

European Court of Justice, 10 October 1978, Centrafarm v American Home Products

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TRADEMARK LAW – FREE MOVEMENT OF GOODS – PHARMACEUTICAL LAW

- The proprietor of a trade-mark is justified in preventing a product from being marketed by a third party even if previously that product has been lawfully marketed in another member state under another mark held in the latter state by the same proprietor

The proprietor of a trade-mark which is protected in one member state is justified pursuant to the first sentence of article 36 in preventing a product from being marketed by a. Nevertheless such prevention may constitute a disguised restriction on trade between member states within the meaning of the second sentence of article 36 of the treaty if it is established that the proprietor of different marks has followed the practice of using such marks for the purpose of artificially partitioning the markets.

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European Court of Justice, 10 October 1978
IN CASE 3/78

Reference to the court under article 177 of the EEC treaty by the arrondissementsrechtbank (district court), Rotterdam, for a preliminary ruling in the action pending before that court between Centrafarm B.V., Rotterdam,

And

American Home Products Corporation, New York,
Subject of the case

On the interpretation of article 36 of the said treaty,
Grounds

1 By an order of 19 december 1977 which was received at the court registry on 3 january 1978 the arrondissementsrechtbank, Rotterdam, referred to the court of justice pursuant to article 177 of the EEC treaty two questions on the interpretation of article 36 of that treaty.

2 Those questions were raised in the context of a dispute between two undertakings dealing in medicinal products one of which, American Home Products corporation (hereinafter referred to as "AHPC") is the proprietor in various member states of various marks for the same product whilst the other undertaking, Centrafarm B.V., imported that product, which had been placed on the market under the mark registered in the state of origin, removed that mark and affixed to the product the mark registered for the same product in the importing state and placed the product thus designated on the market in the latter state without the consent of the proprietor.

3 It is clear from the questions submitted by the arrondissementsrechtbank that the legislation relating to trade-marks in the importing state gives the person entitled to the trade-mark the right to contest the putting into circulation in that state by others of goods bearing the mark held by him.

4 By an order of 2 august 1977 the president of the arrondissementsrechtbank, in a ruling on an application by AHPC for the adoption of an interim measure, in fact prohibited centrafarm from infringing AHPC's rights in the mark in question.

5 According to their wording the questions submitted concern one and the same product, despite certain slight differences which may exist between the product as marketed under one or other mark, so that the court of justice is not required to give a ruling on the basis that the two marks were used for two products each of which has its own characteristics.

The first question

6 The purpose of the first question is to establish whether, in the given circumstances, the rules of the treaty, in particular article 36, prevent the proprietor of a trade-mark from exercising the right conferred upon him under the national law.

7 As a result of the provisions of 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.

8 Under article 36 those provisions nevertheless do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property.

9 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, the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the treaty.

10 Inasmuch as it creates an exception to one of the fundamental principles of the common market, article 36 in fact admits of exceptions to the rules on 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.

11 In relation to trade-marks, the specific subject-matter is in particular the 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 his protection against competitors wishing to take advantage of the status and reputation of the mark by selling products illegally bearing that trade-mark.

12 In order to establish in exceptional circumstances the precise scope of that exclusive right granted to the proprietor of the mark 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.

13 This guarantee of origin means that only the proprietor may confer an identity upon the product by affixing the mark.

14 The guarantee of origin would in fact be jeopardized if it were permissible for a third party to affix the mark to the product, even to an original product.

15 It is thus in accordance with the essential function of the mark that national legislation, even where the manufacturer or distributor is the proprietor of two different marks for the same product, prevents an unauthorized third party from usurping the right to affix one or other mark to any part whatsoever of the production or to change the marks affixed by the proprietor to different parts of the production.

16 The guarantee of the origin of the product requires that the exclusive right of the proprietor should be protected in the same manner where the different parts of the production, bearing different marks, come from two different member states.

17 The right granted to the proprietor to prohibit any unauthorized affixing of his mark to his product accordingly comes within the specific subject-matter of the trade-mark.

18 The proprietor of a trade-mark which is protected in one member state is accordingly justified pursuant to the first sentence of article 36 in preventing a product from being marketed by a third party in that member state under the mark in question even if previously that product has been lawfully marketed in another member state under another mark held in the latter state by the same proprietor.

19 Nevertheless it is still necessary to consider whether the exercise of that right may constitute a "disguised restriction on trade between member states" within the meaning of the second sentence of article 36.

20 In this connexion it should be observed that it may be lawful for the manufacturer of a product to use in different member states different marks for the same product.

21 Nevertheless it is possible for such a practice to be followed by the proprietor of the marks as part of a system of marketing intended to partition the markets artificially.

22 In such a case the prohibition by the proprietor of the unauthorized affixing of the mark by a third party constitutes a disguised restriction on intra-community trade for the purposes of the above-mentioned provision.

23 It is for the national court to settle in each particular case whether the proprietor has followed the practice of using different marks for the same product for the purpose of partitioning the markets.

The second question

24 The second question is whether it is relevant to the answer to be given to the first question, that in the importing member state there are provisions on medicinal products under which it is permissible to import a medicinal product from another member state under a

mark other than that under which it is registered in the latter state.

25 Such provisions, in pursuing objectives relating to the protection of public health, are concerned with the names under which proprietary medicinal products may be placed on the market.

26 It must therefore be presumed that such provisions do not have the effect of amending the law on trade-marks.

27 It follows that the importer of a medicinal product cannot find in the facility afforded him by such provisions any justification for avoiding the restrictions entailed by the requirement that he observe the trade-mark rights belonging to the manufacturer of the product.

28 The reply to the second question must accordingly be that the existence of provisions on the names under which proprietary medicinal products may be marketed is irrelevant to the reply to be given to the first question.

Costs

29 The costs incurred by the government of the Federal Republic of Germany, the government of the United Kingdom and by the commission, which have submitted observations to the court, are not recoverable.

30 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 arrondissementsrechtbank, Rotterdam, by an order of that court of 19 december 1977, hereby rules:

1. (a) The proprietor of a trade-mark which is protected in one member state is justified pursuant to the first sentence of article 36 in preventing a product from being marketed by a third party even if previously that product has been lawfully marketed in another member state under another mark held in the latter state by the same proprietor.

(b) Nevertheless such prevention may constitute a disguised restriction on trade between member states within the meaning of the second sentence of article 36 of the treaty if it is established that the proprietor of different marks has followed the practice of using such marks for the purpose of artificially partitioning the markets.

2. The provisions on the names under which proprietary medicinal products may be marketed are irrelevant to the above reply.