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Judgment in Case E-4/01 *Karl K. Karlsson hf. v The Icelandic State*

State alcohol monopoly – State liability under the EEA Agreement

In an advisory opinion delivered today, the EFTA Court held that a State monopoly on the import of alcoholic beverages is incompatible with Article 16 EEA, and that an EEA State may be liable to a prospective importer of alcoholic beverages for loss or damage incurred as a result of the maintenance of such a monopoly.

The advisory opinion was given in response to a request made by the Reykjavík District Court in a case pending before it between Karl K. Karlsson hf. and the Icelandic State. The dispute before that court concerns the State alcohol monopoly in Iceland, as it existed until 1 December 1995. From 1 January 1994, when the EEA Agreement entered into force, until 1 December 1995, when the Icelandic State monopoly on the import and wholesale distribution of alcoholic beverages was abolished, Karl K. Karlsson hf. was prohibited from importing into Iceland the alcoholic beverages for which it was the agent, and distributing such products to retailers. Karl K. Karlsson hf. brought proceedings against the Icelandic State before the Reykjavík District Court, contending that the Icelandic alcohol monopoly was incompatible with the EEA Agreement, and claiming that the Icelandic State is liable for the financial loss sustained by Karl K. Karlsson hf. by being precluded from importing and distributing alcoholic beverages. The Reykjavík District Court decided to submit a request for an advisory opinion to the EFTA Court.

The EFTA Court found that a State monopoly on the import of alcoholic beverages, such as that in force in Iceland until 1 December 1995, is incompatible with Article 16 EEA. Moreover, the EFTA Court confirmed its finding in Case E-9/97 *Sveinbjörnsdóttir* that there is a principle of State liability under the EEA Agreement and rejected the argument that such a principle is in any way contingent upon recognition of a principle of direct effect of EEA rules. The EFTA Court held that an EEA State may be liable to a prospective importer of alcoholic beverages for loss or damage incurred as a result of the maintenance of such a State alcohol monopoly. As regards the conditions for State liability, the EFTA Court held that the maintenance of the Icelandic import monopoly on alcoholic beverages after the entry into force of the EEA Agreement constitutes a sufficiently serious breach of EEA law to entail State liability, provided that the other conditions for State liability are fulfilled.

The full text of the judgment may be found on the Internet at: www.efta.int.

The EFTA Court is composed of Judges Thór Vilhjálmsson (President), Carl Baudenbacher and Per Tresselt.

This press release is not an official document. Please note that the Court may not comment on the case.