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COMMERCIAL LAW OF THE EUROPEAN UNION

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Foreword

The Hon. Michael Kirby AC CMG*

This splendid book performs the heroic task of introducing readers to the large canvas of the commercial law of the European Union (EU). The EU began as an economic community of six nations but has grown into 27 member states, sharing a significant political, social and legal cohesion and serving almost 500 million citizens. It generates approximately 30% of the nominal gross world product. The EU is a remarkable achievement of trans-national co-operation, given the history (including recent history) of national, racial, ethnic and religious hatred and conflict preceding its creation.

Although, as the book recounts, the institutions of the EU grew directly out of those of the European Economic Community, created in 1957 [1.20], the genesis of the EU can be traced to the sufferings of the Second World War and to the disclosure of the barbarous atrocities of the Holocaust. Out of the chaos and ruins of historical enmities and the shattered cities and peoples that survived those terrible events, arose an astonishing pan-European Movement.

At first, this movement was focused on a shared desire for a Charter of Human Rights for Europe, if not for the wider world.¹ In February 1949, the International Council of the European Movement approved a “Declaration of Principles of the European Union”. Those principles observed that “no state should be admitted to the European Union which does not accept the fundamental principles of a Charter of Human Rights and which does not declare itself willing and bound to ensure their application”.²

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¹ Hersch Lauterpacht, *An International Bill of Rights of Man* (New York: Columbia University Press, 1945); Hersch Lauterpacht, *International Law and Human Rights* (New York: F A Praeger, 1950).

² A H Robertson, “Introduction” in *Collected Edition of the Travaux Préparatoires of the European Convention on Human Rights* (The Hague: Martinus Nijhoff, 1975), I: xxiii,

If the urgent challenge in Europe 60 years ago was to expiate events shocking to humanity, the ultimate objective was, as stated, to create a “European Union”. Whilst economic progress was a pre-condition to healing the wounds of conflict, the founders of the European Movement recognised that something more than economic progress or even human rights institutions was required. The message of the “Congress of Europe” at The Hague in The Netherlands in May 1948 was addressed, over the heads of nation states, to the peoples of Europe. It recognised that intense practical, as well as moral, principles pointed toward a resolution of past history in the shape of a “European Union”. Such a Union would be founded on economics; but it would be enlarged in popular imagination, by acceptance of friendship amongst the peoples of traditional enemies and by the creation of legal, economic, governmental, social and cultural links so that the cycle of war and inhumanity would be broken forever.

One of the key actors in the earlier movement that brought together the federation of the British colonies of Australia in 1901 was Alfred Deakin. He declared that, to achieve the objective of a national constitution in Australia, a “series of miracles” was required.³ Such were the rivalries between the isolated communities of settlers who had taken control of continental Australia from the indigenous peoples. A series of constitutional conventions of those settlers followed in the 1890s. At one stage, they even envisaged expansion of the new Commonwealth to embrace New Zealand as part of an Australasian nation. Although the New Zealand politicians eventually opted out, somehow, the warring Australian factions clung together. Presumably, every now and again, their disputes over free trade and protectionism and the carve-up of revenues and taxes were subjected to a reality check. In this way, a trans-continental antipodean nation was born.

If we compare the way the three English-speaking settler federations of the United States of America, Canada and Australia were created, it must be acknowledged that their paths to political union were infinitely simpler than those that confronted the founders of the EU. Although the USA was born in a rebellion against the British Crown, which had denied its settlers the rights that Englishmen enjoyed at home, and although all three federations continued to face conflicts (mainly with their indigenous peoples, and in the US, the Civil War over slavery and secession), the ties that bound the peoples in each of these nations were so much stronger than existed in Europe in 1945. The English language predominated both in official and domestic communications. Legal traditions of representative

cited in Lord Lester of Herne Hill, Lord Pannick and Javan Herberg, *Human Rights Law and Practice* (3rd ed, London: LexisNexis, 2009), 6 [1.16].

³ Alfred Deakin quoted in David Headon and John Williams (eds), *Makers of Miracles: The Cast of the Federation Story* (Carlton, Vic: Melbourne University Press, 2000), v, xiii, 141.

democracy, uncorrupted officials and independent courts afforded stable institutions on which to build national unity. Commonalities of religion and features of culture and history bound the several peoples of the USA, Canada and Australia together. These elements eventually helped to forge a strong national identity. Trade and commerce grew rapidly as an attribute of federal nationhood and flourished in an environment in which the law upheld contracts and protected competition.

In the Australian case, the creation of a continental common market was guaranteed by the express inclusion in the 1901 constitution of Section 92. In uncompromising language, this provision guaranteed that “trade, commerce and intercourse among the States . . . shall be absolutely free”. Those words presented difficulties to the courts which tried to accommodate the unbending language to the felt necessities of governmental regulation to advance reasonable social objectives. In time, the constitutional words were given a clearer explanation by the Australian courts.⁴ Interestingly, recent judicial elaborations have concerned local attempts to regulate online gambling,⁵ a subject that has also arisen in the EU [3.120].

However, the circumstances in which these homogeneous settler communities came together in federal political and economic unions were easily distinguishable from the circumstances that occasioned, and accompanied, the evolution of the EU. In this respect, the EU’s development to its present economic strength and support in popular imagination, depended on larger miracles, more frequently manifesting themselves.

This book is a story of how the institutions of the EU emerged, changed, adapted and developed. If it does nothing else but to reveal the complexity of the EU’s institutional, legal, social and regulatory arrangements, that achievement will itself be notable. Many experts in Europe spend their busy days making, interpreting, applying, publicising and criticising the laws that are described in this book. However, most ordinary citizens of the EU probably get by with almost as little knowledge of EU law as do citizens in the countries that enjoy the strongest trading links with the EU. This work is principally addressed to readers outside the EU. Most especially to the practising lawyers, judges and regulators in advanced economies whose work brings them into contact with a question involving (directly or by analogy) EU law.

It is impossible, in any of those countries, for a busy practitioner to master the entire network of legal regulations that govern economic, political and social activities at home. But it is the fate of the present generation of legal practitioners to live and work in a profession that is increasingly required to know the laws of other places. In my youth, this was truly exceptional. Indeed, most lawyers and judges could survive with

⁴ *Cole v Whitfield* (1988) 165 CLR 360 at 408; 78 ALR 42.

⁵ *Betfair Pty Ltd v Western Australia* (2008) 234 CLR 418; [2008] HCA 11.

knowledge of their own sub-national legislation, to which were added the broad principles of the common law and an occasional federal statute or two. Now, that is changing. Contemporary practitioners of law (and especially those who must deal with international trade and commerce) need to be aware of trans-national legal regimes and the growing body of international law itself.

This explosion in the law makes, at once, for a more demanding life in achieving familiarity with legal systems that may be different in important respects from one's own. Yet, the positive side of this development is that it opens up employment and other opportunities that did not exist in earlier generations. The Internet has come just in time to afford access to the vast and growing body of EU law, whose basic rules many modern non-EU legal practitioners will need to familiarise themselves with.

This book has many merits. Amongst the chief of them is that:

- It allows a non-expert, from outside the EU, to see the broad contours of EU commercial law, and to understand its categories and taxonomies;
- It affords copious references (many of them online) to permit the reader to dig more deeply and to explore aspects of EU law that may be relevant or interesting for particular purposes;
- It presents the material in the English language and with a proper mixture of broad concepts and fastidious detail. It also affords convenient summaries and conclusions in every chapter; collects questions for discussion in academic classes; and presents the whole in a style that brings home to the reader the frequent similarities of the economic, social and other problems with which the EU is grappling at the same time as such issues are arising at home; and
- For a reader from within the EU, the book has a double merit. It affords those who use it the same broad overview as is provided to those looking from outside the EU into the engine room of its legal system. It also provides, to some extent, a perspective of EU law, involving the special advantage of being written from the outside, not specifically from inside the citadel. It was the Scottish poet Rabbie Burns who prayed that we should all be given the gift "to see ourself as others see us".⁶ For the EU lawyer, this book has such a merit.

There is an occasional hint in this text of impatience, even possibly exasperation, at the detail of European law when it reaches down to the *minutiae* of tiny problems of great specificity:

- Is the Swedish ban on alcohol advertising compatible with the free trade objectives of the EU? [2.100]

⁶ Robert Burns, *To a Louse*, verse 8 in *Works of Robert Burns* (London: Henry G Bohn, 1842), 241.

- Is a prohibition in Mrs Thatcher's UK on the importation of inflatable German love dolls based on a "morality" exception or is it really an impermissible burden on trade and competition? [2.100]
- Is the provision of abortion for patients a "service" protected by EU rules? [3.160]
- How may the UK's disapproval of Scientology impinge upon the free movement of persons within the EU? [3.55]
- May an Italian plumber set up a shingle in Germany? [3.90]; Problem Question 10
- Should a British national, like his French partner, be allowed to sue for the death of their child outside France, and can the restriction of recovery to nationals be justified? [3.300]

In every chapter the authors plunge with unflagging energy into the vast collection of case law that the EU has produced, based on the ever-expanding collection of EU Treaty provisions, Regulations, Directives and Decisions. The enormity of the regulations is borne out by nothing more than a glance at the table of legislation at the front of the book. Yet, the authors are not distracted by the sheer detail: far from it. On every page, they illustrate their taxonomies with countless instances. They never let the detail get them down.

The plain fact is that regulating a large and ever-growing economic market for such a substantial portion of the world's population, was never going to be a broad-brush enterprise. Especially was this so because of the predominance within the EU of the civil law tradition. That tradition, from the time of Napoleon's codifiers, tended to favour detailed regulation on all manner of subjects on the footing that the discretion of judges and other decision-makers was a form of tyranny. The codifiers' tradition grew out of the mistrust of the judiciary in royal France. The English judiciary, chosen in their maturity from senior members of the independent Bar, had often, historically, stood up for the liberties of the people. The common law system was therefore more content to enhance judicial powers and to trust such decision-makers with large leeways for choice. As parliamentary legislation has lately come to predominate in the countries of the common law, we have perhaps moved more closely to the civilian approach, with its tendency to great detail. The object is always to reduce the decision-maker to the "mouth of the law", as Montesquieu expressed it.

To anyone who complains about the detail of EU law, as described in this work, the answer that the authors inferentially give is: consider the alternative. We are dealing, after all, with regulations that will govern, in various degrees of detail, huge populations, countless corporations, all concentrated in a relatively small portion of the world's surface and in 27 member states. If the EU did not exist, the result would be an enormous cacophony of inconsistent legal regimes applied throughout Europe, with 27 different ways of tackling the same issue. This book, accordingly,

portrays a most telling point. It may describe a complex network of laws for economic and social regulation. But, to a large extent, EU law in the areas examined has replaced national regimes that previously existed. The book may be concerned with a broad outline of legal rules of great particularity. Yet, in another sense, the creation of a single legal regime has substantially reduced disparities and inconsistencies in the law. It has done so with the acceptance of the over-arching principles of the primacy of EU law [12.65]; of the principle of subsidiarity [1.135]; and of the rule of proportionality [1.140], [2.125], [4.30].

I realise that the issue of federalism is still a highly sensitive one in the EU. One can master the details collected in this book without ever allowing that fateful word to cross one's mind (or if it does, to cross one's tongue). Yet, standing back from the detail collected here and looking at it from the outside and from above, as it were, there can be little doubt that a federation of sorts is emerging within the EU. The difficulty of getting politicians and people to address that fact candidly cannot be denied. The rejection in some countries of the common currency (*Euro*) [1.15] is an indication of the resistance that still exists in parts of Europe to the displacement of the "sovereignty" of nation states and their parliaments. Likewise, the much publicised rejection of popular referenda, held to approve the ill-fated European Constitution of 2004, [1.50] reflected the lingering anxiety that exists about handing more power over to Brussels, or for that matter, to the EU's principal judicial organ, the European Court of Justice in Luxembourg.

For all of these hesitations, the features of a kind of federation seem clear enough in these pages. They include shared institutions, reflecting the traditional branches of government. They extend to organs for making EU-wide law, in a field assigned to the Union. They are reflected in the common economic market that has been created. And, as well, there is a growing popular appreciation, in many EU countries, about the social advances that must come in the train of economic ones.

In every acknowledged federation, there are debates and conflicts over the powers that should be ceded to the centre and those that should be retained by the constituent parts. In keeping with most federations in the modern world, the tendency in Europe has been towards the accretion of more power to the centre.⁷ Arguments of efficiency, economy and rationality are commonly advanced in favour of this centripetal movement. Yet there remain strong voices defending the merits, on some topics at least, of retaining local regulation of specific subjects about which local people feel most strongly. So it is in Europe.

Until the EU, its institutions and peoples, feel confident enough and sure enough of their Union to discuss the unmentionable "F" word, there will

⁷ *New South Wales v Commonwealth (Work Choices Case)* (2006) 229 CLR 1 at 224 [611]; [2006] HCA 52.

remain constitutional deficiencies in Europe that are hinted at throughout this book. The enormous detail of the EU regulations described here will then be recognised as far from the chief problem which the EU “federation” presents to the peoples living within its borders. In the member states, there are regular elections. Periodically the electors throw out their national governments. They elect new leaders. They thereby impose the cleansing effect of democracy that reaches down into the civil service and keeps it on its toes.

There are elections for the European Parliament. However, the larger a political unit becomes, the greater is the risk of a democratic deficit.⁸ That risk is clearest of all in the context of the United Nations Organisation. Although the *Charter* of the UN is expressed to be made in the name of the “Peoples of the United Nations”, in truth it is, as its name suggests, a collection of Nations. The democratic accountability of those who make its treaties and other laws is, at most, highly indirect.

The democratic checks and controls that exist in the EU are less developed than those that operate in the member states, however, imperfect these may be. In part, this deficit may have been tolerated until now because of the pretence that the EU was nothing more than a technical body, looking after the economy. However, when one reads this book, even an otherwise unfamiliar reader will come quickly to the conclusion that what began in economics now expands into many attributes of social regulation. To some extent, this expansion is overt, as in the adoption of rules against immaterial discrimination [10.55], [10.85]. In other cases, it is simply a consequence of the operation of economic facts upon notions of the way in which a contemporary and just society should operate [10.120].

The issues of the future of the emerging European federation may still be too sensitive for open popular and political debate in the diverse societies that constitute the EU. Still, the day will come when that debate will arrive. The ever-expanding detail of the EU regulations, described in this book, make that day inevitable. So does the growing role played by the EU in international affairs, not least in matters of world trade.

Eventually too, the present division between the functions of the European Court of Justice and of the European Court of Human Rights will require rationalisation. The Court of Justice has improved the persuasive force of its reasoning in recent decades by embracing the less “cryptic”, conclusory style of explaining its opinions and by utilising the more rhetorical and discursive style familiar to the common law [11.20]. The logical extension of this reform is the provision to the judges of the Luxemburg court of the facility, enjoyed at Strasbourg, to publish dissenting opinions when this is considered relevant and appropriate. Transparency should be

⁸ Alfred C Aman Jr, *The Democracy Deficit: Taming Globalization through Law Reform* (New York: New York University Press, 2004), 162.

the watchword of modern governmental institutions, particularly in the courts. The civil law prohibition on this liberty is just one of the institutional changes needed to improve democratic accountability within the EU. Yet it may not come about until a substantial popular discussion is commenced concerning the democratic deficit and the ways in which the EU institutions can be made more immediately accountable to the people whom they govern in the detailed ways described in these pages.

These are large politico-philosophical questions. Perhaps prudently, the authors steer around them. Yet to anyone living in a federation, such questions are the stuff of daily political debates. To anyone living in a federation, the EU looks like one; but it is a federation that, as yet, dares not speak its name.

The authors are to be congratulated for assembling and organising this compilation of information on EU law. Their work will be precious to practitioners who take their first steps into the unknown territory of EU law. It will be useful to scholars and teachers, because younger lawyers today are increasingly engaged with the world about them and they need to be instructed intensively in regional and international law. As this book shows, the EU has often been an important source of global stimulus to new perceptions of basic rights, as in the field of human sexuality [10.120] or in the growing debates over the protection of animal and plant life and biodiversity [2.100].

That so much has been achieved for the governance of so many living in societies of so much historical animosity is remarkable. The fact that it has occurred in such a short time constitutes a mighty human achievement. That the EU has evolved with a high level of acceptance by the people, parliaments and societies of Europe is undoubtedly a kind of miracle, given the many languages that are spoken [11.70]; the differing stages of economic development reached; and the distinct religious, cultural and social traditions observed. By collecting the material; organising it so skilfully; presenting it so clearly; and summarising it so succinctly, the authors have also worked a kind of miracle. Their efforts will be appreciated by legal practitioners, judges, scholars and teachers within and outside the EU because they have made the essence of EU commercial law available in a single book.

It is my hope that this book will also enhance the utilisation of EU law in other countries and legal traditions, including my own. On every page, we have an explanation of how the EU tackles questions that are coming before the courts, officials and judges of other countries at the same time. As the authors show, there is much wisdom to be gleaned from the way the EU tackles such problems. We who are outside Europe should be more aware of that wisdom. This book provides a key to unlock what has, until now, largely been unknown and unused save for a few experts in the field.

Sharing the wisdom of law from other places is itself a contribution to peace and justice in the world, which I take to have been amongst the

original objectives as a result of which the EU emerged from the ashes of war and the horrors of genocide. When law replaces war for such a large portion of humanity, we need to know it, to admire it and to learn from it.

Sydney, Australia
18 March 2010

Michael Kirby

Preface

I am delighted to write the Preface to this book. The European Union (EU) is an economic trading bloc of 27 nations. As its membership already extends to most European nations, the EU is one of the world's most important trading entities.

The volume of EU legal acts is enormous. For example, in 2009 alone, there were 353 issues of the legislation series of the EU's Official Journal. The decisions of the two sections of the Court of Justice in 2007 take over 17,000 pages in the official law reports. What is even more daunting is that the volume of this legislation and case law is matched by its complexity.

This book is aimed at legal practitioners who practise outside of the EU and business people from outside the Union. Legal practitioners who have not been trained in EU law face considerable obstacles in dealing effectively with the avalanche of complex legal acts adopted by EU institutions. Hence, it is essential to find a clear path through this morass of legal material.

This book certainly fills the need for a book about EU business law written from a non-EU perspective. It provides a lucid and concise overview of the most important areas of European Union commercial law that are relevant for those from non-Member States such as the United States, Canada, Australia, Asia and Latin America. Mercifully, this work avoids those academically fascinating complex theoretical discussions which are likely to confuse, rather than to enlighten readers. Such matters are best left to further and advanced studies in the academy.

This book deals with the latest jurisprudence of the European Court of Justice and legislation issued by EU institutions. Each chapter contains extensive references to other books and articles for further reading. Useful websites are referred to throughout each chapter. Although this book is mainly aimed at the practitioners' market, the book is also capable of being used as a student text. The review problems set out in Appendix A will greatly assist the use of the book for teaching purposes.

I commend this book to a wide readership. It constitutes an excellent and stimulating discussion of the business law of the European Union. Practitioners, business people, law students, as well as those in government will derive substantial benefit from this book in their respective work.

Sydney, Australia
February 2009

David Flint

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Perth, Australia
Perth, Australia
18 January 2010

Gabriël Moens
John Trone

Contents

Foreword v

Preface xv

Acknowledgements xvii

Abbreviations xxxiii

Table of Cases xxxv

Table of EU Founding Treaties lxxvii

Table of International Agreements lxxxv

Table of Legislation xci

1 The Political Institutions of the European Union 1

[1.05] Introduction 1

[1.10] Outline of This Chapter 1

[1.15] Basic Policies of the European Union 2

[1.20] Development of the European Union 4

[1.25] Single European Act 6

[1.30] Maastricht Treaty 6

[1.35] Treaty of Amsterdam 7

[1.40] Charter of Fundamental Rights 7

[1.45] Treaty of Nice 8

[1.50] European Constitution 8

[1.55] Treaty of Lisbon 9

[1.60] Relations Between the EU and the United States 10

[1.65] Relations Between the EU and Australia 12

[1.70] Relations Between the EU and Canada 14

- [1.75] Relations Between the EU and New Zealand 15
- [1.80] Relations Between the EU and South Africa 16
- [1.81] Relations Between the EU and Other Common Law
Jurisdictions 17
- [1.85] Political Institutions of the European Union 18
- [1.90] Commission 18
- [1.95] Council 20
- [1.100] Parliament 20
- [1.105] European Council 22
- [1.110] EU Courts 22
- [1.115] European Central Bank 23
- [1.120] EU Committees 24
- [1.125] Other Officials 25
- [1.130] Distribution of Powers Between the EU
and the Member States 26
- [1.135] Subsidiarity 27
- [1.140] Proportionality 28
- [1.145] Cooperation Between and Secession of Member
States 30
- [1.150] EU Legislation 31
- [1.155] Public Availability of EU Legal Acts 33
- [1.160] Conclusion 34
- Further Reading 35

- 2 Free Movement of Goods 39**
 - [2.05] Introduction 39
 - [2.10] Customs Union 39
 - [2.15] Common Customs Tariff 41
 - [2.20] Rules of Origin 42
 - [2.25] Added Value 43
 - [2.30] Elimination of Quantitative Restrictions Between
Member States 44
 - [2.35] Measures with an Equivalent Effect 45
 - [2.40] Import Authorisation 46
 - [2.45] Production Quotas 46
 - [2.50] Transport Restrictions 46
 - [2.55] Maximum Prices 46
 - [2.60] Packaging, Labeling and Product Description Rules 47
 - [2.65] Indications of Origin 48
 - [2.70] Advertising Restrictions 48
 - [2.75] Prohibition of Prize Competitions 49
 - [2.80] Censorship Classification 49
 - [2.85] Sunday Closing Laws 49
 - [2.90] Creation of Individual Rights 50

- [2.95] Arts 120 and 121 TFEU 50
- [2.100] Treaty Exceptions to Art 34 TFEU 50
- [2.105] Rule of Reason 55
- [2.110] Permissible Grounds for Limitation of Free Movement
of Goods 57
- [2.115] Restriction of Selling Arrangements 59
- [2.120] Necessity Principle 61
- [2.125] Proportionality 63
- [2.130] Private Action Threatening Interstate Trade 65
- [2.135] Harmonisation 66
- [2.140] Technical Standards 67
- [2.145] Mutual Acceptance of Goods 68
- [2.150] European Economic Area (EEA) Agreement 69
- [2.155] Conclusion 70
- Further Reading 71

3 Free Movement of Persons and Services 73

- [3.05] Introduction 73
- [3.10] Freedom of Movement for Workers 73
- [3.15] Application of Art 45 TFEU 74
- [3.20] Concept of “Worker” in Art 45 TFEU 74
- [3.25] “Worker” Is Defined in EU Law Not National Law 75
- [3.30] Workers with Low Incomes 76
- [3.35] Right of Residence 76
- [3.40] Discrimination Based on Nationality of Worker 77
- [3.45] Obstacles to Freedom of Movement 78
- [3.50] Exceptions to Free Movement of Workers 79
- [3.55] Public Policy 79
- [3.60] Public Service Employment 81
- [3.65] Secondary Legislation Regarding Free Movement
of Workers 83
- [3.70] Freedom of Establishment 85
- [3.75] Establishment by Professionals 86
- [3.80] Establishment by Companies 88
- [3.85] Establishment of Subsidiaries 88
- [3.90] Removal of Discrimination 90
- [3.95] When the Protection Applies 91
- [3.100] Limitations upon Freedom of Establishment 92
- [3.105] Exercise of Official Authority 92
- [3.110] Public Policy Exception 92
- [3.115] Consumer Protection 93
- [3.120] Prevention of Crime 93
- [3.125] Prevention of Tax Avoidance 94
- [3.130] Collective Action 95

- [3.135] Abuse of Freedom of Establishment 96
- [3.140] Establishment of Service Providers 96
- [3.145] EU Company Law 97
- [3.150] Freedom to Provide Services 99
- [3.155] Services Defined 100
- [3.160] Broad Interpretation of “Services” 100
- [3.165] Scope of Protection 101
- [3.170] Discrimination Based on Nationality of Service
Provider 102
- [3.175] Obstacles to Provision of Services 103
- [3.180] Limitations to Freedom to Provide Services 104
- [3.185] Consumer Protection 105
- [3.190] Protection of Fundamental Rights 106
- [3.195] EU Secondary Legislation Regarding Provision
of Services 106
- [3.200] Services in the Internal Market 106
- [3.205] Professional Services 107
- [3.210] Transport Services 108
- [3.215] Rail Transport 109
- [3.220] Air Transport 109
- [3.225] Inland Waterways and Maritime Transport 110
- [3.230] Road Transport 111
- [3.235] Electronic Commerce and Communications 111
- [3.240] Postal Services 113
- [3.245] Insurance and Investment Services 113
- [3.250] Payment Services 114
- [3.255] Cross-Border Mediation 114
- [3.256] International Commercial Arbitration 115
- [3.260] Provision of Services by Non-EU Citizens 116
- [3.265] Freedom of Movement and Residence
for EU Citizens Within the Union 116
- [3.270] Secondary Legislation 117
- [3.275] Right of Entry 117
- [3.280] Right of Residence 118
- [3.285] Restrictions upon Free Movement of EU Citizens 118
- [3.290] Schengen Agreement 120
- [3.295] Non-EU Citizens 122
- [3.300] Non-discrimination on the Ground of Nationality 124
- [3.305] Conclusion 125
- Further Reading 127

4 Free Movement of Capital 131

- [4.05] Introduction 131
- [4.10] Movement of Capital Defined 132

- [4.15] Restrictions upon the Movement of Capital 134
- [4.20] Justifications for Restrictive Measures 136
- [4.25] Overriding Requirements 137
- [4.30] Proportionality 140
- [4.35] Protective Measures 141
- [4.40] Money Laundering 141
- [4.45] Banking 142
- [4.50] Securities 144
- [4.55] Insurance 146
- [4.60] Conclusion 146
- Further Reading 147

5 Commercial Law and Policy 149

- [5.05] Introduction 149
- [5.06] Common Commercial Policy 149
- [5.10] Broad Interpretation of Art 207 150
- [5.15] Treaty-Making by the European Union 151
- [5.20] Scope of the EU's Treaty-Making Power 152
- [5.25] Express or Implied Treaty-Making Powers? 153
- [5.30] Implied Powers Recognised 154
- [5.31] Common Rules on Imports and Exports 156
- [5.35] Anti-dumping and Subsidies 157
- [5.40] WTO Obligations 157
- [5.45] Anti-dumping Legislation 159
- [5.50] Dumping 159
- [5.55] Normal Value 160
- [5.60] Constructing the Normal Value 160
- [5.65] Constructed Value Includes Sales Costs 161
- [5.70] Constructed Value Includes Profit 162
- [5.75] Constructed Value Where No Sale in the Ordinary
Course of Trade 162
- [5.80] Export Price 163
- [5.85] Comparison of the Export Price and Normal Value 164
- [5.90] Dumping Margin 164
- [5.95] Subsidies Legislation 165
- [5.100] Subsidy 165
- [5.105] Countervailable Subsidies 166
- [5.110] Amount of the Subsidy 167
- [5.115] Material Injury 167
- [5.120] Injury Calculated as a Whole 167
- [5.125] Each Determination of Injury Is Independent 168
- [5.130] Finding of Injury Gives Rise to a Discretion 169
- [5.135] Threat of Injury 170
- [5.140] Community Industry 170

- [5.145] Community Interest 171
- [5.150] Investigation of Complaints 172
- [5.155] Termination of the Investigation and the Proceeding . . . 173
- [5.160] Undertakings 174
- [5.165] Anti-dumping and Countervailing Duties 175
- [5.170] Provisional Duty 176
- [5.175] Definitive Duty 176
- [5.180] Duty Applies Prospectively 177
- [5.185] Duty Applied Generally 177
- [5.190] Refund of Duty 177
- [5.195] Review by the Council 178
- [5.200] Judicial Review of Findings 178
- [5.205] Conclusion 180
- Further Reading 181

6 Competition Law 183

- [6.05] Introduction 183
- [6.10] Direct Effect of the Competition Rules 184
- [6.15] Art 101 TFEU 184
- [6.20] Voidness of Prohibited Agreements 185
- [6.25] Concept of an “Undertaking” 185
- [6.30] Single Economic Unit 187
- [6.35] Associations of Undertakings 187
- [6.40] Undertakings Situated Outside the EU 188
- [6.45] Concept of “Agreement” 189
- [6.50] Unilateral Acts 190
- [6.55] Types of Prohibited Agreements 191
- [6.60] Exclusive Purchasing Agreements 192
- [6.65] Object of the Agreement 192
- [6.70] Prevention, Restriction or Distortion 193
- [6.75] Effect upon Trade Between Member States 193
- [6.80] De Minimis Effect 195
- [6.85] Justification for Limitations 196
- [6.90] Declaration of Inapplicability 197
- [6.95] Block Exemptions 197
- [6.100] Concerted Practices 198
- [6.105] Abuse of a Dominant Position 199
- [6.110] Dominant Position 200
- [6.115] Concept of Abuse 200
- [6.120] Special Responsibility of Dominant Undertakings 202
- [6.125] Substantial Part of the Internal Market 203
- [6.130] Relevant Market 203
- [6.135] Exercise of Industrial Property Rights 204
- [6.140] Effect upon Trade 205

- [6.145] No Exemptions for Abuses 206
- [6.150] Merger Control Under the TFEU 206
- [6.155] Merger Control Under the EU Regulation 207
- [6.160] State Aid 208
- [6.165] Application of the Competition Rules 210
- [6.170] Agriculture 210
- [6.175] Transport 211
- [6.180] Undertakings with Exclusive Rights 212
- [6.185] Services of General Economic Interest 212
- [6.190] Enforcement of the Competition Rules 213
- [6.195] Regulation 1/2003 213
- [6.200] Investigation by the Commission 214
- [6.205] Imposition of Fines 214
- [6.210] Limitation Periods 215
- [6.215] Judicial Review of Commission Assessments 216
- [6.220] Researching Commission Documents 216
- [6.225] Enforcement by National Competition Authorities 217
- [6.230] Interaction of EU and National Competition Law 217
- [6.235] Cooperation with Non-member States 218
- [6.240] Conclusion 220
- Further Reading 221

7 Removal of Taxation Barriers to Trade 229

- [7.05] Introduction 229
- [7.10] Customs Duties 229
- [7.15] Internal Taxation 230
- [7.20] Customs Duty or an Internal Tax? 231
- [7.25] Indirect Taxation 233
- [7.30] Similar Domestic Products 234
- [7.35] Harmonization of Indirect Taxation 236
- [7.40] Value Added Tax (VAT) 237
- [7.45] Capital Taxation 238
- [7.50] Excise Duties 239
- [7.55] Harmonization of Direct Taxes 240
- [7.60] Mergers Directive 240
- [7.65] Parent/Subsidiary Directive 242
- [7.70] Arbitration Convention 243
- [7.75] Interest and Royalties Directive 244
- [7.80] Taxation of Individuals 244
- [7.85] Conclusion 245
- Further Reading 246

8 Public Procurement 247

- [8.05] Introduction 247

- [8.10] Public Works, Supplies and Services Directive 248
- [8.15] Exclusions from the Directive 248
- [8.20] Contracting Authorities Regulated by the Directive 248
- [8.25] Threshold Amounts 248
- [8.30] Definitions of Public Contracts 249
- [8.35] Requirements Applicable to Annex II A Services 249
- [8.40] Non-discrimination Obligations of Contracting
Authorities 249
- [8.45] Requirements as to Technical Specifications 250
- [8.50] Procedures for the Award of Public Contracts 250
- [8.55] Publicity of Contracting Opportunities 251
- [8.60] Award of Public Contracts 251
- [8.65] Requirements Applicable to Annex II B Services 251
- [8.70] Qualification and Disqualification of Bidders 252
- [8.75] Excluded Sectors 252
- [8.80] Enforcement of the Procurement Rules 253
- [8.85] General Provisions of the TFEU 254
- [8.90] Quantitative Restrictions 254
- [8.95] Competition Law Rules 255
- [8.100] WTO Agreement on Public Procurement 256
- [8.105] Conclusion 256
- Further Reading 257

9 Industrial and Commercial Property Rights 259

- [9.05] Introduction 259
- [9.10] Compatibility of National Law with EU Law 259
- [9.15] Industrial and Commercial Property 260
- [9.20] Protection of Packaging 261
- [9.25] Art 36 TFEU Derogates from Free Movement
of Goods 262
- [9.30] Exhaustion of Rights: Copyright 262
- [9.35] Exhaustion of Rights: Patents 263
- [9.40] Exhaustion of Patent Rights: Compulsory Licences 264
- [9.45] Exhaustion of Rights: Trade Marks 265
- [9.50] Exhaustion of Other Rights 267
- [9.55] Prevention of Deception of Consumers 267
- [9.60] Relationship with Competition Law 268
- [9.65] Relationship Between Arts 36 and 101 TFEU 268
- [9.70] Exemptions 270
- [9.75] Systems of Property Ownership 271
- [9.80] Harmonisation of Copyright 271
- [9.85] Copyright in the Information Society 272
- [9.90] Copyright in Computer Programs 273
- [9.95] Copyright in Databases 273

- [9.100] International Treaties Relating to Copyright 274
- [9.105] Patents 274
- [9.110] Trade Marks 276
- [9.115] Harmonisation of Trade Marks 277
- [9.120] Graphical Representation 277
- [9.125] Distinctive Character 278
- [9.130] Prohibited Uses of Marks 279
- [9.135] Exhaustion of Trade Marks Rights 280
- [9.140] Violation of a Licensing Agreement 281
- [9.145] Revocation of a Trade Mark 282
- [9.150] Community Trade Marks 282
- [9.155] International Registration of Trade Marks 283
- [9.160] Designs 283
- [9.165] Plant Variety Rights 285
- [9.170] Semi-conductors 285
- [9.175] Geographical Indications 286
- [9.180] Enforcement Measures 288
- [9.185] Counterfeit Goods 289
- [9.190] Conclusion 290
- Further Reading 291

- 10 Social Dimension of the European Union 295**
 - [10.05] Introduction 295
 - [10.10] Equal Pay for Equal Work 295
 - [10.15] Equal Pay and the Elimination of Sex Discrimination 296
 - [10.20] Defrenne (No 2) Litigation 296
 - [10.25] Equal Work Carried Out in the Same Establishment . . . 297
 - [10.30] Application of Art 157 TFEU to Indirect Discrimination 298
 - [10.35] Further Indirect Discrimination Rulings 300
 - [10.40] Concept of “Pay” 301
 - [10.45] Equal Pay Under EU Directives 302
 - [10.50] Job Classification Schemes 303
 - [10.55] Concept of “Sex” Discrimination 303
 - [10.60] Equal Opportunities Directive 304
 - [10.65] Genuine and Determining Occupational Requirements 305
 - [10.70] Discrimination in the Supply of Goods and Services . . . 305
 - [10.75] Discrimination Against Pregnant Workers 306
 - [10.80] Maternity Leave 307
 - [10.85] Prohibited Forms of Affirmative Action 308
 - [10.90] Permissible Forms of Affirmative Action 309
 - [10.95] Affirmative Action Under the Current Directive 310

- [10.100] Other Forms of Discrimination 311
- [10.105] Racial Discrimination 312
- [10.110] Age Discrimination 313
- [10.115] Disability Discrimination 314
- [10.120] Sexual Orientation Discrimination 314
- [10.125] Other Social Provisions: Arts 151 and 153 TFEU 315
- [10.130] Charter of Fundamental Rights 315
- [10.135] Vocational Training 316
- [10.140] Data Protection: Personal Information 316
- [10.145] Transfer of Personal Data to Non-member States 318
- [10.150] Data Protection: Electronic Communications 319
- [10.155] Consumer Protection 321
- [10.160] Unfair Commercial Practices 321
- [10.165] Sale of Consumer Goods 322
- [10.170] Advertising Restrictions 324
- [10.175] Unfair Terms 325
- [10.180] Unit Pricing 325
- [10.185] Product Labelling 325
- [10.190] Distance Contracts 326
- [10.195] Doorstep Selling 327
- [10.200] Consumer Credit 328
- [10.205] Timeshare Contracts 329
- [10.210] Air and Rail Passengers 329
- [10.215] Product Liability 329
- [10.220] Product Safety 330
- [10.225] Implementation by Member States 331
- [10.230] Conclusion 332
- Further Reading 333

11 Judicial Review and the European Court of Justice 337

- [11.05] Introduction 337
- [11.10] Composition of the Court 337
- [11.15] Independence of the Judges 338
- [11.20] Judgments of the Court 338
- [11.25] Advocates-General 339
- [11.30] Advice of the Advocates-General 339
- [11.35] Role of the Advocate-General 340
- [11.40] General Court 341
- [11.45] Methods of Interpretation 341
- [11.50] Literal Interpretation 342
- [11.55] Historical Interpretation 342
- [11.60] Contextual Interpretation 343
- [11.65] Teleological Interpretation 344
- [11.70] All Language Versions Considered 345

- [11.75] Jurisdiction of the Court 346
- [11.80] Causes of Actions 346
- [11.85] Action for Annulment 347
- [11.90] Characteristic of a Reviewable Act 349
- [11.95] Substance Not Form 349
- [11.100] Review Is Not Limited to Regulations, Decisions
or Directives 349
- [11.105] Reviewability of “Acts” of the Institutions and Other
Bodies 350
- [11.106] Grounds of Review 351
- [11.110] Action for Failure to Act 351
- [11.115] Action for Failure to Fulfil a Treaty Obligation 352
- [11.120] Indirect Actions 353
- [11.125] Preliminary Rulings 354
- [11.130] Concept of “Court or Tribunal” in Art 267 TFEU 357
- [11.135] Scope of Art 267 TFEU 359
- [11.140] Obligatory References 361
- [11.145] Acts of the Institutions 362
- [11.150] Judicial Policy-Making and Retroactivity 363
- [11.155] Blaizot Case 364
- [11.160] Conclusion 365
- Further Reading 366

12 The Effect of EU Law upon National Law 367

- [12.05] Introduction 367
- [12.10] van Gend en Loos Case 367
- [12.15] Test for Direct Effect 369
- [12.20] When Are Treaty Provisions Directly Effective? 370
- [12.25] Vertical and Horizontal Direct Effect 370
- [12.30] Direct Applicability Versus Direct Effect 371
- [12.35] Direct Effect of Regulations 372
- [12.40] Direct Effect of Directives 373
- [12.45] Vertical Versus Horizontal Direct Effect of Directives ... 375
- [12.50] Indirect Effect of Directives 376
- [12.55] Direct Effect of Decisions 378
- [12.60] Compensation for Breaches of EU Law 378
- [12.65] Supremacy of EU Law Over National Law 381
- [12.70] Supremacy Over National Constitutional Law 382
- [12.75] Reassertion of the Supremacy of EU Law 384
- [12.80] Duty of the National Authorities 384
- [12.85] Factortame Litigation 385
- [12.90] Fundamental Rights as General Principles
of EU Law 386
- [12.95] Protection of Fundamental Rights Expanded 387

- [12.100] Broad Range of Fundamental Rights Protected 389
- [12.105] Textual Basis for Fundamental Rights Protection 390
- [12.110] Relationship with the European Convention
on Human Rights 391
- [12.115] Conclusion 393
- Further Reading 394

13 The European Union and the World Trading System 397

- [13.05] Introduction 397
- [13.10] Three-Track Trading System 397
- [13.15] Multilateral Approach: GATT 1994 398
- [13.20] Dispute Resolution System 398
- [13.25] Most-Favoured Nation 399
- [13.30] Non-discrimination 399
- [13.35] Gradual Reduction of Tariff Barriers 400
- [13.40] Elimination of Import Quotas 400
- [13.45] Safeguards 400
- [13.50] Uniform Administration of Customs 400
- [13.55] Protection of Health 401
- [13.60] The EU and GATT 401
- [13.65] GATT and Preliminary Rulings 403
- [13.70] Position of GATT Under EU Law 403
- [13.75] Position of the WTO Agreement Under EU Law 404
- [13.80] WTO Agreement 405
- [13.85] Agricultural Products 405
- [13.90] Sanitary Measures 406
- [13.95] Technical Barriers 406
- [13.100] Preshipment Inspection 407
- [13.105] Rules of Origin 407
- [13.110] Import Licensing 407
- [13.115] Services 408
- [13.120] Intellectual Property 408
- [13.125] Continuing Negotiations Through the WTO 409
- [13.130] Regional Free Trade Agreements 409
- [13.135] Bilateral Free Trade Agreements 411
- [13.140] International Sale of Goods 413
- [13.145] Domestic Implementation 414
- [13.150] Application of the CISG 416
- [13.155] Formation of the Contract 417
- [13.160] Performance of the Contract 417
- [13.165] Breach of Contract and Remedies 418
- [13.170] Conclusion 419
- Further Reading 419

Appendix A Problem Questions 423

**Appendix B Table of Equivalence: EEC Treaty Version – Treaty
of Amsterdam Version** 439

**Appendix C Table of Equivalence: Treaty of Amsterdam
Version – Treaty of Lisbon Version** 455

Index 475

Abbreviations

AC	Law Reports, Appeal Cases.
All ER (EC)	All England Law Reports. European Cases.
ATNIF	Australian Treaties (Not Yet In Force).
ATS	Australian Treaty Series.
BFSP	British and Foreign State Papers.
BISD 26S/290	GATT, Basic Instruments and Selected Documents, 26th Supplement, p 290.
Can TS	Canadian Treaty Series.
CEC	European Community Cases.
Ch	Law Reports, Chancery Division.
CLR	Commonwealth Law Reports.
Cm	Command Paper (1986-) [United Kingdom].
CMLR	Common Market Law Reports.
Cth	Commonwealth of Australia.
DSR	Dispute Settlement Reports.
DSU	Understanding on Rules and Procedures governing the Settlement of Disputes.
EC	European Community/Treaty Establishing the European Community.
ECHR	European Court of Human Rights, Reports of Judgments and Decisions.
ECR	European Court Reports.
ECR-SC	Reports of European Community Staff Cases.
ECSC	European Coal and Steel Community.
EEA	European Economic Area.
EEC	European Economic Community.
EFTA	European Free Trade Association.
EFTA Ct Rep	Report of the EFTA Court.
EHRR	European Human Rights Reports.
Env LR	Environmental Law Reports.
ETMR	European Trade Mark Reports.
ETS	European Treaty Series [Council of Europe].
EU	European Union.