2. (a) The proprietor of a trade-mark does not enjoy a dominant position within the meaning of Article 86 of the Treaty merely because he is in a position to prevent third parties from putting into circulation, on the territory of a Member State, products bearing the same trade-mark. He must also have power to impede the maintenance of effective competition over a considerable part of the relevant market;

(b) Although the price level of a product may not, of itself, necessarily suffice to disclose the abuse of a dominant position within the meaning of the said article, it may, however, if unjustified by any objective criteria, and if it is particularly high, be a determining factor.

Lecourt Donner Trabucchi

Monaco Mertens de Wilmars Pescatore Kutscher

Delivered in open court in Luxembourg on 18 June 1975.

A. Van Houtte
Registrar

A. M. Donner
President of Chamber
For the President

OPINION OF MR ADVOCATE-GENERAL DUTHEILLET DE LAMOTHE DELIVERED ON 21 JANUARY 1971[1]

Mr President,
Members of the Court,

The dispute giving rise to the question you are called upon to decide today may be briefly summed up as follows.

An American company, Mark Allen, specializing in toilet preparations, had registered, originally in 1931 and in Italy in 1933, a trade-mark, 'Prep', covering a shaving cream. By a contract made in 1937, to which we shall return in due course, Mark Allen assigned this trade-mark, so far as Italy was concerned, to the Sirena company. It appears from the copy of this contract filed that the contract did not involve any assignment of manufacturing processes, techniques or know-how.

Sirena thereupon manufactured a product which it marketed in Italy under the Prep trade-mark. Subsequently, it renewed this trade-mark in its own name, and registered two other trade-marks incorporating the slogan 'Prep Good Morning' as well as certain emblems.

Now, at a date we do not know, Mark Allen permitted a German company to use its trade-mark in Federal Germany. The latter company thereupon marketed shaving-creams under the same trade-marks. So long as it confined itself to

1 — Translated from the French.

selling them in Federal Germany, Sirena raised no objection, but as soon as the German company, through the medium of an import-export agency known as Novimpex, began to sell its products on the Italian market, at a price very much lower than Sirena's, the latter started proceedings before the appropriate Italian court against the importer and the re-sellers, alleging infringement of the three trade-marks which it had registered.

Before the Tribunale Civile e Penale of Milan, counsel for the importers contended that Articles 85 and 86 of the EEC Treaty created a legal bar to the exercise of the rights which Sirena claimed to have acquired both by reason of contract made with Mark Allen in 1937 and, more generally, from Italian legislation on trade-marks.

Faced with this dispute, the Italian Court has submitted to you the following questions of interpretation:

1. Are Articles 85 and 86 of the EEC Treaty applicable to the effects of a contract of assignment of a trade-mark made before the Treaty entered into force?
2. Must the said Articles 85 and 86 be interpreted as preventing the owner of a trade-mark lawfully registered in a Member State from exercising the absolute right derived from the trade-mark to prohibit third parties from importing from other countries of the Community products bearing the same trade-mark, lawfully attached to them in their place of origin?

These questions call first of all for a preliminary observation.

One of the difficulties in this case arises from the fact that at least three important questions fundamental to the dispute have not up to now been resolved by the national court:

1. The question whether the trade-mark rights which Sirena enjoys are either wholly or partly based on a derivative title—to use the terminology usual on this subject—or are the rights of an original proprietor.
2. The question whether, having regard to Italian legislation and case-law, the parallel importation of goods bearing a trade-mark properly registered abroad must be treated as an infringement. My Lords, you know how much national legal systems often differ on this point, and even seem sometimes to fluctuate. A recent decision of the French Cour de Cassation of 17 April 1969 (Radio Téléhall) is a case in point. It seems to inaugurate a complete change of judicial attitude on this point, on which hitherto the French and Italian courts had adopted similar solutions, quite different from those prevailing in the four other Member States.
3. The question whether, as regards any derived rights which Sirena might be able to assert, the contract entered into by that company and Mark Allen in 1937, involving no assignment of know-how, could legally confer on it any rights, having regard to the Italian legislation applicable at that time. This is a point the parties have debated at length.

These are of course questions which only the national court is competent to resolve, but this uncertainty regarding certain fundamental features of the case will, it seems to me, necessarily lead you, if you wish your reply to be of real value to the Italian court, to formulate it in such a way that it will enlighten that court on the scope of Community law, whatever answers it may be disposed to give to the various fundamental questions I have just outlined.

In the light of this observation I propose, without following strictly the order adopted by the Italian court in formulating its questions, to answer them under three headings.

The first point should, I think, consist in making it clear that the principles already developed by your case-law on the subject of patents apply also to trade-marks. According to those principles, although the entry into force of the Treaty of Rome has not affected the existence

of the rights accorded by the law of a Member State to a trade-mark owner, the exercise of those rights may nevertheless be restricted by Articles 85 and 86 of the Treaty.

The second and third points should consist in elaborating the lastmentioned point by indicating to the national court some of the principal cases in which the exercise by a trade-mark owner of the rights he enjoys might incur the application of Articles 85 and 86 of the Treaty.

With your permission I will take each point in turn.

I

On the first point, I think that the principle established by your judgment in the Parke Davis case on the subject of patents must be extended to trade-marks.

This principle, you will remember, is that the existence of the rights recognized by national legislation remains intact even if their exercise may be restricted by the provisions of the Treaty of Rome.

Admittedly, the economic and, one might say, the virtually ethical or at any rate human grounds which argue in favour of this answer in the case of patents have much less force when applied to trade-marks. This is a point which, I frankly admit, has caused me to hesitate in suggesting to you that the answers given in relation to patents should be applied to trade-marks.

Both for patents and for trade-marks the protection given by national legislation proceeds basically from the same idea of territoriality, and this alone calls for some effort to reconcile that protection with the fundamental principles and objectives of the Common Market relating to the free movement of goods.

It is easier to make this effort when dealing with patents than when dealing with trade-marks. Both from the economic and from the human point of view the interests protected by patent legislation merit greater respect than those protected by trade-marks.

Protection of patents is justified by the interest which society has in encouraging and protecting those who devote themselves to the development of science and technology, and whose discoveries are often the outcome of long years of research, sometimes substantial investment, and sustained intellectual effort.

Obviously, these considerations apply with very much less force to trade-marks. Originally, a trade-mark provided the consumer with some guarantee of the quality of a product, but nowadays it is tending more and more (as the evolution of national laws bears witness) to become nothing more than an aid to advertising.

From the human point of view, the debt which society owes to the 'inventor' of the name 'Prep Good Morning' is certainly not of the same nature, to say the least, as that which humanity owes to the discoverer of penicillin.

From the economic point of view the position is admittedly rather different. Certainly the production of a trade-mark does not, save in the most exceptional circumstances, require the investment and the time required for the production of a patent. There is, however, one aspect which should not be neglected, that of the cost of advertising. Studies recently made in the United States show that in the case of certain widely-used products the cost of advertising can account for as much as 50% of the final cost of the product. One may deplore this or welcome it, but either way one might reflect that from this point of view trade-mark legislation serves to prevent the sort of 'deflection of investment' which would result from the possibility of a businessman's benefiting from the advertising undertaken by one of his competitors for a given product which the public is only likely to buy because of the name it bears.

However, there is no need to give this economic argument more weight than it deserves. For one thing, the 'deflection of investment' which might thus arise is the result rather than the justification of

a certain conception of the right represented by trade-marks. Sirena, if it was willing and able to export to Germany, would profit from the 'Prep' advertising undertaken by the German firm just as the latter would benefit from the advertising undertaken by Sirena for the same trade-mark in Italy.

On the other hand, the very great mobility of people in present-day Europe puts the problem in a new setting. The German or Dutch housewife on holiday in Spain or Italy is likely to ask for the detergent she has heard or seen vaunted by advertising in her own country, and it will thus be the owner of the Italian or Spanish trade-mark who will benefit from the advertising undertaken by the Dutch or German trade-mark owners. This is inevitable.

Frankly, however, it is really the following legal considerations which make it particularly difficult to discriminate from the point of view of Community law between a patent and a trade-mark.

1. A trade-mark right, like a patent right, is a right of property. That is to say, the provisions of Articles 36 and 222 of the Treaty, which you have already taken into account in your case-law on the subject of patents, are equally applicable to a trade-mark right.
2. In your judgment in the Grundig case on 13 July 1966 you have already decided that, although the exercise of the rights arising from national legislation on trade-marks might be restricted by the provisions of Articles 85 and 86 of the Treaty, their existence was not in itself affected by the establishment of the Common Market.

The principles must, in my view, be the same for trade-marks as for patents, whatever nuances there might be in applying them.

Such are the reasons why, without enthusiasm from a moral standpoint but without much doubt from a legal standpoint, I propose that you should indicate to the Italian court in the first part of your reply that only the exercise, not the existence, of the rights conferred by national legislation on the owner of a trade-mark may be affected by the entry into force of the provisions of the Treaty of Rome.

II

The second part of your reply should, it seems to me, consist in spelling out the precise circumstances in which the exercise of trade-mark rights may be affected by the provisions of Article 85 (1) of the Treaty.

In this connexion it is necessary, I think, to distinguish three cases:

First case: the rights invoked are derived solely from national legislation.

Second case: the rights invoked are derived, at least in part, from a contract having no other object or result than to permit the purchaser of the trade-mark to benefit from the protection which the national law confers on a duly registered proprietor of a trade-mark.

Third case: the rights invoked either arise from a contract involving rights or obligations other than those necessarily arising from a national trade-mark law, or are combined with other contracts between the same parties or similar contracts entered into by the original proprietor of the trade-mark with other licensees or assignees.

With your permission we will take each of these cases in turn.

In the first case, it suffices to observe as you did for patents in your judgment of 29 February 1968 in the Parke Davis case (24/67):

(a) that a trade-mark right, in itself and independently of any agreement of which it may form the subject-matter, does not fall within any of the categories of restrictive practice envisaged by Article 85 (1) of the Treaty, but is a creature of State law, and thus does not involve any of the elements of contract or concerted practice required by the provision cited.

(b) that this does not necessarily prevent the provisions of that Article from applying if the use of one or more patents has been so concerted between undertakings as to create a situation which might properly be viewed as falling under the headings of agreements between undertakings, decisions by associations of undertakings or concerted practices envisaged by Article 85 (1).

In the second case, where the rights invoked are derived only from a contract having as its sole object and result that of making available to the assignee or licensee the protection afforded by the national law to the registered holder of a trade-mark, the situation is in my opinion very similar to, if not identical with, that which we have just considered in relation to the first case.

If the contract has as its sole object and effect that of permitting the purchaser to benefit from the rights the original proprietor of the trade-mark could or might have claimed under the national legislation, and if it can only be considered in isolation, the position of the purchaser can be very largely assimilated to that of the original proprietor.

In this case, the contract cannot of itself come into the category envisaged by Article 85 (1) of the Treaty. Only where its presence together with other contracts might amount to concerted action between undertakings would it be proper to ask whether this concerted action is likely to affect trade between Member States and has as its object or effect the distortion of competition.

Much more subtle are the problems posed by the third of the cases I have just described.

This is where the contract, whether of absolute assignment or of licence to use a trade-mark—either taken by itself or considered in conjunction with other contracts entered into between the same parties, or parallel contracts linking the original trade-mark proprietors with other assignees or licensees—has some object or effect going beyond that of conferring on the assignees or licensees the rights arising purely from national legislation.

In this connexion your case-law has already provided certain indications which you may perhaps consider it useful to amplify and develop in the present case.

You have already decided in the Grundig case that when a contract of licence of a trade-mark (and the same reasoning applies *mutatis mutandis* to a contract of assignment) is closely linked with a sole distributorship agreement, it is the validity of this latter agreement in relation to Article 85 (1) which determines the validity of the trade-mark contract itself.

But is there not room, perhaps, to go a little further today?

It has been argued that the contractual position Sirena enjoys, or could enjoy, falls under the ban imposed by the provisions of Article 85.

It is contended by Novimpex that this contractual position, whether considered by itself or in conjunction with parallel contracts entered into by Mark Allen with French, Belgian, Dutch and German firms, discloses the existence of agreements, decisions or, at least, concerted practices condemned by the abovementioned provisions of the Treaty.

In this connexion, particular emphasis is laid on a letter dated 11 July 1969 addressed by the firm of Mark Allen to the owner of the Prep trade-mark in the Federal Republic of Germany.

It appears from this letter that Mark Allen considered itself to have assigned to some French, Belgian, Dutch, German and Italian firm 'exclusive distribution rights' and that—we quote—'the rights for the sale and distribution of Prep under Prep trade-mark in Italy is (sic) the exclusive rights and licence of Sirena'. This statement, taken in conjunction with other passages in the same letter, indicates, according to Novimpex, that the assignments of their trade-marks agreed to by Mark Allen involve

a prohibition on exporting to a country where this trade-mark has been similarly assigned, even if that country is a member of the Common Market.

In the context of proceedings under Article 177 of the Treaty, and having regard to the wording of the questions asked, you will not, I think, come to a decision on whether this argument is correct in fact.

But will you not find it necessary to give such guidance to the Italian court on the interpretation of Community law as will assist it in resolving this disputed aspect of the case before it?

I think so, and I think so more particularly because, in another case brought before the same court, the Commission has been induced to state its attitude on a problem quite close to that raised in the present case.

That case concerned the importation of electric razors under the Remington trade-mark by a firm of importers, which the proprietors of the trade-mark in Italy, Remington Rand Italia, which manufactured such razors, sought to oppose.

Having been called upon in the course of the proceedings, the Commission, according to Community Bulletin No 8 of 1969, pages 40 to 42, indicated to the firms concerned—I quote—that 'the trade-mark licensing agreement, *as it has been interpreted and applied by the parties,* gives rise to legitimate doubts as to its compatibility with the provisions of Article 85 of the Treaty. Resort to the agreement as a means of opposing the parallel importer was not a matter of restraining an infringement, since the electric razors he had imported into Italy lawfully bore a genuine Remington trade-mark. It was aimed at preventing him from importing razors into Italy from other countries of the Common Market. Applied in this way, the agreement, ensuring for Remington Rand Italia an absolute territorial protection, affected trade between Member States and restricted competition bearing on the products in question in pursuit of aims at variance with the proper function of a trade-mark'.

Admittedly, the position is slightly different in the present case, since Remington Rand Italia was the subsidiary of the American company, which appears not to be the case with Sirena. But the Milan court, which is certainly aware of this decision—although a settlement out of court after the Commission had stated its attitude made it unnecessary for the court to follow it up—would perhaps be surprised if you did not give it some guidance by way of making known to it whether or not the principles of interpretation of Community law on which the Commission based its attitude in the abovementioned case, appear to you to be well-founded in law.

I propose therefore that you should, briefly at any rate, elucidate for the benefit of the Italian court the effect of those provisions of Community law which that court might find it necessary to take into account in evaluating the argument developed by Novimpex.

In this connexion you will probably wish to confine yourselves to four considerations, of which some are implicit in judgments you have already given:

1. Agreements or concerted practices designed to partition markets within the Community, if they affect trade between the Member States and have as their object or effect the restriction of competition in the products in question, are pursuing aims at variance with the proper function of a trade-mark and thereby deprive the owner thereof of the protection which he would otherwise enjoy either by reason of the terms of the contract or by the application of the provisions of natural legislation.

This, basically, is the principle established by your decision in the Grundig case.

2. To determine the object and the effect of contractual provisions or concerted practices for the purposes of Article 85 (1) of the Treaty, the court

has not merely to consider them in isolation, but must equally take into consideration the existence of other contracts or links of any kind existing otherwise between the contracting parties, and any similar contracts to the extent to which these contracts or practices, viewed as a whole, are such as to restrict competition.

This is what you decided in your judgment of 12 December 1967 in the case of *Société des Brasseries de Haecht* [1967] ECR 407.

3. To determine whether or not agreements or concerted practices involving territorial protection affect trade between the Member States and have as their object or effect the restriction or distortion of competition, the court must take account of the actual circumstances of these agreements and practices, with particular reference to the consumers on the market of the products in question in the area subject to the territorial protection.

This is what you decided in your judgment of 9 July 1969 in the case of *Franz Völk* [1969] ECR 296.

4. You will finally wish, I think, to add, in order to reply to the first question raised by the Milan court, that Article 85 and also Article 86 of the Treaty may apply even if the agreements which lie at the root of the disputes were made before entry into force of the Treaty or the Community rules, provided that these agreements continue to be effective after such entry into force.

The question whether agreements which might fall under the ban imposed by Articles 85 and 86 came into existence before or after the Treaty, or the Community rules based on it, is relevant in my view only to the obligations of the contracting parties *vis-à-vis* the Commission, and the powers of the latter in relation to such agreements. It has no effect on the application of Article 85 (1) and Article 86, so far as concerns the effects of such contracts after the Treaty, or the Community rules based on it, entered into force.

III

There now remains the third point of the reply I suggest you should give to the Italian court in order to give that court some guidance on the manner in which the exercise of a trade-mark right might be affected by the provisions of Article 86 of the Treaty.

On this point, I suggest that you should confine yourselves to the relative brevity of your judgment in the Parke Davis case, which deals with the same question viewed from the angle of patent rights.

Certainly, you will some day have occasion to spell it out in detail, and in connexion with the concept of 'dominant position' in particular decide what is meant by what contemporary Anglo-Saxon cartel law calls 'the relevant market'. But I do not think you have to do that today, for two reasons. First, because the Italian court is not asking for it—even though it has mentioned Article 86 in its question, it is, as the wording of the question as a whole shows, mainly concerned with Article 85. Secondly, because the circumstances in which the matter comes before you at present, within the framework of Article 177 of the Treaty, make it difficult to examine the manifold questions involved in a definition of the 'relevant market'.

Drawing upon your Grundig and Parke Davis judgments, I therefore propose that you should give the following simple indications:

What is forbidden by Article 86 of the Treaty requires the combination of three elements: the existence of a dominant position, the abuse of it, and the possibility that trade between Member States may thereby be affected.

If a trade-mark right confers on its owner a special protection within a State, it does not necessarily follow that the exercise of the rights thus conferred involves the presence together of these three elements. Such could only be the case if the use of the trade-mark de-

generated into an abuse of this protection.

Consequently, since the existence of the right is at present purely a matter of internal law, questions of Community law could arise only in relation to its use, and then only if such use should lead to a dominant position, the abuse of which was capable of affecting trade between Member States.

I submit therefore that you should rule that:

1. The rights conferred on trade-mark owners by the legislation of a Member State are not, so far as their existence is concerned, affected by the prohibitions contained in Article 85 (1) and Article 86 of the Treaty. However, a misuse of such rights, transcending the purpose for which they were created, cannot deprive the provisions of the Community law on competition of their effect.

2. Agreements whereby an undertaking assigns, absolutely or for a limited period, the exclusive use of a trade-mark in a Member State, do not in themselves contain all the elements required by Article 85 (1) of the Treaty, so as to make them incompatible with the Common Market. Subject to the provisions of Article 85 (3), however, such agreements may, regardless of the date on which they were entered into, fall under the prohibitions imposed by Article 85 (1) if, considered in isolation or together with other agreements, they appear, on the basis of a set of objective legal and factual elements taken as a whole, likely to affect trade between Member States and to have as their object or effect the prevention, restriction or distortion of competition.

3. The exercise of the rights allowed by national legislation to trade-mark owners cannot in itself bring into play Article 86 of the Treaty, except where a dominant position is improperly exploited.