OPINION OF ADVOCATE GENERAL TESAURO

delivered on 9 June 1993 *

Mr President,
Members of the Court,

1. Do Articles 30 and 36 of the Treaty impose limits on the application of national rules governing the granting of the right to a trade mark and the protection of that mark against similar marks capable, as such, of creating a risk of confusion?

Those are in substance the aspects raised in the context of these proceedings.

2. The facts may be summarized as follows:

It should be stated first of all that this dispute concerns a clash between trade marks of different origin, registered in different Member States by two independent undertakings. They are:

— the trade mark 'Quattro' registered in Germany (and internationally) by AUDI, intended to denote four-wheel-drive versions of certain models of the range, marketed under the designation of 'AUDI Quattro';

— the trade mark 'Quadra', registered in France by Renault, intended to denote the four-wheel-drive version of the Espace model, marketed under the designation of 'Espace Quadra'.

3. The proceedings between the two well-known automobile manufacturers took place in Germany, following parallel courses. On the one hand, Renault's German subsidiary, Deutsche Renault, sought and obtained from the Deutsches Patentamt (the German trade-mark office), cancellation of registration of the rival mark 'Quattro'. That decision was then judicially confirmed by the Bundespatentgericht (and an appeal against that judgment was still pending at the date of the hearing before the Court).

The cancellation of the trade mark 'Quattro', obtained by Deutsche Renault was based on the following grounds:

— the German Law (Paragraph 4(2) of the Law on Trade Marks, the Warenzeichengesetz (hereinafter referred to as 'the WZG'), in principle excludes the possibility of registering numerical signs unless the sign in question (Paragraph 4(3) of the WZG) has gained acceptance in trade circles as a distinctive sign of the products to which it is applied (it must be stated that the principle of the prohibition of registration of numerical signs is

* Original language: Italian.

part of the more general prohibition of registration of all signs which, through being essentially *descriptive* of certain characteristics or qualities of goods, are devoid of the *distinctive character* required to constitute a valid right to a trade mark);

— the trade mark 'Quattro' — the Italian word for the number four — is perceived by consumers as a numerical symbol;

— it is not sufficiently demonstrated that the designation 'Quattro' has acquired a degree of public acceptance sufficient to give it a distinctive character, account being taken also of the requirement, which is particularly important in the automobile sector, that the designation 'Quattro', as describing various technical characteristics of motor vehicles (four driving wheels, four doors, four cylinders and so on) is to remain in principle *freely available* to manufacturers.

4. On the other hand, and almost at the same time as the application made by Deutsche Renault to the Patentamt, AUDI applied for an injunction and compensation from Deutsche Renault, opposing the marketing in Germany of 'Espace' vehicles bearing the trade mark 'Quadra'. The action, based on the exclusive right resulting both from the registration and from the use of the designation 'Quattro' as a distinctive designation (Paragraph 25 of the WZG protects a trade mark resulting from use) was successful at first instance and on appeal.

The Bundesgerichtshof (hereinafter referred to as 'the BGH'), however, amended the assessment of the court adjudicating on the facts, emphasizing that the designation 'Quattro' has a special importance in the motor-vehicle market and must therefore be available for general use. It follows that a trade-mark right may be accepted for such a designation only if it is demonstrated that it has become extremely well known in trade circles as a distinctive designation for the products of a specific undertaking. Thus the BGH took the view that the degree of recognition established by the appeal court was insufficient for granting protection to the designation in question. Nevertheless the BGH stated that, if it from a fresh assessment of the facts by the court adjudicating on the facts, that the designation 'Quattro' had gained market acceptance with the requisite high degree of recognition, the designation could be legally protected under national trade-mark legislation.

In case it should appear, once the necessary investigations had been made, that national law recognized the protection claimed in this case by AUDI, the BGH felt it essential to refer to the Court of Justice the question whether Community law, and in particular Articles 30 and 36 of the Treaty, precluded such protection.

5. Before the question raised by the BGH is considered, it is appropriate to point out that the First Council Directive on trade marks provides for specific rules with regard to the points of law raised in these proceedings. The directive, which constitutes a first stage in the approximation of national laws in this sector, does in fact envisage provisions relating both to the essential requirements for the registration of a trade mark and to the protection of registered marks against other

identical or similar marks. It must however be emphasized both that the directive does not apply to marks established by use [1] (which might be the position with the mark 'Quattro') and that, at the time of the material facts, the period allowed for its transposition had not yet expired, so that its provisions are in no way relevant to the solution of the dispute. In this case, therefore, the Court is called upon to decide solely as to the limits laid down in this sphere by Articles 30 and 36 of the Treaty.

The relationship between the Treaty provisions on movement of goods and the national rules on the granting of a trademark right.

6. As I mentioned, the question raised by the BGH in its reference for a preliminary ruling concerns the limits laid down by Articles 30 and 36 of the Treaty to the granting of the right to a trade mark. It is substantially a matter of determining whether those provisions prevent the application of national legislation which, if certain conditions are present, confer a right to a trade mark for a numerical sign such as 'Quattro'.

7. In this respect it must be pointed out first, as a general rule, that according to the case-law of the Court, [2] the derogations envisaged to Article 36 of the Treaty must not be understood in the sense that they reserve 'exclusive jurisdiction' to the Member States, but more strictly in the sense that they allow only the adoption of 'justified' measures and therefore measures which are indispensable for the attainment of objectives of overriding public interest to which the provision refers. That principle applies also as regards industrial and commercial property. According to the Court, 'inasmuch as it provides an exception to one of the fundamental principles of the common market, Article 36 in fact admits exceptions to the free movement of goods only to the extent to which such exceptions are justified for the purpose of safeguarding rights which constitute the specific subject-matter of that property'. [3] From that point of view 'the reconciliation between the requirements of the free movement of goods and the respect to which industrial and commercial property rights are entitled must be achieved in such a way that protection is ensured for the legitimate exercise, in the form of prohibitions on imports which are "justified" within the meaning of that article, of the rights conferred by national legislation, but is refused, on the other hand, in respect of any improper exercise of the same rights which is of such a nature as to maintain or establish artificial partitions within the common market'. [4]

8. It must however be noted that, if one moves on from statements of a general nature to consider the specific results of the case-law, it becomes rather clear that in reconciling the requirements of free movement

1 — As may be seen from the fourth recital, the directive does not deprive the Member States of the right to continue to protect trade marks acquired through use; it deals with such marks only as far as concerns their relationship to trade marks acquired by registration obtained according to the provisions harmonized by the directive.

2 — See the judgment in Case 251/78 *Denkavit* [1979] ECR 3369.

3 — See the judgment in Case 119/75 *Terrapin* v *Terranova* [1976] ECR 1039.

4 — See the judgment in Case 144/81 *Keurkoop* v *Nancy Kean Gifts* [1982] ECR 2853.

of goods with those of industrial and commercial property rights the Court has shown particular caution, adopting a more moderate attitude than it has shown with regard to the other derogations envisaged in Article 36. In fact, on the subject of protection of health, morality, public policy and public security the Court, whilst recognizing that in the absence of harmonization it is in principle for the Member States to determine the level of protection which they intend to safeguard, has always reserved to itself the right to consider the proportionality of the measures adopted by comparison with the objectives pursued, judging in particular whether such objectives could not have been attained by measures which would restrict intra-Community trade to a lesser extent.

As I said, the approach followed on the subject of industrial and commercial property rights seems different and more timid. More specifically it may be seen from the case-law that Articles 30 and 36 prevent only an *obvious misuse* of the rights in question. The principal circumstances in which that occurs are the well-known cases in which the proprietor of such rights uses the protection granted him by national rules to oppose the importation or marketing of a product lawfully marketed in another Member State by, or with the consent of, the proprietor himself or a person legally or economically dependent on him.

9. On the other hand, the Court has always made it clear that Articles 30 and 36 may not be relied upon to oppose the application of national rules laying down whether, or by virtue of which conditions, or according to which procedures, an industrial or commercial property right may be conferred on a given proprietor. In the absence of harmonization at Community level therefore, the *existence* of such a right depends on national rules only, with the consequence that the rules adopted by a Member State in that sphere come *in principle* within the derogations from Article 30 laid down by Article 36. [5]

10. On that basis the Court has regarded as justified under Article 36:

— the uniform Benelux law which, on the subject of designs, grants an exclusive right to the first person to file a design, but without requiring that he should be the originator of the design or should have obtained a licence from him (judgment in *Keurkoop*);

— British legislation which, on the basis of the principle of 'relative novelty', allows the grant of a patent for inventions which have already been the subject of a previous patent filed more than 50 years previously and not subsequently used or published (judgment in *Thetford*);

5 — See the judgments in Case 35/87 *Thetford Corporation* v *Fiamma* [1988] ECR 3585 and in Case 24/67 *Parke, Davis & Co.* [1968] ECR 75. In the same sense, on the subject of trade marks, see the judgments in Case 16/74 *De Peijper* [1974] ECR 1183 and in *Terrapin*, previously cited. Still on the same subject reference may be made to the formula enunciated in the *Keurkoop* judgment, and repeated in the *Thetford* judgment, in Case 53/87 *CICRA* v *Renault* [1988] ECR 6039 and in Case 238/87 *Volvo* [1988] ECR 6211, according to which, in the absence of unification or approximation of laws by the Community, it is for national legislation to lay down the conditions and arrangements for protection of the rights in question.

— Italian and British legislation which recognize an exclusive right in an ornamental design in respect not only of the whole bodywork of a motorcar but also of the individual bodywork components, thus preventing the marketing of spare parts by unauthorized independent manufacturers (judgments in *CICRA* and *Volvo*).

11. I do not see any reason why that line of case-law should not be followed in this case also. As has been seen, the possibility of creating a right to a trade mark (by registration or use) as regards a numerical symbol, such as the designation 'Quattro', is laid down in detail by German legislation. Moreover in applying that legislation the German authorities have worked out precise interpretative criteria intended to guarantee that protection shall not be granted to designations devoid of any distinctive character and thus inappropriate for performing the proper function of the mark. That legislation and the interpretative criteria relating to it thus govern fully the requirements and arrangements for the grant of the right in question, laying down a somewhat cohesive system which makes it possible to define whether and within what limits a numerical sign may be the subject of a trade mark, the importance of the 'descriptive' nature of the designation, the level of recognition required (according to the various circumstances) to justify acknowledging a right to legal protection and finally the importance of the interests of competitors, and of third persons in general, in a free use of the designation in question.

It may be seen clearly from the case-law already mentioned that it is to those rules and not to the provisions of the Treaty on free movement of goods that reference must be made to determine whether, in a specific case, a given designation shows all the features necessary to enjoy legal protection of the trade mark. I therefore think that Articles 30 and 36 of the Treaty do not prevent application of the national rules and criteria at issue and that consequently the provision of legal protection for the designation 'Quattro' in Germany is a contingency which must be assessed by the competent authorities exclusively in the light of those rules and criteria.

12. On the other hand, if a different approach were adopted the Court would inevitably be called upon to define positively a system of case-law on trade marks, by deducing from Articles 30 and 36 the specific rules which the national authorities must apply to determine, in individual cases, whether or not to grant protection to a given distinctive designation. In other words, the Court would be taking on a clear rule-making rôle which so far, *in subiecta materia*, it has always regarded as the exclusive prerogative of the legislature (national or Community).

13. Moreover, that conclusion does not seem to me to be invalidated by the fact that the Council has adopted the first harmonization directive on trade marks laying down *inter alia* the requirements which a designation must meet in order to obtain registration (though the directive, as I have said, leaves untouched the right of Member States to

continue to protect trade marks acquired through use). The very adoption of the directive, it seems to me, confirms — in line, moreover, with the principles of case-law already mentioned — that the features constituting a trade mark, like any other industrial or commercial property right, depend, in the absence of Community rules, on national legislation and cannot be defined by the Court by way of interpretation of the rules of the Treaty.

14. However, one reservation must be added to the solution suggested here. If the creation (and more generally the maintenance and extinction) of the rights in question is governed by the national legal order, the prerogative allowed to Member States in that respect must not in any case be exercised in such a way as to bring about 'disguised restrictions' or 'arbitrary discrimination' in trade within the meaning of the second sentence of Article 36. It must however be pointed out that, in the application envisaged in the case-law, the specific scope of that reservation — which constitutes, as it were, a kind of minimum safeguard clause — does not go beyond extreme cases (almost classic cases) such as that of an application of the national provisions giving rise to discrimination on grounds of nationality against the traders concerned or of the place where the industrial or commercial property right arises; [6] it would be possible at the most to add to those cases that of a right to a trade mark granted to a designation *manifestly* devoid of any distinctive character (such as the example, mentioned at the hearing, of legal protection granted to the generic designation 'earth' or 'water').

6 — See the judgments in *Thetford*, previously cited, paragraphs 17 and 18 of the grounds of judgment; and in *CICRA*, previously cited, paragraph 12 of the grounds of judgment.

15. In the light of such considerations I think it would be possible to reply to the national court that, in the absence of Community harmonization, Articles 30 and 36 of the Treaty do not prevent the application of a national rule laying down whether and in what conditions it is possible to *create* a right to a trade mark relating to a numerical designation such as that which is the subject of the main proceedings.

The Treaty rules on movement of goods and appraisal of the risk of confusion between trade marks

16. A second aspect has been discussed in the context of these proceedings. The question has been raised whether, once it has been established that the national legal order and the Community legal order make it possible to recognize a right to a trade mark in the designation 'Quattro', the 'risk of confusion' between that trade mark and the trade mark 'Quadra' must then be appraised exclusively by criteria based on national law or by criteria based on Articles 30 and 36 of the Treaty. It seems to me appropriate to make a few preliminary observations on the matter.

17. First of all I would mention that the dispute concerns a clash between distinct trade marks 'Quattro' and 'Quadra', validly established in two different Member States by undertakings independent of one another.

I would also point out that the possibility of 'risk of confusion' is specifically covered, apart, of course, from German legislation, by the first Commmunity directive on trade marks (Article 5).

18. Moreover it seems to me appropriate to call the Court's attention to the fact that the question from the BGH does not contain any specific reference to the problem of the possibility of confusion between the marks at issue. The question, as is also clear from the order as a whole, concentrates in fact on the possibility that the Treaty may prevent the *establishment* of a trade mark relating to the designation 'Quattro'. On the other hand, the BGH does not expressly ask the Court whether, in the event of there being no objection to recognition of the mark 'Quattro', the Treaty imposes yet other limits on the appraisal of the possibility of confusion between that mark and the trade mark 'Quadra'. The reason is probably this: the BGH starts from the idea that in any case the trade mark 'Quattro' may be protected by German law only on condition that it is demonstrated that it has become extremely well known among the public, the consumers, as a distinctive designation of a given product; but if that is demonstrated, then it must be considered that the trade mark 'Quattro', precisely because it is widely known, enjoys a high degree of protection as against any other trade mark which, even with more or less obvious variations, may in any case be regarded as connected with the same designation. From that point of view, namely that of the protection of trade marks which are very well known, even a slight risk of confusion may in fact be sufficient to justify the application of legal protection. [7] And it is hardly necessary to point out in this respect that the Community directive (recognizing, moreover, a widespread characteristic) does not affect the power of the Member States to grant 'extensive protection to those trade marks which have a reputation' (ninth recital).

Moreover, even though it was not expressly raised by the BGH, the question of the possibility of confusion was fully discussed before the Court and it may well in any case have a certain importance for the purposes of the solution to the dispute in the main proceedings. I think therefore that the Court cannot avoid replying on this point.

19. Having said that, I think the following considerations may be pursued. First of all, it is clear that the power of the proprietor of a trade mark to oppose the use by competitors of similar or identical marks constitutes the essential content of the right to the trade mark. In fact that right, when it becomes operative, that is, at the stage when it is exercised, represents nothing other than an absolute right of exclusivity, a *jus excludendi omnes alios*. In this respect the provisions of Article 5 of the first directive are clear: 'The registered trade mark shall confer on the proprietor exclusive rights therein'. And the case-law is just as clear, stating, in the *Terrapin* judgment: 'in the present state of Community law an industrial or commercial property right legally acquired in a Member State may legally be used to prevent under the first sentence of Article 36 of the Treaty the import of products marketed under a

7 — The fact that that is the point of view adopted by the BGH seems to be confirmed by the opinion annexed to AUDI's observations, in which it is stated that 'le Bundesgerichtshof confirme qu'en toute hypothèse, si on part de l'idée que le terme "Quattro" a une valeur forte comme marque, il faut répondre par l'affirmative à la question de savoir s'il y a un risque de confusion avec "Quadra"'.

name giving rise to confusion where the rights in question have been acquired by different and independent proprietors under different national laws. If in such a case the principle of the free movement of goods were to prevail over the protection given by the respective national laws, the specific objective of industrial and commercial property rights would be undermined.' On the same lines, in the *HAG II* judgment, [8] the Court stressed that protection against the risk of confusion is linked to the *essential function* of the trade mark, and stated that that 'would be jeopardized if the proprietor of the trade mark could not exercise the right conferred on him by national legislation to oppose the importation of similar goods bearing a designation liable to be confused with his own trade mark, because, in such a situation, consumers would no longer be able to identify for certain the origin of the marked goods and the proprietor of the trade mark could be held responsible for the poor quality of goods for which he was in no way accountable.'

20. That having been said, it is also obvious that the higher the level of protection granted by a Member State as regards the risk of confusion, the stricter are the trade restrictions which may result, both within the Community and in the individual Member State in question. And it goes without saying that that very aspect has a significant practical importance for the operation of the internal market in view of the certainly very high number of cases of clashes between trade marks which may be expected within the Community (actually several hundred thousand according to the estimate given in Advocate General Jacobs's Opinion in the *HAG II* case).

The question therefore arises whether the appraisal of the risk of confusion must be made exclusively on the basis of the criteria derived from the national legal order or whether common criteria may be derived from Articles 30 and 36 of the Treaty.

21. I do not think that, in principle, the concept of *risk of confusion* can, prior to the entry into force of the first directive on trade marks, be regarded as a *Community concept*. It is therefore not for the Court to give a positive definition of the features of such a concept or the relevant criteria for its application. Moreover, as I have said, protection against the risk of confusion constitutes the essential content of the right to a trade mark and there would therefore be no point in claiming, on the one hand, that, in the absence of Community rules, the conditions (for the acquisition) of the right are governed by the internal legal order whilst claiming, on the other hand, that the conditions for the protection of the right are governed, in contrast, by the provisions of the Treaty. The right to a trade mark, as an exclusive right, and protection against symbols which may be confused with it are substantially two sides of the same coin: to reduce (or extend) the scope of the protection against the risk of

8 — See the judgment in Case C-10/89 *HAG GF AG* [1990] ECR I-3711.

confusion means nothing other than to reduce (or extend) the scope of the right itself. Both aspects must accordingly be governed by a single, homogeneous source which, at present, is the internal legal order.

22. To be specific, that means that prior to the entry into force of the first directive it is for the national authorities to resolve differences relating to a clash between different trade marks validly acquired in various Member States by undertakings independent of one another, on the basis of the principles and criteria laid down by national law. In particular, that is the basis on which the question of whether to grant protection must be considered, not only as regards the risk of confusion in the strict sense (confusion as to the origin of the products) but also as regards the risk of confusion in the broad sense (confusion as to the relations between the undertakings). That is still the basis on which consideration must be given to the question of whether to apply stricter criteria for appraising that risk whenever a particularly well-known trade mark is involved.

23. As regards the possibility that clashes between trade marks may receive different treatment in the various Member States, that is an altogether natural consequence of the absence of harmonization. It is even obvious that in such a situation it may happen that in one Member State it may be held that there is confusion between two marks whilst in another Member State the opposite conclusion may be reached. Thus in this case, whereas the German courts adjudicating on the facts have taken the view that they should grant protection to the trade mark 'Quattro' as against the mark 'Quadra', no question seems to have arisen in the United Kingdom, where both marks exist side by side and have been validly registered. On the other hand, account must also be taken of the fact that frequently the greatest strictness in protecting the mark from the risk of confusion may be the counterpart of greater strictness in recognizing the right to the mark: thus, although it is true that the German courts do not seem to have any hesitation as regards the risk of confusion between the trade marks 'Quattro' and 'Quadra', it is also true that, as may be seen both from the decisions of the Patentamt and the Bundespatentgericht on the one hand and the order of the BGH on the other, very severe criteria have been applied regarding recognition of the right to a trade mark in the designation 'Quattro'. It follows that it is not entirely impossible that the German authorities — in contrast to the British authorities-consider after all that the designation 'Quattro' cannot really be the subject of a trade mark and cannot therefore enjoy any legal protection in Germany as against the trade mark 'Quadra'.

24. There is still one last aspect to be stressed, namely that in appraising the risk of confusion between two trade marks the national authorities will in any case have to observe the general limit laid down by the second sentence of Article 36. The measures adopted to resolve clashes between trade marks must never therefore give rise to 'arbitrary discrimination' or a 'disguised restriction' on trade between Member States. On this point the Court introduced a specific reservation in the *Terrapin* judgment, stating that:

'the answer given ... does not prejudge the question whether an allegation by one

undertaking as to the similarity of products originating in different Member States and the risk of confusion of trade marks or commercial names legally protected in these States may perhaps involve the application of Community law with regard in particular to the second sentence of Article 36 of the Treaty. It is for the court of first instance, after considering the similarity of the products and the risk of confusion, to enquire further in the context of this last provision whether the exercise in a particular case of industrial and commercial property rights may or may not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States. It is for the national court in this respect to ascertain in particular whether the rights in question are in fact exercised with the proprietor with the same strictness whatever the national origin of any possible infringer.'

25. In particular, in applying the reservation referred to in the second sentence of Article 36, account must be taken of the need to avoid the exercise of the right recognized by the national legal system in respect of a given proprietor from giving rise to quite unjustified restrictions on trade. From that point of view — already emphasized in the Opinion of Advocate General Jacobs in the *HAG II* case [9] — care must therefore be taken to ensure that the exclusive character connected with the right to a trade mark is not asserted either in a discriminatory manner (as the Court indicated in its *Terrapin* judgment) or in situations in which there is no objective risk of confusion between two distinct marks. Such situations may in fact arise when, regard being had to the characteristics of the products and of the market as well as to the different signs and designations distinguishing the products in question it becomes clear that there is no possibility of confusing the identity of the origin of the products and that there is no undertaking which, by using a given distinctive symbol, is taking advantage of the fact that the other trade mark is well known or injuring its reputation. Thus I am sure that in this case the national court — which will have to assess this point — will not fail to take account of the fact that the origin of the products in question is distinguished in the eyes of the consumer not only by the marks 'Quadra' and 'Quattro', but by a whole series of distinctive factors of which, together with other signs, the designations 'Espace' and 'AUDI' form an integral part: thus it is indisputable in this case that the vehicles in question are marketed under the designation 'Espace Quadra' and 'AUDI Quattro' and not simply 'Quadra' and 'Quattro'. Moreover the national court will certainly not fail to consider that the consumer of well-known motor-cars is much more aware and consequently less exposed to the risk of confusion (in both the strict and in the broad sense) than the consumer of

9 — In his Opinion — in paragraphs 48 and 49 — Advocate General Jacobs emphasizes that an unduly broad view of the concept of confusingly similar marks — apart from not being justified in that case within the meaning of the first sentence of Article 36 — would run counter to the second sentence of that decision, since 'reliance on a trade mark in order to exclude goods manufactured in another Member State where the risk of confusion between the two marks is minimal would amount, if allowed by national courts, to a disguised restriction on trade between Member States'.

goods of a different nature and different cost such as (according to the example considered by all parties at the hearing) chocolates, detergents or sweets!

Conclusion

26. In the light of the foregoing considerations I suggest that the answer to be given to the national court should be as follows:

In the absence of Community harmonization measures Articles 30 and 36 of the Treaty do not prevent the application of the rules and criteria of national law from laying down whether, and in what conditions, it is necessary to recognize a right to a trade mark relating to a numerical symbol such as that which is the subject of the main proceedings. It is moreover for the national authorities to determine, on the basis of the rules and criteria of national law whether or not there is a risk of confusion between similar marks acquired by undertakings which are independent of one another. In recognizing that a given undertaking has a right to a trade mark and in appraising whether there is a risk of confusion owing to the use by another undertaking of a distinctive symbol similar to the said trade mark the national authorities cannot in any case adopt measures giving rise to arbitrary discrimination or a disguised restriction on trade between Member States within the meaning of the second sentence of Article 36 of the Treaty.