

Court of Justice EU, 5 October 1988, Maxicar v Renault



DESIGN LAW

Exercise design law not precluded by free movement of goods

- That the rules on the free movement of goods do not preclude the application of national legislation under which a car manufacturer who holds protective rights in an ornamental design in respect of spare parts intended for cars of its manufacture is entitled to prohibit third parties from manufacturing parts covered by those rights for the purpose of sale on the domestic market or for exportation or to prevent the importation from other Member States of parts covered by those rights which have been manufactured there without his consent.

Abuse of a dominant position

- the mere fact of obtaining protective rights in respect of ornamental designs for car bodywork components does not constitute an abuse of a dominant position within the meaning of Article 86 of the Treaty;
- the exercise of the corresponding exclusive right may be prohibited by Article 86 of the Treaty if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States.

Source :

Court of Justice EU, 5 October 1988

(Mackenzie Stuart, G. Bosco, O. Due and J.C. Moitinho de Almeida, T. Koopmans, U. Everling, K. Bahlmann, Y. Galmot, R. Joliet, T. F. O' Higgins and F.A. Schockweiler)

In Case 53/87

REFERENCE to the Court under Article 177 of the EEC Treaty by the tribunale civile e penale (Civil and Criminal District Court), Milan, for a preliminary ruling in the proceedings pending before that court

between

Consorzio italiano della componentistica di ricambio per autoveicoli and Maxicar

and

Régie nationale des usines Renault

on the interpretation of Articles 30 to 36 and 86 of the EEC Treaty,

THE COURT

composed of : Lord Mackenzie Stuart, President, G. Bosco, O. Due and J. C. Moitinho de Almeida (Presidents of Chambers), T. Koopmans, U. Everling, K. Bahlmann, Y. Galmot, R. Joliet, T. F. O' Higgins and F. A. Schockweiler, Judges,

Avocate General : J. Mischo

Registrar : D. Louterman, Administrator

after considering the observations submitted on behalf of

Consorzio italiano della componentistica di ricambio per autoveicoli and Maxicar, the plaintiffs in the main proceedings, by Marino Bin, Fabio Bortolotti, Guido Colonna, Giorgio Florida, Claudio Maria Prado and Enrico Radice,

Régie nationale des usines Renault, the defendant in the main proceedings, by Mario Franzosi, Xavier Desjeux, Antoine Braun and Francis Herbert,

the French Government by Edwige Belliard and Philippe Pouzoulet, acting as Agents,

the Government of the Federal Republic of Germany, by Martin Seidel, Ministerialrat in the Ministry of the Economy, acting as Agent,

the Spanish Government, by Francisco Javier Condo de Saro, Director-General for European Community Legal and Institutional Coordination, and Rafael García-Valdecasas Fernández, Head of the State Legal Department, acting as Agent,

the Italian Government, by Ivo M. Braguglia, avvocato dello Stato,

the United Kingdom by H. R. L. Purse, of the Treasury Solicitor' s Department, acting as Agent,

the Commission, by Giuliano Marengo and Karen Banks, acting as Agents,

having regard to the Report for the Hearing and further to the hearing on 18 May 1988,

after hearing the Opinion of the Advocate General delivered at the sitting on 21 June 1988, gives the following

Judgment

Grounds

1 By order of 18 September 1986 which was received at the Court on 20 February 1987, the tribunale civile e penale, Milan, referred to the Court for a preliminary ruling under Article 177 of the EEC Treaty two questions on the interpretation of Articles 30 to 36 and 86 of the EEC Treaty with a view to determining, on the one hand, whether national legislation enabling protective rights to be registered in respect of an ornamental design for car bodywork components is compatible with the Community rules on the free movement of goods and, on the other, whether the exercise of those rights may, in certain circumstances, constitute an abuse.

2 Those questions were raised in proceedings brought

by Consorzio italiano della componentistica di ricambio per autoveicoli (hereinafter referred to as "the Consorzio "), a trade association comprising a number of Italian undertakings which manufacture and market bodywork spare parts for motor vehicles and Maxicar, a member of the Consorzio, against Régie nationale des usines Renault (hereinafter referred to as "Renault ").

3 Before the national court, the Consorzio and Maxicar seek, on the one hand, a declaration that the protective rights in respect of ornamental designs of which Renault is the proprietor are void, in so far as they relate to spare parts for the bodywork of cars, such parts having no intrinsic aesthetic value of their own, and, on the other, a declaration that the manufacture and marketing of non-original spare parts do not constitute an offence under the national legislation on unfair competition. By way of counterclaim, Renault seeks a declaration that the plaintiff companies have infringed its protective rights.

4 The national court considers that protective rights in respect of an ornamental design for the car bodywork parts are in conformity with Italian law. However, it considers that the exercise of the exclusive rights deriving therefrom appears, in this instance, to be contrary to the provisions of the Treaty.

5 It points out in that connection that a return for the proprietor of the rights is already guaranteed by the exclusive rights in respect of the bodywork as a whole and that protection of separate bodywork components is therefore unjustified. It adds that Renault, which, as is to be expected, receives some of the orders from consumers for components intended for vehicles manufactured by it, enjoys a monopoly which enables it to eliminate competition from independent manufacturers of spare parts, and at the same time to continue to charge high prices.

6 According to the national court, it follows that the protective rights vested in Renault may constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States within the meaning of Article 36 of the Treaty, and that the monopoly thus enjoyed by Renault might possibly contravene Article 86 of the Treaty.

7 The national court therefore decided to stay the proceedings and refer the following questions to the Court for a preliminary ruling :

"(1) Are Articles 30 to 36 of the EEC Treaty to be interpreted as prohibiting the proprietor of a protective right in an ornamental design which was granted in a Member State from asserting the corresponding exclusive right so as to prevent third parties from manufacturing and selling, and also exporting to another Member State, component parts which, taken as a whole, make up the bodywork of a car which has already been put on the market, that is to say component parts intended to be sold as spare parts for that car?

(2) Does Article 86 of the EEC Treaty apply so as to prohibit the abuse of the dominant position held by each car manufacturer in the market for spare parts for cars of its manufacture which consists in seeking to eliminate competition from independent manufacturers

of spare parts by registering protective rights?"

8 Reference is made to the Report for the Hearing for a fuller account of the facts, the legal background to the case, the procedure and the observations submitted to the Court, which are mentioned or discussed hereinafter only in so far as is necessary for the reasoning of the Court.

The first question

9 It is apparent from the order for reference that a number of independent manufacturers of spare parts for cars have invoked the rules on the free movement of goods with a view to persuading the national court not to apply national industrial property legislation under which a car manufacturer may register a protective right in respect of an ornamental design for certain spare parts intended for cars manufactured by it. The independent producers thus sought to protect themselves from infringement proceedings intended to prevent them from manufacturing, for the purposes of sales on the internal market or for export, components covered by the exclusive right in question or to prevent them from importing from other Member States protected components manufactured there without the consent of the proprietor of the protected right in respect of the design.

10 It must first be stated that, as the Court held in its [judgment of 14 September 1982 in Case 144/81 Keurkoop v Nancy Kean Gifts \(\(1982 \)\) ECR 2853](#), with respect to the protection of designs and models, in the present state of Community law and in the absence of Community standardization or harmonization of laws the determination of the conditions and procedures under which such protection is granted is a matter for national rules. It is for the national legislature to determine which products qualify for protection, even if they form part of a unit already protected as such.

11 It should then be noted that the authority of a proprietor of a protective right in respect of an ornamental model to oppose the manufacture by third parties, for the purposes of sale on the internal market or export, of products incorporating the design or to prevent the import of such products manufactured without its consent in other Member States constitutes the substance of his exclusive right. To prevent the application of the national legislation in such circumstances would therefore be tantamount to challenging the very existence of that right.

12 It should also be borne in mind that pursuant to Article 36 restrictions on imports or exports justified on grounds of the protection of industrial and commercial property are permissible provided that they do not constitute a means of arbitrary discrimination or a disguised restriction on trade between the Member States. In that regard it need merely be stated, in the light of the documents before the Court, that the exclusive right granted by the national legislation to the proprietors of protective rights in respect of ornamental models for car bodywork components may be enforced, without distinction, both against those persons who manufacture spare parts within national territory and against those who import them from other Member

States, and that such legislation is not intended to favour national products at the expense of products originating in other Member States.

13 Accordingly, it must be stated in reply to the first question that the rules on the free movement of goods do not preclude the application of national legislation under which a car manufacturer who holds protective rights in an ornamental design in respect of spare parts intended for cars of its manufacture is entitled to prohibit third parties from manufacturing parts covered by those rights for the purpose of sale on the domestic market or for exportation or to prevent the importation from other Member States of parts covered by those rights which have been manufactured there without his consent.

The second question

14 By its second question, the national court wishes to establish, essentially, whether the obtaining of protective rights in respect of ornamental models for car bodywork components and the exercise of the resultant exclusive rights constitute an abuse of a dominant position within the meaning of Article 86 of the Treaty.

15 It should be noted at the outset that the mere fact of securing the benefit of an exclusive right granted by law, the effect of which is to enable the manufacture and sale of protected products by unauthorized third parties to be prevented, cannot be regarded as an abusive method of eliminating competition.

16 Exercise of the exclusive right may be prohibited by Article 86 if it gives rise to certain abusive conduct on the part of an undertaking occupying a dominant position such as an arbitrary refusal to deliver spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model remain in circulation, provided that such conduct is liable to affect trade between Member States.

17 With reference more particularly to the difference in prices between components sold by the manufacturer and those sold by the independent producers, it should be noted that the Court has held ([judgment of 29 February 1968 in Case 24/67 Parke, Davis and Co. \(\(1968\)\) ECR 55](#)) that a higher price for the former than for the latter does not necessarily constitute an abuse, since the proprietor of protective rights in respect of an ornamental design may lawfully call for a return on the amounts which he has invested in order to perfect the protected design.

18 In those circumstances, it must be stated in reply to the second question submitted by the national court that (i) the mere fact of obtaining protective rights in respect of ornamental designs for car bodywork components does not constitute an abuse of a dominant position within the meaning of Article 86 of the Treaty; (ii) the exercise of the corresponding exclusive right may be prohibited by Article 86 of the Treaty if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair

level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States.

Costs

19 The costs incurred by the Government of the Federal Republic of Germany, the French Government, the Spanish Government, the United Kingdom, the Italian Government and the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, in so far as the parties to the main proceedings 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 reply to the questions submitted to it by the tribunale civile e penale, Milan, by order of 18 September 1986, hereby rules :

1) The rules on the free movement of goods do not preclude the application of national legislation under which a car manufacturer who holds protective rights in an ornamental design in respect of spare parts intended for cars of its manufacture is entitled to prohibit third parties from manufacturing parts covered by those rights for the purpose of sale on the domestic market or for exportation or to prevent the importation from other Member States of parts covered by those rights which have been manufactured there without his consent.

2) The mere fact of obtaining protective rights in respect of ornamental designs for car bodywork components does not constitute an abuse of a dominant position within the meaning of Article 86 of the Treaty. The exercise of the corresponding exclusive right may be prohibited by Article 86 of the Treaty if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States.

Opinion A-G

Mr President,
Members of the Court,

1. By virtue of the questions submitted by the tribunal civile e penale (Civil and Criminal Court), Milan, in Case 53/87 (Consorzio italiano della componentistica di ricambio per autoveicoli, hereinafter referred to as "the Consorzio", and Maxicar v Renault) and by the High Court of Justice, London, in Case 238/87 (Volvo v Veng) for a preliminary ruling, the Court is essentially confronted by the problem whether a motor vehicle manufacturer who is the proprietor of protected rights in respect of designs and models of bodywork components for a vehicle manufactured by him may, without infringing Community law, prevent the market-

ing by independent producers or traders of copies of those bodywork components.

2. According to the most radical view, put forward by the Consorzio and Maxicar before the tribunale civile e penale, Milan, a manufacturer cannot be allowed in any circumstances to rely on protected rights of that kind in order to prohibit them from manufacturing, selling, exporting or importing such parts.

3. A less extreme view is taken by Veng before the High Court of Justice, London. Veng contends that any motor vehicle manufacturer who is entitled to obtain protective rights in respect of spare parts is obliged in all circumstances to grant licences for manufacture or importation to independent traders, provided that the latter pay a fair royalty to the manufacturer.

4. In the present opinion, (1) which relates to the questions submitted by the Milan Court, I shall consider the problem more particularly, but not exclusively, with reference to the provisions of the Treaty concerning the free movement of goods. In my Opinion in Case 238/87 I shall concentrate above all on the question of compulsory licences.

I - The first question

5. The first question submitted by the tribunale civile e penale, Milan is as follows :

"Must or must not Articles 30 to 36 of the EEC Treaty be interpreted as prohibiting the owner of a protective right in an ornamental design which was granted in a Member State from asserting the corresponding absolute right so as to prevent third parties from manufacturing and selling and also exporting to another Member State, component parts which, taken as a whole, make up the bodywork of a car which has already been put on the market, that is to say component parts intended to be sold as spare parts for that car?"

6. Let me start by pointing out that the dispute in the main proceedings has certain features which are rather different from those of the other cases on industrial property with which the Court has had occasion to deal.

7. It is not a case here of a proprietor of protective rights defending his "territory" against imports, but of independent producers attacking that proprietor by challenging his entitlement to exercise his exclusive rights against them; (2) the Consorzio and Maxicar demand the right to manufacture the parts in question themselves and subsequently to export them.

8. I shall return later to this challenge which, to some extent at least, calls in question the very existence of industrial and commercial property rights. First, I should like to consider the problem of the exportation of spare parts manufactured or capable of being manufactured by the plaintiffs in the main proceedings since it is that aspect of the question submitted which relates to the provisions of the Treaty concerning the free movement of goods.

9. It is immediately apparent that exports are affected only to the extent to which they are made impossible by the prohibition of manufacturing the parts in question. A flow of exports to the other Member States would merely be a potential consequence if the action directed against the prohibition of manufacture were to succeed.

10. The plaintiffs do not rely upon any specific provisions of Italian law

"which have as their specific object or effect the restriction of patterns of exports and thereby the establishment of a difference of treatment between the domestic trade of a Member State and its export trade in such a way as to provide a particular advantage for national production or for the domestic market of the State in question at the expense of the production or of the trade of other Member States ". (3)

11. We can therefore conclude at this early stage that the prohibition laid down by Article 34 of the Treaty is not an issue in the present case. There is no restriction on exports within the meaning of Article 34 that ought to be examined in order to determine whether it might be "justified on grounds of... the protection of industrial and commercial property" within the meaning of Article 36.

12. Seen in that light, the dispute in the main proceedings thus concerns a situation wholly internal to Italy : two Italian companies claim the right to manufacture in Italy components covered by protective rights in ornamental designs in Italy.

13. But the reference made by the national court to the "sale" of spare parts may, strictly speaking, be interpreted as referring also to a case where parts not manufactured by Régie Renault are imported into Italy and are prohibited from being marketed there.

14. The Consorzio in fact stated (p. 59 of its observations) that its members also market spare parts manufactured by third parties, and some of those parts come from abroad (from Spain, for example). In those circumstances, I think the problem must also be considered from the viewpoint of prohibitions of imports.

15. The Court has consistently held, and in particular in its judgment in *Keurkoop v Nancy Kean Gifts* : (4)

"that in principle the protection of industrial and commercial property established by Article 36 would be rendered meaningless if a person other than the owner of the right to the design in a Member State could be allowed to market in that State a product which is identical in appearance to the protected design ".

16. However, as the Court points out in the next paragraph of that judgment, prohibitions and restrictions must, by virtue of Article 36, be justified inter alia on grounds of the protection of industrial and commercial property and must not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

17. As is apparent from the first paragraph of the grounds of the Milan Court' s judgment, the latter is well acquainted with those cases and the question which is submitted refers to the possible existence of a disguised restriction on trade between Member States.

18. The Milan court examines the Italian legislation concerning the conditions for granting protective rights in ornamental designs and comes to the conclusion that it is in fact possible in Italy to obtain such protective rights in respect of the various components making up the bodywork of a car (in addition to the rights registered in respect of the bodywork as a whole), but it

nevertheless takes the view that "the possibility must be considered as to whether the relevant national rules conflict with Community rules" (paragraph 3 of the grounds of the order for reference).

19. The question submitted thus clearly goes beyond the simple question whether the exercise of the intellectual property right is compatible with the specific purpose thereof, as defined by the Court. The national court considers that "there appears to be some foundation for the question raised by the plaintiffs with regard to the lack of justification for protective rights which, since they do not satisfy the relevant functions of the protection of industrial and commercial property laid down in Article 36 of the EEC Treaty, may constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States" (end of p. 9 of the English translation of the order for reference).

20. Can the Court undertake an examination of that kind, having regard to its previous decisions in that field? In my opinion, the following distinction must be drawn :

(a) in the absence of Community standardization or harmonization of laws, determination of the conditions and procedures under which protection of designs and models (such as patents) is granted is a matter for national rules (*Keurkoop v Nancy Kean Gifts*, cited above, paragraph 18);

(b) consideration of the validity or otherwise of a design is also a matter for the national courts;

(c) where the proprietor of a design "abuses" his right to prevent imports (a right which stems inherently from the specific purpose of registration of the design), he cannot benefit from the exception to the principle of free movement of goods laid down in Article 36. That is the case if the prohibition of imports is of such a kind as to maintain or bring about artificial partitioning of the market within the EEC. Thus the proprietor cannot rely upon his rights in order to prevent the importation or marketing of a product which has lawfully been placed on the market in another Member State by him, with his consent or by a person economically or legally dependent on him (the theory of exhaustion of the exclusive right). Similarly, the proprietor of an exclusive right may not rely on his right if the prohibition on importation or marketing of which he wishes to avail himself could be connected with an agreement or practice in restraint of competition within the Community (paragraphs 24 to 27 of the judgment in *Keurkoop v Nancy Kean Gifts*, cited above). In this case, there has been no allegation either by the plaintiffs in the main proceedings or by the national court that either of those situations exists or that there has been any other abuse of the rights in question;

(d) but what happens where the proprietor makes absolutely normal use of his right to prevent the importation of products manufactured in infringement of his patent or design, where it is alleged that the patent or design was granted improperly under the national legislation? I have in mind, for example, cases where the law of a Member State allows a patent to be granted even for an "invention" which is known and was pat-

ented a long time earlier in another Member State, or cases where a Member State allows only its own nationals to register protective rights in respect of spare parts.

21. I consider that it is clear, or at least has been since the Warner Brothers judgment, (5) that in such a case the Court is entitled to consider whether the legislation in question may be regarded as justified on the ground of protection of industrial and commercial property within the meaning of Article 36. In that judgment, the Court stated, inter alia, that

"it is not possible, by permitting copyright fees to be charged only on sales allowed to private individuals and to hirers of video-cassettes, to ensure that film makers receive remuneration which is commensurate with the number of hirings actually made and which reserves for them a satisfactory share in the hiring market ". The Court concluded from this that legislation which makes the hiring of video-cassettes conditional upon authorization from the copyright holder, thus enabling the latter to make hiring conditional upon payment of a royalty, appears to be justified on grounds of protection of industrial and commercial property.

22. There is, therefore, nothing to prevent the Court from similarly considering whether legislation which allows the prohibition of imports of unauthorized copies of bodywork components is justified on such grounds, and whether it constitutes arbitrary discrimination or a disguised restriction on trade between Member States. (6)

23. As I stated earlier, the Milan Court has serious doubts as to the compatibility with the Treaty of the rules in question.

24. It points out in the first place that the basis of the protection of designs and models is the need to stimulate economic development through the search for novelty and technological progress and aesthetic industrial design and that to grant protection for spare parts for the bodywork of motor vehicles is not in conformity with that function.

25. In fact, according to the Milan Court, the monopolistic position resulting from the registration of ornamental designs for each part making up the bodywork does not constitute a "return" for research and progress achieved from the aesthetic point of view, since that was exhausted by the overall design of the car, which is at the same time protected by other registered rights. The exclusion of competition from other undertakings and the higher price payable to the proprietor of the rights as a result of his monopoly would appear to be advantages which are unconnected with the requirements of economic progress underlying the provisions adopted in order to protect industrial property.

26. It is clear that the national court and the plaintiffs in the main proceedings, who were the first to expound that view, do not have in mind here the theory of the exhaustion of intellectual property rights developed by the Court of Justice, (7) details of which I have already given.

27. When the national court and the plaintiffs in the

main proceedings use the expression "exhaustion of the return", they are referring to the function which the Court assigns to industrial and commercial property, namely that of obtaining a "reward for ((the inventor' s)) creative effort" (see in particular the judgments in *Pharmon v Hoechst* and *Centrafarm v Sterling Drug*, cited earlier).

28. According to them, a spare part is not the subject of an effort of aesthetic creativity specific to it and distinct from the effort made in designing the bodywork as a whole, and it cannot therefore per se be the subject of the design right, still less so because the effort of aesthetic creativity made when the bodywork as a whole was designed is already sufficiently rewarded by the grant of an exclusive right covering the totality of the bodywork. Accordingly, the grant, in addition thereto, of a right of that kind covering the component would give rise to a kind of a "double return" to the proprietor of the right. That view calls for the observations which follow.

29. In Italy ornamental designs are granted under legislation which is incontestably intended to protect industrial and commercial property within the meaning of Article 36.

30. Moreover, even if the act of intellectual creation capable of giving the product an aesthetic value related only to the complete design of the car and even if the form of a bodywork component was never the subject of separate study from the aesthetic standpoint (a view which is challenged, in particular by the German Government) it would nevertheless be fair, in my opinion, to say that not only the bodywork as a whole but also each of its components is the result of the creative or innovative effort brought to bear by the manufacturer.

31. As regards the question of the possibility of a "double return" for that creative effort or amortization in excess of the sums invested in research and development and the perfecting of new models, I do not see in what way a national legislature would be exceeding the limits of the protection of industrial and commercial property if it allowed a car manufacturer to apportion that return or amortization between the price of the vehicle as a whole, on the one hand, and the price of the spare parts, on the other. Admittedly, it may be that the prices of spare parts are excessive and that it is the manufacturer' s intention to obtain a "double return ". However, this question is tied up with the problem of abuse of a dominant position which I shall consider in due course when dealing with the second question submitted by the Italian Court.

32. It follows, in my opinion, from the foregoing considerations that the grant of separate protection for bodywork components must be regarded as being in conformity with the function assigned by the Court to industrial and commercial property, which is that of providing a "reward for the ((inventor' s)) creative effort ".

33. Against that background, I should also like however to draw the attention of the Court to the very detailed inquiry carried out by an independent public authority, the United Kingdom Monopolies and Mergers Com-

mission, concerning the policy pursued by a large car manufacturer with respect to bodywork spare parts. (The report in question is attached as Annex 2 to the observations of the Consorzio.) Having established that in the specific case with which it was concerned the criteria of the United Kingdom legislation on anti-competitive conduct and the public interest were fulfilled, the Monopolies and Mergers Commission proposed a limitation of five years for the validity of exclusive rights granted in respect of bodywork components, but it in no way challenged the principle whereby a manufacturer can obtain industrial property rights and receive the benefit, when selling those parts, of a "return" for his innovative efforts and his research and development costs.

34. Finally, turning to the problem of protection of spare parts for cars, we must not forget that the same problem may arise tomorrow regarding all other products which are made up of a set of separately manufactured components or even components which coexist as parts of a whole without coming into physical contact with each other. Indeed, who could deny - as was pointed out by Professor Breier in the study submitted by Renault - that the pieces making up, for example, a dinner service displaying a certain originality or a set of drawing-room furniture created by a great decorator can each be protected individually? If it were otherwise, the protection obtained in respect of the service or set of furniture as a whole would be deprived of any practical effect.

35. But the Court does not need to express a view as to whether it is appropriate or necessary to protect car bodywork components. It is merely called upon to decide whether legislation of the type in question here appears to be justified on grounds of protection of industrial and commercial property within the meaning of Article 36. In view of the foregoing considerations, I consider that such a finding would be well founded.

36. Secondly, the question remains to be examined whether a prohibition of imports based on legislation of that kind constitutes a means of arbitrary discrimination or a disguised restriction on trade.

37. However, the application of legislation which allows the registration of protective rights in ornamental designs not only for bodywork as a whole but also for the various components thereof does not seem to me to be "of such a nature as to maintain or establish artificial partitions within the common market" (see *Keurkoop v Nancy Kean Gifts*, cited above, paragraph 24).

38. In the first place, the right to register protective rights in respect of spare parts is not reserved to Italian motor vehicle manufacturers, since it is in fact a foreign make which is at issue in the main proceedings. The prohibition on the manufacture of copies of original Renault parts or parts covered by protective rights manufactured by any other maker, and the consequent impossibility of exporting them, affect all companies established in Italy and in particular Italian companies.

39. Régie Renault is free to export from Italy any spare parts which it may manufacture in that country, and to import into Italy parts manufactured by its parent com-

pany or its subsidiaries in the other Member States. Likewise, every other car maker may export or import its own spare parts. Any private individual may also freely import original parts of any make whatsoever purchased by him in another Member State or export those purchased in Italy.

40. Only the importation of spare parts which are unauthorized imitations of parts covered by protective rights in Italy can be prohibited. Such a prohibition of importation cannot have as its object or effect the protection of Italian manufacturers of the same imitations because production of that kind is prohibited in Italy by virtue of those same protective rights. It may therefore be concluded that prohibitions based on legislation of that kind constitute neither a means of arbitrary discrimination nor a disguised restriction on commerce between Member States.

41. For all those reasons, I propose that the Court should answer the first question submitted by the tribunale civile e penale, Milan, as follows :

"Articles 30 to 36 of the EEC Treaty do not prevent the proprietor of a protective right in an ornamental design which was granted in a Member State from asserting the corresponding absolute right so as to prevent third parties from manufacturing, exporting, importing or selling component parts which, taken as a whole, make up the bodywork of a car which has already been put on the market, that is to say component parts intended to be sold as spare parts for that car."

II - The second question

42. The tribunale civile e penale, Milan, has submitted a second question to the Court in the following terms :

"Is or is not Article 86 of the EEC Treaty applicable so as to prohibit the abuse of the dominant position held by each car manufacturer in the market for spare parts for cars of its manufacture which consists in pursuing, by means of registering protective rights, the aim of eliminating competition from independent manufacturers of spare parts?"

43. By formulating its question in those terms the national court takes for granted that car manufacturers always hold a dominant position in the market for spare parts for the cars which they produce - an assertion which in my opinion remains to be tested - and that they abuse that position merely by registering protective rights in respect of the various bodywork components for their vehicles.

44. I should therefore prefer to take the question to have the following meaning :

"Does a car manufacturer abuse a dominant position within the meaning of Article 86 of the Treaty by registering protective rights in respect of spare parts for vehicles of its manufacture, in the light of the fact that the exercise of the exclusive rights deriving from such registration has the effect of preventing independent undertakings from lawfully manufacturing those same parts and thus competing with the manufacturer?"

45. Before that question can be answered, it is necessary to determine, in the first place, whether a motor vehicle manufacturer holds a dominant position in the market in spare parts for vehicles of its manufacture

and, for that purpose, to establish whether that market is in fact the "relevant market".

46. It has been claimed in that respect that spare parts form part of a wider market which includes both motor vehicles and spare parts for them. In view of the fierce competition between motor vehicle companies, the price of spare parts is one of the factors taken into consideration by purchasers.

47. There is no doubt that certain purchasers of cars, before making their choice, also obtain information as to the price of spare parts, and that factor may influence their decision. It is also certain that the owner of a vehicle of a particular make may, when deciding to change car, buy one of another make because the spare parts for the first car proved, in his opinion, excessively expensive. If the time factor is also taken into account, the competition prevailing in the new-car market thus also includes an element of competition regarding spare parts.

48. The fact nevertheless remains that the owner of a vehicle who, at a given moment, decides to repair the bodywork of his vehicle rather than purchase another, is obliged to purchase (either directly if he repairs the car himself, or indirectly through a garage in the manufacturer's network or through an independent repairer) a bodywork component which is identical in shape to the original part. Consequently, for the owners of a vehicle of a particular make the "relevant market" is the market made up of the bodywork components sold by the manufacturer of the vehicle or of the components which, being copies, are capable of being substituted for them.

49. Therefore, I likewise cannot share the other views which have been put forward in this case, namely that the market to be taken into account is the market in spare parts for cars in general or even the market which has grown up around the manufacture and maintenance of motor vehicles.

50. It must also be stated that a number of weighty arguments suggest that a vehicle manufacturer may hold a dominant position in the relevant market, even if such industrial property rights as he may have acquired are disregarded.

51. The manufacturers' distribution network is in fact the first source of supply which comes to the mind of someone seeking a component because he feels sure that he will obtain that component there immediately or within a short period. Car manufacturers in a given country maintain, at least in that country, a fairly close-knit distribution network. Moreover, the manufacturer's guarantee depends upon the use of so-called original parts the marketing of which is controlled by the manufacturer. At a time when manufacturers offer anti-rust guarantees of up to six years, that fact is not without significance. For their part, independent producers only enter the market some time after a new model is brought out because they need time to undertake the "reverse engineering" necessary to enable them to produce copies of the original part. The parts produced by them do not enjoy the prestige associated with the "original part" label and the places where they can be

obtained are less well known.

52. But in fact it does not seem to me to be necessary to establish beyond doubt whether or not a car manufacturer enjoys a dominant position, even if such industrial property rights as he may possess are disregarded. The situation referred to by the national court relates to bodywork components for which the manufacturer actually has protective rights in an "ornamental design". The national court has also made it clear that those designs are valid according to the criteria laid down in the national legislation.

53. It is apparent from previous decisions of the Court that the mere possession of an industrial property right does not automatically imply that the holder thereof occupies a dominant position within the meaning of Article 86. In the *Sirena and Deutsche Grammophon* (8) cases the Court held that, for the proprietor of an industrial property right to hold a dominant position, he must be in a position to prevent 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.

54. But in the present case, the industrial property rights relate to bodywork components for a motor vehicle and the only products which can be substituted for them are products having exactly the same shape as the parts produced by the manufacturer. As the Commission rightly pointed out in its observations in Case 238/87 (reference for a preliminary ruling by the High Court of Justice, London, in the case of *Volvo v Veng*), in those circumstances no substitutable goods exist which do not encroach upon the registered rights of the manufacturer. Accordingly, as soon as the proprietor enforces his protective right in the ornamental design and the substitutable parts can no longer be produced, it is beyond doubt that the manufacturer holds a dominant position in the market in bodywork components in respect of which he has registered protective rights, and which is, in the last analysis, the "relevant market" in this case.

55. The Milan court quite properly considered that that was the position and asked this Court whether the fact of registering protective rights in respect of the parts in question of itself constituted an abuse of that dominant position.

56. If proprietorship of protective rights is not of itself sufficient automatically to create a dominant position, a fortiori it cannot per se amount to abuse of such a position.

57. The previous decisions of the Court leave no room for doubt on this point. As early as 29 February 1968 in its judgment in Case 24/67 *Parke, Davis & Co. v Probel, Centrafarm and Others* ((1967)) ECR 55, at p. 72), the Court stated

"for this prohibition ((under Article 86)), to apply it is... necessary that three elements shall be present together :

- (i) the existence of a dominant position,
- (ii) the abuse of this position, and

(iii) the possibility that trade between Member States may be affected thereby;
although a patent confers on its holder a special protection at national level, it does not follow that the exercise of the rights thus conferred implies the presence together of all three elements in question;
it could only do so if the use of the patent were to degenerate into an abuse of the abovementioned protection".

58. Further on, the Court stated that

"Since the existence of patent rights is at present a matter solely of national law, the use made of them can only come within the ambit of Community law where such use contributes to a dominant position, the abuse of which may affect trade between Member States".

59. The mere acquisition of an industrial or commercial property right (and the exercise of the corresponding rights without which proprietorship of the ornamental design would be deprived of any practical utility) does not therefore constitute abuse of a dominant position. A further element is required.

60. That element cannot be the fact that competition from independent undertakings producing imitation parts has been eliminated. The elimination of that competition is the necessary consequence of an industrial property right in respect of a product which can have no other form than that which was endowed upon it by its creator, the proprietor of the exclusive right.

61. The additional element or circumstance might, on the other hand, consist in discriminatory conditions of sale (refusal to supply spare parts to independent suppliers, for instance), or refusal to continue to manufacture spare parts for a vehicle no longer in production even though many vehicles of that type were still in use. But the case which comes most readily to mind is that of applying "unfair prices" within the meaning of subparagraph (a) of the second paragraph of Article 86. The applicant companies in fact maintain that the bodywork components produced by Renault are sold by the Renault concessionaires at exaggeratedly high prices.

62. Where a reference is made for a preliminary ruling, only the court before which the main action is pending is in a position to settle a question of that kind. It should be remembered, however, that in the *Parke, Davis and Co.* judgment (cited earlier) the Court declared that a higher price for the patented product as compared with the unpatented product does not necessarily constitute an abuse. This appears to mean that "the inventor" is entitled to recover not only his production costs in the strict sense and a reasonable profit margin but also his research and development expenditure.

63. As regards the bodywork components sold as spare parts the problem displays an unusual aspect in so far as part of that expenditure has probably already been recovered from the sale of new cars. It is therefore necessary, when fixing the prices of spare parts, to take due account of that factor. It is the responsibility of the national court hearing the main proceedings to establish whether or not that has been done.

64. It should be pointed out, finally, that if it were to be found that the monopoly enjoyed by motor vehicle manufacturers regarding spare parts produced by them and covered by protective rights frequently prompts them to abuse their dominant position or if the temptation to engage in such abuse were considered too strong, it would of course be open to the national legislatures or possibly to the Community legislature (by way of harmonization of national legislation) to regulate the exclusive rights in question by the means considered most appropriate.

65. In conclusion, I propose that the Court should give the following answer to the second question submitted by the Milan Court :

"Article 86 of the Treaty must be interpreted as meaning that a car manufacturer does not abuse a dominant position merely by registering protective rights in respect of the parts making up the bodywork of cars manufactured by it and exercising the rights deriving therefrom."

(+) Translated from the French.

(1) In addition to the documents before the Court, I have read with great interest the thesis entitled "La protection des pièces de carrosserie automobile en droit communautaire" presented in 1987 by Fabrice Picod to the Faculty of Law of the Jean Moulin University (Lyon III) under the supervision of Professor Azema.

(2) But not against other motor vehicle manufacturers.

(3) See in particular judgment of 8 November 1979 in Case 15/79 Groenveld v Produktschap voor Vee en Vlees ((1979)) ECR 3409.

(4) See the judgment of 14 September 1982 in Case 144/81 Keurkoop v Nancy Kean Gifts ((1982)) ECR 2853, at pp. 2870 and 2871, paragraphs 18 and 24.

(5) Judgment of 17 May 1988 in Case 158/86 Warner Brothers Inc. and Metronome Video Aps v Erik Viuff Christiansen ((1988)) ECR , in particular paragraphs 11, 15 and 16.

(6) In this respect, I would refer also to my Opinion of 28 April 1988 in Case 35/87 (judgment of 30 June 1988) Thetford v Fiamma ((1988)) ECR , paragraphs 20 and 23.

(7) Judgments of 31 October 1974 in Case 15/74 Centrafarm v Sterling Drug ((1974)) ECR 1147, of 14 July 1981 in Case 187/80 Merck v Stephar and Exler ((1981)) ECR 2063, and of 9 July 1985 in Case 29/84 Pharmon v Hoechst ((1985)) ECR 2281.

(8) Case 40/70 Sirena v Eda ((1971)) ECR 69, paragraph 16; Case 78/80 Deutsche Grammophon v Metro ((1971)) ECR 487, paragraph 16.
