



European
University
Institute

ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES

EUI Working Papers

RSCAS 2010/78

ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES

FROM AUTONOMY TO FULL DEFERENCE IN THE
RELATIONSHIP BETWEEN THE EFTA COURT AND THE ECJ:
THE CASE OF THE INTERNATIONAL EXHAUSTION OF THE
RIGHTS CONFERRED BY A TRADEMARK

Daniele Gallo

EUROPEAN UNIVERSITY INSTITUTE, FLORENCE
ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES

*From Autonomy to Full Deference
in the Relationship between the EFTA Court and the ECJ:
The Case of the International Exhaustion of the Rights Conferred by a Trademark*

DANIELE GALLO

This text may be downloaded only for personal research purposes. Additional reproduction for other purposes, whether in hard copies or electronically, requires the consent of the author(s), editor(s). If cited or quoted, reference should be made to the full name of the author(s), editor(s), the title, the working paper, or other series, the year and the publisher.

ISSN 1028-3625

© 2010 Daniele Gallo

Printed in Italy, October 2010
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy
www.eui.eu/RSCAS/Publications/
www.eui.eu
cadmus.eui.eu

Robert Schuman Centre for Advanced Studies

The Robert Schuman Centre for Advanced Studies (RSCAS), directed by Stefano Bartolini since September 2006, is home to a large post-doctoral programme. Created in 1992, it aims to develop inter-disciplinary and comparative research and to promote work on the major issues facing the process of integration and European society.

The Centre hosts major research programmes and projects, and a range of working groups and ad hoc initiatives. The research agenda is organised around a set of core themes and is continuously evolving, reflecting the changing agenda of European integration and the expanding membership of the European Union.

Details of this and the other research of the Centre can be found on:

<http://www.eui.eu/RSCAS/Research/>

Research publications take the form of Working Papers, Policy Papers, Distinguished Lectures and books. Most of these are also available on the RSCAS website:

<http://www.eui.eu/RSCAS/Publications/>

The EUI and the RSCAS are not responsible for the opinion expressed by the author(s).

Abstract

Differently from other international tribunals set up in the context of regional economic integrations, the existing relationship between the EFTA Court and the ECJ, having been “institutionalized” at a primary level by the EEA Agreement itself, is naturally apt to give rise to a structural, natural and original interdependence between the two phenomena of mirror jurisdiction and mirror legislation.

The relevance of the ECJ case law for the EFTA case law is not limited to the references to the former court case law, which can be found in all the advisory opinions and in all the judgments given up to now by the latter. It also and above all reveals itself in the constant adoption both of the reasoning made by the ECJ and of the constitutional principles of EU law. By putting on the same level its jurisprudence and that of the ECJ, the EFTA Court attributes to both of them the same efficacy in terms of judicial precedent.

This does not mean that the EFTA Court has restricted itself to passively adopt the ECJ case law. EFTA judges have had a relevant influence on the ECJ in the course of the years. In doing so the EFTA Court has built up a strong judicial dialogue with the ECJ, according to the EEA principle that the interpretation and application of EEA law and EU law must be carried out “in full deference to the independence of courts”. In some other cases the EFTA Court has even developed reasonings which seem to underline a detachment of the former from the criteria and principles adopted by the ECJ.

In this context, the L’Oréal case represents the first and until now only case in which the EFTA Court had to decide on a question which had already been the subject of an explicit conflict with the ECJ. The issue at stake is the admissibility of the principle of international exhaustion of the rights conferred by a trademark, that consequently functions as appropriate *sedes materiae* for the purpose of clarifying the degree of autonomy characterizing the EFTA Court vis-à-vis the ECJ and its case law.

This working paper aims at explaining why and to what extent the choice made and the reasoning developed by the EFTA Court to abandon its previous case law in favour of the ECJ case law in the L’Oréal case seems to be more inspired by political considerations than by a purely legal reasoning. The analysis will then show the reasons why L’Oréal goes beyond the issue of the international exhaustion of the rights conferred by a trade mark and concerns structural and institutional questions pertaining to the legal and economic aims of the EEA law and the EU system.

It will be finally underlined in what sense the EEA Agreement must be interpreted and construed as meaning that the uniformity and consistency in the case law of the two courts have to be always and in any case prioritized, notwithstanding the different aims and the lower degree of integration of the EEA system in comparison with the EU legal that seemed to constitute, until L’Oréal, the only exception to the objective of legal homogeneity acknowledged by the EEA Agreement.

Keywords

European Union; ECJ; EFTA Court; EEA law; Judicial dialogue; Mirror legislation; Mirror jurisdiction; Trademark law; International exhaustion

1. The principle of legal homogeneity in the EEA system and the relationship of the EFTA Court with the ECJ, between *mirror legislation* and *mirror jurisdiction* *

The bases of the legal relationship between the EFTA Court¹ and the ECJ can be identified in the three legal instruments in the framework of which the EFTA Court operates: EFTA Convention², Agreement on the European Economic Area (EEA Agreement)³ and EU legal order. This threefold conventional framework constitutes the source of the “two-pillars”⁴ system of jurisdictional protection set up by the EEA Agreement⁵, centered on the principle/objective of “legal homogeneity” envisaged

* The article is the result of the researches carried out at the Robert Schuman Centre for Advanced Studies as Jean Monnet Fellow during the academic year 2008-2009 and subsequently developed at Fordham Law School (NY) where I am currently EU Fulbright Schuman Scholar. I am grateful to Dr. Luca Paladini for his comments on the first draft. A special thanks to Prof. Gráinne de Búrca for her precious suggestions and indications for the final version of this work. Remaining omissions and mistakes are, of course, my own.

¹ Regarding the structure and functions of the EFTA Court see, among many others, P. CHRISTIANSEN, *The EFTA Court*, in *European Law Review*, 1997, 539 ff.; L. FUMAGALLI, *Spazio economico europeo e garanzie giurisdizionali: la Corte EFTA (1° gennaio 1994-30 giugno 1995)*, in *Il Diritto dell'Unione europea*, 1997, 487 ff.; C. BAUDENBACHER, *The Implementation of Decisions of the EC and of the EFTA Court in Member's States Domestic Legal Orders*, in *Texas International Law Journal*, 2005, 383 ff. The rules governing the activities of the Court encompass Article 111 of the EEA Agreement, the *ESA/Court Agreement* (signed at the same time as the EEA Agreement), in particular Articles 3 and 27-41, the Statute contained in Protocol 5 to the *ESA/Court Agreement*, Protocol 7 on the Legal Capacity, Privileges and Immunities of the Court and at last its Rules of Procedure.

² On the origins of the EFTA Convention (*European Free Trade Association*) and on its main characteristics, including the period prior to the entry into force of the EEA Agreement, see, among others, F. LAURSEN, *The Community's Policy Towards EFTA: Regime Formation in the European Economic Space (EES)*, in *Journal of Common Market Studies*, 1990, 303 ff.; I. B. NEUMANN, *The European Free Trade Association: The Problems of an All-European Role*, *id.*, 359 ff.; P. G. NELL, *EFTA in the 1990s: The Search for a New Identity*, *id.*, 327 ff.; E. ADOBATI, *Associazione europea di libero scambio (EFTA)*, in U. DRAETTA, M. FUMAGALLI MERAVIGLIA (a cura di), *Il diritto delle organizzazioni internazionali. Parte speciale*, Milano, 2001, 287 ff.

³ The EEA Agreement, signed in Oporto on 2 May 1992, governs a wide area including both EU Member States and EFTA Member States. As regards the former, the signature and ratification followed, as it is known, the opinions no. 1/91 of 14 December 1991 (ECR I-6079), and no. 1/92 of 10 April 1992 (ECR I-2821), given by the ECJ in accordance with Article 228, para. 1, subpara. 2 of EEC Treaty, now Article 260 TFEU. As to the EFTA Countries, over which the Court has jurisdiction, their number – after the accession of Austria, Finland and Sweden to the European Community – has come down to four: Iceland, Liechtenstein, Norway and Switzerland, of which the first three are also parties to the EEA Agreement. Furthermore, considering Iceland's request for accession to European Union submitted on 16 July 2009, its approval by the European Council on 27 July and the beginning of the negotiations led by the Commission, the changes regarding the institutions and the rules that possibly will take place in the future, after the conclusion of the procedure for accession (presumably in February 2012), will have to be taken into account, in particular with regard to the function performed by the EFTA Court. We underline right now that in this analysis, for the purposes of a greater clarity, the expression “EFTA States” solely refers to the EFTA States which are also parties to EEA Agreement.

⁴ The expression “two-pillars system” is borrowed from S. NORBERG, *Guest Editorial*, in *Common Market Law Review*, 1994, 1147 ff.; C. BAUDENBACHER, *Between Homogeneity and Independence: the Legal Position of the EFTA Court in the European Economic Area*, in *Columbia Journal of European Law*, 1997, 169 ff.; T. INGADOTTIR, *The EEA Agreement And Homogeneous Jurisprudence: The Two Pillar Role Given to the EFTA Court and the Court of Justice of the European Communities*, in *The Global Community Yearbook of International Law and Jurisprudence*, 2002, 193 ff.

⁵ In general, as regards the EEA Agreement, see A. LANG, *L'Accordo sullo Spazio economico europeo e la compatibilità con il diritto comunitario*, in *Diritto del commercio internazionale*, 1992, 582 ff.; M.-C. KRAFFT, *Le système institutionnel de l'EEE. Aspects généraux*, in *European Journal of International Law*, 1992, 285 ff.; S. NORBERG, *The Agreement on A European Economic Area*, in *Common Market Law Review*, 1992, 1171 ff.; A. EVANS, *The Law of the European Community including the EEA Agreement*, Stockholm, 1994; R. C. GLADSTONE, *The EEA Umbrella: Incorporating Aspects of the EC Legal Order*, in *Legal Issues of Economic Integration*, 1 ff.; L. GORMLEY, *The European Economic Area and the Europe Agreements*, in J. STUYCK, A. LOOIJESTIJN-CLEARIE (eds.), *The European Economic Area EC-EFTA. Institutional Aspects and Financial Services*, Deventer-Boston, 1994, 1 ff.; K. RIECHENBERG, *The Merger of Trading Blocks and the Creation of the European Economic Area: Legal and Judicial Issues*, in *Tulane Journal of*

in paragraphs 4 and 15 of the Preamble and in Articles 1, 6, 105, 106, 107, 111 of the EEA Agreement, and in Article 3 of the *ESA/Court Agreement*⁶, according to which EEA law aims at creating a “dynamic and homogeneous area” by extending EC rules – EU rules as foreseen by the Treaty of Lisbon – to a wider regional context. This extension becomes manifest, in the first place, in the wording of the EEA Agreement, which is identical to that of the EC Treaty, whose content, as it is known, was partially amended and merged into the Treaty on the Functioning of the European Union (TFEU) and, in the second place, in the constant transposition of secondary EU law at the EEA level. The Common Agricultural and Fisheries Policies, the Common Trade Policy, the Monetary Policy, besides the topics which were included in the second and third pillar before the entry into force of the Lisbon Treaty, i.e. the common foreign and security policy and the police and judicial cooperation in criminal matters, are excluded⁷. Except for the said topics, EEA law constitutes, therefore, a typical example of *mirror legislation*. The heart of EU law, whose founding elements are the freedom of movement and the protection of competition, is also the focal point of EEA law.

As pointed out by the doctrine with regard, in particular, to the fundamental freedoms, the interpretation itself of EEA law by the EFTA Court enabled the latter to set up, among the States over which it exerts its jurisdiction, a system of integration not less advanced than the one progressively developed by EU institutions, in particular by the European Court of Justice⁸. The ECJ, in fact, observes, in the *Ospelt* judgment of 23 September 2003⁹, that “one of the principal aims of the EEA Agreement is to provide for the fullest possible realization of the free circulation of goods, persons, services and capitals within the whole European Economic Area, so that the internal market established within the European Union is extended to the EFTA States ”¹⁰. Therefore, at present the European Economic Area does not constitute any longer only a free trade area, as it was originally held by the ECJ itself in its opinion no. 1/91, but a particular kind of internal market¹¹. However, it is an imperfect kind of internal market: if the scope of the *ratione materiae* competence of the EEA Agreement largely coincides with that of EC Treaty, now with that of TFEU, nevertheless there are significant differences between the two international agreements, not only with regard to the wider discipline of the latter in comparison with the former, but also and above all with regard to general and institutional characteristics concerning the different purposes characterizing them and the idea of integration lying behind them.

(Contd.)

International and Comparative Law, 1995, 63 ff.; the contributions in P.-C. MÜLLER-GRAFF, E. SELVIG (eds.), *EEA-EU Relations*, Berlin, 1999, 97 ff.; J. FORMAN, *The EEA Agreement Five Years On: Dynamic Homogeneity in Practice and Its Implementation By the Two EEA Courts*, in *Common Market Law Review*, 1999, 751 ff.; K. FLØISTAD, *Fundamental Rights and the EEA Agreement*, EUI LLM thesis, 2003; T. BLANCHET, *Le succès silencieux de dix ans d'Espace économique européen: un modèle pour l'avenir avec d'autres voisins?*, in M. JOHANSSON, M. WAHL, U. BERNITZ (eds.), *op. cit.*, 101 ff.; M. WESTMAN-CLÉMENT, *The European Economic Area – A missed chance for Europe?*, *id.*, 549 ff.

⁶ The *ESA/Court Agreement*, signed in accordance with Article 108 of the EEA Agreement at the same time as the latter, is the Agreement instituting the EFTA Surveillance Authority (in this connection, see § 2) and the EFTA Court.

⁷ As it is known, the three pillars structure, introduced by the Maastricht Treaty, was abandoned with the entry into force of the Lisbon Treaty on the 1 December 2009.

⁸ See C. BAUDENBACHER, *The EFTA Court Ten Years On*, in C. BAUDENBACHER, P. TRESSELT, T. ORLYGSSON (eds.), *The EFTA Court – Ten Years On*, Oxford, 2005, 20, who believes that “[t]he Court has rejected attempts to construe the fundamental freedoms in a less integration-friendly way than the ECJ does in Community law”.

⁹ Case C-452/01, ECR I-9743.

¹⁰ See para. 29 of the judgment.

¹¹ In this sense, see also T. BRUHA, *Is the EEA an Internal Market?*, in P.-C. MÜLLER-GRAFF, E. SELVIG (eds.), 103-104 and 127-128. According to T. VAN STIPHOUT, *Homogeneity vs. Decision-Making Autonomy in the EEA Agreement*, in *European Journal of Law Reform*, 2007, 432, “the EEA Agreement requires more than just *approximation* of laws” (italics in the original); on this topic, see also K. ALMESTAD, *The Squaring of the Circle – The Internal Market and the EEA*, in M. JOHANSSON, M. WAHL, U. BERNITZ (eds.), *Liber Amicorum in Honour of Sven Norberg. A European for All Seasons*, Bruxelles, 2006, 1 ff.

While the EEA Agreement aims at avoiding conflicts of rules and case law with EU law, the main purpose of the latter, in accordance with Article 1 of the Treaty on European Union (TEU), as amended by the Lisbon Treaty, is to mark “a new stage in the process of creating an ever closer union among the peoples of Europe”. Hence, the attainment of this goal represents the normative prerequisite to pursue other aims, among which the establishment of an economic and monetary union and the affirmation of an identity of its own on the international scene through the customs union and a common commercial policy on one side, and the accomplishment of a political and not only economic integration on the other, all characteristics which are absent in the imperfect internal market set up by the EEA system.

In order to prevent conflicts with the EU legal order, the EEA Agreement provides that the EFTA institutions, composed of representatives of the EFTA States, together with the EEA joint bodies, composed of representatives of the European Union and of the EFTA States, construe and apply EEA law in conformity with EU law¹². The Agreement, in particular, prescribes that the Surveillance Authority¹³, within the scope of the EFTA system, and the European Commission, within the scope of the EU system, shall supervise, through a continuous exchange of information concerning “individual cases”, besides “surveillance policy issues”¹⁴, “[t]he fulfilment of the obligations” stated by the EEA Agreement¹⁵.

For the purposes of this analysis, which aims at examining the relations between the EEA system and EU law, it is necessary above all to consider, from the jurisdictional viewpoint¹⁶, how the institutional cooperation is put in place in the cases in which the EFTA Court and its case law are involved to a larger extent.

The EEA Joint Committee has a particular importance among the EEA joint bodies¹⁷, being in charge¹⁸ of the management of the system of exchange of information concerning judgments by the EFTA Court, by the ECJ and by the courts of last instance of the EFTA States¹⁹. The obligation under Article 105, para. 2 of the EEA Agreement to keep under constant review the development of the case law of the ECJ and of the EFTA Court implies that, in case of a difference of interpretation between

¹² As regards the rules of the Agreement aimed at ensuring uniformity in the interpretation and application of the EEA law, see, recently, T. VAN STIPHOUT, *op. cit.*, 431 ff., in particular 433-447.

¹³ The organization, the functioning and the tasks of the Authority are governed by Articles 108-100 of the EEA Agreement and by Articles 3-26 of the *ESA/Court Agreement*.

¹⁴ See Article 109, para. 2 of the EEA Agreement.

¹⁵ See Article 109, para. 1 of the EEA Agreement.

¹⁶ As regards the institutional links between the EFTA Court and the EU legal order, also from the perspective of its relationship with the ECJ, see R. BARENTS, *The Court of Justice and the EEA Agreement*, in *Rivista di diritto europeo*, 1992, 751 ff.; T. HARTLEY, *The European Court and the EEA*, in *International and Comparative Law Quarterly*, 1992, p. 841 ff.; R. BARENTS, *The Court of Justice and the EEA Agreement: Between Constitutional Values and Political Realities*, in J. STUYCK, A. LOOIJESTIJN-CLEARIE (eds.), *op. cit.*, p. 57 ff.; M. CREMONA, *The “Dynamic and Homogeneous” EEA: Byzantine Structures and Variable Geometry*, in *European Law Review*, 1994, 508 ff.; S. NORBERG, *The EFTA Court: One of the Two Main Components of the EEA Judicial Mechanisms*, in J. STUYCK, A. LOOIJESTIJN-CLEARIE (eds.), *op. cit.*, 9 ff.; V. KRONENBERGER, *Does the EFTA Court interpret the EEA Agreement as if it were the EC Treaty? Some questions raised by the Restamark Judgement*, in *International and Comparative Law Quarterly*, 1996, 198 ff.; C. BAUDENBACHER, *The EFTA Court and the European Court*, in P.-C. MÜLLER-GRAFF, E. SELVIG (eds.), *op. cit.*, 69 ff.; H. P. GRAVER, *The EFTA Court and the Court of Justice of the EC: Legal Homogeneity at Stake?*, *id.*, 31 ff.; T. INGADOTTIR, *op. cit.*; C. BAUDENBACHER, *The EFTA Court Ten Years On*, *cit.*, 13 ff.; A. DEL VECCHIO, *I tribunali internazionali tra globalizzazione e localismi*, Bari, 2009, 92-94.

¹⁷ See also Articles 89-91, Article 95 and Article 96 of the EEA Agreement regulating the EEA Council, the EEA Parliamentary Committee and the EEA Consultative Committee, respectively.

¹⁸ Regarding the organization and functioning of the EEA Joint Committee, see Articles 92-94, 105-106 and 111 the EEA Agreement.

¹⁹ See Article 106, para. 1 of the EEA Agreement.

the two courts, the Committee “shall act as to preserve the homogeneous interpretation of the Agreement”²⁰. Furthermore, it is laid down that any measure put in place by the said body to preserve the legal homogeneity of the EEA law “may not affect the case-law of the Court of Justice of the European Communities”²¹.

Moreover, in accordance with Article 107 of the EEA Agreement, the EFTA States may allow their national courts to ask the ECJ to decide on the interpretation of one or more EEA rules, on the basis of the provisions laid down in Protocol 34 which Article 107 refers to.

Finally, the role assigned to the European Commission by the Statute and the Rules of Procedure of the EFTA Court must be emphasized. The Commission – as well as the European Union²² – may be itself represented by one of its agents before the EFTA Court. In addition, the clerk’s office of the EFTA Court sees that the latter is informed of any dispute arising before it, enabling it to make declarations on the case at issue and to submit, eventually, written observations. Even more significant is the provision of Article 36 of the EFTA Court Statute, read in conjunction with Article 89 of the Rules of Procedures²³, where it is laid down that the Commission – as well as the EFTA States, the Surveillance Authority and the Union – may intervene in the disputes before the EFTA Court. Besides, until now, the Commission has always submitted its written observations in the disputes before the Court, and, as a result, has exerted a strong influence on the case law tendencies of the latter.

In such a legal framework, the EFTA Court, in the course of the years, has gradually adopted the ECJ case law: from this flows the natural link between the two phenomena of *mirror legislation* and *mirror jurisdiction*²⁴. In this connection, the EEA law makes a distinction between the ECJ judgments

²⁰ See Article 105, para. 3 of the EEA Agreement.

²¹ In compliance with the “principle of full integrity” that constitutes “an essential safeguard which is indispensable for the autonomy of the Community legal order”, as asserted by the ECJ in para. 14 of the Opinion no. 1/92; see Protocol 48 on Articles 105 and 111 of the EEA Agreement.

²² After the redefinition of the powers conferred on the Commission following the Lisbon Treaty, it has to be seen what could happen in the future with regard to the division of its competencies with the EU Presidency and the Office of the High Representative of the Union for Foreign Affairs and Security Policy.

²³ As to this Article, see S. NORBERG, K. HÖKBORG, H. JOHANSSON, D. ELIASSON, L. DEDICHEN, *EEA Law-A Commentary on the EEA Agreement*, Stockholm, 1993, 196-197.

²⁴ As regards the concept of *mirror jurisdiction* in the framework of the multiplication of international tribunals, see A. DEL VECCHIO, *Globalization and its Effects on International Courts and Tribunals*, in ID. (ed. by), *New International Tribunals and New International Proceedings*, Milano, 2006, 11 ff. Regarding the proliferation of international tribunals, see, among the most recent contributions, R. WOLFRUM, *Konkurriente Zuständigkeiten internationaler Streitentscheidungsinstanzen: Notwendigkeit für Lösungsmöglichkeiten und deren Grenzen*, id., 651 ff.; J. E. ALVAREZ, *The New Dispute Settlers: (Half) Truths and Consequences*, in *Texas International Law Journal*, 2003, 405 ff.; C. BAUDENBACHER, *Judicial Globalization: New Development or Old Wine in New Bottles?*, id., 505 ff.; M. BEDJAOU, *La multiplication des tribunaux internationaux ou la bonne fortune du droit des gens*, in SOCIÉTÉ FRANÇAISE POUR LE DROIT INTERNATIONAL (SFDI), *La juridictionnalisation du droit international – colloque de Lille*, Paris, 2003, 533 ff.; S. KARAGIANNIS, *La multiplication des juridictions internationales. Un système anarchique?*, id., 7 ff.; Y. SHANY, *The Competing Jurisdictions of International Courts and Tribunals*, Oxford-New York, 2003; J. FINKE, *Die Parallelität internationaler Streitbelegungsmechanismen. Untersuchung der aus der Stärkung der internationalen Gerichtsbarkeit resultierenden Konflikte*, Berlin, 2004; F. ORREGO VICUÑA, *International Dispute Settlement in an Evolving Global Society*, Cambridge, 2004; G. ZICCARDI CAPALDO, *Global Trends and Global Court: the Legitimacy of World Governance*, in *The Global Community. Yearbook of International Law and Jurisprudence*, 2004, 127 ff.; the contributions gathered in O. DELAS, R. CÔTÉ, F. CRÉPEAU, P. LEUPRECHT (sous la direction de), *Les juridictions internationales: complémentarité ou concurrence?*, Bruxelles, 2005; T. TREVES, *Judicial Lawmaking in an Era of “Proliferation” of International Courts and Tribunals: Development of Fragmentation of International Law?*, in R. WOLFRUM, V. ROEBEN (eds.), *Developments of International Law in Treaty-Making*, Berlin, 2005, 587 ff.; A. GATTINI, *Un regard procédural sur la fragmentation du droit international*, in *Revue générale de droit international public*, 2006, 303 ff.; J. G. MERRILLS, *The Mosaic of International Dispute Settlement Procedures: Complementary or Contradictory?*, in *Netherlands International Law Review*, 2007, 361 ff.; E.-U. PETERSMANN, *Multilevel Judicial Governance of International Trade Requires a Common Conception of Rule of Law and Justice*, in *Journal of International Economic Law*, 2007, 529 ff.; T. TREVES, *Fragmentation of International Law: The Judicial Perspective*, in *Comunicazioni e Studi*,

given before and those given after the signature of the EEA Agreement on 2 May 1992. As regards the case law prior to that date, Article 6 prescribes that the provisions of the Agreement, in so far as they are identical in substance to the corresponding rules of Community treaties, now TFEU, and of the acts adopted for their implementation, shall be interpreted in conformity with the relevant rulings of the ECJ²⁵.

Conversely, as to the ECJ case law subsequent to 2 May 1992, and consequently unrelated to the *acquis communautaire* adopted by the EFTA Court, Article 3, para. 2 of the *ESA/Court Agreement*, provides that the EFTA Court, in the interpretation and implementation of its own establishing Agreement and of the EEA Agreement shall pay due account to the principles laid down in the rulings given by the ECJ after the date of signature of the EEA Agreement and concerning the interpretation of that Agreement and/or of the provisions of the European Community treaties, now TFEU. The said rule, by using in relation to the case law subsequent to the signature of the EEA Agreement a less powerful expression than that used in connection with the case law prior to that date, seems to confer a less binding character on the former in respect to the latter, in that it does not prescribe the obligation of an interpretation in conformity with the the ECJ case law, but rather the obligation to take into consideration the latter in the interpretation of EEA law. Even if this is true from a formal point of view, as regards the practical application of the EEA law by the EFTA judges, it comes out that the latter, so far, have given to the rulings issued after 2 May 1992 the same importance as that attached to those issued prior to that date²⁶.

From what has been said above it follows that, differently from other international tribunals set up in the context of regional economic integrations, in which the ECJ case law is referred to on account of similar *ratione materiae* competences and on the basis of a discretionary choice of the competent judges to whom the case is assigned²⁷, the existing relationship between the EFTA Court and the European Court of Justice, precisely on the ground that it is “institutionalized” at the regulatory level by the EEA Agreement itself, is naturally apt to give rise to an interdependence relationship between the two phenomena of *mirror jurisdiction* and *mirror legislation*, thus making the dynamics of the interconnection between the two European courts absolutely original.

(Contd.) _____

XXIII, 2007, 827 ff.; C. P. R. ROMANO, *Deciphering the Grammar of the International Jurisprudential Dialogue*, in *New York University Journal of International Law and Politics*, 2008-2009, 755 ff.; N. LAVRANOS, *On the Need to Regulate Competing Jurisdictions between International Courts and Tribunals*, *EUI Working Paper*, MWP 2009/14 – http://cadmus.iue.it/dspace/bitstream/1814/11484/3/MWP_2009_14.pdf.

²⁵ This provision is taken up again and integrated by Article 3, para. 1 of the *ESA/Court Agreement*, which extends the relevance of the case law of the ECJ prior to the date of signature of the Agreement also to the provisions of Protocols 1 to 4 (*Protocol 1 on horizontal adaptations; Protocol 2 on products excluded from the scope of the agreement in accordance with article 8(3)(a); Protocol 3 concerning products referred to in article 8(3)(b); Protocol 4 on rules of origin*) and in the Annexes I and II to the same *ESA/Court Agreement* (*Annex I list provided for in Article 24, second paragraph; Annex II list provided for in Article 25, second paragraph*) which reproduce in essence the EU rules. In relation to this issue, see L. FUMAGALLI, *Spazio economico europeo e garanzie giurisdizionali*, cited above, 499.

²⁶ On this point, see, among the others, C. BAUDENBACHER, *Between Homogeneity and Independence*, cited above, pp. 204-213.

²⁷ As to the problems concerning the influence of the EU case law on the case law of the different regional courts, see, for a specific hypothesis, the interesting observations in R. VIRZO, *L'influenza della Corte di giustizia delle Comunità europee sulla giurisprudenza della Corte centroamericana*, in *Il Diritto dell'Unione europea*, 2001, 569 ff. and, more in general, A. DEL VECCHIO, *I tribunali internazionali tra globalizzazione e localismi*, cited above, 75-89; on this issue see also M. BRONCKERS, *The Relationship of the EC Court with Other International Tribunals: Non-Committal, Respectful or Submissive?*, in *Common Market Law Review*, 2007, 601 ff. In relation to the great number of regional economic integration agreements as a – sufficient but not necessary – reason for the multiplication of international courts, see C. P. R. ROMANO, *The proliferation of International Judicial Bodies: The pieces of the Puzzle*, in *International Law and Politics*, 1999, pp. 728-748.

2. A comparison between the case law of the two Courts: monologue or dialogue?

The relevance of the ECJ case law for the EFTA case law is not limited to the references to the ECJ case law, which can be found in all the *advisory opinions*²⁸ and in all the judgments²⁹ given up to now by the EFTA Court. It also and above all reveals itself in the constant adoption both of the reasoning made by the ECJ judges and of the “constitutional”³⁰ principles of EU law. In this way, the EFTA Court, by putting on the same level its jurisprudence and that of the ECJ, attributes to both of them the same efficacy in terms of judicial precedent³¹.

In particular, the EFTA Court, through a kind of dynamic, teleological and functional³² interpretation, has conferred a “*quasi direct*” effect on the rules of the EEA Agreement since its first judgment of 16 December 1994³³. On this basis the EFTA judges at first affirm the principle of responsibility of the EFTA State for breach of EEA law³⁴ and then state that, in case of conflict with the national legislation, the rules of the EEA Agreement³⁵, already transposed into the legal order of the EFTA States, shall override, provided that they are clear and not influenced by any formal measure taken by the national authority³⁶.

²⁸ With characteristics corresponding essentially to the jurisdiction to give preliminary rulings in accordance with Article 234 of the EC Treaty, now Article 267, Article 34 of the *ESA/Court Agreement*, actually, provides that “[t]he EFTA Court shall have jurisdiction to give advisory opinions on the interpretation of the EEA Agreement. Where such a question is raised before any court or tribunal in an EFTA State, that court or tribunal may, if it considers it necessary to enable it to give judgment, request the EFTA Court to give such an opinion. An EFTA State may in its internal legislation limit the right to request such an advisory opinion to courts and tribunals against whose decisions there is no judicial remedy under national law”.

²⁹ As it is known, the EFTA Court has not only jurisdiction to give *advisory opinions*, but also to rule on actions against the EFTA States brought by the Surveillance Authority (Article 31 of the *ESA/Court Agreement*) or by other EFTA States (Article 32 of the *ESA/Court Agreement*), or on actions for annulment (Article 36 of the *ESA/Court Agreement*), infringement actions (Article 37 of the *ESA/Court Agreement*) and actions for non-contractual liability (Article 39 of the *ESA/Court Agreement*) against the Surveillance Authority.

³⁰ Expression borrowed from T. TRIDIMAS, *The General Principles of EU Law*, Oxford, 2006, 6, used by this author to refer both to the principles of institutional and substantive law of the European Union.

³¹ In connection with the influence of the EU case law on the EFTA case law see, in particular, C. BAUDENBACHER, *The EFTA Court: An Actor in the European Judicial Dialogue*, in *Fordham International Law Journal*, 2005, 353 ff.; ID., *Ten Years of the EFTA Court*, in C. BAUDENBACHER, P. TRESSSELT, T. ÖRLYGSSON (eds.), *op. cit.*, 1 ff.; ID., *The EFTA Court Ten Years On*, cited above; V. SKOURIS, *The ECJ and the EFTA Court under the EEA Agreement: A Paradigm for International Cooperation between Judicial Institutions*, *id.*, 123 ff.; E. MÉNDEZ-PINEDO, *EC and EEA Law: a comparative study of the effectiveness of European Law*, Groningen, 2009.

³² C. BAUDENBACHER, *The EFTA Court - an example of judicialisation of international economic law*, in *European Law Review*, 2003, 887.

³³ *Advisory opinion* of 16 December 1994, Case E-1/94, *Ravintoloitsijain Liiton Kustannus Oy Restamark*, *Report of the EFTA Court*, 15, para. 77; in this regard see V. KRONENBERGER, *op. cit.*

³⁴ *Advisory opinion* of 10 December 1998, Case E-9/97, *Erla María Sveinbjörnsdóttir v. Iceland*, *Report of the EFTA Court*, 95, paras. 44-69; in this regard see M. EYJÓLFSSON, *Case E-9/97, Erla María Sveinbjörnsdóttir v. the Government of Iceland. Advisory Opinion of the EFTA Court of 10 December 1998*, *Report of the EFTA Court*, 1997, in *Common Market Law Review*, 2000, 187 ff.

³⁵ *Advisory opinion* of 22 February 2002, Case E-1/01, *Hörður Einarsson v. Iceland*, *Report of the EFTA Court*, 1, paras. 47-53.

³⁶ Regarding the analysis of the case law of the EFTA Court having a major significance for the purposes of the continuous and progressing adjustment of the EEA system to the EU law, in relation especially (but not only) to the so-called “effect issue”, see L. SÉVON, *The EEA Judicial System and the Supreme Courts of the EFTA States*, in *European Journal of International Law*, 1992, 329 ff.; W. VAN GERVEN, *The Genesis of EEA Law and the Principle of Primacy and Direct Effect*, in J. STUYCK, A. LOOIJESTIJN-CLEARIE (eds.), *op. cit.*, 33 ff.; L. FUMAGALLI, *La responsabilità dello Stato EFTA nei confronti dei privati per la violazione del diritto dello Spazio economico europeo: una giurisprudenza recente*, in *Il Diritto dell’Unione europea*, 2000, 317 ff.; H. P. GRAVER, *The Effects of EFTA Court Jurisprudence on the Legal Orders of the EFTA States*, in C. BAUDENBACHER, P. TRESSSELT, T. ÖRLYGSSON (eds.), *op.*

Such a “dependence” of the EFTA Court from the ECJ case law has led a part of the doctrine to maintain that the ECJ has an interpretative monopoly and that *de facto* it carries out its functions in a hierarchically higher position in comparison with the EFTA Court: from this flows the assertion of a “monologue” of the former in respect to the latter, which, on the contrary, according to some authors, finds itself in a kind of “*satellite status*”³⁷.

As we will see below, this approach, formulated since the middle of the nineties, should be valued again and adopted by and large in the light of the perspective chosen by the EFTA Court in the *L’Oréal* ruling.

At this point of the analysis, however, the said approach has to be correlated with the influence the EFTA Court has exerted in the course of the years on the ECJ. In fact, even though the EEA Agreement “institutionalizes” a kind of subordination of the EFTA Court in respect of the EU system, the ECJ quotes the EFTA case law and, in the cases in which the EFTA Court, examining some issues which are “new” for the ECJ case law, intervened as “conceptual pioneer for Community Courts”³⁸ and/or “giver of ideas”³⁹, it wholly agreed with the reasoning of the EFTA Court. From an initial subsidiary position to the ECJ, the EFTA Court has started to show a dialogic attitude⁴⁰ towards the latter, and no longer a simply passive or submissive stance. It will be sufficient to remind the case of food safety and the application of the precautionary principle in this area. In fact, the reasoning of the EFTA Court in *Kellogg’s* case of 5 April 2001⁴¹, having as subject the marketing of foodstuff fortified with vitamins, represents the first case of interpretation and application of the said principle by a regional court for the purpose of safeguarding human health. It constitutes the basis of the position taken by the EU judges in the cases *Pfizer Animal Health*⁴², *Alpharma*⁴³, *Monsanto*⁴⁴ and *Commission v. Danmark* of 23 September 2003⁴⁵, concerning issues similar to that examined by the EFTA Court in *Kellogg’s*. Furthermore, in case *Pedical* of 25 February 2005⁴⁶, the EFTA Court, when considering the

(Contd.) _____

cit., 79 ff; S. M. STEFÁNSSON, *State Liability in Community Law and EEA Law*, in C. BAUDENBACHER, P. TRESSELT, T. ÖRLYGSSON (eds.), *id.*, 145 ff.

³⁷ T. C. HARTLEY, *op. cit.*, 847. On this issue see also M. CREMONA, *op. cit.*, 514; T. INGADOTTIR, *op. cit.*, 202; R. BARENTS, *The Court of Justice and the EEA Agreement*, cited above, 57 ff.

³⁸ C. BAUDENBACHER, *The EFTA Court: An Actor*, cited above, 366.

³⁹ *Id.*, *The EFTA Court Ten Years On*, cited above, 35.

⁴⁰ As regards the dialogue, reference is made to several judgments of the EFTA Court which exerted a significant influence on the ECJ. The latter, taking on a somehow “reactive” attitude, used more or less widely the positions expressed by the EFTA judges, citing explicitly their case law. In this connection, F. G. JACOBS, *Judicial Dialogue and the Cross-Fertilization of Legal Systems: The European Court of Justice*, in *Texas International Law Journal*, 2003, 552, points out that “the EFTA Court has regularly cited decisions of the ECJ, and more recently the ECJ has cited the case law of the EFTA Court”. For a more in-depth analysis of EU case law and Advocate General’s conclusions containing references to the case law of the EFTA Court, see C. BAUDENBACHER, *The EFTA Court: An Actor*, cited above, ff. 366-386 e *Id.*, *The EFTA Court Ten Years On*, cited above, ff. 35-50. The author highlights that, in the first ten years of activities carried out by the EFTA Court, approximately 25% of the rulings given by the latter aroused a reaction from the ECJ judges and the Advocate General on the one hand, and from the court of first instance – as well as from some (above all English) national courts of EU Member States – on the other (*The EFTA Court: An Actor*, cited above, 390). In the opposite direction J.-P. PUISSOCHET, *Les juridictions internationales: complémentarité ou concurrence? Le point de vue d’un membre de la Cour de justice*, in O. DELAS, R. COTE, F. CREPEAU, P. LEUPRECHT (sous la direction de), *op. cit.*, p. 56.

⁴¹ Case E-3/00, *Report of the EFTA Court*, 156; in this regard see M. BRONCKERS, *Exceptions to Liberal Trade in Foodstuffs: The Precautionary Approach and Collective Preferences*, in C. BAUDENBACHER, P. TRESSELT, T. ÖRLYGSSON (eds.), *op. cit.*, 105 ff.

⁴² Judgment of 11 September 2002, Case T-13/99, ECR II-3305, para. 115.

⁴³ Order of 30 June 1999, Case T-70/99, ECR II-2027, para. 136.

⁴⁴ Judgment of 9 September 2003, Case C-236/01, ECR I-8105, para. 106.

⁴⁵ Case C-192/01, ECR I-9693, paras. 57-60.

⁴⁶ Case E-4/04, *Pedical A/S and Sosial-og helsedirektoratet*, *Report of the EFTA Court*, 4. Regarding the general prohibition against the advertising of alcoholic beverages as a “new” *sedes materiae* for the interpretation of the

applicability of the precautionary principle to another field of food safety, i.e. alcoholic drinks, does not refer to the product as such, but rather to the product advertising service. This case, too, as *Kellogg's*, represents an absolute novelty, which could influence the ECJ should the latter find itself to deal with a similar legal issue.

In light of the above considerations, it can be inferred that the EFTA judges have profited from the margins for manoeuvre under the EEA rules⁴⁷, which, besides providing for the “institutionalized dependence” of the EFTA Court on the ECJ already referred to, express the fundamental principle according to which the interpretation and application of EEA law and EU law must be carried out “in full deference to the *independence* of courts”⁴⁸. On the other hand, as underlined by the doctrine, the objective of legal homogeneity set forth by the EEA Agreement can be more properly attained in the judgments in which the ECJ judges rule “without ignoring” the EFTA case law, since the latter may contribute to the interpretation of the disputes at issue, in the belief that the dialogue between the courts may foster a more in-depth analysis and a greater quality of rulings⁴⁹. In this connection, it is utmost significant that the only other international/regional court cited by the ECJ, thus limiting the “self-referentiality” and the *self restraint* character of EU case law, is the European Court of Human Rights.

If in some cases the EFTA Court establishes a dialogue with the ECJ, influencing the latter with regard to certain issues concerning the interpretation of EEA law and EU law, in the *Wilhelmsen*⁵⁰, *Maglite*⁵¹ cases and in the *PediceL* ruling already referred to above, this dialogue appears to develop more in dialectical terms rather than in a relationship of reciprocal influence.

In these three cases, the EFTA Court intervened first and had to confront itself with a not so clear-cut and consolidated case law of the ECJ. The point is that, on the basis of an analysis of the EU system on the whole, the position that the EFTA judges should have taken to conform with the EU logic is different from the one which they took subsequently in the solution of the practical case they were dealing with⁵². A detachment of the EFTA Court from the reasonings and principles of EU law, even with regard to specific matters, is proven by the circumstance that only in the said three cases do the EFTA judges achieve different conclusions from those reached by the European Commission, which intervened in the proceedings in accordance with Article 36 of the EFTA Court and Article 89 of its Rules of Procedure. Moreover, this detachment is corroborated by the fact that the ECJ in the *Franzén* case⁵³ and in the two cases *Silhouette*⁵⁴ and *Sebago*⁵⁵ chooses a reasoning identical to that

(Contd.)

precautionary principle at European level in the context of the dialogue between the two Courts in light of the *PediceL* judgment, reference is made to D. GALLO, *Nuovi sviluppi in tema di rapporti tra Corte EFTA e Corte CE: la sentenza PediceL A/S and Sosial-og helsedirektoratet*, in *Studi sull'integrazione europea*, 2006, 367 ff., in particular 383-387.

⁴⁷ From this viewpoint, the homogeneity pursued by the EFTA Court in its case law is defined as “creative” by C. TIMMERMANS, *Creative Homogeneity*, in M. JOHANSSON, M. WAHL, U. BERNITZ (eds.), *op. cit.*, 471 ff.

⁴⁸ See recital 15 of the Preamble and Article 106 of the EEA Agreement.

⁴⁹ In this regard V. SKOURIS, *op. cit.*, 125, affirms that “ignoring EFTA Court precedents would simply be incompatible with the overriding objective of the EEA agreement which is homogeneity. Conscious of that fact, the ECJ has contributed to the fulfilment of that objective by taking under consideration the EFTA Court case-law”.

⁵⁰ *Advisory opinion* of 27 June 1997, Case E-6/96, *Tore Wilhelmsen AS v. Oslo kommune*, *Report of the EFTA Court*, 53.

⁵¹ *Advisory opinion* of 3 December 1997, Case E-2/97, *Mag Instrument Inc. v. California Trading Company Norway*, *Report of the EFTA Court*, 127.

⁵² For an analysis of this case law and for general considerations on the relationship between the courts, see D. GALLO, *I rapporti tra Corte EFTA e Corte CE nell'ambito del processo di “cross-fertilization” tra le due giurisdizioni*, in *Il Diritto dell'Unione europea*, 2007, 153 ff., in particular 169-182.

⁵³ Judgment of 23 October 1997, Case C-189/95, *Allmänna Åklagaren v Harry Franzén*, ECR I-5909.

⁵⁴ Judgment of 16 July 1998, Case C-355/96, *Silhouette International Schmied GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH.*, ECR I-4799.

⁵⁵ Judgment of 1 July 1999, Case C-173/98, *Sebago Inc. and Ancienne Maison Dubois & Fils SA*, ECR I-4103.

made by the European Commission before the EFTA Court and, consequently, contrary to the *Wilhelmsen* and *Maglite* judgments, respectively.

In *Wilhelmsen* the EFTA Court holds that the monopoly constituted by Section 3-1, para. 1 of the Norwegian Alcohol Act of 2 June 1989 must be deemed to be unlawful in accordance with both Article 11 of the EEA Agreement, prohibiting quantitative restrictions and measures having equivalent effect, and Article 16 of the said Agreement, regulating State monopolies of a commercial character. The EFTA judges conclude that it is the structure of the Norwegian monopoly by itself, owing to the conditions prescribed for the granting of the licence to the representative of the import company by the monopolistic firm, which gives rise to a discrimination between domestic and foreign products⁵⁶. In *Franzén* the ECJ rules differently from the EFTA Court in relation to a case similar to that examined by the latter. The question at issue was the compatibility with EU law of the Swedish Law on Alcohol of 16 December 1994, in the part in which an entirely State-owned public limited company was entrusted with the sale, in a monopoly system, of wine and other alcoholic beverages. Now, referring to a law identical to the Norwegian Act, the EU judges, even if they established the violation of the EEC Treaty on the basis of Article 30 [now Article 34 TFEU], corresponding to Article 11 of the EEA Agreement, deemed the Swedish rule to be compatible with Article 37 of the EEC Treaty [now Article 37 TFEU], equivalent to Article 16 of the EEA Agreement, thus ruling out that the discrimination between nationals of the Member States caused by the Swedish law could be attributed directly to the monopoly⁵⁷.

While the cases *Maglite*, *Silhouette* and *Sebago* will be discussed more in-depth below, it should be pointed out here, at the outset, that in *Maglite* the EFTA Court construes Article 7, para. 1 of the Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks⁵⁸, in such a way as to admit the international exhaustion of the rights conferred by a trade mark⁵⁹. Conversely, in *Silhouette* and *Sebago* the ECJ makes a reverse decision, holding that a uniform solution is necessary within the European Union and that, as a consequence, the doctrine of the international exhaustion cannot be accepted⁶⁰.

Finally, in *Pedicel* the EFTA Court, differently from what occurred in the *Wilhelmsen* and *Maglite* cases, does not anticipate a case law conflict which is fully expressed when the ECJ, subsequently, rules on the same issue. The detachment of the EFTA Court from the EU law shows itself in a different way; hence the necessity of a deeper analysis of this case.

The Court was called upon to give its opinion on whether Articles 11 and 36 of the EEA Agreement⁶¹ were also applicable to wine, taking into account that it is excluded from the list of products to which reference is made in accordance with Article 8, para. 3 of the EEA Agreement. In the view of the EFTA judges the circumstance, on the one hand, that Article 8, para. 3 of the Agreement, which excludes certain products – among which wine – from the scope of application of the Agreement itself, is included in Part II, regulating the free movement of goods, and on the other hand, the fact that services are not covered by the *Harmonized System*, as referred to in the same article, is not a key argument to support the applicability of Article 36 to wine advertising services, as the European Commission, among the others, maintains. The EFTA judges hold that the main reason for this inapplicability lies with the general aim of the EEA Agreement concerning the regulation of trade in wine, oriented to granting a wide discretionary power to Member States in this matter, in particular as regards the carrying out of those services, such as advertising, “inseparably linked to the

⁵⁶ See paras. 98-101 of the *advisory opinion*.

⁵⁷ See paras. 37-41 of the judgment

⁵⁸ OJ L 40, 11 February 1989, 1 ff.

⁵⁹ See paras. 19-28 of the *advisory opinion*.

⁶⁰ See paras. 23-27 of the judgment.

⁶¹ Article 36 prohibits restrictions on the freedom to provide services.

sale of wine”⁶² and, as such, not covered by Article 36 of the Agreement. The Court does not agree with the position expressed by the Surveillance Authority, according to which the sale of advertisement spaces, as in the case of the activity carried out by the company Pedicel, represents an “independent business”, whose main purpose is not the commercialization of the advertised products, but the sale of the advertising space as such, as affirmed by the ECJ in the two cases *De Agostini*⁶³ and *Gourmet*⁶⁴. The Court also criticizes the Commission’s view according to which the question should have been solved in the light of the *Karner* judgment delivered by the ECJ on 24 March 2004⁶⁵. The Commission, actually, holds the view that from the said judgment it could be inferred, on the contrary, that if the main purpose of a business is the marketing of an advertisement space – and not the sale of a product –, the national restrictive measure against the latter should be examined according to the provisions concerning the free movement of services, and not those concerning goods. The Commission, after referring to the *Karner* judgment, highlights that the exclusion of wine from the scope of application of the EEA Agreement must not lead to deem that all the services and activities which are linked in some way to the said product are excluded by the EEA rules. Hence, according to the Commission, if the aim of the Agreement is to exempt only agricultural products from its rules – and therefore from the EU rules on the Common Agricultural Policy (CAP) –, then this exemption must not be extended to all the activities and services related to the agricultural sector and the commercialization of these products.

The issue of the applicability of Article 36 to wine advertising and, consequently, the inclusion of this service in the subject and purpose of the Agreement is particularly interesting from two points of view. The former concerns the relationship between EU law and EEA law, taking account of their different aims; the latter regards the kind of relationship of the EFTA Court with the ECJ, in particular considering the dialectic confrontation between the case law of the two Courts. In fact, the EFTA Court, observing that EU law does not provide for a rule equivalent to Article 8, para. 3 of the EEA Agreement, centers its reasoning upon the different aims of the two legislations. And it is precisely in the light of this difference that the judges affirm that the ECJ case law referred to by the Commission and the Surveillance Authority is not relevant to the case at hand⁶⁶. The key point consists in the fact that this judgment represents the first evident case in which the EFTA Court, dealing with a matter such as the four freedoms of movement, in relation to which until then it had always refused a less “integration-friendly” approach than that of the ECJ, decides not to attribute relevance to the EU case law owing to the different purposes of the EEA Agreement and of the EC Treaty – now of the TFEU – respectively. The Court, starting from the assumption that EFTA States have a greater discretionary power on the regulation of alcoholic beverages than that granted by the provisions of EU law applicable to the Member States of the European Union, substantiates its reasoning through two considerations. The former regards the lower degree of integration of the EEA compared with the EU legal order. The latter consists in the influence of metalegal factors within the scope of the EEA law and the EFTA case law, indicating the high level of cultural and social homogeneity of the EFTA States in a particular area as the trade in alcoholic beverages⁶⁷.

⁶² See paras. 30-40 of the *advisory opinion*, in particular para. 34.

⁶³ Judgment of 9 July 1997, Joined Cases C-34/95-36/95, *Konsumentombudsmannen v De Agostini and TV-Shop i Sverige*, ECR I-3843.

⁶⁴ Judgment of 8 March 2001, Case C-405/98, *Konsumentombudsmannen (KO) v Gourmet International Products AB (GIP)*, ECR I-1795.

⁶⁵ Case C-71/02, ECR I-3025.

⁶⁶ See para. 39 of the *advisory opinion*.

⁶⁷ In this regard C. BAUDENBACHER, *The EFTA Court Ten Years On*, cited above, 16, reminds that “[n]ordic governments have repeatedly argued that their alcohol policy is deeply rooted in modern history and in Nordic societies”. On the significance of meta-legal and non-legal factors in the EEA systems, see P.-M. MÜLLER-GRAFF, *The Impact of Climate, Geography and Other Non-Legal Factors on EC Law and EEA Law*, in C. BAUDENBACHER, P. TRESSELT, T. ÖRLYGSSON (eds.), *op. cit.*, 55 ff.

3. The concept of EU exhaustion and that of EEA exhaustion in EU secondary law and in EU case law.

Except for the contrast between the ruling in the *Pedicel* case and the EU case law, the discrepancies between the EFTA Court and the ECJ, at the heart of the *Wilhelmsen-Franzén* cases, on one side, and *Maglite-Silhouette/Sebago* cases, on the other, depend on the subsequent position adopted by the ECJ in respect to the EFTA previous case law. The first and until now only case in which the EFTA Court had to decide on a question which had already been the subject of an explicit conflict with the ECJ is the *advisory opinion L'Oréal*⁶⁸ of 8 July 2008, concerning the territorial extension and the limitations of the exhaustion of the rights conferred by a trade mark, examined by the EFTA judges in *Maglite* and by ECJ first in *Silhouette* and later in *Sebago*.

The analysis of the *L'Oréal* case, in the first place, has to start from some brief preliminary considerations on the concept of and the European legislation on⁶⁹ the exhaustion of intellectual property rights⁷⁰. Subsequently, the analysis will concentrate on the *Maglite*, *Silhouette*⁷¹ and *Sebago* cases, in order to find out the most significant divergences – and their underlying reasons – between the EFTA case law and the EU case law.

The legislation on the EU trade mark is laid down in the Council Regulation (EC) 40/94 of 20 December 1993⁷². As regards the harmonization of national laws reference is made, in particular, to the Directive 89/104/EEC cited above. Article 5 of the said Directive confers on the proprietor of the trade mark the exclusive right to prevent third parties from importing products using his mark, from

⁶⁸ Joined Cases E-9-10/07, *Report of the EFTA Court*, 258.

⁶⁹ In general, as regards the exhaustion in the EU legal order and/or in the EEA system, see, in the wide literature, H. ULLRICH, *International Exhaustion of Intellectual Property Rights: Lessons from European Economic Integration*, in M. DONY (sous la direction de), *Mélanges en hommage à Michel Waelbroeck*, vol. I, 1999, 205 ff.; F. C. URLLESBERGER, "Legitimate Reasons" for the Proprietor of a Trade Mark Registered in the EU to Oppose Further Dealings in the Goods after They have been Put on the Market for the First Time, in *Common Market Law Review*, 1999, 1195 ff.; P. WALSH, P. TREACY, T. FEASTER, *The exhaustion and unauthorised exploitation of trade mark rights in the European Union*, in *European Law Review*, 1999, 259 ff.; D. CUSHLEY, *International Exhaustion: the Davidoff (and Levi) Cases*, in *European Intellectual Property Review*, 2001, 397 ff.; L. RUBINI, *Is the siege of fortress Europe really over? The exhaustion of trademarks in the EC, competition and international trade*, in *Legal Issues of Economic Integration*, 2002, 105 ff.; P. WALSH, P. TREACY, T. FEASTER, *The exhaustion and unauthorised exploitation of trade marks in the European Union*, in *European Law Review*, 1999, 259 ff.; S. ZARPELLON, *The Scope of the Exhaustion Regime for Trade Mark Rights*, in *European Competition Law Review*, 2001, 382 ff.; F. O'TOOLE, C. TREATOR, *The European Union's Trade Mark Exhaustion Regime*, in *World Competition*, 2002, 279 ff.; C. STOTHERS, *Political exhaustion: the European Commission's working paper on possible abuses of trade mark rights within the EU in the context of community exhaustion*, in *European Intellectual Property Review*, 2003, 457 ff.; S. AMADEO, *Articolo 30 TCE*, in A. TIZZANO (a cura di), *Trattati dell'Unione europea e della Comunità Europea*, Milano, 2004, 305-308.; P. DRYBERG, *For EEA exhaustion to apply, who has to prove the marketing of the trademarks goods in the EEA – Tre Trade Mark Owner or the Defendant?*, in *European Intellectual Property Review*, 2004, 81 ff.; A. GUSEV, S. FEDOROV, *The Exhaustion of Trade Mark Rights*, *id.*, 2009, 25 ff.

⁷⁰ Regarding the notion of exhaustion within the scope of intellectual property rights and its constitutive elements, see, in particular, F. GONZÁLEZ PERINI, *Patents vs. Trade? The Issue of Patent Rights Exhaustion*, in *Legal Issues of Economic Integration*, 2003, 133 ff.; C. FINK, *Entering the Jungle of Intellectual Property Rights Exhaustion and Parallel Importation*, in *Id.*, K. E. MASKUS (eds.), *Intellectual Property and Development: Lessons from Recent Economic Research*, Washington, 2005, 171 ff.; L. BENTLY, B. SHERMAN, *Intellectual Property Law*, Oxford, 2008, 3 ed.; J. DAVIS, *Intellectual Property Law*, Oxford, 2008, 3 ed.; T. APLIN, J. DAVIS, *Intellectual Property Law. Text, Cases, and Materials*, Oxford, 2009; R. L. VINELLI, *Bringing Down the Walls: How Technology Is Being Used to Thwart Parallel Importers Amid the International Confusion Concerning Exhaustion of Rights*, in *Cardozo Journal of International and Comparative Law*, 2009, 135 ff.

⁷¹ On this issue, see D. GALLO, *I rapporti*, cited above, 170-172.

⁷² OJ L 11, 14 January 1994, 1 ff., as amended by Council Regulation 3288/94/EC of 22 December 1994, for the implementation of the agreements concluded in the framework of the *Uruguay Round* (OJ L 349, 31 December 1994, 83 ff.) and by Council Regulation 422/2004/EC of 19 February 2004 (OJ L 70, 9 March 2004, 1 ff.).

offering them, putting them on the market or stocking them for these purposes. The principle of exhaustion constitutes a derogation from this rule. Article 7, para. 1, prescribes that the proprietor of a registered trade mark cannot prohibit its use in relation to goods which have been put on the market in the European Union under that trade mark by the proprietor himself or with his consent. In this way the European legislator fixes at the level of secondary legislation the principle of the EU-wide exhaustion of the trade mark, which occurs precisely once the proprietor of the intellectual property right has imported or put on the market in a Member State a product already covered by an exclusive right in another Member State. It is a crystallization and not an innovation, since the principle of EU-wide exhaustion has been acknowledged by the European Court of Justice since the *Centrafarm* judgment, in which the judges extended the national exhaustion to the community level, observing that if the proprietor could oppose to the import of trade-marked products put on the market in another Member State by himself or with his consent, he would have the possibility to isolate national markets and thus restrict exchanges among Member States, without this restriction being in substance necessary to guarantee to him the exclusive right deriving from being the proprietor of the trade mark⁷³. The Court comes to the conclusion that an entrepreneur of a Member State who is proprietor of a trade mark and sells products affixing this trade mark to an importator established in another Member State, cannot oppose to parallel export to other EU States.

In this perspective, the principle of exhaustion is based on the equitable balance between the principle of the free movement of goods set out in Articles 34 and ff., and the exception to the said principle in accordance with Article 36 TFEU, which states that Articles 34 and 35 “shall not preclude prohibitions or restrictions on imports, exports and transit justified on the ground of [...] the protection of industrial and commercial property”⁷⁴.

The ECJ has ruled several times on the function of the trade mark, the purpose of which is “to guarantee the identity of the origin of the marked product to the consumer or ultimate user by enabling him without any possibility of confusion to distinguish that product from products which have another origin”⁷⁵; in order to strengthen the guarantee to the consumer it is therefore necessary that all the products are manufactured under the control of only one undertaking to which the liability for their quality may be attributed. Now, considering that the function consists in guaranteeing to the consumer the origin and quality of the product, in accordance with Article 7 para. 2, the principle of exhaustion does not apply “where the condition of the goods is changed or impaired after they have been put on the market”.

The principle of EU-wide exhaustion had not given rise to particular problems of interpretation within the EU judicial organs. At the most, some doubts have arisen in connection with the nature, the limitations, the form and the extent of the consent of proprietor of the trade mark. In the joined cases *Davidoff* and *Levi Strauss*⁷⁶, the ECJ clarifies these doubts. In fact, even if it underlines that the consent necessary for the exhaustion of the trade mark must be explicit, in the judgment it rules in favour of the possible legitimacy of an implied consent, provided that it can be inferred in a clear, certain and unequivocal way⁷⁷.

⁷³ Judgment of 10 October 1978, Case 3/78, ECR 1823, paras. 6-22.

⁷⁴ As regards the link between intellectual property rights and the free movement of goods, see, in particular, R. GOEBEL, *The Interplay between Intellectual Property Rights and Free Movement of Goods in the European Community*, in *Fordham Intellectual Property, Media and Entertainment Law Journal*, 1993, 125 ff. and T. HAYS, *The free movement (or not) of trademark protected goods in Europe*, in G. B. DINWOODIE, M. D. JANIS, *Trademark Law and Theory. A Handbook of Contemporary Research*, Cheltenham, 2008, 204 ff.

⁷⁵ See para. 14 of the *Hag* judgment of 17 October 1990, Case C-10/89, ECR I-3711.

⁷⁶ See paras. 35-60 of the judgment of 20 November 2001, Joined Cases C-414-416/99, ECR I-8691; for a comment, see P. DYRBERG, G. PETURSSON, *What is Consent? A Note on Davidoff and Levi Strauss*, in *European Law Review*, 2002, 464 ff.

⁷⁷ See para. 2 of the maxim.

The approach of the ECJ to the interpretation of Article 7 of the Council Directive 89/104/EEC is agreed upon and developed in the most recent case law, from the *Van Doren* case⁷⁸, through the *Peak Holding* case⁷⁹, up to the judgment in the case *Copad v. Christian Dior*⁸⁰. In particular, in *Copad v. Christian Dior*, the Court, reaffirming that Article 7, para. 1 of the directive derogates from the exercise of the exclusive right conferred by the trade mark recognized by Article 5, underscores that “the consent, which is tantamount to the proprietor’s renunciation of his exclusive right within the meaning of Article 5, constitutes the decisive factor in the extinction of that right and must, therefore, be so expressed that an intention to renounce that right is unequivocally demonstrated”, except in the case in which the goods are put on the market by a person having economic links with the proprietor, as when that person is a licensee⁸¹.

As regards the territorial reach of exhaustion in EU law, no problem arises in relation to EEA law. By the entry into force of the EEA Agreement, it was extended to the other EFTA States, in order to transpose the EU legislation relating to trade marks at the EEA level. From this follows the necessity to speak of EEA exhaustion, rather than simply of EU-wide exhaustion, as the ECJ has actually done since the beginning of the nineties. The key issue, in case, is to understand if the Council Directive 89/104/EEC must be construed so as to allow the exhaustion of the rights conferred by the trade mark not only within the EEA, but also at international level. It is exactly on this level that the dialogic/dialectical relationship between the EFTA Court and the ECJ has developed, until the recent judgment in the case *L’Oréal*, which, conversely, seems to give way to a monologue of the former in relation to the latter, as we will see below.

4. The case of the international exhaustion of the rights conferred by a trademark: the autonomy of the EFTA Court vis-à-vis the EU system in the *Maglite* case and the subsequent explicit conflict between courts after the *Silhouette* and *Sebago* judgments delivered by the ECJ.

In the *Maglite* case the EFTA Court had to rule on the import to Norway, by the company “CaliforniaTrading Company Norway”, of torches from California, manufactured by the company “Mag Instrument Inc.” and affixing the trade mark *Maglite*. The subject matter of the judgment is the interpretation of Article 7, para. 1 of the Council Directive 89/104/EEC on trade marks, according to which “the trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent”. In the view of the Court, this provision has to be interpreted in such a way that the EFTA States are allowed to introduce or keep in their national laws the exhaustion of the rights conferred by trade marks not only as regards the products put on the market within the EEA, but also those put on the market in third countries⁸². Hence, the EFTA judges recognize the right of the States to take the relevant national measures independently. The reasoning of the Court is based on the consideration that the principle of international exhaustion of the rights conferred by a trade mark complies with the objectives of free trade and competition and therefore of protection of consumers, enabling the latter to identify with certainty the origin of a product. The judges point out, *inter alia*, that this interpretation is in conformity with the TRIPs Agreement, according to which the Member States of the World Trade Organization have a full discretionary power in relation to the regulation of this matter⁸³.

⁷⁸ Judgment of 8 April 2003, Case C-244/00, ECR I-3051, paras. 25-42.

⁷⁹ Judgment of 30 November 2004, Case C-16/03, ECR I-11313, paras 30-44.

⁸⁰ Judgment of 23 April 2009, Case C-59/08, not yet in ECR, paras. 38-51.

⁸¹ See paras. 41-43 of the judgment.

⁸² See para. 28 of the *advisory opinion*.

⁸³ See paras. 19-21 of the *advisory opinion*. For what concerns the exhaustion in the framework of the TRIPs Agreement, see M. BRONCKERS, *The Exhaustion of Patent Rights under WTO Law*, in *Journal of World Trade*, 1998, 137 ff.; K. J.

In the *Silhouette* judgment⁸⁴, the ECJ, as it has been already said above, makes opposite considerations at the beginning and reaches opposite conclusions. The case in point, similar to that examined by the EFTA Court, concerns the import to Austria by the Austrian company “Hartlauer” of spectacles and spectacle frames under the *Silhouette* trade mark coming from Bulgaria, which at that time was not a Member State of the EEA. According to the ECJ, Article 7 of the Council Directive 89/104/EEC cannot be construed in such a way as to give to Member States the possibility to set up rules on the exhaustion going beyond the rules expressly laid down therein. In the opinion of the EU judges Member States are not allowed to take measures providing for the exhaustion of the right conferred by a trade mark with regard to products commercialized outside the EEA under that trade mark by the proprietor or with his consent. In the view of the Court, a different interpretation would be in conflict with the wording of Article 7, as well as with the system and the rationale of the provisions of the Directive concerning the rights conferred by a trade mark on its proprietor. The ECJ observes that “although the third recital of the Directive states that ‘it does not appear to be necessary at present to undertake full-scale approximation of the trade mark laws of the Member States’, the Directive none the less provides for harmonisation in relation to substantive rules of central importance in this sphere, that is to say, the rules concerning those provisions of national law which most directly affect the functioning of the internal market”⁸⁵. Consequently, Articles 5-7 of the Directive have to be construed in such a manner as to provide for a full-scale harmonisation of the rules relating to the rights conferred by a trade mark. The Court affirms that this is the only interpretation that can safeguard the functioning of the internal market, since “a situation in which some Member States could provide for international exhaustion while others provided for Community exhaustion only would inevitably give rise to barriers to the free movement of goods and the freedom to provide services”⁸⁶. The Court holds the view that, should this occur within the EEA, a situation of disparity would arise which could hamper the establishment and functioning of the internal market, so that the goods under the trade mark registered within the EEA and originating from a country allowing the national exhaustion would be subject to parallel imports without any restrictions. On the contrary, products originating from abroad and under a registered trade mark deposited in the EU, after being put on the internal market of a EU Member State where international exhaustion is applied, could move freely within the Common market thanks to the freedom of movement of goods recognized within its scope. Therefore, according to the ECJ, the necessity to approximate the national laws of Member States relating to trade marks arises from the risk that the differences in the legislation could be an obstacle to the free movement of goods, as it would occur precisely in the case in which the international exhaustion was allowed within the EEA. From this the conclusion may be drawn that the exhaustion of the right conferred by the trade mark would *prima facie* occur only through the commercialization of products within the EEA, carried out by the proprietor of a trade mark or with his consent; conversely, the commercialization of products outside the EEA, carried out by the proprietor of the trade mark or with his consent, would not exhaust the said right. As a consequence, the Court on one hand (re)affirms that the EU law relating to trade marks recognizes the principle of

(Contd.) _____

KUILWIJK, *Parallel Imports and WTO Law: Some Thoughts After Silhouette*, in *European Competition Law Review*, 1999, 292 ff.; V. CHIAPPETTA, *The Desiderability of Agreeing to Disagree: the WTO, TRIPS, International IPR Exhaustion and a Few other Things*, in *Michigan Journal of International Law*, 2000, 333 ff.; M. BRONCKERS, *Where Should WTO Law Go to Exhaustion of Intellectual Property Rights*, in C. FINK, K. E. MASKUS (eds.), *op. cit.*, 231 ff.

⁸⁴ See the comments by E. GIPPINI FOURNIER, *Case C-355/96, Silhouette International Schmied GmbH & Co. KG v. Hartlauer Handelsgesellschaft mbH, Judgment of 16 July 1998. [1998] ECR I-4799*, in *Common Market Law Review*, 1999, 807 ff.; T. MILLY, *A Silhouette of fortress Europe? International exhaustion of trade mark rights in EU*, in *Maastricht Journal*, 2000, 51 ff.; D. O’KEEFFE, B. KEANE, *The Shadow of Silhouette*, in *Yearbook of European Law*, 1999-2000, 139 ff.; L. HARLANDER, *Exhaustion of Trademark Rights Beyond the European Union in Light of Silhouette International Schmied v. Hartlauer Handelsgesellschaft: Toward Stronger Protection of Trademark Rights and Eliminating the Gray Market*, in *Georgia Journal of International and Comparative Law*, 1999-2000, 267 ff.; G. MURPHY, *Who’s Wearing the Sunglasses Now?*, in *European Competition Law Review*, 2000, 1 ff.

⁸⁵ See para. 23 of the judgment.

⁸⁶ See para. 27 of the judgment.

exhaustion within the EEA, and on the other substantially denies that this right could also acknowledge the principle of international exhaustion⁸⁷.

Finally, the reasoning in the *Silhouette* case is resumed and developed in the *Sebago* case⁸⁸, in which the Court, in line with the conclusions of the Advocate General Jacobs of 25 March 1999, specifies that the consent of the trade mark proprietor to the marketing within the EEA of one batch of goods bearing his trade mark does not exhaust the rights conferred by the trade mark as regards the marketing of other batches of his goods even if they are identical⁸⁹.

The reasons for the divergence between *Maglite* on one side and *Silhouette* and *Sebago* on the other have to be traced back to the different aims of EC law and of the EEA Agreement. As the EFTA Court maintains in *Maglite*, since the EEA Agreement does not set up a customs union, but rather an advanced free trade area⁹⁰, differently from the EC Treaty, the aim and scope of the EC Treaty and the EEA Agreement, respectively, are different⁹¹. This, according to the judges, has also repercussions in relation to the application of the principle of exhaustion. In particular, the EFTA Court points out that, in accordance with Article 8 of the EEA Agreement, the principle of the free movement of goods, as laid down in Articles 11-13, only applies to products originating from the EEA, while in the EU a product can be freely marketed once it has been lawfully put on the market of a Member State. The EFTA judges underscore that such a case occurs in the framework of the EEA only in relation to products originating from the EEA; hence, the circumstance that in the case at issue the product was manufactured in the United States and imported into Norway entails that it is not subject to the principle of free movement of goods within the EEA⁹². Furthermore, in the view of the EFTA Court, the fact that the EEA Agreement does not provide for a common trade policy towards third countries would constitute another factor in favour of conferring on the EFTA States the right to introduce in their national legislation the rule of the international exhaustion of the rights conferred by a trade mark⁹³. Therefore, the reasoning of the EFTA Court is based on the hypothesis according to which the distinction between admissibility and inadmissibility of the principle of exhaustion should be traced back to the different level of integration characterizing the two regional economic organizations.

⁸⁷ In this way, the ECJ adopts the reasoning formulated by the Advocate General Jacobs in the conclusions concerning the *Silhouette* case of 29th January 1998, paras. 49-54. In this regard, it must be emphasized that the Advocate General defines “extremely attractive” the position of the Swedish Government, according to which the function performed by the rights conferred by the trade mark would not restrict itself to enabling the owner to divide up the market and to exploit price differentials. In fact, in the view of the Swedish Government, the adoption of the principle of international exhaustion would bring substantial advantages to consumers, promoting price competition. Despite this consideration, the Advocate General, affirming that the ECJ case law on the function of the rights conferred by trade marks has always concerned the EC context, and not the international context, points out that to allow Member States to implement the principle of international exhaustion would result in the creation of barriers for intra-community trade. Hence Jacobs, even sharing theoretically the main lines of the reasoning made by the EFTA Court in the *Maglite* ruling, which in fact is cited in para. 43 of the conclusions, and even acknowledging possible advantages deriving from international exhaustion, comes to the opposite conclusion, holding the necessity of unambiguous rules on this matter.

⁸⁸ See paras. 13-17 of the judgment; in this regard see the comment by P. EGLI, J. KOKOTT, *Sebago Inc. and Ancienne Maison Dubois and Fils v. GB-Unic SA. Case C-173/98*, in *American Journal of International Law*, 2000, 386 ff.

⁸⁹ See paras. 18-22 of the judgment; see also paras. 18-31 of the conclusions.

⁹⁰ Regarding the possibility to regard the EEA as an imperfect internal market, rather than a free trade area, see § 1.

⁹¹ Nothing changes, obviously, with regard to the TFEU.

⁹² See paras. 25-26 of the *advisory opinion*.

⁹³ See para 27 of the *advisory opinion*.

5. (Continuing): The *L'Oréal* ruling issued by the EFTA Court and the full deference of the latter towards the ECJ.

In *L'Oréal* the EFTA Court, ten years after *Maglite* and eight years after *Silhouette* and *Sebago*, had to tackle again the issue of the admissibility, in accordance with Article 7 of the Council Directive 89/104/EEC, of the principle of the international exhaustion of the rights conferred by the trade mark within the framework of EEA law. The importance of the case consists in the fact that for the first time the EFTA Court, as it has already been said, had to rule on an issue it had already dealt with, in relation to which the ECJ, that meanwhile had been called upon to rule on the same issue in accordance with Article 234 of the EC Treaty, now Article 267 TFEU, rendered a diametrically opposed decision. The consequences to be drawn as regards the relationship between the courts have to be necessarily different, depending on whether the EFTA Court follows the direction already taken in *Maglite*, or decides to change its position in line with the case law of the ECJ.

The *L'Oréal* ruling arises from a lawsuit before *Follo tingrett* and *Oslo tingrett* between two companies of the “L'Oréal” Group, proprietor of the trade mark Redken used to market products which had been sold in Norway since 1980, on one side, and two companies of the “Nille Holding AS” group, on the other. The case concerns the parallel import of Redken products to Norway from the USA, carried out without the consent from L'Oréal. In particular, the two Norwegian courts apply to the EFTA Court under Article 34 of the EEA Agreement⁹⁴, in order to understand whether besides the consent to the manufacturing and commercialization of Redken products in the United States, requested by Nille Holding to the Company L'Oréal – and subsequently given by the latter –, the consent to the import and following commercialization of Redken products in Norway was also necessary. The key issue was to understand when the consent would be exhausted. According to the L'Oréal company, this could have occurred only with regard to the free marketing of products within the EEA, regardless of the fact that it had already given its consent to the commercialization in third countries. On the contrary, in the view of the Nille Holding, there had not been any violation of L'Oréal's exclusive right; from this the conclusion was drawn that the decision not to request for another consent from L'Oréal would be in conformity not only with Section 4 of the *Norwegian Trade Mark Act*, but also and above all with Article 7 of the Council Directive 89/104/EEC.

As it comes out from the *Report for the Hearing*⁹⁵, drawn up by the Judge-Rapporteur Henrik Bull, the argument submitted by the plaintiff L'Oréal is backed by the European Commission⁹⁶, which emphasizes that the reasoning behind the *Silhouette* judgment is that the Council Directive 89/104/EEC must be construed so as to recognize a full harmonisation of the trade mark rules at EU level. In this way the Commission, extending its reasoning to the whole EEA context, reiterates what had already been affirmed before the EFTA Court in the *Maglite* case, i.e. that “irrespective of the origin of the goods in question, national rules providing for exhaustion of trade mark rights in respect of goods put on the market outside the EEA under that mark by the proprietor or with his consent” are contrary to Article 65, para. 2 of the EEA Agreement, read in conjunction with Annex XVII, aimed at transposing the Community rules, now EU rules, on intellectual property rights, and consequently also to Article 7, para. 1, of the Council Directive 89/104/EEC⁹⁷.

⁹⁴ As regards the similarities between the jurisdiction to give preliminary rulings in accordance with EU Law, and the jurisdiction to give advisory opinions, under Article 34 of the EEA Agreement, see, in particular, J. FORMAN, *op. cit.*, 769-770.

⁹⁵ In the *Reports for the Hearing* the Judge-Rapporteur summarizes the different positions of the parties to the dispute, of the intervening parties in accordance with Article 36 of the Statute of the EFTA Court and of the other subjects which have submitted statements of case or written observations in accordance with Article 20 of the Statute itself.

⁹⁶ See paras. 90-100 of the *Report for the Hearing*.

⁹⁷ See para. 94 of the *Report for the Hearing*.

The stance of the Nille Holding company is taken into consideration and developed by Iceland, Norway and Liechtenstein, particularly inclined to affirm their competence in the area of trade marks rather than to confer wide discretionary powers in the matter on the EEA and the EFTA institutions. The same approach is followed by the EFTA Surveillance Authority: as a result a significant conflict arises between the latter and the European Commission which, in accordance with Articles 108-110 of the EEA Agreement, are both in charge of ensuring that the EEA rules are applied effectively in conformity with EU law, on the basis of the principle of legal homogeneity⁹⁸.

In the first place the EFTA Court clarifies that regarding the question of the international exhaustion “the Court and the ECJ in those cases dealt with essentially the same legal issue but came to different conclusions”⁹⁹. Subsequently, it acknowledges the existence of arguments both in favour and against the application of the principle of international exhaustion in EEA law, as evidenced by the contrasting positions of the doctrine on this topic¹⁰⁰.

After making these preliminary observations, the Court wonders whether it is necessary and/or appropriate to abandon its case law in favour of the ECJ case law. The reasoning is surprising. The Court aligns itself with the *Silhouette* judgment and consequently reverses completely its position in respect of its own case law. In doing so, it uses an argument which seems much more influenced by considerations of political opportunity than by a purely legal reasoning. The judges note that in the period subsequent to the *Maglite* and *Silhouette* judgments, “which are at the heart of the present case”¹⁰¹, several EU Member States suggested that the EC directive should be amended in order to introduce explicitly the principle of international exhaustion into the said act, thus welcoming the arguments formulated by the EFTA Court in *Maglite* as regards the advantages ensuing from adopting the said principle.

Two interesting aspects are suggested by the reasoning of the Court: in the first place, it is an important and significant innovation that Member States of an international organization such as the EU use the case law of a regional court different from the ECJ – although it operates in the same integration system – as a starting point to amend a EC directive, in order to “get around”, by doing so, the case law of the ECJ itself. In the second place, it is surprising that the EFTA Court formulates the subsequent reasons and the relevant conclusions precisely on the basis of this situation, deemed to be a risk for the consistency of EEA law and the achievement of the objective of legal homogeneity which guides the EEA Agreement. In fact, in the following part of the analysis, the Court, after reminding that within the EEA system the assumption applies that “provisions framed in the same way in the EEA Agreement and EC law are to be construed in the same way”¹⁰², considering the different aims of the two systems as the only reason for a different interpretation of EEA law by the two courts, reverses the stance taken in *Maglite* highlighting exactly the relations between the said systems, thus ruling out, differently from what it had done in that case, that the absence of a customs union, of a common trade policy and, more in general, of a “uniform foreign trade policy”¹⁰³ may represent the reasons for adopting the principle of international exhaustion in the EEA system¹⁰⁴.

In other words, the EFTA Court, even acknowledging that “it is clear that the EEA Agreement foresees the possibility of mandatory EEA-wide exhaustion of intellectual property rights, also in

⁹⁸ See paras. 56-89 of the *Report for the Hearing*.

⁹⁹ See para. 22 of the *advisory opinion*.

¹⁰⁰ In para. 24 of the *advisory opinion* the EFTA Court underlines that “the interpretation of Article 7(1) of the Trade Mark Directive was disputed in legal circles”.

¹⁰¹ See para. 24 of the *advisory opinion*.

¹⁰² See para. 27 of the *advisory opinion*.

¹⁰³ See paras. 25-27 of *Maglite*.

¹⁰⁴ See, in particular, para. 37 of the *advisory opinion*.

relation to goods originating from outside the EEA”¹⁰⁵, after clarifying that “the consequences for the internal market within the EEA are the same in that situation as in a situation where the ECJ has ruled on an issue first and the EFTA Court subsequently were to come to a different conclusion”¹⁰⁶, explicitly affirms that, in the event of divergence between its own case law and the subsequent ruling of the ECJ, the latter will always override, “regardless of whether the EFTA Court has previously ruled on the question”¹⁰⁷, in spite of the considerations made on the different aims of the EEA system and of EU law.

6. The interpretative monopoly of the ECJ in respect to the EFTA Court and the limits of the dialogue between the two courts.

On the ground of the analysis of the case law of the EFTA Court prior to the *L’Oréal* ruling it is possible to consider the relationship between the ECJ and the EFTA Court not only from the perspective of the influence exerted by the former on the latter, but also from the viewpoint of the autonomy of the EFTA Court from the EU legal order, including the jurisdictional bodies. This autonomy has developed in the first place as a dialogue between the two regional courts, as it is shown by the fact that Advocate General’s opinions and ECJ have cited judgments and endorsed the reasoning of the EFTA Court.

The said dialogue, in *Maglite*, *Wilhelmsen* and *Pedicel* also developed in dialectical terms. In these cases, in fact, the EFTA judges refused the position of the European Commission, which, when intervening in proceedings before the EFTA Court, acts as ultimate and authoritative interpreter of EU law¹⁰⁸, concentrating in itself both the powers appertaining to it at the level of international relations and its competences as guardian of the legitimacy of treaties. In doing so, the EFTA Court refused to apply EU law and the case law of the ECJ in the framework of EEA law and to accept them with no reservations. The *Maglite* case is the most significant example in this regard. On this basis, a part of the doctrine has underlined the relation of autonomy¹⁰⁹ between the EFTA Court and the ECJ Court¹¹⁰, in the context of a process of “cross-fertilization” regarding the case law of the two courts¹¹¹ and of the dichotomy “homogeneity/independence”¹¹² characterizing the jurisdictional system laid down by the EEA Agreement.

The *L’Oréal* ruling, whereby the EFTA Court abandons the approach previously taken in *Maglite* in favour of that adopted by the ECJ in *Silhouette e Sebago*, brings this position of the doctrine into question. *L’Oréal* allows to give credit again to the opinion of that part of the doctrine according to

¹⁰⁵ See para. 36 of the *advisory opinion*.

¹⁰⁶ See para. 29 of the *advisory opinion*.

¹⁰⁷ *Ibid.*; see also para. 35 of the *advisory opinion*, where it is written that “the conclusion, in *Maglite*, at paragraph 22, that Article 2 of Protocol 28 only provided for EEA-wide exhaustion as a minimum requirement was built on the premise that ‘to date’ there was no case law of the ECJ which ruled out international exhaustion of rights” (italics added).

¹⁰⁸ From the viewpoint of the improvement of the internal market.

¹⁰⁹ B. ACHOUR, *Rapport final*, in B. ACHOUR, S. LAGHMANI (sous la direction de), *Justice et juridictions internationales*, Paris, 2000, 332, defines the relations among international courts as “rapports dialectiques entre l’autonomie et la dépendance”.

¹¹⁰ In this direction, see C. BAUDENBACHER, *The EFTA Court Ten Years On*, cited above, 43, who considers that “the judicial dialogue will enhance the rationality of a judgement no matter what the outcome of that process will be”; V. SKOURIS, *op. cit.*, p. 129, who observes : “[t]he cooperation of the ECJ and the EFTA Court over the last ten years and the results it produced constitute a true paradigm for international cooperation between judicial institutions”; D. GALLO, *I rapporti*, cited above, 181-182.

¹¹¹ The expression “cross-fertilization” is borrowed from F. G. JACOBS, *op. cit.*, 547 ff.

¹¹² A. TOLEDANO LAREDO, *Principes et objectifs de l’Accord EEE. Eléments de réflexion*, in O. JACOT-GUILLAMORD (sous la direction de), *Accord EEE. Commentaires et réflexions*, Zürich, 1992, 565.

which the EFTA Court finds itself, *de facto*, in a position of hierarchical inferiority in respect of the ECJ¹¹³. Even if the autonomy of the EFTA Court vis-à-vis the ECJ reveals itself in the influence of the former on the latter when it has to rule first on the interpretation of the EEA law, it is at any rate a relative autonomy, since it is conditioned by the circumstance that the EU judges do not come to a different conclusion regarding the interpretation of EU secondary and *a fortiori* primary EU law.

It remains to be seen if in the future the EFTA Court decides to follow this orientation also in other fields different from intellectual property. In this respect, the analysis carried out until now has shown that the reasoning set forth in *L'Oréal* is not limited solely to the issue of the international exhaustion of the rights conferred by a trade mark. It concerns structural and institutional questions pertaining to the relationship between the EEA law and the EU legal order and, more specifically, the relationship of the EFTA Court with the ECJ.

In conclusion, in light of the *L'Oréal* ruling, it must be affirmed that the principle of legal homogeneity, from which the EEA Agreement takes inspiration, prevails upon the margins of discretionary power of the EFTA Court in the evaluation of EEA law, pressing them to such a point that the EFTA Court is obliged to detach itself from its case law in order to (re)align itself with the ECJ. The result is a situation of full deference of the EFTA Court vis-à-vis the ECJ, despite the wording of the EEA Agreement, that is the application of EU law and EEA law, as it has already been said, has to be carried out “in full deference to the independence of courts”¹¹⁴. As a consequence, the EEA Agreement must be interpreted and construed as meaning that the uniformity and consistency in the case law of the two courts have to be always and in any case prioritized. This strongly seems to entail the disappearance of the argument according to which the different aims and the lower degree of integration of the EEA system in comparison with the EU legal order constitute a natural exception to the objective of legal homogeneity acknowledged by the EEA Agreement and an instrument of “emancipation” of the EFTA Court from the ECJ¹¹⁵.

¹¹³ See the authors cited in footnote no. 37.

¹¹⁴ On this matter see § 2.

¹¹⁵ In line with what has been written in § 1 concerning the possibility to regard the EEA system as an (imperfect) kind of internal market, rather than a free trade area.

Author contacts:

Daniele Gallo

520 E 11st Apt. 13

10009 – NY

USA

Email: daniele.gallo@eui.eu

