In Case 177/83

REFERENCE to the Court under Article 177 of the EEC Treaty by the Landgericht [Regional Court] München I for a preliminary ruling in the action pending before that court between

THEODOR KOHL KG, Regensburg, Federal Republic of Germany,

and

RINGELHAN & RENNETT SA, Annecy, France,

and

RINGELHAN EINRICHTUNGS GMBH, Oberhausen, Federal Republic of Germany,

on the interpretation of Article 30 of the EEC Treaty,

THE COURT

composed of: Lord Mackenzie Stuart, President, G. Bosco, O. Due and C. Kakouris, Presidents of Chambers, A. O'Keeffe, T. Koopmans, U. Everling, K. Bahlmann and Y. Galmot, Judges,

Advocate General: C. O. Lenz
Registrar: P. Heim

gives the following

JUDGMENT

Facts and Issues

The order of the national court, the course of the procedure and the observations submitted under Article 20 of the Protocol on the Statute of the Court of Justice of the EEC may be summarized as follows:

I — Facts and written procedure

1. This case concerns the use by a French company on the German market of a distinctive sign.

The French company Ringelhan & Rennett SA, the first defendant in the main proceedings, was founded in 1971 as a subsidiary of the German company Ringelhan & Rennett which was wound up as a result of insolvency in 1982. Before the winding-up the French company was sold to a third party and since the winding-up the second defendant, Ringelhan Einrichtungs GmbH, has looked after its commercial interests in Germany. The old German company Ringelhan & Rennett and Theodor Kohl KG, the plaintiff in the main proceedings, were two of the main manufacturers and installers of pharmacy equipment on the German market.

The old German company Ringelhan & Rennett and its subsidiaries in other Member States, including in particular the French company, offered the same range of pharmacy equipment under a joint business name, their trade symbol being "r + r" in white letters on a red background. Since the winding-up of the German company the French company and its new representative in Germany have continued to use that mark for the presentation and marketing of their products on the German market.

2. On 27 January 1983 Kohl KG brought an action under Paragraph 3 of the *Gesetz gegen den unlauteren Wettbewerb* [Law on Unfair Competition] in the Landgericht München I [Regional Court, Munich I] for an injunction restraining the defendants from referring in their business correspondence and advertisements concerning pharmacy equipment to the "r & r" symbol of the old Ringelhan & Rennett company without clearly indicating that they have no legal or economic links with that company.

Paragraph 3 of the *Gesetz gegen den unlauteren Wettbewerb* reads as follows:

"Whosoever in the conduct of business for purposes of competition makes misleading statements regarding commercial matters, in particular regarding the quality, origin, method of manufacture or of calculating the price of specific goods or services or the whole range of his products or services, price lists, the manner in which supplies are obtained or their source, the winning of awards, the cause or purpose of the sale or the quantities available may be sued for an injunction restraining him from making such statements."

The plaintiff asserted before the Landgericht that the use of the mark in question gave the false impression that the old German company, which had an excellent reputation, was involved when there were no longer any links with that company and that the defendants were therefore unfairly exploiting the goodwill of the old company.

The defendants argued that before the German company was wound up the two companies, German and French, formed a single economic entity sharing common management. Their business was carried on jointly at both the manufacturing level and the marketing level. To some extent the French company also supplied equipment to pharmacies in the Federal Republic of Germany. By virtue of Article 30 of the EEC Treaty the French company therefore had the right, even after the liquidation of the German company, to use the "r + r" symbol on the German market too and could not be required to provide additional infor-

mation other than that usually provided in business relations.

3. In view of that dispute the Landgericht München I, by order of 9 June 1983, submitted the following question to the Court for a preliminary ruling under Article 177 of the EEC Treaty:

"If a company symbol (in this case "r + r" in white lettering on a contrasting background) has hitherto been *lawfully* used by a foreign undertaking (in this case French) in its own country (France) to designate that undertaking in business or trade and that undertaking used to form a group with an undertaking in the Federal Republic of Germany which used the same company symbol to designate that (German) undertaking in the Federal Republic of Germany until the German undertaking went into liquidation and as a result ceased to exist and if under national (German) competition law the use of the company symbol in question by the foreign (French) undertaking *in the Federal Republic of Germany* is unlawful on the ground that persons seeing the symbol perceive it as designating the non-existent German undertaking or in any event the (likewise non-existent) group of undertakings and such use is therefore misleading (Paragraph 3 of the *Gesetz gegen den unlauteren Wettbewerb* [Law against Unfair Competition], does Community law (in particular Article 30 of the EEC Treaty) prevent the foreign (French) undertaking from being prohibited from using the symbol in the Federal Republic of Germany?

Does the answer depend on the degree to which such usage is misleading?"

4. The order for reference was registered at the Court on 16 August 1983.

In accordance with Article 20 of the Protocol on the Statute of the Court of Justice written observations were lodged by Theodor Kohl KG, the plaintiff in the main proceedings, represented by Hermann Schwanhäusser, Rechtsanwalt, Munich, Ringelhan & Rennett SA and Ringelhan Einrichtungs GmbH, the defendants in the main proceedings, represented by Jochen Pagenberg, Rechtsanwalt, Munich, the Government of the Federal Republic of Germany, represented by Martin Seidel, Oberamtsrat at the Ministry of Economic Affairs, acting as Agent, the Government of the French Republic, represented by Jean-Paul Costes, attached to the Secretariat General of the Interministerial Committee for Questions of European Economic Cooperation, acting as Agent, and by the Commission of the European Communities, represented by Christoph Bail, a member of its Legal Department, acting as Agent.

Upon the application of the Federal Republic of Germany for the case to be decided in plenary session the case was assigned to the full court pursuant to Article 95 (2) of the Rules of Procedure.

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. However, it put some questions to the parties to the main proceedings to which they replied within the time allowed.

II — Summary of the written observations submitted to the Court

Kohl KG, the plaintiff in the main proceedings, and the *German Government* argue that Community law does not preclude the application of national legislation which enables the misleading use of a mark to be brought to an end in circumstances such as those described in the question submitted to the Court.

According to the *REWE* decision, obstacles to intra-Community trade resulting from disparities between national laws must be accepted in so far as, in the absence of common legislation, such laws applying to national and imported products alike, are necessary to meet overriding requirements relating in particular to consumer protection and fair trading. In a series of judgments the Court has taken into account disparities between national legislation on, for example, fraudulent imitation (Case 6/81, *Industrie Diensten Groep* v *Beele*, [1982] ECR 707), the hallmarking of articles made from precious metals (Case 220/81, *Robertson*, [1982] ECR 2349), designs (Case 144/81, *Keurkoop* v *Nancy Keen Gifts*, [1982] ECR 2853) and on the offering of free gifts with purchases (Case 286/81, *Oosthoek*, [1982] ECR 4575). Those decisions have been followed by the German courts, particularly when applying the Gesetz gegen den unlauteren Wettbewerb.

Paragraph 3 of that Law, which applies to the marketing of national and imported products alike, meets overriding requirements relating to consumer protection and fair trading. An injunction granted pursuant to that provision does not therefore contravene Community rules on the free movement of goods.

In the view of the *Government of the Federal Republic of Germany* consumer protection is in any case part of a broad concept of public policy referred to in Article 36 of the Treaty. It is also clear from Article 2 (1) of the Paris Convention that the protection of industrial and commercial property includes protection against unfair competition in this field. If an injunction such as that applied for in the present case were caught by Article 30 of the EEC Treaty, it would nevertheless be justified under Article 36 of the Treaty.

The German Government recognizes that the aforementioned legal interests must be protected by means proportionate to the object in view, that is to say by measures causing the least hindrance to the movement of goods between Member States. In some circumstances an absolute prohibition on using a mark might be disproportionate to the object in view if the requirement of additional information about the origin of the mark were sufficient. In this regard reference must be made to the marketing usages considered proper and fair in the Member State of importation (see the judgment delivered by the Court

on 22 January 1981 in Case 58/80, *Dansk Supermarked* v *Imerco,* [1981] ECR 181). Consequently it is for the national court to investigate whether according to national law the elements of a misleading practice are present and secondly to determine the measures to be adopted to remedy that situation. In this regard it may also take account of the degree to which a practice may be misleading.

The *Ringelhan companies,* the defendants in the main proceedings, and the *French Government* consider that a prohibition of the kind referred to in the question submitted to the Court is incompatible with the rules of Community law on the free movement of goods. To support their view they refer to decisions of the Court on industrial and commercial property rights and in particular to the judgment delivered on 3 July 1974 in Case 192/73 *Van Zuylen Frères* v *Hag AG,* [1974] ECR 731). It is clear from that judgment that before it went into liquidation the old German company could not have prevented the marketing in the Federal Republic of Germany of products manufactured by its subsidiary in France bearing with its consent their joint symbol. In the case it was held that the exclusiveness of the right in question, which may be the consequence of the territorial limitation of national legislation, may not be relied upon by the owner of the right with a view to prohibiting the marketing in a Member State of goods lawfully produced in another Member State under an identical trade mark having the same origin. *A fortiori* third parties could not have relied at that time upon Paragraph 3 of the Gesetz gegen den unlauteren Wettbewerb on the ground of an alleged risk of confusion as to the origin of the products in question. The winding-up of the old German company and consequently the break-up of the group which it formed with the first defendant cannot have the effect of allowing third parties to plead the existence of a risk of confusion which they could not have pleaded previously.

Ringelhan states that the principle of the exhaustion of trade-mark rights in Community law also operates where the formerly joint ownership of rights is split as a result for example of compulsory winding-up. Even writers who reject the exhaustion principle where rights are split as result of State measures accept its operation in the event of compulsory winding-up. The disposal of a trademark following insolvency ought to have the same legal effect as the private, voluntary transfer of the trade mark before the commencement of the insolvency proceedings. In the present case the liquidator of the old German company agreed to the use of the mark in Germany by the first defendant. In that regard the facts of this case are therefore different from those of the *Kaffee Hag* case.

No different assessment is rendered necessary by the decisions of the Court recognizing that the free movement of goods does not in principle affect national provisions on unfair competition.

In the present case the application of the Gesetz gegen den unlauteren Wettbewerb affects only products originating in France owing to the fact that they are imported bearing a mark whose use alone cannot be challenged. However, such application does not affect national and imported products in

the same way because if the facts of the present case were transposed to the German market they would not lead to the grant of an injunction for unfair competition.

Even if it is accepted that the German law is applicable, in order for legislation on unfair competition to be relied upon the unfair competition must reside in other circumstances and marketing methods than the mere use of the mark. According to the relevant case-law, the test in this regard is whether marketing is lawful in the country of origin. Differences in taste or presentation — which are not even alleged in this case — of products marketed under the same mark do not present a sufficient risk of deception against which the consumer must be protected: there must be deliberate deception by, for example, offering prducts of poorer quality than those previously sold and advertising them as being of the same quality or deliberately concealing the origin of products from the consumer.

If that is not the case, the foreign user of a mark may not be required under national law on unfair competition to use a different form of mark on his products or in his advertisements at trade fairs, in newspapers or in his brochures or to add additional information not normally required for fair trading purposes and which may detract from the promotional value of the mark. The foreign user of a mark whose ownership has been split may continue to use it in ways conforming to normal marketing practices throughout the Community.

Ringelhan considers that its observations also answer the further question of the Landgericht whether the degree to which the relevant practice may "mislead" the business people questioned may be relevant as regards the application of rules of Community law. A survey conducted in German business circles on this question would have given practically the same result before and after the break-up of the group which owned the mark. The situation after the break-up is no different, either as regards the results of a survey or as regards the legal consequences of a possible risk of confusion. The break-up of the group is therefore immaterial in so far as the application of the relevant Community law is concerned.

The *Commission of the European Communities* agrees in the main with the view set forth above in so far as it is based on the exhaustion of divided industrial property rights in Community law. It considers that the mere use of the right in question without any additional element is not sufficient for establishing the existence of unfair competition with regard to third parties.

It points out that German law distinguishes between trade marks distinguishing goods or services whose protection is governed exclusively by the *Warenzeichengesetz* [Law on Trade Marks] and company symbols which are not registered as marks and whose protection arises from their usage within the national territory and is governed by the Civil Code and the Gesetz gegen den unlauteren Wettbewerb.

The Commission considers that the case-law on the exhaustion of industrial and commercial property rights is also applicable to trade names and company symbols. In both cases the territorial protection conferred by national laws entails the sealing-off of national markets which, in the event of the division of rights of the same origin, is no longer justified by any legitimate interest. The case-law in this field is just as relevant in an action for unfair competition brought by a third party as in the case in which the protection of a divided right is claimed by the owner. The obstacle to trade formed by an injunction sought by a third party is not due to the disparity between national laws but to the territorial exclusivity of the protected right in question. Therefore the applicability of the national Law must be assessed in relation to the protection justified under Article 36 of the Treaty rather than according to the less stringent criteria of the *REWE* decision.

However, even if Article 36 cannot be relied upon to prevent the mere use of a mark on the ground that consumers may be misled, national law on unfair competition remains relevant for the assessment of additional factors indicating unfair practices on the part of the user of the mark. The application of provisions of national law allowing an action to be brought for an injunction is, however, restricted by the requirements of Community law. In this regard the Commission emphasizes in particular that a general prohibition restraining an undertaking which previously belonged to a group of undertakings from continuing to use in a Member State the mark jointly used by that group on the ground that the consumer is likely to be misled is not compatible with Article 30. The consumer in the Common Market does not know *a priori* from which part of a group or in which Member State a product which is sold bearing the mark jointly used by the group originates. Even the fact that the consumer associates a certain degree of quality with goods sold bearing a certain mark is not necessarily relevant. If the range of products offered by the surviving part of a group of undertakings were very different in quality from the range of products of the former group, the only requirement which the principle of proportionality would allow to be imposed is that the mark should be accompanied by additional information preventing any possible confusion. There is nothing in the order for reference indicating the existence of such special circumstances amounting to an unfair practice.

III — Oral procedure

At the hearing on 28 June 1984 oral argument was presented by the following: the plaintiff in the main proceedings, Theodor Kohl KG, represented by Helmut Eichmann, Rechtsanwalt, Munich; the defendants in the main proceedings, Ringelhan & Rennett SA and Ringelhan Einrichtungs GmbH, represented by Jochen Pagenberg, Rechtsanwalt, Munich; the Government of the Federal Republic of Germany, represented by Martin Seidel, Ministerialrat at the Federal Ministry of Economic Affairs, acting as Agent, and the Commission of the European

Communities, represented by Christoph Bail, a member of its Legal Department, acting as Agent.

The Advocate General delivered his opinion at the hearing on 19 September 1984.

Decision

1 By an order of 11 August 1983, which was received at the Court on 16 August 1983, the Landgericht München I [Regional Court, Munich I] referred to the Court of Justice for a preliminary ruling under Article 177 of the EEC Treaty a question on the interpretation of Article 30 of the Treaty, so as to enable it to reach a decision on the compatibility with that article of a provision of German law regarding unfair competition.

2 Paragraph 3 of the German Law on Unfair Competition *(Gesetz gegen den unlauteren Wettbewerb)* prohibits "misleading statements regarding ... the origin ... of specific goods ... or their source ...". Whosoever makes such statements in the conduct of business for purposes of competition may be sued for an injunction restraining him from making such statements.

3 That provision was relied on by an undertaking specializing in the manufacture and installation of pharmaceutical equipment, Theodor Kohl KG, of Regensburg in the Federal Republic of Germany, in an action to restrain a French undertaking which distributes on the German market the same equipment as itself from using a distinctive symbol formerly used by a group of undertakings controlled by the German company Ringelhan & Rennett.

4 The French company Ringelhan & Rennett SA of Annecy, France, was founded in 1971 as a subsidiary of the German company Ringelhan & Rennett. The group thus formed used the symbol "r + r", in white letters on a contrasting background, to distinguish the undertakings belonging to the group. After the insolvency and liquidation of the German company Ringelhan & Rennett in 1982, the French company, which had in the meantime been sold to a third party, continued to use the distinctive symbol, having been authorized to do so by the liquidator of the German company.

For the distribution of the equipment in question on the German market the French company used its new representative in the Federal Republic of Germany, the German company Ringelhan Einrichtungs GmbH, of Oberhausen.

5 The gravamen of Kohl's complaint is that Ringelhan & Rennett SA (the French company) and Ringelhan Einrichtungs GmbH (the new German company) refer in their business correspondence and advertisements on the German market to the "r + r" symbol without indicating that there is no longer any legal or economic connection with the old Ringelhan & Rennett company, which formerly had a considerable reputation in the sector in question. Thus, according to Kohl, the two existing Ringelhan companies have misled the German public.

6 Kohl's contention was upheld in interlocutory proceedings before the German courts on the ground that the advertising of the two existing Ringelhan companies could, in the absence of any indication that there was no connection with the old German company, give the impression that the goods came from the old campany and not from a foreign undertaking. Interlocutory injunctions were granted prohibiting the two companies from using the distinctive symbol.

7 The case before the Landgericht München I, which took the view that the use of the distinctive symbol in the Federal Republic of Germany by the French firm was prohibited by German competition law even though the symbol was lawfully used in France, since the relevant business sector in Germany might regard the symbol as a reference to the defunct German undertaking or, in any event, to the group of undertakings, which had also ceased to exist, and that such use might therefore be misleading, contrary to Article 3 of the Law on Unfair Competition.

8 The national court therefore referred to the Court of Justice for a preliminary ruling the questions whether under Community law, in particular

Article 30 of the EEC Treaty, it is permissible to prohibit the French undertaking from using the distinctive symbol in question on German territory, and whether the degree to which such use is misleading has any relevance.

9 The purpose of those questions is to establish whether a Member State's legislation on unfair competition must be regarded as a measure equivalent in effect to a quantitative restriction within the meaning of Article 30 of the Treaty if it makes it possible to prohibit the use, by an undertaking established in another Member State, of a distinctive symbol lawfully used in that other Member State, on the sole ground that the symbol was formerly used by a group of undertakings to which it belonged, in common with an undertaking established in the first Member State which has since been wound up, and that the symbol might therefore be regarded by the public as a reference to the defunct undertaking or group.

10 It should first be pointed out that in this case the undertaking seeking to restrain the use in the Federal Republic of Germany of the distinctive symbol in question does not rely on the fact that it is itself the proprietor of a similar distinctive symbol or of another industrial property right, such as a trade mark, and that the use of the symbol in question by the French undertaking might interfere with those rights or cause confusion in the mind of the German public between its own products and those of the French undertaking. It simply argues that the use of the symbol in question is misleading on the sole ground that it might be regarded by the German public as a reference to another German undertaking which has since been wound up.

11 Thus the question raised concerns the compatibility with the Treaty of a legal provision in one Member State making it possible to prohibit the use of a distinctive symbol by an undertaking established in another Member State where its use is lawful in that other Member State and was also lawful in the first Member State until the dissolution of the group which associated the undertaking in question with a company established in the first Member State.

12 Theodor Kohl KG, the plaintiff in the main proceedings, and the Government of the Federal Republic of Germany pointed out in that regard that the Court has held in previous judgments that, in the absence of common rules, obstacles to intra-Community trade resulting from disparities between national legislation must be accepted in so far as such legislation, being applicable to domestic products and imported products without distinction, is necessary in order to satisfy imperative requirements relating *inter alia* to consumer protection and fair trading.

13 According to the Ringelhan companies, the defendants in the main proceedings, the Government of the French Republic and the Commission, that principle does not apply to a case such as this, where the obstacle to trade created by the application of national legislation is a result of the liquidation of a German company and the dissolution of the group composed of it and a French undertaking. It is contended that such circumstances cannot have the result of allowing a competitor on the German market to invoke consumer protection where he could not do so before the dissolution of the group.

14 It must first be considered whether national legislation of the type concerned in this case may be regarded, from the point of view of its effect on trade between Member States, as being applicable without distinction to domestic and imported products. That is in fact a precondition for the application of the principle laid down in the judgments cited by Kohl and by the German Government, as the Court explained in particular in its judgment of 17 June 1981 (Case 113/80, *Commission* v *Ireland*, [1981] ECR 1625).

15 The facts established by the national court and set out in its order show that that condition is not fulfilled in a case such as the present. Even though a provision of national legislation on unfair competition applies without distinction to the marketing of domestic and imported goods, it cannot fulfil the condition referred to above if it is interpreted in such a way that it becomes possible to prohibit the use of a distinctive symbol for the sole

reason that the public may be misled as to the domestic or foreign origin of the goods, without its being necessary to adduce evidence of other specific factors establishing the existence of unfair competition. In such a case, the provision in question in fact applies only to the marketing of imported products.

16 To the extent to which it makes it possible to impose such a prohibition, a provision of national law cannot be regarded as legislation applying in a uniform manner to the marketing of domestic products and imported products.

17 Such a provision makes it possible to erect barriers within the Common Market, amounting to a restriction on intra-Community trade prohibited by Article 30 of the Treaty.

18 The German Government further argued that even if the provision of national law in question was contrary to Article 30 it could be justified by reference to Article 36 of the Treaty, since consumer protection falls within a broad interpretation of the concept of public policy referred to in that article.

19 That argument cannot be accepted. Whatever interpretation is to be given to the term "public policy", it cannot be extended so as to include considerations of consumer protection. According to the aforesaid judgment of 17 June 1981, such considerations may in certain circumstances be taken into account in establishing whether national measures applicable without distinction to domestic and imported products are caught by the prohibitions laid down in Article 30; they cannot, however, serve to justify restrictions on imports under Article 36.

20 The answer to the question raised must therefore be that Article 30 of the EEC Treaty must be interpreted to mean that the prohibitions laid down therein apply to a Member State's legislation on unfair competition in so far as it makes it possible to prohibit the use, by an undertaking established in

another Member State, of a distinctive symbol lawfully used in that other Member State, on the sole ground that the symbol was formerly used by a group of undertakings to which it belonged, in common with an undertaking established in the first Member State which has since been wound up, and that the symbol might therefore be regarded by the public as a reference to the defunct undertaking or group.

Costs

21 The costs incurred by the Government of the Federal Republic of Germany, the Government of the French Republic and the Commission of the European Communities, which submitted observations to the Court, are not recoverable. As these proceedings are, in so far as the parties to the main proceedings are concernd, in the nature of a step in the action pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the question referred to it by the Landgericht München I by order of 9 June 1983, hereby rules:

The prohibitions laid down in Article 30 of the EEC Treaty apply to a Member State's legislation on unfair competition in so far as it makes it possible to prohibit the use, by an undertaking established in another Member State, of a distinctive symbol lawfully used in that other Member State, on the sole ground that the symbol was formerly used by a group of undertakings to which it belonged, in common with an under-

taking established in the first Member State which has since been wound up, and that the symbol might therefore be regarded by the public as a reference to the defunct undertaking or group.

Mackenzie Stuart Bosco Due Kakouris
O'Keeffe Koopmans Everling Bahlmann Galmot

Delivered in open court in Luxembourg on 6 November 1984.

For the Registrar
H. A. Rühl
Principal Administrator

A. J. Mackenzie Stuart
President

OPINION OF MR ADVOCATE GENERAL LENZ DELIVERED ON 19 SEPTEMBER 1984 [1]

Mr President,
Members of the Court,

This case concerns the limits in Community law on an action for an injunction, based on provisions regarding fair trading and consumer protection, against the use in a Member State of a company symbol lawfully used in trade in another Member State.

A — According to the information supplied by the national court the facts are as follows:

The plaintiff in the main proceedings, Theodor Kohl KG, Regensburg, is a leading German manufacturer and distributor of pharmacy equipment. The first defendant, Ringelhan & Rennett SA of Annecy, was established in 1971 as a subsidiary of the German firm Ringelhan & Rennett GmbH & Co. KG of Oberhausen, which had been in business since the end of the 1950s. Until it was wound up for insolvency in 1982, the parent company was also one of the leading German manufacturers and installers of pharmacy equipment. Shortly before its winding-up it sold its French subsidiary to a third party.

1 — Translated from the German.