

JUDGMENT OF THE COURT (Grand Chamber)

11 September 2007*

In Case C-17/06,

REFERENCE for a preliminary ruling under Article 234 EC by the Cour d'appel de Nancy (France), made by decision of 9 January 2006, received at the Court on 17 January 2006, in the proceedings

Céline SARL

v

Céline SA,

THE COURT (Grand Chamber),

composed of V. Skouris, President, P. Jann, C.W.A. Timmermans, A. Rosas, K. Lenaerts and R. Schintgen, Presidents of Chambers, A. Tizzano, J.N. Cunha Rodrigues, A. Borg Barthet, M. Ilešič (Rapporteur), J. Malenovský, J.-C. Bonichot and T. von Danwitz, Judges,

* Language of the case: French.

Advocate General: E. Sharpston,
Registrar: M.-A. Gaudissart, Head of Unit,

having regard to the written procedure and further to the hearing on 7 November 2006,

after considering the observations submitted on behalf of:

- Céline SA, by P. de Candé, avocat,

- the French Government, by G. de Bergues and J.-C. Niollet, acting as Agents,

- the Italian Government, by I.M. Braguglia, acting as Agent, and by S. Fiorentino, avvocato dello Stato,

- the United Kingdom Government, by V. Jackson, acting as Agent, and by M. Tappin, Barrister,

- the Commission of the European Communities, by W. Wils, acting as Agent,

after hearing the Opinion of the Advocate General at the sitting on 18 January 2007,

gives the following

Judgment

- 1 This reference for a preliminary ruling relates to the interpretation of Article 5(1) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1) ('the directive').
- 2 The reference has been made in the course of proceedings between Céline SA and Céline SARL relating to the use by the latter of the company name 'Céline' and the shop name 'Céline'.

Legal framework

- 3 Article 5(1), (3) and (5) of the directive, entitled 'Rights conferred by a trade mark', provides:

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

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

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

...

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

- (a) affixing the sign to the goods or to the packaging thereof;
- (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
- (c) importing or exporting the goods under the sign;
- (d) using the sign on business papers and in advertising.

...

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

4 Article 6(1), entitled 'Limitation of the effects of a trade mark', states:

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

(a) his own name or address;

...

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

The main proceedings and the question referred for a preliminary ruling

5 The principal activity of Céline SA, which was incorporated under that name on 9 July 1928, is the creation and marketing of articles of clothing and fashion accessories.

- 6 On 19 April 1948, that company filed an application for the word mark CÉLINE, to designate all goods in Classes 1 to 42 of the Nice Agreement concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks of 15 June 1957, as revised and amended, in particular 'clothes and shoes'. The registration of that mark has since been renewed without interruption, most recently on 6 March 1998.

- 7 Mr Grynfoegel was registered on 25 September 1950 in the Commercial and Companies Register in Nancy in relation to the operation of a menswear and womenswear business, trading as 'Céline'.

- 8 Céline SARL has stated that its right to trade as 'Céline' originated with Mr Grynfoegel and that that right has subsequently been transferred by the successive operators of the business. That company was registered in the Commercial and Companies Register on 31 January 1992 in order to operate a business trading in ready-to-wear garments, lingerie, clothing, furs, apparel and various accessories under that name.

- 9 Having been alerted to that state of affairs, Céline SA brought proceedings against Céline SARL seeking an order prohibiting it from infringing the CÉLINE trade mark and from engaging in unfair competition by appropriating the company name 'Céline' and the shop name 'Céline', and also seeking compensation in respect of the damage suffered by it.

- 10 By judgment of 27 June 2005, the Tribunal de grande instance de Nancy (Nancy Regional Court) granted all of Céline SA's applications and prohibited Céline SARL from making any use of the term 'Céline', either on its own or in conjunction with other terms and in any capacity, ordered it to change its company name to one incapable of being confused with the earlier CÉLINE mark and with the 'Céline' shop name, and ordered it to pay EUR 25 000 to Céline SA by way of damages.
- 11 On 4 July 2005, Céline SARL brought an appeal against that judgment before the Cour d'appel de Nancy (Nancy Court of Appeal), arguing that the use of a sign which is identical to the earlier word mark as a company or a shop name did not amount to infringing conduct since it is not the function of either a company or a shop name to distinguish goods or services and that, in any event, there could be no confusion on the part of the public as to the origin of the goods concerned, by reason of the fact that the market on which Céline SA carries on its business is exclusively that of luxury clothing and accessories.
- 12 The Cour d'appel de Nancy decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

'Must Article 5(1) of [the directive] ... be interpreted as meaning that the adoption, by a third party without authorisation, of a registered word mark, as a company, trade or shop name in connection with the marketing of identical goods, amounts to use of that mark in the course of trade which the proprietor is entitled to stop by reason of his exclusive rights?'

The question referred for a preliminary ruling

- 13 By its question, the national court essentially asks whether the unauthorised use as a company, trade or shop name by a third party of a sign which is identical to an earlier word mark, in connection with the marketing of goods which are identical to those for which the mark was registered, constitutes use which the proprietor of the mark may stop in accordance with Article 5(1) of the directive.

The interpretation of Article 5(1)(a) of the directive

- 14 The first sentence of Article 5(1) of the directive provides that a registered trade mark confers on the proprietor exclusive rights therein. By virtue of Article 5(1)(a), that exclusive right entitles the proprietor to prevent all third parties not having his consent from using in the course of trade any sign which is identical to the trade mark in relation to goods or services which are identical to those for which the trade mark is registered. Other provisions of the directive, such as Article 6, impose certain limitations on the effects of the mark.
- 15 In order to prevent the protection which is afforded to the proprietor varying from one Member State to another, the Court must give a uniform interpretation to Article 5(1) of the directive, in particular the term 'use' which appears there (Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraph 45, and Case C-48/05 *Adam Opel* [2007] ECR I-1017, paragraph 17).
- 16 As is clear from the Court's case-law (*Arsenal Football Club*; Case C-245/02 *Anheuser-Busch* [2004] ECR I-10989; and *Adam Opel*), the proprietor of a registered

mark may prevent the use of a sign by a third party which is identical to his mark under Article 5(1)(a) of the directive only if the following four conditions are satisfied:

- that use must be in the course of trade;

- it must be without the consent of the proprietor of the mark;

- it must be in respect of goods or services which are identical to those for which the mark is registered, and

- it must affect or be liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services.

¹⁷ It is a matter of agreement in the main proceedings that the sign which is identical to the mark at issue is used in the course of a commercial activity with a view to gain and not as a private matter. The mark is therefore being used in the course of trade (see, by analogy, *Arsenal Football Club*, paragraph 40, and *Adam Opel*, paragraph 18).

¹⁸ It is also a matter of agreement that the sign has been used without the consent of the proprietor of the mark at issue in the main proceedings.

- 19 However, Céline SARL denies that the sign which is identical to the mark at issue is being used 'in relation to goods', within the meaning of Article 5(1)(a) of the directive.
- 20 It is clear from the scheme of Article 5 of the directive that the use of a sign in relation to goods or services within the meaning of Article 5(1) and (2) is use for the purpose of distinguishing the goods or services in question, whereas Article 5(5) is directed at 'the use which is made of a sign for purposes other than distinguishing the goods or services' (Case C-63/97 *BMW* [1999] ECR I-905, paragraph 38).
- 21 The purpose of a company, trade or shop name is not, of itself, to distinguish goods or services (see, to that effect, Case C-23/01 *Robelco* [2002] ECR I-10913, paragraph 34, and *Anheuser-Busch*, paragraph 64). The purpose of a company name is to identify a company, whereas the purpose of a trade name or a shop name is to designate a business which is being carried on. accordingly, where the use of a company name, trade name or shop name is limited to identifying a company or designating a business which is being carried on, such use cannot be considered as being 'in relation to goods or services' within the meaning of Article 5(1) of the directive.
- 22 Conversely, there is use 'in relation to goods' within the meaning of Article 5(1) of the directive where a third party affixes the sign constituting his company name, trade name or shop name to the goods which he markets (see, to that effect, *Arsenal Football Club*, paragraph 41, and *Adam Opel*, paragraph 20).

23 In addition, even where the sign is not affixed, there is use 'in relation to goods or services' within the meaning of that provision where the third party uses that sign in such a way that a link is established between the sign which constitutes the company, trade or shop name of the third party and the goods marketed or the services provided by the third party.

24 In the main proceedings, it is for the national court to determine whether the use by Céline SARL of the Céline sign constitutes use in relation to those goods for the purposes of Article 5(1) of the directive.

25 Lastly, Céline SARL claims that there could be no confusion on the part of the public as to the origin of the goods in question.

26 As was noted at paragraph 16 of this judgment, the unauthorised use by a third party of a sign which is identical to a registered mark in relation to goods or services which are identical to those for which that mark is registered cannot be prevented under Article 5(1)(a) of the directive unless it affects or is liable to affect the functions of the mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services.

27 That is the situation where the sign is used by the third party in relation to his goods or services in such a way that consumers are liable to interpret it as designating the origin of the goods or services in question. In such a case, the use of the sign is liable to imperil the essential function of the mark, since, for the trade mark to be able to fulfil its essential role in the system of undistorted competition which the EC Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or

services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality (see, to that effect, *Arsenal Football Club*, paragraph 48 and the case-law cited, and paragraphs 56 to 59).

- 28 In the main proceedings, it is for the national court to determine whether the use by Céline SARL of the Céline sign affects or is liable to affect the functions of the 'Céline' sign, particularly its essential function.

The interpretation of Article 6(1)(a) of the directive

- 29 According to established case-law, it is for the Court to provide the national court with all those elements for the interpretation of Community law which may be of assistance in adjudicating on the case pending before it, whether or not that court has specifically referred to them in its questions (*Adam Opel*, paragraph 31 and the case-law cited).
- 30 In that regard, it should be noted that Article 6(1)(a) of the directive provides that a trade mark does not entitle the proprietor to prevent a third party from using his own name or address in the course of trade where that third party uses it in accordance with honest practices in industrial or commercial matters.

- 31 The Court has held that that provision is not limited to the names of natural persons (*Anheuser-Busch*, paragraphs 77 to 80).
- 32 Accordingly, it is necessary to consider, in the event that the national court should decide that Article 5(1)(a) of the directive entitles Céline SA to prevent the use of the ‘Céline’ sign by Céline SARL, and in order to enable that court to give judgment in the case before it, whether Article 6(1)(a) of the directive precludes, in circumstances such as those arising in the main proceedings, the proprietor of a mark prohibiting a third party from using a sign which is identical to his mark as a company or a trade name.
- 33 The Court has held that the condition stated in Article 6(1) of the directive that use be ‘in accordance with honest practices in industrial or commercial matters’ is, in essence, an expression of the duty to act fairly in relation to the legitimate interests of the trade-mark proprietor (*Anheuser-Busch*, paragraph 82).
- 34 In that regard, it must be noted that, in assessing whether the condition of honest practice is satisfied, account must be taken first of the extent to which the use of the third party’s name is understood by the relevant public, or at least a significant section of that public, as indicating a link between the third party’s goods or services and the trade-mark proprietor or a person authorised to use the trade mark, and secondly of the extent to which the third party ought to have been aware of that. Another factor to be taken into account when making the assessment is whether the trade mark concerned enjoys a certain reputation in the Member State in which it is registered and its protection is sought, from which the third party might profit in marketing his goods or services (*Anheuser-Busch*, paragraph 83).

35 It is for the national court to carry out an overall assessment of all the relevant circumstances in order to assess, more specifically, whether Céline SARL can be regarded as unfairly competing with Céline SA (see, to that effect, *Anheuser-Busch*, paragraph 84).

36 In the light of all of the above considerations, the answer to the question referred must be that the unauthorised use by a third party of a company name, trade name or shop name which is identical to an earlier mark in connection with the marketing of goods which are identical to those in relation to which that mark was registered constitutes use which the proprietor of that mark is entitled to prevent in accordance with Article 5(1)(a) of the directive, where the use is in relation to goods in such a way as to affect or be liable to affect the functions of the mark.

Should that be the case, Article 6(1)(a) of the directive can operate as a bar to such use being prevented only if the use by the third party of his company name or trade name is in accordance with honest practices in industrial or commercial matters.

Costs

37 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Grand Chamber) hereby rules:

The unauthorised use by a third party of a company name, trade name or shop name which is identical to an earlier mark in connection with the marketing of goods which are identical to those in relation to which that mark was registered constitutes use which the proprietor of that mark is entitled to prevent in accordance with Article 5(1)(a) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, where the use is in relation to goods in such a way as to affect or to be liable to affect the functions of the mark.

Should that be the case, Article 6(1)(a) of Directive 89/104 can operate as a bar to such use being prevented only if the use by the third party of his company name or trade name is in accordance with honest practices in industrial or commercial matters.

[Signatures]