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Working Party on the Community Trade Mark

I. During the Working Party's second meeting, the question whether the future Community system of trade mark law could incorporate provisions corresponding to those of Article 43 of the Luxembourg Patent Convention was discussed.

Under Article 43(1) of the Luxembourg Convention, a Community patent may be licensed for the whole or part of the territories in which it is effective, and licences may be exclusive or non-exclusive. Article 43(2) of the Convention provides that an action for infringement of the patent may be brought against a licensee who markets a patented product outside the territory for which his licence was granted. The Commission delegation at the Luxembourg Conference expressed its strong disapproval of Article 43(2), since it considered that prohibiting direct imports was a measure having equivalent effect which is prohibited under Article 30 et seq and not justified under Article 36. The Member States did not share this legal opinion, and stated that the version of Article 43 submitted to the Conference did not conflict with the case law of the European Court of Justice.

II. The Commission departments concerned consider that for the following reasons, an article corresponding to the provisions of Article 43 of the Luxembourg Convention should not be included in those on the Community trade mark :

1. It would be unnecessary and even inappropriate to adapt Article 24(1) of the 1964 Preliminary Draft to conform with Article 43(1) of the Luxembourg Convention. It must be said immediately that the wording of the 1964 Preliminary Draft admits the possibility that licences in respect of a Community trade mark may be granted for part only of the Common Market.

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Moreover, the question whether exclusive licences are admissible is governed solely by Article 85 of the EEC Treaty. However, the phrase "A licence may be exclusive or non-exclusive" might lead to confusion, since it could be inferred from it that the Commission's normal practice of holding that exclusive licences in principle fall within the scope of Article 85(1) but are exempt under Article 85(3) if the conditions set out in that paragraph are fulfilled, was being called into question.

2. At the Luxembourg Conference the Commission already stated that Article43(2) of the Luxembourg Convention is incompatible with the EEC Treaty. However, it recognised that in some cases, particularly in order to protect small and medium-sized undertakings, licensors and licensees must be protected against direct imports from other licensees by means of a group exemption regulation. The main basis for this opinion was the fact that such protection may be essential in order to facilitate the transfer of new technical knowledge and to promote investment intended for modernisation. However, the Commission put forward the view that such protection was not necessary in all cases, and that the provision of general protection under patent law against direct imports did not therefore fall within the scope of the exceptions laid down in Article 36.

There are no similar interests in need of protection in the field of trade mark law. Consequently, the prohibition of direct exportations by the licensee cannot be justified under Article 36 of the EEC Treaty. In addition, Article 24 of the 1964 Preliminary Draft provides clearly that any terms in licensing agreements providing for territorial limits on the licences shall be of no effect in trade mark law. Article 11 B of the Benelux Trade Mark Law contains the same provision.

3. Furthermore, the introduction of a provision similar to Article 43(2) of the Luxembourg Convention would conflict with the case law of the European Court of Justice, whereas this is not the case with the law relating to patents. In the Hag case, the Court of Justice did not have to decide the subject matter at issue here, but a question of

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far wider significance namely as to whether direct imports by the vendor of a national trade mark into the territory of the purchaser of that mark were permissible. Hag AG of Bremen had supplied branded coffee under its "Hag" trade mark, to Luxembourg retailers, even though the proprietor of the identical Benelux "Hag" trade mark was a Belgian undertaking which had no economic, legal or financial connection with Hag of Bremen and which had acquired the "Hag" trade mark in connection with the confiscation after the Second World War of the Belgian subsidiary of Hag AG of Bremen.

In its judgment of 3 July 1974, the Court of Justice held that it constituted an infringement of the EEC Treaty to prohibit the marketing of a product in a Member State by virtue of the existence of an identical mark having the same origin where the products had been lawfully provided with the trade mark in another Member State.

It is absolutely clear from this judgment that the sale of a national trade mark is of no effect under trade mark law, i.e. neither the purchaser nor the vendor of a national trade mark can protect himself against direct imports by the other. If even in cases where a trade mark is assigned or otherwise transferred (e.g. in cases of attachment or dispossession), direct imports cannot be prohibited under Community law, this must without doubt apply a fortiori in cases where there is no assignment of the trade mark but merely the grant of a licence. There is no apparent reason why a licensee should be placed in a stronger legal position than a proprietor who has acquired a trade mark pursuant to an assignment.

A provision corresponding to Article 43(2) of the Luxembourg Convention prohibiting direct imports would therefore constitute an infringement of Article 30 et seq of the EEC Treaty.