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THE LAW OF THE EUROPEAN UNION

VOLUME 2

Economic Law and Common Policies

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# Contents

<table>
<thead>
<tr>
<th>Table of Cases</th>
<th>xxxi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td>xxxvii</td>
</tr>
<tr>
<td>Acknowledgments</td>
<td>xxxix</td>
</tr>
<tr>
<td>Introduction: The European Union: A Survey</td>
<td>xli</td>
</tr>
<tr>
<td>1. History: A Survey</td>
<td>xlii</td>
</tr>
<tr>
<td>2. Powers: A Survey</td>
<td>xliii</td>
</tr>
<tr>
<td>3. Institutions and Decision Making Process: A Survey</td>
<td>xlv</td>
</tr>
<tr>
<td>4. Sources of Law and Legal Order: A Survey</td>
<td>xlvii</td>
</tr>
<tr>
<td>a: Sources of Law</td>
<td>xlvii</td>
</tr>
<tr>
<td>b: Legal Order and Legal Remedies</td>
<td>xlvii</td>
</tr>
<tr>
<td>General Reading</td>
<td>xlix</td>
</tr>
</tbody>
</table>

## Part I

**Introduction**  
**A Common Market—A Single Market—An Internal Market**  
1. The Elimination of Custom Duties As between Member States;  
The Establishment of a Common Market; … an Internal Market …  
Gaston Schul Douane Expediteur BV v.  
Inspecteur der Invoerechten en Accijnzen, Roosendaal  
Echirolles Distribution SA v. Association du Dauphiné and Others  
Carbonati Apuani Srl v. Comune di Carrara  
2. Establishment of the Common Customs Tariff  
Commission of the European Communities v. Italian Republic  
Biochem Zusatzstoffe Handels- und Produktions GmbH v.  
Oberfinanzdirektion Nürnberg  
The Tenth Anniversary of the Internal Market without Frontiers:  
Frequently Asked Questions  
The Internal Market: 10 Years without Frontiers  
Omega Spielhallen und Automatenaufstellungs GmbH v.  
Oberbürgermeisterin der Bundesstadt Bonn  
Questions  
Notes  
Suggested Additional Readings  

**Internal Market and Freedoms of Circulation-Movement**  

**Chapter One**  
**Free Movement of Goods**  
Commission of the European Communities v. the Italian Republic  
Cinéthèque SA and Others v. Fédération Nationale des Cinémas Français
CONTENTS

Section 1. The Prohibition between Member States of Customs Duties

A: The Abolition or Repeal of Customs Duties on Exports and Imports
   NV Algemene Transport- en Expeditie Onderneming van Gend & Loos v. Netherlands Inland Revenue Administration 21

B: On the Substance
   Firma Denkavit Futtermittel GmbH v. Minister Questions Notes
   21
   22
   22

C: The Abolition of Charges Having Equivalent Effect
   22
   1. The ECJ’s Notion of ‘Equivalent Effect’ [to custom duties]
      Commission of the European Economic Community v. Grand Duchy of Luxembourg and Kingdom of Belgium 23
      Commission of the European Communities v. Kingdom of Belgium Questions Notes
      24
      26
      26

   2. The ECJ’s Notion of “Discriminatory Effect” of a Charge “Having Equivalent Effect”
      Commission of the European Communities v. Italian Republic Sociaal Fonds voor de Diamantarbeiders v. S.A. Ch. Brachfeld & Sons and Chougl Diamond Co. 28
      Michel Humblot v. Directeur des Services Fiscaux Commission of the European Communities v. French Republic 30
      31
      Questions
      35

Section 2. The Prohibition of Quantitative Restrictions and All Measures Having Equivalent Effect

A: Nature, Purpose and Scope of ECT Articles 28 and 29 (ex. Art. 30 and 34)
   Criminal proceedings against Arthur Mathot Commission of the European Communities v. Ireland 35
   Commission of the European Communities v. French Republic Questions
   36
   39
   42

1. Types of Measures Having Equivalent Effect
   Consorzio per la Tutela del Formaggio Gorgonzola v. Käserei Champignon Hofmeister GmbH & Co.
   KG and Eduard Bracharz GmbH Questions
   43
   43
   46
   47
   48

2. The “Hard Cases”: The ECJ Evolving Jurisprudence
   Établissements Delhaize frères et Compagnie Le Lion SA v. Promalvin SA and AGE Bodegas Unidas SA 48
   Procureur du Roi v. Benoit and Gustave Dassonville
   Rewe-Zentral AG v. Bundesmonopolverwaltung für Branntwein
   Toarfen Borough Council v. B & Q plc
   Criminal Proceedings against Bernard Keck and Daniel Mithouard Criminal Proceedings against Jacques Pistre, Michèle Barthes, Yves Milhau and Didier Oberti
   48
   48
   50
   51
   53
   54
   55
## CONTENTS

Konsumentombudsmannen (KO) v. De Agostini (Svenska)  
Förlag AB and TV-Shop i Sverige AB  
Questions  
Notes  

B: Exemptions, Derogations to the Prohibition of Quantitative Measures Having Equivalent Effect: ECT Article 30 (ex Art. 36)  

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>a: Ground of Public Morality</td>
<td>62</td>
</tr>
<tr>
<td>Regina v. Maurice Donald Henn and</td>
<td>62</td>
</tr>
<tr>
<td>John Frederick Ernest Darby</td>
<td>62</td>
</tr>
<tr>
<td>b: Ground of Public Policy</td>
<td>64</td>
</tr>
<tr>
<td>Regina v. Ernest George Thompson, Brian Albert Johnson and</td>
<td>64</td>
</tr>
<tr>
<td>Colin Alex Norman Woodiwiess</td>
<td>64</td>
</tr>
<tr>
<td>c: Ground of Public Security</td>
<td>65</td>
</tr>
<tr>
<td>Campus Oil Limited and Others v. Minister for Industry and</td>
<td>65</td>
</tr>
<tr>
<td>Energy and Others</td>
<td>65</td>
</tr>
<tr>
<td>Criminal Proceedings against Aimé Richardt and</td>
<td>67</td>
</tr>
<tr>
<td>Les Accessoires Scientifiques SNC</td>
<td>67</td>
</tr>
<tr>
<td>Questions</td>
<td>69</td>
</tr>
<tr>
<td>Notes</td>
<td>69</td>
</tr>
<tr>
<td>d: Ground of Protection of Health and Life of Humans</td>
<td>70</td>
</tr>
<tr>
<td>Criminal Proceedings against Sandoz BV</td>
<td>70</td>
</tr>
<tr>
<td>Commission of the European Communities v.</td>
<td>71</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>71</td>
</tr>
<tr>
<td>Questions</td>
<td>74</td>
</tr>
<tr>
<td>Notes</td>
<td>75</td>
</tr>
<tr>
<td>e: Ground of Protection of Health and Life of Animals or Plants</td>
<td>75</td>
</tr>
<tr>
<td>Criminal Proceedings against Ditlev Bluhme</td>
<td>75</td>
</tr>
<tr>
<td>Commission of the European Communities v.</td>
<td>77</td>
</tr>
<tr>
<td>Federal Republic of Germany</td>
<td>77</td>
</tr>
<tr>
<td>Questions</td>
<td>78</td>
</tr>
<tr>
<td>Notes</td>
<td>78</td>
</tr>
<tr>
<td>f: Ground of the Protection of National Treasures Possessing</td>
<td>79</td>
</tr>
<tr>
<td>Artistic, Historic or Archaeological Value</td>
<td>79</td>
</tr>
<tr>
<td>Commission of the European Communities v.</td>
<td>79</td>
</tr>
<tr>
<td>Italian Republic</td>
<td>79</td>
</tr>
<tr>
<td>g: Ground of the Protection of Industrial and Commercial Property</td>
<td>80</td>
</tr>
<tr>
<td>h: ECT Article 30: Fundamental Rights: A New Ground?</td>
<td>81</td>
</tr>
<tr>
<td>Questions</td>
<td>81</td>
</tr>
</tbody>
</table>

Section 3. State Liability and the Free Movement of Goods: A Restriction?  

Brasserie du Pêcheur SA v. Bundesrepublik Deutschland and  
The Queen v. Secretary of State for Transport, ex parte:  
Factortame Ltd and Others                                              | 81   |
Eugen Schmidberger, Internationale Transporte und Planzüge v. Republic Österreic  
Questions                                                             | 91   |
Suggested Additional Readings                                          | 91   |
Comparative Law: A Survey of U.S. Cases                                | 92   |
# Chapter Two  Movement of Persons

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>93</td>
</tr>
<tr>
<td>Section 1. Freedom of Movement of Non-EU Nationals</td>
<td>95</td>
</tr>
<tr>
<td>A: Agreement of Association with Turkey; Cooperation</td>
<td>96</td>
</tr>
<tr>
<td>Agreement with Morocco</td>
<td>96</td>
</tr>
<tr>
<td>Meryem Demirel v. Stadt Schwäbisch Gmünd</td>
<td>96</td>
</tr>
<tr>
<td>Hassan Fahmi and M. Esmorís Cerdeiro-Pinedo Amado v.</td>
<td>97</td>
</tr>
<tr>
<td>Bestuur van de Sociale Verzekeringsbank</td>
<td>97</td>
</tr>
<tr>
<td>Questions</td>
<td>97</td>
</tr>
<tr>
<td>Note</td>
<td>98</td>
</tr>
<tr>
<td>B: Agreement on the European Economic Area (extracts)</td>
<td>98</td>
</tr>
<tr>
<td>C: The Amsterdam Treaty and Justice and Home Affairs</td>
<td>99</td>
</tr>
<tr>
<td>1. In General</td>
<td>99</td>
</tr>
<tr>
<td>2. Title IV: Visas, Asylum, Immigration and Other Policies Related to the Free Movement of Persons</td>
<td>100</td>
</tr>
<tr>
<td>a: The Areas Covered</td>
<td>100</td>
</tr>
<tr>
<td>Section 2. Free Movement of EU Nationals or Citizens</td>
<td>102</td>
</tr>
<tr>
<td>A: Principles</td>
<td>102</td>
</tr>
<tr>
<td>Rudy Grzelczyk v. Centre Public d’Aide Sociale</td>
<td>104</td>
</tr>
<tr>
<td>d’Ottignies-Louvain-la-Neuve</td>
<td></td>
</tr>
<tr>
<td>Questions</td>
<td>106</td>
</tr>
<tr>
<td>The Law of the European Union: A New Constitutional Order</td>
<td>107</td>
</tr>
<tr>
<td>a: The Schengen Acquis</td>
<td>107</td>
</tr>
<tr>
<td>(1) The Schengen Idea</td>
<td>107</td>
</tr>
<tr>
<td>(2) The Incorporation of Schengen</td>
<td>108</td>
</tr>
<tr>
<td>b: Right to Enter and to Reside: In General</td>
<td>109</td>
</tr>
<tr>
<td>Jean Noël Royer</td>
<td>109</td>
</tr>
<tr>
<td>Criminal Proceedings against Florus Ariel Wijsenbeek</td>
<td>111</td>
</tr>
<tr>
<td>Questions</td>
<td>113</td>
</tr>
<tr>
<td>Notes</td>
<td>114</td>
</tr>
<tr>
<td>c: Discrimination and Nationality: In General</td>
<td>114</td>
</tr>
<tr>
<td>Stephen Austin Saldanha and MTS Securities Corporation v.</td>
<td>114</td>
</tr>
<tr>
<td>Hiross Holding AG</td>
<td></td>
</tr>
<tr>
<td>Criminal Proceedings against Horst Otto Bickel and Ulrich Franz</td>
<td>115</td>
</tr>
<tr>
<td>Roman Angonese v. Cassa di Risparmio di Bolzano SpA</td>
<td>117</td>
</tr>
<tr>
<td>Questions</td>
<td>119</td>
</tr>
<tr>
<td>Notes</td>
<td>119</td>
</tr>
<tr>
<td>d: Discrimination, Nationality and Students</td>
<td>119</td>
</tr>
<tr>
<td>Françoise Gravier v. City of Liège</td>
<td>119</td>
</tr>
<tr>
<td>Vincent Blaizot v. University of Liège and Others</td>
<td>120</td>
</tr>
<tr>
<td>Questions</td>
<td>121</td>
</tr>
<tr>
<td>Notes</td>
<td>122</td>
</tr>
<tr>
<td>B: Derogations—Restrictions</td>
<td>122</td>
</tr>
<tr>
<td>Yvonne van Duyn v. Home Office</td>
<td>122</td>
</tr>
<tr>
<td>Roland Rutili v. Ministre de l’Intérieur</td>
<td>123</td>
</tr>
<tr>
<td>Commission of the European Communities v. Kingdom of Spain</td>
<td>125</td>
</tr>
</tbody>
</table>
CONTENTS

Questions 127
Notes 127
Suggested Additional Readings 127
Comparative Law: A Survey of U.S. Cases 128

Chapter Three  Freedom of Movement of Workers 129
A: The Community “Worker” and His Rights under the Freedom of Movement 131
1. Who Is a “Worker” under the Treaties? 132
Mrs. M.K.H. Hoekstra (née Unger) v. Bestuur der Bedrijfsvereniging voor Detailhandel en Ambachten 132
D.M. Levin v. Staatssecretaries van Justitie 133
Deborah Lawrie-Blum v. Land Baden-Württemberg 135
Martínez Sala v. Freistaat Bayern 137
Union Royale Belge des Sociétés de Football Association ASBL v. Jean-Marc Bosman, et al 139
Questions 143
Notes 144
2. Rights of a “Worker” 144
a. The Right to Move, to Reside and to Remain 144
The Queen v. Immigration Appeal Tribunal, ex parte Gustaff Desiderius Antonissen 145
Danielle Roux v. Belgian State 146
Clean Car Autoservice GesmbH v. Landeshauptmann von Wien 147
Questions 149
Notes 149
b. Right to Employment without Discrimination; Equal Treatment 150
Pilar Allué and Carmel Mary Coonan v. Università degli Studi di Venezia 150
Anita Groener v. Minister for Education and the City of Dublin 151
Giovanni Maria Sotgiu v. Deutsche Bundespost 153
Questions 155
Notes 155
c. Additional Accessory Professional and Social Rights 155
John O’Flynn v. Adjudication Officer 155
Francesco Reina and Letizia Reina v. Landeskreditbank Baden-Württemberg 157
Sylvie Lair v. Universität Hannover 158
d. The Right to Remain in the Host Member State 161
Arben Kaba v. Secretary of State for the Home Department 161
Questions 164
Notes 164
B: The ‘Worker’s Family’ 164
State of the Netherlands v. Ann Florence Reed 166
Centre Public d’Aide Sociale de Courcelles v. Marie-Christine Lebon 168
Questions 169
Notes 170
C: Derogations, Exceptions under ECT Article 39-3 and -4 (ex Article 48) 170
Rezguia Adoui v. Belgian State and City of Liège; 
Dominique Cornuaille v. Belgian State  
Commission of the European Communities v. Kingdom of Belgium  
Kalliope Schöning-Kougebetopoulou v. Freie und Hansestadt Hamburg  
Questions  
Notes  
Suggested Additional Readings  
Comparative Law: A Survey of U.S. Cases  

Chapter Four  Right of Establishment and Freedom to Provide Services  
Section 1. Establishment and Services in the Internal Market  
Report from the Commission to the Council and the European Parliament on the State of the Internal Market for Services  
Charlie McCreevy European Commissioner for Internal Market and Services Statement to the European Parliament on Services Directive European Parliament Plenary Session  
Section 2. Freedoms of Establishment and Services: Scope of Application  
A: Establishment and Services: Concepts  
Criminal Proceedings against Alfred John Webb  
Finalarte Sociedade de Construção Civil Ldª, Portugalia Construções Ldª and Engil Sociedade de Construção Civil SA v. Urlaubs- und Lohnausgleichskasse der Bauwirtschaft and Urlaubs- und Lohnausgleichskasse der Bauwirtschaft v. Amílcar Oliveira Rocha  
Rush Portuguesa Ldª v. Office national d’immigration  
The Society for the Protection of Unborn Children Ireland Ltd v. Stephen Grogan and Others  
Questions  
Notes  
(Union Royale Belge des Sociétés de Football Association ASBL v. Jean-Marc Bosman, Royal Club liégeois SA v. Jean-Marc Bosman and Others and Union des Associations Européennes de Football (UEFA) v. Jean-Marc Bosman)  
B: Beneficiaries and Activities  
1. Beneficiaries  
Johannes Henricus Maria van Binsbergen v. Bestuur van de Bedrijfsvereniging voor de Metaalnijverheid  
Commission of the European Communities v. French Republic  
Alpine Investments BV v. Minister van Financiën  
B.N.O. Walrave and L.J.N. Koch v. Association Union Cycliste Internationale  
The Queen v. H. M. Treasury and Commissioners of Inland Revenue, ex parte Daily Mail and General Trust plc  
Centros Ltd v. Erhvervs- og Selskabsstyrelse  
Questions
CONTENTS

Notes 208

2. Activities 208
   Ian William Cowan v. Trésor Public 209
   Her Majesty's Customs and Excise v. Gerhart Schindler and Jörg Schindler 210
   Questions 213
   Notes 213

Section 3. Derogations or Exceptions to the Freedoms of Establishment and Services 213

A: Freedom of Establishment and Services and 'the Exercise of Official Authority' 214
   Jean Reyners v. Belgian State 214
   Commission of the European Communities v. Kingdom of Belgium 216
   Questions 219
   Notes 219

B: Freedom of Establishment and Services and 'Public Policy, Public Security' 219
   Jean Noël Royer 219
   Criminal Proceedings against Donatella Calfa 220
   Questions 221
   Notes 222

C: Freedom of Establishment and Services and 'Public Health' 222
   Criminal Proceedings against Dennis MacQuen and Others 222
   Questions 225
   Notes 225

D: Freedom of Establishment and Services and 'General Interest': Public Order, Morality, Consumers ... 226
   Her Majesty's Customs and Excise v. Gerhart Schindler and Jörg Schindler 226
   Aldona Malgorzata Jany and others v. Staatssecretaris van Justitie 227
   Konsumentombudsmannen (KO) v. De Agostini (Svenska) Förlag AB and TV-Shop i Sverige AB 228
   Questions 231
   Notes 231

Suggested Additional Readings 233

Chapter Five  Legal Profession: A Regulated Profession 233

A: The Legal Profession: Liberal and Regulated Profession under EC Law 234
   Teresa Fernández de Bobadilla v. Museo Nacional del Prado and Others 234
   Christiane Adam, épouse Uring v. Administration de l'Enseignement et des Domaines 235
   Questions 237

B: Legal Profession: Establishment and Services 237
   John Reyners v. Belgian State 237
   Johannes Henricus Maria van Binsbergen v. Bestuur van de Bedrijfsvereniging voor de Metaalnijverheid 239
   Ordre des Avocats au Barreau de Paris v. Onno Klopp 239
CONTENTS

Chapter Six  Freedom of Movement of Capital: The European Financial Area  279
   Section 1. Free Circulation of Capital  280
         1. The Slow Beginnings of the Free Movement of Capital  280
            First Directive for the Implementation of Article 67 of the EECT  280
            Second Council Directive of 18 December 1962 Adding to and
            Amending the First Directive for the Implementation of
            Article 67 of the Treaty  281
         2. Gradual Liberalization within a Limited Legal Framework  282
            Guerrino Casati  282
            Graziana Luisi and Giuseppe Carbone v. Ministero del Tesoro  284
            Pascal Van Eycke v. ASPA N.V.  285
      B: Economic and Monetary Union: From 1987 to Present Time  286
CONTENTS

1. What Is a Movement of Capital? 286
   Aldo Bordessa, Vicente Mari Mellado and Concepción
   Barbero Maestre 286
   Manfred Trummer and Peter Mayer 287
2. National Income Taxation As a Barrier to the Free
   Movement of Capital 289
   Staatssecretaris van Financiën v. B.G.M. Verkooijen 289
   Commission of the European Communities v. French Republic 292
   Anneliese Lenz v. Finanzlandesdirektion für Tirol 293
   Petri Manninen 296
3. “Golden Shares”: Unacceptable Restriction to the Free
   Circulation of Capital 300
   Commission of the European Communities v. Portuguese
   Republic, French Republic and Kingdom of Belgium 300
   Commission of the European Communities v. Portuguese Republic 300
   Commission of the European Communities v. Italian Republic 303
   Questions 304

Section 2. Coordination of Financial Services 305
A: The Financial Services Action Plan (FSAP) 305
   Financial Services: Implementing the Framework for
   Financial Markets: Action Plan 305
B: The EC Supervisory System 309
   Council of 20 March 2000 Relating to the Taking Up and
   Pursuit of the Business of Credit Institutions 309
   Council of 21 April 2004 on Markets in Financial Instruments
   Amending Council Directives 85/611/EEC and 93/6/EEC and
   Council of 5 November 2002 Concerning Life Assurance 315
C: Freedom to Provide Services and to Establish Branches 317
   Council of 20 March 2000 Relating to the Taking Up and
   Pursuit of the Business of Credit Institutions 317
   Council of 21 April 2004 on Markets in Financial Instruments
   Amending Council Directives 85/611/EEC and 93/6/EEC and
   Council of 5 November 2002 Concerning Life Assurance 321
   Council of 4 November 2003 on the Prospectus to Be Published
   When Securities Are Offered to the Public or Admitted to
   Trading and Amending Directive 2001/34/EC 324
   Questions 325
Section 3. The New “Organizational Structure” 326
   A: The So-Called Lamfalussy Report 326
      Final Report of the Committee of Wise Men on the Regulation of
      European Securities Markets, 15 February 2001,
      (Chairman: Alexandre Lamfalussy) 326
      93/6/EEC and Directives 94/19/EC, 98/78/EC, 2000/12/EC,
      2001/34/EC, 2002/83/EC and 2002/87/EC 328
   B: Supervisors’ Liability: The Banking Sector Example 330
      Peter Paul, Cornelia Sonnen-Lütte, Christel Mörkens v.
      Bundesrepublik Deutschland 330
      Questions 332
      Suggested Additional Readings 332

Chapter Seven  Common Commercial Policy (External Trade) 335
   Introduction 335
   Section 1. Scope and Function of EU Commercial Relations 337
      European Commission: External Trade: Introduction 337
      European Commission: DG Trade Mission Statement 342
      Comments and Questions 344
   Section 2. EU Competence in External Economic Relations 344
      Note 345
      A Constitution for Europe 346
      The WTO and the European Union 346
      Re The Uruguay Round Treaties 347
      Notes and Questions 351
   Section 3. The Common External Tariff 351
      A: Customs Law and Policy 351
         European Commission: The Customs Policy of the European Union
         Agreement Establishing the World Trade Organization 356
         Council Decision 94/800/EC of 22 December 1994 Concerning the
         Conclusion on Behalf of the European Community, As Regards
         Matters within Its Competence, of the Agreements Reached
         The Bilateral and Regional Dimensions to EU Commercial Policy
         Generalized System of Preferences 364
         Trade and Environment 366
         Establishing the Community Customs Code, As Amended
         (Extracts) 367
      B: The Common Commercial Policy in the Courts 367
         “Rough Diamonds” Diamantarbeiders v. nv Indiamex 367
         “Canned Tuna from Asia” Kingdom of Spain v. Council of the
         European Union 369
         “Synthetic Cloth” Donckerwolcke and Henri Schou v.
         Procureur de la République au Tribunal de Grande Instance, 371
CONTENTS

“Cell Phones and Public Safety” Prefetto Provincia di Cuneo v. Silvano Carbone 373
“Counterfeit or Pirated Goods” The Polo/Lauren Company LP v. PT. Dwidua Langgeng Pratama International Freight Forwarders 373
“Bananas from Ecuador” Léon Van Parys NV v. Belgisch Invenentie—en Restitutiebureau (BIRB) 377
Notes and Questions 379

C: Public Health Issues, Enforcement Measures 380
“Mad Cow Disease” United Kingdom v. Commission of the European Communities 380
Note 383
Note 383
“Hormone Grown Beef” WTO Case: EC Measures Concerning Meat and Meat Products (Hormones) 384
Note 388
“GMOs In Europe” “Genetically Modified Organisms (GMOs)” WTO Case: European Community—Approval and Marketing of Biotech Products 388
Enforcement of United States Rights under Trade Agreements 390
Note 391
WTO Authorizes Trade Retaliation against EU in Beef Case 391
Note 392
Notes and Questions 392

Section 4. Measures to Protect Trade against Dumping and Subsidies, and Safeguards 394
European Commission: Anti-Dumping 395
1994 General Agreement on Tariffs and Trade, Article VI 397
1994 General Agreement on Tariffs and Trade, Article XVI 397
Agreement on Subsidies and Countervailing Measures (SCM Agreement) 397
Protection against Subsidized Imports 397
WTO Secretariat: Agreement on Subsidies and Countervailing Measures 397
Commission Regulation (EEC) No 1613/90 of 13 June 1990
Imposing a Provisional Anti-Dumping Duty on Imports of Ball Bearings with a Greatest External Diameter Not Exceeding 30 mm Originating in Thailand 400
Tax Treatment for “Foreign Sales Corporations” Arbitration 400
Bush Signs Law Repealing U.S. Tax Breaks Ruled Illegal by WTO 400
Note 401
European Commission: Safeguards 401
Common Rules for Imports 402
Notes and Questions 403

Section 5. European Union–United States Trade Relations 404
European Commission: United States Barriers to Trade and Investment, Report for 2005 404
United States: 2006 National Trade Estimate Report on Foreign Trade Barriers 410
U.S., EU Agree on Trade Concessions Tied to EU Expansion 413
Section 6. Scope of EU Trade Law: Selected Council Regulations on Trade Topics 414
Suggested Additional Readings 415

PART II

Introduction
Foundations and Objectives of the EU/EC Policy on Competition 419
Section 1. Introduction
Internal or Single Market and Competition 419
Competition Policy in Europe and the Citizen 422
European Commission 423
Section 2. Legal Foundations and Regulatory Scheme of Competition Law 424
Questions 428
Comparative Law: A Survey of U.S. Legislation 428

Chapter Eight Article 81 Prevention, Restriction, Distortion of Competition 431
Article 81 431
Metro SB-Großmärkte GmbH & Co. KG v. Commission of the European Communities 432
Société Technique Minière (L.T.M.) v. Maschinenbau Ulm GmbH (M.B.U.) 432
Questions 434
Notes 434
Section 1. General Prohibition: Conditions 434
A: “Undertakings” 435
1. The Concept of ‘Undertaking’ 435
2. The Concept of ‘Association of Undertakings’ 439
Commission Decision of 2 April 2003 Relating to a Proceeding Pursuant to Article 81 of the EC Treaty 442
B: Prohibited Types or Modes of Restriction or Distortion of Competition: Agreements, Decisions, Concerted Practices . . . 443
Bureau National Interprofessionnel du Cognac v. Guy Clair 443
A. Ahlström Osakeyhtiö and Others v. Commission of the European Communities 445
BMW Belgium and Others v. Commission of the European Communities 448
Questions 452
Notes 452
C: Object or Effect of Agreements, Decisions, Concerted Practices . . . 452
1. Horizontal Agreements or Restraints 453
Commission Notice Guidelines on the Applicability of Article 81 of the EC Treaty to Horizontal Cooperation Agreements 453
Guidelines on Horizontal Cooperation Agreements 454
2. Vertical Agreements or Restraints 456
CONTENTS

Commission Notice Guidelines on Vertical Restraints 456
Guidelines on Vertical Restraints 457
Commission Notice on Agreements of Minor Importance Which Do Not Appreciably Restrict Competition under Article 81(1) of the Treaty establishing the European Community (de minimis) 459
Commission Notice Guidelines on the Effect on Trade Concept Contained in Articles 81 and 82 of the Treaty 460
Etablissements Consten S.à.R.L. and Grundig-Verkaufs-GmbH v. Commission of the European Economic Community 461
A. Ahlström Osakeyhtiö and others v. Commission of the European Communities 464
Questions 466
Notes 466
Pronuptia de Paris GmbH v. Pronuptia de Paris
Irmgard Schillgallis 466
Stergios Delimitis v. Henninger Bräu AG 469
Courage Ltd v. Bernard Crehan and Bernard Crehan v.
Courage Ltd and Others 471
Questions 474
Notes 474
Commission Decision of 9 August 2001 Relating to a Proceeding under Article 81 of the EC Treaty and Article 53 of the EEA Agreement 474
Commission Decision of 29 September 2004 Relating to a Proceeding under Article 81 of the EC Treaty 475

D: Cartels

Commission Decision of 10 December 2003 Relating to a Proceeding under Article 81 of the EC Treaty and Article 53 of the EEA Agreement 477
ACF Chemiefarma NV v. Commission of the European Communities 477
Commission of the European Communities 480
Questions 483
Notes 483
Section 2. Nullity [ECT Art. 81 (2)] and Exemptions [ECT Art. 81(3)] 484
A: Nullity under ECT Article 81(2)
ECO Swiss China Time Ltd. v. Benetton International NV 484
Courage Ltd. v. Bernard and Bernard Crehan v. Courage Ltd. and Others 485
Questions 485
Notes 485
B: Individual Exemptions—Negative Clearance ECT Art. 81(3) 486
Communication from the Commission Notice Guidelines on the Application of Article 81(3) of the Treaty 486
Commission Decision of 23 July 2003 Relating to a Proceeding Pursuant to Article 81 of the EC Treaty and Article 53 of the EEA Agreement 490
C: Block Exemptions
White Paper on Modernisation of the Rules Implementing Articles 85 and 86 of the EC Treaty 492
Suggested Additional Readings 498
Comparative Law: A Survey of U.S. Cases 499

Chapter Nine  Article 82 Abuse of a Dominant Position 501
Article 82 501
Section 1. Dominant Position: Notion 503
1. A Dominant Position 503
Commission Decision of 20 June 2001 Relating to a Proceeding Pursuant to Article 82 of the EC Treaty 506
United Brands Company and United Brands Continental BV v. Commission of the European Communities 508
Sirena S.r.l. v. Eda S.r.l. and Others 509
Hoffmann-La Roche & Co. AG v. Commission of the European Communities 510
NV Nederlandsche Banden Industrie Michelin v. Commission of the European Communities 511
Questions 512
Notes 512
2. The Relevant Market and the Share of the Market:
The Commission and the ECJ 512
Excerpts from the Commission’s Notice 513
3. Illustrations 516
a: The “Bananas” Markets 516
Commission Decision of 17 December 1975 Relating to a Procedure under Article 86 of the EEC Treaty 516
United Brands Company and United Brands Continental BV v. Commission of the European Communities 521
CONTENTS

b: The “Containers Markets” 528
   Europemballage Corporation and Continental Can Co. Inc. 528
   Europemballage Corporation and Continental Can
   Company Inc. v. Commission of the European
   Communities 528
   Questions 530
   Tetra Pak International SA v. Commission of the
   European Communities 531
   Hoffman-La Roche & Co. AG v. Commission of the
   European Communities 531
   IMS Health GmbH & Co. OHG v. NDC Health GmbH &
   Co. KG 531
   Microsoft Corp. v. Commission of the European
   Communities 531
   Clearstream Banking Aktiengesellschaft and Clearstream
   International Société Anonyme Luxembourg v.
   Commission of the European Communities 533

Section 2. Abuse of a Dominant Position 534
1. Abuse: Meaning 534
   Hoffman-La Roche & Co. AG v. Commission of the
   European Communities 535
   The Application of Articles 85 & 86 of the EEC Treaty by
   National Courts in the Member States 535
2. Types of Abuse of a Dominant Position:
   ECT Art. 82(a-d) and Beyond 536
   a: “Directly or Indirectly Imposing Unfair Purchase or
   Selling Prices or Other Unfair Trading Conditions” 536
   United Brands Company and United Brands Continental
   BV v. Commission of the European Communities 536
   AKZO Chemie BV v. Commission of the
   European Communities 538
   Questions 540
   Notes 540
b: “Limiting Production, Markets or Technical
   Development to the Prejudice of Consumers” 540
   Hilti AG v. Commission of the European Communities 540
   Hoffman-La Roche & Co. AG v. Commission of the
   European Communities 543
   Radio Telefis Eireann (RTE) and Independent Television
   Publications Ltd (ITP) v. Commission of the
   European Communities 546
   See also: Van den Bergh Foods Ltd. v. Commission of the
   European Communities 548
   Manufacture Française des Pneumatiques Michelin v.
   Commission of the European Communities 548
   Questions 549
   Notes 549
c: “Applying Dissimilar Conditions to Equivalent Transactions with Other Trading Parties, Thereby Placing Them at a Competitive Disadvantage”
NV Nederlandsche Banden Industrie Michelin v. Commission of the European Communities 549
United Brands Company and United Brands Continental BV v. Commission of the European Communities 551
Questions 553
Notes 553

d: “Making the Conclusion of Contracts Subject to Acceptance by the Other Parties of Supplementary Obligations Which, by Their Nature or According to Commercial Usage, Have No Connection with the Subject of Such Contracts”
Centre Belge d’Études de Marché-Télémarketing (CBEM) v. SA Compagnie Luxembourgeoise de Télédiffusion (CLT) and Information Publicité Benelux (IPB) 553
Question 555
Notes 555

3. Beyond ECT Article 82(a-d); Other Types of “Abuse of a Dominant Position”: Refusal to Supply, Essential Facilities …
Istituto Chemioterapico Italiano S.p.A. and Commercial Solvents Corporation v. Commission of the European Communities 555
Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs-und Zeitschriftenverlag GmbH & Co. KG, and Others 556
See also: Commission Decision of 24.03.2004 Relating to a Proceeding under Article 82 of the EC Treaty
Order of the President of the Court of First Instance of 26 July 2004 Microsoft Corp. v. Commission of the European Communities 559
Questions 559
Notes 560

4. Abuse of a Dominant Position and Intellectual/Industrial/Commercial Property Rights 561
(1) Industrial/Commercial Property Rights and Abuse of a Dominant Position: Existence v. Exercise
Deutsche Grammophon Gesellschaft mbH v. Metro-SB-Großmärkte GmbH & Co. KG 562
Centrafarm BV et Adriaan de Peijper v. Sterling Drug, Inc. 562
(2) Trade Mark and Abuse of a Dominant Position
EMI Records Limited v. CBS United Kingdom Limited 562
Centrafarm BV v. American Home Products Corporation 562
(3) Patent and Abuse of a Dominant Position
Parke, Davis and Co. v. Probel, Reese, Beintema-Interpharm and Centrafarm 562
Centrafarm BV et Adriaan de Peijper v. Sterling Drug Inc. 562
(4) Copyright and Design: Examples
Ministère public v. Jean-Louis Tournier 563
Chapter Ten  Concentration and Merger

European Corporation and Continental Can Company Inc.
Commission of the European Communities
Questions
Notes

on the Control of Concentrations between Undertakings

1. Two Decisions of the Commission
   Aerospatiale- Alenia/de Havilland
   Commission Decision 97/816/EC, 30 July 1997
   Boeing/McDonnell Douglas
Questions
Notes

2. Two Cases under Regulation No 4064/89
   Gencor Ltd v. Commission of the European Communities
   Commission of the European Communities v. Tetra Laval BV
Questions
Notes

B: The 2004 Regulations on the Control of Concentrations

   on the Control of Concentrations between Undertakings
   (the EC Merger Regulation)
   Speech by Mr Mario Monti European Commissioner
   Review of the EC Merger Regulation
   Mario Monti European Commissioner in Charge of
   Competition Policy Contribution of Competition
   Policy to Competitiveness of European Economy
   Excerpts from the Preamble of the Council Regulation

   Implementing Council Regulation (EC) No 139/2004 on the
   Control of Concentrations between Undertakings
   [O.J. L 133/1 30.4.2004]
   Council Regulation

3. Commission Notice on Case Referral in Respect of
   Concentrations [O.J. C/56, 05.03.2005]

4. Examples of Actions and Measures under Council Regulation
   No 139/2004 and Commission Regulation No 802/2004
   a: Decisions: Amend, Initiate, Not to Oppose
      (1) Commission Decision of 13 July 2005 Amending the
      Decision 2002/191/EC Declaring a Concentration to Be
Compatible with the Common Market and the EEA Agreement (Case COMP/M.2139 —
Bombardier/ADtranz) 605
Opinion of the Advisory Committee on Concentrations
Given at Its 133rd Meeting on 29 June 2005
Concerning a Draft Decision Relating to Case
COMP/M.2139 — Bombardier/ADtranz 605
Final report of the Hearing Officer in Case
COMP/M.2139 — Bombardier/Adtranz 605
(2) Decision to Initiate Proceedings 605
(3) Decision Not to Oppose 606
(Case COMP/M.4006 — Crédit Agricole/Banca
Intesa/Nextra Investment Management) 606
b: Member States’ Actions and Measures 606
Questions 606
Notes 607
Suggested Additional Readings 607
Comparative Law: A Survey of U.S. Cases 607

Chapter Eleven  Enforcement of Competition Law 609
Introduction 609
Enforcement of Competition Law [ECT Articles 81 and 82, ex
EEC Articles 85 and 86] 609
Section 1. Enforcement of the Competition Law under EEC Council
Regulation No 17/62 609
Section 2. Enforcement of Competition Law under Council Regulation
(EC) No 1/2003 617
A: From Regulation 17/62 to Regulation 1/2003 617
White Paper on Modernization of the Rules Implementing
Articles 85 and 86 of the EEC Treaty 617
B: Enforcement of Regulation (EC) 1/2003 and Regulation (EC)
No 773/2004 618
1. Survey 618
Report on Competition Policy 2004 Volume 1 619
2. Examples of Decisions under Regulation 1/2003 623
a: The Commission and Coca-Cola 623
Notice Published Pursuant to Article 27(4) of Council
Regulation 623
Final Report of the Hearing Officer in Case
COMP/39.116—Coca-Cola (2005/C 239/09) 624
Commission Decision of 22 June 2005 Relating to a
Proceeding Pursuant to Article 82 of the EC Treaty and
Article 54 of the EEA Agreement
(Case COMP/A. 39.116/B2—Coca-Cola) 624
b: Notice Published Pursuant to Article 27(4) of Council
Joint Selling of the Media Rights to the German Bundesliga
c: Commission and Microsoft 626
(1) Commission Concludes on Microsoft Investigation, Imposes Conduct Remedies and a Fine (IP/04/382, Brussels, 24 March 2004) 626
(2) Competition: Commission Warns Microsoft of Daily Penalty for Failure to Comply with 2004 Decision, (IP/05/1695, Brussels, 22nd December 2005) 626

3. Examples of Measures and Decisions under Regulations 4064/89, 139/2004 and 802/2004 (Mergers-Concentrations) 627
   a: Commission, Britain’s O2 and Spain’s Telefónica 627
      Mergers: Commission Clears Acquisition of O2 by Telefónica, Subject to Conditions 627
   b: EDP/ENI/GDP 627
      Final Report of the Hearing Officer in Case COMP/M.3440 — EDP/ENI/GDP 627
      Opinion of the Advisory Committee on Concentrations Given at Its 130th Meeting on 26 November 2004 Concerning a Preliminary Draft Decision Relating to Case COMP/M.3440 — EDP/ENI/GDP 628

4. National Competition Authorities (European Competition Network (ECN) Authorities) on Competition Matters 629
   See: Decision of the French Competition Authority (Conseil de la Concurrence) No 05-D-50 of September 21, 2005 Relative to a Claim by SCOB (Société Centre Ouest Boissons) against the Société Brasseries Kronenbourg 629
   See: Decision of the French Competition Authority (Conseil de la Concurrence) No 05-D-72 of December 20, 2005 Relative to Parallel Exports of Pharmaceutical Products by Laboratories 629
   See: German Federal Cartel Office Approves UGS Corp.’s Acquisition of Technomatix 629
   See: German Cartel Calls Temporary Halt for Shell and BP Mergers: Commission Launches Procedure against Poland for Preventing Unicredit/HVB Merger 630
      Questions 630
      Notes 631
   Suggested Additional Readings 631

Chapter Twelve  Aids Granted by States 633
   Section 1. State Aid: Concept 633
      Definition of State Aid 633
         1. State Resources Transfer 634
            PreussenElektra AG v. Schleswag AG 635
            French Republic v. Commission of the European Communities (“Stardust Marine”) 636
         2. An Economic Advantage 638
Westdeutsche Landesbank Girozentrale and Land Nordrhein-Westfalen v. Commission of the European Communities
Question 638
Note 641
3. Third Condition: The Selective Character of the Measure 641
Italian Republic v. European Commission 641
4. Effect on Competition and Trade between Member States 642
Philip Morris Holland BV v. Commission of European Communities 643
Questions 644

Section 2. Compatibility of State Aids 644
1. Article 87, Paragraph 2 644
Decision of the Commission of the European Communities,
State aid n° NN 90/2001 — United Kingdom 645
2. Article 87, Paragraph 3 648
Decision of the European Commission 649
3. Article 89 652
on the Application of Articles 87 and 88 of the EC Treaty to Training Aid 652

Section 3. State Aid Procedure 654
1. Procedure Concerning New Aids 654
Laying Down Detailed Rules for the Application of Article 93 of the EC Treaty 655
State Aid — Germany State Aid N 609/2003 — Aid in Favour of Kronoply GmbH (Multisectoral Framework) Invitation to Submit Comments Pursuant to Article 88(2) of the EC Treaty 656
Article 7 of Council Regulation No 659/1999 658
Questions 659
2. Procedural Rules Concerning Existing Aids 660
Decision of the European Commission on the Aid Scheme Implemented by Belgium for Coordination Centres Established in Belgium 660

Section 4. State Aid and Public Service Compensation: A Sensitive Issue! 662
Altmark Trans GmbH v. Nahverkehrsgesellschaft Altmark GmbH 662
Decision of the European Commission on the Measures Implemented by Italy for RAI SpA 666
Commission Decision of 28 November 2005 on the Application of Article 86(2) of the EC Treaty to State Aid in the Form of Public Service Compensation Granted to Certain Undertakings Entrusted with the Operation of Services of General Economic Interest 668
Community Framework for State Aid in the Form of Public Service Compensation 670
Notes 671
Chapter Thirteen  Intellectual Property  673
Section 1. Overview and Trademark  673
Statement by the Commission Concerning Article 2 of Directive  673
A: Trademark  676
1. Trademark Approximation  676
2. Community Trademark  677
Council Regulation (EC) No 40/94 of 20 December 1993  on the Community Trade Mark  677
3. Trademark Exhaustion Principle  680
Council Regulation (EC) No 40/94 of 20 December 1993  on the Community Trade Mark  681
Commission Staff Working Paper Possible Abuses of Trade  Mark Rights within the EU in the Context of Community  Exhaustion  681
Section 2. Community Patent  685
Industrial Property: Commission Proposes Establishing Community  Patent Court (excerpt)  686
Questionnaire on the Patent System in Europe  686
Proposal for a Council Regulation on the Community Patent  687
Questions  689
Section 3. Copyright and Related Rights in the Information Society  690
Charlie McCreevy European Commissioner for Internal Market and  Services Address to the EABC/BSA (European-American Business  Council/Business Software Alliance) Conference on Digital Rights'  Management  690
Legislative and Policy Developments in the European Union, Tilman  Lueder, Acting Head of the Copyright Unit, 13th Annual  Conference on International Intellectual Property Law & Policy  692
Communication from the Commission to the Council, the European  Parliament and the European Economic and Social Committee  The Management of Copyright and Related Rights in the  Internal Market  695
Questions  702
Notes
Suggested Additional Readings
Comparative Law: A Survey of U.S. Cases

Chapter Fourteen  The Common Currency: The Euro  705
Introduction  705
Section 1. The Rationales of the Monetary Policy  706
  A: The Werner Report Revisited (excerpt)  706
    1. The Final Objective  706
    2. The First and Second Stages  707
  B: Report on Economic and Monetary Union in the European Community (excerpt), (so-called Delors Report), 1988  708
     Price Stability: Why Is It important for You?
     Teacher’s Booklet (excerpt)  708
Section 2. First Step: Converging by Coordination  710
  Council Regulation no 3181/78 of 18 December 1978  710
  Report on Economic and Monetary Union in the European Community (excerpt)  711
Section 3. Second Step: Common Currency by Unification  712
  A: Report on Economic and Monetary Union in the European Community (excerpt), (so-called Delors Plan), 1988  712
  B: Resolution of the European Council on the Stability and Growth Pact (Amsterdam), 17 June 1997 (97/C 36/01)  714
  C: The Institutional Framework (Price Stability: Why Is It Important for You? Teacher’s Booklet (excerpt)  717
  D: Price Stability
     The ECB’s Monetary Policy Strategy (Price Stability: Why Is It Important for You? Teacher’s Booklet (excerpt)  719
     Convergence Criteria (Price Stability: Why Is It Important for You? Teacher’s Booklet (excerpt)  720

Chapter Fifteen  Agriculture in the European Union  723
Introduction: Scope of the Agriculture Chapter  723
Section 1. Problems and Policies of the CAP  724
  European Agriculture: Basic Information  724
  Relevant Provisions of the Treaty on the Establishment of the European Community  725
  The Commission’s View: Our Farming Future  725
  OECD Agricultural Outlook 2005  727
Section 2. Principles and Mechanisms  728
    (TEC Articles 34, 36)  728
  European Union: Policy—Common Agricultural Policy  729
Section 3. Some Applications by Judicial Bodies  732
  “Foreign Potatoes” Commission of the European Communities v. Ireland  733
  “Mad Cow Disease” United Kingdom v. Commission of the European Communities  735
“Genetically Modified Organisms (GMOs)” WTO Case: European Community—Approval and Marketing of Biotech Products 745
Note 746
“Spanish Strawberries” Commission of the European Communities v. French Republic 747
“Bananas from Ecuador” Léon Van Parys NV v. Belgisch Invenentie—en Restitutiebureau (BIRB) 749
Section 4. CAP Reform in Perpetual Motion 750
The Development and Future of the Common Agricultural Policy 751
“Milk Quotas and Fairness” Mulder and Others v. Council and Commission of the EC (Mulder II) 751
EU: Reforming the Common Agricultural Policy 753
Presidency Conclusions—Berlin European Council 754
Domestic Support WTO: Agriculture Explanation 756
Agricultural Markets 759
European Union: Policy—Issues: An Analysis—Enlargement 761
CAP Reform—A Long-Term Perspective for Sustainable Agriculture 761
WTO Ministerial Declaration on Trade Negotiations 763
WTO Doha Work Program—Draft Ministerial Declaration, Revision 764
EU Move on Export Subsidies Takes Doha Forward 764
Questions 765
Suggested Additional Readings 766

Chapter Sixteen  Energy Law of the European Union 767
Introduction: Scope of the Energy Chapter 767
Treaty Establishing a Constitution for Europe 768
Section 1. Measures in the Sphere of Energy 769
A: EU Energy Policies and EC Treaty Applications 769
Commission of the European Communities v. Kingdom of the Netherlands 769
Note 772
European Commission, Energy Introduction 773
Internal Market for Energy: Common Rules for the Internal Market for Electricity 776
Internal Market for Energy: Common Rules for the Internal Market for Natural Gas 776
European Commission Energy: Member States Must Do More to Open Markets 778
Energy Security, Economic Development, Environment 782
First Meeting of the Permanent Partnership Council on Energy between the E.U. and Russia 783
Draft Treaty Establishing the Energy Community (March 22, 2005) 784
B: The Internal Market: Discrimination against Other Member States and Non-Members; Competition 785
Contents

Minimum Prices of Gasoline, ("Cheap Gasoline") Henri Cullet v. Centre Leclerc 785

“Public Interest Exemption” Commission of the European Communities v. Kingdom of the Netherlands 788

The “Security Exception” Commission of the European Communities v. Hellenic Republic 788

“Forced Purchase of Renewables” PreussenElektra AG v. Schleswag AG 789

Section 2. Energy Supply and Security: The Move to Enhanced International Cooperation

A: The Oil Policy Problem 792

Commission of the European Communities:

Security of Energy Supply 792

The 1973 Oil Crisis and Supply Policy 795

The History of the International Energy Agency 799

Minimum Stocks of Crude Oil and/or Petroleum Products 801

The Hurricane Katrina Oil Crisis of 2005 802

B: The Natural Gas Supply Problem 804

Gas Developments in the IEA 804

Recent Approaches to Natural Gas Security 804

Commission Statement on the January 2006 Crisis 806

Section 3. The Energy Charter Treaty (ECT): The EU Reaches to the East 807

A: Application of the Charter Treaty to Investments 807

Draft Supplementary Treaty to the Energy Charter Treaty 810

B: Application of the Charter Treaty to Trade 810

Energy Trade Issues 810

C: Application of the Charter Treaty to Transit Rights 813

Energy Charter Treaty—Transit 813

D: United States Views on the Charter Treaty 814

United States Statement 814

Rules of the Game 816

Questions 816

Suggested Additional Readings 817

Chapter Seventeen Consumer Policy 819

Section 1. From the Origin of Consumer Protection to Present Time Priorities 819

A: Institutional Provisions 820

Preliminary programme of the European Economic Community for a Consumer Protection and Information Policy 820

EC Treaty 821

B: Present Policy 822

Consumer Protection—Past and Future, Speech by David Byrne, Brussels 4 October 2001 (excerpt) 822

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Healthier, Safer, More Confident Citizens: A Health and Consumer Protection Strategy 824
Questions

Section 2. Scope of Consumer Protection Law: Who Is Concerned?
827
828
828
829
829
830
831
833
833
Questions
834
Section 3. The “Consumer Acquis”
A: Doorstep Selling
835
B: Package Travel
837
837
Club-Tour, Viagens e Turismo SA and Alberto Carlos Lobo Gonçalves Garrido, with Club Med Viagens Ld.
838
AFS Intercultural Programs Finland ry
839
Guy Denuit, Betty Cordenier v. Transorient—Mosaïque Voyages and Culture S
841
C: Unfair Contract Terms
842
842
Océano Grupo Editorial SA v. Rocío Murciano Quintero and between Salvat Editores SA v. José M. Sánchez Alcón Prades, José Luis Copano Badillo, Mohammed Berroane, Emilio Viñas Feliú 844
Freiburger Kommunalbauten GmbH Baugesellschaft & Co. KG v. Ludger Hofstetter et Ulrike Hofstetter 846

D: Timeshare 848

E: Distance Contracts 849
easyCar (UK) Ltd v. Office of Fair Trading 852

F: Unit Prices 854
Appraisal of Directive 98/6/EC on Consumer Protection in the Indication of Unit Prices of Products Offered to Consumers 854

G: Injunctions 855

H: Sale of Goods and Associated Guarantees 856

I: Unfair Commercial Practices 859

Questions 862
Notes 862
Suggested Additional Readings 863

Index 865
# Table of Cases


Centre belge d’études de marché-Télémarketing (CBEM) v. SA Compagnie luxembourgeoise de télédiffusion (CLT) and Information publicité Benelux (IPB). Case 311/84, [1985] ECR 3261, p. 553


xxxi
Commission of the European Communities v. Ireland. Case 249/81, [1982] ECR 4105, pp. 36, 38, 733, 735
Commission of the European Communities v. Tetra Laval BV. Case C-12/03 P, [2005] ECR I-987 [and other prior cases], p. 583
Criminal proceedings against Dennis MacQuen and others. Case C-108/96, [2001] ECR I-837, p. 222
<table>
<thead>
<tr>
<th>TABLE OF CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>xxxiii</td>
</tr>
</tbody>
</table>

Criminal proceedings against Jean-Pierre Guimont. Case C-448/98, [2000] ECR I-10663, p. 43


Criminal proceedings against Sandoz BV. Case 174/82, [1983] ECR 2445, pp. 70, 73


Firma Denkavit Futtermittel GmbH v. Minister. Case 251/78, [1979] ECR 3369, p. 21


Konsumentombudsmannen (KO) v. De Agostini (Svenska) Förlag AB and TV-Shop i Sverige AB. Joined Cases C-34/95, C-35/95 and C-36/95 [1997] ECR I-3843, pp. 57, 228
Regina v. Ernest George Thompson, Brian Albert Johnson and Colin Alex Norman Woodwiss. Case 7/78, [1978] ECR 2247, p. 64
Sirena S.r.l. v. Eda S.r.l. and others. Case 40/70, [1971] ECR 69, pp. 80, 474, 509
TABLE OF CASES

Vincent Blaizot v. University of Liège and others. Case 24/86, [1988] ECR 379, p. 120
Preface

This casebook on “European Union Economic Law and Common Policies: Materials and Cases” is our second volume on the law of the European Union and the European Community. The first volume, “The Law of the European Union: a New Constitutional Order” was published in 2001 and updated in 2005. Since some fundamental concepts and principles presented in the first volume are important to a relational understanding of the subject matters included in this second volume, we have considered it helpful to provide the reader with a concise background information under the form of an Introduction made of “Surveys”. We recommend this Introduction for a better understanding of the topics selected in this second volume.

Thereafter, an instructor or a reader will have much latitude and flexibility to pick and choose among the topics presented here. The extensive variety of the topics selected is explained, first and foremost, by the overall relative importance of each one of these topics in the political and economic operation of the EU, but also by the particular field of interest of each one of the four co-authors. In this respect, it is noteworthy that two of the co-authors are “European citizens” (from Belgium and France), another is a dual national (USA and France) and the fourth, an American national, has had a very long professional career in Europe. It should not come as a surprise, therefore, to find that the approach to and the presentation of the topics in this casebook have a definite “souçon” of a European conceptualistic and Cartesian flavor mixed with the forceful drive of the American technique and style of drafting. We believe that the end product is a fruitful harmonization of multiple legal styles and cultures in the image of the EU itself.

An instructor using this book in the classroom, or a reader who wishes to be acquainted with the economic law and common policies of the EU/EC, has different options available in this casebook depending on time, interest, audience…. One may want to focus on the “Internal Market” described narrowly as the free movement of goods, persons, services and capital (ECT Art 3-1(c)). These ‘movements’ in the EC Internal Market can become one part of a comparative analysis made up as a second part of the US cases listed at the end of the chapters as an illustration of what could be referred to as the US Internal Market. To these topics one may want to add “Competition” as a topic intimately related to the movement of goods, persons…. Again, the chapters on Competition can be used in a comparative perspective with the US cases identified at the end of the Chapters on Competition. Since Competition can be hindered by the exercise of Intellectual Property Rights, one may choose to add the appropriate Chapter to the Competition Chapters. Why not add “State Aids” considering the impact of a State’s involvement in the market?

This casebook is also offering a balanced distribution among the important “Common Policies” of the EU/EC from which the instructor or reader can choose on the
basis of one's interest or from the news and current developments of the time. Considering the major place occupied by farming in Europe and the share of Agriculture in the EC budget, one may want to find out why the CAP is such a burden on that budget. Since consumers are the driving force of the economy, why not include together the Chapters on “Consumers”, the “Euro”, “Movement of goods”….? And in these days of “energy” problems affecting everyone why not focus on “Energy”, “Trade”, “Abuse of Dominant Position”…?

The choices that are offered have intentionally been made many and it must be acknowledged, at the outset, that all the chapters cannot be covered in a one semester course. We only wanted to offer a range of topics from which one could choose and make a “variable” selection from one year to the other.

In light of the huge amount of primary and secondary sources of law, we have opted to publish a separate volume of “Selected Documents” to accompany the casebook itself. These “Documents” will provide more detailed information on “selected” topics.

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We are indebted to many of our 2004 and 2005 law students for briefing the facts of most cases included in this casebook. Particular thanks to Sandi Varnado and Mark Merrill, two outstanding recent graduates of the Paul M. Hebert Law Center, for the generosity of their time and their stimulating intellect.

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Introduction

The European Union: A Survey

1. History: A Survey

The European Union is barely fifty years old for those who date its origin from the 1957 European Community Treaty which created the European Economic Community or EEC. For others, the movement towards the integration or unification of Europe started in 1947 when George Marshall, then US Secretary of State, prompted the European countries involved in the second world war to band together to rebuild their economies with the help of the United States. This bold initiative, which became known as the Marshall Plan and led to the creation of the OEEC, enabled and inspired the movement that was to bring together as quickly as 1951 the original 'Six' members of the future EEC. Indeed, the 'Schuman Plan' presented to western European nations in May 1950, became a reality with the signing of the European Coal and Steel Community (ECSC) and its entry into force on 23 July 1952. The ECSC was a Community or a Common Market of six founding members, Belgium, Germany, France, Italy, Luxembourq and the Netherlands. From a joint management of their coal and steel industries, the Six decided to extend this form of a common market and its management to their economies in goods and services. It became the raison d'être of the Treaties of Rome of 25 March 1957 which formalized the creation of the European Economic Community or EEC and the European Atomic Energy Community or Euratom (EAEC). Both Treaties entered into force on 1 January 1958. From that time forward, the EEC grew in size and powers. A series of 'enlargements' occurred between 1973, with nine members then, and May 1, 2004, when the Community became an entity of 25 Member States.

In the meantime the Single European Act was adopted in 1986, the Treaty on European Union (Maastricht) was signed on February 7, 1992 (entered into force on November 1, 1993), to be followed by the Amsterdam Treaty of October 2, 1997 (entered into force on May 1, 1999), the Nice Treaty of February 26, 2001 (entered into force on February 1, 2003), a draft Treaty establishing a Constitution for Europe presented in July 2003, signed in October 2004, ratified by a few countries but rejected in the first half of 2005 by two of the six original founders, France and the Netherlands. The

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Treaties of Maastricht, Amsterdam and Nice, the latter in particular, are today the governing Treaties of the European Union.

The objectives and tasks of the European Union resemble very much those of sovereign States. Article 2 of the TEU (Treaty on European Union) sets a list of objectives of the Union. Among these objectives, we find that the Union is to promote economic and social progress and a high level of employment ...; it is to assert its identity on the international scene, in particular through a common foreign and security policy including the progressive framing of a common defence policy ...; the Union intends to strengthen the protection of the rights and interests of the nationals of its Member States through the introduction of a citizenship of the Union. ... .

A component part of the EU is the European Community (EC)² governed by the European Community Treaty (ECT). The European Community is entrusted with a series of objectives to achieve and tasks to accomplish which go much beyond what the original European Economic Community's goals and objectives were. Foremost among the EC's objectives are the establishment of a common market and an economic and monetary union to unite the national markets of the Member States into an internal/single market wherein people, goods, services and capital can move freely, to promote a harmonious, balanced and sustainable development of the economic activities of the Member States, to implement a system ensuring that competition in the internal market is not distorted, to foster economic and social cohesion and solidarity among the Member States...; in other words to weld the Member States into a European Community. The introduction of a common European currency, the euro, in January 1999, was an additional sign of the greater integration and interpenetration of the economies of the Member States into a strengthened European Union.

The European Union is also based on a wide array of democratic and human values which, besides being common to the Member States, are often the foundation of decisions of the European Court of Justice. Some of these values are the respect for human rights and fundamental freedoms, liberty, democracy, the rule of law... (ECT Art. 6). In December 1989 a Charter of Fundamental Social Rights of workers was adopted³ and in December 2000 a Charter of Fundamental Rights⁴ was proclaimed but not actually given the force of law because of the 'political' failure to incorporate it in the European Treaties. Nevertheless, the Charter is considered as a binding or authoritative source of fundamental rights since it incorporates the principles and fundamental rights common to the constitutional traditions of the Member States. Of particular significance are the fundamental rights attached to the Citizenship of the Union created by the TEU (Art. 2) and the ECT (arts. 17–22) as a complement to the national citizenship. As a result, a European citizen can move and reside freely within the EU, has the right to vote and to stand as a candidate for election to the European Parliament and in municipal elections, the right to diplomatic and consular protection ... All in all, a national of a Member State has the right, which is enforceable, to be treated in all Member States without any discrimination in the same way as they treat their own nationals. This principle of equal treatment is the foundation of all the basic freedoms granted by the Treaties.

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2. Formerly the EEC or European Economic Community.
2. **Powers: A Survey**

The TEU and the ECT do not vest all general powers of ‘government’ in the institutions and bodies created to serve the Union as a single institutional framework (TEU Art. 3). The principle that governs the distribution of powers between the EU and EC on one side and the Member States on the other side, is the principle of attributed or delegated powers. The Member States did not intend to surrender all their sovereign powers to the European institutions but only those powers necessary for the institutions to carry out their tasks as entrusted to them by the Treaties (ECT Art. 7). Some of these powers are vested exclusively in the Communities whereas others are shared. Among the exclusive powers we can include competition in the single internal market and trade with third countries. Among the shared powers one will find the creation of the internal market, the planning of the Community agricultural policy, the policies of transport, the environment, immigration and asylum, energy … In other domains, such as education, culture, public health, sports … the Member States have reserved their powers to act but the Union or Communities provide their support to the actions taken by the States. In the fields of economic and employment policies, the Union endeavors to coordinate or harmonize the national policies of its Member States by ensuring that they all move at the same pace and in the same direction. This variety in the distribution and exercise of all these powers leads inevitably to the occurrence of grey or uncertain areas of responsibilities. Two important principles are relied on to ensure that whatever necessary action has to be taken for the benefit of the Community as a whole is, at one and the same time, protective of the interests and powers of the Member States and still enables and empowers the Community institutions to carry out their tasks. One of these two principles is that of subsidiarity. As stated in ECT Art. 5, “… the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can, therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.” It follows that, before taking any action in those ‘in-between’ areas, the Community institutions must show that there is a real and important need for a Community action under the form of some common rule taken as closely as possible to the people. This principle of subsidiarity is buttressed by a second principle, the principle of proportionality, which further constrains any attempt by the Community institutions to act beyond what needs to be reasonably achieved. (ECT Art. 5 in fine). The purpose of this principle of proportionality is, besides ensuring the proper exercise of their powers by the institutions, to confine the content and the form of an action about to be taken to what is necessary to achieve the objectives of the Treaty. The enforcement of these two principles through the availability of legal remedies before the European Court of Justice is a further ‘check’ on the institutions’ exercise of their powers so as to maintain the ‘balance’ between their powers under the Treaty and the powers reserved to the Member States.

3. **Institutions and Decision Making Process: A Survey**

There are several actors on the European stage. Most of them are referred to as “Institutions” but only five are truly institutions under the ECT (Art. 7). There are also several bodies or organs that help run different policies of the EU. Using the expression “institutions” in a broad sense the main ones are: the European Council (Art. 4 TEU), the European Parliament, the Council, the Commission, the European Court of Justice,
the Court of Auditors (ECT Art. 7). Among the bodies or organs, mention should be made of the European Central Bank, the European Investment Bank, the Economic and Social Committee and the Committee of the Regions.

a: the European Council is an outgrowth of the summits that heads of states or of governments had originally planned outside the European Communities and before the EU was ever created. In 1974 those meetings or summits took on the name of meetings of the European Council. In 1987 it became a part of the Single European Act and a body of the European Union with the Maastricht Treaty. This Council is the main initiative of the policies carried out by the institutions of the EC. It is, in a sense and because of its composition, the highest-level policy making body of the EU. The common and foreign policy of the EU is conducted by the EU’s High Representative (Mr Europe) who is also the Secretary General of the European Council.

b: the European Parliament (EP; ECT Arts. 189–201)) is a body of representatives or Members of the European Parliament (MEPs) directly elected by the EU citizens at parliamentary elections held every five years. The EP, which is made up of 732 members, expresses the democratic views and represents the interests of the EU’s citizenry. It shares with the Council of the EU the power to legislate since the most common legislative procedure applicable to legislation in a wide range of fields is the co-decision procedure which places the Council of the EU on an equal footing with the EP. The Parliament is also entrusted with a democratic function as a supervisor over the other EU institutions and most particularly the Commission. In this function the Parliament approves or rejects the nomination of Commissioners, it may censure the Commission, ask questions from the Commissioners … The Parliament has also the power ‘of the purse’ since it shares with the Council the responsibility of looking at the details of the EU’s budget which the Parliament can approve or reject.

The position of ‘European Ombudsman’ was created by the TEU. The Ombudsman is elected by the European Parliament. He acts as an intermediary between the EU citizens and the EU authorities and reports, yearly, on the failures of the EU administration.

c: the Council of the European Union (formerly known as the Council of Ministers, ECT Arts. 202–210)) is the voice of the Member States. This Council is the main decision-making institution in which the governments are represented by a Minister or equivalent. The topic for discussion at a meeting of the Council will lead to the appropriate minister to attend. The Council, because of its leading role as representing the States, has many responsibilities: pass, often jointly with the EP, European laws, co-ordinate the many policies of the EU and the States, conclude international agreements, approve or reject the budget in conjunction with the EP, develop a common foreign and security policy … Depending on the field of the decisions to be taken, the Council will take a decision either unanimously or by a qualified majority or by a majority.

d: the Commission (ECT Arts. 211–219) is made up of 25 commissioners, one for each Member State, and is headed by a President. The members of the Commission are appointed by common accord of the governments for a renewable period of five years. After the President-Designate has been approved by the EP, the Member States and the President-Designate select the Commissioners. The composition of the Commission is then submitted to a vote of the EP and, assuming the vote is affirmative, the Commissioners are then appointed by the governments. The Commissioners ‘shall, in

5. The Council of the EU is not to be confused with the European Council previously mentioned under a: On the Council of the EU, see below c.
the general interest of the Community, be completely independent in the performance of their duties ... they shall neither seek nor take instructions from any government ..." (ECT Art. 213–2). The tasks of the Commission, which are many since it is the driving force, the locomotive charged with promoting the common interest of the Communities, can be gathered under five headings: 1: the Commission has, first of all, the right of initiative which means that it proposes drafts for legislation to the Council and the EP; 2: the Commission has the duty to manage and implement the EU policies and the EU budget; 3: most importantly, the Commission is the guardian of the Treaties; in this capacity, the Commission enforces EU law, it monitors the 'Community' activities of the Member States, it can (and does!) bring actions against Member States for infringement of their Treaties' obligations ...; 4: the Commission represents the EU on the international stage; 5: the Commission is also an administrative authority, particularly in the field of competition where it checks the facts of a case, grants approvals of mergers, for example, or prohibits such mergers, it imposes penalties.... The Commission is made up of a large number of DGs or Directors-General and services. Each DG is responsible for a particular policy area which gives it its name, in addition to each DG having a number. (ex: the DG IV is in charge of 'competition').

e: the European Court of Justice (ECJ), or 'the Court', (ECT Arts. 220–245) is to "ensure that in the interpretation and application of [the] Treaty the law is observed" (ECT Art. 220). The ECJ is made up of one judge from each Member State. The judges are appointed for a six year term by joint agreement of the governments. The judges sit in Chambers with the Grand Chamber of 13 judges being the largest Chamber to hear cases which used to be heard in plenary session. The ECJ is assisted by eight 'advocates-general' also appointed for six years; like the judges they enjoy full judicial independence. An advocate general (AG) is assigned a case and the AG's role is to present to the Court a reasoned opinion in the form of a non-binding proposal for a Court decision. The AG's opinion is part of the whole procedure of a case and it is published with the decision of the Court. Because of the tremendous increase in the number of cases brought before the ECJ and, as a consequence, the long delays in the ability of the ECJ to clear its docket, a Court of First Instance (CFI) was created in 1989 to relieve the ECJ of certain kinds of cases particularly those actions which can be brought by private individuals (as opposed to Member States) and actions in the field of antitrust or unfair competition between businesses. The CFI is made up of one judge per Member State and there is no Advocate-General assisting the CFI.

The EC Courts are entrusted with some general tasks outlined in ECT Art. 220: "The Court of Justice and the Court of First Instance, each within its jurisdiction, shall ensure that in the interpretation and application of this Treaty the law is observed...." Some details on the kinds of cases which can be brought before the Courts are given below.

f: the Court of Auditors was established in 1977, some twenty years after the Rome Treaty entered into force. The Court has one judge per Member State; the judges are appointed for a term of six years by the Council after consultation of the European Parliament. The Court's main role is to make sure that the budget is properly implemented both at the Community level and by the Member States. To carry out this duty the Court conducts investigations, carries out on-the-spot checks and publishes its findings in an annual report which draws much attention on the part of the Commission and the Member States. The European Parliament relies heavily on the Court's report when, every year, it must approve the Commission's handling of the budget.
g: the Economic and Social Committee (ESC) is an advisory body which must be consulted in some fields of activities of the Communities by the Council, the Commission and the Parliament. As an advisory assembly, the ESC expresses the voice of civil society representing employers, trade unions, farmers, consumers, the professions, managers of small and medium-sized businesses … The ESC is made up of some 344 members.

The Committee of the Regions (COR) is somewhat new since it was created under the Maastricht or EU Treaty. The COR has 344 members who are elected municipal or regional politicians representing regional and local authorities in the Member States. The Committee is consulted on matters of relevance to local and regional public bodies. Such matters could be the environment, transport, education…

The European Central Bank (ECB) was set up in 1998 to introduce, manage and maintain the stability of the ‘euro’, the new European currency (ECT Art. 106). The ECB is also responsible for defining and implementing the monetary and economic policy of the EU. The ECB’s independence is guaranteed so that it is protected against any outside interference. It operates through the network or system of the national central banks of the Eurosystem (ESCB).

The European Investment Bank (EIB), created by the Rome Treaty, is responsible for helping to achieve the EU’s objectives by financing projects through loans and guarantees in all economic sectors. The EIB is a ‘non-profit’ bank that receives its money through borrowings on the financial markets and from its shareholders, the Member States of the EU.

4. Sources of Law and Legal Order: A Survey

a: Sources of Law

The sources of law in the Community legal order can be divided into two categories according to their outward manifestation as either written sources of law or unwritten sources.

The written, and primary, sources of law are, first and foremost, the Treaties extending from the original three founding Treaties to the most recent Treaties including the Nice Treaty. These Treaties contain the fundamental provisions on the EC’s objectives and a wide range of policies, provisions on the structure and operation of the institutions, provisions on all sorts of activities … all meant to create and strengthen a European Community.

Besides the Treaties (and International Agreements) the other written sources of law consist in the legal instruments that are meant to transcribe into legal forms the exercise of their powers by the Community Institutions. According to ECT Art. 249, these secondary sources of law are binding measures when they are under the form of ‘regulations’, ‘directives’ or decisions. Regulations have a general application and they are binding in their entirety. They have the force of legislation, they are directly applicable in all the Member States and the latter cannot deviate from their binding force. A Directive is binding as to the result to be achieved but leaves to the Member States the choice of the form and methods they will resort to in order to achieve the specified result imposed by the Directive. Past the deadline to implement a Directive, the latter will become as effective and binding as if it has been implemented. A Decision is addressed to a particular Member State and is binding on that State. Decisions can be addressed also to undertakings and to individuals.
INTRODUCTION

Under the same ECT Art. 249, there are two additional measures which enable the Community institutions to express their views to Member States; they are recommendations and opinions. These two measures have no binding force in the sense that they impose no legal obligation. They have, however, some political and moral persuasive effect on the addressee which can be a State, a legal entity or a natural person.

Besides these legal acts, the Community Institutions may adopt other measures under other names. The most important of these other measures are resolutions, declarations, action programmes, green and white papers… Through these ‘ad hoc’ measures, the Institutions essentially express their views and intentions but do not bind them to legal requirements or obligations.

b: Legal Order and Legal Remedies

The legal order created by the Treaties and the Community legal system is original and unique; it is “A new constitutional order”. The legal features or characteristics of this new constitutional order have been identified by Judge Pierre Pescatore as being the following:—fullness of the effect of Community law or the wholeness of the Community legal system in the sense that States cannot seek to enjoy the benefits of EC law without assuming the corresponding burdens;—unity of Community law in that it is the same throughout the Community and inside the legal order of every Member State;—mandatory nature of EC law as it is meant to maintain Community law and order;—direct effect or direct applicability of EC law in the Member States in such a way that EC law confers rights upon private individuals who can rely on them and which national courts are called upon to protect;—unconditional precedence or supremacy of EC law in the sense that national courts must set aside any conflicting internal legal measure whether adopted prior or subsequent to a Community legal measure.

Since the Community legal order is unique, original and new, the remedies that are available to ensure its effectiveness borrow the same characteristics.

Under ECT Arts. 226–228 proceedings can be brought by the Commission and/or a Member State against a Member State for having infringed its obligations under Community law. Because of the seriousness of the charge against a State, this action for infringement is brought before the ECJ itself (rather than the CFI) and must be preceded by a preliminary procedure which enables the State in question to submit its observations. If the Commission is not satisfied with the State’s observations, the action can then be brought before the ECJ either by the Commission (which is most likely) or by the other Member State which had originally complained of the infringement by the defendant State. Should the ECJ rule that the defendant State did infringe its obligations, the Court may require that defendant State to take all the necessary measures to comply with its obligations. If the State, in a medium or long term, fails to comply with the ECJ’s judgment, the Commission can then bring another action against that same failing State and “specify (for the benefit of the Court) the amount of the lump sum or penalty payment to be paid by the Member State concerned which it considers appropriate in the circumstances …” (ECT Art. 228). The ECJ can impose on the State either a lump sum or a penalty payment.

The ECJ is also charged with the duty to ensure that EC law is properly applied by the Community Institutions. It fulfills this obligation by reviewing the legality of acts of

those Institutions. The purpose of an action for annulment, under ECT Art. 230, is to have some binding legal measure of an EC Institution declared null by an EC Court. If an EU citizen, a natural person or an undertaking brings such an action, the CFI will have jurisdiction. If a State or an Institution, let us say the Commission, brings an action against another Institution, let us say the Council or the Parliament, the action will then be brought before the ECJ. Such actions against acts of an Institution can be based on different grounds: lack of competence, infringement of the Treaty or of any rule of law relating to the application of the Treaty, misuse of powers … If the party plaintiff is successful, the CFI or the ECJ “may declare the act concerned to be void” (ECT Art. 231–233) and further decide on the temporal effect of its judgment.

As opposed to ‘acting’, an Institution may ‘fail to act’ (ECT Arts. 232–233). Complaints for failure to act further add to the panoply of remedies available to ensure that the Treaty is properly implemented by all Institutions involved. Before actually taking an Institution before the Court, the plaintiff must give the Institution an opportunity to act by calling upon it to act. If the Institution fails to act then the action can be brought. The Member States and the Institutions are privileged plaintiffs in the sense that they do not have to show a personal interest in the act that the defendant Institution failed to take, whereas natural persons, undertakings must show a personal interest in the particular act that the defendant Institution failed to issue. Neither the ECJ nor the CFI can order the Institution to issue the act sought by the plaintiff; that Institution is “required to take the necessary measures to comply with the judgment of the Court of Justice” (ECT Art. 233).

In the event a citizen, an undertaking, a Member State … would sustain a damage at the hands of the Community then the latter, “in the case of non-contractual liability … shall, in accordance with the general principles common to the law of the Member States, make good any damage caused by its institutions or by its servants in the performance of their duties. (ECT Art. 235 & 288).

Of significant importance within the Community new legal order is the procedure of the preliminary ruling which is fundamental to the uniformity of the legal system of the European Union, to its coherence and to the fulfillment of their obligations by the Member States (ECT Art. 234). This procedure is not, actually, a contentious procedure but, rather, a means of ensuring that the national courts, as a whole, do receive and apply the same Community law in a uniform manner in their internal legal orders. When a national court is concerned about the interpretation of the Treaty or an act of the Institutions of the Community, or about the validity of such an act … the national court may (or must, depending on the stage of the procedure before the national courts) suspend or stay the proceedings and ask the Court of Justice for clarification and guidance. The Court of Justice does not rule on the substance of the case pending before the national court; it responds to the legal question raised by the national court under the form of a true ‘judgment’ and not a mere advisory opinion. The judgment of the ECJ is mandatory should the national court decide to make use of the ECJ’s holdings and ruling in its own national court decision. Besides ensuring the uniformity of the Community legal order, this procedure is an important remedy for the protection of individual rights. Indeed, the preliminary ruling provides the EU citizens with an opportunity to challenge actions of their own Member State which might be in violation of Community law and, thereby, make sure that the national court will acknowledge the supremacy of EC law which is its duty to enforce in the internal legal order as provided in ECT Art. 10. The breadth of this remedy in terms of its scope, its use made easy by its informal exercise by national courts, combined with the citizens’ direct access to their
own national courts to have their rights, including their rights under EC law, recognized and enforced explain why this remedy is the legal ground for many of the cases presented in the following chapters.

**General Reading**


