In Case 119/75

Reference to the Court under [Article 267 TFEU] by the Bundesgerichtshof (Federal Court of Justice) for a preliminary ruling in the action pending before that court between

TERRAPIN (OVERSEAS) LTD., of Bletchley, Buckinghamshire (England)

and

TERRANOVA INDUSTRIE C. A. KAPFERER & Co., of Freihung, Oberpfalz (Federal Republic of Germany),

on the interpretation of the provisions of the [TFEU] on the free movement of goods and in particular [Articles 34 and 36 TFEU] thereof with regard to trade-mark law,

THE COURT

composed of: R. Lecourt, President, H. Kutscher and A. O'Keeffe, Presidents of Chambers, J. Mertens de Wilmars, P. Pescatore, M. Sorensen and F. Capotorti, Judges,

Advocate-General: H. Mayras

Registrar: A. Van Houtte

gives the following

JUDGMENT

Law

1 By order dated 31 October 1975, received at the Court Registry on the following 5 December, the Bundesgerichtshof referred to the Court for a preliminary ruling under [Article 267 TFEU] the following question on the relation between the provisions of the Treaty on the free movement of goods and the protection given by national laws to the right to a trade-mark and to a commercial name:

'Is it compatible with the provisions relating to the free movement of goods ([Articles 34 and 36 TFEU]) that an undertaking established in Member State A, by using its commercial name and trade-mark rights existing there, should prevent the import of similar goods of an undertaking established in Member State B if these goods have been lawfully given a distinguishing name which may be confused with the commercial name and trade-mark which are protected in State A for the undertaking established there, if there are no relations between the two undertakings, if their national trade-mark rights arose autonomously and independently of one another (no common origin) and at the present time there exist no economic or legal relations of any kind other than those appertaining to trade-marks between the undertakings?'

2 It appears from the order of reference that the plaintiff in the main action, the respondent to the appeal, is the proprietor in the Federal Republic of Germany of the trade-marks 'Terra', 'Terra Fabrikate' and 'Terranova', registered at the German patents office, the last of these names being simultaneously used as a commercial name. The plaintiff manufactures and markets finished plaster for façades and other construction materials under these names. The defendant in the main action and appellant in the appeal is an English company specializing in the production of prefabricated houses and components for the construction of such houses which it sells under the name 'Terrapin', which is at the same time the defendant's commercial name. The defendant applied to the German patents office to register the trade-mark 'Terrapin', but Terranova lodged an opposition and by order of the Bundespatentgericht of 3 February 1967 registration was refused on the ground of the risk of confusion with the trade-marks 'Terra' and 'Terranova'. Subsequently Terranova brought an action before the Landgericht München to prohibit the defendant from using the name 'Terrapin' on its products. This action was dismissed by judgment dated 27 November 1972, since the Landgericht considered that the names in question did not cause any real risk of confusion. Terranova brought an appeal before the Bayrisches Oberlandesgericht, Munich, which reversed the judgment of the Landgericht and by judgment dated 27 September 1973 held that there was a risk of confusion and as a result prohibited the defendant from using the name 'Terrapin' and declared that in principle the defendant was bound to make good any damage caused to the plaintiff by the use of the name in question. Terrapin brought an appeal against this judgment before the Bundesgerichtshof.

3 The Bundesgerichtshof considers that the first appellate court rightly found similarity between the products of the two parties and risk of confusion between the names in question with the result that according to German law the judgment of the appellate court and the injunction which it issued against Terrapin must be confirmed.

4 Although this finding has been questioned during the oral procedure the Court does not have to rule on this point since no question has been put to it with regard to the matter. It is right however to stress that the answer given below does not prejudge the question whether an allegation by one undertaking as to the similarity of products originating in different Member States and the risk of confusion of trade-marks or commercial names legally protected in these States may perhaps involve the application of [Union] law with regard in particular to the second sentence of Article 36 [TFEU]. It is for the court of first instance, after considering the similarity of the products and the risk of confusion, to enquire further in the context of this last provision whether the exercise in a particular case of industrial and commercial property rights may or may not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States. It is for the national court in this respect to ascertain "in particular whether the rights in question are in fact exercised by the proprietor with the same strictness whatever the national origin of any possible infringer.

5 As a result of the provisions in the Treaty relating to the free movement of goods and in particular of [Article 34 TFEU], quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States. By Article 36 [TFEU] these provisions nevertheless do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial or commercial property. However, it is clear from that same article, in particular the second sentence, as well as from the context, that whilst the Treaty does not affect the existence of rights recognized by the legislation of a Member State in matters of industrial and commercial property, yet the exercise of those rights may nevertheless, depending on the circumstances, be restricted by the prohibitions in the Treaty. Inasmuch as it provides an exception to one of the fundamental principles of the common market, Article 36 [TFEU] in fact admits exceptions to the free movement of goods only to the extent to which such exceptions are justified for the purpose of safeguarding rights which constitute the specific subject-matter of that property.

6 It follows from the above that the proprietor of an industrial or commercial property right protected by the law of a Member State cannot rely on that law to prevent the importation of a product which has lawfully been marketed in another Member State by the proprietor himself or with his consent. It is the same when the right relied on is the result of the subdivision, either by voluntary act or as a result of public constraint, of a trade-mark right which originally belonged to one and the same proprietor. In these cases the basic function of the trade-mark to guarantee to consumers that the product has the same origin is already undermined by the subdivision of the original right. Even where the rights in question

belong to different proprietors the protection given to industrial and commercial property by national law may not be relied on when the exercise of those rights is the purpose, the means or the result of an agreement prohibited by the Treaty. In all these cases the effect of invoking the territorial nature of national laws protecting industrial and commercial property is to legitimize the insulation of national markets without this partitioning within the common market being justified by the protection of a legitimate interest on the part of the proprietor of the trade-mark or business name.

7 On the other hand in the present state of [Union] law an industrial or commercial property right legally acquired in a Member State may legally be used to prevent under the first sentence of Article 36 [TFEU] the import of products marketed under a name giving rise to confusion where the rights in question have been acquired by different and independent proprietors under different national laws. If in such a case the principle of the free movement of goods were to prevail over the protection given by the respective national laws, the specific objective of industrial and commercial property rights would be undermined. In the particular situation the requirements of the free movement of goods and the safeguarding of industrial and commercial property rights must be so reconciled that protection is ensured for the legitimate use of the rights conferred by national laws, coming within the prohibitions on imports 'justified' within the meaning of Article 36 [TFEU], but denied on the other hand 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.

8 It is appropriate therefore to reply to the question referred to the Court that it is compatible with the provisions of the [TFEU] relating to the free movement of goods for an undertaking established in a Member State, by virtue of a right to a trade-mark and a right to a commercial name which are protected by the legislation of that State, to prevent the importation of products of an undertaking established in another Member State and bearing by virtue of the legislation of that State a name giving rise to confusion with the trade-mark and commercial name of the first undertaking, provided that there are no agreements restricting competition and no legal or economic ties between the undertakings and that their respective rights have arisen independently of one another.

Costs

9 The costs incurred by the Government of the Kingdom of Belgium, the Government of the Kingdom of Denmark, the Government of the Federal Republic of Germany, the Government of the French Republic, the Government of Ireland, the Government of the Kingdom of the

Netherlands, the Government of the United Kingdom and by the Commission of the European [Union], which have submitted observations to the Court, are not recoverable, and as these proceedings are, in so far as the parties to the main action are concerned, a step in the action pending before the Bundesgerichtshof, costs are a matter for that court.

On those grounds,

THE COURT

in answer to the questions referred to it by the Bundesgerichtshof by order of that court dated 31 October 1975, hereby rules:

It is compatible with the provisions of the [TFEU] relating to the free movement of goods for an undertaking established in a Member State, by virtue of a right to a trade-mark and a right to a commercial name which are protected by the legislation of that State, to prevent the importation of products of an undertaking established in another Member State and bearing by virtue of the legislation of that State a name giving rise to confusion with the trade-mark and commercial name of the first undertaking, provided that there are no agreements restricting competition and no legal or economic ties between the undertakings and that their respective rights have arisen independently of one another.

Lecourt Kutscher O'Keeffe

Mertens de Wilmars Pescatore Sorensen Capotorti

Delivered in open court in Luxembourg on 22 June 1976.

A.Van Houtte R. Lecourt

Registrar President