

Which way is the wind blowing
for parallel imports?

- (1) Is there a widening of
rights?
- (2) Is **Mitsubishi** making a
difference?

Douglas Campbell QC
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THREE NEW SQUARE

INTELLECTUAL PROPERTY

What's this talk all about?

- ▶ “Parallel” import = importation of a ‘genuine’ product to sell alongside the TM proprietor’s own sales in country of import.
- ▶ Mainly pharmaceuticals but sometimes other consumer goods (eg **Levi Strauss** jeans, **Davidoff** “Cool Water” aftershave, **Honda v Neesam** motorbikes)
- ▶ Five types of case:
 - ▶ **Unaltered** product –sold under the same mark as the TM proprietor uses in country of origin
 - ▶ **Altering** the condition of products – so product not the same
 - ▶ **Repackaged/relabelled** product –sold under same mark, but packaging modified to meet requirements in country of destination
 - ▶ **Rebranded** product –sold under the (different) mark which TM proprietor uses in country of destination
 - ▶ **Unbranded** product – all TM proprietor’s marks removed entirely

Law difficult but is it consistent?

- ▶ Clash of two fundamental principles – free movement vs IP rights
 - ▶ **Article 34** (ex Art 28): Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States.
 - ▶ **Article 36** (ex Art 30): The provisions of Articles 34 and 35 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of ... the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States
- ▶ Normal case (goods have no connection with the proprietor)
 - ▶ Injunction justified
- ▶ Parallel imports – may be “disguised restriction on trade”

“Essential function” and “specific subject-matter” of trade mark

- ▶ EU case law generally looks to whether the “essential function” or “specific subject-matter” of the right has been taken to justify relief.
- ▶ **Centrafarm v Winthrop**, 1974: the “specific subject-matter” of a TM is
 - ▶ *inter alia* to ensure to the holder the exclusive right to utilise the mark for the first putting into circulation of a product. And to protect him thus against competitors who would take advantage of the position and reputation of the mark by selling goods improperly bearing the mark
- ▶ So enforcement of TM not justified to restrain import of TM owner’s own goods from another member state under same mark, since TM owner has already enjoyed the specific object

These principles part of UK law

- ▶ The basic “exhaustion of rights” principle is now expressly written into UK law:
- ▶ TMA94 s.12 –“Exhaustion of rights conferred by registered trade mark”
 - ▶ (1) A registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.
 - ▶ (2) Subsection (1) does not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods (in particular, where the condition of the goods has been changed or impaired after they have been put on the market).
- ▶ But not clear whether/how s.12(2) covers repackaged, and s.12 certainly not applicable to rebranded, goods. Those cases require consideration of underlying CJEU law.

Unaltered products vs altered

- ▶ Unaltered product is the simplest case – proprietor can't stop it
- ▶ More advanced cases:
 - ▶ If proprietor markets goods of different quality under *same* mark in different member states, cannot prevent free movement of either. The most that local law can require is that public are warned of difference in quality: **Dansk Supermarket v Imerco**, 1981. Ditto if proprietor markets goods of different quality under *different* marks in different member states – again, free movement.
- ▶ Altered product also an easy case
 - ▶ **Sony v Tesco**, 2000 (non-Sony adaptors for UK plugs for Playstations added)
 - ▶ **Nomination v JSC** [2019] EWHC 599 (IPEC), plastic bags for individual links of charm bracelets. Not a PI case but see BMS q4

Repackaging – the BMS case

- ▶ In **Bristol-Myers Squibb v Paranova**, 1996, importer purchased pharmaceuticals sold under a TM in one member state and resold them under that same TM in another member state.
- ▶ BUT outerpackaging was removed and replaced, to comply with different national rules on packsizes in destination country. Same TM re-applied.
- ▶ Court held 5 conditions:
 - ▶ (1) necessary to repackage to market the product
 - ▶ (2) no effect on original condition
 - ▶ (3) clear identifications of manufacturer and importer
 - ▶ (4) non-damaging presentation
 - ▶ (5) notice
- ▶ Failure to provide notice makes it just as infringing as non-compliance with other conditions: see **Hollister v Medik-Ostomy** [2012] EWCA Civ 1419, CA

Re-branding: Pharmacia v Upjohn, 1999

- ▶ What if TM proprietor uses different TMs in different member states?
 - ▶ Upjohn used 'Dalacin' in Denmark, Germany and Spain, 'Dalacine' in France and 'Dalacin C' in Greece. (Arose from settlement of a previous TM dispute)
 - ▶ Pharmacia bought Dalacine/DalacinC, rebranded as Dalacin
- ▶ Held – similar in principle to repackaging (ie as regards **BMS** tests) but:
 - ▶ There is a difference between what is “necessary” (para 43) and what is done solely in order to secure a “commercial advantage” (para 44). Rebranding is permissible in the former case, not the latter.
 - ▶ It is for the national court in any particular case to strike a balance.
- ▶ In **Boehringer Ingelheim v Swingward** Jacob LJ said:
 - ▶ *Quite what the Court had in mind by a “commercial advantage” I am afraid I do not understand. ... And it seems clear that a “commercial advantage” could not consist of merely access to the market for the parallel imported goods, though out of context most people would call such access “a commercial advantage”.*

Speciality European Pharma v Doncaster: “necessary” to rebrand?

- ▶ TM owner Madaus (not a claimant in the case) made and sold pharma products under its marks **Céris** in France and **Urivesc** in Germany, and exclusively licensed its different UK trade mark **Regurin** to its distributor SEP.
- ▶ Doncaster parallel imported and rebranded, asserting that it was “necessary” for it to apply the UK mark.
 - ▶ SEP was separate entity from the TM owner, and brought the proceedings in its own capacity as an exclusive licensee.
 - ▶ This did not differentiate the case from **Pharmacia** – court seems to have assumed that if TM owner Madaus could not have objected to rebranding, its licensee could do no better.
- ▶ Asplin J at first instance, in 2013 – importer could adopt its own brand hence not necessary to rebrand

SEP: Court of Appeal disagrees

- ▶ In *SEP*, Floyd LJ considered separately the branded and unbranded markets. Goods could only be sold in the branded market under the mark, and so it was “necessary” to rebrand in order to access that part of the market.
- ▶ Is this fallacious –an approach that can lead to only one answer? Consider:
 - ▶ If you want to access the vacuum cleaner market, there are many ways to do so (pricing policy, advertising your own brand, better distribution, etc.).
 - ▶ But if you want to access the sub-market for Dyson vacuum cleaners, you have to apply the mark Dyson to them –by very definition of that branded market.
- ▶ C/A decided that the rebranding was therefore “necessary” (giving no weight to earlier conflicting decisions in Bundesgerichtshof and other EU courts where the necessity requirement failed)
- ▶ In fairness to CA, have to bear in mind that many UK prescriptions are written using the brand name – and if so have to be fulfilled accordingly

Flynn v DrugsRUs – the opposite

- ▶ In **Flynn v DrugsRUs** the facts were as follows:
 - ▶ Goods were made by Pfizer, marketed in EU as “Epanutin” but Pfizer withdrew from the UK market and sold its relevant marketing authorisations to Flynn.
 - ▶ Flynn took over responsibility for the products, which it sold under its own mark “Phenytoin Sodium Flynn” but had them made by Pfizer as a subcontractor, now under Flynn’s quality control.
- ▶ DrugsRUs threatened to parallel import Epanutin and rebrand as “Flynn”, alleging same origin - the same product, made in the same factory
- ▶ But CA disagreed – here the origin of Flynn products was Flynn, whereas the PI products originated from Pfizer. Control was essential.
- ▶ Rose J had also held it was “necessary” to brand, following **SEP**, since 7-9% of prescriptions done by brand name. CA adds (obiter) that Flynn’s market share actually greater than this since pharmacists gave patients the drug they were already taking even where prescription generic

Does BMS apply to medical devices?

- ▶ Yes it does – see **Junek Europ-Vertrieb v Lohmann & Rauscher International**, Case C-642/16, 17 May 2018, parallel importation of wound dressings originally sold in Austria into Germany
- ▶ Junek, the parallel importer, applied a small label to an unprinted part of the box [bottom left] and did not conceal L's trade mark



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Which way is wind blowing?

- ▶ **BMS, Pharmacia, SEP** ...pharma companies stress compliance with 5 conditions, but sophisticated parallel importers able to cope
- ▶ Necessity test favours the parallel importer
- ▶ **In Flynn the importer lost but:**
 - ▶ submit that even though the goods were made in the same factory, it would have been surprising if importer won
 - ▶ Going beyond “rebranding using the proprietor’s mark” into “rebranding using somebody else’s mark”
- ▶ Notice requirement plainly helps brand owner
- ▶ So on the whole, are parallel importers winning? Not so...

“non-damaging presentation”

BMS q4

- ▶ From **BMS**, 1996 – *“the packaging must not be defective, of poor quality, or untidy”*
- ▶ From **Dior**, 1998 – proprietor can oppose where the presentation of the repackaged goods *“is liable to damage the reputation of the trade mark”*
 - ▶ ie doesn't have to be defective, poor quality, or untidy
- ▶ **How far does this go?**

A long way!

- ▶ **Boehringer II, 2007:**
 - ▶ Confirms **Dior** in terms and expands – not just luxury goods but pharmaceutical products
 - ▶ But issues of public trust and/or placebo effect in pharma field
- ▶ Plus if presentation makes false suggestion of trade relationship, damaging to brand owner however elegantly it is done (see **Paranova**)
- ▶ **Kerly, 16th edition (2018):**
 - ▶ *“To any rational reader, it will appear obvious that if the reseller decides to repackage and omits the registered trade mark altogether – ‘de-branding’ – the trade mark proprietor can have no complaint. However partial de-branding is not so clear... it all depends how it was done”*

Mitsubishi v Duma Forklifts, C-129/17 (25 July 2018)

- ▶ Duma imported M's forklift trucks into a customs warehouse, removed all M's trade marks, replaced serial numbers, and made modifications so that the trucks complied with EU standards ... but customers could still recognise them as M's trucks because of their appearance
- ▶ Held:
 - ▶ the removal of M's signs "*deprives the proprietor of the essential right*", ie the origin right, and also "*affects the functions of investment and advertising of the mark*": see [42]-[46]
 - ▶ The fact that consumers still recognise them as M's trucks "*is likely to accentuate the effects of such harm*"
- ▶ So the proprietor has the right to control first marketing of goods under the mark in the EU (fine), and this applies even if the goods do not bear the mark (?)

Conclusion

- Parallel imports is a policy issue, where the balance struck by the law varies over time
 - Good run for the parallel importers on repackaging and relabelling (always “necessary” to rebrand/repackage?)
 - But proprietors coming back on “non-damaging presentation” and “de-branding” (whether whole or “partial de-branding”)
 - Always room for debate on specific cases – eg **Mitsubishi**
- Return to worldwide exhaustion in the UK after Brexit? See **Betts v Willmott**, 1860 (a patent case); and nb old cases suggesting a distinction between patentee and licensee
- Does it apply to services? See **L’Oreal v eBay**, 2009, Arnold J

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