OPINION OF ADVOCATE GENERAL JACOBS
delivered on 29 April 1997 *

1. The essential question in the present case is whether a trade mark proprietor may rely upon his trade mark rights to prevent the advertising of goods placed on the market by him or with his consent, in circumstances in which such advertising damages the luxurious and prestigious image of his mark. In particular, is the prevention of such advertising possible if the reseller is merely advertising in a manner customary to his trade? The case comes by way of a preliminary reference from the Hoge Raad der Nederlanden (Supreme Court of the Netherlands).

Facts and procedure before the national court

2. The second plaintiff, Parfums Christian Dior ('Dior Netherlands'), is the sole representative in the Netherlands of the first plaintiff, Parfums Christian Dior SA ('Dior France'). In common with Dior France's sole representatives elsewhere in Europe, Dior Netherlands makes use of a selective distribution system for the distribution of Dior products domestically. The products may be sold only by selected retailers and on condition that those retailers supply only to ultimate consumers or other selected retailers.

3. Dior France has exclusive rights in the Benelux to the Eau Sauvage, Poison, Fahrenheit and Dune picture trade marks, *inter alia* for class 3 products including perfumes. Those marks consist of illustrations of the packaging in which the bottles containing the perfumes bearing those names are sold. In addition, Dior France has copyright in both that packaging and those bottles and in the packaging and bottles of products marketed under the name of Svelte.

4. The defendant, Evora BV ('Evora'), operates a chain of shops under the name of its subsidiary Kruidvat. Those shops are described in the order for reference as chemists' shops. [1] Kruidvat shops have not been appointed as selected distributors of Dior products. However, they sell Dior products obtained by means of parallel imports (i. e. products which are not obtained directly from Dior or its distributors but which have

* Original language: English.

1 — For a more detailed description, see paragraph 1 of the judgment of the Court of First Instance in Case T-87/92 *BVBA Kruidvat* v *Commission* [1996] ECR II-1851.

already been marketed by Dior or with its consent). The legality of retailing such products has not been challenged in these proceedings.

5. In a Christmas promotion in 1993, Kruidvat advertised for sale the Dior products Eau Sauvage, Poison, Fahrenheit, Dune and Svelte. That promotion involved the depiction of the packaging and bottles of some of those products in Kruidvat's advertising leaflets for Christmas sale in week 49 of 1993. The Hoge Raad stresses that the advertising was carried out in a manner customary to retailers in the sector (taking into account special and *ad hoc* advertising in the Christmas period).

6. Dior had not, however, consented to such advertising and, on 8 December 1993, commenced proceedings against Evora for interim relief on the grounds that Evora had infringed its trade marks. Dior claimed that the marks had been used either in breach of its exclusive right to use the marks in respect of the same or similar goods (under indent 1 of the first paragraph of the version of Article 13A of the Uniform Benelux Law on Trade Marks in force at that time ('the Benelux Law')), or in circumstances which were liable to cause it damage, by *inter alia* impairing the prestige and image of the marks. (The second indent of the first paragraph of Article 13A of the Benelux Law entitled a trade mark owner to oppose any other use of the mark or a similar sign, in circumstances which, in the field of commerce and without just cause, were liable to prejudice the trade mark owner.) Dior also claimed that Evora had infringed its copyright in the bottles and packaging used for its goods.

7. Dior sought an order that Evora should desist and continue to desist from making any use of Dior picture trade marks and from any 'publication or reproduction' of Dior products in catalogues, brochures, advertisements, or otherwise. The President of the Arrondissementsrechtbank Haarlem (District Court) upheld Dior's claim in so far as he ordered Evora with immediate effect to desist and to continue to desist from making any use of Dior's picture trade marks and from any 'publication or reproduction' of the Dior products at issue in catalogues, brochures, advertisements or otherwise, in a manner not conforming to Dior's customary manner of advertising. The Gerechtshof (Regional Court of Appeal), however, set aside the President's order and refused the measures applied for. Dior appealed against that ruling of the Gerechtshof to the Hoge Raad.

8. At the time the questions in the present case were referred, the law amending the Benelux Law in the light of Council Directive 89/104 ('the Trade Marks Directive' or simply 'the Directive') [2] had not come into effect; the amending law (the second protocol dated 2 December 1992) entered into force on 1 January 1996. However, as the Hoge Raad recognizes, since the period prescribed for implementation of the Directive

2 — 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.

expired on 31 December 1992, [3] well before the occurrence of the events giving rise to the present proceedings, the Benelux Law at that time is to be interpreted, as far as possible, in the light of the wording and purpose of the Directive. [4]

9. Under the Benelux Law it had been held that where goods had been put into circulation under a trade mark by the trade mark owner or by a licensee, the reseller was entitled to use that trade mark for the purposes of bringing further commercialization to the attention of the public. However, by way of exception to that rule, the trade mark owner could oppose advertising by which a reseller sought to advertise his own undertaking by creating the impression that it was of a particular quality, thus taking advantage of the reputation and goodwill attaching to the trade mark. [5]

10. The Gerechtshof considered that Dior had not made out a sufficient case that the way in which Kruidvat had used the picture trade marks in its Christmas brochure was likely to create the impression in the minds of the public that those marks were being used substantially in order to publicize its own undertaking as such.

11. Dior also argued before the Gerechtshof that it was entitled to oppose Kruidvat's use of its trade marks on the ground that that use involved a change in the 'condition of the products' within the meaning of the third paragraph of Article 13A of the Benelux Law, or because there were legitimate reasons under Article 7(2) of the Trade Marks Directive for opposing further commercialization of the goods. The third paragraph of Article 13A provided, *inter alia*, that the exclusive right bestowed by the mark did not imply that the trade mark proprietor had the right to oppose the use of the mark in relation to goods which he or his licensee had put into circulation under that mark, but that he did have such a right if the 'condition of the products' had been altered. Indeed Article 7(2) of the Directive also refers to the condition of the goods because it accepts that there might be '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'. [6]

12. The Gerechtshof rejected Dior's argument based on those provisions. It considered that both provisions contemplated solely adverse effects on the reputation of the trade mark brought about by some alteration

3 — Under Article 16(1) of the Directive, Member States were to implement its provisions by 28 December 1991. However, by Decision 92/10/EEC, OJ 1992 L 6, p. 35, the Council made use of the power conferred on it by Article 16(2) and postponed the deadline for implementing the Directive until 31 December 1992.

4 — See, for example, Case C-106/89 *Marleasing* [1990] ECR I-4135, paragraph 8 of the judgment; Case C-91/92 *Faccini Dori* v *Recreb* [1994] ECR I-3325, paragraph 26; Joined Cases C-71/94, C-72/94 and C-73/94 *Eurim-Pharm Arzneimittel* v *Beiersdorf, Boehringer Ingelheim and Farmitalia Carlo Erba* [1996] ECR I-3603, paragraph 26 and Case C-232/94 *MPA Pharma* v *Rhône-Poulenc Pharma* [1996] ECR I-3671, paragraph 12.

5 — Judgment of the Benelux Court of 20 December 1993 in Case A 92/5 *Daimler-Benz* v *Haze*, Jurisprudentie 1993, 65 et seq.

6 — Cited in full at paragraph 19 below.

of the physical condition of the relevant branded goods. Dior contests that view by arguing that 'the condition of the goods' within the meaning of those provisions also covers the 'mental condition' of the goods. It considers the latter to mean the allure, prestigious image and aura of luxury surrounding the goods, resulting from the manner in which the trade mark proprietor has chosen to present and advertise the goods using his trade mark rights.

13. Pursuant to Article 10 of the Benelux Convention on Trade Marks concluded between Belgium, Luxembourg, and the Netherlands on 19 March 1962, and Article 6(3) of a convention concluded at Brussels between the same countries on 31 March 1965 concerning the establishment of a Benelux Court, the Hoge Raad is obliged, in certain circumstances, to refer questions relating to the interpretation of the Benelux Law to the Benelux Court for a preliminary ruling. The system is similar to that of preliminary references to this Court.

14. In the present case the Hoge Raad has referred similar questions simultaneously to this Court and to the Benelux Court 'in the interests of procedural economy'. It considers that answers to the substantive questions referred to both courts are necessary for the resolution of the litigation, although it recognizes that the reply to one of those questions might make one or more of the remaining questions wholly or partly unnecessary. However, it has also decided to ask this Court whether the highest national court or the Benelux Court is to be regarded as the court or tribunal against whose decisions there is no judicial remedy under national law for the purposes of Article 177 of the EC Treaty. By order dated 15 October 1996, the Benelux Court stayed the proceedings before it on the grounds that the replies to the questions submitted to this Court might affect its own response to one or more of the questions referred on the interpretation of the Benelux Law.

15. The Hoge Raad has referred the following questions to this Court:

'(a) Where, in proceedings relating to trade marks in one of the Benelux countries in connection with the interpretation of the Uniform Benelux Law on Trade Marks, a question relating to the interpretation of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks arises, is the highest national court or the Benelux Court to be regarded as the court or tribunal of the Member State against whose decisions there is no remedy under national law and which is therefore obliged under the third paragraph of Article 177 of the EC Treaty to make a reference to the Court of Justice?

(b) Is it in keeping with the system of the aforementioned directive, in particular Articles 5, 6 and 7 thereof, to assume that, where it is a question of the resale

of goods which have been put on the market in the Community under a trade mark by the trade mark proprietor or with his consent, the reseller is also free to use that trade mark for the purposes of bringing such further commercialization to the attention of the public?

(c) In the event that question (b) is answered in the affirmative, do exceptions exist to that rule?

(d) In the event that question (c) is answered in the affirmative, is there room for an exception where the advertising function of the trade mark is endangered by the fact that, as a result of the manner in which the reseller uses the trade mark in order to attract public attention in that way, he damages the luxurious and prestigious image of the trade mark?

(e) Can there be said to be "legitimate reasons" within the meaning of Article 7(2) of the directive where, as a result of the way in which the reseller advertises the goods, the "mental condition" of the goods — that is to say, their allure, prestigious image and aura of luxury resulting from the manner in which the trade mark proprietor has chosen to present and advertise the goods using his trade mark rights — is altered or detracted from?

(f) Do the provisions of Articles 30 and 36 of the EC Treaty preclude the proprietor of a (picture) trade mark or a holder of copyright relating to the bottles and packaging used for his goods from making it impossible, by invoking the trade mark right or copyright, for a reseller who is free further to commercialize those goods to advertise the goods in a manner customary to retail traders in the relevant sector? Is this the case also where the reseller, as a result of the manner in which he uses the trade mark in his advertising material, damages the luxurious and prestigious image of the trade mark or the publication or reproduction takes place in circumstances such that damage may be done to the person entitled to the copyright?'

The Trade Marks Directive

16. The Trade Marks Directive represents a first step in the harmonization of the trade mark laws of the Member States. [7] The questions in the present case make reference to Articles 5, 6, and 7 of the Directive.

17. Article 5 specifies the rights conferred by a trade mark. Those include the right for the

7 — Third recital.

trade mark owner to prevent all third parties not having his consent from 'using' the mark 'in advertising' (Article 5(3)(d)).

18. Article 6 provides, in essence, that the trade mark owner may not rely on his trade mark to prohibit a third party from using his own name or address, or indications which are necessary in order to describe the characteristics or purpose of a product.

19. Article 7 concerns the exhaustion of the rights conferred by a trade mark. It 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.'

Question 1

20. Pursuant to the third paragraph of Article 177 of the EC Treaty, where a question of Community law is 'raised in a case pending before a court or tribunal of a Member State against whose decisions there is no judicial remedy under national law, that court or tribunal shall bring the matter before the Court of Justice'.

21. In its first question, the Hoge Raad asks whether, in a case relating to the Benelux Law, 'the highest national court or the Benelux Court is to be regarded as the court or tribunal of the Member State against whose decisions there is no remedy under national law and which is therefore obliged under the third paragraph of Article 177 of the EC Treaty to make a reference to the Court of Justice'.

22. It might be thought that that question is technically inadmissible on the ground that a national court may request a ruling under Article 177 only where it considers that a decision on the question is necessary to enable it to give judgment, and that in this case a decision cannot be 'necessary' since the Hoge Raad has decided in any event to refer the substantive questions. Since however it is in principle for the national court to assess the necessity, and since the ruling may

well assist the Hoge Raad, and indeed the Benelux Court, in future cases, I consider that the question should be answered.

23. It should be noted however that the appeal in the present case is made in the context of interlocutory proceedings. If, therefore, the decisions taken by the Hoge Raad and the Benelux Court are not binding on the court or tribunal which later has to deal with the substantive proceedings, and if each party has the right to commence such proceedings, it is clear from previous case-law that neither the Hoge Raad nor the Benelux Court is obliged to refer questions to this Court: see *Hoffmann-La Roche* v *Centrafarm* [8] and *Morson and Jhanjan* v *State of the Netherlands*. [9] The latter case was similar to the present case in that it concerned a judgment of the Hoge Raad. It was explained in the question referred that the judgment of the Hoge Raad in the interlocutory proceedings, albeit on a point of law, was not binding on a court which was later required to hear the case on its merits.

24. It follows that, even if there is no appeal from the judgments of the Hoge Raad and the Benelux Court in the interlocutory proceedings, neither court is obliged to refer any question to this Court, provided that each party is entitled to institute or continue proceedings or to require proceedings to be instituted or continued on the substance of the case and provided that during such proceedings the question provisionally decided in the interlocutory proceedings may be re-examined and may be the subject of a reference to this Court under Article 177.

25. It may be useful, however, to consider what the position would be in relation to a final judgment in the main proceedings. For that purpose I would make the following observations.

26. The Benelux Court has, as already mentioned, a role in relation to uniform Benelux law, including the Uniform Benelux Law on Trade Marks, which is similar to the role of this Court under Article 177 of the Treaty in relation to Community law. The Benelux Court may be asked by any court in the Benelux countries, under Article 6 of the Treaty establishing the Benelux Court, to rule on a question of interpretation of Benelux law where there is a difficulty of interpretation and the national court considers that a decision on the question is necessary to enable it to give judgment. By the third paragraph of that article, a national court against whose decisions there is no judicial remedy under national law is bound to refer to the Benelux Court. Article 7(2) of the Treaty establishing the Benelux Court provides that the national courts which take decisions subsequently in the action are bound by the interpretation adopted by the Benelux Court.

8 — Case 107/76 [1977] ECR 957.

9 — Joined Cases 35/82 and 36/82 [1982] ECR 3723.

27. Dior submits that it is the Hoge Raad which, in a case such as the present one, is obliged to refer to this Court under the third paragraph of Article 177; Evora, however, submits that it is the Benelux Court. Both submissions raise the question whether the Benelux Court is a court or tribunal 'of a Member State' within the meaning of Article 177, since only such a body is entitled to refer. That question must, according to the Commission, be answered affirmatively because, although the Benelux Court may be regarded as a supranational court rather than as a court or tribunal of a Member State, nevertheless the interlocutory proceedings before the Benelux Court are a step in the proceedings before the national court. Moreover, since the answer given by the Benelux Court is binding on the referring court, the Benelux Court, according to the Commission, is not only entitled but obliged to refer when the answer to a question referred to it depends upon the interpretation of a provision of Community law. The only exception would be where the referring court (as in the present case) has itself made a reference to this Court; for the Benelux Court itself to make a reference would then be superfluous.

28. It seems to me to be sufficient for the purposes of the present case, and perhaps also for the purposes of future cases in which the same procedural issue may arise, to make two points. First, the requirements of the third paragraph of Article 177 will be satisfied provided that this Court has given a ruling at some stage in the proceedings before the national court takes a final decision. The rationale of the Treaty provisions is that a court of a Member State whose decisions are final should not decide a question of Community law in the absence of a ruling from this Court. From that perspective, it may make little difference in which proceedings the ruling is requested. Secondly, it seems to me that that purpose will often be best served, and that it may also be in the interests of procedural economy, where, as in the present case, this Court is given the opportunity to rule in advance of the proceedings before the Benelux Court.

Question 2

29. By its second question, the Hoge Raad is in substance asking whether, as a general rule, the principle of the exhaustion of rights extends to the advertising of trade-marked goods.

30. The principle of the exhaustion of trade mark rights is the well-established principle, subject to certain limited exceptions, that a trade mark owner cannot rely on his trade mark to oppose the importation or marketing of a product which was put on the market in another Member State by him or with his consent. [10] It is now reflected in Article 7(1) of the Trade Marks Directive, cited above, [11] which precludes a trade mark

10 — See, for example, paragraph 45 of the judgment in 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, and the authorities cited therein.

11 — At paragraph 19.

owner from prohibiting 'use' of a trade mark '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'.

31. If a reseller is free to sell products placed on the market by the trade mark owner or with his consent, it must follow that he is free, in principle, to advertise the goods also. A reseller's right to market products would be rendered virtually meaningless if the trade mark owner were always entitled to prohibit him from advertising the goods. That is particularly so if one considers that advertising includes point of sale material and arguably even displays of the product. If the principle of the exhaustion of rights never extended to advertising, resellers who lacked the trade mark owner's consent to advertising would be obliged to keep all sign of the products concerned under the counter and hope that customers requested the products on the off chance that the store might stock them. That would drive a coach and horses through the principle of the exhaustion of rights. A reseller must accordingly be entitled, in principle, to advertise the goods which he is entitled to sell.

32. That common-sense approach is moreover supported by the wording of the Directive. In establishing the bounds of the trade mark owner's basic rights, Article 5 of the Directive refers to the right to prevent others from 'using' the trade mark in certain circumstances and subparagraph 3(d) of that Article specifies that that right extends to preventing others 'using the sign on business papers and in advertising'. As Evora and the Commission argue, since Article 7(1), which enshrines the exhaustion principle, also refers to 'use' of the mark, it is logical to infer that such use also extends to advertising.

33. I accordingly conclude, in answer to the second question, that when goods have been placed on the market in the Community by the trade mark owner or with his consent, a reseller is free, as a matter of general principle, not only to resell those goods but also to use that trade mark for the purposes of bringing such sale to the attention of the public.

Questions 3, 4, and 5

34. By its third, fourth, and fifth questions, the Hoge Raad seeks to establish whether exceptions exist to that general principle and, if so, whether they include circumstances in which the manner of advertising damages the luxurious and prestigious image of the mark. The Hoge Raad refers in that respect to the 'mental condition' of the goods being altered or detracted from.

Protection of the reputation of a trade mark in principle

35. To my mind, the Court's recent judgment in *Bristol-Myers Squibb* [12] makes it clear that damage to a trade mark owner's reputation can, in principle, be a 'legitimate reason' within the meaning of Article 7(2) of the Directive for a trade mark owner to oppose the further marketing of goods placed on the market in the Community by him or with his consent. In that judgment the Court accepted that it is justifiable, under Article 7(2) of the Directive, interpreted in the light of the case-law on Articles 30 and 36 of the Treaty, for a trade mark owner to oppose the resale of goods placed on the market by him or with his consent on the grounds that the repackaging of the products is 'such as to be liable to damage the reputation of the trade mark and of its owner'. It concluded, therefore, that the repackaging must not be 'defective, of poor quality, or untidy'.

36. If a trade mark owner is entitled to oppose shoddy repackaging which damages his reputation, I do not see why he should not be entitled in certain circumstances to oppose shoddy advertising which damages his reputation. Nevertheless, the two situations are different and require separate consideration. Repackaging is, in one sense, a more direct interference with the trade mark owner's rights since it is in physical relation to the goods in question. On the other hand, however, shoddy repackaging (if not depicted in advertising) is likely to be seen only by those viewing or purchasing the batch of goods in question, whereas advertising by a reseller, albeit in relation to his particular batch of goods, might be seen by a wider public and thus have a greater effect on the reputation of the brand generally.

37. The argument put forward by Evora that the word 'commercialization' in Article 7(2), in contrast to the word 'use' in Article 7(1), relates only to the sale and purchase of products and excludes advertising, is without foundation. Even if one were to accept that the different choice of words were in some way significant, in my view advertising clearly falls within the concept of the 'commercialization' of a product. [13]

38. To conclude that damage to reputation falls within Article 7(2) of the Directive is not, however, to say that the reference to the 'condition of the goods' in Article 7(2) extends to the 'mental condition' of the goods as Dior argued because the Court

12 — Joined Cases C-427/93, C-429/93 and C-436/93, cited in note 10. See also Joined Cases C-71/94, C-72/94 and C-73/94 and Case C-232/94, cited in note 4.

13 — As I commented at footnote 3 of my Opinion in *Bristol-Myers Squibb*, that term appears to be a literal translation of the French word 'commercialisation'; it would be more normal in English to speak of 'further marketing of the goods'.

made it clear in *Bristol-Myers Squibb* [14] that that phrase refers to the condition of the goods 'inside the packaging'. Change to or impairment of the condition of the goods is but one example of a 'legitimate reason' within the meaning of Article 7(2), and damage to reputation is, as just discussed, another.

39. I should perhaps specify that I see protection of reputation as a free-standing concern. Although the Court has traditionally emphasized the role of trade marks in indicating the origin of products, [15] an emphasis with which I agree, it has not purported to say that trade mark rights can only ever be relied on in order to uphold that function. Trade marks may, by virtue of their origin function, be valuable assets, encompassing the goodwill attached to an undertaking (or one of its particular products). In *Bristol-Myers Squibb*, the Court does not appear to have required that consumers believe that the trade mark owner was in any way responsible for or connected with the undertaking which carried out the shoddy repackaging, although that may often be the case in practice. [16] It therefore seems reasonable to conclude that, in circumstances such as those of the present case, the trade mark owner need only show risk of significant damage to his reputation, and need not show that the public believe the retailer to be connected to or authorized by him.

40. The issue is very different from that in the case of *SABEL*. [17] In that case, with reference to the origin function of trade marks, I concluded that a trade mark owner cannot oppose the registration of a similar mark in relation to the same or similar goods unless there is some form of confusion as to the origin of the competing products. However, that case concerned Article 4(1)(b) of the Trade Marks Directive, which refers expressly to the concept of 'confusion'. Article 7(2) makes no such reference. That is perfectly understandable, since different considerations apply where the right in question is the right to oppose the registration or use of a similar mark, and where what is at stake is the protection of a mark from damage to its reputation not by the use of a similar mark but by action in relation to the trade-marked product itself. Moreover, it is not in my view necessarily unreasonable for a trade mark owner to have greater control over what is done in relation to his own products, even if already placed on the market by him or with his consent, than over what is done in relation to the products of other undertakings.

41. The Court's emphasis on the origin function of trade marks, which I discussed

14 — At paragraph 58.

15 — See, for example, paragraph 47 of the judgment in *Bristol-Myers Squibb*, cited in note 10.

16 — So that, as I observed at paragraph 28 of my Opinion of 27 February 1997 in Case C-349/95 *Loendersloot*, the requirement that the presentation of the repackaged products should not damage the reputation of the trade mark could to some extent be regarded as related to the guarantee of origin.

17 — Case C-251/95 *SABEL BV* v *Puma AG* [1997] ECR I-6191.

in *SABEL* and which is relevant also to the present case, has been criticized. [18] However, as has been recognized by one commentator, [19] criticism of the origin function has arisen to a large extent because it is understood in two different ways. Those who advocate it tend to understand it as covering 'both the use of the marks actually to tell consumers specifically where goods or services come from and also a looser usage to distinguish one line of goods or services from another on the market, in cases where consumers have no interest in source as such but only as the key to qualities. Radicals who strive for a broader, more "modern", approach, on the other hand, tend to denigrate "origin theories", by understanding them only to cover the first specific usage.' [20] But the origin theory, understood more broadly, recognizes that marks deserve protection because they symbolize qualities associated by consumers with certain goods or services and guarantee that the goods or services measure up to expectations. It is in that broader sense that the origin function has been understood by the Court. As it stated in *HAG GF*, [21] 'an undertaking must be in a position to keep its customers by virtue of the quality of its products and services, something which is possible only if there are distinctive marks which enable customers to identify those products and services. For the trade mark to be able to fulfil this role, it must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking which is accountable for their quality'. It is apparent that that aspect of trade marks (sometimes referred to as the 'quality or guarantee function') can be regarded as part of the origin function.

42. It is also argued that trade marks have other functions, which might be termed 'communication', investment, or advertising functions. Those functions are said to arise from the fact that the investment in the promotion of a product is built around the mark. It is accordingly reasoned that those functions are values which deserve protection as such, even when there is no abuse arising from misrepresentations about either origin or quality. [22] However, those functions seem to me to be merely derivatives of the origin function: there would be little purpose in advertising a mark if it were not for the function of that mark as an indicator of origin, distinguishing the trade mark owner's goods from those of his competitors. In my view, therefore, even if other facets of trade marks might require protection in certain circumstances, the Court's emphasis on the origin function of trade marks was, and remains, an appropriate starting point for the interpretation of Community law relating to trade marks. Accordingly, it follows that the circumstances in which a trade mark owner can invoke his trade mark rights in order to protect his reputation should not be construed too widely.

18 — See for example Gielen, 'Harmonisation of Trade Mark Law in Europe' [1992] 8 EIPR at p. 264.

19 — W. R. Cornish, *Intellectual Property*, Third Edition.

20 — See Cornish, cited in note 19, at p. 529.

21 — Case C-10/89 [1990] ECR I-3711, paragraph 13 of the judgment.

22 — See Cornish, cited in note 19, at pp. 527 and 529.

Risk of significant damage to the mark's reputation

43. Although the reputation of a trade mark can, in principle, be protected under Article 7(2), it is necessary to consider how far that protection extends. In the present case, the question is to what extent the owner of a trade mark for a luxury perfume may protect the luxurious image of his product in reliance upon his trade mark rights.

44. It seems to be commonly accepted that it is the exclusivity and luxurious image of many perfumes which make them a desirable gift, for both giver and receiver. As the Commission commented in its Decisions exempting the selective distribution systems of Parfums Givenchy SA and Yves Saint Laurent Parfums ('the Perfume Decisions'), 'the distribution system notified allows the exclusive character of the contract products to be safeguarded, such exclusive character being the main reason why consumers choose them. The consumer is thus assured that the luxury product will not become an everyday product as a result of the downgrading of its image and a decrease in the level of creation'. [23]

45. The importance of the reputation of luxury cosmetic products has been recognized not only by the Commission [24] but also by the Court of First Instance. In two recent judgments [25] the Court of First Instance upheld the Commission's Decisions exempting the abovementioned selective distribution systems of Yves Saint Laurent SA and Parfums Givenchy SA. The latter company is part of the same group as Dior. Under those systems distributors were subject to various quality controls, including conditions relating to the environment of the point of sale, in order to maintain the luxurious and prestigious image of the trade marks. Moreover, the selected distributors were not entitled to sell outside the selective distribution network. The Court of First Instance considered that the concept of the 'characteristics' of luxury cosmetics, within the meaning of the *L'Oréal* judgment, [26] could not be limited to their material characteristics but included also the specific perception consumers had of the products, in particular their aura of luxury. [27] It considered that it was in the interests of the consumers of luxury cosmetic products that the image of such products was not tarnished. In its view, although the luxurious nature of such cosmetics derived from, *inter alia*, their high intrinsic quality, their higher price, and the manufacturers' advertising campaigns, the fact that the products were sold within the framework of a selective distribution system, which sought to ensure that they were presented in retail outlets in an enhancing manner, was also capable of contributing to that image. [28] It accordingly considered luxury cosmetics worthy of the protection afforded by a selective distribution network. It can,

23 — Commission Decision 92/428/EEC of 24 July 1992 relating to a proceeding under Article 85 of the EEC Treaty (Case No IV/33.542 — Parfums Givenchy system of selective distribution), OJ 1992 L 236, p. 11, at p. 20, paragraph II B (3); Commission Decision 92/33/EEC of 16 December 1991 relating to a proceeding under Article 85 of the EEC Treaty (IV/33.242 — Yves Saint Laurent Parfums), OJ 1992 L 12, p. 24, at pp. 32 to 33, paragraph II B 3.

24 — In the decisions cited in note 23.

25 — Cases T-19/92 and T-88/92 *Groupement d'Achat Édouard Leclerc* v *Commission*, judgments of 12 December 1996.

26 — Case 31/80 *L'Oréal* v *De Nieuwe AMCK* [1980] ECR 3775.

27 — At paragraphs 115 and 109 of the judgments in Cases T-19/92 and T-88/92 respectively, both cited in note 25.

28 — Paragraphs 120 and 114 of the judgments in Cases T-19/92 and T-88/92 respectively, both cited in note 25.

therefore, be properly assumed for present purposes that the reputation of a trade mark for luxury cosmetics can, in principle, be damaged by marketing which detracts from its luxurious image.

46. In contrast to the case-law on the compatibility of selective distribution contracts with Community law, however, the present type of case concerns the situation in which products have already been placed on the market by the trade mark owner or with his consent. One therefore starts from the general principle that the trade mark owner has exhausted his right to object to further resale on trade mark grounds. In my view, therefore, trade mark rights may be invoked to object to advertising by parallel traders only if there is a risk of significant damage to the trade mark and that risk is properly substantiated.

47. Evora alleges that Dior's aim is to wipe out competition from the resale trade and maintains that the advertising which Dior alleges to be damaging to its reputation is customary to retail traders in the relevant sector. Evora also argues that, if Kruidvat were to upgrade its advertising, Dior would then object that Kruidvat was misleading the public into thinking that it was an authorized distributor, with the result that parallel trade would be effectively prohibited. It is worth observing at this point that, although Kruidvat could state expressly in its advertising that it is not an authorized distributor, it might be unreasonable to expect it to include a statement to that effect because that might suggest that its trade is unlawful.

48. It appears that the Gerechtshof has made several findings of fact as to the intentions of Dior. First, it appears to have accepted that the advertising in question is customary to retail traders in the relevant sector. Secondly, it is stated in the order for reference that the Gerechtshof considered that Dior wished to prohibit all advertising by undertakings such as Kruidvat and that its real aim was to hinder the sale of products by such undertakings (which usually sold the products more cheaply than its authorized distributors), so as to protect its selective distribution system against parallel imports. Evora also comments that the Gerechtshof observed that Dior had not contested the allegation that there was no difference between the advertising of the distributors and that of Kruidvat, and that Dior had not attempted to criticize Kruidvat's manner of advertising but objected simply to the fact that the advertising image of an undertaking such as Kruidvat was not in keeping with the image of Dior products. The Gerechtshof concluded that Dior had not proved that the usual manner of advertising amongst undertakings such as Kruidvat constituted a change in the 'condition of the products' within the meaning of the third paragraph of Article 13A of the Benelux Law.

49. However, the Hoge Raad's questions are phrased in general terms and on the assumption that the luxurious image of the trade mark is damaged. It is, therefore, necessary to make the following comments.

50. The question whether or not there is a risk of significant damage to the trade mark owner's reputation is essentially a question of fact for the national court. However, it may be of assistance to the national court for this Court to indicate the kinds of factors which might suggest that the risk of such damage is not established. In my view, such factors might include, for example, evidence that, as Evora alleges in the present case, authorized distributors have carried out advertising in similar fashion to the parallel trader without complaint from the trade mark owner, evidence that the selective distribution system set up by the trade mark owner is objectionable under the competition provisions of the Treaty because it is not necessary for the type of product in question, or evidence that the trade mark owner had not taken the trouble to set up a watertight distribution system.

51. If, as Evora alleges, authorized distributors have carried out advertising similar to that of Kruidvat without complaint from Dior, that may well be sufficient to show that there is no risk of significant damage to the reputation of the trade mark. Indeed the Hoge Raad specifies in its last question that the advertising in question is customary to retail traders in the relevant sector. If however the Hoge Raad means simply that the advertising is the normal type of advertising by chemists' shops, that mere fact should not in itself necessarily preclude the possibility of a trade mark owner relying on his trade mark rights to object to such advertising. However, to my mind trade mark owners should not, as a general rule, be entitled to object to respectable advertising by respectable traders, even if it can be shown that there is some damage to the product's luxurious image by virtue of the fact that such advertising is inferior to that of selected distributors. Resellers cannot be required to comply with the same conditions as selected distributors. There may, however, be exceptional circumstances in which a trade mark owner could object to a certain form of advertising which positively degraded the product's image, as opposed to simply falling short of the standards of advertising imposed on selected distributors. It is not easy to establish where the line should be drawn and that is essentially a question of fact for the national court. By way of example, however, it might be justifiable for the owner of a trade mark for luxury perfumes to oppose an advertisement which depicted his perfumes heaped in a 'sale-bin' at cut-price prices along with rolls of toilet paper and toothbrushes. A parallel trader might, in my view, reasonably be required to refrain from such advertising (although he could not of course be prevented from simply cutting prices). He could not, on the other hand, be required to undertake separate advertising in respect of luxury perfumes.

52. It is even possible to envisage, exceptionally, a situation in which it may be justifiable to accept that an undertaking should never be able to market luxury cosmetic products unless it changed its very nature. By way of example, a seedy shop in a red-light district might sell items favoured by those frequenting such districts and it might stock luxury perfumes alongside as part of a gift section; it

might even advertise those perfumes in a manner customary to its trade. It is difficult to imagine in that situation what such a shop could do by way of marketing so as to overcome damage to the aura of prestige and luxury usually surrounding such perfumes. Since, however, Kruidvat is a chain of chemists' shops, that type of situation is not in issue in the present case.

The prevention of parallel trade

53. I turn now to Evora's argument that, if Kruidvat were to upgrade its advertising, such upgrading could be challenged as misleading consumers into thinking that Kruidvat was an authorized distributor, and that successful actions on that basis would effectively prohibit parallel trade.

54. It seems clear that a manufacturer who uses a selective distribution system may have a legitimate interest in preventing consumers from having the false impression that a reseller is an authorized distributor. For example, the sales staff may not be adequately trained, and the manufacturer's reputation could suffer as a result. The manufacturer may therefore be able to make use of any means available under national law to prevent consumers from being misled in that way; and that might be so even if the indirect effect of the national measures were to be an impediment to parallel trade. But such an action by the manufacturer could go no further than was necessary to respect his legitimate interest in protecting his reputation.

55. Thus the fact that a trade mark owner might be able to object to advertising which misleads consumers into believing that the reseller is an authorized distributor does not mean that he can thereby prohibit all parallel trade.

Question 6

56. The sixth question concerns, not the Trade Marks Directive, but Articles 30 and 36 of the Treaty, the reason evidently being that it asks whether copyright, as well as trade mark rights, can be used in certain circumstances to prevent advertising of the goods by the reseller.

57. Article 36 of the Treaty provides, *inter alia*, that Article 30 shall not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property; the latter expression includes copyright, especially when

exploited commercially. [29] The question recognizes that attempts to prevent advertising might be based on trade mark rights or, separately or in conjunction, on copyright relating to the bottles and packaging of the goods. The Hoge Raad asks first whether Articles 30 and 36 of the Treaty preclude the holder of such rights from invoking his trade mark rights or copyright to prevent the reseller from advertising the goods in a manner customary to retail traders in the relevant sector; secondly, whether that is so where the reseller, as a result of the manner in which he uses the trade mark in his advertising material, damages the luxurious and prestigious image of the trade mark or the 'publication or reproduction' takes place in circumstances such that damage may be done to the person entitled to the copyright.

58. So far as trade mark rights are concerned, the answer to the question follows, in my view, from what has already been said. The owner of the mark is entitled to prevent advertising which is liable to damage the reputation of the product or of the mark provided that there is a properly substantiated risk of significant damage to that reputation.

59. The position can be no different with regard to copyright. It seems clear that the principles which have been developed in relation to trade marks in the Court's case-law under Articles 30 to 36 of the Treaty, and which in general terms remain applicable under the Trade Marks Directive, [30] must apply to the exercise of other forms of intellectual property rights. Indeed the Court has recognized that, inasmuch as copyright comprises the right to exploit commercially the marketing of the protected work, there is no reason to make a distinction, in the application of Article 36, between copyright and other industrial and commercial property rights. [31] It is true that the functions of copyright may differ from those of trade marks; to the extent that they differ, the legitimate scope of the exercise of copyright may go beyond that of trade marks. In the present case, however, the issues appear to be the same in relation to both. As the United Kingdom points out, where enforcement by the trade mark proprietor of a parallel copyright would have the same effect as that which is objectionable in relation to a trade mark, such enforcement cannot be permitted even if in carrying out legitimate advertising and promotion of goods a parallel trader reproduces a trade mark proprietor's copyright works.

60. It follows that the answer to Question 6 in relation to copyright must be in terms corresponding to the terms of the answers given in relation to trade mark rights.

29 — Joined Cases 55/80 and 57/80 *Musik-Vertrieb Membran* v *GEMA* [1981] ECR 147, paragraph 9 of the judgment.

30 — Paragraph 31 et seq. of the judgment in *Bristol-Myers Squibb*, cited in note 10.

31 — *Musik-Vertrieb Membran* v *GEMA*, cited in note 29, paragraphs 11 to 13 of the judgment, and see Joined Cases C-92/92 and C-326/92 *Phil Collins and Others* [1993] ECR I-5145, paragraph 21.

Conclusion

61. Accordingly I am of the opinion that the questions referred by the Hoge Raad should be answered as follows:

(1) Where, in proceedings relating to trade marks in one of the Benelux countries in connection with the interpretation of the Uniform Benelux Law on Trade Marks, a question relating to the interpretation of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks arises, and a reference is made or is to be made to the Benelux Court by a court of one of the Benelux countries against whose decisions there is no judicial remedy under national law within the meaning of the third paragraph of Article 177 of the EC Treaty, the requirements of that paragraph will be satisfied provided that the Court of Justice is enabled to give a ruling before the national court takes a final decision on the substance of the case.

(2) The abovementioned Directive, and in particular Articles 5, 6 and 7 thereof, must be interpreted as meaning that, where goods have been placed on the market in the Community by the trade mark owner or with his consent, a reseller is in principle free to use that trade mark for the purposes of bringing his sales to the attention of the public.

(3) The owner of the trade mark may however oppose the use of his mark by a reseller for the purposes of advertising where such advertising is liable to damage significantly the reputation of the trade mark and of its owner. In the case of luxury goods such as perfumes, such damage may consist in damage to the luxurious image of the goods. However, the risk of significant damage to the reputation of the trade mark must be properly substantiated.

(4) Articles 30 and 36 of the EC Treaty must be interpreted as meaning that the owner of a trade mark or the holder of copyright relating to the bottles and packaging used for his goods is entitled to rely on his trade mark or copyright to prevent advertising which is liable to damage significantly the reputation of his product. However, the risk of significant damage to the reputation of the trade mark must be properly substantiated.