



Opinion of the Advocate General in the Glaxo/Boehringer Case

"It seems to me that after 30 years of case-law on repackaging of pharmaceutical products it should be possible to distil sufficient principles to enable national courts to apply the law to constantly replayed litigation between manufacturers and parallel importers."

– Advocate General Sharpston

Introduction. It was as long ago as February 2000 that Laddie J. gave his first judgment in this case. The case has been to the English High Court three times, and the ECJ and English Court of Appeal once. On 26 January 2006 the parties discussed with the ECJ the questions which Jacob LJ had referred following the Court of Appeal hearing. On 6 April 2006 Advocate General Sharpston gave her opinion on the answers to those questions.

Background. Boehringer Ingelheim and others sued two parallel importers into the UK, Swingward and Dowelhurst. Packaging and instruction leaflets had been altered, to varying degrees, by the parallel importers. The manufacturers objected, stating that the changes were not "necessary" in order for the products to be marketed in the UK.

The cases and the AG opinion focused on conditions which were originally formulated in the well-known *Bristol Myers* case (C-427/93 and C-436/93). These BMS conditions were intended to set out what was and was not acceptable in relation to changes made to branded products by parallel importers. The BMS test is that an importer who repackages and re-applies a trade mark will infringe unless he satisfies the following five conditions:

- 1) **Necessity**—it was necessary to repackage to market the product.
- 2) **Packaging and PILs**—there was no impact on the original condition of the packaging and the proper instructions were enclosed.
- 3) **Identification**—there had been clear identification of the manufacturer and importer.

APRIL 2006

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- 4) **Presentation**—the presentation of the packaging was otherwise “non-damaging.”
- 5) **Notice**—proper notice had been given of the intention to repackage.

In the Court of Appeal, Jacob LJ said that the *BMS* conditions were all about protecting the reputation of the mark, and a fair summary of the position was that 1) re-affixing created a risk of jeopardising the reputation of the mark; 2) but if the conditions were satisfied that risk was removed.

The AG’s conclusions were as follows.

OVERSTICKERING

The BMS conditions do not apply

The AG differentiated reboxing from overstickering; in the latter case the original packaging, both internal and external, remained intact. She did not see any impairment to the “guarantee of origin” function of a trade mark by an importer using a label in the language of the relevant Member State of importation.

NECESSITY

The need for “necessity” applies only to the fact of reboxing, not to the way in which it is done.

The AG considered that to interpret the “necessity” requirement so broadly as to cover the nature of the reboxing would “*place an intolerable burden on national courts, which would have*

to take numerous decisions on trivial details of pattern and colour which are obviously not within their judicial remit.”

DAMAGE #1

This can be more than defective, poor quality, or untidy packaging.

The AG was clear that defective, poor quality or untidy packaging are just examples of ways in which reputation might be damaged; they are not the only ways. She referred to Article 7(2), Trade Marks Directive (89/104/EEC), *i.e.* there must be a legitimate reason to allow a trade mark owner to limit the further commercialisation of the goods. Such a reason included anything which might risk damage to reputation. In her view, anything that gave rise to an impression that there was a commercial connection between the brand owner and the trade mark proprietor might lead to such a risk; this would be a decision for the national courts. Clearly, this was irrespective of the quality of the packaging and whether it was defective, of poor quality, or untidy.

DAMAGE #2

De-branding and co-branding do not necessarily damage the reputation of the mark. However, harm may follow any inappropriate presentation or incorrect suggestion of a commercial link.

AG Sharpston did not say that de-branding or co-branding per se may damage reputation. She stated that

an “*inappropriate presentation or incorrect suggestion of a commercial link*” might be grounds for finding damage to reputation. This, she said, would be a decision for the national courts, taking into account the requirement in Article 7(2) for a “legitimate reason.”

BURDEN OF PROOF

This falls upon the parallel importer in nearly all cases.

It is very difficult to “*prove a negative*” and it is on this basis that AG Sharpston gave her opinion on where the burden of proof should lie. In particular, she considered that it was for the trade mark owner to “*prove interference*” with regard to trade mark rights and any harm caused to them. In all other respects, she thought that the parallel importer should bear the burden as he usually would have the superior knowledge, *e.g.* the importer should be able to show why he thought the repackaging was “necessary.”

NOTICE

The penalty should differ depending on whether the remaining BMS conditions have been complied with.

The AG was clear that the requirement to give notice was procedural. This was not the case with the other four BMS conditions. Even so, “*failure to give notice is not trivial*” as every subsequent importation also infringed. There should be an “*effective and dissuasive*” penalty

for failure. The AG did not say what this penalty should be, leaving that decision to the national courts. Her guidance to those courts was that they should distinguish between the importer who, despite failing to give notice, nevertheless met the remaining BMS conditions, and the importer who failed to give notice in blatant disregard of all of the conditions.

COMMENT

The issues in this case relate to the need to strike the correct balance between the principle of free movement of goods within the European Community and the limited derogation from that which may be justified for the purpose of safeguarding rights which constitute the specific subject matter of such property. AG Sharpston noted that “safeguarding the specific subject matter of a trade mark includes the right to prevent ‘any use of the trade mark which is liable to impair the guarantee of origin’.”

In the Court of Appeal Jacob LJ said that if there was no doubt, and it were his decision alone, he would allow the importers’ appeals (relating to reboxed products) and dismiss the brand-owners’ cross-appeals (relating to re-stickered boxes). However, there was doubt and therefore a large number of questions were once again referred to the ECJ. These questions have been answered in the AG’s opinion.

It is standard procedure for AG opinions to be followed by a decision of the ECJ; the ECJ usually, but not always, adopts the AG’s reasoning and conclusions. The next steps are for the ECJ to issue its decision (following its consideration of this opinion) and then for the English High Court to implement the ECJ’s decision. Both steps will take several months.

If the ECJ follows the AG’s opinion, the national courts will remain the battle ground for the resolution of issues such as whether, because of the repackaging, there was an impression that there was a commercial connection between the brand owner and the trade mark proprietor, de-branding and co-branding are actually acceptable and what should be the appropriate penalty for any failure to give proper notice.

If you have questions about this advisory, or other related issues, please feel free to contact your Arnold & Porter attorney or:

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