

**European Court of Justice, 23 May 1978, Hoffmann-La Roche v Centrafarm**



**TRADEMARK LAW - PHARMACEUTICAL LAW – FREE MOVEMENT OF GOODS**

**Trade-mark proprietor can prevent repackaging**

- Unless (i) that contributes to the artificial partitioning of the markets between member states, (ii) the repackaging cannot adversely affect the original condition of the product, (iii) the proprietor receives prior notice, and (iv) it is stated on the new packaging by whom the product has been repackaged

The proprietor of a trade-mark right which is protected in two member states at the same time is justified in preventing a product to which the trade-mark has lawfully been applied in one of those states from being marketed in the other member state after it has been repacked in new packaging to which the trade-mark has been affixed by a third party. However, such prevention of marketing constitutes a disguised restriction on trade between member states where:

- the use of the trade-mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between member states;
- the repackaging cannot adversely affect the original condition of the product;
- the proprietor of the mark receives prior notice of the marketing of the repackaged product; and
- it is stated on the new packaging by whom the product has been repackaged.

- Exercise of a trade-mark right is not contrary to article 86 on the sole ground that it is the act of an undertaking occupying a dominant position on the market

To the extent to which the exercise of a trade-mark right is lawful in accordance with the provisions of article 36 of the treaty, such exercise is not contrary to article 86 of the treaty on the sole ground that it is the act of an undertaking occupying a dominant position on the market if the trade-mark right has not been used as an instrument for the abuse of such a position.

Source: [eur-lex.europa.eu](http://eur-lex.europa.eu)

**European Court of Justice, 23 May 1978**

IN CASE 102/77

Reference to the Court under article 177 of the EEC treaty by the Landgericht Freiburg for a preliminary ruling in the action pending before that court between

1. Hoffmann-La Roche & co. AG, Basel
2. Hoffmann-La Roche AG, Grenzach-Wyhlen (Federal Republic of Germany)

and

Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse MBH, Bentheim (Federal Republic of Germany)

**Subject of the case**

On the interpretation of articles 36 and 86 of the eec treaty ,

**Grounds**

1 By order dated 20 june 1977 received at the court on 2 august 1977 the Landgericht Freiburg referred to the court under article 177 of the EEC treaty two questions concerning the effect of certain provisions of the treaty on the exercise of the rights appertaining to the proprietor of a trade-mark. Those questions have arisen in proceedings between two undertakings in the pharmaceuticals sector, one of which, the plaintiff in the main action (hereinafter referred to as "Hoffmann-La Roche"), which is the proprietor of a certain trade-mark in several member states, has taken issue over the fact that the other, the defendant in the main action (hereinafter referred to as "Centrafarm"), which had purchased a product covered by that trade-mark marketed in a member state, distributes that product in another member state after repackaging it and re-affixing the proprietor's trade-mark to the new packet.

2 The product in question, valium, is marketed in Germany by Hoffmann-La Roche for individual buyers in packages of 20 or 50 tablets and for hospitals in batches of five packages containing 100 or 250 tablets, while the British subsidiary of the Hoffmann-La Roche group, which manufactures the same product, markets it in packages of 100 or 500 tablets at considerably lower prices than those obtaining in Germany. Centrafarm marketed in Germany valium purchased in great britain in the original packages which it put up into new packages of 1000 tablets, to which it affixed the trade-mark of Hoffmann-La Roche together with a notice that the product had been marketed by Centrafarm. Centrafarm also gave notice of its intention to repack the tablets into smaller packages intended for sale to individuals.

3 In its order making the reference the Landgericht held, in accordance with an opinion expressed by the superior court in a previous procedural stage of the same case, that what Centrafarm has done constitutes an infringement of the rights of Hoffmann-La Roche according to the German law on trade-marks.

4 The question whether the laws of the other member states in the matter are the same has been discussed before the court but has not received a clear answer.

**The first question**

5 The first question is worded as follows :

"Is the person entitled to a trade-mark right protected for his benefit both in member state A and in member state B empowered under article 36 of the EEC treaty, in reliance on this right, to prevent a parallel importer from buying from the proprietor of the mark or with his consent in member state a of the community medicinal preparations which have been put on the market with his trade-mark lawfully affixed thereto and packaged under this trade-mark, from providing them with new packaging, affixing to such packaging the proprietor's trade-mark and importing the preparations distinguished in this manner into member state B?"

6 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. Pursuant to article 36 those provisions nevertheless do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property. However, it is clear from that 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 laws of a member state in matters of industrial and commercial property, yet the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the treaty. Inasmuch as it creates an exception to one of the fundamental principles of the common market, article 36 in fact admits of derogations from the free movement of goods only to the extent to which such exceptions are justified for the purpose of safeguarding the rights which constitute the specific subject-matter of that property.

7 In relation to trade-marks, the specific subject-matter is in particular to guarantee to the proprietor of the trade-mark that he has the exclusive 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 trade-mark. In order to answer the question whether that exclusive right involves the right to prevent the trade-mark being affixed by a third person after the product has been repackaged, regard must be had to the essential function of the trade-mark, which is to guarantee the identity of the origin of the trade-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. This guarantee of origin means that the consumer or ultimate user can be certain that a trade-marked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorization of the proprietor of the trade-mark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trade-mark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trade-mark right.

8 It is accordingly justified under the first sentence of article 36 to recognize that the proprietor of a trade-mark is entitled to prevent an importer of a trade-marked product, following repackaging of that product, from affixing the trade-mark to the new packaging without the authorization of the proprietor.

9 It is, however, necessary to consider whether the exercise of such a right may constitute a 'disguised restriction on trade between member states' within the meaning of the second sentence of article 36. Such a restriction might arise, inter alia, from the proprietor of the trade-mark putting onto the market in various member states an identical product in various packages while availing himself of the rights inherent in the trade-mark to prevent repackaging by a third person even if it were done in such a way that the identity of origin of the trade-marked product and its original condition could not be affected. The question, therefore, in the present case is whether the repackaging of a trade-marked product such as that undertaken by Centrafarm is capable of affecting the original condition of the product.

10 In this respect the answer must vary according to the circumstances and in particular according to the nature of the product and the method of repackaging. Depending on the nature of the product repackaging in many cases inevitably affects its condition, while in others repackaging involves a more or less obvious risk that the product might be interfered with or its original condition otherwise affected. Nevertheless, it is possible to conceive of the repackaging being undertaken in such a way that the original condition of the product cannot be affected. This may be so where, for example, the proprietor of the trade-mark has marketed the product in a double packaging and the repackaging affects only the external packaging, leaving the internal packaging intact, or where the repackaging is inspected by a public authority for the purpose of ensuring that the product is not adversely affected. Where the essential function of the trade-mark to guarantee the origin of the product is thus protected, the exercise of his rights by the proprietor of the trade-mark in order to fetter the free movement of goods between member states may constitute a disguised restriction within the meaning of the second sentence of article 36 of the treaty if it is established that the use of the trade-mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between member states.

11 Although this conclusion is unavoidable in the interests of freedom of trade, it amounts to giving the trader, who sells the imported product with the trade-mark affixed to the new packaging without the authorization of the proprietor, a certain licence which in normal circumstances is reserved to the proprietor himself. In the interests of the proprietor as trade-mark owner and to protect him against any abuse it is therefore right to allow such licence only where it is shown that the repackaging cannot adversely affect the original condition of the product.

12 Since it is in the proprietor's interest that the consumer should not be misled as to the origin of the product, it is moreover right to allow the trader to sell the imported product with the trade-mark affixed to the new packaging only on condition that he gives the proprietor of the mark prior notice and that he states on the new packaging that the product has been repackaged by him.

13 It follows from what has been stated above that, subject to consideration of the facts of a particular case, it is irrelevant in answering the legal question raised regarding the substance of trade-mark law that the question referred by the national court is exclusively concerned with medicinal products.

14 The first question must therefore be answered to the effect that:

(a) The proprietor of a trade-mark right which is protected in two member states at the same time is justified pursuant to the first sentence of article 36 of the EEC treaty in preventing a product to which the trade-mark has lawfully been applied in one of those states from being marketed in the other member state after it has been repacked in new packaging to which the trade-mark has been affixed by a third party.

(b) However, such prevention of marketing constitutes a disguised restriction on trade between member states within the meaning of the second sentence of article 36 where:

- it is established that the use of the trade-mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between member states;
- it is shown that the repackaging cannot adversely affect the original condition of the product;
- the proprietor of the mark receives prior notice of the marketing of the repackaged product; and
- it is stated on the new packaging by whom the product has been repackaged.

#### **The second question**

15 The second question is worded as follows:

"Is the proprietor of the trade-mark entitled to do this or does he thereby infringe provisions of the EEC treaty - in particular those contained in article 86 thereof - even if he acquires a dominant position within the market in member state B with regard to the medicinal preparation in question, when prohibition on imports of a repacked product to which the proprietor's trade-mark has been affixed has in actual fact a restrictive effect on the market, because different sizes of packages are used in countries A and B and because the importation of the product in another manner has not yet in fact made any appreciable progress on the market, and when the actual effect of the prohibition is that between the member states there is maintained a substantial - in certain circumstances disproportionate - price differential, without its being possible to prove that the owner of the mark is using the prohibition solely or mainly to maintain this price differential?"

16 It is sufficient to observe that to the extent to which the exercise of a trade-mark right is lawful in accordance with the provisions of article 36 of the

treaty, such exercise is not contrary to article 86 of the treaty on the sole ground that it is the act of an undertaking occupying a dominant position on the market if the trade-mark right has not been used as an instrument for the abuse of such a position.

#### **Costs**

17 The costs incurred by the government of the United Kingdom, the government of the Federal Republic of Germany and the commission, which have submitted observations to the court, are not recoverable. As these proceedings are, in so far as the parties to the main action 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 Landgericht Freiburg by order of 20 June 1977, hereby rules:

1. (a) The proprietor of a trade-mark right which is protected in two member states at the same time is justified pursuant to the first sentence of article 36 of the EEC treaty in preventing a product to which the trade-mark has lawfully been applied in one of those states from being marketed in the other member state after it has been repacked in new packaging to which the trade-mark has been affixed by a third party.

(b) However, such prevention of marketing constitutes a disguised restriction on trade between member states within the meaning of the second sentence of article 36 where:

- it is established that the use of the trade-mark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between member states;
- it is shown that the repackaging cannot adversely affect the original condition of the product;
- the proprietor of the mark receives prior notice of the marketing of the repackaged product; and
- it is stated on the new packaging by whom the product has been repackaged.

2. To the extent to which the exercise of a trade-mark right is lawful in accordance with the provisions of article 36 of the treaty, such exercise is not contrary to article 86 of the treaty on the sole ground that it is act of an undertaking occupying a dominant position on the market if the trade-mark right has not been used as an instrument for the abuse of such a position.