and competitors in third countries that would bring about an isolation of the common market as a whole which, in the territory of the community, would reduce the supply of products originating in third countries and similar to those protected by a mark within the community, might be of such a nature as to affect adversely the conditions of competition within the common market.
26 In particular if the proprietor of the mark in dispute in the third country has within the community various subsidiaries established in different member states which are in a position to market the products at issue within the common market such isolation may also affect trade between member states.
27 For article 85 to apply to a case, such as the present one, of agreements which are no longer in force it is sufficient that such agreements continue to produce their effects after they have formally ceased to be in force.
28 An agreement is only regarded as continuing to produce its effects if from the behaviour of the persons concerned there may be inferred the existence of elements of concerted practice and of coordination

peculiar to the agreement and producing the same result as that envisaged by the agreement.
29 This is not so when the said effects do not exceed those flowing from the mere exercise of the national trade-mark rights.
30 Furthermore it is clear from the file that the foreign trader can obtain access to the common market without availing himself of the mark in dispute.
31 In those circumstances the requirement that the proprietor of the identical mark in a third country must, for the purposes of his exports to the protected market, obliterate this mark on the products concerned and perhaps apply a different mark forms part of the permissible consequences flowing from the protection of the mark.
32 Furthermore under article 86 of the treaty ' any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between the member states '.
33 Although the trade-mark right confers upon its proprietor a special position within the protected territory this, however, does not imply the existence of a dominant position within the meaning of the abovementioned article, in particular where, as in the present case, several undertakings whose economic strength is comparable to that of the proprietor of the mark operate in the market for the products in question and are in a position to compete with the said proprietor.
34 Furthermore in so far as the exercise of a trade-mark right is intended to prevent the importation into the protected territory of products bearing an identical mark, it does not constitute an abuse of a dominant position within the meaning of article 86 of the treaty.
35 For those reasons it must be concluded that the principles of community law and the provisions on the free movement of goods and on competition do not prohibit the proprietor of the same mark in all the member states of the community from exercising his trade-mark rights, recognized by the national laws of each member state, in order to prevent the sale by a third party in the community of products bearing the same mark, which is owned in a third country, provided that the exercise of the said rights does not manifest itself as the result of an agreement or of concerted practices which have as their object or effect the isolation or partitioning of the common market.
36 In so far as that condition is fulfilled the requirement that such third party must, for the purposes of his exports to the community, obliterate the mark on the products concerned and perhaps apply a different mark forms part of the permissible consequences of the protection which the national laws of each member state afford to the proprietor of the mark against the importation of products from third countries bearing a similar or identical mark.

Decision on costs

Costs

37 The costs incurred by the danish government, the government of the federal republic of germany, the french government, the irish government, the netherlands government, the government of the united kingdom and the commission of the european communities, which submitted observations to the court, are not recoverable.
38 As these proceedings are, in so far as the parties to the main action are concerned, a step in the action pending before the national court, costs are a matter for that court.

Operative part

On those grounds,

The court

In answer to the question referred to it by the so- og handelsret, Copenhagen, by order of 24 july 1975, hereby rules:

1. The principles of community law and the provisions on the free movement of goods and on competition do not prohibit the proprietor of the same mark in all the member states of the community from exercising his trade-mark rights, recognized by the national laws of each member state, in order to prevent the sale in the community by a third party of products bearing the same mark, which is owned in a third country, provided that the exercise of the said rights does not manifest itself as the result of an agreement or of concerted practices which have as their object or effect the isolation or partitioning of the common market.
2. In so far as that condition is fulfilled the requirement that such third party must, for the purposes of his exports to the community, obliterate the mark on the products concerned and perhaps apply a different mark forms part of the permissible consequences of the protection which the national laws of each member state afford to the proprietor of the mark against the importation of products from third countries bearing a similar or identical mark.