JUDGMENT OF THE COURT
30 November 1993 *

In Case C-317/91,

REFERENCE to the Court under Article 177 of the EEC Treaty by the Bundesgerichtshof for a preliminary ruling in the proceedings pending before that court between

Deutsche Renault AG

and

AUDI AG

on the interpretation of Articles 30 and 36 of the EEC Treaty,

THE COURT,

composed of: O. Due, President, G. F. Mancini, J. C. Moitinho de Almeida, M. Diez de Velasco and D. A. O. Edward (Presidents of Chambers), R. Joliet, F. A. Schockweiler, G. C. Rodríguez Iglesias, M. Zuleeg, P. J. G. Kapteyn and J. L. Murray, Judges,

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

after considering the written observations submitted on behalf of:

* Language of the case: German.

— Deutsche Renault AG, by H. Kroitzsch, Rechtsanwalt, Karlsruhe,

— AUDI AG, by M. Brandi-Dohrn, Rechtsanwalt, Munich,

— the German Government, by J. Karl, Regierungsdirektor at the Federal Ministry for Economic Affairs, and A. von Mühlendahl, Ministerialrat, and A. Dittrich, Regierungsdirektor, both at the Federal Ministry of Justice, acting as Agents,

— the Government of the United Kingdom, by S. Cochrane, Treasury Solicitor's Department, acting as Agent,

— the Commission of the European Communities, by B. Langeheine, of its Legal Service, acting as Agent,

having regard to the Report for the Hearing,

after hearing the oral observations of the parties at the hearing on 9 February 1993, at which Deutsche Renault AG was represented by H. Kroitzsch and Graf von Luckner, Rechtsanwälte, Hamburg, and the Government of the United Kingdom of Great Britain and Northern Ireland by A. M. Silverleaf, Barrister, acting as Agent,

after hearing the Opinion of the Advocate General at the sitting on 9 June 1993,

gives the following

Judgment

1 The Bundesgerichtshof (First Civil Senate), by an order of 21 November 1991, received at the Court on 9 December 1991, has referred to the Court of Justice under Article 177 of the EEC Treaty a question on the interpretation of Articles 30 and 36 of the EEC Treaty in order to enable it to decide whether the protection of a designation consisting of the word for a numeral in a language of the Community other than that of the State of importation is compatible with those provisions.

2 This question arises in a dispute between Deutsche Renault AG (hereinafter 'Renault'), the German subsidiary of a French motor-vehicle manufacturer, and AUDI AG (hereinafter 'AUDI'), a German motor-vehicle manufacturer, regarding the use by Renault of the designation 'Quadra'.

3 According to the documents before the Court, the legal and factual background to the question is as follows.

4 According to the Warenzeichengesetz (Law on Trade Marks, hereinafter 'the WZG'), numerals cannot be registered as trade marks (Paragraph 4(2)1 of the WZG) unless the mark in question has gained acceptance in the trade as a distinctive feature of the products to which it is applied (Paragraph 4(3) of the WZG). Moreover, the proprietor of a trade mark cannot prevent a competitor from applying to his products particulars of their special characteristics as long as such particulars are not used by way of a trade mark (Paragraph 16 of the WZG). Finally, a get-up ('Ausstattung') which is regarded in the trade circles concerned as sufficiently distinctive is also protected, essentially in the same way as a registered trade mark (Paragraph 25 of the WZG).

5 AUDI has had the trade mark 'Quattro' registered twice in the German trademark register. Since 1980 it has been marketing under that designation motor-cars with four-wheel drive. In mid-March 1988 Renault introduced on to the German

market a motor-car with four-wheel drive manufactured in France and already marketed in other European countries under the designation 'Espace Quadra'.

6 In March 1988 Renault applied to the German Patent Office to have the two trade marks registered by AUDI removed from the register. By decisions of 9 August and 11 October 1990 the Trade-Mark Division of the German Patent Office removed both 'Quattro' trade marks from the register on the ground that a numeral could not be registered even as a foreign word and that moreover at the time of registration the designation in question had not gained the necessary acceptance in the trade. An action brought by AUDI against those decisions was dismissed by the Bundespatentgericht, which, however, gave leave to appeal ('Rechtsbeschwerde'). It stated *inter alia* that the word 'Quattro', as the Italian word for the number 4, must be left free for national trade but above all for purposes of the import and export trade in the motor-vehicle sector and that in any event in that sector the figure 4 had an importance in advertising or for designating models which could not be compared with that of any other figure.

7 In the litigation giving rise to this reference for a preliminary ruling AUDI claims that Renault should be ordered to cease to use the designation 'Quadra' and to pay compensation. It contends that there is a risk of confusion between the designations 'Quattro' and 'Quadra' and bases its claim on its rights derived from the registration of the trade mark and from the right to a get-up under Paragraph 25 of the WZG. That paragraph is referred to in the main proceedings because under certain conditions it allows an unregistered mark to be protected.

8 AUDI was successful at first instance. In its decision of 30 November 1988 the Landgericht München I (Seventh Chamber for Commercial Cases) referred *inter alia* to the risk of phonetic as well as conceptual confusion between 'Quattro' and 'Quadra'; both concepts referred to the figure 4 for the same goods, namely motor vehicles with four-wheel drive.

9 The Oberlandesgericht München (Sixth Civil Senate), by a judgment of 21 September 1989 (that is, before the decisions of the German Patent Office referred to in paragraph 6 above) dismissed Renault's appeal. It based its decision essentially on the protection of get-up and decided in particular that AUDI's claims based thereon were justified and that there was no need for the designation to be kept free for competitors. The results of public opinion surveys produced by the applicant showed the acceptance in the trade required for protection of the designation, since 61.1% of those polled (and 79.8 to 87.9% of driving-licence holders, motor-car owners, drivers, persons with an interest in the motor-vehicle trade and those intending to buy a car) knew the designation 'Quattro' in relation to motor-vehicles and 51.2% of the public attributed the designation to a specific manufacturer.

10 Renault appealed on a point of law to the Bundesgerichtshof (hereinafter 'the BGH'), which came to the conclusion, contrary to the appeal court, that specialist circles in motor-vehicle manufacturing had a considerable interest in ensuring that the figure 4, which was of importance for that sector in many respects, should be kept free for general use, even in the Italian version in its verbal form, which was widely understood in Germany. The extent of recognition found by the appeal court was not sufficient to confirm a right to a get-up or the legal validity of the trade mark. Consequently, the designation 'Quattro' could be protected under the WZG only if a fresh appraisal of the factual situation by the court adjudicating on the facts showed that that designation had acquired the necessary high degree of recognition in the trade. A fresh opinion survey might possibly reveal such a high degree of recognition.

11 If that degree of recognition were to be proved, it would have to be accepted that the designation 'Quattro' had acquired a highly distinctive character and required correspondingly increased protection. On that assumption, it would follow that there was a danger of confusion with the designation 'Quadra' and that accordingly Renault must be prohibited from using it as a means of identification in Germany.

12 Since the defendant regards such a prohibition as an unlawful restriction of intra-Community trade, the court making the reference has decided to refer a question to the Court of Justice for a preliminary ruling so as to enable it to decide whether the case needs to be referred back to the fact-finding court for further clarification of the facts, which would be superfluous if the prohibition of the designation 'Quadra' were unlawful under Community law. Its question is worded as follows:

'Is there an unlawful restriction of intra-Community trade for the purposes of Articles 30 and 36 of the EEC Treaty if a subsidiary trading in Member State A of an automobile manufacturer established in Member State B is prohibited from using as a mark in Member State A the designation "Quadra", which the manufacturer has hitherto used without restriction for a four-wheel-drive motor vehicle, both in its own State and elsewhere, on the ground that another automobile manufacturer in Member State A claims — validly under the internal law of Member State A — a trade-mark right ("Warenzeichenrecht") and/or a right to a get-up ("Ausstattungsrecht") in the word "Quattro", even though that word denotes a numeral in another Member State and that meaning is clearly discernible in yet other Member States, and even though the number 4 thereby designated plays a significant and varied role in automobile manufacturing and the automobile trade?'

13 Reference is made to the Report for the Hearing for a more detailed account of the facts of the case, the procedure and the written observations submitted to the Court, which are mentioned or discussed below only in so far as is necessary for the reasoning of the Court.

14 A preliminary point to note is that the period for the transposition 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) was extended until 31 December 1992 by Article 1 of the Council Decision of 19 December 1991 (OJ 1992 L 6, p. 35). That directive, which moreover concerns only registered trade marks and not the right to a get-up, is therefore on any view, by reason of the date of its entry into force, inapplicable to this case, which must be decided exclusively in terms of Articles 30 and 36 of the EEC Treaty.

15 The question referred to the Court raises the problem whether provisions of national law of the kind at issue here are compatible with Community law. That problem has two aspects: first, with regard to establishment of the right to the designation, since according to such legal provisions the designation 'Quattro' would be capable of being protected under trade-mark law; secondly, with regard to the exercise of the right, since according to those legal provisions it might be assumed that there is a risk of confusion between the designations 'Quattro' and 'Quadra'.

16 These two points must be considered in turn.

Establishment of the right to the designation 'Quattro'

17 According to the provisions of the EEC Treaty on the free movement of goods, one of which is Article 30, quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States. However, according to the first sentence of Article 36, those provisions do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property.

18 According to the second sentence of Article 36, the prohibitions and restrictions mentioned in the first sentence 'shall not ... constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States'.

19 In Case 34/79 *Henn and Darby* [1979] ECR 3795 at paragraph 21, it was held that the purpose of the second sentence of Article 36 is to prevent restrictions of intra-Community trade based on the grounds set out in the first sentence of Article 36 from being abused in such a way as to introduce discrimination against goods originating in other Member States or to provide indirect protection for certain national products.

20 As the Court decided in the judgments in Cases 144/81 *Keurkoop* [1982] ECR 2853 and in Case 238/87 *Volvo* [1988] ECR 6211 with regard to designs and in Case 35/87 *Thetford* [1988] ECR 3585 with regard to patents, in the present state of Community law and in the absence of Community standardization or harmonization of laws, the conditions and procedures for the protection of an intellectual property right are a matter for national law.

21 Consequently, the conditions for the protection of a designation such as 'Quattro' are, subject to the limits imposed by the second sentence of Article 36, a matter for national law.

22 The first point to be made in this regard is that the national legislation at issue, in the interpretation given by the court making the reference, lays down very strict conditions for the protection under trade-mark law of a designation such as 'Quattro'.

23 Apart from the statutory limitations on the registration of a numeral as a trade mark (see paragraph 4 above), an unregistered trade mark is in general protected only if it has gained acceptance in trade, that is, if the mark is perceived by the German public as an indication that the goods to which it is applied come from a particular undertaking. That is the position only if the great majority of consumers have that impression.

24 This degree of recognition, which is called for by the court making the reference, must be all the higher if, as with the figure 4 in the automobile sector, the symbol is one which ought to remain available for use. In view of the importance of keeping the symbol available, the court making the reference regards the degree of recognition hitherto demonstrated as insufficient.

25 In addition, these rules apply also where the numeral is represented by a word in a foreign language, in so far as the language concerned is sufficiently well known in Germany.

26 Finally, it can be seen from Paragraph 16 of the WZG — which is also applicable by analogy to the right to a get-up ('Ausstattungsrecht') — that a competitor is not prevented by the protection of the mark from applying to his goods indications of their properties on condition that they are not used by way of a trade mark. The same rules apply to descriptive designations in foreign languages. However, the courts which had to decide the dispute in the main proceedings did not regard the use of the designation 'Quadra' as descriptive.

27 Secondly, it should be noted that it does not appear from the documents before the Court that a manufacturer from another Member State is precluded from claiming under the same conditions the protection granted under German law to a registered or unregistered trade mark or that such protection varies according to whether or not the goods bearing that trade mark are of national or foreign origin.

28 It follows that national legal provisions such as those at issue in the main proceedings, which permit the establishment under the aforementioned conditions of an exclusive right to the use of a designation such as 'Quattro', represent neither arbitrary discrimination nor a disguised restriction on intra-Community trade.

The risk of confusion between the designations 'Quattro' and 'Quadra'

29 With regard to the exercise of the right, the Commission states that the concept of actual risk of confusion must be strictly interpreted in order to avoid obstructing the free movement of goods further than is necessary for the protection of trade marks. As an exception to a basic principle of the common market Article 36 allows restrictions to the free movement of goods only in so far as they are justified by the protection of the rights which constitute the specific subject-matter of the industrial or commercial property at issue.

30 In view of that argument it should be noted, first, that the specific subject-matter of trade-mark rights consists in protecting the proprietor of the mark against a risk of confusion such as to allow third persons to take unlawful advantage of the reputation of the proprietor's goods (judgments in Case 16/74 *Centrafarm* v *Winthrop* [1974] ECR 1183 at paragraph 8 and in Case C-10/89 *HAG GF ('HAG II')* [1990] ECR I-3711 at paragraph 14).

31 Further, the adoption of criteria for a finding of risk of confusion forms part of the detailed rules for trade-mark protection which, as already stated (paragraph 20 of this judgment), are a matter for national law. A trade-mark right as an exclusive right and protection against marks giving rise to risk of confusion are in reality, as the Advocate General rightly emphasizes in section 21 of his Opinion, two sides of the same coin: reducing or extending the scope of protection against the risk of confusion simply reduces or extends the scope of the right itself. Both aspects must accordingly be governed by a single, homogeneous source of law — that is, at present, by national law.

32 Community law does not therefore lay down any strict interpretative criterion for the concept of risk of confusion.

33 However, national law is subject to the restrictions set out in the second sentence of Article 36 of the Treaty. As it is, there is nothing in the documents before the Court to indicate that those restrictions have been exceeded. In particular, there is nothing to suggest that the German courts interpret the concept of confusion broadly where the protection of the trade mark of a German producer is at issue, but interpret the same concept strictly where the protection of the trade mark of a producer established in another Member State is concerned.

34 In these circumstances, national laws such as those in question here, under which an exclusive right to use a designation such as 'Quattro' may be exercised in order to prevent the use of a designation such as 'Quadra', which is assumed to be

capable of creating a risk of confusion with the former designation, constitute neither arbitrary discrimination nor a disguised restriction on intra-Community trade.

35 The Commission further contends that, in order to appraise the risk of confusion, composite trade marks must be regarded in their entirety, so that in this case account must be taken of the fact that the vehicles in question are marketed under the designation 'Espace Quadra' and 'AUDI Quattro'.

36 According to German law, there is a risk of confusion between two trade marks not only when the trade concerned might mistakenly assume that the goods concerned come from one and the same undertaking (direct risk of confusion) but also when the mistaken assumption relates to the existence of an organizational or economic link between the undertakings concerned, such as a licensing agreement under which one undertaking is authorized to manufacture a product with the same properties as the product of the other (risk of confusion in the broader sense).

37 No exception can be taken under Community law to the protection granted by a national law against this last-mentioned risk of confusion since it corresponds to the specific subject-matter of the trade-mark right which, as stated above, consists in protecting the proprietor against the risk of confusion.

38 It is for the national court to decide whether the use of the words 'Quattro' and 'Quadra' in composite designations such as 'AUDI Quattro' and 'Espace Quadra' is sufficient to exclude the risk of confusion, even if it be established that the designation 'Quattro' has achieved a high degree of recognition.

39 In view of all the foregoing considerations, the answer to the question referred to the Court must be that it does not represent an unlawful restriction of intra-Community trade for the purposes of Articles 30 and 36 of the EEC Treaty if a subsidiary trading in Member State A of an automobile manufacturer established in Member State B is prohibited from using as a mark in Member State A the designation 'Quadra', which the manufacturer has hitherto used without restriction for a four-wheel-drive motor vehicle, both in its own State and elsewhere, on the ground that another automobile manufacturer in Member State A claims — validly under the internal law of Member State A — a trade-mark right ('Warenzeichenrecht') and/or a right to a get-up ('Ausstattungsrecht') in the word 'Quattro', even though that word denotes a numeral in another Member State and that meaning is clearly discernible in other Member States, and even though the number 4 thereby designated plays a significant and varied role in automobile manufacturing and the automobile trade.

Costs

40 The costs incurred by the German Government and the Government of the United Kingdom 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 question referred to it by the Bundesgerichtshof by order of 21 November 1991, hereby rules:

It does not represent an unlawful restriction of intra-Community trade for the purposes of Articles 30 and 36 of the EEC Treaty if a subsidiary trading in

Member State A of an automobile manufacturer established in Member State B is prohibited from using as a mark in Member State A the designation 'Quadra', which the manufacturer has hitherto used without restriction for a four-wheel-drive motor vehicle, both in its own State and elsewhere, on the ground that another automobile manufacturer in Member State A claims — validly under the internal law of Member State A — a trade-mark right ('Warenzeichenrecht') and/or a right to a get-up ('Ausstattungsrecht') in the word 'Quattro', even though that word denotes a numeral in another Member State and that meaning is clearly discernible in other Member States, and even though the number 4 thereby designated plays a significant and varied role in automobile manufacturing and the automobile trade.

Due Mancini Moitinho de Almeida Díez de Velasco

Edward Joliet Schockweiler

Rodríguez Iglesias Zuleeg Kapteyn Murray

Delivered in open court in Luxembourg on 30 November 1993.

J.-G. Giraud — Registrar

O. Due — President