II

(Acts whose publication is not obligatory)

COMMISSION

COMMISSION DECISION

of 23 December 1977

relating to a proceeding under Article 85 of the EEC Treaty (IV/29.246 — Penneys)

(Only the English text is authentic)

(78/193/EEC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 85 thereof,

Having regard to Council Regulation No 17 of 6 February 1962 [1], and in particular Articles 2, 4 and 6 thereof,

Having regard to the application for negative clearance on 31 May 1976 in respect of the settlement agreement concluded on 26 February 1976 between J.C. Penney Company, Inc. (Penney America) and J.C. Penney Purchasing Corporation (Purchasing) on the one hand, and, Associated British Foods Limited (ABF), Fine Fare Limited (FF), Penneys Limited (Penneys Ireland), Penneys (NI) Limited (PNI), The Penneys Primark Quinnsworth Limited (Quinnsworth), Bee Line Products Limited (Bee Line) and Power Supermarkets Limited (Power) on the other, application having been made by J.C. Penney Company, Inc., on behalf of all parties to the Agreement,

Having regard to the publication of the summary of the application, as required by Article 19 (3) of Regulation No 17, in *Official Journal of the European Communities* No C 76 of 29 March 1977,

Having regard to the opinion of the Advisory Committee on Restrictive Practices and Dominant Positions delivered pursuant to Article 10 of Regulation No 17 on 28 September 1977,

Whereas :

I. The facts

1. Penney America were incorporated in 1913 in the United States of America, their business having been founded in 1902 by James Cash Penney. Their main lines of business are the operation of retail stores for the marketing of clothing such as shirts, jackets, pyjamas, footwear, home furnishings and textiles such as sheets, pillow cases and curtains, furniture, some foodstuffs and the procurement of such goods for resale.

Purchasing are a wholly owned subsidiary of Penney America. They are engaged in purchasing goods manufactured outside the United States for resale in the United States. They also purchase goods manufactured in the United States and the Far East for resale in the EEC by Penney America's subsidiaries (JCP Group) or through independent retailers.

Penney America first registered the mark 'J.C. Penney Co.' in the United States trademark register on 1 August 1920. Since then several variants have been registered. They currently use a number of marks such as 'J.C. Penney', 'Penney', 'Penney's' and 'Penneys P' on their goods.

The 'Penney' mark, and its variants, have been registered by Penney America in many other countries of the world ; they were registered during the years 1967 to 1976, mainly in classes 20, 24 and 25 (furniture,

[1] OJ No 13, 21. 2. 1962, p. 204/62.

textiles and articles of clothing), in all Member States of the Community, except Ireland and the United Kingdom. Most of these registrations were obtained towards the end of this period. Applications to have the mark 'Penneys' registered in Ireland and the United Kingdom in class 25 were made respectively in 1968 and 1970. In accordance with the notified agreement Penneys Ireland have withdrawn their opposition against Penney America's application in the United Kingdom, and the registration was obtained early in 1977.

In the historical sense the word 'Penney' is a surname being that of the founder of the business which Penney America have built up all over the world. Another connotation is its aural association with the unit of coinage whose value is very small.

Penney America had the second largest sales volume in the United States among retailers of textiles and clothing in the financial year ending 29 January 1977. Their sales in that financial year totalled 8 354 million US dollars. By the end of 1976, the company's domestic operations included 1 672 J.C. Penney full line stores and 274 other stores combined with food supermarkets. By that time the company, through subsidiaries, operated 79 stores under the name 'Sarma' and had franchised 205 Nopri stores in Belgium. From 1970 until June 1977, the company operated five stores in the Milan area. At the latter date it sold these stores but retained the ownership of the trademark. Penney America and their subsidiaries employ approximately 186 000 persons.

2. ABF were incorporated in their present form in 1935 in the United Kingdom, their business having been founded in 1932 by a Canadian, Mr W. Garfield Weston. The company is engaged through a number of subsidiaries in the United Kingdom, Ireland, South Africa, Australia and New Zealand (ABF Group) in the operation of retail stores for the sale of foods and of the same types of clothing and textile goods as Penney America and in the manufacture or other procurement of such goods for resale.

Penneys Ireland, Bee Line and Power, which are all incorporated in Ireland, FF and PNI, which are incorporated in the United Kingdom, and Quinnsworth, organized under the laws of Hong Kong, are not direct subsidiaries of ABF but their entire share capitals are held within the ABF Group. For the purpose of the settlement agreement only, the term 'ABF Group' includes additionally certain companies trading in the USA and Canada, in which the Weston family have interests.

Since May 1969, Penneys Ireland, whose company name was until March 1970 'Todco Limited', have been using within Ireland the word 'Penneys' as their trading style to identify their retail stores and on labels for goods such as textiles and all types of clothing including footwear. This trademark and trade name have no common origin with the trademark and trade name used by Penney America since they were adopted autonomously and independently by Penneys Ireland, PNI, Power and Quinnsworth without there ever having been any common ownership with the trademark and trade name of Penney America. FF and Power, the latter trading under the name 'Quinnsworth', have been involved in the use of the name 'Penneys' since they sell certain Penneys goods in their own shops or rent space to Penneys Ireland for their retail operations.

Applications to have the trademark 'Penneys' registered respectively in the United Kingdom and in Ireland in both classes 24 and 25 were made by Penneys Ireland on 4 and 8 April 1974. All these applications have been held up by virtue of Penney America's applications of earlier date. France is the only country where the registration has been completed since Penneys Ireland obtained in September 1975 the assignment to them of the French trademark 'Penney's' originally registered in the name of a third party.

For the financial year ending 3 April 1977, the total sales of the ABF Group (excluding the activities of the Canadian and American companies) amounted to £ 1 491 million.

The ABF Group is the third largest manufacturer of food in the United Kingdom and one of Ireland's leading textile retailers. The sale of goods from Penneys Ireland outlets in Ireland and in the United Kingdom for the year ending 3 April 1977 amounted to less than 2 % of total sales of the ABF Group. The only manufacturing unit within the ABF Group for Penneys products is Bee Line in Dublin.

3. In recent years, both Penney America and the ABF Group have done part of their business under the identical trademark 'Penneys' within the EEC, the former on a large scale in the United Kingdom, Belgium and Italy, the latter in Ireland and to a limited extent also in the United Kingdom and France.

(a) In 1952, Penney America started having goods marked 'Penneys' made in the United Kingdom and other Member States by a number of firms for

export to the United States. They have also exported to the United Kingdom since 1969, and later to Italy and France, considerable quantities of goods for resale, bearing the mark 'Penneys' or its variants. These goods include, apart from clothing and textiles, other articles, such as toys and ladies' accessories. The principal retail outlets for this merchandise in the United Kingdom have been independent retailers such as Selfridge Limited and Lewis's Limited. These retail outlets have spent considerable sums in advertising these goods.

Penney America have their own retail shop chain in Belgium which is operated by their subsidiary, Sarma-Penney Limited. This subsidiary contracts for the manufacture of goods bearing the mark 'Penney' with various manufacturers in Belgium while some goods bearing the mark 'Penney' are also imported from overseas. Merchandise bearing the mark 'Penney' accounts for between 40 and 50 % of Penney America's own retail shop sales, goods carrying marks other than 'Penney' consisting primarily of foodstuffs. The retail value of Penney America's sales in Belgium for their 1976 financial year amounted to appproximately 500 million US dollars. The primary advertising methods employed by Penney America are newspaper advertising, the distribution of printed 'hand-out' brochures and descriptive sales promotional literature to retail customers in Sarma stores and 'door to door' delivery of such materials. In these brochures the trade name 'Sarma', used for distinguishing the shops, is accompanied by the words 'a division of J.C. Penney Company, Inc.' in print substantially smaller than the print used for the name 'Sarma'.

In addition to the abovementioned chain, Penney America have also organized subsidiaries in the United Kingdom and Germany, whose function will be to distribute merchandise when the Company decides to commence retailing operations in those countries. No goods have been sold by Penney America in Ireland and Denmark; small quantities have been sold in Germany.

Having regard to the increasing development of activities of Penney America in the EEC and to the fact that they apply their trademarks to a range of products in addition to clothing, it is not possible at present to establish their exact market share within the EEC. What is clear, however, is that the company and their trademarks 'Penney' and its variants have acquired not only in the USA but also in the EEC a substantial reputation and that their turnover in the EEC is considerable.

(b) Penneys Ireland's business has expanded rapidly in Ireland. By the end of July 1977 they had 19 shops scattered throughout Ireland, some of which were separate shops while others were shops within supermarkets owned and operated by Power. All the shops and retailing areas display the name 'Penneys' on their own fascia board or on shop windows.

Penneys Ireland started using the name 'Penneys' in Northern Ireland in 1971 by opening one store within a supermarket. Prior to June 1974, three stores were opened in Scotland and two in England. The latter ceased to trade under the name 'Penneys' in pursuance of an order of the English High Court in June 1974, but have continued to trade after that date under the style 'Primark'. In 1975 and 1976, four other Penneys Ireland shops were opened in Scotland and Northern Ireland under the style 'Penneys'.

Penneys Ireland also started using 'Primark' on goods outside England and Wales. Since June 1974, Penneys Ireland's sales in Ireland and the United Kingdom have continued to expand although more and more under the trademark 'Primark'. By June 1976, by far the greater part of Penneys Ireland's sales in the United Kingdom and Ireland were of goods marked 'Primark', the remainder being of goods bearing the 'Penneys' label. Penneys Ireland have obtained registration of the mark 'Primark' in the United Kingdom (in December 1976) and in other countries, including Denmark, France and Benelux. The registration has been accepted in West Germany and Ireland while in Italy application for registration is pending.

None of the companies of the ABF Group has a significant share of the United Kingdom textile market. Total sales of textiles in the United Kingdom are fragmented among a large number of retailers, and the proportion of total textiles sales accounted for by some 12 leading retailers, among which the ABF Group does not feature, is under 50 %.

Since 1975, small quantities of goods specially marked 'Penney's' have been exported by Penneys Ireland to France to protect their French trademark and also to Germany. There has been no sales organization of Penneys Ireland established in any Member State other than their Penneys shops in the United Kingdom and Ireland.

4. Commencing in 1969, a controversy has arisen between Penney America and the ABF Group as to their respective rights to use the word 'Penneys', and a number of lawsuits in various jurisdictions have ensued.

(a) On 1 August 1969, Penney America's Irish trademark agents wrote to Penneys Ireland protesting against their use of the name 'Penneys'. In December of the same year Penney America brought proceedings in Ireland to restrain Penneys Ireland from passing off their goods as Penneys America's goods but they decided that they would proceed with their trademark application of 1968 before they brought the action to trial. This application was refused by the controller and the appeal against refusal was dismissed in November 1974. The Irish judge found as a fact that Penney America owned no retail stores and had sold none of their goods in Ireland. He also found that the word 'Penneys' directed the mind of Irish buyers to Penneys Ireland and to their retail stores. Penney America had an appeal pending to the Supreme Court which appeal was withdrawn early in 1977 in accordance with the notified agreement.

Penney America also brought proceedings for similar relief in England in 1973 where they were granted an interlocutory injunction in June 1974. Penneys Ireland's appeal against this order was dismissed in January 1975. For the purposes of the court proceedings Penney America accepted that Penneys Ireland knew nothing of Penney America when they adopted the name 'Penneys' in Ireland.

In 1975, Penney America began an action in France to cancel Penneys Ireland's registration for the name 'Penney's' in class 25 and another action in Hong Kong to stop Penneys Ireland purchasing goods trademarked 'Penneys'. Finally, during the years 1971 to 1975, Penney America caused Alimtil SA, which is a supplier to Sarma-Penney Limited, to obtain in many countries, including France, Italy, Benelux and Denmark, trademark registrations of the words 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware' and 'City Girl' being trademarks or components of the trade names of various members of the ABF Group. These trademarks were filed on the international register and requests for extension of these international registrations were made with regard to Germany. The registration of the aforesaid trademarks was undertaken for Penney America by way of retaliation to exclude the ABF Group from the use of its own trade names and trademarks in those countries, so demonstrating to the ABF Group the difficulties encountered when one organization registers names which are being used by another.

(b) So far as the ABF Group is concerned, Penneys Ireland and PNI in 1973 opposed Penney America's trademark application covering Penneys for the United Kingdom. FF and Power brought cancellation proceedings against the Benelux registration of the words 'Fine Ware', 'Power', 'Quinnsworth', 'Finefare' and 'City Girl' as trademarks.

5. On 26 February 1976, to settle their pending litigations and proceedings, Penney America and the ABF Group entered into the notified agreement, which became effective on 27 August 1976 (the operative date) and which is outlined below.

(a) The ABF Group shall not use 'Penneys' as a trademark or — except as a business name in Ireland — as a trade name in any country of the world, shall change all company names or titles, so as to eliminate 'Penneys' therefrom, and shall never organize or acquire a business which includes this name. It shall also proceed to phase out step by step in Scotland and Northern Ireland all use of 'Penneys' as a trademark, trade name or otherwise. Such phasing out shall be completed during 1978.

Penney America shall cause the trademark registrations of 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware' and 'City Girl' to be relinquished. They acknowledge that the word 'Primark' is not confusingly similar to 'Penneys'.

While these trademark registrations and 'Primark' may be used by the ABF Group, 'Penneys' may be used by Penney America as a trademark and, except in Ireland, as a trade name in all countries of the world.

(b) The ABF Group agrees to assign its French trademark 'Penney's' to Penney America, to use its best endeavours to obtain registration of the mark in Ireland for transfer, upon issuance, to Penney America and to withdraw its opposition to Penney America's earlier application for the United Kingdom.

(c) With effect from the operative date the ABF Group undertakes not to contest any existing or future trademark registration or application either held or filed by Penney America for Penneys.

However, so far as the EEC countries are concerned, the ABF Group shall be free after the expiration of five years from the operative date, to contest the validity of Penney America's registrations of the word 'Penneys' upon any grounds available under the national law of the relevant Member State and, subsequently, to register and use this word as a trade name or trademark, provided that, as a condition precedent to such right to contest, the ABF Group shall deposit all sums received by it under the agreement, which sums will be paid over to Penney America if the challenge is successful ; and as a condition precedent to such right of registration and use, the ABF Group shall first have refunded to Penney America such sums and the relevant registrations of Penney America shall have been cancelled. Such conditions, however, shall not apply in the event that the JCP Group shall have abandoned either the registration or the use of the trademark 'Penneys' throughout the EEC.

(d) Penneys Ireland, having immediately changed their company name, shall be permitted to register 'Penneys' in Ireland as a business name under the Business Names Act of 1963, and to use it solely within the territorial confines of Ireland for the purpose of identifying their stores on store-front and window signs, window stickers and window sale notices and on transportation vehicles, employee uniform or identification badges, note-paper, stationery, cheques, telephone and trade directories, shopping centre direction boards, store location maps, customer receipts, advertisement captions, free standing display tickets, hanging display banners, and store bags into which goods purchased by the customer are placed by the sales staff.

Penney America agree not to trade in Ireland under the trade name 'Penneys' for as long as Penneys Ireland under their new company name continue the use of 'Penneys' as a business name in that country.

(e) Penney America further undertake to pay to the ABF Group a certain sum in instalments. Some of these instalments have been paid at their due dates.

6. In anticipation of the requirements of Irish national law, Penney America and Penneys Ireland (the latter having already changed their company name, in accordance with the settlement agreement, to that of 'Primark Limited') have executed :

(i) an assignment to Penney America of the benefit of the ABF Group's applications in Ireland for the trademark 'Penneys', and

(ii) a Registered User Agreement dated 10 January 1977 which licenses the ABF Group to use in Ireland the mark 'Penneys' subject to the conditions specified in the settlement agreement and aforementioned in I (5) (d) and subject to the condition that goods manufactured by or for the ABF Group having any connection with such use meet specifications and quality standards laid down by Penney America, Penney America being entitled to inspect the goods on the premises of the ABF Group.

7. As originally drafted, the settlement agreement contained an absolute permanent obligation upon the ABF Group not to contest Penney America's trademark rights to the word 'Penneys' and not to use this trademark, even if Penney America were definitively to cease the use of the word 'Penneys' or to abandon the registration of the trademark 'Penneys' throughout the EEC. The parties have modified this provision and it is now in the aforementioned form as specified in I (5) (c).

8. Following the publication of the summary of the application, no observations from third parties have been received by the Commission.

II. Non-applicability of Article 85 (1) of the EEC Treaty

1. Negative clearance may be given under Article 2 of Regulation No 17 if the Commission certifies that, on the basis of the facts in its possession, there are no grounds for action under Article 85 (1) of the Treaty in respect of the notified agreement.

2. Penney America, Purchasing, ABF, FF, Penneys Ireland, PNI, Quinnsworth, Bee Line and Power are enterprises and the notified settlement agreement is an agreement between enterprises.

3. Prior to the settlement the parties had conflicting trade names and trademarks in a number of Member States for the name 'Penneys' and for the names 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware' and 'City Girl'. The ensuing controversy between the parties could have been decided in different ways in various Member States. If the controversy between the parties had not been settled, and if Penneys Ireland had prevailed in Ireland and France, where they claimed to have the better right to the word 'Penneys',

while Penney America had prevailed in other Member States (as it already had on a provisional basis in England and Wales) the results under national trademark laws would have been that Penney America would have been prevented from making any trademark or trade name use of the word 'Penneys' in Ireland and France while Penneys Ireland would have been prevented from making any trademark or trade name use of the word Penneys in the other Member States. The ABF Group would also have been prevented from making any trade name use of the words 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware' and 'City Girl' in Benelux countries (and, possibly, in Italy, France and Denmark) if it had not succeeded in cancellation proceedings against the trademark registrations of those names obtained for Penney America in those countries. In consequence, each party would have been effectively prevented by the operation of national law from exporting its goods marked 'Penneys', or 'Finefare', 'Power', 'Quinnsworth', 'Fine Ware' and 'City Girl', into the territories legally reserved to the other.

4. (a) By the terms of the notified agreement, the ABF Group waives all rights and claims to the name 'Penneys' and Penney America waive all rights and claims to the names 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware', 'City Girl' and 'Primark'.

The provision of the agreement by which the ABF Group undertakes not to use the word 'Penneys' as a trademark and — except as a business name in Ireland — as a trade name in the EEC represents, to the extent to which such use would not already be prevented by the existence of valid trade name and trademark rights under national law, a restriction of competition since the ABF Group is thereby restricted in its freedom to apply the mark 'Penneys' on its goods within the EEC and to operate retail stores under the business name 'Penneys' in countries other than Ireland within the EEC.

Both parties remain competitors trading in the same articles, in particular the same types of clothing and household furnishing, under different names and even under the same name 'Penneys' to a limited extent, i.e. so far as Ireland is concerned and for so long as the former Penneys Limited desires to continue the use of 'Penneys'. Even so this restriction is not appreciable in the present case for the following reasons :

(i) Since June 1974, i.e. since before the conclusion of the 1976 agreement, Penneys Ireland have applied to most of their goods another trademark, 'Primark', their sales having continued to expand under that mark in 1975 and 1976 in Ireland and the United Kingdom. At the date of the agreement only small quantities of goods were being sold in these countries by Penneys Ireland under the trademark 'Penneys'. Further they had not by 1976 established any goodwill for their 'Penneys' trademark in other EEC countries, their exports having been negligible.

(ii) The word 'Penneys' has for some years identified the retail shops of Penneys Ireland. This company at the present time possesses in that country as many as 19 retail shops which the company will still operate in Ireland under the name 'Penneys' as permitted by the settlement agreement and the registered user agreement. But, so far as other EEC countries are concerned, Penneys Ireland have not in any case been very active in operating retail stores. In fact, since 1971, they have only opened a small number of retail shops in the United Kingdom operated at first under the name 'Penneys'. Following the injunction of the High Court of England in June 1974, the ABF Group has successfully adopted, in England and Wales, the name 'Primark' for the purpose of distinguishing these shops. So far as Scotland and Northern Ireland are concerned, the ABF Group has periods of six months and 18 months respectively in which to change its trade names and trademarks in such a way as to ensure that any consequential loss of customers is kept to a minimum. Where trade names or trademarks have to be changed, transitional periods of this sort can be accepted as a reasonable way of preserving so far as practical the competitive position of the party affected. As to the continental EEC countries in which Penneys Ireland have not established any goodwill for the name 'Penneys', there seems to be no reason for them to begin trading under this name rather than their name 'Primark' or any other trade name or trademark.

Similar considerations apply in relation to Penney America's undertaking to waive all claims to the trademarks 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware', 'City Girl' and 'Primark' since that company has not established any goodwill for these trademarks.

(b) Further, the ABF Group undertakes to assign to Penney America certain trademarks. The assignment will have full effect, immediately and

permanently, subject only, so far as the Irish trademark is concerned, to the condition that registration shall have first actually been completed.

In the wider context of the settlement agreement, of which it forms part, the assignment by the ABF Group of the French and, if granted, the Irish trademark has not as its object or effect to prevent, restrict or distort competition within the common market. It could be otherwise, in particular, if such an assignment or waiver were the means of a market sharing agreement. In the present case the contrary is true since the assignment and waiver tend to unify national conflicting rights in relation to registered or common law trademarks in the hands of a sole proprietor, Penney America, who have already acquired trademark rights for the word 'Penneys' in most EEC countries. The same considerations apply in relation to the ABF Group's undertaking to eliminate 'Penneys' from its company names in order to avoid a conflict between owners of the same trade name within the Community.

In general the enterprises involved in a situation such as this must seek the least restrictive solution possible, such as incorporating distinguishing marks, shapes or colours to differentiate the products of the two enterprises which bear identical or confusingly similar marks. A contractual obligation for the parties to assign or waive their trademark and trade name rights which would make it necessary for them to re-establish goodwill under other names may, under certain circumstances, have restrictive effects. But this case is unusual because although the name 'Penneys' was at one time used by each of the parties both as a trade name and as a trademark it was replaced by the ABF Group to a great extent in the EEC, except in Ireland, by the name 'Primark' before and independently of the agreement with the other party, following the injunction of the English High Court. Therefore it is not the ABF Group's assignment of its trademark rights which makes it necessary for the ABF Group to re-establish goodwill under another name.

(c) The provision of the agreement by which the ABF Group undertakes not to contest any existing or future trademark registration or application either held or filed by Penney America for Penneys in the EEC, does not constitute an appreciable restriction of competition within the EEC. A no-challenge clause would normally restrict competition, but in this case should not be regarded as restrictive.

The provision in question is effected for a period of five years only beginning from the operative date, i.e. beginning in 1976, when most of Penney America's registrations for Penneys were filed. This is a period which most EEC States have regarded as reasonable for establishing the use of a trademark in accordance with the Paris Convention for the protection of industrial property, as amended. Having regard to the worldwide commercial significance of Penney America's retail operations, their active and substantial commercial interest in the EEC as evidenced by their sales in this territory, and their policy of establishing and maintaining a firm trademark position in all EEC countries, it appears unlikely that they will not proceed immediately to make a substantial use of their 'Penneys' trademarks throughout the EEC. As a consequence, the possibility that these trademarks within the EEC might in the next five years be subject to cancellation is remote and the five-year obligation upon the ABF Group not to contest the Penney America's trademarks is therefore not an appreciable restriction of competition.

After the five-year period, the ABF Group is given the possibility to contest and use the word 'Penneys' in the EEC. That the ABF Group has been subjected to conditions which may make it more difficult to contest and use the word 'Penneys' within the EEC appears justified in the circumstances of the case. For many years past numerous lawsuits in various parts of the world have arisen for the settlement of which the present agreement has been necessary and the agreement does not limit the freedom of the parties more than is necessary for the settlement.

(d) The only limitation on Penney America's freedom of action contained in the settlement pertains to its obligation to trade in Ireland under a trade name other than 'Penneys'. This limitation, too, does not constitute an appreciable restriction of competition.

First, Penney America are not restrained from dealing in Ireland in goods bearing the trademark 'Penneys' through any subsidiary which may be formed or through an independent dealer, nor are Penney America restrained from opening and operating retail stores in Ireland.

Penney America remain free to solicit business, to purchase and to sell in Ireland and to carry on business correspondence under any of their usual letterheads with customers, suppliers or others, by identifying any trade name they may use by the words 'a subsidiary' or 'a division of J.C. Penney Company, Inc., New York' in print substantially smaller than the print used for the trade name. Thus, Penney America are free to do business in Ireland substantially in the manner in which they currently conduct their business in Belgium under the name 'Sarma'.

Secondly, it should be noted that until now goodwill in favour of Penney America for the name 'Penneys' in Ireland has been non-existent. Accordingly, it is not to be assumed that Penney America's decision to enter the Irish market will be seriously affected by such a limitation. As has been demonstrated by the Sarma operations, Penney America's ability and willingness to open stores in a new market under a trade name other than 'Penneys' is not merely a theoretical possibility but a real one.

5. Under the notified settlement, Penney America's right to use and register 'Penneys' as a trademark within the EEC as well as the ABF Group's rights to the marks 'Primark, 'Power', 'Quinnsworth', 'Finefare', 'Fine Ware' and 'City Girl' are confirmed. There are no contractual restrictions, such as territorial partitioning, on the use of the trademarks. Both parties' marked goods are free to cross all inter-State boundaries within the EEC and to be imported into or exported from the EEC without thereby interfering with each others' rights under national laws. Hence, the agreement, by resolving the protracted litigation between the parties, eliminates or at least reduces greatly those restraints on competition and free movement of goods flowing from the previously conflicting rights under existing national laws in the Community.

All possibility of confusion may not have been eliminated in Ireland. There could be difficulty about the trademark registration of the word 'Penneys' in Ireland and the maintenance, if the registration is granted, on the Irish Register of Trade Marks of the word 'Penneys' in the name of Penney America if the same word is used by the ABF Group. The Commission cannot prejudge this question which must be reserved to the competent national authorities. However, it appears to the Commission that the Registered User Agreement between the parties is designed to minimize any likelihood of confusion. Details of the Registered User Agreement will be entered on a register in Ireland which is open to inspection by the public. But, in any case, the possibility that all confusion may not have been eliminated or that the word 'Penneys' may not be registrable in Ireland as a trademark does not in the circumstances prevent a negative clearance from being given.

6. In its notified version, the settlement agreement permanently prevented the ABF Group from using the word 'Penneys' as a trade name or trademark in the EEC and from obtaining cancellation of Penney America's registrations upon any grounds available under the relevant national law, even if Penney America were definitively to cease the use of the word 'Penneys'. In this event, Penneys Ireland might have had an interest in obtaining registration of, and using, the trademark 'Penneys' in Ireland, since they have the right under the agreement to continue to operate retail shops under the business name 'Penneys' in that country. They might also have a similar interest both to use the trademark and the trade name 'Penneys' in the United Kingdom, and possibly, in other EEC countries. The Commission was concerned that the effect of this clause could have been to impose on Penneys Ireland a competitive disadvantage in comparison with third parties in seeking to use the trademark if it was abandoned by Penney America. The parties subsequently altered their agreement and, with effect from the operative date, it is as aforementioned in I (5) (c).

7. Consequently, the information available to the Commission does not require it to conclude that the settlement agreement has the object or effect of preventing, restricting or distorting competition to an appreciable extent within the common market within the meaning of Article 85 (1) of the EEC Treaty. Since one of the conditions for application of that Article is not present the negative clearance provided for in Article 2 of Regulation No 17 may be granted,

HAS ADOPTED THIS DECISION :

Article 1

On the facts in its possession the Commission has no grounds for action under Article 85 (1) of the Treaty establishing the European Economic Community in respect of the settlement agreement made on 26 February 1976 between J.C. Penney Company, Inc., and J.C. Penney Purchasing Corporation on the one hand, and Associated British Foods Limited, Fine Fare Limited, Penneys Limited, Penneys (NI) Limited, The Penneys Primark Quinnsworth Limited, Bee Line Products Limited and Power Supermarkets Limited on the other, as amended.

Article 2

This Decision is addressed to :

1. J.C. Penney Company, Inc.,
   1301 Avenue of the Americas,
   New York, NY 10019, USA ;
2. J.C. Penney Purchasing Corporation,
   1301 Avenue of the Americas,
   New York, NY 10019, USA ;
3. Associated British Foods Limited,
   Weston Centre, 40 Berkeley Square,
   London, England ;
4. Fine Fare Limited,
   Gate House, Fretherne Road,
   Welwyn Garden City, England ;
5. Primark Limited (formerly Penneys Limited),
   47 Mary Street,
   Dublin 1, Ireland ;
6. Penneys (NI) Limited,
   264 Newtownards Road,
   Belfast, Northern Ireland ;
7. Penneys Primark Quinnsworth Limited,
   c/o Messrs Peter, Mo & Co., Solicitors,
   Bank of Canton Building, Hong Kong ;
8. Bee Line Products Limited,
   15 St Stephens Green,
   Dublin 2, Ireland ;
9. Power Supermarkets Limited,
   Phibsboro Tower, Phibsboro Road,
   Dublin 7, Ireland.

Done at Brussels, 23 December 1977.

For the Commission

Raymond VOUEL

Member of the Commission