OPINION OF MR ADVOCATE-GENERAL WARNER DELIVERED ON 31 MARCH 1976

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My Lords,

Introductory

These three cases come before the Court by way of references for preliminary rulings under Article 177 of the EEC Treaty by the Chancery Division of the High Court of Justice of England and Wales, by the Sø- og Handelsretten of Copenhagen and by the Landgericht of Cologne. I shall, for convenience, refer to them respectively as 'the English case', 'the Danish case' and 'the German case'.

In each of them the Plaintiff in the proceedings before the national Court is EMI Records Limited, a wholly-owned subsidiary of EMI Limited. EMI Records Limited and EMI Limited are both English companies.

The defendant in each case is a locally incorporated subsidiary of CBS Inc., which is an American company. In the English case the defendant is CBS United Kingdom Limited, in the Danish case it is CBS Records ApS (formerly CBS Grammofon A/S) and in the German case it is CBS Schallplatten GmbH.

The essential facts may be summarized as follows.

As a result of a number of events and transactions going back to 1894 (to which I shall have to advert) EMI Records Limited is now in many countries of Europe, Africa, Asia and Australasia the registered proprietor of all trade-marks for gramophone records consisting of or including the mark 'Columbia'. Those countries include every Member State of the Community except France, where those marks are owned by another subsidiary of EMI Limited. CBS Inc. is the proprietor of Columbia trade-marks in the USA, in the other countries of North and South America and in a few countries elsewhere.

Both EMI Records Limited and other subsidiaries of EMI Limited on the one hand and CBS Inc. and its subsidiaries on the other hand manufacture and sell records on a large scale. In the countries where it is entitled to the mark Columbia each group sells records extensively under that mark, but does so also under other marks. In the countries where it does not own the mark Columbia each group has, until the events giving rise to the present litigation, sold its records under other marks. In particular the CBS group has sold its records in the Community under the mark 'CBS'.

In some instances, however, the CBS group has imported into the United Kingdom, Denmark and Germany records manufactured in America and bearing, both on the central label of the record itself and on the sleeve, the mark Columbia. In the case of such imported records, that mark has sometimes been obliterated with a sticker (usually, or so it seems from the exhibits sent to the Court by the Sø- og Handelsretten, a sticker bearing the mark CBS) but on other occasions the mark Columbia has not been so obliterated, particularly not from the label on the record itself. It is sales of such records, with the mark Columbia visible, that have given rise to this litigation.

By the terms of the order for reference in the English case this Court is, in effect, invited to assume that, under the law of England, EMI Records Limited has a good cause of action against CBS United Kingdom Limited for infringement of its Columbia trade-mark and is accordingly entitled to an injunction restraining the manufacture or sale by CBS United Kingdom Limited of records bearing that mark. Indeed it appears from the Judgment of Mr Justice Graham leading to that Order that the only possible defence remaining open to CBS United Kingdom Limited under English law is that of delay and acquiescence on the part of EMI Records Limited, both the latter's title to the trade-mark and infringement of it by CBS United Kingdom Limited having been proved.

The order for reference in the Danish case has annexed to it an interlocutory Judgment of the Sø-og Handelsretten in which it is held that, so far as regards Danish law, CBS Records ApS has no defence to EMI Records Limited's claim for infringement of its trade-mark.

Similarly the order for reference in the German case states that, under German law, only EMI Records Limited may use the trade mark Columbia in Germany and that EMI Records Limited may prohibit others from using that mark.

In each case, however, the defendant contends that, having regard to the history of the mark Columbia and, in particular, to the manner in which the rights to it became territorially divided between the EMI group and the CBS group, the exercise of those rights by EMI Records Limited to prevent imports by the CBS group of records bearing the mark from the USA into the United Kingdom, Denmark and Germany respectively is incompatible with Community law.

So, to that history, I must turn. The material concerning it that has been placed before the Court falls into two parts. — First there are the facts set out in the orders for reference. Secondly there is a mass of documentary evidence put in by CBS United Kingdom Limited, by CBS Records ApS, by CBS Schallplatten GmbH, by EMI Records Limited (as appendices to its written Observations in the German case) and by the Commission.

Admissibility of the documentary evidence

There has been argument as to whether and, if so, to what extent and for what purpose that evidence is admissible in this Court.

I think it convenient to deal with that question at once.

In my opinion, in order to answer it, regard must be had to three important principles.

First, it is not the law that, on a reference under Article 177, this Court cannot admit evidence. This is plain from Article 103 (1) of the Rules of Procedure, which renders applicable on such a reference the provisions of Article 44 *et seq.* of those Rules, and thereby in particular those of Articles 45 to 53 relating to preparatory inquiries. Indeed cases may arise that the Court cannot decide without evidence — e.g. a case where what is in question is the validity of an act of a Community institution and where a ground on which the validity of that act is challenged is that it was founded on a material error of fact. Moreover many cases before the Court have shown the value of admitting, or calling for, evidence to explain the background of, or to complete, the facts as stated in the order for reference, so as to enable the Court the better to understand the questions referred to it.

Second, it is the law that the jurisdiction of this Court, under Article 177, is limited to ruling on questions of Community law. The Court cannot apply that law to the facts of a particular case. This means that the Court cannot determine issues of fact that are relevant, not to the ascertainment of that law, but to its application. For example, there was, in these cases, placed before the Court, mainly on behalf of the defendants, a good deal of evidence about such matters as the structure of the business of the CBS group, its marketing problems in Europe and the economics of producing records for that market, in particular quadraphonic records, the cost of 'stickering' and the possibility that extensive 'stickering' might render a product so unattractive as to make it unsaleable, the relative quality of CBS records and of EMI records, and so on. All this, except in so far as, perhaps, it was designed to engage the sympathy of the Court, can only, it seems to me have been directed to the question whether the exercise by EMI Records Limited of its trade-mark rights has in fact the effect of restricting competition in the common market. It is for this Court to decide whether that question is pertinent. To that I shall come. But, if the question is pertinent, the ascertainment of the answer to it is, plainly, a matter for the national Courts.

Third, it is the law that this Court cannot, on a reference under Article 177, go outside the scope of the question or questions referred to it by the national Court concerned. This Court cannot answer a question that it has not been asked. That is not to say that the Court is rigidly bound by the terms in which the national Court has formulated its question or questions. Indeed there have been cases where the national Court has not asked any specific question and this Court, rather than hold the reference inadmissible, has ascertained from the facts placed before it the questions of Community law to which they gave rise. There have been other cases where the questions as formulated by the national Court were not pure questions of Community law, but had admixed into them questions as to the application of that law, very often in relation to national law. In such cases this Court has distilled from the questions asked by the national Court the questions of Community law to be answered. And there have been many cases where this Court, in answering the questions referred, has found it more convenient or helpful not to adhere strictly to their pattern or to their wording.

In the result it seems to me that, in circumstances such as those of these cases, this Court can and should look at evidence put in by the parties, or by others entitled to be heard, for two purposes (and for those purposes only):

(1) in so far as the conclusions to be drawn from that evidence are

common ground, the Court can look at it to explain and complete the facts as stated in the order for reference;

(2) in so far as the parties are at issue as to the conclusions to be drawn from the evidence, the Court can look at it so as to be enlightened as to the issues between them.

In both respects the ultimate object is to enable the Court to frame its answers to the questions asked by the national Court in the manner likely to be most helpful to that Court. This is particularly desirable where, as in each of the present cases, the questions asked by the national Court are in broad terms.

In saying that, I do not overlook the difficulties that may be occasioned for intervening Member States, or indeed for Member States who have refrained from intervening in reliance on the contents of the order for reference. Those difficulties were forcefully pointed out at the hearing by Counsel for the United Kingdom. But it would in my opinion be a greater evil if this Court were, by shutting its eyes to anything outside the actual order for reference, to create a situation in which a fresh reference became inevitable or, at all events, likely, before a case referred to it could be determined by the national Court.

History of the 'Columbia' trade-marks

Approaching the documentary evidence in question here with those considerations in mind, I now summarize the history of the Columbia trade-marks as set out in the Orders for Reference, but supplementing it from that evidence.

In 1894 a company called Columbia Phonograph Company General was incorporated in the USA. In the period before the First World War this company registered a number of trade marks containing the word Columbia in the USA, in the United Kingdom and elsewhere in respect of *inter alia* gramophone records. In 1913 the company changed its name to Columbia Graphophone Company.

In 1917 Columbia Graphophone Company formed in England a wholly-owned subsidiary called Columbia Graphophone Company Limited, which I shall call 'CGCL'. To this company, by three documents dated 27 April 1917, namely an agreement for sale and two assignments, Columbia Graphophone Company assigned the goodwill and all the assets of the business that it had until then carried on through its London branch, including its registered trade-marks in a number of countries in Europe, Africa, Asia and Australasia. Among those countries were Belgium, Denmark, England, France, Italy and the Netherlands. Columbia Graphophone Company covenanted with CGCL not (putting it shortly) to compete with it in any part of the territory in which the business so assigned was carried on. It was also a term of the sale that each company should furnish the other from time to time with lists of its master records and, on request, with matrices of any such records.

In 1919 Columbia Graphophone Company assigned its remaining trade-marks containing the word Columbia and its shares in CGCL to another American company called Columbia Graphophone Manufacturing Company.

In 1922 the shares in CGCL formerly held by Columbia Graphophone Company were sold by Columbia Graphophone Manufacturing Company for $ 500 000 to an independent English company called Constructive Finance Company Limited. By an agreement dated 16 November 1922, entered into on the occasion of this sale between Columbia Graphophone Manufacturing Company, Constructive Finance Company Limited and CGCL it was agreed that CGCL should be 'at liberty to

operate' in specified territories, including Great Britain and Ireland, the Continents of Europe and Africa, and certain Asian, Australasian and Pacific countries, whilst Columbia Graphophone Manufacturing Company should be 'at liberty to operate in the rest of the world'; it was agreed that neither company should 'sell or deal either directly or indirectly in the other's territory' as so defined. This agreement contained a covenant by Columbia Graphophone Manufacturing Company forthwith to transfer to CGCL, in so far as it had not already done so, *inter alia* all its trade-marks for gramophone records in CGCL's territory. This agreement also contained provisions for the exchange of matrices.

From 1922 to 1925 there was no common control, direct or indirect, of the trade-marks owned by CGCL and of the United States trade-marks containing the word Columbia. In 1924 there was a reconstruction of Columbia Graphophone Manufacturing Company as a result of which the United States trade-marks became vested in a new American company, called Columbia Phonograph Company Inc.

In 1925 CGCL acquired a controlling interest in Columbia Phonograph Company Inc. This has been described as a 'reversal of roles' in that it led to the owner of the United States Columbia trade-marks being controlled by CGCL.

In 1931 a new English company was formed, Electrical and Musical Industries Limited. (This is the company now called EMI Limited.) It acquired the shareholding in CGCL and in another English company called The Gramophone Company Limited (which is now EMI Records Limited). As part of those arrangements CGCL disposed of its interest in Columbia Phonograph Company Inc. This interest was subsequently acquired, in the same year, by an American company called Grigsby-Grunow.

Since 1931 there has been no common control of the United States Columbia trade-marks and of the trade-marks owned by CGCL.

In 1932 however Columbia Phonograph Company Inc. and CGCL made an agreement expressed to be for 'eliminating competition and for the interchange of matrices, etc.', the purpose of which, as appears from its recitals, was to replace the market-sharing arrangements made in 1917 and 1922 — Columbia Graphophone Company, Columbia Graphophone Manfacturing Company and Constructive Finance Company Limited having all by then been dissolved. This Agreement redefined the parties' respective territories, allotting 'all territory between West Longitude 30 and West Longitude 170 in the Northern Hemisphere and West Longitude 30 and West Longitude 100 in the Southern Hemisphere excluding the Azores and including the Americas and the whole of Greenland all the Aleutian Islands and the Sandwich Islands and the Philippine Islands' to Columbia Phonograph Company Inc. and 'the rest of the world' to CGCL. Each party undertook not to sell in the territory thus assigned to the other, and again there were provisions for the exchange of matrices. There was no reference in this agreement to trade-marks except in relation to the pricing of records made from exchanged matrices.

It is noteworthy that neither Electrical and Musical Industries Limited nor The Gramophone Company Limited was bound by the 1932 Agreement.

In 1934 Grigsby-Grunow (then in liquidation) auctioned its interest in Columbia Phonograph Company Inc. This was bought at the auction by Sacro Enterprises Inc. and subsequently transferred by it to American Record Corporation. In 1938 the shares of American Record Corporation, of which Columbia Phonograph Company Inc.

was still a subsidiary, were bought by Columbia Broadcasting System Inc., the company now know as CBS Inc.

In 1940 the assets of Columbia Phonograph Company Inc. were transferred to American Record Corporation, which then changed its name to Columbia Recording Corporation. By arrangement with CGCL, Columbia Recording Corporation was substituted for Columbia Phonograph Company Inc. for the purposes of the 1932 Agreement.

In 1946 a new agreement was made between Columbia Recording Corporation and CGCL which terminated all previously existing agreements and arrangements between the parties, including the 1932 agreement, and instituted fresh arrangements between them for the exchange of matrices. They agreed to supply matrices to each other on request and not to supply matrices to anyone else for manufacture within the other's territory, the definition of their respective territories for this purpose being much the same as that in the 1932 agreement. There was no longer, however, any undertaking not to compete in each other's territory. Again trade-marks were not mentioned except in relation to records made from exchanged matrices.

The 1946 agreement was terminated in 1952 although certain of its effects as to matrices previously exchanged lingered on until 1956.

In 1954 Columbia Recording Corporation (which had in the meantime changed its name to Columbia Records Inc.) was dissolved and its assets were transferred to Columbia Broadcasting System Inc. (It was in 1974 that this company changed its name to CBS Inc.)

It is, as I understand it, common ground that between 1956 and 1962 there existed no agreement or arrangement of any kind between any company in the EMI group and any company in the CBS group.

Between 1962 and 1971 Columbia Broadcasting System Inc. on the one hand and Electrical and Musical Industries Limited and (later) EMI Records Limited on the other hand entered into a number of agreements which the Commission described as marking a resumption of their relations, but which it was contended on behalf of EMI Records Limited were all minor and short lived agreements, mostly for the exploitation of specific 'repertoire', such as exist between all record or recording companies, however independent and competitive. There being an issue as to the real nature of those agreements, most of which did not come to light until shortly before the hearing, I refrain from describing them in detail beyond saying (i) that although they mention trade-marks (mostly marks other than Columbia) none of them appears to contain any assignment of trade-marks and (ii) that some of them appear, so far as concerns the territory of the Community as now constituted, to have affected only the United Kingdom and Ireland. It is common ground that the last of those agreements came to an end in 1974.

During that period, namely in 1965, CGCL assigned its Columbia trade-marks to The Gramophone Company Limited (the other subsidiary of Electrical and Musical Industries Limited). Some years later Electrical and Musical Industries Limited changed its name to EMI Limited and The Gramophone Company Limited changed its name to EMI Records Limited.

The trade-marks sued upon

Each of the orders for reference mentions the actual trade-marks or trade-mark sued upon by EMI Records Limited.

In the English case EMI Records Limited sues on two marks, both consisting of the word Columbia alone. The first was

registered in the name of CGCL in 1920, i.e. at a time when that company was still the subsidiary of Columbia Graphophone Company. The date of first user of the mark was stated to have been 7 May 1900. The second mark was registered in the name of CGCL in 1928, i.e. at a time when that company controlled Columbia Phonograph Company Inc., the then owner of the United States Columbia marks.

In the Danish case the mark on which EMI Records Limited sues was registered in 1960. Both in their written observations and in their submissions at the hearing, the parties discussed at some length the previous history of Columbia marks in Denmark. In so doing they raised issues of mixed fact and national law of a kind that it would be outside the jurisdiction of this Court to determine on a reference under Article 177. The nature of those issues does not, I think, affect the answer to any question that this Court has to decide. That being so, I hope I shall be acquitted of any discourtesy to Counsel if I say no more about those issues.

In the German case EMI Records Limited sues on a mark that was registered in the name of CGCL in 1931. Whether it was actually registered before or after that company parted with its interest in Columbia Phonograph Company Inc. does not appear. In their written Observations the parties refer to earlier German Columbia marks: EMI Records Limited refers to a mark registered in 1907, which was assigned by Columbia Graphophone Manufacturing Company to CGCL in 1923, in obedience to the covenant that it had entered into in 1922 on the occasion of the sale of the shares in CGCL to Constructive Finance Company Limited; CBS Schallplatten GmbH for its part refers to two marks registered in the name of CGCL in 1924. Again I do not think that it is necessary to go into the details of these matters.

The questions referred to the Court

For the purpose of formulating the question referred to this Court, the order for reference in the English case first sets out a number of assumptions that the Court is invited to make. These are really a summary of the facts stated in that order, but using the symbol 'A' to represent the EMI group, the symbol 'B' to represent the CBS group, and the symbol 'X' to represent the trade mark Columbia. Among those assumptions is one that has given rise to much argument, namely:

'(7) There is not now and never has been any legal, financial, technical or economic links between A and B as now constituted.'

The order then formulates the question referred to this Court in the following terms:

'Should the provisions of the Treaty establishing the European Economic Community and in particular the provisions laying down the principles of Community law and the rules relating to the free movement of goods and to competition be interpreted as disentitling A from exercising its rights in the trade-mark under the appropriate national law in every Member State to prevent:

(i) the sale by B in each Member State of goods bearing the mark X manufactured and marked with the mark X by B outside the Community in a territory where he is entitled to apply the mark X, or

(ii) the manufacture by B in any Member State of goods bearing the mark X?'

The questions referred to the Court in the Danish and German cases are formulated in the same way and in much the same terms, the only noteworthy differences being these:

Assumption (7) is replaced in the order for reference in the German case by the following:

'c) ... for more than 40 years there have been no legal, economic, financial or technical links between the two groups.'

Secondly, in neither the Danish nor the German order for reference does the question mention the provisions of the Treaty 'laying down the principles of Community law'. In the Danish case the question relates to the provisions of the Treaty 'especially those relating to the free movement of goods and competition'. In the German case it relates simply to 'the principles of Community law on free movement of goods and unrestricted competition'.

Lastly, in neither the Danish nor the German case, does the question contain paragraph (ii). This I understand to be because the CBS group, whilst it manufactures records in England (and also in the Netherlands), does not do so in Denmark or in Germany — or at all events not to any material extent.

The question arises what significance the Court should attach to assumption (7) or to that assumption in the modified form in which it is to be found in the order for reference in the German case.

The origin of the wording of that assumption is clear. It echoes a finding of fact recorded by the Tribunal d'arrondissement of Luxembourg in its order for reference in Case 172/73 *Van Zuylen Frères* v *Hag AG* [1974] ECR 731. On the basis of that finding this Court held that Article 85 of the Treaty was inapplicable in that case (see paragraphs 4 and 5 of the Judgment). But that does not mean, of course, that the test of the applicability or inapplicability of Article 85 is in every case whether there can in some way be applied to it the formula 'no legal, financial, technical or economic link' used by the Tribunal d'arrondissement of Luxembourg to express its finding in the *Hag* case. What that test truly is can only be ascertained from the words of Article 85 itself.

I would observe, secondly, that the assumption in question (in whichever form expressed) must be read in the light of the contents of the orders for reference as a whole. Each of these contains, expressly or referentially, a fairly full, albeit incomplete, account of the history of the Columbia trade-marks. The assumption cannot be intended to contradict that account in so far as it reveals past links between CGCL and the owners from time to time of the United States marks. I have already stated why in my opinion the Court cannot shut its eyes to the evidence put in by the parties in so far as it completes that account. It seems to me that, by the same token, the Court cannot ignore that evidence in so far as it bears on the significance to be attached to the assumption.

The real difficulty lies in the fact that, at first sight, the assumption looks as though it is designed to narrow the scope of the question referred to the Court. But I think that, on closer analysis, it is to be taken merely as part of a summary of the facts set out in the order for reference which introduces that question but does not actually form part of it.

On that footing, I turn to the law.

This, to my mind, falls to be considered under two, and only two, headings, namely the provisions of the Treaty relating to the free movement of goods and those relating to competition. The provisions relating to 'principles' are certainly relevant, but only, I think, in so far as the later, and more specific, provisions of the Treaty must be interpreted in the light of them.

The provisions of the Treaty relating to the free movement of goods

I confess to having found surprising the contention put forward on behalf of the defendants that the provisions of the Treaty relating to free movement of

goods should be interpreted as precluding EMI Records Limited from invoking its rights to the trade-mark Columbia in the Community for the purpose of preventing imports into the Community from outside it of goods bearing that mark. Articles 30 and 36 of the Treaty, on which, essentially, the contention rests, are, after all, in terms, concerned only with restrictions on trade 'between Member States'. This is consistent with the fact that they are among the provisions designed to give effect to Article 3 (a) of the Treaty, which envisages 'the elimination, as between Member States, of customs duties and of quantitative restrictions on the import and export of goods, and of all other measures having equivalent effect', those being among the objectives to be achieved for the purpose of establishing the common market referred to in Article 2. The defendants' contention was indeed greeted with unanimous indignation by, not only EMI Records Limited, but also the seven Member States which intervened in the proceedings and the Commission. They pointed out that its acceptance would entail the unilateral conferment by the Community of an advantage on third-country undertakings at the expense of Community undertakings, without any expectation of reciprocity.

In support of their contention, the defendants relied in the first place on Articles 9 (2) and 10 (1) of the Treaty which, for the purposes of, *inter alia*, Articles 30 to 36 assimilate to products originating in Member States 'products coming from third countries which are in free circulation in Member States' and provide that —

'Products coming from a third country shall be considered to be in free circulation in a Member State if the import formalities have been complied with and any customs duties or charges having equivalent effect which are payable have been levied in that Member State, and if they have not benefited from a total or partial drawback of such duties or charges.'

The argument of the defendants is, as I understand it, that once records made in America and bearing the mark Columbia have been cleared through customs in a Member State, they are, provided they have not benefited from drawback, to be assimilated to records originating in a Member State. So they are. But I do not see how this assists the defendants. If they were to manufacture similar records in a Member State, they would not thereby render themselves entitled to market them in infringement of EMI Records Limited's registered marks, either in that Member State or in any other.

Secondly the defendants relied strongly on the decision of this Court in the *Hag.* case. They acknowledged that that case was concerned with trade between Member States but they submitted that the decision should be applied to this case by analogy, because here too the marks in question had a common origin. I would reject this argument because in my opinion, as is very clear from the Judgment of the Court in the *Hag* case, the whole basis of the decision there was that trade between Member States was involved. The principle on which that decision rests is that industrial and commercial property rights, and in particular trade-mark rights, may not be used so as artificially to split up the common market. Such rights being conferred by national laws, their scope is necessarily territorial and this would, but for the strict provisions of Article 36, make them ready instruments for that purpose. One way in which it would be possible to use them for it is illustrated by Case 16/74 *Centrafarm* v *Winthrop* [1974] ECR 1183. It would be for the owner of a trade-mark to form a subsidiary in any Member State whose market he wished to isolate and arrange for the trade-mark rights in that State to be vested in that subsidiary. From that simple case the facts in the *Hag* case

differed mainly in two respects. First the transactions under which the ownership of the trade-mark rights in Belgium and Luxembourg on the one hand and Germany on the other had become separated had taken place before the entry into force of the Treaty. This was obviously immaterial since Articles 30 to 36 apply as well to restrictions stemming from measures taken or arrangements made before the entry into force of the Treaty as to any created thereafter (the only difference being that, as respects some kinds of the former, there were provisions for their gradual elimination during the transitional period). Secondly, Van Zuylen Frères were not a subsidiary of Hag AG but independent traders who had acquired Hag AG's erstwhile trade-mark rights in Belgium and Luxembourg through a series of transactions which included the sequestration of the shares in Hag AG's Belgian subsidiary as enemy property. The Court held in effect that Van Zuylen Frères were nonetheless precluded from exercising those rights so as to prevent imports into Belgium and Luxembourg of goods lawfully bearing the German mark. The Judgment makes it clear that it did so on the ground that to hold otherwise would be 'incompatible with the provisions providing for free movement of goods within the common market'. The ratio of that case cannot therefore be extended to a situation in which the unity of the common market is not affected.

The defendants also relied on Case 8/74 *Procureur du Roi* v *Dassonville* [1974] ECR 837. But that case is not, in my opinion, in point here either. It was concerned with imports into Belgium of Scotch whisky in free circulation in France, not with direct imports of such whisky from the United Kingdom (which was not, at the time when the facts of the case occurred, a Member State). The *Dassonville* case is therefore about restrictions on trade between Member States, not about restrictions on imports from outside the Community.

The last argument put forward on behalf of the defendants on this part of the case was that an analysis of the terms of certain instruments governing trade between the Community and third countries showed that the Community had, as part of the common commercial policy, adopted the principle of applying the same rules as are contained in Articles 30 and 36 to imports from third countries. The instruments referred to were:

1. The GATT;
2. Council Regulation (EEC) No 1439/74 of 4 June 1974 on 'common rules for imports' — this, it was stressed, was particularly relevant because among the goods to which it applied were records from the USA;
3. The Lomé Convention, which enters into force tomorrow; and
4. The agreements between the Community and Sweden and Switzerland respectively, both dated 22 July 1972, and the agreement between the Community and Morocco dated 31 March 1969.

It was submitted that each of those instruments contained provisions that mirrored, or substantially mirrored, those of Articles 30 and 36, and that where one found the same phrases in those instruments as one found in Articles 30 and 36 one must give them the same meaning.

It may be enough for me to say that, in my opinion, that approach to the interpretation of legal instruments is heretical. The meaning of words depends on the context in which they are found and the same words used in different instruments brought into existence for different purposes may mean different things. None of the instruments cited by the defendants was brought into existence for the purpose of creating a common market and it cannot be right to interpret them as if they were.

I would however add this.

Article XX of the GATT, which the defendants equiparated to Article 36, has

in fact built into it a provision for reciprocity. There is no suggestion that, on the strength of this, the EMI group is entitled to export records bearing the mark Columbia to the USA. On the contrary, we were referred to a recent case in which CBS Inc. successfully took action in New York against an importer of EMI records bearing the Columbia mark: *CBS Inc.* v *Nina Record Co. Inc,* an action commenced on 16 May 1975 in the United States Court for the Southern District of New York.

Regulation No 1439/74 whilst it mentions quantitative restrictions does not refer to measures having equivalent effect to them. An argument developed on behalf of the defendants to get over this difficulty seemed to me to involve reading into the Regulation far more than is actually there.

None of the other instruments cited by the defendants applies to imports from the USA and, whilst it may well be that the Lomé Convention extends to some countries where the Columbia marks are owned by CBS Inc., I think that, if I were to discuss the very special provisions of that Convention here, I should be going far beyond the real scope of these references.

In the result I am of the opinion that the provisions of the Treaty relating to free movement of goods do not preclude EMI Records Limited from enforcing its trademark rights in relation to imports from the USA.

The provisions of the Treaty relating to competition

As regards the provisions of the Treaty relating to competition, the main argument centred on Article 85. But a request was made on behalf of the defendants that the Court should rule also on the possible applicability of Article 86. I shall deal with this first.

Article 86

The defendants acknowledge, having regard to the Judgment of the Court in Case 40/70, *Sirena* v *Eda* (Rec. 1971 (1) at p. 84), that the EMI group could not be held to enjoy a dominant position within the meaning of Article 86 merely because it is the owner of the Columbia trade-marks in the Community. What the defendants say is that they propose, if they obtain a favourable ruling from this Court, to seek to satisfy the national Courts that the EMI group enjoys such a position because of its share of the relevant market. They would then seek to prove to those Courts that EMI Records Limited pursued a policy under which, whilst objecting to the CBS group distributing its records with the Columbia mark un-stickered, it allowed its own subsidiaries to distribute the same records with the mark un-stickered. The ruling that the defendants seek from this Court is to the effect that the pursuit of such a policy would constitute an abuse by EMI Records Limited of its (assumed) dominant position.

That point does not appear to have been ventilated in the national Courts. There is no hint of it in any of the orders for reference, the nearest to it being a finding in the order for reference in the Danish case that in one single instance EMI Records Limited's Danish subsidiary sold a CBS record with the Columbia mark on it un-stickered. The defendants say that there have been similar instances in England and in Germany, and indeed they put in some evidence to that effect in the English case. But this, as I understand it, was directed to a different point, namely that complete stickering was difficult to achieve.

In my opinion, in those circumstances, the question on which the defendants invite the Court to rule cannot be regarded as within the scope of the references. It is wholly hypothetical. There has, moreover, been virtually no argument about it in this Court. In

particular the defendants have not indicated why such a policy as they postulate would constitute an abuse of EMI Records Limited's alleged dominant position, nor how it might affect trade between Member States so as to bring it within Article 86.

I would therefore decline to answer the question.

Article 85

On the more difficult question of the possible applicability of Article 85, the defendants find themselves with the Commission as an ally.

They and the Commission concede that the original 1917 arrangements between Columbia Graphophone Company and CGCL could not be held to come within Article 85, because they were made between parent and subsidiary in circumstances such as to attract the operation of the principle laid down in Case 22/71 *Béguelin Import Co.* v *SAGL Import Export* (Rec. 1971 (2) p. 949 — see paragraph 8 of the Judgment) and in the *Centrafarm* case (already cited — see paragraph 32 of the Judgment). The defendants and the Commission further concede that that situation was preserved when, in 1919, Columbia Graphophone Company was succeed as CGCL's parent by Columbia Graphophone Manufacturing Company. They say however that the situation no longer obtained after 1922, when the shares in CGCL were sold to Constructive Finance Company Limited and the market-sharing arrangements between Columbia Graphophone Manufacturing Company and CGCL were renewed. With that, so far as it goes, and on the footing that (contrary to my view) Article 85 can apply to events occurring before the entry into force of the Treaty, I agree.

I also agree with the defendants and the Commission that Article 85 is capable of applying to agreements (and for that matter to 'decisions by associations of undertakings' and to 'concerted practices') that are concerned with imports into the Community. The Court so held in Case 71/74 the *Frubo* case [1975] ECR 563. But I would emphasize that it is not enough to attract the operation of Article 85 that an agreement should be concerned with imports into the Community. The agreement, as the very words of Article 85 make clear, must also —

(1) Have as its object or effect the prevention, restriction or distortion of competition within the common market and
(2) Be susceptible of affecting trade between Member States.

In circumstances such as those in the present cases those two matters must, in my opinion, be proved to the satisfaction of the national Court concerned. They cannot be taken for granted from the mere circumstance that, as a result of the agreement, the rights to a particular trade-mark within the Community are held by one undertaking whilst the rights to the same mark in certain countries outside the Community are held by another. I have already alluded to the facts adduced by the defendants for the purpose of demonstrating that the exercise by EMI Records Limited of its rights to the Columbia mark in the Community does restrict competition within it. On the question whether that action is susceptible of affecting trade between Member States the defendants did not develop their case so fully. Their only argument seemed to be that, if, as they contend, the practical effect of that action is to exclude imports into the Community of certain types of records, its effect must, by the same token, be to exclude any possibility of trade between Member States in such records. I do not think that that goes far enough, for it assumes, without proving it, that, if such records were imported into the Community, they would be likely to become, to a significant extent, the subject-matter of trade between Member States. In the *Frubo* case, which was of

course a direct action, this Court was only satisfied that the agreement there in question might affect trade between Member States because specific examples were given of ways in which it might do so (see [1975] ECR at p. 584 and at pp. 595–596). And in Case 73/74 *Groupement des fabricants de papiers peints de belgique* v *Commission* not yet reported), again a direct action, the Court held that the Commission had given an inadequate account of the factual grounds on which it had held that the agreement there in question migh affect trade between Member States (see paragraphs 30 to 35 of the Judgment).

The crucial question in these cases is however to what extent, if any, Article 85 can apply in a situation where there is no subsisting agreement or concerted practice. (I leave aside 'decisions by associations of undertakings', because they are not remotely in point here).

The defendants and the Commission submit that Article 85 applies in a situation where an agreement of a kind prohibited by that Article, although terminated, continues to 'produce effects' in the Community. They say that the territorial division between the EMI and CBS groups of the rights to the Columbia trade-marks results from erstwhile market-sharing agreements of a kind prohibited by Article 85 and that the enforcement of those rights is, for that reason, itself prohibited by that Article.

The Commission flirted, in the course of its argument, with a submission that the Court should not, for the purposes of Article 85, distinguish between the effect of an agreement leading to the licensing of a trade-mark and the effect of an agreement leading to the assignment of one. In the end, however, the Commission said that this distinction had little importance as regards dealings with trade-marks within the Community. I agree. In the light of the principles evolved in the *Hag* and *Centrafarm* cases it cannot much matter by what method it is sought to use trade mark rights to divide the common market. As respects agreements concerning trade with third countries, the Commission said that the distinction between those leading to the licensing of trade-marks and those leading to their assignment raised a difficult problem, the solution of which would have far-reaching consequences, and that it was not necessary to solve it in the present case. The fact is that no case has yet come before this Court about a trade-mark licensing agreement concerning trade between the Community and third countries, and I think it would be unwise for me to theorize as to what the outcome of such a case might be if it arose.

I revert to the main argument put forward by the defendants and the Commission.

One basis of this seems to be the 'effects doctrine' adopted by the Court in the *Béguelin* case and discussed very fully by Mr Advocate-General Mayras in his Opinion in Cases 48, 49 and 51 to 57/69 the *Dyestuffs* cases (Rec. 1972 (2) pp. 692-702). It seems to me that reliance on that doctrine is here misplaced. That doctrine is concerned with the jurisdiction of the Commission and of this Court over undertakings managed outside the Community. It means no more than that such undertakings cannot escape that jurisdiction if they enter into agreements that produce effects in the Community. That is not really in question here.

More pertinent, I think, is the reliance of the defendants and of the Commission on the Judgment of this Court in the *Sirena* case.

That Judgment is not, to my mind, easy to understand or to interpret. The difficulty it poses was pointed out by Mr Advocate-General Mayras in his Opinion in the *Hag* case ([1974] ECR at p. 750).

He there suggested that the Judgment was perhaps explicable on the view that the Court had, without expressly saying so, accepted an interpretation of the facts of the case put forward by Mr Advocate-General Dutheillet de Lamothe, according to which there were there still in existence agreements, or at any rate concerted practices, between the American, Belgian, Dutch, French, German and Italian firms involved. (It appears indeed that this was the interpretation of the facts accepted by the Italian Courts concerned, namely the Tribunale of Milan, from which the reference to this Court had come, and the Corte d'Appello of Milan, to which the case later went — see [1975] 1 CMLR 409, particularly at pp. 430-431; Dir. scambi internaz. 1974, p. 105). On the other hand there are passages in the Judgment of this Court that can be interpreted as supporting the argument of the defendants and of the Commission here. Thus, in paragraph 9, one finds this:

'A trade-mark right, as a legal entity, does not in itself possess those elements of contract or concerted practice referred to in Article 85 (1). Nevertheless, the exercise of that right might fall within the ambit of the prohibitions contained in the Treaty each time it manifests itself as the subject, the means or the result of a restrictive practice.'

And paragraph 12 says:

'If the restrictive practices arose before the Treaty entered into force, it is both necessary and sufficient that they continue to produce their effects after that date.'

The feature, however, of the Judgment that I find the most striking is that the principle on which it is founded is that of the unity of the common market, entailing that trade mark rights may not be used so as artificially to partition that market. This is much more clearly brought out in the Judgment than anything else: see in particular paragraphs 10 and 11. I accordingly think that, if the *Sirena* case fell to be decided today, it would be decided under Articles 30 and 36 of the Treaty and that it cannot be regarded as affording any clear authority on the applicability of Article 85 in circumstances such as those of the present cases.

The question thus resolves itself, in my opinion, into one of pure interpretation of Article 85 itself.

It would, I think, be going too far to say that Article 85 can apply only in a situation where there is a subsisting agreement or there are subsisting concerted practices. Suppose that, after the entry into force of the Treaty, two undertakings (whether established within or outside the Community) entered into an agreement which unquestionably had the effect of restricting competition within the common market and unquestionably was susceptible of affecting trade between Member States, and suppose that one of the means chosen by those undertakings to give effect to that agreement was an assignment of trade marks or mutual assignments of trade-marks. It could not in my opinion be held that, after that agreement had been terminated, perhaps as a result of action taken by the Commission under Regulation No 17, each undertaking remained free to exercise the trade-mark rights it had thus acquired even though such exercise of them itself had the effect of restricting competition in the common market and was susceptible of affecting trade between Member States.

The key to the problem lies in my opinion in ascertaining what it is that the prohibition in Article 85 extends to. It is, I think, worth recalling the actual terms of Article 85 (1), familiar though they be. It provides, so far as material for present purposes, that:

'The following shall be prohibited as incompatible with the common market:

all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market . . .'

In my opinion that prohibition cannot extend to an agreement made and terminated before the entry into force of the Treaty, because the Treaty does not have retroactive effect. It cannot therefore in my opinion extend to mere consequences of such an agreement, such as the exercise, after the entry into force of the Treaty, of trade-mark rights that a person them has but which, as a matter of history, he would not or might not have had but for the agreement. (It might be different, of course, if despite the termination of the agreement, there were continuing concerted practices between the parties).

I do not on the other hand doubt that the prohibition does extend to the continuance after the entry into force of the Treaty of an agreement of the kind described in Article 85 made before then. But, by a parity of reasoning, such prohibition cannot in my opinion extend to any consequences of that agreement other than those (if any) attributable to that continuance. The existence of the agreement before the entry into force of the Treaty not being prohibited, the exercise of trade-mark rights acquired as a result of its existence before then cannot be prohibited either.

Of course, in the case of agreements affecting competition only in the new Member States (or in one or two of them) or susceptible of affecting only trade between them and other Member States, the date that matters is not that of entry into force of the Treaty but that of Accession.

As I have mentioned, it is common ground here that between 1956 and 1962, i.e. during the period covering the date of entry into force of the Treaty, there existed no agreement or arrangement of any kind between any company in the EMI group and any company in the CBS group. If that be so, it follows in my opinion that Article 85 cannot apply except possibly as a result of something contained in one or more of the agreements entered into between the two groups between 1962 and 1971. It is of course for the national Courts to determine those matters.

Conclusions

As regards the formulation of the answers to be given to the questions referred to the Court by the national Courts, I think that, in view of the way in which the proceedings have developed, and in particular of the admission by the Court of evidence some of which was not before the national Courts, it might make for obscurity if Your Lordships were to use the symbols A, B and X used in the orders for reference.

I would answer the questions put in the English case as follows:

(1) The provisions of the EEC Treaty relating to the free movement of goods are not to be interpreted as disentitling an undertaking which is the

owner of a trade-mark in a Member State from exercising its rights under the national law of that State —

(i) to prevent the sale of goods bearing that mark imported into that State from outside the Community, even though they be goods manufactured and to which the mark has been applied in a country where their manufacturer is the owner of the mark, and even though the marks in the Member State in question and in that country have a common origin; or

(ii) to prevent the manufacture in that Member State of goods bearing that mark by a person entitled to the mark in one or more countries outside the Community, even though the marks have a common origin.

(2) The provisions of the Treaty relating to competition are not to be interpreted as disentitling an undertaking which is the owner of a trade-mark in a Member State from exercising its rights under the national law of that State —

(i) to prevent the sale of goods bearing that mark imported from outside the Community, being goods manufactured and to which the mark has been applied in a country where their manufacturer is the owner of the mark, or

(ii) to prevent the manufacture in that Member State of goods bearing that mark by a person entitled to the mark in one or more countries outside the Community,

unless either —

(a) such exercise of those rights is or would be the consequence either of an agreement made after 31 December 1957 or of the continuance after that date of an agreement made before it, such agreement in either case having as its object or effect the prevention, restriction or distortion of competition within the common market, and being susceptible of affecting trade between Member States; or

(b) such exercise of those rights would constitute an abuse of a dominant position held by that undertaking in the common market and such abuse might affect trade between Member States.

(3) The foregoing references to an agreement being made or continued are to be interpreted as including references to any decision by an association of undertakings or to any concerted practices being adopted or continued; and the references to 31 December 1957 are, in the case of any

agreement, decision or practices affecting only competition in any of the new Member States or trade between any of them and any other Member States to be interpreted as references to 31 December 1972.

In the Danish and German cases the questions should in my opinion be answered in the same way, but omitting, in each instance, paragraph (ii).