

European Court of Justice, 11 November 1997,  
Loendersloot



#### TRADEMARK LAW

- The owner of trade mark rights may, even if that constitutes a barrier to intra-Community trade, rely on those rights to prevent a third party from removing and then reaffixing or replacing labels unless (I) it is established that the use of the trade mark rights by the owner to oppose the marketing of the relabelled products under that trade mark would contribute to artificial partitioning of the markets between Member States (II) it is shown that the relabelling cannot affect the original condition of the product (III) the presentation of the relabelled product is not such as to be liable to damage the reputation of the trade mark and its owner; and (IV) the person who relabels the products informs the trade mark owner of the relabelling before the relabelled products are put on sale

In the light of the foregoing, the answer to the national court's questions must be that Article 36 of the Treaty is to be interpreted as meaning that the owner of trade mark rights may, even if that constitutes a barrier to intra-Community trade, rely on those rights to prevent a third party from removing and then reaffixing or replacing labels bearing the mark which the owner has himself affixed to products he has put on the Community market, unless:

- it is established that the use of the trade mark rights by the owner to oppose the marketing of the relabelled products under that trade mark would contribute to artificial partitioning of the markets between Member States;
- it is shown that the relabelling cannot affect the original condition of the product;
- the presentation of the relabelled product is not such as to be liable to damage the reputation of the trade mark and its owner; and
- the person who relabels the products informs the trade mark owner of the relabelling before the relabelled products are put on sale.

- In those circumstances, where identification numbers have been applied for purposes such as those mentioned in the preceding paragraph, the fact that an owner of trade mark rights makes use of those rights to prevent a third party from removing and then reaffixing or replacing labels bearing his trade mark

It must also be acknowledged, however, that for the producers application of identification numbers may be

necessary to comply with a legal obligation, in particular under Council Directive 89/396/EEC of 14 June 1989 on indications or marks identifying the lot to which a foodstuff belongs (OJ 1989 L 186, p. 21), or to realise other important objectives which are legitimate from the point of view of Community law, such as the recall of faulty products and measures to combat counterfeiting. In those circumstances, where identification numbers have been applied for purposes such as those mentioned in the preceding paragraph, the fact that an owner of trade mark rights makes use of those rights to prevent a third party from removing and then reaffixing or replacing labels bearing his trade mark in order to eliminate those numbers does not contribute to artificial partitioning of the markets between Member States. In such situations there is no reason to limit the rights which the trade mark owner may rely on under Article 36 of the Treaty.

- Thus if the statements on the original labels comply with the rules on labelling in force in the Member State of destination, but those rules require additional information to be given, it is not necessary to remove and reaffix or replace the original labels, since the mere application to the bottles in question of a sticker with the additional information may suffice.

The person carrying out the relabelling must, however, use means which make parallel trade feasible while causing as little prejudice as possible to the specific subject-matter of the trade mark right. Thus if the statements on the original labels comply with the rules on labelling in force in the Member State of destination, but those rules require additional information to be given, it is not necessary to remove and reaffix or replace the original labels, since the mere application to the bottles in question of a sticker with the additional information may suffice.

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#### European Court of Justice, 11 November 1997

(G. C. Rodríguez Iglesias, president, C. Gulmann (rapporteur), H. Ragnemalm, M. Wathelet, kamerpresidenten, J. C. Moitinho de Almeida, P. J. G. Kapteyn, J. L. Murray, D. A. O. Edward, G. Hirsch, P. Jann en L. Sevón, rechters,)

In Case C-349/95,

REFERENCE to the Court under Article 177 of the EC Treaty by the Hoge Raad der Nederlanden for a preliminary ruling in the proceedings pending before that court between

Frits Loendersloot, trading as F. Loendersloot Internationale Expeditie,

and

George Ballantine & Son Ltd and Others

on the interpretation of Article 36 of the EC Treaty,

THE COURT,

composed of: G.C. Rodríguez Iglesias, President, C. Gulmann (Rapporteur), H. Ragnemalm, M. Wathelet (Presidents of Chambers), J.C. Moitinho de Almeida, P.J.G. Kapteyn, J.L. Murray, D.A.O. Edward, G. Hirsch, P. Jann and L. Sevón, Judges,

Advocate General: F.G. Jacobs,

Registrar: D. Louterman-Hubeau, Principal Administrator,

after considering the written observations submitted on behalf of:

- Frits Loendersloot, trading as F. Loendersloot Internationale Expeditie, by G. van der Wal, of the Hague Bar,  
- George Ballantine & Son Ltd and Others, by W.A. Hoyng, of the Eindhoven Bar,

- the United Kingdom Government, by S. Braviner, of the Treasury Solicitor's Department, acting as Agent, and M. Silverleaf, Barrister,

- the Commission of the European Communities, by H. van Lier, Legal Adviser, acting as Agent, having regard to the Report for the Hearing,

after hearing the oral observations of Frits Loendersloot, trading as F. Loendersloot Internationale Expeditie, represented by G. van der Wal, of George Ballantine & Son Ltd and others, represented by W.A. Hoyng, of the United Kingdom Government, represented by L. Nicoll, of the Treasury Solicitor's Department, acting as Agent, and M. Silverleaf, and of the Commission, represented by H. van Lier, at the hearing on 7 January 1997,

after hearing the Opinion of the Advocate General at the sitting on 27 February 1997,

gives the following

### **Judgment**

#### **Grounds**

1 By judgment of 3 November 1995, received at the Court on 13 November 1995, the Hoge Raad der Nederlanden (Supreme Court of the Netherlands) referred to the Court for a preliminary ruling under Article 177 of the EC Treaty four questions on the interpretation of Article 36 of that Treaty.

2 Those questions were raised in proceedings between Frits Loendersloot, residing in the Netherlands, trading as F. Loendersloot Internationale Expeditie (hereinafter 'Loendersloot'), and George Ballantine & Son Ltd and 14 other companies established in Scotland or England (hereinafter 'Ballantine and others').

3 Ballantine and others produce and market alcoholic drinks, particularly whisky. Their products enjoy a high reputation and are sold in almost all countries of the world.

4 Those drinks are marketed in bottles to which the manufacturers affix labels bearing their respective trade marks. Those marks also appear on the packaging of the bottles. In addition, Ballantine and others place identification numbers both on the labels or elsewhere on the bottles and on the packaging.

5 Loendersloot is a transport and warehousing firm. Its customers include traders who engage in 'parallel' trade. They buy the products of Ballantine and others in countries where prices are relatively low, and resell them in countries where prices are higher.

6 In 1990 Ballantine and others brought proceedings against Loendersloot in the Arrondissementsrechtbank (District Court) Breda seeking an order restraining Loendersloot from doing certain actions which infringed their trade mark rights or were otherwise unlawful, in particular:

- removing the labels bearing their trade marks and re-applying them by reaffixing the original labels or replacing them with copies,

- removing the identification numbers on or underneath the original labels and on the packaging of the bottles,

- removing the English word 'pure' and the name of the importer approved by Ballantine and others from the original labels, and in certain cases replacing that name by the name of another person, and

- exporting the products thus treated to traders in France, Spain, England, the United States and Japan.

7 Loendersloot argued that even if it had carried out those actions, they did not constitute infringements of trade mark rights, nor were they unlawful on other grounds. It submitted in particular that the actions were necessary to allow parallel trade in the products in question on certain markets.

8 The Arrondissementsrechtbank held that the removal of the identification numbers constituted an unlawful act for reasons not connected with trade mark rights, and prohibited Loendersloot from removing them from the bottles and packaging and from exporting the products thus treated. It also found that removing the trade marks from the bottles and packaging and reapplying them constituted infringements of trade mark rights, and therefore ordered Ballantine and others to produce evidence of the trade mark rights they claimed.

9 Loendersloot appealed against that judgment to the Gerechtshof (Regional Court) 's-Hertogenbosch. Ballantine and others cross-appealed.

10 The Gerechtshof set aside the judgment of the Arrondissementsrechtbank in so far as it prohibited the removal of the identification numbers and the export of the products in question. With respect to the alleged infringements of trade mark rights, however, the Gerechtshof held that the Arrondissementsrechtbank had rightly concluded that the removal and reapplication of a trade mark by a third party constituted an unlawful use of that mark. It rejected Loendersloot's argument that Articles 30 and 36 of the EC Treaty precluded the court from ordering the injunctive relief sought by Ballantine and others, on the ground that the exclusive right of a trade mark owner to affix that mark formed part of the specific subject-matter of trade marks.

11 Loendersloot appealed on a point of law to the Hoge Raad, and Ballantine and others cross-appealed. Loendersloot argued in particular that the possibility for the owner of a trade mark, under his national legislation, to prevent a third party from removing and reapplying his mark did not form part of the specific subject-matter of trade mark rights, and that Ballantine and others were using their trade mark rights in order to be able to maintain a system of identification numbers

whose sole purpose was to combat parallel trade by means incompatible with Community law.

12 Ballantine and others argued that the exclusive right they relied on formed part of the specific subject-matter of trade mark rights, and that the identification numbers pursued only legitimate interests such as the recall of defective products and the need to combat counterfeiting.

13 In the judgment making the order for reference, the Hoge Raad held that the removal and reapplication of a trade mark by a third party without the consent of the trade mark owner were prohibited by the relevant national law. Since it considered that it could not rule on the arguments relating to Article 36 of the Treaty without first making a reference to the Court of Justice, the Hoge Raad stayed the proceedings and referred the following questions to the Court for a preliminary ruling:

1). Is the specific subject-matter of the rights attaching to a trade mark to be regarded as including the possibility afforded to the proprietor of a trade mark under national law to oppose, with regard to alcoholic drinks manufactured by him, the removal by a third party of labels affixed by the proprietor on bottles and on the packaging containing them, and bearing his mark, after the drinks have been placed by him on the Community market in that packaging, and the subsequent reapplication of those labels by that third party or their replacement by similar labels, without thereby in any way damaging the original condition of the product?

2). In so far as the labels are replaced by other similar labels, is the position different where the third party omits the indication "pure" appearing on the original labels and/or, as the case may be, replaces the importer's name with another name?

3). If Question 1 falls to be answered in the affirmative, but the proprietor of the trade mark avails himself of the possibility referred to in that question in order to prevent the third party from removing the identification marks which the trade mark proprietor has affixed on or underneath the labels in order to enable the trade mark proprietor to detect shortfalls within his sales organization and thus to combat parallel trade in his products, must such an exercise of the trade mark right be regarded as a "disguised restriction on trade between Member States" aimed at achieving an artificial compartmentalization of the markets?

4). To what extent is the answer to Question 3 affected where the trade mark proprietor has affixed those identification marks either pursuant to a legal obligation or voluntarily, but in any event with a view to making a "product recall" possible and/or in order to limit his product liability and/or to combat counterfeiting, or, as the case may be, solely in order to combat parallel trade?'

#### **Preliminary remarks**

14 The national court put its questions on the basis of the following three premisses:

- the removal and reapplication or replacement of the trade marks of Ballantine and others constitute infringements of their trade mark rights under national law;

- the injunctive relief sought by Ballantine and others create barriers to the free movement of goods between Member States, which are contrary in principle to the relevant provisions of the Treaty, and

- such barriers may be permitted under Article 36 of the Treaty if they are justified for reasons of the protection of industrial and commercial property, provided that they constitute neither an arbitrary means of discrimination nor a disguised restriction on trade between Member States.

15 As to the second premiss, Ballantine and others deny that the injunctive relief sought constitutes barriers to intra-Community trade, since there is nothing to prevent Loendersloot from exporting the products in question in their original condition to other Member States.

16 On this point, as the Advocate General has observed in point 25 of his Opinion, there is no reason to question the national court's assessment that prohibitory measures such as those sought by Ballantine and others constitute barriers to the free movement of goods between Member States laid down by Articles 30 and 34 of the EC Treaty.

17 As to the third premiss, it has been suggested that the national court's questions should be answered within the framework not of Article 36 of the Treaty but of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), which was to be transposed into the national laws of the Member States by 31 December 1992 at the latest.

18 On this point, it suffices to note that it is for the national court to determine whether, from the point of view of the national rules applicable to orders such as those sought in the main proceedings, the dispute before it is to be resolved on the basis of Article 36 of the Treaty or of Directive 89/104, Article 7 of which regulates the question of exhaustion of trade mark rights in relation to goods which have been put on the market in the Community. However, Article 7 of that directive, like Article 36 of the Treaty, is intended to reconcile the fundamental interest in protecting trade mark rights with the fundamental interest in the free movement of goods within the common market, so that those two provisions, which aim to achieve the same result, must be interpreted in the same way ([Joined Cases C-427/93, C-429/93 and C-436/93 Bristol-Myers Squibb and Others v Paranova \[1996\] ECR I-3457, paragraph 40](#); [Joined Cases C-71/94, C-72/94 and C-73/94 Eurim-Pharm v Beiersdorf and Others \[1996\] ECR I-3603, paragraph 27](#), and [Case C-232/94 MPA Pharma v Rhône-Poulenc Pharma \[1996\] ECR I-3671, paragraph 13](#)).

#### **The questions**

19 By its four questions, which should be considered together, the national court essentially asks whether Article 36 of the Treaty is to be interpreted as meaning that the owner of trade mark rights may, even if that constitutes a barrier to intra-Community trade, rely on those rights to prevent a third party from removing and then reapplying or replacing labels bearing the mark

which the owner has himself affixed to products he has put on the Community market, where the original condition of the products is not affected.

20 The questions concern more particularly situations where the relabelling is done for the purpose of

- removing the identification numbers placed by the trade mark owner on or underneath the labels and on the packaging of the bottles, and

- removing the English word 'pure' and the name of the approved importer from the labels, and in certain cases replacing that name with the name of another person.

With respect to the first situation, the Court is asked to rule on whether it is significant, first, that the trade mark owner makes use of his rights in order to prevent a third party from removing the identification numbers which enable him to detect weaknesses in his sales organization and so combat parallel trade and, second, that the identification numbers have other purposes, such as complying with a legal obligation, making it possible to recall the product, limiting the manufacturer's liability or combating counterfeiting.

#### **The case-law of the Court**

21 In answering those questions, it should be noted that, according to the Court's case-law, Article 36 allows derogations from the fundamental principle of the free movement of goods within the common market only in so far as such derogations are justified in order to safeguard the rights which constitute the specific subject-matter of the industrial and commercial property in question.

22 With respect to trade mark rights, the Court has held that they constitute an essential element in the system of undistorted competition which the Treaty is intended to establish. In such a system, undertakings must be able to attract and retain customers by the quality of their products or services, which is made possible only by distinctive signs allowing them to be identified. For the trade mark to be able to fulfil that function, it must constitute a guarantee that all products which bear it have been manufactured under the control of a single undertaking to which responsibility for their quality may be attributed (see, in particular, [Case C-10/89 CNL-SUCAL v HAG GF \(hereinafter 'HAG II'\) \[1990\] ECR I-3711, paragraph 13](#), and [Bristol-Myers Squibb, cited above, paragraph 43](#)). Consequently, the specific subject-matter of a trade mark is in particular to guarantee to the owner that he has the exclusive right to use that mark for the purpose of putting a product on the market for the first time and thus to protect him against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it (see, in particular, [Case 102/77 Hoffmann-La Roche v Centrafarm \[1978\] ECR 1139, paragraph 7](#); [HAG II, paragraph 14](#); and [Bristol-Myers Squibb, paragraph 44](#)).

23 It follows in particular that the owner of a trade mark protected by the legislation of a Member State cannot rely on that legislation in order to oppose the importation or marketing of a product which has been put on the market in another Member State by him or with his consent (see, in particular, [Bristol-Myers](#)

[Squibb, paragraph 45](#)). Trade mark rights are not intended to allow their owners to partition national markets and thus assist the maintenance of price differences which may exist between Member States (see [Bristol-Myers Squibb, paragraph 46](#)).

24 With respect more particularly to the question whether a trade mark owner's exclusive right includes the power to oppose the use of the trade mark by a third party after the product has been repackaged, the Court has held that account must be taken of the essential function of the trade mark, which is to guarantee to the consumer or end user the identity of the trade-marked product's origin by enabling him to distinguish it without any risk of confusion from products of different origin. That guarantee of origin means that the consumer or end user can be certain that a trade-marked product offered to him has not been subject at a previous stage of marketing to interference by a third party, without the authorization of the trade mark owner, in such a way as to affect the original condition of the product (see, in particular, [Hoffmann-La Roche, paragraph 7](#), and [Bristol-Myers Squibb, paragraph 47](#)).

25 The Court has thus held that the right conferred upon the trade mark owner to oppose any use of the trade mark which is liable to impair the guarantee of origin, as so understood, forms part of the specific subject-matter of the trade mark right, the protection of which may justify derogation from the fundamental principle of the free movement of goods ([Hoffmann-La Roche, paragraph 7](#), [Case 1/81 Pfizer v Eurim-Pharm \[1981\] ECR 2913, paragraph 9](#), and [Bristol-Myers Squibb, paragraph 48](#)).

26 Applying those principles in the context of disputes concerning the repackaging of pharmaceutical products for purposes of parallel trade, the Court has held that Article 36 of the Treaty must be interpreted as meaning that a trade mark owner may in principle legitimately oppose the further marketing of a pharmaceutical product where the importer has repackaged it and reattached the trade mark (see, in particular, [Hoffmann-La Roche, paragraph 8](#), and, with respect to Article 7(2) of Directive 89/104, [Bristol-Myers Squibb, paragraph 50](#)).

27 Contrary to Loendersloot's assertion, that case-law applies also to cases such as that in the main proceedings. The product bearing the trade mark has in the present case likewise been subject to interference by a third party, without the authorization of the trade mark owner, which is liable to impair the guarantee of origin provided by the trade mark.

28 It should be noted, however, that according to the case-law of the Court (see, in particular, [Hoffmann-La Roche, paragraph 10](#), [Case 3/78 Centrafarm v American Home Products \[1978\] ECR 1823, paragraphs 21 and 22](#), and [Bristol-Myers Squibb, paragraphs 49 and 50](#)) Article 36 does not permit the owner of the trade mark to oppose the reattaching of the mark where such use of his trade mark rights contributes to the artificial partitioning of the markets between Member States and where the reattaching takes place in

such a way that the legitimate interests of the trade mark owner are observed. Protection of those legitimate interests means in particular that the original condition of the product inside the packaging must not be affected, and that the reaffixing is not done in such a way that it may damage the reputation of the trade mark and its owner.

29 It follows that under Article 36 of the Treaty the owner of trade mark rights may rely on those rights to prevent a third party from removing and then reapplying or replacing labels bearing the trade mark, unless:

- it is established that the use of the trade mark rights by the owner to oppose the marketing of the relabelled products under that trade mark would contribute to the artificial partitioning of the markets between Member States;

- it is shown that the repackaging cannot affect the original condition of the product, and

- the presentation of the relabelled product is not such as to be liable to damage the reputation of the trade mark and its owner.

30 According to the Court's case-law a person who repackages pharmaceutical products is also required to inform the trade mark owner of the repackaging, to supply him, on demand, with a specimen of the repackaged product, and to state on the repackaged product the person responsible for the repackaging (see, in particular, *Bristol-Myers Squibb*).

31 The application of those conditions to circumstances such as those of the main proceedings must therefore be examined.

32 As to the original condition of the product, the wording of Question 1 indicates that in the national court's opinion the relabelling at issue in the main proceedings has no adverse effect upon it.

33 As to protection of the reputation of the trade mark, a third party who relabels the product must ensure that the reputation of the trade mark - and hence of its owner - does not suffer from an inappropriate presentation of the relabelled product (see, in particular, *Bristol-Myers Squibb*, paragraphs 75 and 76). To assess whether that is the case in the main proceedings, the national court must take into account in particular the interest of *Ballantine* and others in protecting the luxury image of their products and the considerable reputation they enjoy.

34 It appears from the case-file that the crux of the dispute is, in particular, application of the condition relative to the owner's use of the trade mark contributing to artificial partitioning of the markets between Member States.

35 On this point, the Court held in *Bristol-Myers Squibb*, paragraph 52, that use of trade mark rights by their owner in order to oppose the marketing under that trade mark of products repackaged by a third party would contribute to the partitioning of markets between Member States, in particular where the owner has placed an identical pharmaceutical product on the market in several Member States in various forms of packaging and the product may not, in the condition in which it has been marketed by the trade mark owner in

one Member State, be imported and put on the market in another Member State by a parallel importer.

36 The Court went on to hold, in paragraphs 56 and 57 of that judgment, that the possibility for the owner of trade mark rights to oppose the marketing of repackaged products under his trade mark should be limited only in so far as the repackaging undertaken by the importer is necessary in order to market the product in the Member State of importation. It need not be established, on the other hand, that the trade mark owner has deliberately sought to partition the markets between Member States.

37 In the main proceedings *Loendersloot* submits that the owner's use of trade mark rights to prevent it from carrying out the relabelling at issue contributes to artificial partitioning of the markets between Member States thereby maintaining price differences which are not justified by differences in real costs. It considers that the relabelling is necessary for two reasons. First, it is essential in order to make it possible to remove the identification numbers placed on the bottles by *Ballantine* and others, that being necessary to preserve the anonymity of the dealers engaged in parallel trade. Without that anonymity *Loendersloot* would be unable to obtain supplies from traders authorized by *Ballantine* and others, who fear the imposition of sanctions on them by the producers if they know the identity of the dealers engaged in parallel sales. Second, relabelling is necessary in order to make it possible to remove the word 'pure' or alter the references to the importer, so as to permit marketing in the country of destination.

38 It should be observed that the task of the national courts, who have to assess whether the relabelling is necessary in order to prevent artificial partitioning of the markets between Member States, is different in cases such as that in the main proceedings and cases concerning the repackaging of pharmaceutical products. In the latter the national courts must consider whether circumstances in the markets of their own States make repackaging objectively necessary. In the present case, on the other hand, the national court must assess whether the relabelling is necessary to protect the sources of supply of the parallel trade and to enable the products to be marketed on the various markets of the Member States for which they are intended.

#### **Removal of the identification numbers**

39 With respect to the removal and reapplying or replacing of labels in order to remove the identification numbers, *Ballantine* and others observe that that removal is not necessary to enable the products in question to be marketed on the markets of the various Member States in accordance with the rules in force there.

40 It should be observed that, while that statement is correct, removal of the identification numbers might nevertheless prove necessary, as *Loendersloot* has observed, to prevent artificial partitioning of the markets between Member States caused by difficulties for persons involved in parallel trade in obtaining supplies from distributors of *Ballantine* and others for fear of sanctions being imposed by the producers in the event

of sales to such persons. Even if, as Ballantine and others state, such conduct on the part of the producers would be in breach of the Treaty rules on competition, it cannot be excluded that identification numbers have been placed on products by producers to enable them to reconstruct the itinerary of their products, with the purpose of preventing their dealers from supplying persons carrying on parallel trade.

41 It must also be acknowledged, however, that for the producers application of identification numbers may be necessary to comply with a legal obligation, in particular under Council Directive 89/396/EEC of 14 June 1989 on indications or marks identifying the lot to which a foodstuff belongs (OJ 1989 L 186, p. 21), or to realise other important objectives which are legitimate from the point of view of Community law, such as the recall of faulty products and measures to combat counterfeiting.

42 In those circumstances, where identification numbers have been applied for purposes such as those mentioned in the preceding paragraph, the fact that an owner of trade mark rights makes use of those rights to prevent a third party from removing and then reaffixing or replacing labels bearing his trade mark in order to eliminate those numbers does not contribute to artificial partitioning of the markets between Member States. In such situations there is no reason to limit the rights which the trade mark owner may rely on under Article 36 of the Treaty.

43 Where it is established that the identification numbers have been applied for purposes which are legitimate from the point of view of Community law, but are also used by the trade mark owner to enable him to detect weaknesses in his sales organization and thus combat parallel trade in his products, it is under the Treaty provisions on competition that those engaged in parallel trade should seek protection against action of the latter type.

#### **Removal of the word 'pure' and the importer's name on the labels**

44 Loendersloot submits that the interest of its customers in removing the word 'pure' and the importer's name from the labels, and in certain cases substituting the parallel importer's name, is bound up with the provisions on labelling in force in the country of destination. By those actions Loendersloot merely makes the product marketable on the markets in question. Loendersloot observes here that some countries prohibit the use of the word 'pure' and that it may be necessary to remove the name of the official importer on the label or substitute for it the name of the parallel importer in order to comply with the rules of the country of destination of the product, even though those rules were harmonized in the Community by Council Directive 79/112/EEC of 18 December 1978 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer (OJ 1979 L 33, p. 1).

45 On this point, it must be stated that use by Ballantine and others of their trade mark rights to prevent

relabelling for the purposes mentioned by Loendersloot would contribute to artificial partitioning of the markets between Member States if it were established that the use of the English word 'pure' and the name of the approved importer on the original labels would prevent the products in question from being marketed in the Member State of destination because it was contrary to the rules on labelling in force in that State. In such a situation, relabelling would be necessary for the product to be marketed in that State.

46 The person carrying out the relabelling must, however, use means which make parallel trade feasible while causing as little prejudice as possible to the specific subject-matter of the trade mark right. Thus if the statements on the original labels comply with the rules on labelling in force in the Member State of destination, but those rules require additional information to be given, it is not necessary to remove and reattach or replace the original labels, since the mere application to the bottles in question of a sticker with the additional information may suffice.

#### **Other possible requirements**

47 Finally, it is necessary to consider the other requirements of the Court's case-law as regards repackaging of pharmaceutical products and referred to in paragraph 30 above, namely that a person who repackages products must inform the trade mark owner of the repackaging, must supply him, on demand, with a specimen of the repackaged product, and must state on the repackaged product the person responsible for the repackaging. Ballantine and others submit that if, in cases such as that in the main proceedings, Community law limits their right in accordance with national rules on trade marks to oppose the reattachment of the trade marks, then those same conditions must apply. Loendersloot, on the other hand, considers that those conditions apply only to the repackaging of pharmaceutical products.

48 On this point, the Court has considered that the imposition of such conditions on the person carrying out repackaging is justified by the fact that the essential requirements of the free movement of goods mean that that person is recognized as having certain rights which, in normal circumstances, are reserved for the trade mark owner himself (see Bristol-Myers Squibb, paragraph 68). In formulating those conditions, account was taken of the legitimate interests of the trade mark owner with regard to the particular nature of pharmaceutical products.

49 However, in circumstances such as those in the main proceedings, having regard to the nature of the action of the person carrying out the relabelling, the interests of the trade mark owner, and in particular his need to combat counterfeiting, are given sufficient weight if that person gives him prior notice that the relabelled products are to be put on sale.

50 In the light of the foregoing, the answer to the national court's questions must be that Article 36 of the Treaty is to be interpreted as meaning that the owner of trade mark rights may, even if that constitutes a barrier to intra-Community trade, rely on those rights to pre-

vent a third party from removing and then reaffixing or replacing labels bearing the mark which the owner has himself affixed to products he has put on the Community market, unless:

- it is established that the use of the trade mark rights by the owner to oppose the marketing of the relabelled products under that trade mark would contribute to artificial partitioning of the markets between Member States;
- it is shown that the relabelling cannot affect the original condition of the product;
- the presentation of the relabelled product is not such as to be liable to damage the reputation of the trade mark and its owner; and
- the person who relabels the products informs the trade mark owner of the relabelling before the relabelled products are put on sale.

51 It is for the national court to assess whether those conditions are satisfied in the case before it, taking account of the considerations mentioned above.

#### **Decision on costs**

##### **Costs**

52 The costs incurred by the United Kingdom Government and by the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court.

#### **Operative part**

##### **On those grounds,**

THE COURT,

in answer to the questions referred to it by the Hoge Raad der Nederlanden by judgment of 3 November 1995, hereby rules:

Article 36 of the EC Treaty must be interpreted as meaning that the owner of trade mark rights may, even if that constitutes a barrier to intra-Community trade, rely on those rights to prevent a third party from removing and then reaffixing or replacing labels bearing the mark which the owner has himself affixed to products he has put on the Community market, unless:

- it is established that the use of the trade mark rights by the owner to oppose the marketing of the relabelled products under that trade mark would contribute to artificial partitioning of the markets between Member States;
- it is shown that the relabelling cannot affect the original condition of the product;
- the presentation of the relabelled product is not such as to be liable to damage the reputation of the trade mark and its owner; and
- the person who relabels the products informs the trade mark owner of the relabelling before the relabelled products are put on sale.

#### **Opinion of the Advocate-General**

1 The questions put to the Court in this case by the Netherlands Hoge Raad (Supreme Court) require the Court to develop further, in the context of the relabelling by a parallel importer of alcoholic drinks,

the principles laid down in its rulings concerning parallel imports of repackaged pharmaceutical products. In particular the question arises whether a trade-mark proprietor may rely on his trade mark in order to prevent the relabelling of alcoholic drinks undertaken with a view to removing identification marks allegedly used by the proprietor to monitor parallel imports and detect shortcomings in his sales network.

The facts and the national court's questions

2 The proceedings before the Netherlands courts were originally commenced in 1990, and the parties to these proceedings have modified their claims on several occasions. The parties are not in agreement, even at this stage, on the precise facts of the case, and much of the hearing before the Court was spent disputing those facts, which appear not to have been fully established by the national courts. The issues raised by the main proceedings nevertheless seem sufficiently clear for the Court to provide the Hoge Raad with a useful reply.

3 Loendersloot, apparently trading at the material time as a single-person company, is a goods carrier established in the Netherlands, part of whose activities allegedly include 'decoding' of bottles of Scotch whisky for the purposes of parallel trade. By decoding is meant the removal of identification numbers which are placed on those bottles by the producers. There is however no agreement on the reasons for which Loendersloot might engage in that activity, nor on the precise aims which those identification numbers are intended to serve. There is also no agreement on how many or what type of numbers the bottles carry, nor on their exact location. It appears that at least in some cases Loendersloot removes or partly removes labels carrying the producers' trade marks, and either reaffixes those labels or replaces them with similar ones; in some cases the labels themselves carry the identification numbers which Loendersloot seeks to remove, while in other cases the numbers are placed on the bottles and are covered by the label.

4 The other parties to the main proceedings are 15 companies, established under either Scottish or English law. For the sake of convenience I shall hereinafter refer to them collectively as 'Ballantine and others'. They produce reputed Scotch whiskies such as Ballantine's, Long John, J & B, Johnnie Walker, White Horse, Old Parr, Glenfiddich and William Grant's. In 1990 Ballantine and others initiated proceedings against Loendersloot before the Arrondissementsrechtbank (District Court), Breda, seeking an injunction restraining Loendersloot from performing essentially the following acts:

- (a) the removal of identification numbers from whisky bottles produced by Ballantine and others;
- (b) the removal from those bottles of the trade marks of Ballantine and others, and their re-application, either by re-affixing the original labels or by replacing them with copied labels;
- (c) the removal from those bottles of the name of the importer, and its replacement by the name of an

importer having no contractual relationship with Ballantine and others;

(d) the removal from those bottles of the word 'pure';

(e) the exportation of the bottles thus treated to traders in France, Spain, England, the United States and Japan.

5 Throughout the proceedings Loendersloot claimed that those acts (if committed, which in certain respects it denies) are not unlawful and are necessary in order to effect parallel imports. Loendersloot claims that Ballantine and others aim to partition the markets within the Community and elsewhere in order to maintain artificial differences in prices. It alleges that Ballantine and others seek to prevent importers of Scotch whiskeys in low-price countries from delivering to high-price countries and that the identification numbers on bottles of whisky enable those importers to be monitored by permitting Ballantine and others to retrace the route followed by bottles appearing on the 'wrong' markets.

6 Throughout the proceedings Ballantine and others vigorously denied those allegations. Their position is that the identification numbers serve wholly legitimate purposes, such as the recall of defective products and the fight against counterfeiting. They deny that their aim is to partition markets within the Community.

7 In a judgment of 21 July 1992 the Arrondissementsrechtbank granted injunctions prohibiting Loendersloot from removing the identification marks from the bottles and packaging and from exporting the products without their identification marks (the injunctions mentioned at points (a) and (e) above). (1) It further ordered Ballantine and others to produce evidence of their alleged trade-mark rights (point (b) above) and allowed them to make further submissions explaining their interest in obtaining the injunctions sought under points (c) and (d) above (removal and replacement of the name of the importer, and removal of the word 'pure').

8 Loendersloot appealed against that judgment to the Gerechtshof (Regional Court of Appeal), 's-Hertogenbosch. It asked the Gerechtshof to set aside the judgment, to rule on the case itself and to reject all claims made by Ballantine and others. The latter lodged a cross-appeal, reiterating the claims made at first instance.

9 In a judgment of 28 March 1994 the Gerechtshof, partly setting aside the judgment of the Arrondissementsrechtbank, dismissed the application by Ballantine and others for an injunction prohibiting the removal of identification numbers and the export of the products without their identification marks. On the issue of the alleged trade-mark infringement, however, the Gerechtshof held that the Arrondissementsrechtbank had rightly concluded that the removal and re-application of a trade mark by a third party amounted to a prohibited use of that trade mark and had therefore rightly ordered Ballantine and others to produce evidence concerning their alleged trade-mark rights. The Gerechtshof rejected Loendersloot's arguments that Articles 30 and 36 of the Treaty precluded the grant of the injunction sought in

relation to trade marks. It considered that the exclusive right of the proprietor of a trade mark to affix that mark formed part of the specific subject-matter of trade marks and that, since Loendersloot did not claim that the trade marks themselves (as opposed to the identification numbers) were used with a view to an artificial partitioning of markets, the injunctions sought by Ballantine and others were not contrary to Articles 30 and 36.

10 Loendersloot lodged an appeal on points of law against the judgment of the Gerechtshof to the Hoge Raad. Ballantine and others lodged a cross-appeal. In its judgment of 3 November 1995 the Hoge Raad confirmed the decisions of the lower courts to the effect that the removal and re-application of a trade mark by a third party without the consent of the trade-mark proprietor was prohibited under national law, namely the Benelux Merkenwet (Benelux Trade Mark Law). It further took the view that it could not rule on the submissions concerning Articles 30 and 36 of the Treaty without first making a reference to this Court. It therefore put the following questions to the Court concerning the interpretation of Article 36 of the Treaty:

(a) Is the specific subject-matter of the rights attaching to a trade mark to be regarded as including the power conferred on the proprietor of a trade mark under national law to oppose, with regard to alcoholic drinks manufactured by him, the removal by a third party of labels affixed by the proprietor on bottles and on the packaging containing them, and bearing his mark, after the drinks have been placed by him on the Community market in that packaging, and the subsequent re-application of those labels by that third party or their replacement by similar labels, without thereby in some way damaging the original condition of the product?

(b) In so far as the labels are replaced by other similar labels, is the position different where the third party omits the indication "pure" appearing on the original labels and/or, as the case may be, replaces the importer's name with another name?

(c) If question (a) falls to be answered in the affirmative, but the proprietor of the trade mark avails himself of the power referred to in that question in order to prevent the third party from removing the identification marks which the trade-mark proprietor has affixed on or underneath the labels in order to enable the trade-mark proprietor to detect shortfalls within his sales organization and thus to combat parallel trade in his products, must such an exercise of the trade-mark right be regarded as a "disguised restriction on trade between Member States" aimed at achieving an artificial compartmentalization of the markets?

(d) To what extent is the answer to question (c) affected where the trade-mark proprietor has affixed those identification marks either pursuant to a legal obligation or voluntarily, but in any event with a view to making a "product recall" possible and/or in order to limit his product liability and/or to combat



counterfeiting, or, as the case may be, solely in order to combat parallel trade?'

11 In the proceedings before this Court written observations were submitted by Loendersloot, Ballantine and others, the United Kingdom and the Commission, all of whom were also represented at the hearing.

Relevant Treaty provisions and case-law

12 Before turning to the Hoge Raad's questions it may be helpful to set out the basic principles applicable in this area as they result from the Treaty and the Court's case-law.

13 Where a trade-mark owner is allowed by national law to use his trade mark to prevent the importation and sale of goods that are lawfully on the market in another Member State, that amounts to a measure having equivalent effect to a quantitative restriction on imports within the meaning of Article 30. Similarly allowing a trade mark to be used to prevent the export of such goods to other Member States amounts to a measure having equivalent effect to a quantitative restriction on exports contrary to Article 34 of the Treaty.

14 By virtue of the first sentence of Article 36, Articles 30 and 34 do not preclude prohibitions or restrictions which are justified on grounds of the protection of industrial or commercial property. The second sentence of Article 36 goes on to state that such prohibitions or restrictions must not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

15 Article 36 permits exceptions to the free movement of goods on such grounds only to the extent to which the exceptions are necessary for the purpose of safeguarding rights which constitute the specific subject-matter of such property. The specific subject-matter of a trade-mark right includes the guarantee to the owner of the trade mark that he has the 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 mark. It follows that a trade-mark owner cannot in principle rely upon his trade-mark right to prevent the free movement of a product which has been lawfully put on the market by him or with his consent; in such circumstances his exclusive right to use the mark is said to be exhausted. If that were not the case he would be able to partition off national markets and thereby restrict trade between Member States in a situation in which no such restriction was necessary to guarantee the essence of the exclusive right flowing from the trade mark. (2)

16 However, the trade-mark owner does have the right to prevent further marketing under certain circumstances. The scope of his right follows from the essential function of a trade mark, namely to guarantee the identity of origin of the 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. (3) Moreover, trade-mark rights allow the owner to attract and retain

customers by the quality of their products and services, which is possible by means of the distinctive signs which allow them to be identified. (4)

17 It follows that, notwithstanding the fact that a product bearing a mark has been lawfully marketed by the owner or with his consent, the owner of a trade mark may oppose any use of the mark which is liable to impair the guarantee of origin so understood.

18 Applying those principles to the repackaging of pharmaceutical products for the purpose of parallel trade, the Court held in *Hoffmann-La Roche v Centrafarm* that Article 36 is to be interpreted as allowing a trade-mark owner to rely on his rights as owner to prevent an importer from marketing a product put on the market in another Member State by the owner or with his consent, where that importer has repackaged the product in new packaging to which the trade mark has been reaffixed; but the trade-mark owner may not rely on his rights in that way, where:

- it is established that the use of the trade-mark right by the owner, 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 owner of the mark receives prior notice before the repackaged product is put on sale; and
- it is stated on the new packaging by whom the product has been repackaged. (5)

19 In its judgment in *Bristol-Myers Squibb*, delivered after the present reference was made, the Court provided further clarification of those conditions. Later in this Opinion I shall consider in more detail the first condition, namely artificial partitioning of the markets, which is of particular relevance to the present case.

20 It is however appropriate also to refer at the outset to the Court's findings with respect to the other conditions which must be respected by the parallel importer in the course of such repackaging, as elaborated in the *Bristol-Myers Squibb* judgment. (6) I would note in particular that, although the requirement that the original condition of the product must not be affected refers to the condition of the product inside the packaging, the Court made the point that inappropriate presentation of the repackaged product, in particular defective, poor quality or untidy packaging, could damage the reputation of the trade mark. (7)

Two preliminary matters

21 It is against that background that the questions put to the Court by the Hoge Raad in the present case must be considered. Before turning to those issues, however, I should deal briefly with two preliminary matters. First, it may be noted that the Hoge Raad's questions concern the interpretation of the Treaty, in particular Article 36, and that it has not put any question concerning the interpretation of Council Directive 89/104. (8) That directive, which approximates certain national provisions of trade-mark law, was required to be implemented by Member States by 31 December 1992. Of particular relevance is Article 7 of the directive,

entitled 'Exhaustion of the rights conferred by a trade mark', which provides as follows:

'1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.'

22 At the hearing there was some discussion of whether the Court should consider the application of the directive to the circumstances of the present case. As I noted in my Opinion in Bristol-Myers Squibb, (9) an injunction is a remedy designed to prevent a wrong from occurring or recurring in the future; consequently, any injunction granted by the national courts after a preliminary ruling is delivered in the present case will necessarily relate to the period after the directive took effect. However, in Bristol-Myers Squibb the Court made it clear that Article 7 of the directive, and in particular Article 7(2), was to be given the same interpretation as that given by the Court to Articles 30 and 36 of the Treaty. At paragraph 50 of its judgment the Court stated:

'In accordance with the case law, Article 7(2) of the directive must therefore be interpreted as meaning that a trade-mark owner may legitimately oppose the further marketing of a pharmaceutical product where the importer has repackaged it and reaffixed the trade mark, unless the four conditions set out in the Hoffmann-La Roche judgment ... have been met.'

23 Consequently, although I consider that the Court should respond to the questions as framed by the Hoge Raad, I do not think the result would differ under the directive.

24 Secondly, Ballantine and others suggest that Article 30 does not apply in the circumstances of the present case so that the Hoge Raad's questions concerning the interpretation of Article 36 are irrelevant. They argue that, in so far as Loendersloot exports relabelled bottles to third countries, the free movement of goods between Member States is not in issue. Moreover, they deny that their right to oppose the re-affixing of their trade marks conflicts with the rules on free movement: Loendersloot is in no way prevented from exporting original bottles of Scotch whisky to other Member States, and Ballantine and others fail to understand in what way relabelled bottles could be exported more easily than original bottles.

25 I am not persuaded by those arguments. In proceedings under Article 177 of the Treaty the Court is in principle bound to answer the questions referred to it by a national court. In a case where it is suggested that the questions referred do not need to be answered, it is only where those questions are manifestly irrelevant to the dispute before the national court that the Court will not answer them. (10) In the present case the Hoge Raad has established, or at least assumed, that, if the injunctions sought by Ballantine and others

based on an infringement of trade-mark law were granted, that would restrict the free movement of goods and would therefore have to be justified under Article 36 of the Treaty. I see no reason for the Court not to accept that premiss. Even if it may not be entirely clear whether the injunctions sought by Ballantine and others would prevent Loendersloot from importing Scotch whiskies into the Netherlands, it should none the less be borne in mind that it is the object of one of those injunctions that Loendersloot should be prohibited from exporting relabelled bottles to a number of Member States (namely France, Spain, Italy and the United Kingdom). If that injunction were granted it would obviously amount to a measure equivalent in effect to a quantitative restriction on exports, covered by Article 34 of the Treaty. The Hoge Raad was therefore correct in referring the question of justification under Article 36 to this Court.

26 As regards the argument that Loendersloot is perfectly entitled to export bottles which are not relabelled, the Hoge Raad's questions have to be considered on the hypothesis that parallel trade in the products concerned would not be possible unless they were relabelled. If that hypothesis is correct (which is a matter for the national courts to establish), then reliance by Ballantine and others on their trade-mark rights in order to prevent relabelling clearly operates as a barrier to trade which must be justified under Article 36 of the Treaty.

The Hoge Raad's questions

27 I therefore turn to the questions put by the Hoge Raad. The issues raised by those questions are essentially as follows:

(a) Does the trade-mark owner have the right, after goods have been placed on the market by the trade-mark owner or with his consent, to oppose removal of labels bearing the mark and replacement by similar labels where the condition of the product is not damaged? Does the answer to that question differ if the word 'pure' is omitted from the label and the importer's name is replaced by another name?

(b) If the trade-mark owner does have that right, does the exercise of that right constitute a disguised restriction on trade aimed at achieving an artificial partitioning of the market where it is designed to prevent the removal of identification numbers used for monitoring parallel imports? What importance is to be attached to the fact that the identification numbers were affixed either pursuant to a legal obligation or voluntarily with a view to making product recall possible, to limiting the trade-mark owner's product liability or to combating counterfeiting or solely with a view to combating parallel trade?

28 It seems to me that the answers to those questions follow in part from the abovementioned principles laid down by the Court in its previous rulings, in particular the judgments in Hoffmann-La Roche (11) and Bristol-Myers Squibb. (12) The essential principle which results from those judgments seems to be the following: a trade-mark owner cannot rely on his trade-mark rights to prevent a parallel importer from repackaging goods

bearing the trade mark and from re-applying the trade mark to the repackaged goods where it is established that the use of the trade-mark right by the owner will contribute to the artificial partitioning of the markets between Member States; provided that in the course of such repackaging:

- (i) the guarantee of origin is not impaired;
- (ii) the original condition of the product is not adversely affected; and
- (iii) the reputation of the trade mark is not damaged.

It may be noted that even that last requirement, concerning the reputation of the trade mark, could to some extent be regarded as related to the guarantee of origin which is the essential function of the trade mark, since inappropriate presentation of the repackaged product could certainly cause confusion in the minds of consumers about the origin of the product.

29 As for the third and fourth conditions spelt out in Hoffmann-La Roche, requiring that the owner of the mark should receive prior notice before the repackaged product is put on sale and that it be stated on the new packaging by whom the product has been repackaged, it seems to me that those are simply more specific and detailed conditions intended to ensure, at least in the case of pharmaceutical products, that the essential principle as formulated above is complied with.

30 The Court's case-law on repackaging hitherto has been developed in relation to pharmaceutical products, whereas the present case is concerned with the relabelling of alcoholic drinks, notably whisky. I see no basis for making any distinction, so far as the essential principle is concerned, between different categories of product. The underlying rationale remains the same: the right of the trade-mark owner to determine the mode of presentation of his goods must in certain circumstances give way to the requirements of the free movement of goods, subject always to certain conditions which are necessary to preserve the essential function of the trade mark.

31 But the way in which the principle applies may vary according to the circumstances. Different considerations may apply to different products. It was relevant in Bristol-Myers Squibb, for example, that the original condition or function of the pharmaceutical products in question could be impaired by the omission of certain important information concerning the nature, composition, effect, use or storage of the product; such considerations may be of less importance in the present case.

32 Equally, it may not be right to assume that the third and fourth conditions laid down in Hoffmann-La Roche, which may well be vital in relation to pharmaceutical products, apply in the same way in respect of all products and regardless of the extent of the relabelling - however minimal it may be - of the products concerned. In the present case that issue does not need to be addressed, since the Hoge Raad has not put questions about those conditions.

33 In any event, this Court would in my view be going beyond its functions under Article 177 of the Treaty if it were to rule on all aspects of repackaging and

relabelling which might be undertaken by parallel importers in relation to different types of product. Once the Court has spelt out the essential principle or principles, it must be left to the national courts to apply those principles in the cases before them.

34 In so far as the reputation of the trade mark is concerned, the Court has now given the necessary guidance in the Bristol-Myers Squibb judgment, in which it stressed the importance of the presentation of pharmaceutical products in inspiring public confidence in the quality and integrity of the products and pointed out that defective, poor quality or untidy packaging could damage the trade mark's reputation. I would certainly accept that in the case of highly reputed Scotch whisky any form of shoddy repackaging (including labelling) is liable to damage the reputation of the trade mark. But it must be borne in mind that relabelling is in any event permissible only to the limited extent necessary to facilitate parallel imports; there should therefore be no question of substantially affecting the image of the product. I would add that in any event the relabelling in issue in the present case appears to involve substantially less interference with the presentation of the product than the repackaging involved in Bristol-Myers Squibb. If the issue were to arise, it seems to me that the national court would have to be satisfied, before prohibiting relabelling, that there was a significant impairment of the presentation of the product which could affect the reputation of the trade mark.

35 The Hoge Raad asks specifically about three matters:

- (a) the omission of the word 'pure' from the relabelled products;
- (b) the replacement of the importer's name with another name; and
- (c) the removal of identification marks.

36 All three matters must be assessed in the light of the first condition laid down in Hoffmann-La Roche, namely artificial partitioning of the markets between Member States. As regards the omission of the word 'pure', Loendersloot claims that that word may not be used under the legislation of some of the countries to which it exports (it has not indicated which ones).

37 It seems to me that the Court's ruling in Bristol-Myers Squibb, delivered during the course of the present proceedings, provides adequate guidance on that question. In that case the Court held: 'Reliance on trade-mark rights by their owner in order to oppose marketing under that trade mark of products repackaged by a third party would contribute to the partitioning of markets between Member States in particular where the owner has placed an identical pharmaceutical product on the market in several Member States in various forms of packaging, and the product may not, in the condition in which it has been marketed by the trade-mark owner in one Member State, be imported and put on the market in another Member State by a parallel importer. The trade-mark owner cannot therefore oppose the repackaging of the product in new external packaging when the size of

packet used by the owner in the Member State where the importer purchased the product cannot be marketed in the Member State of importation by reason, in particular, of a rule authorizing packaging only of a certain size or a national practice to the same effect, sickness insurance rules making the reimbursement of medical expenses depend on the size of the packaging, or well-established medical prescription practices based, inter alia, on standard sizes recommended by professional groups and sickness insurance institutions....The owner may ... oppose the repackaging of the product in new external packaging where the importer is able to achieve packaging which may be marketed in the Member State of importation by, for example, affixing to the original external or inner packaging new labels in the language of the Member State of importation, or by adding new user instructions or information in the language of the Member State of importation, or by replacing an additional article not capable of gaining approval in the Member State of importation with a similar article that has obtained such approval.' (13)38 The Court went on to explain the underlying principle to be observed in applying the condition of artificial partitioning of the markets as follows: 'The power of the owner of trade-mark rights protected in a Member State to oppose the marketing of repackaged products under the trade mark should be limited only in so far as the repackaging undertaken by the importer is necessary in order to market the product in the Member State of importation.' (14)39 It is therefore for the national courts in the present case to determine whether the removal of the word 'pure' is necessary to meet restrictions imposed by certain Member States into which Loendersloot wishes to import the goods. It might be contended that the omission of the word 'pure' might affect the reputation of the mark. That seems unlikely, however, if the removal of the word is required by certain Member States.40 The other two matters referred to by the Hoge Raad do on the other hand require the Court to provide further clarification of the conditions laid down in Hoffmann-La Roche. Loendersloot claims that the importer's name is replaced and that the identification numbers are removed in order to prevent Ballantine and others from combating parallel trade by exerting pressure on its dealers. That claim is challenged by Ballantine and others, who reply that the mentioning of the name of the importer and the use of the identification numbers serve other, legitimate, purposes.41 In that respect the present case differs from previous cases in so far as the need to relabel the products arises not from the need to meet marketing requirements in the importing State but from the alleged need to prevent the trade-mark owner from being able to trace the route of goods and put pressure on dealers to prevent parallel imports. If however one looks to the basic principle underlying the ruling in Bristol-Myers Squibb set out at paragraph 38 above, it is clear that, subject to compliance with the conditions designed to safeguard the origin, quality and reputation of the product, an importer must be able to relabel

products where that is necessary in order to effect parallel trade; otherwise the owner of a trade mark would be able, by relying on his trade-mark right, artificially to partition the markets of the Member States. It is for the national courts to determine whether that requirement is met in the present case. 42 On this point it is also relevant to refer to the following statement of the Court in the judgment in Bristol-Myers Squibb: '... the Court's use of the words "artificial partitioning of the markets" does not imply that the importer must demonstrate that, by putting an identical product on the market in varying forms of packaging in different Member States, the trade-mark owner deliberately sought to partition the markets between Member States. By stating that the partitioning in question must be artificial, the Court's intention was to stress that the owner of a trade mark may always rely on his rights as owner to oppose the marketing of repackaged products when such action is justified by the need to safeguard the essential function of the trade mark, in which case the resultant partitioning could not be regarded as artificial.' (15)43 Finally, the Hoge Raad asks what importance is to be attached to the fact that the identification numbers may be applied to the products by virtue of legal requirements or voluntarily for the purposes of product recall, limiting product liability and prevention of counterfeiting. It is clear that numbers identifying the lot to which a product belongs may serve legitimate public interests, in particular that of consumer protection. Indeed, for example, Article 2 of Council Directive 89/396 (16) prohibits the marketing of a foodstuff unless it is accompanied by an indication allowing identification of the lot to which a foodstuff belongs. However, the extent to which a parallel importer may lawfully remove an identification number, applied either voluntarily or by virtue of a Community or national rule, on the ground that it is used for the purpose of tracking parallel imports is a separate issue going beyond the scope of the Hoge Raad's questions, which are concerned solely with the exercise of trade-mark rights. It is clear that the removal of such identification numbers cannot be resisted by virtue of trade-mark rights taken alone.

#### Conclusion

44 Accordingly the questions referred by the Hoge Raad should in my opinion be answered as follows:

45 The owner of a trade mark cannot exercise his trade-mark rights to oppose, with regard to alcoholic drinks manufactured by him, the removal by a third party of labels affixed by the proprietor on bottles and on the packaging containing them, and bearing his mark, after the drinks have been placed by him on the Community market in that packaging, and the subsequent re-application of those labels, where it is established that the use of the trade-mark right by the owner will contribute to the artificial partitioning of the market between Member States; provided that in the course of such relabelling:

- (i) the guarantee of origin is not impaired;
- (ii) the original condition of the product is not adversely affected; and

(iii) the reputation of the trade mark is not damaged.

46 Subject to the same conditions, the owner of the trade mark cannot exercise his trade-mark rights to oppose the omission of the indication 'pure' appearing on the original labels and/or the replacing of the importer's name with another name.

47 Subject to the same conditions, the owner of the trade mark cannot exercise his trade-mark rights to oppose the removal of identification marks which he has affixed on or underneath the labels.

(1) - See paragraph 4 above.

(2) - Case 78/70 *Deutsche Grammophon v Metro* [1971] ECR 487, Case 16/74 *Centrafarm v Winthrop* [1974] ECR 1183, Case 19/84 *Pharmon v Hoechst* [1985] ECR 2281 and Case C-10/89 *HAG GF ('HAG II')* [1990] ECR I-3711.

(3) - Case 102/77 *Hoffmann-La Roche v Centrafarm* [1978] ECR 1139, paragraph 7 of the judgment, Case 3/78 *Centrafarm v American Home Products Corporation* [1978] ECR 1823, paragraphs 11 and 12, and 'HAG II', paragraph 14.

(4) - Joined Cases C-427/93, C-429/93 and C-436/93 *Bristol-Myers Squibb v Paranova and C.H. Boehringer Sohn, Boehringer Ingelheim KG, Boehringer Ingelheim A/S v Paranova and Bayer Aktiengesellschaft, Bayer Danmark v Paranova* [1996] ECR I-3457, Joined Cases C-71/94, C-72/94 and C-73/94 *Eurim-Pharm Arzneimittel v Beiersdorf, Boehringer Ingelheim and Farmitalita Carlo Erba* [1996] ECR I-3603, and Case C-232/94 *MPA Pharma v Rhône-Poulenc Pharma* [1996] ECR I-3671.

(5) - *Hoffmann-La Roche v Centrafarm*, cited in note 3, paragraph 14 of the judgment.

(6) - At paragraph 67 et seq. See also paragraph 58 et seq. of the judgment in *Eurim-Pharm*, cited in note 4 and paragraph 39 et seq. of *MPA Pharma*, cited in note 4.

(7) - At paragraphs 75 and 76 of the judgment.

(8) - First Council Directive 89/104 of 21 December 1988 to approximate the laws of the Member States relating to trade marks, OJ 1989 L 40, p. 1.

(9) - Cited in note 4, paragraph 58 of the Opinion.

(10) - See, for example, Case C-368/89 *Crispoltoni* [1991] ECR I-3695, at paragraph 11 of the judgment.

(11) - Cited in note 3.

(12) - Cited in note 4.

(13) - At paragraphs 52 to 55 of the judgment.

(14) - At paragraph 56 of the judgment.

(15) - At paragraph 57.

(16) - Council Directive 89/396 of 14 June 1989 on indications or marks identifying the lot to which a foodstuff belongs, OJ 1989 L 186, p. 21.