OPINION OF ADVOCATE GENERAL JACOBS
delivered on 6 June 1996 *

1. It is not immediately apparent in this case, referred by the Tribunale di Chiavari, on precisely what issues the Court of Justice has to rule. I shall suggest that the question which falls to be decided is whether the marketing of products imported from one Member State bearing a trade mark which is valid in that Member State may lawfully be prohibited by a court of a second Member State in which another court has revoked the registration of an identical mark on the ground that it is misleading and has issued an injunction prohibiting the owner of the trade mark from using it. In particular, it is necessary to decide whether the marketing of such products by a trader may be prohibited solely because it would unfairly distort competition to the detriment of another trader who, as a result of the revocation of the trade mark, is unable to obtain goods bearing the trade mark from its proprietor in the second Member State.

2. The trade mark in question is 'Cotonelle' (and its variant 'Cottonelle') which the Scott group has registered in numerous Member States for toilet paper and disposable handkerchiefs. In three countries (France, Spain and Italy) competitors of the Scott group have challenged the validity of the trade mark on the ground that it is liable to mislead consumers into thinking that the products are made of cotton, a substance which they do not in fact contain. Thus far the French and Spanish courts have refused to invalidate the trade mark. In Italy, on the other hand, the Corte di Appello (Court of Appeal), Milan has invalidated both variants of the mark by judgment of 1 October 1993, on the ground that they are misleading. The court also declared that the Scott group's use of the mark amounted to unfair competition and issued an injunction prohibiting that use. An appeal against that judgment, lodged by the Scott group, was still pending before the Corte di Cassazione (Court of Cassation) when the questions referred to the Court of Justice in the present proceedings were debated.

3. After the judgment of the Milan Court of Appeal the Scott group ceased distributing products under the trade mark 'Cotonelle' in Italy.

4. Fratelli Graffione (hereafter 'Graffione') is a wholesale distributor in Liguria. After October 1993, as a result of the injunction

* Original language: English.

issued by the Milan Court of Appeal, Graffione considered that it was no longer able to supply products under the 'Cotonelle' mark to its clients. At some time in 1994 Graffione discovered that products bearing the mark 'Cottonelle' were on sale in a supermarket in Gattorna (in the province of Genoa) owned by Fransa Discount di Lubiano Giorgio (hereafter 'Fransa'). Graffione took the view that the sale of those products constituted an act of unfair competition and was damaging to its reputation, since Graffione had informed its customers that 'Cotonelle' products could no longer be sold in Italy. Graffione applied to the Tribunale di Chiavari for an injunction restraining Fransa from selling 'Cottonelle' products in its supermarket.

5. In its defence Fransa stated that the products in question were manufactured in France, where the mark 'Cottonelle' had not been declared invalid. Fransa argued that an injunction preventing it from selling such products in Italy would be a measure equivalent in effect to a quantitative restriction on imports, contrary to Article 30 of the Treaty. Fransa relied on the judgment of this Court in *Clinique*, [1] which concerned the allegedly misleading nature of the name of a product imported from France into Germany and in which the Court held that the use of the name could not be prohibited as misleading. Fransa also referred to the First Council Directive to approximate the laws of the Member States relating to trade marks, Directive 89/104/EEC of 21 December 1988, hereafter 'the Trade Mark Directive' or simply 'the Directive'. [2]

6. Graffione's application was dismissed by a single judge of the Tribunale di Chiavari. Graffione appealed to the full court, which by order of 29 October 1994 referred the following questions to the Court of Justice for a preliminary ruling:

'(1) Must Articles 30 and 36 be interpreted as precluding restrictive application of national legislation of a Member State which prohibits the movement within its territory of a product from another Member State in which that product has been lawfully manufactured and lawfully bears a trade mark?

(2) Must Article 12(2)(b) of Directive 89/104 be interpreted as entailing harmonization of the national provisions on revocation of trade mark rights, on

1 — Case C-315/92 *Verband Sozialer Wettbewerb* v *Clinique Laboratories and Estée Lauder* [1994] ECR I-317.

2 — OJ 1989 L 40, p. 1.

the grounds therein indicated, in relation to products distributed at Community level?

(3) In circumstances such as those considered in the grounds of this judgment, must the provision referred to in Question 2 above be interpreted, having regard *inter alia* to the principle of proportionality, as precluding restrictive application of national legislation of a Member State intended to prevent the movement in that Member State of a product lawfully manufactured and bearing a trade mark in, and coming from, another Member State?'

The issues

7. As already noted, a preliminary difficulty in this case is to identify the issues on which this Court should rule. The Commission observes, in its written observations, that the national court has failed to identify clearly the provisions of national law in relation to which it requires an interpretation of Community law. The Commission points out that the reference has been made in the context of an urgent procedure and suggests that the legal and factual background could have been established with greater clarity in ordinary proceedings. On that point the Commission refers to the judgment of the Court in the *Telemarsicabruzzo* case. [3] The United Kingdom also points in its observations to the difficulty of identifying the issues. The Italian Government's very brief observations do not throw any further light on the problem.

8. The Commission observes that the national court is concerned above all with the Italian rules on unfair competition and with the practical consequences of the judgment of the Milan Court of Appeal in the internal legal order of Italy. The Commission states that, although that judgment is immediately enforceable against the Scott group (since the Court of Appeal refused to suspend its enforcement pending the appeal to the Corte di Cassazione), the judgment was pronounced in an entirely different factual context from the proceedings pending before the Tribunale di Chiavari and cannot be relied on against third parties until it becomes definitive. The Commission also observed that the Corte di Cassazione would itself have the opportunity to request a ruling on the interpretation of the Trade Mark Directive and that it would not be appropriate to rule on trade mark issues at this stage. The Commission considers that the issue of trade mark rights is extraneous to the proceedings before the Tribunale di Chiavari and cites judgments in which the Court has refused to reply to questions of a hypothetical nature or questions which bear no relation to the subject-matter of the action pending before the national court. [4] The

3 — Joined Cases C-320/90, C-321/90 and C-322/90 [1993] ECR I-393, paragraph 6.

4 — Case 126/80 *Salonia* v *Poidomani and Giglio* [1981] ECR 1563 and Case C-343/90 *Lourenço Dias* [1992] ECR I-4673.

Commission considers moreover that the second and third questions referred by the Tribunale di Chiavari should be regarded as inadmissible.

9. I agree with the Commission to the extent that it would not in my view be appropriate to examine in these proceedings the validity of the 'Cotonelle' and 'Cottonelle' marks (hereafter referred to collectively as 'Cotonelle') from the point of view of Community law. Although the parties to the main action have addressed some observations to that question, it is not a question which the national court has asked, and it does not appear from the content of the order for reference to be directly in issue in the national proceedings. It appears that the Tribunale di Chiavari is not asking the Court to decide whether or not the mark is misleading or to interpret the concept of a misleading mark in Article 12(2)(b) of the Trade Mark Directive. The purpose of its questions on the Directive appears to be to determine what *consequences* ensue from a finding of deceptiveness in one Member State as regards goods imported from another Member State where an opposite finding has been made. It is not surprising that the question of the validity of the mark is not directly in issue between the parties, since both are suppliers, at different levels of trade, of products bearing the 'Cotonelle' mark. Moreover litigation which directly puts in issue the validity of the 'Cotonelle' mark is still pending in other proceedings in Italy to which the owner of the mark is a party and in which the issues can be directly addressed. In those circumstances it would be inappropriate to examine that question in this reference. We are not, therefore, concerned here with the interesting question whether the finding that the mark is misleading in Italy should be upheld by this Court so as to justify a prohibition on imports from a Member State in which the mark has been held not to be misleading.

10. It is however, as I shall suggest, open to this Court to give a ruling on Article 30 of the Treaty and on the Directive in a way which may assist the referring court. Although the order for reference is not, as the Commission observes, a model of clarity, it would be appropriate to declare it inadmissible only if it were manifest that the questions referred bore no relation to the subject-matter of the main action, [5] or if the legal and factual background were insufficiently explained. [6] That is not the case here. The legal and factual background is relatively straightforward, as already discussed. Furthermore, there is nothing hypothetical or particularly unusual about the situation in this case. National authorities responsible for registering trade marks and the national courts responsible for upholding or revoking

5 — See *Salonia*, cited at note 4.

6 — See *Telemarsicabruzzo*, cited at note 3.

trade marks are capable of reaching different conclusions as to whether a particular trade mark is misleading. It is perfectly possible to envisage a situation in which a particular trade mark would mislead consumers in one Member State but not those in another. As Advocate General Gulmann pointed out in *Clinique*, [7] the question depends to some extent on linguistic, social, and cultural conditions which may vary from country to country. The present name provides an excellent illustration as regards the linguistic factor. The name 'Cotonelle' might, arguably, cause a speaker of English, French or Italian to believe that a product is made of cotton. However, it could hardly have that effect on someone who understands only German or Spanish, since the words for cotton in those languages are 'Baumwolle' and 'algodón' respectively.

11. As I have already suggested, what the national court apparently wishes to ascertain is whether the courts of a Member State in which a trade mark has been declared invalid on the ground that it is misleading may prohibit the sale and importation of goods bearing the trade mark from another Member State whose courts have concluded that the trade mark is not misleading. In particular, may they do so on grounds of unfair competition; that is to say, because a trader who is unable to obtain the trade-marked goods directly from the proprietor of the trade mark in the Member State in which it has been revoked suffers a competitive disadvantage *vis-à-vis* another trader who imports the goods from another Member State in which the trade mark remains valid?

Question 1

12. The wording of the first question referred is somewhat vague since it asks simply whether Articles 30 and 36 must be interpreted as precluding 'restrictive application of national legislation' without specifying the national legislation in question. It appears however that, as the Commission suggests in its observations, the legislation referred to is the Italian law on unfair competition contained in Articles 2598 to 2601 of the Civil Code, particularly Article 2598, paragraph 3.

13. Moreover, as the Commission also points out and as appears from the order for reference, the factual context of the current case is a dispute between Graffione and Fransa in which the former alleges that the latter has an unfair competitive advantage by

7 — Cited at note 1.

virtue of not being bound by the Milan court's judgment, which, it seems, is binding only on the proprietor of the mark. It is also clear, both from the order for reference and from Graffione's observations, that Graffione is not directly seeking to have Fransa's trade in 'Cotonelle' products stopped on the grounds of consumer protection by arguing that the mark is misleading (in fact, Graffione may well have been hopeful that the judgment of the Milan Court of Appeal on that point would not be upheld on appeal). The essential question to be addressed, therefore, is whether the importation of goods from Member State A in which they are lawfully marketed may be prohibited *on the ground that competition between undertakings is unfairly distorted* given that a wholesaler in Member State B cannot purchase the goods directly from the manufacturer (for reasons of consumer protection) whereas a retailer in Member State B can import the same goods bearing the same name from Member State A.

14. Reduced to those terms, the question must be answered in the negative. A restriction on imports would clearly run counter to the Treaty if it were based solely on the ground that circumstances such as those constitute unfair competition. It is true that the prevention of unfair competition is one of the grounds recognized by the Court in 'Cassis de Dijon' [8] as justifying restrictions on the free movement of goods. However, the simple answer in the present case is that there is nothing unfair in competition between undertakings if they are both free to import and sell the product in question. If, as the Commission suggests, the effect of the judgment of the Milan Court of Appeal — pending the further appeal to the Corte di Cassazione — was simply that the proprietor of the Italian trade mark was prevented from using it and that other traders were not in principle prevented from selling imported 'Cotonelle', it is difficult to see what justification there could be for prohibiting the sale of imported 'Cotonelle' by Fransa in the circumstances of the present case since there does not appear to be anything prohibiting Graffione from importing the product itself. Without its being necessary to embark on a discussion about issues of proportionality, it is difficult to see how a restriction on imports can be justified on grounds of fair trading simply because one undertaking has recourse to the possibilities made available by the principle of the free movement of goods, whereas another undertaking refrains from doing so. Moreover the position would be the same even if Graffione were the agent of the Scott group and even if, as a result, it were bound by the order of the Milan court. Even in those circumstances it would not be entitled to prevent a third party which was not bound by the order from importing the products from another Member State merely on the ground of distortion of competition. Distortion of competition in this sense is a purely economic consideration which cannot

8 — Case 120/78 *REWE-Zentrale* v *Bundesmonopolverwaltung für Branntwein* [1979] ECR 649; see, on the prevention of unfair competition, Peter Oliver, *Free Movement of Goods in the European Community*, third edition, London, Sweet & Maxwell, 1996, p. 237 et seq.

justify a restriction on imports either under Article 36 or as a mandatory requirement under 'Cassis de Dijon'. [9]

15. It may however be helpful to consider whether the answer would be different in the event of a definitive judgment of a national court which had the effect of preventing anyone selling in Italy toilet paper or disposable handkerchiefs not made of cotton under the name 'Cotonelle' on the ground that the name misled consumers. The question would then arise whether such a prohibition may be enforced against goods imported from another Member State where the trade mark is not considered misleading. The enforcement of a prohibition against such goods would restrict trade between Member States and would be contrary to Article 30 of the Treaty, unless it were justified on one of the grounds listed in Article 36 of the Treaty or unless it were necessary in order to safeguard one of the 'mandatory requirements' recognized by the Court in the 'Cassis de Dijon' case-law. [10] Those mandatory requirements include consumer protection. Thus the enforcement against goods imported from another Member State of a court order prohibiting the use of a trade mark judged to be misleading might be justified on grounds of consumer protection since, as discussed above, it is perfectly possible for a trade mark to be misleading in one Member State but not in another. Any such prohibition must however satisfy the principle of proportionality in that consumers could not be sufficiently protected by other means — for example, in this situation, by labelling explaining that the product did not in fact contain cotton. Nor of course does the above view imply any finding, one way or the other, about the allegedly misleading nature of the name 'Cotonelle'.

16. In conclusion, however, Graffione's action against Fransa does not seem to be founded directly on considerations of consumer protection, but rather on the ground that competition will be unfairly distorted, to Graffione's detriment, if Fransa is allowed to sell in Italy 'Cotonelle' imported from France while Graffione is unable to distribute 'Cotonelle' supplied by the proprietor of the Italian trade mark. For the reasons mentioned above, that argument cannot justify a prohibition on imports.

9 — See Oliver, cited at note 8, at p. 190; and the Opinion of Advocate General Slynn in Case 182/84 *Miro* [1985] ECR 3731; see also the judgment in Case 58/80 *Dansk Supermarked* v *Imerco* [1981] ECR 181, paragraph 16.

10 — Cited at note 8.

Questions 2 and 3

17. Both these questions relate to the interpretation of the Trade Mark Directive. The purpose of the Directive is to harmonize trade mark law in the Member States so as to eliminate 'disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market'. [11] The Directive does not however undertake full-scale harmonization of trade mark law, since the Council considered it sufficient to limit approximation 'to those national provisions of law which most directly affect the functioning of the internal market'. [12] The authors of the Directive expressly recognized that Member States remain free to determine the effects of revocation or invalidity of trade marks [13] and that the Directive does not exclude the application to trade marks of provisions of law of the Member States other than trade mark law, such as the provisions relating to unfair competition, civil liability or consumer protection. [14]

18. Two provisions of the Directive deal with the issue of misleading trade marks. Article 3(1)(g) provides that trade marks which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service in question, shall not be registered or if registered shall be liable to be declared invalid. Article 12(2)(b) provides that a trade mark shall be liable to revocation if, after the date on which it was registered, in consequence of the use made of it by the proprietor of the trade mark or with his consent in respect of the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services. Member States were required to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 31 December 1992. [15]

19. The important point to be noted is that the revocation of a trade mark in accordance with Article 12(2)(b) of the Directive, or a refusal to register a trade mark at the outset in accordance with Article 3(1)(g) of the Directive, does not necessarily mean that the trade mark cannot be used. The only consequence that flows automatically from such a decision is that the proprietor of the trade mark (or the applicant for a trade mark) does not have any *exclusive* right to the use of the trade mark. The statement, in the fifth recital in the preamble to the Directive, that Member States remain free to determine the effects of revocation or invalidity of trade

11 — First recital in the preamble.

12 — Third recital in the preamble.

13 — Fifth recital in the preamble.

14 — Sixth recital in the preamble.

15 — Article 16(2) of the Directive, in conjunction with Article 1 of Council Decision 92/10/EEC of 19 December 1991, OJ 1992 L 6, p. 35.

marks, makes it clear that the Directive leaves it to national law to determine whether, as a result of the denial of trade mark protection on grounds of deceptiveness, the use of the trade mark must be prohibited altogether.

20. It follows that, where a national court has revoked a mark, other national courts are not required by the Directive to prohibit the use of the mark on grounds of consumer protection, nor are they precluded by the Directive from doing so.

Conclusion

21. Accordingly, I am of the opinion that the questions referred to the Court for a preliminary ruling by the Tribunale di Chiavari should be answered as follows:

Where the competent court in a Member State has revoked a trade mark on the ground that it is liable to mislead consumers as to the nature of goods and has prohibited the use of the trade mark, a decision by another court in the same Member State prohibiting, on grounds of consumer protection, the sale of goods bearing the trade mark which have been imported from another Member State, in which the trade mark is valid, may in appropriate conditions be compatible with Article 30 of the Treaty and is not incompatible with Article 12(2)(b) of Council Directive 89/104/EEC.

Where, however, the judicial decision revoking the trade mark is binding only on the proprietor of the mark and does not have the effect of prohibiting other persons from selling goods bearing the mark which have been imported from another Member State, a decision by another court prohibiting the sale of such imports on the ground that they would unfairly distort competition, to the detriment of an undertaking which is prevented by the judicial decision revoking the mark from obtaining goods directly from the proprietor of the mark, but which is not prevented from obtaining goods bearing the mark from another Member State, amounts to a measure equivalent in effect to a quantitative restriction within the meaning of Article 30 of the Treaty and cannot be justified on grounds of fair trading.