OPINION OF ADVOCATE GENERAL JACOBS

delivered on 27 February 1997 *

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.

* Original language: English.

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 whiskies 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

1 — See paragraph 4 above.

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

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.

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

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 KG and Farmitalia 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.

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

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.

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

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

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

11 — Cited in note 3.
12 — Cited in note 4.

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

13 — At paragraphs 52 to 55 of the judgment.

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

14 — At paragraph 56 of the judgment.

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:

1. 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

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.

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.

2. 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.

3. 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.