

Glaxo Wellcome plc
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United Kingdom

Re: Glaxo Group Limited v.
Dowelhurst Limited and Swingward Limited
English High Court Index Nos. 1999
02054, 02053, 01894, 02904, 03040, 00017 and 02051

Dear Sir or Madam:

The International Trademark Association (INTA) has prepared this letter for the purpose of assisting the European Court of Justice (ECJ) in reviewing the Article 234 references by Mr Justice Laddie from the English High Court of Justice in the proceedings referred to above ("Glaxo Wellcome Case"). We comment below on the following issues: (1) the function of a trade mark, (2) limitations on the changes which a parallel importer or repackager may make to the trade mark owner's packaging, (3) the appropriate period of prior notice which should be given by the parallel importer to the trade mark owner. These issues are central to the nine questions which have been referred.

INTA has not attempted to intervene directly before the ECJ because of the procedural difficulties associated with joinder to the national proceedings.

INTA would be grateful, therefore, if Glaxo Wellcome will file this letter before the ECJ.

The International Trademark Association

The INTA is a 122 year-old not-for-profit organization of trademark owners and practitioners from 120 nations around the world. The association is dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of commerce. The association was originally founded in 1878 as the United States Trademark Association (USTA), in part to encourage the enactment of U.S. federal trademark legislation, and since that time has been instrumental in providing assistance to U.S. legislators in connection with each subsequent trademark act, or amendment thereof. In 1993, the USTA became the International Trade Mark Association (INTA) to reflect its global scope and membership. Its membership of over 3900 is global and crosses all industry lines, including manufacturers and retailers in industries ranging from aerospace to consumer goods. INTA's membership includes close to 700 trademark owners and practitioners from European Union countries.

INTA members are interested in the development of clear and consistent principles of trademark and unfair competition law around the world. INTA has been an official non-governmental observer to the World Intellectual Property Organization ("WIPO") since 1979, and actively participates in all trademark related proposals. INTA has influenced WIPO trademark initiatives such as the Madrid Protocol and is active in other international arenas including APEC, FTAA, WTO, NAFTA, and GATT. 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.

Since 1916, INTA has acted in the capacity of advisor and has appeared as *amicus curiae* (“friend of the court”) in the US¹ and in other jurisdictions². INTA presents itself as a “friend of the court” in this matter, and is not a party to the instant case, but believes that this case is significant to the international development of trade mark law.

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

Glaxo Wellcome Case

Members of INTA will be directly affected by the judgment of the ECJ on the questions referred to it under Article 234 of the EC Treaty. INTA’s purpose in filing this letter is to respectfully suggest that:

- (a) The function of a “trade mark” includes not only its roles as an indication of source or origin of the goods but also encompasses an assurance of

¹ INTA has filed the following amicus briefs before the United States Supreme Court and other Federal Courts: *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, S.Ct. Case No. 99-1571 (currently under consideration by the Supreme Court); *Major League Baseball Players Association v. Cardtoons, L.C.*, S.Ct. Case No. 00-39 (currently on petition for certiorari to the Supreme Court); *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, S.Ct. Case No. 99-150 (March 22, 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); *Conopco, Inc. v. May Dep’t Stores Co.*, 46 F.3d 1556 (Fed. Cir. 1994); *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801 (Fed. Cir. 1984); *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982); *Redd v. Shell Oil Co.*, 524 F.2d 1054 (10th Cir. 1975); *Century 21 Real Estate Corp. v. Nevada Real Estate Advisory Comm’n*, 448 F. Supp. 1237 (D. Nev. 1978), *aff’d*, 440 U.S. 941 (1979).

² Cases outside of the US in which INTA has filed affidavits include: *McDonald’s Corporation v. DAX Properties CC and JoBurgers Drive Inn Restaurants (PTY) Limited*, Supreme Court of South Africa (Durban and Coast Local Division); and *Heublein Inc. v. Appeals Chamber of Rospatent, Moscow City Court, Russia*.

quality and image of the trade mark (see ECJ decisions in “Dior”/Evora”³; “Loendersloot/Ballantine”⁴).

- (b) A parallel importer should be entitled to make only the minimum changes to the packaging necessary to maintain the principle of the free movement of goods. Changes to packaging should not be permitted to damage the assurance of quality or the brand image of the trade mark owner.
- (c) The two day notice period suggested by Mr Justice Laddie for the parallel importer to advise the manufacturer of the imports is too short and unworkable. It should be substantially longer.

Function of and Scope of Protection for Trade Marks

INTA is deeply concerned about Mr Justice Laddie's narrow definition of the function of a trade mark and the way in which he uses this definition to allow repackagers to cause serious damage to the brand value of the trade mark and the image and reputation of the trade mark owner, as embodied in the trade mark.

Mr Justice Laddie states (at paragraphs 17 and 18 of his decision) as follows:

“A trade mark is a badge, in the widest sense, used on or in relation to goods so as to indicate source. That is to say it is meant to indicate that goods are goods of the proprietor ... This is not the whole of the story. In each case the mark is a sign to the customer both that the goods are the goods of a particular source (whether he knows or cares what that source is) and that the proprietor of the mark holds himself out as responsible for those goods and their quality. This representation of responsibility for quality is inseparable from the mark's function as an indication of source. However, it can be

³ Parfums Christian Dior SA v. Evora BV [1998] 1 C.M.L.R. 737

⁴ Loendersloot v. George Ballantine & Son Ltd [1997] E.C.R. I-6227

particularly important. For example, many trade marks for expensive perfumes are said to carry cachet. The association of the mark with quality is particularly pronounced...The proprietor of a mark can raise or lower the quality of his goods at will. Nearly everyone must have personal experience of goods sold under a trade mark where the proprietor has allowed quality to deteriorate or has made it improve over time. So the mark does not represent quality as such. Rather it indicates that the goods are of the standard which the proprietor is content to distribute under his banner ...”

It is clear that Mr Justice Laddie regards the primary function of a trade mark as an indication of origin of the branded product and the responsibility for quality – whatever quality that may be. INTA agrees that this is its function and that in that definition the trade mark owner's image, reputation and goodwill are crucial both in relation to the product and the packaging. And in this respect a trade mark serves a number of functions and can be damaged in a number of ways.

To take a very straightforward example, (as Mr Justice Laddie would appear to accept in the passage quoted above), a trade mark serves as an indicator of origin in relation not only to the goods themselves but also to their packaging, image and shopping experience. Put in the simplest possible terms, consumers assume that goods sold under a trade mark have been both manufactured and packaged by or on behalf of the trade mark 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 the overall brand image of the product, which carries with it a number of implicit messages regarding quality, consumer expectations, and the like. This is especially so in relation to goods displayed on shelves at a retail outlet or otherwise available to be examined prior to purchase. For this reason brand owners invest considerable amounts in the design and development of product packaging that conveys a desirable brand image. If the goods have been repackaged by a third party there is a fundamental misrepresentation as to the source of

the packaging which "threaten(s) the interests protected by the specific subject -matter of the trade mark" (per Advocate General Jacobs in *Bristol-Myers Squibb v Paranova A/S* [1996] E.C.R 1-3457 at paragraph 83). By repackaging the goods with the trade mark applied to it the parallel importer has interfered with the expectation of the consumer, and has created potentially serious doubt in the mind of the customer as to the source and quality of the products.

It is not in dispute that a trade mark owner has the exclusive right to decide what goods are sold under his mark. However, a trade mark owner also has the right to determine the manner in which his goods are presented to consumers. This includes the way in which the goods are packaged - in terms of the type of packaging, its quality and design. The packaging is often the consumer's first point of encounter for a product. As indicated above, manufacturers take great care in the design of product packaging. The design of the packaging is important in developing the image which consumers associate with the mark. The design is an essential factor in developing product distinctiveness. For example, most interested consumers are readily able to distinguish a can of "Coca-Cola" from a can of "Pepsi-Cola" or a "BP" service station from a "Shell" service station by virtue of the distinctive packaging or livery/get-up used, and they infer certain brand attributes from the image created by the presentation of the trade marks and the overall look and feel of the packaging.

If a person is free to repackage goods (even in a way that does not affect the condition of the goods themselves), consumers can be confused as to source and/or quality of the products (as noted above), and a trade mark owner may suffer harm in two very important respects.

The first situation is where the parallel importer repackages the goods in packaging which is the same as or similar in terms of design to the original packaging and applies his own mark or name to the new packaging (an example is shown at Annex A3 to the decision in the *Glaxo Wellcome* case). By associating his own mark or name with the brand owner's trade mark

and/or get-up, the parallel importer unfairly misappropriates for his own benefit part of the goodwill which the brand owner has built up in its trade mark(s). Consumers may mistakenly assume that the trade mark belongs to the parallel importer whose name appears on the packaging, or that there is some sponsorship or other "authorised" relationship between the trade mark owner and the repackager. The consumer may believe that the trade mark owner bears some responsibility for the actions of the repackager, and may contact the trade mark owner with a complaint regarding the activities of the repackager. Or, conversely, the consumer may believe that the repackager is responsible for the product and may contact the repackager with a complaint, which the repackager will not be able to address, in turn causing damage to the trade mark owner's brand image, reputation, and goodwill.

Thus, in the example shown at Annex A3 to the Glaxo Wellcome decision, consumers may come to associate the "Serevent" trade mark with Dowelhurst or vice versa. Such activity will clearly cause confusion amongst consumers and damage to the specific subject matter of the trade mark.

Another situation in which re-packaging may be harmful to the trade mark owner is where the parallel importer uses a packaging design which is different from the original packaging and to which he applies the trade mark owner's mark. This can best be illustrated by a hypothetical example. Coca-Cola is sold in distinctive red and white cans. Leaving aside questions of how it might affect the quality of the contents (a serious concern in its own right), according to Mr Justice Laddie's reasoning, parallel importers should be free to re-package the products in their own design of cans coloured blue, green or yellow and to apply the "Coca-Cola" trade mark in whatever manner they wish to the new packaging with or without the parallel importer's mark or name. Apart from the substantial damage that this would cause to the brand owner's attempt to develop a distinctive brand identity for its product (previously discussed), there would also be a significant risk that the trade mark will become generic. If the trade mark is being applied to a variety of different designs of packaging on which there appears different names (i.e. those of the various parallel importers), there is a real danger that the trade

mark, which is the only common element, will be viewed by consumers as the generic term for the product in question. Nothing could be more damaging to the specific subject-matter of a trade mark whose primary purpose is to indicate origin rather than to act as a descriptive or generic term.

Limitations on the Changes which a Parallel Importer or Repackager may make to the Trade Mark Owner's Packaging

The issues in the Glaxo Wellcome case (and in the earlier decisions of the ECJ referred to) arise because of the potential conflict between the rights of a trade mark owner and the principle of free movement of goods between Member States under the EC Treaty. Differences in language or local regulatory requirements may prevent a third party from importing into one Member State branded goods which have been placed on the market in another Member State by the trade mark owner (with his consent) unless alterations are made to the product packaging or the instructional leaflet which accompanies the product. For the reasons explained above, alterations to the packaging threaten the interests protected by the specific subject matter of a trade mark. At paragraph 65 of his judgment, Mr Justice Laddie acknowledges that if the activities of an importer harm the specific subject matter of a trade mark then under the laws of the EC Treaty, an importer should do no more than is necessary to allow trade to take place. In order to reconcile these conflicting interests, it is clear that a parallel importer should only be entitled to make the minimum changes necessary to enable the parallel importer to place the goods on the market in the country of import. In so doing, the principle of the free movement of goods is maintained and accordingly there is no justification for allowing a parallel importer to make more extensive changes which will merely serve to harm the rights of the trade mark owner where the former already has access to the market. This is clearly the appropriate balance of legitimate interests.

It will be a question of fact as to what changes are necessary in each particular case. Where access to the market can be gained by re-labelling or

inserting new instructional leaflet, the parallel importer should not be entitled to repackage the goods. If re-labelling is necessary, the labelling should be of a quality consistent with the quality of the original packaging and should be applied in such a way as to minimise the potential for damage to the trade mark owner's trade mark, brand image, and reputation.

In INTA's view the above would strike a fair balance between the rights of trade mark owners and the interests of those wishing to import goods from one Member State into another.

Repackaging Notice Guidelines

Under the current law of the European Economic Area, pharmaceutical repackagers give notice to the manufacturer if they intend to market parallel into a particular country, and they provide a sample of the packaging of such parallel imports. However, Justice Laddie has proposed that two (2) days is sufficient for trademark owners to "make up their minds". He states in paragraph 148 of his opinion:

"In the absence of guidance from the ECJ, it appears to me that the approach to notice, if it is a pre-condition, should be as follows. The purpose is to give the proprietor sufficient time to come to a fair decision as to whether to object or not. If no objection is to be made that is a matter which should be conveyed to the importer as soon as possible so that any dislocation on inter-State trade is kept to a minimum. How long is needed for this exercise is something which is primarily within the knowledge of the proprietor. Therefore, if anything other than a very short time is needed, it is for the proprietor to demonstrate how long is necessary. In this case no attempt was made by Mr. Silverleaf's client to show that they needed anything more than a few minutes to make up their minds. Where, as here, the importers are well known to the claimants and readily accessible by phone, only a day or two at most would be reasonable. Of course if that sort of notice is all that is given and a response from the proprietor is a

legitimate “no”, this may cause dislocation and loss to the importer. However that is a problem he will have to shoulder if he decides to give such short notice. It has no impact on how long the notice should be for the purpose of allowing the proprietor to come to a fair decision.”

Moreover, at the moment the duty for notice is upon the parallel importer to notify the trade mark owner, but Justice Laddie would prefer if the burden would shift to the trade mark owner to determine if any objectionable repackaging is in the marketplace (which would appear to be somewhat at variance to the position he expresses at paragraph 65 of his judgment – see above).

Here too, Mr Justice Laddie has disregarded the principle of commensurability, giving consideration to the interests only of the parallel importer. The trade mark owner does have the right and the obligation to ensure the quality and perfect condition of the product. It is the decision of the parallel importer, not the trade mark owner, to effect changes to an original product or its packaging that could damage the trade mark and the brand image and reputation of the trademark owner. In such a case, the importer must then also have an obligation to inform the trade mark owner of the changes, so that the trade mark owner may evaluate the situation. It is only in the case of such changes that any problems are incurred and that notice is therefore needed. The onus of proof must be upon the parallel importer, who will suffer no impediment as a result.

Accordingly, INTA takes the view that the parallel importer is obliged in such a case to issue a notice to the owner of the mark. However, the term of two days to which Mr Justice Laddie refers is far too short. It does not correspond to the means available to a large enterprise for decision-taking. This is particularly so where the decision to be taken is a complex legal decision. A decision must be preceded by a thorough examination as to whether the rights of the trade mark owner are being infringed or not. It does not correspond to the practice of companies to examine the question of an

infringement of a trade mark by parallel importers and other important legal questions within such a brief space of time. The mere fact that this Court has had to address so many questions regarding parallel imports should make it clear just how difficult the legal analysis and decision will be in any given case. In this context other questions have to be clarified which are related to the individual special legal sector, such as for example the correct declaration. Errors and violations of law on the part of the parallel importer fall back on the trademark owner, who suffers the disadvantages arising as a result of the parallel importer's misconduct.

Accordingly, there can be no question that two days is grossly insufficient. INTA does not at this time make a specific recommendation as to the amount of time that is appropriate in all cases, and indeed the amount of time may vary from case to case. But certainly the amount of time should be measured in weeks, certainly not days.

Conclusion

In sum, INTA respectfully requests that the Court review the case at hand keeping in mind not only the source-identifying functions of a trade mark, but also the overall brand image and reputation embodied by a trade mark. Unlimited repackaging of goods can and will do serious damage to the trade mark itself, its source and quality functions, and its brand image and reputation functions. Moreover, if unrestricted repackaging is permitted, without balancing the legitimate interests of trade mark owners and parallel importers, consumers will ultimately suffer because a trade mark will no longer be a reliable indicator of source, quality, image, reputation, and ultimate responsibility for the product sold under the mark.

Very truly yours,

Alan Drewsen
Executive Director, International Trademark Association