In Case 3/78

REFERENCE to the Court under Article 177 of the EEC Treaty by the Arrondissementsrechtbank (District Court), Rotterdam, for a preliminary ruling in the action pending before that court between

CENTRAFARM B.V., Rotterdam,

and

AMERICAN HOME PRODUCTS CORPORATION, New York,

on the interpretation of Article 36 of the said Treaty,

THE COURT,

composed of: H. Kutscher, President, J. Mertens de Wilmars and Lord Mackenzie Stuart (Presidents of Chambers), A. M. Donner, P. Pescatore, M. Sørensen, A. O'Keeffe, G. Bosco and A. Touffait, Judges,

Advocate General: F. Capotorti
Registrar: A. Van Houtte

gives the following

JUDGMENT

Facts and Issues

The facts of the case, the course of the procedure and the observations submitted pursuant to Article 20 of the Protocol on the Statute of the Court of Justice of the EEC may be summarized as follows:

I — Facts and procedure

1. *American Home Products Corporation* (hereinafter referred to as "AHPC"), the defendant in the main action, is proprietor of the mark Seresta registered in its name in the Benelux

trade-marks register under the head "Préparations médicinales et pharmaceutiques, notamment des préparations tranquillisantes, sédatives et anti-spasmodiques" ("Medicinal and pharmaceutical preparations, in particular tranquillizing, sedative and anti-spasmodic preparations"). In the United Kingdom AHPC is proprietor of the Serenid D mark for the same type of product. Those marks are used to designate a medicament whose active constituent is named oxazepamum. AHPC also owns a patent in the Netherlands and in the United Kingdom for oxazepamum and/or the preparation thereof.

Two undertakings belonging to the AHPC group hold licences in the Netherlands for the Seresta mark and in the United Kingdom for the Serenid D mark.

The therapeutic effects of the Seresta and Serenid tablets are identical. Nevertheless the composition of the two is not quite the same. As far as the consumer is concerned the most obvious difference lies in the taste.

2. Centrafarm, the plaintiff in the main action, sold oxazepamum tablets in the Netherlands under the Seresta mark. On the packaging there appeared, in addition to the mark, the words "Centrafarm B.V. Rotterdam, Telephone 010-151411". Centrafarm also used the Seresta mark for such tablets in its price-lists and catalogues. It claims that it bought the said tablets in the United Kingdom where they were put on the market by AHPC under the Serenid D mark and that Centrafarm itself subsequently marketed them in the Netherlands in new packaging.

3. AHPC disputes that it manufactured all the oxazepamum sold in the Netherlands by Centrafarm. The court in the main action accepts, however, that the facts as stated by Centrafarm are correct.

4. The President of the Arrondissementsrechtbank, Rotterdam, made an order on 2 August 1977 in proceedings for the adoption of an interim measure prohibiting Centrafarm from infringing AHPC's rights arising from the Seresta mark.

5. In the main action before the Arrondissementsrechtbank Centrafarm claimed that that court should rule that it is entitled to place on the market in the Netherlands under the Seresta mark AHPC's oxazepamum lawfully distributed in other countries of the Common Market as a proprietary medicinal product.

AHPC submitted that Centrafarm's claim should be refused and, as a counterclaim, maintained that the Arrondissementsrechtbank should *inter alia* rule that Centrafarm's conduct infringes AHPC's Seresta trade-mark rights.

6. The Arrondissementsrechtbank in its judgment of 19 December 1977 stayed the proceedings and, in accordance with Article 177 of the Treaty, referred the following questions to the Court of Justice:

"I. Assuming that:

1. For a certain product in various States belonging to the EEC one undertaking or various undertakings belonging to the same group is/are entitled to use trade-marks on the understanding that in Member State A only trade-mark X is registered and in Member State B only trade-mark Y;
2. Goods bearing the mark X, after being put into circulation in Member State A by the undertaking entitled to the trade-mark, are exported by third parties which acquire them and imported into Member State B;
3. The person importing the goods into the last-mentioned State

removes from them the mark X, affixes the mark Y and subsequently puts the goods into circulation in that State;

4. The legislation relating to trade-marks in the last-mentioned State gives the person entitled to the trade-mark the right to oppose by legal measures the putting into circulation in that country by others of goods bearing the mark Y;

do the rules contained in the EEC Treaty concerning the free movement of goods, notwithstanding the provisions of Article 36, prevent the person entitled to the trade-mark from making use of the right referred to under 4 *supra*?

II. For the answer to be given to Question I it is relevant whether legislative or administrative provisions are in force in Member State B which accord with the directive of 26 January 1965 adopted by the Council of the European Communities in this respect (65/65/EEC) on the understanding that those provisions — possibly in that respect in derogation from that directive — are based on the presumption that the import of a medicinal product from another Member State into Member State B is possible under a mark other than that under which it is registered in the other Member State?"

7. The file in the case shows that the Netherlands provisions referred to in the second preliminary question by the court making the reference are contained in the Wet op de geneesmiddelenvoorziening (Law on the Distribution of Medicinal Preparations) of 28 July 1958 (Staatsblad 408) and in the orders in implementation thereof, in particular the Besluit verpakte geneesmiddelen (Order concerning Proprietary Medicinal Preparations) of 16 July 1973 (Staatsblad, 336), as amended by the Besluit registratie geneesmiddelen (Order concerning the Registration of Medicinal Preparations) of 8 September 1977 (Staatsblad, 537).

Article 23 (1) of the last-mentioned order provides that "a medicinal product... can be imported for the purpose of distribution in the Netherlands only by the person in whose name the product is registered". The succeeding paragraphs prescribe special rules for parallel importers. Under those rules a parallel importer of a product may be entered on request in the register of proprietary medicinal preparations and medicinal preparations as proprietor of the registration of that product provided certain conditions are satisfied. The product thus registered in the name of a parallel importer may be put on the market under a special name, either the original name or another, or without a special name as a "medicinal preparation".

8. The Council Directive of 26 January 1965 on the approximation of provisions laid down by law, regulation or administrative action relating to proprietary medicinal products (65/65/EEC) (Official Journal, English Special Edition 1965-1966, p. 20) mentioned in the second preliminary question by the court making the reference, provides *inter alia* that no proprietary medicinal product may be placed on the market in a Member State unless an authorization has been issued by the competent authority of that Member State (Article 3).

In order to obtain an authorization to place a proprietary medicinal product on the market as provided for in Article 3, the person responsible for placing that product on the market shall make an application to the competent authority of the Member State concerned, accompanied, *inter alia*, by: the name or corporate name and permanent address of the person

responsible for placing the proprietary product on the market and, where applicable, of the manufacturer; the name of the proprietary product (brand name, or common name together with a trade-mark or name of the manufacturer, or scientific name together with a trade-mark or name of the manufacturer); qualitative and quantitative particulars of all the constituents of the proprietary product; a description of the method of preparation; the control methods employed by the manufacturer (Article 4).

The authorization provided for in Article 3 shall be refused, and any authorization already granted shall be suspended or withdrawn if, after verification of the particulars and documents listed in Article 4, it proves that the proprietary medicinal product is harmful in the normal conditions of use, or that its therapeutic efficacy is lacking (Articles 5 and 11).

The following particulars shall appear on containers and outer packages of proprietary medicinal products: the name of the proprietary product within the meaning of Article 4; the constituents thereof; the reference number for production identification; the number of the authorization to place the proprietary product on the market; the name or corporate name and permanent address of the person responsible for placing the proprietary product on the market and, where appropriate, of the manufacturer (Article 13).

9. The judgment making the reference was lodged at the Court Registry on 3 January 1978.

In accordance with Article 20 of the Protocol on the Statute of the Court of Justice of the EEC written observations were submitted by the parties to the main action, the Government of the Federal Republic of Germany, the Government of the United Kingdom and the Commission of the European Communities.

Upon 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.

II — Submissions and arguments of the parties

The first preliminary question

1. Observations of Centrafarm

Centrafarm considers that the proprietor of the mark can prohibit its being affixed, without his consent, on products which he has marketed without a mark. In the present case, however, the proprietor marketed the relevant goods as a trade-marked product and thus customers were intended to consider it as originating from his undertaking.

Centrafarm concedes that the manufacturer of a product bearing a mark may have good grounds for the use in two Member States of different marks for the same product. According to Centrafarm the question which arises in this context is whether the specific subject-matter of the uniform European mark is identical to the specific subject-matter of the so-called subdivided mark.

In this connexion Centrafarm states first of all that, according to the Court, it is irrelevant whether the subdivision stems from a free decision of the manufacturer or proprietor of the mark or whether it was required of him by legislation or other circumstances. It infers from this that it is irrelevant that AHPC claimed that it felt obliged to register in the United Kingdom a mark other than Seresta because of the trade-mark rights of third parties.

Centrafarm considers secondly that the judgment of the Court of 3 July 1974 in Case 192/73 *Van Zuylen* v *Hag* [1974]

1 ECR 731 confirms the doctrine that the territorial division of a mark means that the proprietor of the mark must concede, where appropriate, the use of that mark by third parties in situations in which he could normally have prohibited such use.

Since, on the one hand, in view of the decision in the *Hag* case, the proprietor of the mark cannot object to the use of his mark for comparable products not originating from him, Centrafarm has difficulty in understanding how on the other hand the proprietor of the mark can be entitled to object to the use of that mark for identical products which are, however, manufactured by him. It maintains that support for this view can be found in the decisions of the Court of Justice and in legal works.

Centrafarm emphasizes that the decisions of the Court make clear that the specific subject-matter of the trade-mark is a guarantee to the consumer of the identity of the origin of the product, so that the proprietor of the mark can institute proceedings to prevent the use of names liable to mislead (judgment of 22 June 1976 in Case 119/75 *Terrapin v Terranova* [1976] ECR 1039) or to prevent the mark being improperly affixed (judgment of 31 October 1974 in Case 16/74 *Centrafarm* v *Winthrop* [1974] 2 ECR 1183).

Centrafarm further maintains that it has not improperly affixed the Seresta mark to the goods. It has not caused confusion between the original product bearing the AHPC mark and products originating from third parties. On the contrary it presents the product in such a way as to avoid confusion, that is to say, with the mark registered in the Netherlands by which the customers concerned know the product and consequently connect it with AHPC. Centrafarm maintains that AHPC's intention to establish this connexion is clear from the fact that it marketed the goods as a trade-marked product. On the other hand there would be a danger of confusion if Centrafarm sold oxazepamum originating from AHPC in the Netherlands with the Serenid D mark since that mark is not registered in the Netherlands and accordingly consumers do not know it by that name.

Centrafarm maintains that the AHPC does not use different marks in the different Member States in order to protect the specific subject-matter of its trade-mark; it does so in order that, when a Dutch consumer sees the original oxazepamum with the Serenid D mark, he will suppose that it is of different origin or at least that it is not the actual original product which he knows under the Seresta mark.

According to Centrafarm, since the function of the mark indicating the origin of a product does not operate in the interests of the manufacturer but provides a guarantee to the consumer, the third party obtaining the product who, as reseller, takes the steps necessary to ensure that the consumer does not get wrong ideas about the genesis of the original trade-marked product, does not adversely affect the specific subject-matter of the trade-mark. This is certainly not the case where the reseller uses the mark which the proprietor himself uses on the market in question.

Centrafarm maintains that AHPC has not established before the court making the reference that it was necessary for it to choose in the United Kingdom a mark other than Seresta because the latter mark was incompatible with older marks belonging to third parties. AHPC's argument implies that all parallel importations of the product bearing the Seresta mark into that country are *a priori* excluded on grounds inherent in trade-mark law. It does not seem logical that the proprietor of a subdivided mark should be in a better position to partition markets than the proprietor of a

European mark which complies with the Treaty.

With regard to AHPC's observation before the court making the reference, to the effect that Centrafarm was wrong in complaining that it had quite deliberately chosen two different marks for the United Kingdom and the Netherlands respectively, Centrafarm merely wishes to emphasize that AHPC markets oxazepamum as follows:

Netherlands: Seresta

United Kingdom: Serenid D

Italy: Serpax

Germany: Praxiten

France: Seresta

Belgium: Seresta

According to Centrafarm it is incorrect to maintain that it does not encounter an impediment to competition because it is free to sell in the Netherlands oxazepamum coming from the United Kingdom with the Serenid D mark: considerable expense is in fact entailed in launching a new mark on the market, especially if there is already another mark for the same product which is widely known; furthermore the parallel importer must incur expenses for the introduction of as many marks as the manufacturer chooses to use for the product in question in other Member States; competition between the parallel importer and the appointed importer is thus illusory from the outset.

If it must be accepted that the proprietor's national mark may not be affixed to his original product marked as such it must be conceded that, in any case, third parties must be permitted to use the national mark in marketing that product.

Centrafarm considers that the Court must in the light of the foregoing observations decide that in the circumstances of this case AHPC's proceedings are not intended to protect the specific subject-matter of its trade-mark, or at least and in any event that they constitute a disguised restriction on trade between Member States so that the first preliminary question must be answered in the affirmative.

2. Observations of AHPC

AHPC makes three observations before dealing with the first preliminary question.

— First it maintains that Centrafarm is at present selling the product in question under the generic name oxazepamum.

— Secondly it observes that it has proved to the President of the court before which proceedings for the adoption of an interim measure were instituted that it did not intentionally choose different marks in the United Kingdom with a view to partitioning the markets of the Member States.

— Thirdly it disputes Centrafarm's allegation before the court making the reference, that the rules on reimbursement by sickness funds vary according to whether or not the product in question is oxazepamum obtained as a parallel import. On the contrary, since 1 November 1977 chemists have received from sickness funds an additional payment for oxazepamum obtained as a parallel import, in order to encourage them to procure supplies through a parallel importer.

With regard to the second preliminary question AHPC emphasizes in the first place that the manufacturer of a new product always tries to devise for it a single mark valid throughout the entire world so that he can enjoy outside a given country the goodwill which it has acquired in that country.

Since the name Serax used in the United States for oxazepamum conflicts in other countries with marks which are already in existence AHPC chose the

mark Serepax for most countries. This latter mark may, however, be used *inter alia* in the United Kingdom. The competent division of the AHPC group for the United Kingdom and Ireland and the competent division for continental Europe consequently decided independently of each other to use the name Serenid for the United Kingdom and Ireland and Seresta, *inter alia* for the Netherlands.

The Court of Justice, at paragraph 14 of its judgment in Case 192/73 *Hag*, ruled that information to consumers as to the origin of a product covered by a trade-mark may be ensured by "other means" than those which affect the free movement of goods. In the light of this judgment it seems reasonable for AHPC to request in the present case the use of "other means" in order to indicate the origin of the product by, for example, stating that it is an "original product", which is Centrafarm's present practice. AHPC considers that Centrafarm is in no way entitled to use the goodwill of the Seresta mark which it has itself built up as Centrafarm has expended neither effort nor money to that end. If Centrafarm considers that too few doctors prescribe oxazepamum instead of Seresta it should provide publicity for its product by marketing it under a mark of its own and developing its own goodwill therefor.

An alteration, effected without authorization, of a mark on the product of another person has never been considered in the context of Netherlands or Benelux law, either by the courts or by legal writers. AHPC considers that it is nevertheless clear that Centrafarm's conduct is unlawful under these legal systems. It maintains that this view is supported by the wording of Article 13 A of the Uniform Benelux Law on Trade-marks and is clear from the opinions of a number of writers concerning the affixing of a mark to products not distinguished by that mark. With regard to the law of other countries of the Community AHPC observes that the documents lodged in Case 102/77 *Hoffmann-La Roche* v *Centrafarm* (judgment of the Court of 23 May 1978), concerning the repackaging and the replacement of the same mark, show that in these countries the affixing, after repackaging, of another mark of the same proprietor is also unlawful.

AHPC states that this result is also clear from the preliminary draft of the regulation relating to the Community trade-mark.

In accordance with paragraph 8 of the judgment in Case 16/74, *Winthrop*, a person who profits from the goodwill of a trade-mark without putting up any capital in that connexion falls into the category of "competitors wishing to take advantage of the status and reputation of the trade-mark by selling products illegally bearing that trade-mark".

To Centrafarm's argument that it does not "improperly" (in Dutch "valselijk") put the Seresta mark onto the products in question since the oxazepamum originates from AHPC, the latter replies that the word "vals" (in English: "improper") in Dutch does not merely indicate a wrongful intention but also signifies, for example: "to be contrary to rules or laws, not as it should be, incorrect, defective, false". When Centrafarm endeavours to profit from goodwill for which it has not put up any capital its behaviour is "improper" because it is at variance with both national and Community provisions and accordingly, with regard to fair competition, "not as it should be, incorrect, defective, mistaken".

AHPC adds that the above-mentioned paragraph shows that protection against unlawful gain from the status of the mark constitutes "protection of a legitimate interest on the part of the proprietor of the trade-mark or business name" within the meaning of the sixth

paragraph of the judgment in Case 119/75 *Terrapin*.

AHPC then refers to an article by Professor van Gerven: "The Recent Case-Law of the Court of Justice concerning Articles 30 and 36 of the EEC Treaty", Common Market Law Review, February 1977, p. 5 *et seq.* Professor van Gerven considers that it is clear from the case-law of the Court that interests or values other than those enumerated in Article 36 deserve a measure of protection and therefore allow for a certain deviation from the prohibition of Article 30 provided that:

— the interests are somehow related to the matters named in Article 36;

— the measures are reasonable;

— there is not a Community system encompassing the interest or value to be protected;

— the measure in no event constitutes a means of arbitrary discrimination or a disguised restriction on inter-State commerce.

If on the one hand the concept of "industrial and commercial property" within the meaning of Article 36 can be broadly interpreted where the above-mentioned conditions obtain, it is impossible on the other to interpret the protection of the specific subject-matter of the trade-mark in such a way that it covers only safeguarding the function of indicating the origin of the product and does not cover protection against unfair competition which consists in deriving improper benefit from the reputation and goodwill of the mark. Furthermore AHPC considers that the protection of the trade-mark right upon which it relies in the present case concerns the specific subject-matter of this right.

AHPC considers that, even if in the present case its measures have to be regarded as not concerning the specific subject-matter of its trade-mark right, nevertheless a ruling should be given in its favour since such measures conform to the four conditions mentioned by Professor van Gerven:

— the unfair competition relates to industrial and commercial property;

— AHPC's action satisfies the test of proportionality since Centrafarm has other means by which it can indicate the origin of its products;

— there is no Community legislation on unfair competition:

— AHPC's action is not an arbitrary discrimination and does not constitute a disguised hindrance to trade between Member States since it is directed against the unjustified use of the reputation of a mark as was stated by the Court in defining the specific subject-matter of trade-marks in paragraph 8 of its above-mentioned judgment in Case 16/74 *Winthrop* and against the prejudice to fair competition, which the Treaty is intended to protect as is shown in the preamble thereto.

In so far as AHPC's conduct constitutes a measure having an effect equivalent to a quantitative restriction within the meaning of Article 30 such conduct at all events by its very nature affects domestic products and imported products alike. Such conduct may nevertheless come within the ambit of Article 30, according to the judgment of the Court of 16 November 1977 in Case 13/77 *GB-INNO-BM* v *ATAB* ([1977] ECR 2115), if the sale of imported products becomes "if not impossible, more difficult than that of domestic products". AHPC considers that this is not the case since under the law concerning medicinal products there is no prohibition on the importation of goods bearing the Seresta mark and the prohibition imposed by AHPC applies without discrimination to all its competitors.

3. Observations of the Federal Republic of Germany

The Government of the Federal Republic of Germany emphasizes that the law on trade-marks in force in Benelux and Germany confers upon the proprietor of a mark the sole right to affix it to a product and to place the product, so distinguished, on the market, and thus also the right to prohibit other persons from using that mark for similar products or products of a like nature. If the proprietor had to accept that other persons could also use his mark for such products in the Member State in question this would nullify the principal function of a trade-mark which is to establish the identity, in a form which can be remembered, of products to which the mark has been affixed. From the point of view of the proprietor the mark would no longer be capable of furthering the reputation of a product. With regard to the consumer the mark would no longer constitute a reliable reference on which to base his decision. It would be an invitation to the wrongful use of the mark and to the unfair exploitation by other undertakings of the good name enjoyed by the original product bearing that mark.

The proprietor of a mark is also entitled to prohibit the use of the mark if a third party affixes it to a product coming from the proprietor which is identical as to origin, characteristics and composition with a product which the proprietor has marketed without a mark. In fact the trade-mark right does not merely involve indicating the industrial origin of the goods or their particular quality and prohibiting the fraudulent use of a mark. On the contrary the essential function of the mark consists in the fact that the goods, their presentation and name along with the mark make up a composite identity which can be remembered and an image which holds the trust of customers and furthers the reputation of the original product bearing the mark. The fact that the proprietor of the mark alone decides whether the product, its presentation and name along with the mark are to go together to form an identity, constitutes the *raison d'être* of such trust and reputation.

The Federal Government considers that an infringement of national trade-mark law is aggravated where a mark is affixed to a product which differs from the product to which the proprietor has affixed his mark in its composition or in certain characteristics which are relevant to the consumer and to the choice which he makes. The Federal Government considers that such infringement is further aggravated if in addition the presentation of the product differs from that which the proprietor of the mark habitually adopts for the original products to which he affixes his mark.

Under national trade-mark law the proprietor of a mark also enjoys such a right to prevent distribution if he has already placed the product on the market under another mark and another undertaking affixes to that product a mark used in another country and places it on the market. The German Government considers that such behaviour also infringes the exclusive right of the proprietor of the mark to decide not only whether a specific product, in the way it is presented, shall in fact be placed on the market as a trade-marked product but also under what mark the product shall be distributed.

The Federal Government considers that the proprietor's accepted right to prohibit the use of a mark in the above-mentioned cases is justified as regards the first sentence of Article 36 of the Treaty because that rights falls within the definition of the specific subject-matter of the mark which the Court formulated in its judgment in Case 16/74 *Winthrop*. The Federal Government considers that such justi-

fication arises from the fact that the right to prohibit the use of the mark is necessary in order to prevent improper use by competitors of the reputation of the original goods produced by the proprietor of the mark. Failure to uphold that right would strike at the very root of the trade-mark and would render it practically worthless, both to the proprietor of the mark and to the consumer.

The Federal Government further states that the said right to prohibit the use of the mark cannot be called in question on the basis of the second sentence of Article 36 of the Treaty. The use of different marks in different States of the Community does not generally constitute evidence of abuse since there can exist entirely valid reasons for such use, for example, if different marks are affixed to different products. The Federal Government does not however propose to express its views on the question whether in a particular case products are in fact different where they can be distinguished only by the taste.

It adds that there could be an abuse of a trade-mark right if the proprietor thereof, in exercise of that right, had an intention to commit such an abuse — and this intention could arise from objective circumstances.

It concludes that the reply to the first preliminary question should be in the negative despite the provision in the second sentence of Article 36 of the Treaty.

4. Observations of the United Kingdom

The Government of the United Kingdom observes that Centrafarm's conduct is not sanctioned by Community law: when an unauthorized third party repackages a product and affixes the proprietor's trade-mark to it a new product is created; in this case the final product is different from that to which the proprietor of the trade-mark originally applied his mark; purchasers can no longer rely on the trade-mark as being an indication that the product originated from the proprietor of the mark and has been put into circulation by him; the specific subject-matter of the trade-mark is thus destroyed.

Although the therapeutic effect of the two types of tablet is similar consumers have been wrongly induced to buy tablets having a taste different from that which they might legitimately expect.

The British Government continues its observations by stating that since there are differences in the composition and qualities of the two sorts of tablets AHPC is justified in relying on Netherlands legislation protecting its trade-mark rights within the scope of the last sentence of paragraph 6 of the judgment of the Court in Case 119/75 *Terrapin*. That being so the exercice by AHPC of its rights under the law of the Netherlands in relation to the Seresta mark is justified under the first sentence of Article 36 of the Treaty.

Nevertheless, if the proprietor of a trade-mark were to exercise his rights in respect of it in a way which amounted to a disguised restriction on trade between Member States, this would justify the issue by a national court of an injunction requiring him to desist from doing so but this would not justify anyone else affixing the mark to any product.

The Government of the United Kingdom cannot accept the contention of Centrafarm that its use of the Seresta mark is in accordance with the function of trade-marks, namely to indicate the origin of a product: the United Kingdom Government considers that the purpose of the trade-mark is on the first marketing of the product bearing it, to indicate a direct connexion with the proprietor of the mark and not one which is indirect.

The fact that Centrafarm affixes its name and address in addition to the

Seresta mark on the packaging cannot justify its conduct.

The United Kingdom also refers in support of its opinion to the preliminary draft of the regulation relating to the Community trade-mark.

Finally the United Kingdom recalls that the products which form the subject-matter of the reference for a preliminary ruling are proprietary medicinal products within the meaning of Article 1 of Council Directive 65/65/EEC. The primary purpose of the directive, the safeguarding of public health, is frustrated if there is repackaging, relabelling or renaming of products unauthorized by the proprietor of the trade-mark with consequential implications affecting the reputation of the proprietor of the trade-mark.

In the United Kingdom's view public health considerations are not irrelevant to the exercise of rights of industrial property and with regard to proprietary medicinal products it is necessary to apply rigid criteria as regards the admissibility of changes made by third parties without the manufacturer's consent.

Unless the trade-mark proprietor is aware of and has details of the repackaging processes it will be difficult for him to satisfy himself that there will be no serious risk of the nature or quality of the goods marketed under his trade-mark being altered by such repackaging. Having regard to the present early stage of harmonization in the field of proprietary medicinal products, the fact that under Community legislation and consequential national legislation repackaging of pharmaceutical products is required to be carried out under an authorization of a competent authority does not in practice necessarily give the proprietor of a trade-mark the assurance necessary to safeguard his reputation. In the view of the United Kingdom it is unrealistic for the proprietor of the mark to await proof of the actual occurrence of the hazards before exercising his trade-mark right.

The United Kingdom therefore submits that the Court should refrain from giving a ruling which would have the effect of enabling a trade-mark ever to be applied to goods by anyone other than its proprietor except with his consent.

5. Observations of the Commission

The Commission having first set out the case-law of the Court of Justice on the relation between industrial property rights and the provisions of the Treaty goes on to emphasize that in the judgment in Case 119/75 *Terrapin* the Court *inter alia* considered that the basic function of the trade-mark is "to guarantee to consumers that the product has the same origin". In the preliminary draft convention for a Community trade-mark this function is also considered essential.

The Commission considers that it is also clear from the decisions of the Court that there is much less reason to consider the function of indicating the origin of a product as a connexion established by the consumer between a given product and the producer than as the identification of a given product in order to distinguish it from the products of another manufacturer or dealer or indeed of the same manufacturer or dealer.

The Commission states that in this context the proprietor of the mark alone is entitled to identify products in this manner: he alone is in a position to, and entitled to, confer upon a product an identity, by affixing a mark to it, distinguishing it from other products. As the Court stated in its judgment in Case 16/74 *Winthrop* "in relation to trade-marks the specific subject-matter of the industrial property is the guarantee that the owner of the trade-mark has the exclusive right to use that trade-mark for the purpose of putting products

protected by the trade-mark into circulation for the first time". The Commission emphasizes that the same view of the function of the mark reappears in the preliminary draft convention for a Community trade-mark.

To claim that Centrafarm does not prejudice the function of indicating the origin of the product since the Seresta mark properly indicates where AHPC's products come from accordingly does not conform to the view put forward above. In fact the mark distinguishes the product in relation to all others and such distinction can only be made by AHPC or by a person empowered to do so by it, for example by the holder of a licence.

The Commission accordingly concludes that the conduct of AHPC is covered in principle by the first sentence of Article 36 of the Treaty.

The Commission next sets out its views on the second sentence of Article 36. In this connexion it refers to paragraph 7 of the judgment of the Court in Case 119/75 *Terrapin* that the protection which is ensured for rights conferred by national laws "is denied ... in respect of any improper exercise of the same rights of such a nature as to maintain or effect artificial partitions within the Common Market". There exists in principle a right to register a different mark in each Member State. In fact it may be that the producer in the importing country can only use the same mark in the exporting country because there is already a competing mark belonging to a proprietor independent of him or, for example, for reasons concerned with language. The Commission considers that the exercise of the above-mentioned right nevertheless constitutes an abuse if its proprietor applies it with the purpose of isolating one or more national markets.

It emphasizes in this connexion that it does not possess in the present case information which could lead to such a conclusion and that it is for the court making the reference to settle whether there has actually been an abuse.

It finally notes that, where there is an abuse of the distinction between marks, protection is refused to the exercise of the trade-mark right under the second sentence of Article 36, the importer is entitled to "resort to self-help", that is he can "correct" behaviour at variance with Community law by affixing to the product, in the place of the improper mark, the mark usually used in the importing Member State, to which the proprietor cannot object. Such a course should, however, be allowed only subject to the most stringent reservations. If this suggestion is rejected another solution must be sought for the problem created by the cutting off of markets through the improper use of different trade-marks. Consideration might be given to the adoption of a Community provision containing a general prohibition on the registration of a product under different marks in each Member State. Nevertheless this solution would doubtless fail to prevent persons resorting to self-help on certain occasions. The following dilemma therefore remains: either to maintain provisionally the rights based on the trade-mark, although they were wrongfully obtained, or to grant the importer the right, equally provisional, to rectify the situation himself. The Commission does not state any preference for one or other solution.

It concludes that the reply to the first question of the court making the reference should be that in the given circumstances the provisions of the Treaty on the free movement of goods do not in principle rule out a prohibition on the basis of trade-marks.

It considers that it is however appropriate to make a reservation, namely that the proprietor of a mark who employs for one and the same product

different marks in different Member States, must not have chosen and/or used such marks for the purpose of influencing the free movement within the Common Market of products bearing such marks. In such a case the exercise of the right to obtain an injunction on the basis of the trade-mark could constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

The second preliminary question

1. Observations of Centrafarm

Centrafarm considers that the second preliminary question should be understood as follows:

"If it is necessary in principle to refuse to a parallel importer of a specific product bearing a mark the right to adapt the mark used in the exporting Member State to that used in the importing Member State, must provision be made for an exception in that case in respect of proprietary medicinal products bearing a mark, such provision being in furtherance of the protection of the health of humans within the meaning of Article 36 of the Treaty?"

Before replying to the second preliminary question Centrafarm makes two observations:

First it maintains that in the system of refunds applied by sickness funds in the Netherlands in respect of products sold to their members proprietary medicinal products consutute, under the mark under which the product is notified to the national authorities by the manufactur or appointed importer, both the reason for, and the basis of, the refund. Proprietary medicinal products which the authorities do not include in their lists under the trade-mark do not qualify for automatic reimbursement in accordance with the rules which apply to products appearing on such lists: the applicant sometimes qualifies for the refund on the basis of the rule applicable to proprietary medicinal products appearing on the said lists; sometimes he is refused the benefit and in such cases the rules concerning reimbursement for preparations under a generic name are applied; such rules differ from the first-mentioned rules and the rate of reimbursement is generally lower than that for the corresponding proprietary medicinal products. Accordingly in order to secure the best possible distribution of medicaments the parallel importer should be enabled to sell a proprietary medicinal product supplied under the mark recognized by the authorities participating in the distribution of and reimbursement for medicaments and to do so on the same footing as the manufacturer or appointed importer.

Secondly it observes that the system advocated in the present case by AHPC, in so far as it is sanctioned in principle by the Netherlands authorities in future legislation, could bring about a situation where a specific proprietary medicinal product originating from a given manufacturer would circulate not only under one and the same mark but under as many marks as there are in countries in which the manufacturer wishes to distribute the product.

In reply to the second preliminary question Centrafarm points out that in the judgment of 20 May 1976 in Case 104/75 *Adriaan de Peijper* ([1976] ECR 613) the Court found that the provisions of Directive 65/65 do not always require to be interpreted to the letter. It considers that the reasons for this stem from the fact that the authors of the directive did not envisage the marketing of a proprietary medicinal product in a Member State otherwise than through the manufacturer or his appointed importer. In the present case regard should accordingly be had to the objectives and spirit of the directive.

Centrafarm proceeds to note that it is clear from the directive, in particular from Articles 3 to 5 and 8 to 12 thereof, that its authors considered that a proprietary medicinal product would be marketed only under a single manufacturer's or dealer's mark. To ensure the best and most effective safeguard for public health — the principle aim of the directive — the identification of a given proprietary medicinal product should not be rendered still more difficult by the fact that the product is marketed under different marks. For these reasons Centrafarm considers that the system provided for in the Besluit registratie geneesmiddelen is incompatible both with the letter and the objectives of the above-mentioned directive, and with Council Directive 75/319/EEC of 20 May 1975 on the approximation of provisions laid down by law, regulation or administrative action relating to proprietary medicinal products (Official Journal 1975, L 147, p. 13). Centrafarm maintains that in any case the general scheme of the Treaty implies that a parallel importer must be free to adapt the foreign mark to the Netherlands mark and also to register and thereby market the proprietary medicinal product under the latter mark.

In Centrafarm's view the protection of public health requires a system whereby a parallel importer is free to market a proprietary medicinal product with the mark under which that product has been registered in the Member States by the manufacturer or appointed importer.

In that situation the option made available to the parallel importer by the Besluit registratie geneesmiddelen to register or sell a foreign proprietary medicinal product under a generic name likewise does not offer an alternative solution. Even apart from the element of discrimination which exists in the different criteria applied under the provisions on reimbursement Centrafarm considers that such an option does not make economic sense.

Centrafarm concludes by stating that for the purposes of the reply to be given to the second preliminary question regard should be had for the fact that any national provisions aimed at preventing a parallel importer of a given proprietary medicinal product from adapting the brand name or mark of a product to the brand name or mark of such product in the importing Member State constitutes a measure having an effect equivalent to restrictions on imports which is not justified by the need to protect the health and life of humans.

2. Observations of AHPC

AHPC notes first that Dutch legislation concerning medicinal products is irrelevant to the dispute between the parties.

It then emphasizes that no regard should be had for the word "other" in the second preliminary question since the question in fact concerns the possibility of importing the product into Member State B under a mark other than that under which it was registered in Member State B and not in "the other" Member State.

It finally states that the important factors in the present case are:

— Article 23 (3) (f) and (g) of the Besluit registratie geneesmiddelen;

— The fact that the statement of reasons for that measure show that it was drawn up, with regard to parallel imports, on the basis of the judgment in Case 104/75 *de Peijper;*

— The fact that the new decree on the registration of pharmaceutical preparations has been approved by the Commission;

— The fact that the Commission is at present drafting a proposal for the amendment of Directive 65/65/EEC;

— The circumstance that following the prohibition on Centrafarm by way

of interim measure Centrafarm markets its oxazepamum without showing the Seresta name.

3. Observations of the Federal Republic of Germany

The Federal Republic of Germany considers that the authorization issued in respect of a medicament by the competent authorities of a Member State is in principle irrelevant in establishing whether the distribution of a product authorized for sale is in accordance with trade-mark law and whether there is an infringement of the second sentence of Article 36 of the Treaty. The Federal Government states that it is in fact clear from Article 9 of Council Directive 65/65/EEC that the authorization to place a proprietary medicinal product on the market does not affect rights and duties under the civil law of the Member States. The provisions on proprietary medicinal products must ensure that the manufacture and composition of such products are in accordance with health legislation. Such provisions do not take into account differences in composition which are unobjectionable from the standpoint of health legislation.

4. Observations of the United Kingdom

According to the Government of the United Kingdom the fact that national laws based on Council Directive 65/65 do not specifically preclude the marketing of products under changed names does not necessarily mean that the marketing of such products may not be prevented on the grounds either of the protection of industrial property or the protection of the health of humans.

5. Observations of the Commission

The Commission maintains that it cannot be established on the basis of the wording of Article 23 of the Besluit registratie geneesmiddelen, or the statement of reasons accompanying it that the Netherlands legislature intended by this article to restrict rights conferred under trade-mark law. Accordingly that provision is irrelevant to the reply to the first preliminary question. The reply to the second preliminary question must accordingly establish that, in appraising the situation forming the basis of the first question, account should be taken only of trade-mark law.

III — Oral procedure

The plaintiff in the main action, represented by A. F. de Savornin Lohman, the defendant in the main action, represented by T. Schaper, the Federal German Government, represented by M. Seidel, Ministerialrat at the Federal German Ministry of Economics, E. Bülow, Ministerialdirigent at the Federal German Ministry of Justice, and the Commission, represented by its Legal Adviser, R. Wägenbaur, acting as Agent, assisted by Auke Haagsma, a member of its Legal Service, presented oral argument at the hearing on 13 June 1978.

The Advocate General delivered his opinion on 11 July 1978.

Decision

1 By an order of 19 December 1977 which was received at the Court Registry on 3 January 1978 the Arrondissementsrechtbank, Rotterdam, referred to the Court of Justice pursuant to Article 177 of the EEC Treaty two questions on the interpretation of Article 36 of that Treaty.

2 Those questions were raised in the context of a dispute between two undertakings dealing in medicinal products one of which, American Home Products Corporation (hereinafter referred to as "AHPC") is the proprietor in various Member States of various marks for the same product whilst the other undertaking, Centrafarm B.V., imported that product, which had been placed on the market under the mark registered in the State of origin, removed that mark and affixed to the product the mark registered for the same product in the importing State and placed the product thus designated on the market in the latter State without the consent of the proprietor.

3 It is clear from the questions submitted by the Arrondissementsrechtbank that the legislation relating to trade-marks in the importing State gives the person entitled to the trade-mark the right to contest the putting into circulation in that State by others of goods bearing the mark held by him.

4 By an order of 2 August 1977 the President of the Arrondissementsrechtbank, in a ruling on an application by AHPC for the adoption of an interim measure, in fact prohibited Centrafarm from infringing AHPC's rights in the mark in question.

5 According to their wording the questions submitted concern one and the same product, despite certain slight differences which may exist between the product as marketed under one or other mark, so that the Court of Justice is not required to give a ruling on the basis that the two marks were used for two products each of which has its own characteristics.

The first question

6 The purpose of the first question is to establish whether, in the given circumstances, the rules of the Treaty, in particular Article 36, prevent the proprietor of a trade-mark from exercising the right conferred upon him under the national law.

7 As a result of the provisions of the Treaty relating to the free movement of goods, and in particular Article 30, quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States.

8 Under Article 36 those provisions nevertheless do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property.

9 However, it is clear from that same article, in particular its second sentence, as well as from the context, that whilst the Treaty does not affect the existence of rights recognized by the laws of a Member State in matters of industrial and commercial property, the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions contained in the Treaty.

10 Inasmuch as it creates an exception to one of the fundamental principles of the Common Market, Article 36 in fact admits of exceptions to the rules on the free movement of goods only to the extent to which such exceptions are justified for the purpose of safeguarding the rights which constitute the specific subject-matter of that property.

11 In relation to trade-marks, the specific subject-matter is in particular the guarantee to the proprietor of the trade-mark that he has the exclusive right to use that trade-mark for the purpose of putting a product into circulation for the first time and therefore his protection against competitors wishing to take advantage of the status and reputation of the mark by selling products illegally bearing that trade-mark.

12 In order to establish in exceptional circumstances the precise scope of that exclusive right granted to the proprietor of the mark regard must be had to the essential function of the trade-mark, which is to guarantee the identity of the origin of the trade-marked product to the consumer or ultimate user.

13 This guarantee of origin means that only the proprietor may confer an identity upon the product by affixing the mark.

14 The guarantee of origin would in fact be jeopardized if it were permissible for a third party to affix the mark to the product, even to an original product.

15 It is thus in accordance with the essential function of the mark that national legislation, even where the manufacturer or distributor is the proprietor of two different marks for the same product, prevents an unauthorized third party from usurping the right to affix one or other mark to any part whatsoever of the production or to change the marks affixed by the proprietor to different parts of the production.

16 The guarantee of the origin of the product requires that the exclusive right of the proprietor should be protected in the same manner where the different parts of the production, bearing different marks, come from two different Member States.

17 The right granted to the proprietor to prohibit any unauthorized affixing of his mark to his product accordingly comes within the specific subject-matter of the trade-mark.

18 The proprietor of a trade-mark which is protected in one Member State is accordingly justified pursuant to the first sentence of Article 36 in preventing a product from being marketed by a third party in that Member State under the mark in question even if previously that product has been lawfully marketed in another Member State under another mark held in the latter State by the same proprietor.

19 Nevertheless it is still necessary to consider whether the exercise of that right may constitute a "disguised restriction on trade between Member States" within the meaning of the second sentence of Article 36.

20 In this connexion it should be observed that it may be lawful for the manufacturer of a product to use in different Member States different marks for the same product.

21 Nevertheless it is possible for such a practice to be followed by the proprietor of the marks as part of a system of marketing intended to partition the markets artificially.

22 In such a case the prohibition by the proprietor of the unauthorized affixing of the mark by a third party constitutes a disguised restriction on intra-Community trade for the purposes of the above-mentioned provision.

23 It is for the national court to settle in each particular case whether the proprietor has followed the practice of using different marks for the same product for the purpose of partitioning the markets.

The second question

24 The second question is whether it is relevant to the answer to be given to the first question, that in the importing Member State there are provisions on medicinal products under which it is permissible to import a medicinal product from another Member State under a mark other than that under which it is registered in the latter State.

25 Such provisions, in pursuing objectives relating to the protection of public health, are concerned with the names under which proprietary medicinal products may be placed on the market.

26 It must therefore be presumed that such provisions do not have the effect of amending the law on trade-marks.

27 It follows that the importer of a medicinal product cannot find in the facility afforded him by such provisions any justification for avoiding the restrictions entailed by the requirement that he observe the trade-mark rights belonging to the manufacturer of the product.

28 The reply to the second question must accordingly be that the existence of provisions on the names under which proprietary medicinal products may be marketed is irrelevant to the reply to be given to the first question.

Costs

29 The costs incurred by the Government of the Federal Republic of Germany, the Government of the United Kingdom and by the Commission, which have submitted observations to the Court, are not recoverable.

30 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 questions referred to it by the Arrondissementsrechtbank, Rotterdam, by an order of that court of 19 December 1977, hereby rules:

1. (a) **The proprietor of a trade-mark which is protected in one Member State is justified pursuant to the first sentence of Article 36 in preventing a product from being marketed by a third party even if previously that product has been lawfully marketed in another Member State under another mark held in the latter State by the same proprietor.**

   (b) **Nevertheless such prevention may constitute a disguised restriction on trade between Member States within the meaning of the second sentence of Article 36 of the Treaty if it is established that the proprietor of different marks has followed the practice of using such marks for the purpose of artificially partitioning the markets.**

2. **The provisions on the names under which proprietary medicinal products may be marketed are irrelevant to the above reply.**

Kutscher Mertens de Wilmars Mackenzie Stuart Donner Pescatore

Sørensen O'Keeffe Bosco Touffait

Delivered in open court in Luxembourg on 10 October 1978.

A. Van Houtte
Registrar

H. Kutscher
President