JUDGMENT OF THE COURT
26 November 1996 *

In Case C-313/94,

REFERENCE to the Court under Article 177 of the EC Treaty by the Tribunale di Chiavari, Italy, for a preliminary ruling in the proceedings pending before that court between

Fratelli Graffione SNC

and

Ditta Fransa

on the interpretation of Articles 30 and 36 of the EC Treaty and Article 12(2)(b) of the 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),

THE COURT,

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

* Language of the case: Italian.

Advocate General: F. G. Jacobs,
Registrar: H. A. Rühl, Principal Administrator,

after considering the written observations submitted on behalf of:

— Fratelli Graffione SNC, by Federico Montaldo, of the Genoa Bar, and Bernard O'Connor, Barrister-at-law,

— Ditta Fransa, by Fausto Capelli, of the Milan Bar, and Gian Marco Bo, of the Chiavari Bar,

— the Italian Government, by Umberto Leanza, Head of the Legal Service of the Ministry of Foreign Affairs, acting as Agent, and Maurizio Fiorilli, Avvocato dello Stato,

— the United Kingdom Government, by John E. Collins, of the Treasury Solicitor's Department, acting as Agent, and Michael Silverleaf, Barrister,

— the Commission of the European Communities, by Antonio Aresu and Berend Jan Drijber, of its Legal Service, acting as Agents,

having regard to the Report for the Hearing,

after hearing the oral observations of the parties at the hearing on 23 April 1996,

after hearing the Opinion of the Advocate General at the sitting on 6 June 1996,

gives the following

Judgment

1 By order of 29 October 1994, received at the Court on 28 November 1994, the Tribunale di Chiavari (District Court, Chiavari) referred to the Court for a preliminary ruling under Article 177 of the EC Treaty three questions on the interpretation of Articles 30 and 36 of that treaty and Article 12(2)(b) of the 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, hereinafter 'the Trade Mark Directive').

2 Those questions were raised in proceedings between Fratelli Graffione SNC (hereinafter 'Graffione'), a wholesaler in Liguria, Italy, and Ditta Fransa (hereinafter 'Fransa'), which owns a supermarket in Gattorna, in the province of Genoa, Italy.

3 Until October 1993 the Scott multinational group of companies (hereinafter 'Scott') marketed toilet paper and disposable handkerchiefs in Italy under the trade mark 'Cotonelle' and two variants of that trade mark (hereinafter 'the Cotonelle trade mark').

4 By judgment of 1 October 1993, given in a dispute between Scott and the company Kaysersberg, the Corte d'Appello di Milano (Court of Appeal, Milan), overturning a judgment of the Tribunale di Milano (District Court, Milan), ordered Scott to refrain from using the Cotonelle trade mark. The Corte d'Appello declared the trade mark void on the ground that it infringed the Italian Trade Mark Law because it might mislead consumers into thinking that the products in question actually contained cotton. Scott appealed against that judgment to the Corte di Cassazione (Court of Cassation).

5 Similar actions were brought against Scott by competitors in France and Spain. However, the Cotonelle trade mark was not declared invalid in those Member States.

6 Following the judgment of the Corte d'Appello, Scott ceased to distribute the products in question under that trade mark in Italy. Consequently, Graffione, which had until then supplied its own customers with those products, informed those customers that it was no longer able to supply them.

7 Learning that Fransa was selling products under the Cotonelle trade mark in Italy, Graffione brought proceedings for interim relief before the Tribunale di Chiavari. It claimed that, in view of the judgment of the Corte d'Appello, and in view of the fact that the sales by Fransa distorted competition, Fransa should be ordered to refrain from marketing the products in question under that trade mark.

8 According to the documents before the Court, Graffione's application for an injunction restraining Fransa is based on the rules on unfair competition in the Italian Civil Code. Graffione considers that it is subject to unfair competition because, following the judgment of the Corte d'Appello, it has been prevented from obtaining products bearing the Cotonelle trade mark directly from Scott in Italy and is thereby placed at a competitive disadvantage as against Fransa, which imports those products from another Member State where that trade mark is still valid.

9 In reply, Fransa states that the judgment of the Corte d'Appello concerns a trade mark relating to a product manufactured and marketed in Italy, whereas the product which it sells is imported from France, where it is lawfully marketed under the same trade mark. According to Fransa, an injunction prohibiting it from selling such products in Italy would therefore be a measure having equivalent effect to a quantitative restriction on imports, contrary to Article 30 of the Treaty. In that regard Fransa relies on the judgment in Case C-315/92 *Verband Sozialer Wettbewerb* v *Clinique Laboratories and Estée Lauder* [1994] ECR I-317 (the *Clinique* case), which concerned the allegedly misleading nature of the word 'Clinique', the name of a product imported from France into Germany. Fransa also relies on the Trade Mark Directive, in particular Article 12(2)(b) thereof, concerning the revocation of trade marks whose use is liable to mislead the consumer. Fransa claims that if that provision were applied, the result of the main proceedings would be different from that reached by the Corte d'Appello.

10 Article 12(2)(b) of the Trade Mark Directive provides:

'A trade mark shall also be liable to revocation if, after the date on which it was registered,

...

(b) in consequence of the use made of it by the proprietor of the trade mark or with his consent in respect of the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.'

11 The Tribunale di Chiavari therefore decided to stay proceedings and refer the following questions to the Court of Justice for a preliminary ruling:

'(1) Are Articles 30 and 36 to be interpreted as precluding restrictive application of national legislation of a Member State which prohibits the movement within its territory of a product from another Member State where that product has been lawfully manufactured and lawfully bears a trade mark?

(2) Is Article 12(2)(b) of Directive 89/104 to be interpreted as entailing harmonization of the national provisions on revocation of trade mark rights, on the grounds therein indicated, in relation to products distributed at Community level?

(3) In circumstances such as those at issue here, is the provision referred to in Question 2 above to be interpreted, having regard *inter alia* to the principle of proportionality, as precluding restrictive application of national legislation of a Member State intended to prevent the movement in that Member State of a product lawfully manufactured and bearing a trade mark in, and coming from, another Member State?'

12 By judgment of 17 November 1995, registered on 9 April 1996 and sent to the Court of Justice on 24 May 1996 by counsel for the applicant in the main proceedings, the Corte di Cassazione dismissed Scott's appeal against the judgment of the Corte d'Appello. Nevertheless, since there has been no argument before the Court of Justice concerning the judgment of the Corte di Cassazione, this Court must restrict itself to replying to the questions submitted to and considered before it.

The first question

13 Having regard to the legislative and factual background set out in the order for reference, this question must be understood as asking whether Articles 30 and 36 of the Treaty preclude a prohibition under national rules on protection against unfair competition on the marketing of products coming from a Member State in which they are lawfully marketed, on the ground that they bear a trade mark which the proprietor has been specifically prohibited from using in the Member State of importation because it has been held there to be liable to mislead consumers.

14 An injunction such as that applied for in the course of the main proceedings constitutes a measure having equivalent effect to a quantitative restriction on imports within the meaning of Article 30 of the Treaty.

15 The Court of Justice has consistently held that Article 30 aims to prohibit all trading rules enacted by Member States which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade (see Case 8/74 *Procureur du Roi* v *Dassonville* [1974] ECR 837, paragraph 5).

16 Where the proprietor of a trade mark is prohibited from marketing products under that trade mark, traders who wish to market products under the trade mark in question may obtain those products only by importing them. In those circumstances, an injunction prohibiting the marketing of those products amounts, in practice, to an impediment to their importation and therefore constitutes an obstacle to intra-Community trade.

17 It is also settled law that obstacles to intra-Community trade resulting from disparities between provisions of national law must be accepted in so far as such provisions are applicable to domestic and imported products without distinction and may be justified as being necessary in order to satisfy overriding requirements relating *inter alia* to consumer protection or fair trading. However, in order to be permissible, such provisions must be proportionate to the objective pursued and that objective must not be capable of being achieved by measures which are less restrictive of intra-Community trade (see Case 120/78 *Rewe-Zentral* v *Bundesmonopolverwaltung für Branntwein* ('Cassis de Dijon') [1979] ECR 649, paragraph 8; Case C-238/89 *Pall* v *Dalhausen* [1990] ECR I-4827, paragraph 12; Case 126/91 *Schutzverband gegen Unwesen in der Wirtschaft* v *Yves Rocher* [1993] ECR I-2361, paragraph 12; and Case C-470/93 *Verein gegen Unwesen in Handel und Gewerbe Köln* v *Mars* [1995] ECR I-1923, paragraph 15).

18 In the present case, the order for reference does not explain whether the judgment of the Corte d'Appello prohibiting the proprietor of the trade mark from using it in Italy also prevents third parties from marketing the products in question under that trade mark or whether it is binding only on the proprietor of the trade mark,

at least until the judgment becomes final, so that third parties may market products bearing that trade mark which are imported from other Member States where they are lawfully marketed.

19 Since it is for the national court to interpret and apply national law and since the application of Community law in the main proceedings depends on the answer to the question which has just been set out, both possibilities should be considered when interpreting Articles 30 and 36 of the Treaty.

20 If the judgment of the Corte d'Appello were to be binding only on the proprietor of the trade mark, third parties such as Fransa and Graffione would not be prevented, after that judgment, from importing the products in question and marketing them in Italy under that trade mark. The injunction requested by Graffione would not therefore be justified. Admittedly, as pointed out in paragraph 17 of this judgment, protection against unfair competition is one of the grounds accepted by this Court for allowing restrictions on the free movement of goods. However, protection against unfair competition cannot be accepted as a ground for prohibiting an undertaking from using its right to import into a Member State products from another Member State where they are lawfully marketed, and to market them under a particular trade mark in the Member State of importation, when other traders have the same right, even if they do not use it.

21 If, following the judgment of the Corte d'Appello, the marketing in Italy of the products in question under the Cotonelle trade mark were to be prohibited *erga omnes*, then, as the parties to the main proceedings have correctly observed, it must be considered whether such a barrier to the free movement of goods as a result of that judgment might be justified in order to protect consumers against the misleading nature of the Cotonelle trade mark, in so far as that trade mark might induce a consumer wrongly to believe that the products under that mark contained cotton.

22 The possibility of allowing a prohibition of marketing on account of the misleading nature of a trade mark is not, in principle, precluded by the fact that the same trade mark is not considered to be misleading in other Member States. As the Advocate General has observed in paragraph 10 of his Opinion, it is possible that because of linguistic, cultural and social differences between the Member States a trade mark which is not liable to mislead a consumer in one Member State may be liable to do so in another.

23 However, as pointed out in paragraph 17 of this judgment, in order to be justified, the measure adopted to protect consumers must really be necessary for that purpose and proportionate to the objective pursued, which must not be capable of being achieved by measures which are less restrictive of intra-Community trade.

24 According to the case-law of the Court, the risk of misleading consumers cannot override the requirements of the free movement of goods and so justify barriers to trade, unless that risk is sufficiently serious (see to that effect, in particular, the judgments in the *Clinique* and *Mars* cases, cited above).

25 Since the documents before the Court in this case do not enable it to assess whether those conditions are satisfied here, it is for the national court to carry out that assessment.

26 In doing so, the national court must have regard to all the relevant factors, including the circumstances in which the products are sold, the information set out on the packaging of the products and the clarity with which it is displayed, the presentation and content of advertising material, and the risk of error in relation to the group of consumers concerned.

27 The answer to the first question must therefore be that Articles 30 and 36 of the Treaty are to be interpreted as

— precluding reliance on protection against unfair competition as a ground for prohibiting an undertaking from using its right to import into a Member State products coming from another Member State where they are lawfully marketed and to market them under a particular trade mark in the Member State of importation, when other traders have the same right, even if they do not use it;

— but not precluding a prohibition, on grounds of consumer protection, on the marketing by all traders of products coming from a Member State where they are lawfully marketed, provided that the prohibition is necessary in order to ensure consumer protection and proportionate to that objective, which must be incapable of being achieved by measures which are less restrictive of intra-Community trade. The national court must, in particular, examine whether the risk of misleading consumers is sufficiently serious to be able to override the requirements of the free movement of goods.

The second and third questions

28 The national court's second and third questions essentially seek to establish whether Article 12(2)(b) of the Trade Mark Directive must be interpreted as precluding a prohibition on the marketing of products coming from a Member State where they are lawfully marketed, on the ground that they bear a trade mark which the proprietor has been specifically prohibited from using in the Member State of importation because it has been held there to be liable to mislead consumers.

29 The Trade Mark Directive, which, as its title indicates, is the first directive in that field, does not aim to bring about complete harmonization of the Member States' trade mark laws, and Article 12 of that directive merely lists the grounds on which a trade mark is liable to revocation. Moreover, according to the fifth recital in the preamble to that directive, the Member States remain free to determine the effects of revocation or invalidity of trade marks.

30 Furthermore, according to its sixth recital, the Trade Mark Directive does not exclude the application to trade marks of provisions of Member State law other than trade mark law, such as provisions relating to unfair competition, civil liability or consumer protection.

31 Consequently, as the Advocate General has observed in paragraphs 19 and 20 of his Opinion, Article 12(2) of the Trade Mark Directive leaves it to national law to determine whether and to what extent the use of a revoked trade mark must be prohibited.

32 It follows that that provision is of no relevance to the principal issue in the main proceedings.

33 The reply to the second and third questions must therefore be that Article 12(2)(b) of the Trade Mark Directive is to be interpreted as not precluding a prohibition on the marketing of products coming from a Member State where they are lawfully marketed, on the ground that they bear a trade mark which the proprietor has been specifically prohibited from using in the Member State of importation because it has been held there to be liable to mislead consumers.

Costs

34 The costs incurred by the Italian and United Kingdom Governments 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 proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the questions referred to it by the Tribunale di Chiavari, by order of 29 October 1994, hereby rules:

1. Articles 30 and 36 of the EC Treaty are to be interpreted as

— precluding reliance on protection against unfair competition as a ground for prohibiting an undertaking from using its right to import into a Member State products coming from another Member State where they are lawfully marketed and to market them under a particular trade mark in the Member State of importation, when other traders have the same right, even if they do not use it;

— but not precluding a prohibition, on grounds of consumer protection, on the marketing by all traders of products coming from a Member State

where they are lawfully marketed, provided that the prohibition is necessary in order to ensure consumer protection and proportionate to that objective, which must be incapable of being achieved by measures which are less restrictive of intra-Community trade. The national court must, in particular, examine whether the risk of misleading consumers is sufficiently serious to be able to override the requirements of the free movement of goods.

2. Article 12(2)(b) of Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks is to be interpreted as not precluding a prohibition on the marketing of products coming from a Member State where they are lawfully marketed, on the ground that they bear a trade mark which the proprietor has been specifically prohibited from using in the Member State of importation because it has been held there to be liable to mislead consumers.

Rodríguez Iglesias Mancini Moitinho de Almeida

Murray Sevón Kapteyn

Gulmann Edward Puissochet

Hirsch Ragnemalm

Delivered in open court in Luxembourg on 26 November 1996.

R. Grass G. C. Rodríguez Iglesias

Registrar President