JUDGMENT OF THE COURT
2 MARCH 1982 [1]

BV Industrie Diensten Groep v J. A. Beele Handelmaatschappij BV (reference for a preliminary ruling from the Gerechtshof, The Hague)

(Free movement of goods — Precise imitation)

Case 6/81

Free movement of goods — Quantitative restrictions — Measures having equivalent effect — Restraining precise imitation — Imported product almost identical to another product already marketed in the same Member State — Judgment restraining sale — Permissibility

(EEC Treaty, Art. 30)

The rules of the EEC Treaty on the free movement of goods do not prevent a rule of national law which applies to domestic and imported products alike, from allowing a trader, who for some considerable time in the Member State concerned has marketed a product which differs from similar products, to obtain an injunction against another trader restraining him from continuing to market in that Member State a product coming from another Member State in which it is lawfully marketed but which for no compelling reason is almost identical to the first-mentioned product and thereby needlessly causes confusion between the two products.

In Case 6/81

REFERENCE to the Court under Article 177 of the EEC Treaty by the Gerechtshof [Regional Court of Appeal], The Hague, for a preliminary ruling in the action pending before that court between

BV INDUSTRIE DIENSTEN GROEP, The Hague,

1 — Language of the Case: Dutch.

and

J. A. BEELE HANDELMAATSCHAPPIJ BV, Hoorn,

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

THE COURT

composed of: J. Mertens de Wilmars, President, G. Bosco, A. Touffait and O. Due (Presidents of Chambers), P. Pescatore, Lord Mackenzie Stuart, A. O'Keeffe, T. Koopmans, U. Everling, A. Chloros and F. Grévisse, Judges,

Advocate General: P. VerLoren van Themaat
Registrar: P. Heim

gives the following

JUDGMENT

Facts and Issues

The facts of the case, the course of the procedure and the observations submitted under Article 20 of the Protocol on the Statute of the Court of Justice of the European Economic Community may be summarized as follows:

I — Facts and procedure before the Netherlands courts

1. The action pending before the Gerechtshof, The Hague, concerns two cable-duct systems:

(a) MCT (Multi Cable Transit), a Swedish product which is manufactured by AB Lickeaborgs Bruk and has been marketed in the Netherlands since 1963 and since 1973 by J. A. Beele Handelmaatschappij BV, the respondent in the main action [hereinafter referred to as "Beele"], as sole importer;

(b) SVT, which is manufactured by System- und Verfahrenstechnik in the Federal Republic of Germany and has been marketed in the Netherlands since 1978 by BV Industrie Diensten Groep, the

appellant in the main action [hereinafter referred to as "IDG"].

The MCT cable ducts are based on a technique which was patented in the Federal Republic of Germany, the Netherlands and elsewhere. The patents expired in 1975 and System- und Verfahrenstechnik then began to manufacture the SVT cable ducts using the same technique.

In both systems the frame is waterproof, fireproof and gas-tight. It consists of a rectangular frame which may be set into concrete walls, built into walls or welded to metal walls. The frame has a tapped case through which several cables of different thicknesses clasped and secured by means of rubber cable blocks and O-blocks may be passed. In addition both systems have various accessories such as filling blocks, anchorage and press plates and a safety seal.

2. It is common ground that both systems are manufactured in the same sizes and are all but identical in so far as both the frames and other components of the ducts are interchangeable.

3. From the President of the Arrondissementsrechtbank [District Court], The Hague, Beele sought and obtained an interlocutory injunction against IDG restraining IDG from selling SVT cable ducts in the Netherlands upon a penalty of a fine. The President of that court decided that the SVT cable duct could be made differently without impairing its quality or restricting its application and in his judgment took the provisional view that it was a precise imitation.

IDG appealed against his judgment to the Gerechtshof, The Hague. Relying on an expert's report (whose conclusions are contradicted by another expert instructed by Beele), IDG contended in particular that in order to obtain a product which is technically and commercially equivalent to the MCT system it was necessary for the same dimensions as those used in the MCT system to be used for the frame and accessories. IDG further argued that Beele's application was contrary to Articles 30 to 36 of the EEC Treaty on the ground that the SVT products are manufactured in the Federal Republic of Germany and lawfully marketed in that country.

The Gerechtshof, The Hague, shared the provisional view of the President of the Arrondissementsrechtbank but it reserved its judgment in order to submit the following question to the Court:

"Assuming that:

(a) A trader, A, markets products in the Netherlands which are no longer covered by any patent and which for no compelling reason are practically identical with products which have been marketed for a considerable period of time in the Netherlands by another trader, B, and which are different from similar kinds of articles, and in so doing trader A needlessly causes confusion;

(b) Under Netherlands law trader A is thereby competing unfairly with trader B and acting unlawfully;

(c) Netherlands law gives trader B the right to obtain an injunction on that ground restraining trader A from

continuing to market the products in the Netherlands;

(d) The products of trader B are manufactured in Sweden and those of trader A in the Federal Republic of Germany;

(e) Trader A imports his products from the Federal Republic of Germany in which those products are lawfully put on the market by someone other than trader B, the Swedish manufacturer, someone who is associated with one of them or by someone who is authorized to do so by one of them,

do the rules contained in the EEC Treaty on the free movement of goods, notwithstanding the provisions of Article 36 thereof, then prevent trader B from obtaining such an injunction against trader A?"

4. The order for reference was registered at the Court on 14 January 1981.

In accordance with Article 20 of the Protocol on the Statute of the Court of Justice written observations were lodged by IDG, represented by C.E.M. van Nispen tot Sevenaer, of the Bar of The Hague; the Government of the United Kingdom, represented by G. Dagtoglou, of the Treasury Solicitor's Department, acting as Agent; and by the Commission, represented by its Principal Legal Adviser, B. Van der Esch, assisted by Th. van Rijn, a member of its Legal Department.

5. On hearing the report of the Judge-Rapporteur and the views of the Advocate General the Court decided to open the oral procedure without any preparatory inquiry. However, the Court asked the parties to the proceedings for a preliminary ruling to reply in writing to certain questions prior to the hearing.

II — Written observations

1. Setting forth the facts of the case in its written observations *IDG* points out that until the patents expired the MCT product held an exclusive position on the world market in cable ducts. Thanks to patents the makers of the MCT system had perfected the product in its basic dimensions to afford optimum application. They also brought about internationally standardized dimensions which, although not officially prescribed, compelled a maker of cable ducts who wished to compete with the MCT product on the world market to use the same dimensions. That is precisely what the maker of the SVT cable ducts did and did it so successfully that MCT and SVT are now the only systems of perfected cable ducts in the world with safety seals whilst construction specifications, on the basis of which contractors and sub-contractors are invited to tender, always mention the usual dimensions or simply refer to the MCT and SVT products. Furthermore, where specifications mention a trade name, it is customary that the conditions which they lay down may be met by

using another brand of product provided that it is equivalent. So it would be economically rash and pointless to sell the SVT product with different dimensions.

According to IDG the consequences of the injunction obtained by Beele are these:

SVT will have to set up a separate production line to produce a product of a different size just to supply the Netherlands market;

If SVT products installed in ships built elsewhere are repaired or added to in the Netherlands, Dutch yards will be compelled to use MCT products for those purposes;

Where it is necessary to add to systems incorporating MCT components it will not even be possible to make competing offers quoting SVT components;

If undertakings operating internationally require the SVT system as standard it will be possible to meet that requirement in the Netherlands only by supplying MCT products.

Viewed in that way the judgment of the Netherlands court has the effect of sealing off the Netherlands market for the cable ducts in question within the EEC. On that basis IDG arrives at the following conclusions:

The injunction granted against IDG, which has the effect of sealing off the market, must be regarded as a national measure which directly and actually impedes intra-Community trade and which is therefore in principle contrary to Article 30 of the EEC Treaty.

The injunction cannot be regarded as a reasonable measure which must be accepted by virtue of a mandatory requirement relating to fairness in commercial transactions which is of such concern to the general interest that it must take priority over the rules on the free movement of goods (judgment of 20 February 1979 in Case 120/78, the *Cassis de Dijon* case, [1979] ECR 649).

Although in the absence of Community rules Article 30 does not have the effect or the aim of preventing the application to a product imported from a Member State of the rules against unfair competition in force in the importing Member State, this is true only in so far as the importation itself is not regarded as an act of unlawful competition (judgment of 22 January 1981 in Case 58/80 *Dansk Supermarked* [1981] ECR 181). In the present case it is the product itself which is challenged. IDG maintains that it is only the importer and does not imitate anything. It is thus the importation itself which the Netherlands courts consider to be an act of unfair competition.

The injunction cannot be justified on the basis of the exceptions contained in Article 36 either. The issue cannot be a matter of public policy nor is the concept of the protection of industrial and commercial property relevant since the patents have expired; what is more, that concept must be construed restrictively in the sense that it does not cover rules on unfair competition.

IDG therefore proposes that the question submitted by the Gerechtshof, The Hague, should be answered as follows:

"Notwithstanding the provisions of Article 36 of the EEC Treaty, the rules contained in the EEC Treaty on the free movement of goods prevent 'trader B' from obtaining such an injunction against 'trader A' in the circumstances suggested by the Gerechtshof, The Hague.

This applies in particular:

If the products concerned compete with one another freely in one or more Member States of the EEC or at any rate in the Member State from which the products are imported

and

If the manufacture and marketing of the products concerned are also subject to rules on unfair competition in those Member States or that Member State."

2. The *United Kingdom* submits that the question submitted by the Gerechtshof, The Hague, should be answered in the negative. It points out that it is widely accepted that for one trader to package, advertise or display goods in such a way that potential purchasers may be unnecessarily confused into believing that the goods are those of another trader is contrary to fair commercial practice. As the laws in question apply to domestic and imported products alike the application of the Netherlands legislation does not amount to a measure having an effect equivalent to quantitative restrictions on imports and according to the grounds of the judgment in Case 58/80 it is not caught by the prohibition contained in Article 30.

Should that not be the case the United Kingdom takes the view that such restriction of precise limitation may be justified by Article 36 because the Court ruled in Case 119/75 *Terrapin* v *Terranova* [1976] ECR 1039 that "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 name giving rise to confusion where the rights in question have been acquired by different and independent proprietors under different national laws."

3. The written observations of the *Commission* contain a comparative law study which shows that the laws of all the Member States discussed in that study offer protection against precise imitation. Such protection against products coming from other Member States is in principle contrary to Article 30 and can only be justified under Article 36 as a rule against unlawful competition. The Commission would accept that in that respect such protection is permissible provided that it is kept to what is strictly necessary to attain the specific objective of protection against precise imitation which is to avoid needless confusion as to a product's origin.

The Commission accordingly suggests the following reply:

"The rules on the free movement of goods contained in the EEC Treaty do not prevent a trader from obtaining an injunction restraining the sale in a Member State of an imported product on

the ground that it is a precise imitation of an existing product provided that in considering whether the imported product could have been made differently without impairing its quality or its scope for application it is assumed that all traders may use all the dimensions normally used for a product."

III — Questions asked by the Court

Beele told the Court in reply to its questions that the turnover in the MCT product in the Netherlands in 1979 was HFL 1 769 000, in 1980 HFL 1 781 000 and in 1981 (up to July) HFL 1 606 115. Beele does not know the turnover of MCT cable ducts in the other Member States and is not aware of any proceedings brought in other Member States by owners of rights in MCT products against owners of rights in SVT products.

IDG told the Court that the total turnover of the manufacturer of the SVT product in 1980 was approximately DM 2 500 000, including Austria and Greece. Most of the sales are in the Federal Republic of Germany but sales in France and Denmark art not insignificant in relative terms. There have been no sales in the Benelux countries since the injunction was granted by the Arrondissementsrechtbank.

IV — Oral procedure

At the hearing on 6 October 1981 oral argument was presented by the following: J. E. Rayner James, Barrister (Lincoln's Inn), for the United Kingdom; C. E. M. van Nispen tot Sevenaer, Advocate of the Bar of The Hague, for IDG; J. Plantenga, Advocate of the Amsterdam Bar, for Beele; and by Th. van Rijn, acting as Agent, for the Commission.

The Advocate General delivered his opinion at the sitting on 25 November 1981.

Decision

1 By judgment of 11 December 1980 which was received at the Court on 14 January 1981 the Gerechtshof [Regional Court of Appeal], The Hague, referred to the Court for a preliminary ruling under Article 177 of the EEC Treaty a question as to the interpretation of the rules of the Treaty on the free movement of goods.

2 The question was raised in the context of an action between a Netherlands undertaking, the sole importer of cable ducts manufactured in Sweden which have been marketed in the Netherlands since 1963, and another Netherlands undertaking which since 1978 has marketed in the Netherlands cable ducts

manufactured in the Federal Republic of Germany. The case-file shows that the Swedish cable ducts were previously protected by patent rights in the Federal Republic of Germany, the Netherlands and elsewhere, and that the German cable ducts were first made and imported into the Netherlands after the period of validity of those patents had expired.

3 The first-mentioned undertaking applied to the President of the Arrondissementsrechtbank [District Court], The Hague, for interlocutory relief against the second undertaking on the ground that the German cable ducts were a precise imitation of the Swedish cable ducts and sought an order from him restraining the defendant from marketing the German cable ducts or causing them to be marketed in the Netherlands.

4 The President of the Arrondissementsrechtbank granted the application whereupon the second undertaking appealed to the Gerechtshof, The Hague. According to the judgment making the reference for a preliminary ruling, that court arrived at the provisional view that the German manufacturer could have designed a cable-duct system different from the Swedish system without impairing the quality of its product economically or technically and by not doing so had caused the two products to be confused. The Gerechtshof accordingly considers that the President of the Arrondissementsrechtbank rightly decided that under Netherlands law the German product is a precise imitation of the Swedish cable ducts. Since the appellant claimed that the cable ducts which it sold were lawfully marketed in another Member State and that the respondent's action was therefore contrary to Articles 30 to 36 of the EEC Treaty, the Gerechtshof decided to ask the Court the following question:

"Assuming that:

(a) A trader, A, markets products in the Netherlands which are no longer covered by any patent and which for no compelling reason are

practically identical with products which have been marketed for a considerable period of time in the Netherlands by another trader, B, and which are different from similar kinds of articles, and in so doing trader A needlessly causes confusion:

(b) Under Netherlands law trader A is thereby competing unfairly with trader B and acting unlawfully;

(c) Netherlands law gives trader B the right to obtain an injunction on that ground restraining trader A from continuing to market the products in the Netherlands;

(d) The products of trader B are manufactured in Sweden and those of trader A in the Federal Republic of Germany;

(e) Trader A imports his products from the Federal Republic of Germany in which those products are lawfully put on the market by someone other than trader B, the Swedish manufacturer, someone who is associated with one of them or by someone who is authorized to do so by one of them,

do the rules contained in the EEC Treaty on the free movement of goods, notwithstanding the provisions of Article 36 thereof, then prevent trader B from obtaining such an injunction against trader A?"

5 The case-file shows that, just like protection against precise imitation in the law of most other Member States, the rule of Netherlands law to which the question refers has been developed chiefly by the courts. As the Commission has pointed out, no effort has been made hitherto at Community level to harmonize national rules against precise imitation. Therefore an examination of the question whether such protection accords with the rules of the Treaty on the free movement of goods should be confined to the way in which that

protection is provided in Netherlands law, as described in the judgment of the Gerechtshof.

That judgment shows that, subject to the answer to be given to the question raised, the Gerechtshof is prepared to uphold the injunction against the marketing in the Netherlands of products which it presumes have been lawfully marketed in another Member State.

Such an injunction constitutes an obstacle to the free movement of goods between the Member States and in principle is caught by Article 30 which prohibits all measures having an effect equivalent to quantitative restrictions on imports. However, the Court has repeatedly held (for example, in the judgment of 20 February 1979 in Case 120/1978, the *Cassis de Dijon* case, [1979] ECR 649 and in the judgment of 17 June 1981 in Case 113/80 *Commission* v *Ireland* [1981] ECR 1625) that in the absence of common rules relating to the production and marketing of products, obstacles to movement within the Community resulting from disparities between national legislation must be accepted in so far as such legislation, applying without discrimination to both domestic and imported products, may be justified as being necessary in order to satisfy mandatory requirements relating in particular to the protection of consumers and fairness in commercial transactions. Therefore the protection aginst imitation provided in the way described in the judgment making the reference for a preliminary ruling must be examined to determine whether it meets those conditions.

Although the main action concerns the protection of a product manufactured in a non-member country against the marketing of a product manufactured in a Member State, according to the national court the application of case-law does not depend on country of origin of the product imitated and country of origin of the imitation. What is more, there is nothing in the judgment of the national court from which it may be inferred that that case-law is applied in a manner adapted to the specific needs of national products thereby putting imported products at a disadvantage. Therefore it must be assumed that the case-law referred to by the national court applies without distinction to national and imported products.

9 National case-law prohibiting the precise imitation of someone else's product which is likely to cause confusion may indeed protect consumers and promote fair trading; these are general interests which, according to the decisions of the Court cited above, may justify the existence of obstacles to movement within the Community resulting from disparities between national laws relating to the marketing of products. That such a rule does meet mandatory requirements is moreover borne out by the fact that it accords with the principle underlying Article 10 bis of the Paris Convention for the Protection of Industrial Property, as last revised on 14 July 1967 at Stockholm, which prohibits *inter alia* all acts of such a nature as to create confusion with the goods of a competitor, and by the fact that this rule is recognized in principle in the case-law of most Member States.

10 In order to answer the question whether case-law such as that described in the judgment of the Gerechtshof is necessary to achieve the aforesaid objectives, or whether it goes beyond the limit which they may justify, the manner in which that case-law is applied, as described in the judgment, should be scrutinized.

11 As to that, the very wording of the question submitted shows first that in the provisional view of the national court the products which it intends to prohibit from being marketed are for no compelling reason practically identical to the products imitated and that the appellant in the main action thereby needlessly causes confusion. Furthermore, the judgment of the national court shows that the question whether or not such imitation is necessary was considered not only from the technical point of view, but also from the economic and commercial point of view.

12 Secondly, it is apparent from the wording of the question submitted and from the case-file that there is no indication of an agreement or of dependence between the Swedish manufacturer of the original product and the German manufacturer of the product which is supposed to be an imitation thereof and the marketing of which in the Netherlands is in dispute.

13 Where the circumstances mentioned by the national court are met a body of case-law prohibiting precise imitation of someone else's product may not be regarded as exceeding the scope of the mandatory requirements which the protection of consumers and the fairness of commercial transactions constitute.

14 The appellant in the main action has raised before the Court the question of spare parts. It points out that the cable ducts are installed not only in buildings but also in ships and an injunction against the marketing of the German product in the Netherlands would make it necessary to carry out repairs on ships in the Netherlands using spare parts for the Swedish product, even if the ship is fitted with German cable ducts. Since this question has not been raised by the national court and the respondent in the main action has indicated during the procedure before the Court that the injunction which it seeks does not relate to spare parts for the repair of the German cable ducts, it is not necessary to resolve this question for which the foregoing considerations are not necessarily conclusive.

15 The answer to the question submitted by the Gerechtshof, The Hague, must therefore be that the rules of the EEC Treaty on the free movement of goods do not prevent a rule of national law which applies to domestic and imported products alike, from allowing a trader, who for some considerable time in the Member State concerned has marketed a product which differs from similar products, to obtain an injunction against another trader restraining him from continuing to market in that Member State a product coming from another Member State in which it is lawfully marketed but which for no compelling reason is almost identical to the first-mentioned product and thereby needlessly causes confusion between the two products.

Costs

16 The costs incurred by the United Kingdom and by the Commission of the European Communities, which have submitted observations to the Court, are

not recoverable. As these proceedings are, in so far as the parties to the main action are concerned, in the nature of a step in the action 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 submitted to it by the Gerechtshof, The Hague, by judgment of 11 December 1980, hereby rules:

The rules of the EEC Treaty on the free movement of goods do not prevent a rule of national law which applies to domestic and imported products alike, from allowing a trader, who for some considerable time in the Member State concerned has marketed a product which differs from similar products, to obtain an injunction against another trader restraining him from continuing to market in that Member State a product coming from another Member State in which it is lawfully marketed but which for no compelling reason is almost identical to the first-mentioned product and thereby needlessly causes confusion between the two products.

	Mertens de Wilmars	Bosco	Touffait
Due	Pescatore	Mackenzie Stuart	O'Keeffe
Koopmans	Everling	Chloros	Grévisse

Delivered in open court in Luxembourg on 2 March 1982.

P. Heim
Registrar

J. Mertens de Wilmars
President