



**International Trademark Association**

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***Re: Paranova A/S v Merck & Co., Inc, Merck, Sharp & Dohme B.V. and MSD (Norge) A/S - Norwegian Supreme Court Case Number 2002-582 (the Paranova Case)***

Dear Sir or Madam,

The International Trademark Association (INTA) has prepared this letter to assist the EFTA Court (the Court) in reviewing the references to the Court from the Norwegian Supreme Court in the Paranova Case. This letter contains INTA's comments in respect of the questions, which have been referred, which relate to the meaning of "legitimate reasons" in Article 7(2) of the Trade Marks Directive<sup>1</sup> (the Directive).

INTA has not attempted to intervene directly before the Court for procedural reasons. INTA would be grateful, therefore, if Merck would file this letter before the Court.

**1. THE INTERNATIONAL TRADEMARK ASSOCIATION**

INTA is a 125-year-old not-for-profit organization of trademark owners and practitioners from 160 countries throughout the world. INTA is dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of commerce. Its current membership of over 4200 companies and firms crosses all industry lines, including manufacturers and retailers, in industries ranging from aerospace to consumer goods. INTA's membership includes over 700 trademark owners and practitioners in the 15 Member States of the European Union (EU) and 26 in the EFTA countries.

An important objective of the International Trademark Association is to protect the interests of the public in the proper use of trademarks. In this regard, INTA strives to advance the development of trademark and unfair competition laws and treaties

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<sup>1</sup> Directive 89/104.

throughout the world, based on the global public interest in avoiding deception and confusion. INTA has been an official non-governmental observer to the World Intellectual Property Organization (WIPO) since 1979 and actively participates in all trademark-related WIPO proposals. INTA has influenced WIPO trademark initiatives such as the Trademark Law Treaty and is active in other international arenas, including the Asia Pacific Economic Cooperation Forum (APEC), the Association of Southeast Asia Nations (ASEAN), the European Union and the World Trade Organization (WTO). INTA's membership is varied and extensive: it is a balanced and reliable representative body. INTA's international character brings a global approach to the issues at stake in this case.

Since 1916, INTA has acted in the capacity of advisor and has appeared as *amicus curiae* ("friend of the court") before the European Court of Justice (ECJ)<sup>2</sup>, in the United States<sup>3</sup> and in other jurisdictions<sup>4</sup>.

INTA presents itself as a "friend of the court" in this matter, as it believes this case is significant to the international development of trademark law.

INTA submits this letter in the hope that it may assist the Court by sharing the experience of this multinational group of trademark owners and practitioners.

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<sup>2</sup> INTA has filed the following *amicus* briefs before the ECJ: *Glaxo Wellcome Limited v. Dowelhurst Limited and Swingward Limited* (C-143/00); *Libertel Groep B.V. v. Benelux Merkenbureau* (C-104/01); *Shield Mark v. J. Kist* (C-283-01); currently under consideration by the ECJ).

<sup>3</sup> INTA has filed the following *amicus* briefs before the United States Supreme Court and other Federal Courts: *Dastar Corporation v. Twentieth Century Fox Film Corporation*, *SFM Entertainment LLC and New Line Home Video, Inc.* currently under consideration by the US Supreme Court; *Mosely v. V Secret Catalogue, Inc.*, currently under consideration by the US Supreme Court; *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 119 S. Ct. 2219 (1999); *Dickinson v. Zurko*, 119 S. Ct. 1816 (1999); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988); *WarnerVision Entertainment Inc. v. Empire of Carolina, Inc.*, 101 F.3d 259 (2d Cir. 1996); *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996); and *Conopco, Inc. v. May Dep't Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994).

<sup>4</sup> INTA has filed the following briefs and affidavits in jurisdictions outside the United States: *Intel v. Hanitio Luwi*, Indonesian Supreme Court; *Intel v. Panggung Electronics*, Indonesian Supreme Court; *Prefel v. Jae Ik Choi*, Supreme Court of Korea; *Ikea Inter-Systems Inc. v. Beijing Cinet co Ltd.*, Beijing High Court; *McDonald's Corporation v. DAX Properties CC and JoBurgers Drive Inn Restaurants (PTY) Limited*, Supreme Court of South Africa (Durban and Coast Local Division); *Heublein Inc. v. Appeals Chamber of Rospatent*, Moscow City Court, Russia.

## 2. PARANOVA CASE

Members of INTA will be directly affected by the decision of the Court on the questions referred to it in the Paranova Case. INTA's purpose in filing this letter is to respectfully suggest that a trademark owner has legitimate reasons to oppose the further marketing of a product where a parallel importer repackages the product in packaging which, in addition to the reattached trademark, features the importer's own design or trade dress. This is because:

- (a) the addition of the parallel importer's design or trade dress to the repackaging is not necessary in order to achieve market access for the imported product - a prohibition on doing so would not amount to a disguised restriction on trade or otherwise contribute to the artificial partitioning of markets within the EEA.
- (b) the essential function of a trademark as an indication of source or origin of repackaged goods would be eroded by allowing repackagers to use their own design or trade dress on the repackaging; and
- (c) the addition of the parallel importer's design or trade dress to the repackaging can create an impression that a connection exists between:
  - (i) the parallel importer and the manufacturer;
  - (ii) different products which are repackaged by the importer;
  - (iii) products of different manufacturers which are repackaged by the importer.

## 3. LEGITIMATE REASONS FOR A TRADEMARK OWNER TO OPPOSE FURTHER COMMERCIALIZATION

### Necessity and disguised restriction on trade

The issues in the Paranova case (and in the earlier decisions of the ECJ in repackaging cases<sup>5</sup>) arose because of the conflict between the rights of a trademark owner and the principle of free movement of goods between EEA Member States under the EEA Agreement and the EC Treaty. Differences in language or local regulatory requirements may prevent a third party from importing into one Member State branded goods that have been placed on the market in another Member State by the trademark owner and with his consent, unless alterations are made to the product packaging, which accompanies the product.

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<sup>5</sup> *Hoffmann-La Roche & Co. AG v Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse GmbH* [1978], ECR 1139; *Bristol-Myers Squibb v. Paranova A/S*, [1996] E.C.R. I-3514; *Pharmacia & Upjohn SA v. Paranova A/S*, [2000] 1 CMLR 51; *Boehringer Ingelheim KG/Glaxo Group Ltd. v. Swingward Ltd./Dowelhurst Ltd.* C-143/00.

A registered trademark confers on its owner exclusive rights in the trademark.<sup>6</sup> This right is exhausted once goods bearing the trademark are put onto the market in the Community by the owner or with its consent. However, even where the owner has consented the owner may oppose the further commercialization of products where legitimate reasons for doing so exist.<sup>7</sup>

There have been a number of cases before the ECJ, which seek to clarify the meaning of “legitimate reasons.” In *Bristol-Myers*<sup>8</sup>, the ECJ held that Article 7(2) of the Directive should be interpreted in the light of Articles 28 and 30 of the EC Treaty. Article 28 states that quantitative restrictions on imports should be prohibited between Member States. Article 30 provides that import restrictions are acceptable if they are justified on grounds of the protection of industrial and commercial property. In *Bristol-Myers*, the ECJ, therefore, turned to the earlier case law under Articles 28 and 30 to determine the meaning of “legitimate reasons.”

The main case to consider was *Hoffmann-La Roche*,<sup>9</sup> where the ECJ held that a trademark owner could rely on its rights to prevent an importer from marketing a repackaged product, unless the assertion of the trademark owner’s rights would contribute to the artificial partitioning of the markets between Member States.

In *Bristol-Myers*,<sup>10</sup> the ECJ accepted that the *Hoffmann-La Roche* test also applied under the Directive. The ECJ in that case expanded the test to be applied in order to establish whether a trademark proprietor has legitimate reasons to oppose further commercialisation of the repackaged products to include an assessment of the necessity of the repackaging for marketing purposes:

*The power of the owner of trade mark rights protected in a Member State to oppose the marketing of repackaged products under the trade mark should be limited only in so far as the repackaging undertaken by the importer is necessary in order to market the product in the Member State of importation.*

This necessity assessment has since been applied in a number of ECJ cases. In *Ballentine*<sup>11</sup> (a case which dealt with relabelling rather than repackaging), it was held that:

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<sup>6</sup> Article 5(1) of the Directive.

<sup>7</sup> Article 7(2) of the Directive.

<sup>8</sup> *Bristol-Myers Squibb v. Paranova A/S*, [1996] E.C.R. I-3514.

<sup>9</sup> *Hoffmann-La Roche & Co. AG v. Centrafarm Vertriebsgesellschaft Pharmazeutischer Erzeugnisse GmbH*, [1978] ECR 1139.

<sup>10</sup> [1996] E.C.R. I-3514, at paragraph 56.

<sup>11</sup> [1997] E.C.R. I-6227, at paragraph 46.

*The person carrying out the relabelling must ... use means which make parallel trade feasible while causing as little prejudice as possible to the subject matter of the trade mark right.*

*Upjohn*<sup>12</sup> also held that the condition of necessity is satisfied only if a prohibition imposed on the importer would hinder effective access to the market. The recent ECJ decision in *Glaxo*,<sup>13</sup> attempted to define what is meant by “necessary.” In that case it was held that, without the repackaging, effective access to the market concerned or a substantial part of it would be hindered.

It is clear from these decisions that “legitimate reasons” to object to repackaging by a parallel importer will exist *unless* the assertion of the trademark owner’s rights to prevent the repackaging contributes to the artificial partitioning of the market or amounts to a disguised restriction on trade. This will be determined by reference to the extent to which the repackaging is necessary to enable the importer to place the goods on the market in the country of import.

Use of the parallel importer’s design or trade dress on repackaging is not necessary to enable the importer to gain access to the relevant market. Access is gained by the ability to repackage the products and reattach the manufacturer’s trademark to the repackaging. An assertion by the trademark owner of its rights with a view to preventing use of the parallel importer’s design or trade dress on the repackaging does not amount or contribute to the artificial partitioning of markets and is not a disguised restriction on trade. INTA is of the view that effective access to the market would be achieved by the importer repackaging the relevant goods into neutral packaging which does not bear its own design or trade dress - an importer, in using its own design or trade dress is seeking simply to increase his own goodwill and market visibility and obtain a commercial advantage with respect to other market participants.

#### Essential function of a trademark

If detriment to a trademark arises from the activities of a parallel importer, there will also be legitimate reasons to oppose the sale of the imported product. In *Bristol-Myers*, the ECJ accepted that:

*The owner of a trade mark can always rely on its trade mark rights to oppose the marketing of repackaged goods when such action is justified by the need to safeguard the essential function of the trade mark.*<sup>14</sup>

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<sup>12</sup> [2000] 1 CMLR 51.

<sup>13</sup> *Boehringer Ingelheim KG/Glaxo Group Ltd. v. Swingward Ltd./Dowelhurst Ltd.*, C-143/00 (in which INTA filed an *amicus* brief).

<sup>14</sup> *Bristol-Myers* at paragraph 57.

The ECJ went on to state that any use of a manufacturer's trademark by a parallel importer, which is liable to impair the guarantee of origin function of the trademark, would justify derogation from the principle of free movement of goods<sup>15</sup>.

A trademark serves as an indicator of origin in relation, not only to the goods themselves, but also to their packaging, image and "consumer experience." Consumers assume that goods sold under a trademark have been both manufactured and packaged by or on behalf of the trademark owner. Product packaging is an extremely important factor in a consumer's purchase decision. Packaging communicates to the consumer not only important factual information about the product, but also an overall brand image, which carries with it a number of implicit messages regarding quality and consumer expectations. For this reason brand owners invest considerable resources in the design and development of product packaging that conveys a desirable brand image.

If a parallel importer is free to use its own design or trade dress on repackaging, consumers can be confused as to source or quality of the products.

Where the parallel importer uses its own design or trade dress on the repackaging of different products, whether manufactured by the same manufacturer or not, the consumer can be confused as to whether there is any connection between the different products.

If the parallel importer uses its own design or trade dress on repackaged products, which were manufactured by different manufacturers, it can create the impression in the mind of the consumer that the source of all such products is the parallel importer.

Use by a parallel importer of its own design or trade dress serves only to connect the repackaged product with the importer. This is particularly the case, where the parallel importer repackages the goods in packaging, which is the same as or similar in terms of design or trade dress to the original packaging. By associating its own design with the brand owner's trademark, the parallel importer unfairly misappropriates for his own benefit part of the goodwill, which the brand owner has built up in its trademarks. Consumers may mistakenly assume that the trademark belongs to the parallel importer whose design or trade dress appears on the packaging, or that there is some endorsement or sponsorship relationship between the trademark owner and the repackager. The consumer may believe the trademark owner bears some responsibility for the actions of the repackager, and may contact the trademark owner with a complaint regarding the activities of the repackager. Conversely, the consumer may believe the repackager is responsible for the product and may contact the repackager with a complaint, which the repackager will not be able to address. This would cause damage to the trademark owner's brand image, reputation, and goodwill.

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<sup>15</sup> *Bristol-Myers* at paragraph 48.

#### **4. CONCLUSION**

The ECJ has stated that a trademark owner has legitimate reasons to object to repackaging by a parallel importer where the repackaging is not necessary to gain access to the market. INTA submits that it is not necessary for a parallel importer in order to gain market access to use its own design or trade dress on packaging. Market access can be achieved effectively through the use of neutral packaging.

Use of the importer's design or trade dress on packaging serves to connect the product with the importer, rather than the manufacturer. It can also serve to connect different products and different manufacturers' repackaged products or convey a consumer message of co-branding between the manufacturer and the parallel importer. This causes confusion in the consumer's mind as to the origin of the products. INTA asserts that a trademark proprietor has legitimate reasons to object to repackaging by a parallel importer where a connection to the parallel importer could be established and, as a result, the trademark is damaged.

Sincerely,