JUDGMENT OF THE COURT
23 February 1999 *

In Case C-63/97,

REFERENCE to the Court under Article 177 of the EC Treaty by the Hoge Raad der Nederlanden (Netherlands) for a preliminary ruling in the proceedings pending before that court between

Bayerische Motorenwerke AG (BMW) and BMW Nederland BV

and

Ronald Karel Deenik

on the interpretation of Articles 5 to 7 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1),

THE COURT,

composed of: G. C. Rodríguez Iglesias, President, P. J. G. Kapteyn, J.-P. Puissochet and P. Jann (Presidents of Chambers), C. Gulmann (Rapporteur), J. L. Murray, D. A. O. Edward, H. Ragnemalm, L. Sevón, M. Wathelet and R. Schintgen, Judges,

* Language of the case: Dutch.

Advocate General: F. G. Jacobs,
Registrar: H. von Holstein, Deputy Registrar,

after considering the written observations submitted on behalf of:

— Bayerische Motorenwerke AG (BMW) and BMW Nederland BV, by G. van der Wal, of the Brussels Bar, and H. Ferment, of The Hague Bar,

— the Italian Government, by U. Leanza, Head of the Legal Service in the Ministry of Foreign Affairs, acting as Agent, assisted by O. Fiumara, Avvocato dello Stato,

— the United Kingdom Government, by L. Nicoll, of the Treasury Solicitor's Department, acting as Agent, and D. Alexander, Barrister,

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

having regard to the Report for the Hearing,

after hearing the oral observations of Bayerische Motorenwerke AG (BMW) and BMW Nederland BV, represented by G. van der Wal; of Mr Deenik, represented by J. L. Hofdijk, of The Hague Bar; of the United Kingdom Government, represented by Stephen Ridley, of the Treasury Solicitor's Department, acting as Agent;

and of the Commission, represented by B. J. Drijber, at the hearing on 13 January 1998,

after hearing the Opinion of the Advocate General at the sitting on 2 April 1998,

gives the following

Judgment

1 By judgment of 7 February 1997, received at the Court on 13 February 1997, the Hoge Raad der Nederlanden (Supreme Court of the Netherlands) referred to the Court for a preliminary ruling under Article 177 of the EC Treaty five questions on the interpretation of Articles 5 to 7 of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1, 'the directive').

2 Those questions were raised in proceedings between the German company Bayerische Motorenwerke AG (BMW) and the Netherlands company BMW Nederland BV (referred to separately as 'BMW AG' and 'BMW BV' and jointly as 'BMW') and Mr Deenik, the owner of a garage, residing in Almere (Netherlands), concerning his advertisements for the sale of second-hand BMW cars and repairs and maintenance of BMW cars.

3 Article 5 of the directive, which concerns the rights conferred by a trade mark, provides:

'1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

3. The following, *inter alia*, may be prohibited under paragraphs 1 and 2:

(a) affixing the sign to the goods or to the packaging thereof;

(b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

(c) importing or exporting the goods under the sign;

(d) using the sign on business papers and in advertising.

4. Where, under the law of the Member State, the use of a sign under the conditions referred to in paragraphs 1(b) or 2 could not be prohibited before the date on which the provisions necessary to comply with this Directive entered into force in the Member State concerned, the rights conferred by the trade mark may not be relied on to prevent the continued use of the sign.

5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.'

4 Article 6 of the directive, concerning limitation of the effects of a trade mark, provides *inter alia*:

'1. The trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade,

...

(c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts;

provided he uses them in accordance with honest practices in industrial or commercial matters'.

5 Article 7 of the directive, concerning exhaustion of the rights conferred by a trade mark, provides:

'1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.'

6 In many countries, including, since 1930, the Benelux States, BMW AG markets vehicles which it has manufactured and in respect of which it has registered with the Benelux Trade Marks Office the trade name BMW and two figurative trade marks for, *inter alia*, engines and motor vehicles as well as for spare parts and accessories ('the BMW mark').

7 BMW AG markets its vehicles through a network of dealers. In the Netherlands it supervises the network with the help of BMW BV. Dealers are entitled to use the BMW mark for the purposes of their business, but are required to meet the high standards of technical quality deemed necessary by BMW in the provision of service and warranties and in sales promotion.

8 Mr Deenik runs a garage and has specialised in the sale of second-hand BMW cars and in repairing and maintaining BMW cars. He is not part of the BMW dealer network.

9 In the main proceedings BMW claimed that, in carrying on his business, Mr Deenik made unlawful use, in advertisements, of the BMW mark or, at the very least, of similar signs. By writ of 21 February 1994 it accordingly sought an order from the Rechtbank (District Court), Zwolle, restraining Mr Deenik from, in particular, using the BMW mark or any similar sign in advertisements, publicity statements or other announcements emanating from him, or in any other way in connection with his business, and claimed damages from him. BMW relied on its rights under Article 13A of the Uniform Benelux Law on Trade Marks in the version then in force.

10 The Rechtbank took the view that a number of statements made by Mr Deenik in his advertisements constituted unlawful use of the BMW mark, on the ground that they could give rise to the impression that they were put out by an undertaking entitled to use that mark, that is to say, an undertaking affiliated to the BMW dealer network. It therefore made an order prohibiting him from making such use of the BMW mark. However, the Rechtbank considered that Mr Deenik was entitled to use expressions such as 'Repairs and maintenance of BMWs' in his advertisements, since it was sufficiently clear that these referred only to products bearing the BMW mark. Furthermore, the Rechtbank deemed permissible statements such as 'BMW specialist' or 'Specialised in BMWs', on the ground that BMW had not disputed the fact that Mr Deenik had specialist experience of BMW vehicles and it was not

for BMW to decide who were entitled to describe themselves as BMW specialists. The Rechtbank dismissed BMW's claim for damages.

11 BMW appealed against that judgment, requesting the Gerechtshof (Regional Court of Appeal), Arnhem, to rule that, by referring in advertisements to 'Repairs and maintenance of BMWs' and by describing himself as a 'BMW specialist' or as 'Specialised in BMWs', Mr Deenik was infringing the trade-mark rights belonging to BMW. Upon the Gerechtshof's confirmation of the Rechtbank's judgment, BMW lodged an appeal in cassation against that decision on 10 November 1995 with the Hoge Raad.

12 In the circumstances the Hoge Raad decided to stay proceedings and refer the following questions to the Court for a preliminary ruling:

'(1) In view of the fact that, with regard to the rights associated with a trade mark, the directive contains a transitional legal provision only for the purpose of the case described in Article 5(4), are Member States otherwise free to lay down rules on the matter, or does Community law in general, or the objective and tenor of Directive 89/104 in particular, have the effect that Member States are not entirely free in that regard but must comply with specific restrictions, and if so which?

(2) If someone, without the authorisation of the trade mark proprietor, makes use of that proprietor's trade mark, registered exclusively for specified goods, for the purpose of announcing to the public that he

(a) carries out repair and maintenance work on the goods which have been placed on the market under that trade mark by the proprietor or with his consent, or that he

(b) is a specialist or is specialised with regard to such goods, does this, under the scheme of Article 5 of the Directive, involve:

(i) use of the trade mark in relation to goods which are identical to those for which it was registered, as referred to in Article 5(1)(a);

(ii) use of that trade mark in relation to services which must be deemed to constitute use of the trade mark within the meaning of Article 5(1)(a) or use of the trade mark as referred to in Article 5(1)(b), on the assumption that it can be stated that there is an identity between those services and the goods for which the trade mark was registered;

(iii) use of the trade mark as referred to in Article 5(2); or

(iv) use of the trade mark as referred to in Article 5(5)?

(3) For the purpose of answering Question 2, does it make any difference whether announcement (a) or announcement (b) is involved?

(4) In the light of the provision in Article 7 of the Directive, does it make any difference, with regard to the question whether the proprietor of the trade mark can prevent use of his trade mark registered exclusively for specified goods, whether the use referred to in Question 2 is that under (i), (ii), (iii) or (iv)?

(5) On the assumption that both or one of the cases described at the start of Question 2 involve the use of the proprietor's trade mark within the meaning of Article 5(1), whether under Article 5(1)(a) or (b), can the proprietor prevent

that use only where the person thus using the trade mark thereby creates the impression that his undertaking is affiliated to the trade-mark proprietor's network, or can he also prevent that use where there is a good chance that the manner in which the trade mark is used for those announcements may create an impression among the public that the trade mark is in that regard being used to an appreciable extent for the purpose of advertising his own business as such by creating a specific suggestion of quality?'

The first question

13 It is necessary first of all to give an account of the law and facts involved in this question.

14 It is clear from Council Decision 92/10/EEC of 19 December 1991 postponing the date on which the national provisions applying Directive 89/104/EEC are to be put into effect (OJ 1992 L 6, p. 35) that the directive was to be transposed into national law by the Member States by 31 December 1992 at the latest. The rules amending the Uniform Benelux Law on Trade Marks did not come into force until 1 January 1996 pursuant to the Benelux Protocol of 2 December 1992 ('the amended Benelux Law' and, in its previous version, 'the former Benelux Law').

15 The action in the main proceedings, which concerns a dispute between private persons, was brought after the period prescribed by Decision 92/10 for bringing into force national provisions applying the directive had expired, but before the amended Benelux Law entered into force. The appeal to the Hoge Raad was also lodged before that latter date.

16 In his opinion in the proceedings before the Hoge Raad, the Advocate General considered whether that court should, in the case pending before it, apply the rules under the former Benelux Law in force at the date on which the case was brought before the Rechtbank and also at the date on which the appeal was lodged, or whether it should not rather apply the rules under the amended Benelux Law, which would be in force at the date on which it gave its judgment. He took the view that, subject to the rule that once the date for implementing a directive has passed national law must be interpreted as far as possible in conformity with the directive, by analogy with Article 74(4) of the transitional law concerning the new Netherlands Civil Code the Hoge Raad should apply the former Benelux Law.

17 In the order for reference the Hoge Raad made the following observations:

— the Benelux Protocol of 2 December 1992 amending the Uniform Benelux Law on Trade Marks does not contain any provisions of a transitional nature with regard to Article 13A of that Law, the first paragraph of which transposed into Benelux law Article 5(1), (2) and (5) of the directive, and

— it has referred to the Benelux Court of Justice the question whether, on a proper construction of the Benelux Law on Trade Marks, where, in proceedings brought by the proprietor of a mark under the former Benelux law, the appeal is directed against a decision given before 1 January 1996, the law in force before that date remains applicable.

18 In the circumstances, the Hoge Raad wishes to ascertain whether Community law must be taken into consideration for the purposes of settling the question submitted to the Benelux Court of Justice.

19 The Hoge Raad points out in that regard that, so far as Articles 5 to 7 of the directive are concerned, the directive contains no rules relating to transitional matters

other than that laid down in Article 5(4). Accordingly, it wishes to know whether the Member States may, by means of national measures, adopt rules for transitional matters in cases other than those covered by that provision. In particular, the Hoge Raad asks whether Community law precludes a transitional national rule that an appeal against a decision given before the date on which the rules transposing the directive into national law came belatedly into force must be settled in accordance with the rules applicable before that date, even if judgment is given after that date.

20 First of all, Article 5(4) of the directive seeks to limit the effects in time of the new national rules transposing the directive. It provides that where, under the law of the Member State concerned, the use of a sign under the conditions referred to in Article 5(1)(b) or (2) could not be prohibited before the date on which the provisions necessary to comply with the directive entered into force, the rights conferred by the trade mark may not be relied on to prevent the continued use of the sign.

21 Similarly, the transitional problem actually facing the Hoge Raad is different in kind from that governed by Article 5(4), and the directive does not make provision for determining the national law applicable in such a situation. Since, moreover, no consideration based on the effectiveness of Community law in general or of the directive in particular calls for any given solution, the national court must determine in the light of the applicable national rules whether the appeal before it is to be resolved in accordance with the rules of the former Benelux law or those of the amended Benelux law (see, to that effect, Case C-349/95 *Loendersloot* v *Ballantine* [1997] ECR I-6227, paragraph 18).

22 None the less, whatever the applicable national law may be, it must be interpreted, as far as possible, in the light of the wording and purpose of the directive in order to achieve the result pursued by the latter and thereby comply with the third paragraph of Article 189 of the EC Treaty (see, *inter alia*, Case C-106/89 *Marleasing* [1990] ECR I-4135, paragraph 8, and Case C-91/92 *Faccini Dori* v *Recreb* [1994] ECR I-3325, paragraph 26).

23 That obligation applies equally to the transitional rules laid down by national law. Thus the national court must interpret those rules, as far as possible, in such a way as to give full effect to Articles 5 to 7 of the directive in connection with the use of a trade mark subsequent to the date on which the directive ought to have been transposed.

24 In the light of the foregoing, the reply to the first question must be that, subject to the duty of the national court to interpret national law as far as possible in conformity with Community law, it is not contrary to the latter for a transitional rule of national law to provide that an appeal against a decision given before the date on which the rules transposing the directive into national law were belatedly brought into force is to be decided in accordance with the rules applicable before that date, even where judgment is given after that date.

Preliminary observations concerning Questions 2 to 5

25 By its second to fifth questions, the Hoge Raad is asking the Court to interpret Articles 5 to 7 of the directive so that it can decide whether use of the BMW mark in advertisements such as 'Repairs and maintenance of BMWs', 'BMW specialist' or 'Specialised in BMWs' constitutes infringement of that mark.

26 The Hoge Raad first asks questions with a view to determining the provision of Article 5 of the directive in the light of which the use of the mark concerned must be assessed. It then raises questions to enable it to decide whether, under the scheme of the directive, the use thus classified is lawful.

27 It should at the outset be borne in mind that

— Article 5(1)(a) of the directive concerns the use of any sign identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered,

— Article 5(1)(b) concerns the use of any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public,

— Article 5(2) concerns the use of any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State, and

— Article 5(5) concerns the use of a sign other than for the purposes of distinguishing goods or services.

28 Furthermore, paragraphs (2) and (5) of Article 5 of the directive lay down an additional condition for their application, namely that the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

29 It should in addition be borne in mind that Articles 6 and 7 of the directive contain rules limiting the right of the proprietor of a trade mark, under Article 5, to prohibit a third party from using his mark. In this connection, Article 6 provides *inter alia* that the proprietor of a trade mark may not prohibit a third party from using

the mark where it is necessary to indicate the intended purpose of a product, provided that he uses it in accordance with honest practices in industrial or commercial matters. Article 7 provides that the proprietor is not entitled to prohibit the use of a trade mark in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent, unless there exist legitimate reasons for him to oppose further commercialisation of the goods.

30 Lastly, having regard to the arguments before the Court, it must be emphasised that classifying the mark as falling under one specific provision or another of Article 5, as the case may be, is not necessarily determinant as regards the assessment as to whether the use in question is permissible.

Questions 2 and 3

31 By its second and third questions, which should be considered together, the national court is in substance asking whether the use of a trade mark, without the proprietor's authorisation, in order to inform the public that another undertaking carries out repairs and maintenance of goods covered by that trade mark or that it has specialised, or is a specialist, in such goods constitutes a use of that mark for the purposes of one of the provisions of Article 5 of the directive.

32 In this regard, as the Hoge Raad has pointed out,

— the trade mark at issue in the main proceedings is registered only in respect of particular goods (principally motor vehicles),

— the statements in the advertisements in question — 'Repairs and maintenance of BMWs', 'BMW specialist' and 'Specialised in BMWs' — concern goods marketed under that trade mark by the proprietor or with his consent, and

— the expressions 'BMW specialist' and 'Specialised in BMWs' refer both to the sale of second-hand BMW cars and also to the repair and maintenance of BMW cars.

33 The questions referred therefore concern a situation in which the BMW mark has been used to inform the public that the advertiser carries out the repair and maintenance of BMW cars or that he has specialised, or is a specialist, in the sale or repair and maintenance of those cars.

34 As described, this is a situation in which, at least at first sight — and as the United Kingdom Government has observed — the use in question falls within the scope of Article 5(1)(a) of the directive, since the BMW mark is used in respect of genuine BMW goods.

35 That classification has, however, been disputed in some of the observations submitted to the Court, more specifically on the basis of two arguments.

36 The first is that the expressions in question, particularly 'BMW specialist' and 'Specialised in BMWs', use the BMW mark other than for the purposes of distinguishing goods or services and thus come within the scope of Article 5(5) of the directive.

37 The second argument is that, in the advertisement for 'repair and maintenance of BMWs', the BMW mark is not used in respect of goods but to describe a service in respect of which the mark has not been registered. For that reason, Article 5(1)(a) of the directive is not applicable, so that it must be ascertained whether Article 5(1)(b) or (2) may be applicable.

38 In that connection, it is true that the scope of application of Article 5(1) and (2) of the directive, on the one hand, and Article 5(5), on the other, depends on whether the trade mark is used for the purpose of distinguishing the goods or services in question as originating from a particular undertaking, that is to say, as a trade mark as such, or whether it is used for other purposes. In a situation such as that in the main proceedings, the issue is the use of the same trade mark intended to distinguish the goods in question as the subject of the services provided by the advertiser.

39 The advertiser uses the BMW mark to identify the source of the goods in respect of which the services are supplied, and thus to distinguish those goods from any others in respect of which the same services might have been provided. If the use of the trade mark in advertisements for the service which consists of selling second-hand BMW cars is undoubtedly intended to distinguish the subject of the services provided, it is not necessary to treat any differently the advertisements for the service consisting of repair and maintenance of BMW cars. In that case, too, the mark is used to identify the source of the goods which are the subject of the service.

40 In that context, it is only in the situations covered by Article 5(2) or (5) that the question arises whether use of the mark takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark by, for example, giving the public a false impression of the relationship between the advertiser and the trade mark owner. Those matters are accordingly to be taken into account, not when classifying use under Article 5, but when assessing the legality of that use in the situations covered by Article 5(2) or (5).

41 Lastly, the use involved in the case in the main proceedings is in point of fact use 'in the course of trade' within the meaning of Article 5(1) and (2) of the directive. Article 5(3) expressly mentions use of the sign in advertising as an example of those uses of a trade mark which may be prohibited under paragraphs (1) and (2).

42 Accordingly, the answer to be given to the second and third questions must be that the use of a trade mark, without the proprietor's authorisation, for the purpose of informing the public that another undertaking carries out the repair and maintenance of goods covered by that mark or that it has specialised or is a specialist in such goods constitutes, in circumstances such as those described in the judgment making the reference, use of the mark within the meaning of Article 5(1)(a) of the directive.

Questions 4 and 5

43 By its fourth and fifth questions, which should be considered together, the national court is in substance asking whether Articles 5 to 7 of the directive entitle the proprietor of a trade mark to prevent another person from using that mark for the purpose of informing the public that he carries out the repair and maintenance of goods covered by a trade mark and put on the market under that mark by the proprietor or with his consent, or that he has specialised or is a specialist in the sale or the repair and maintenance of such goods.

44 The Court is asked to rule, in particular, on the question whether the trade-mark proprietor may prevent such use only where the advertiser creates the impression that his undertaking is affiliated to the trade mark proprietor's distribution network, or whether he may also prevent such use where, because of the manner in which the trade mark is used in the advertisements, there is a good chance that the public might be given the impression that the advertiser is using the trade mark in that regard to an appreciable extent for the purpose of advertising his own business as such, by creating a specific suggestion of quality.

45 In order to reply to that question, it must be pointed out that, in view of the answer given to the second and third questions that the use of the trade mark in the advertisements concerned in the main proceedings falls within the scope of Article 5(1)(a) of the directive, the use in issue may be prohibited by the trade-mark proprietor

unless Article 6, concerning the limitation of the effects of a trade mark, or Article 7, concerning exhaustion of the rights conferred by a trade mark, are applicable.

46 That question must be considered, first, in relation to the advertisements for the sale of second-hand cars and, second, in relation to the advertisements for the repair and maintenance of cars.

The advertisements for the sale of second-hand BMW cars

47 As regards the advertisements for the sale of second-hand BMW cars put on the market under that trade mark by the trade-mark proprietor or with his consent, the case-law of the Court should be borne in mind concerning the use of a trade mark to inform the public of the resale of goods covered by a trade mark.

48 In Case C-337/95 *Parfums Christian Dior* v *Evora* [1997] ECR I-6013, the Court first held, at paragraph 38, that on a proper interpretation of Articles 5 and 7 of the directive, when trade-marked goods have been put on the Community market by the proprietor of the trade mark or with his consent, a reseller, besides being free to resell those goods, is also free to make use of the trade mark in order to bring to the public's attention the further commercialisation of those goods.

49 In the same judgment, the Court then found, at paragraph 43, that damage done to the reputation of a trade mark may, in principle, be a legitimate reason, within the meaning of Article 7(2) of the directive, allowing the proprietor to oppose the use of his trade mark for further commercialisation of goods put on the Community market by him or with his consent. As regards prestige goods, the Court stated, at paragraph 45, that the reseller must not act unfairly in relation to the legitimate

interests of the trade mark owner, but must endeavour to prevent his advertising from affecting the value of the trade mark by detracting from the prestigious image of the goods in question. At paragraph 48, the Court concluded that the proprietor of a trade mark may not rely on Article 7(2) to oppose the use of the trade mark, in ways customary in the reseller's sector of trade, for the purpose of bringing to the public's attention the further commercialisation of the trade-marked goods, unless it is established that such use seriously damages the reputation of the trade mark.

50 In the context of the present case, the consequence of that decision is that it is contrary to Article 7 of the directive for the proprietor of the BMW mark to prohibit the use of its mark by another person for the purpose of informing the public that he has specialised or is a specialist in the sale of second-hand BMW cars, provided that the advertising concerns cars which have been put on the Community market under that mark by the proprietor or with its consent and that the way in which the mark is used in that advertising does not constitute a legitimate reason, within the meaning of Article 7(2), for the proprietor's opposition.

51 The fact that the trade mark is used in a reseller's advertising in such a way that it may give rise to the impression that there is a commercial connection between the reseller and the trade mark proprietor, and in particular that the reseller's business is affiliated to the trade mark proprietor's distribution network or that there is a special relationship between the two undertakings, may constitute a legitimate reason within the meaning of Article 7(2) of the directive.

52 Such advertising is not essential to the further commercialisation of goods put on the Community market under the trade mark by its proprietor or with his consent or, therefore, to the purpose of the exhaustion rule laid down in Article 7 of the directive. Moreover, it is contrary to the obligation to act fairly in relation to the legitimate interests of the trade mark owner and it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute. It is also incompatible with the specific object of a trade mark which is, according to the

case-law of the Court, to protect the proprietor against competitors wishing to take advantage of the status and reputation of the trade mark (see, *inter alia*, Case C-10/89 *HAG GF* [1990] ECR I-3711, '*HAG II*', paragraph 14).

53 If, on the other hand, there is no risk that the public will be led to believe that there is a commercial connection between the reseller and the trade mark proprietor, the mere fact that the reseller derives an advantage from using the trade mark in that advertisements for the sale of goods covered by the mark, which are in other respects honest and fair, lend an aura of quality to his own business does not constitute a legitimate reason within the meaning of Article 7(2) of the directive.

54 In that connection, it is sufficient to state that a reseller who sells second-hand BMW cars and who genuinely has specialised or is a specialist in the sale of those vehicles cannot in practice communicate such information to his customers without using the BMW mark. In consequence, such an informative use of the BMW mark is necessary to guarantee the right of resale under Article 7 of the directive and does not take unfair advantage of the distinctive character or repute of that trade mark.

55 Whether advertising may create the impression that there is a commercial connection between the reseller and the trade mark proprietor is a question of fact for the national court to decide in the light of the circumstances of each case.

The advertisements relating to repair and maintenance of BMW cars

56 First, the Court finds that the rule concerning exhaustion of the rights conferred by a trade mark laid down in Article 7 of the directive is not applicable to the advertisements relating to repair and maintenance of BMW cars.

57 Article 7 is intended to reconcile the interests of trade-mark protection and those of free movement of goods within the Community by making the further commercialisation of a product bearing a trade mark possible and preventing opposition by the proprietor of the mark (see, to that effect, *Parfums Christian Dior*, paragraphs 37 and 38). Advertisements relating to car repair and maintenance do not affect further commercialisation of the goods in question.

58 None the less, so far as those advertisements are concerned, it is still necessary to consider whether use of the trade mark may be legitimate in the light of the rule laid down in Article 6(1)(c) of the directive, that the proprietor may not prohibit a third party from using the trade mark to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided that the use is necessary to indicate that purpose and is in accordance with honest practices in industrial or commercial matters.

59 In that regard, as the United Kingdom Government has observed, the use of the trade mark to inform the public that the advertiser repairs and maintains trade-marked goods must be held to constitute use indicating the intended purpose of the service within the meaning of Article 6(1)(c). Like the use of a trade mark intended to identify the vehicles which a non-original spare part will fit, the use in question is intended to identify the goods in respect of which the service is provided.

60 Furthermore, the use concerned must be held to be necessary to indicate the intended purpose of the service. It is sufficient to note, as the Advocate General did at point 54 of his Opinion, that if an independent trader carries out the maintenance and repair of BMW cars or is in fact a specialist in that field, that fact cannot in practice be communicated to his customers without using the BMW mark.

61 Lastly, the condition requiring use of the trade mark to be made in accordance with honest practices in industrial or commercial matters must be regarded as constituting in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner, similar to that imposed on the reseller where he uses another's trade mark to advertise the resale of products covered by that mark.

62 Just like Article 7, Article 6 seeks to reconcile the fundamental interests of trademark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain (see, in particular, *HAG II*, paragraph 13).

63 Consequently, for the reasons set out in paragraphs 51 to 54 of this judgment, which apply *mutatis mutandis*, the use of another's trade mark for the purpose of informing the public of the repair and maintenance of goods covered by that mark is authorised on the same conditions as those applying where the mark is used for the purpose of informing the public of the resale of goods covered by that mark.

64 In the light of the foregoing, the answer to be given to the fourth and fifth questions must be that Articles 5 to 7 of the directive do not entitle the proprietor of a trade mark to prohibit a third party from using the mark for the purpose of informing the public that he carries out the repair and maintenance of goods covered by that trade mark and put on the market under that mark by the proprietor

or with his consent, or that he has specialised or is a specialist in the sale or the repair and maintenance of such goods, unless the mark is used in a way that may create the impression that there is a commercial connection between the other undertaking and the trade mark proprietor, and in particular that the reseller's business is affiliated to the trade mark proprietor's distribution network or that there is a special relationship between the two undertakings.

Costs

65 The costs incurred by the Italian Government, the United Kingdom Government and the Commission, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the 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 questions referred to it by the Hoge Raad der Nederlanden by judgment of 7 February 1997, hereby rules:

1. **Subject to the duty of the national court to interpret national law as far as possible in conformity with Community law, it is not contrary to the latter for a transitional rule of national law to provide that an appeal against a decision given before the date on which the rules transposing First Council**

Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks into national law were belatedly brought into force is to be decided in accordance with the rules applicable before that date, even where judgment is given after that date.

2. **The use of a trade mark, without the proprietor's authorisation, for the purpose of informing the public that another undertaking carries out the repair and maintenance of goods covered by that mark or that it has specialised or is a specialist in such goods constitutes, in circumstances such as those described in the judgment making the reference, use of the mark within the meaning of Article 5(1)(a) of First Directive 89/104.**

3. **Articles 5 to 7 of First Directive 89/104 do not entitle the proprietor of a trade mark to prohibit a third party from using the mark for the purpose of informing the public that he carries out the repair and maintenance of goods covered by that trade mark and put on the market under that mark by the proprietor or with his consent, or that he has specialised or is a specialist in the sale or the repair and maintenance of such goods, unless the mark is used in a way that may create to the impression that there is a commercial connection between the other undertaking and the trade mark proprietor, and in particular that the reseller's business is affiliated to the trade mark proprietor's distribution network or that there is a special relationship between the two undertakings.**

Rodríguez Iglesias Kapteyn Puissochet

Jann Gulmann Murray

Edward Ragnemalm Sevón

Wathelet Schintgen

Delivered in open court in Luxembourg on 23 February 1999.

R. Grass G. C. Rodríguez Iglesias

Registrar President