OPINION OF MR ADVOCATE GENERAL DARMON
delivered on 29 November 1988 *

Mr President,
Members of the Court,

1. The reconciliation of national laws governing intellectual property with the Community principles of free movement of goods and free competition has led the Court gradually to develop a series of guiding principles which, when applied to this case, should, I think, provide the answer to be given to the Landgericht Hamburg.

2. The problem submitted to the Court is clearly defined: The musical works of Cliff Richard have fallen into the public domain in Denmark but are still protected in the Federal Republic of Germany. Do Articles 30 and 36 of the EEC Treaty therefore authorize the owner of the right in Germany to rely on the rights which he has under national legislation in order to oppose the marketing of Cliff Richard sound recordings coming from Denmark? My immediate response is that the Court should answer that question in the affirmative. I thus share the remarkable unanimity shown by the Commission and the Member States which have submitted observations.

3. Two points must be made first of all, one concerning the nature of sound recordings, the other concerning the intellectual property right in question. The first point is that

'sound recordings, even if incorporating protected musical works, are products to which the system of free movement of goods . . . applies.' [1]

There can therefore be no doubt that the principles of Article 30 apply to sound recordings and that legislation under which the marketing of sound recordings may be prevented constitutes a restriction within the meaning of that article.

4. However, it must then be determined whether Article 36, which authorizes prohibitions or restrictions justified on grounds of the protection of industrial and commercial property, which include

'the protection conferred by copyright, especially when exploited commercially', [2]

covers the 'neighbouring copyright' of the manufacturer of the sound recording in question in this case.

5. In its judgment in the *Deutsche Grammophon* case [3] the Court simply 'assumed' that copyright was covered by the concept of industrial and commercial property referred to in Article 36. However, that assumption expressed by the Court does not appear in the operative part of its judgment.

* Original language: French.

1 — Judgment of 20 January 1981 in Joined Cases 55 and 57/80 *Musikvertrieb Membran GmbH and Another* v *GEMA* [1981] ECR 147 paragraph 8.

2 — Ibid., paragraph 9.

3 — Judgment of 8 June 1971 in Case 78/70 *Deutsche Grammophon Gesellschaft mbH* v *Metro-SB-Großmärkte GmbH & Co. KG* [1971] ECR 487, paragraph 11.

In its judgment in *Coditel II* the Court also expressly indicated that Article 36 is meant to protect artistic and intellectual property rights.[4] Most importantly, however, the reasoning which led the Court to consider that copyright *stricto sensu* is covered by the concept of industrial and commercial property must, in my view, be applied in this case. The Court stated that copyright comprises the right

'to exploit commercially the marketing of the protected work'

and that

'in the application of Article 36 of the Treaty there is no reason to make a distinction between copyright and other industrial and commercial property rights'.[5]

The Court went on to state that

'commercial exploitation of copyright raises the same issues as that of any other industrial or commercial property right'.[6]

Those reasons, which induced the Court in *Musikvertrieb Membran* v *GEMA* to reject the French Government's arguments to the effect that the Court's case-law on industrial and commercial property could not apply to copyright, in view of its 'personal and moral' dimension, may, I think, also apply to an author's right of reproduction and distribution in so far as it concerns the commercial exploitation of the work in question.

6. In my view, that analysis is borne out by the generality of the reasons stated in the Court's judgment in *Keurkoop*:

'... it should be stated that, as the Court has already held as regards patent rights, trade marks and copyright, the protection of designs comes under the protection of industrial and commercial property within the meaning of Article 36, *inasmuch as its aim is to define exclusive rights which are characteristic of that property*'.[7]

7. Moreover, if it is accepted that the company which has acquired the right to exploit the copyright in a cinematographical work may rely on that right,[8] it is quite clear in my view that an author owning the rights in a musical work must not be placed in a different position.

8. Intellectual property rights have not hitherto been the subject of harmonization at the Community level. It must therefore be concluded that, as regards the reproduction and distribution rights in question in this case,

'in the present state of Community law and in the absence of Community standardization or of a harmonization of laws the determination of the conditions and procedures ... is a matter for national rules'.[9]

4 — Judgment of 6 October 1982 in Case 262/81 *Coditel SA and Others* v *Ciné-Vog Films SA and Others* [1982] ECR 3381, paragraph 10.

5 — Joined Cases 55 and 57/80 *Musikvertrieb Membran* v *GEMA*, cited above, paragraph 12.

6 — Ibid., paragraph 13.

7 — Judgment of 14 September 1982 in Case 144/81 *Keurkoop BV* v *Nancy Kean Gifts BV* [1982] ECR 2853, paragraph 14 (my emphasis).

8 — See in particular the judgment in *Coditel II*, cited above, and the judgment of 18 March 1980 in *Coditel I* [1980] ECR 881.

9 — Case 144/81 *Keurkoop*, cited above, paragraph 18.

9. However, the application of those rules may not, according to the established case-law of the Court, represent an obstacle to the free movement of goods save where they are related to the existence, [10] or to the specific subject-matter, [11] of the right in question. In *Deutsche Grammophon* [12] the Court did not expressly consider the question whether the exclusive right of placing a product on the market formed part as such of the 'substance' of the author's right of reproduction and distribution since in that case the relevant rights had been exhausted. However, I am disposed to the view that there is no reason preventing the Court from basing its reasoning on the solutions it has devised in relation to patents, for, as Mr Advocate General Römer observed,

'copyright is certainly more closely related to a patent right than to a trade-mark right, for example'. [13]

10. According to the Court's case-law relating to patents and the most recent judgment in *Pharmon*,

'the substance of a patent right lies essentially in according the inventor an *exclusive right of first placing the product on the market* so as to allow him to obtain the reward of his creative effort'. [14]

11. In my view, the judgment in *Coditel II* may be cited as authority for adopting that analysis in this case. In that judgment, the Court stated that, as regards copyright in literary and artistic works,

'the placing of [such works] at the disposal of the public is inseparable from the circulation of the material form of the works, as in the case of books or records'. [15]

12. In view of the emphasis thus placed on the importance of the placing on the market of the material form of the work, I consider that the exclusive right to place the product on the market for the first time may also be regarded as forming part of the substance of the reproduction right concerned here. [16] As in the case of patent rights, restrictions on the right to place a product on the market for the first time call in question the very existence of the reproduction and distribution right. If third parties may market the protected work without the owner of the right being able to prevent them from doing so, it is not the exercise of the right but its substance which is affected, namely the exclusive right to place the work at the disposal of the public.

13. Finally, I would point out that the question whether the period of protection forms part of the specific subject-matter of the right should not give rise to lengthy arguments. That question is to a large extent artificial: the length of protection is inseparable from the existence of the right itself since it defines the scope *ratione temporis* of the right. It remains to consider whether the prescribed period of protection may appear to be discriminatory or to

10 — Judgment of 13 July 1966 in Joined Cases 56 and 58/64 *Consten Sàrl and Grundig-Verkaufs-GmbH* v *Commission* [1966] ECR 299; judgment of 29 February 1968 in Case 24/67 *Parke Davis & Co.* v *Centrafarm* [1968] ECR 55.

11 — Case 78/70 *Deutsche Grammophon*, cited above; judgment of 31 October 1974 in Case 15/74 *Centrafarm BV and Another* v *Sterling Drug Inc.*, [1974] ECR 1147; judgment of 31 October 1974 in Case 16/74 *Centrafarm BV* v *Winthrop BV* [1974] ECR 1183.

12 — Case 78/70 *Deutsche Grammophon*, cited above.

13 — Case 78/70 *Deutsche Grammophon* [1971] at p. 508.

14 — Judgment of 9 July 1985 in Case 19/84 *Pharmon BV* v *Hoechst AG* [1985] ECR 2281, paragraph 26 (my emphasis).

15 — Case 262/81 *Coditel* v *Ciné-Vog Films* [1982], paragraph 11 at p. 3400 (my emphasis); see also Case 62/79 *Coditel I*, cited above, paragraph 12.

16 — The sound recordings are at issue here only as goods and not as recordings; as regards the 'mechanical reproduction right' relating to the latter aspect of records, see in particular the judgment of the Court of 9 April 1987 in Case 402/85 *Basset* v *Sacem* [1987] ECR 1747; on the distinction between records as goods and as recordings of performances, see more particularly M. A. Hermitte, 'Commentary on Basset', Clunet 1988, p. 535 *et seq.*

constitute a disguised restriction but that is a question I shall revert to later.

14. Yet the limit of the exclusive right to market a work for the first time is expressed by its very definition. Once the work has been marketed by the owner himself or with his consent, the right may no longer be replied upon with regard to the product in question.

15. The Court has laid down what has come to be called the 'exhaustion' principle, according to which the owner of an industrial property right protected by the legislation of a Member State may not rely on that legislation for the purpose of preventing the importation of a product lawfully marketed in another Member State by the owner of that right himself or with his consent. [17]

16. It appears from the Court's case-law that the criterion of consent is essential for determining whether or not the rights on which the owner relies have been exhausted. This 'willing consent' test has been laid down in a series of decisions which are extremely clear in this regard.

17. Thus, in the *Merck* case, in which the patentee had himself marketed in Italy medical products which were not patentable in that State and sought to prevent their importation into the Netherlands, the Court stated that:

'It is for the proprietor of the patent to decide, in the light of all the circumstances, under what conditions he will market his product including the possibility of marketing it in a Member State where the law does not provide patent protection for the product in question. If he decides to do so he must then accept the consequences of his choice as regards the free movement of the product within the Common Market'. [18]

18. In the *Pharmon* case, in which a patentee relied on his right in order to prevent the importation of products manufactured in another Member State under a compulsory licence, the Court stated that

'where ... the competent authorities of a Member State grant a third party a compulsory licence which allows him to carry out manufacturing and marketing operations which the patentee would normally have the right to prevent, the patentee cannot be deemed to have consented to the operation of that third party. Such a measure *deprives the patent proprietor of his right to determine freely* the conditions under which he markets his products'. [19]

19. It must be pointed out that the Court considered that the fact that the patentee had, or had not, received royalties under the compulsory licence system did not affect his right of prohibition. The Court stated that

'the limits ... imposed by Community law on the application of the law of the importing Member State in no way depend on the conditions attached by the competent authorities of the exporting Member State to the grant of the compulsory licence'. [20]

17 — See in particular Case 78/70 *Deutsche Grammophon*, cited above, paragraph 13; the judgment of 22 June 1976 in Case 119/75 *Terrapin (Overseas) Ltd* v *Terranova Industrie C. A. Kapferer & Co.* [1976] ECR 1039, paragraph 6; Joined Cases 55 and 57/80 *Musikvertrieb Membran*, cited above, paragraph 15; the judgment of 14 July 1981 in Case 187/80 *Merck & Co. Inc.* v *Stephar BV and Another* [1981] ECR 2063, paragraph 12, and Case 19/84 *Pharmon*, cited above, paragraph 22.

18 — Case 187/80 *Merck* v *Stephar*, cited above, paragraph 11.

19 — Case 19/84 *Pharmon* v *Hoechst*, cited above, paragraph 25 (my emphasis).

20 — Ibid., paragraph 29.

20. It is therefore clear from the case-law of the Court that

'the licensee's consent is the key which opens the door of the common market to patented products'. [21]

21. I cannot, however, agree with the Landgericht's reading of the Court's judgment in *Musikvertrieb Membran*. In that case, the Court held that the copyright management society *GEMA* could not require the payment of additional royalties on imports into the Federal Republic of records coming from the United Kingdom. Contrary to what the Landgericht appears to suggest, however, it was not the system of compulsory licences or, more precisely, of maximum royalties applied in that State which seemed to the Court the determining factor for holding that the owner could not assert his right. After referring to the 'exhaustion' principle, the Court stated that

'neither the copyright owner or his licensee, nor a copyright management society acting in the owner's or licensee's name, may rely on the exclusive exploitation right conferred by copyright to prevent or restrict the importation of sound recordings which have been lawfully marketed in another Member State *by the owner himself or with his consent*'. [22]

The Court explained that

'no provision of national legislation may permit an undertaking which is responsible for the management of copyrights . . . to charge a levy on products imported from another Member State where they were put into circulation by or with the consent of the copyright owner'. [23]

It is precisely that consideration which I consider fundamental; it clearly precludes any possibility of taking the view in this case that the relevant rights have been exhausted.

22. The fact that it was possible for the sound recordings to be lawfully placed on the Danish market under Danish legislation appears as such to have no effect on the possibility for the owner to rely on his right. In *Centrafarm* the Court held that

'an obstacle to the free movement of goods of this kind may be justified on the ground of protection of industrial property where such protection is invoked against a product coming from a Member State where it is not patentable and has been manufactured by third parties without the consent of the patentee'. [24]

23. There is no reason for distinguishing between the situation in which the product *cannot* be protected and the situation in which it can *no longer* be protected. It would even be paradoxical for the freedom arising upon the expiry of the period of protection in the State of exportation to entail more 'severe' consequences for the owner of the right in the State of importation than the permanent freedom existing where the right is not protected at all. In both cases the problem is identical.

21 — Opinion of Mr Advocate General Mancini in Case 19/84 *Pharmon* v *Hoechst* [1985], cited above, at p. 2288.

22 — Joined Cases 55 and 57/80 *Musikvertrieb Membran* v *GEMA* [1981], cited above, paragraph 15 at p. 163 (my emphasis)

23 — Ibid., paragraph 18 (my emphasis)

24 — Case 15/74 *Centrafarm* v *Sterling Drug*, cited above [1974] paragraph 11 at p. 1162 (my emphasis)

The marketing of the products without the consent of the owner of the right is lawful under the law of the State of exportation. In both cases, the solution must be the same in so far as the right of the owner cannot be exhausted in the State of importation if there is no personal exploitation of the products in question.

24. The defendants in the main proceedings may well support their case by referring to the requirements of a single market and arguing that a product lawfully marketed in one Member State must therefore be considered to be covered by the rules on the free movement of goods. But that argument totally ignores the existence of industrial and commercial property rights, the protection of which is provided for in Article 36.

25. The possible solution which I propose should be rejected would in practice lead to a harmonization of the period of protection on the basis of the shortest period existing in the Community. Whilst, in my view, the very principle of such a solution would be open to challenge in so far as the relevant powers of the Member States in this field would be disregarded and the protection of rights provided for in Article 36 sacrificed, it might also give rise, in such matters, to major risks for artistic creativity in the Community, an essential aspect of this Europe of culture which everyone desires.

26. I would make one last observation. It concerns the case in which the period of protection provided for by the national legislation appeared discriminatory or liable to restrict trade in a disguised way. It should be noted that the period of protection of 25 years at present provided for by the Urheberrechtsgesetz of 9 September 1965 is shorter than the period which existed previously (50 years starting from the author's death [25]) even though the period begins to run from the date of the entry into force of the law. Like the Commission, I therefore consider that there is nothing to suggest that the national provisions constitute disguised restrictions.

27. Consequently, I propose that the Court should rule that Articles 30 to 36 of the EEC Treaty do not preclude the owner of a reproduction and distribution right in a musical work from exercising the rights which he has under national legislation with regard to sound recordings which have not been marketed by himself or with his consent in a Member State in which such marketing was lawful upon the expiry of the period of protection.

25 — Paragraph 29 of the Literatur-Urhebergesetz of 19 June 1901, *Reichsgesetzblatt*, p. 1227, as amended by the amending provisions published in the *Reichsgesetzblatt* of 13 December 1934, II, p. 1359. I would also point out that Article 14 of the International Convention on the protection of performing artists, sound-recording producers and broadcasters of 26 October 1961 provides that the duration of the protection to be granted is not to be less than a period of 20 years.