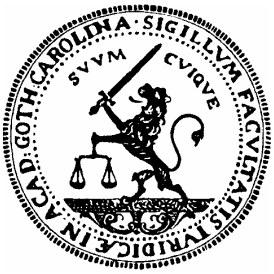

FACULTY OF LAW
University of Lund

Stojan Brdarski

The Necessity of Repackaging and Relabelling Trade Marked Goods

Master thesis
20 points

Supervisor: Hans Henrik Lidgard

Intellectual Property Law/ E.C. Law

Fall 2004

Contents

Summary

Trade marks perform a variety of economic functions in a commercial environment and plays an important role in a market economy. Therefore, there is a need to protect the distinguishing of competing goods and services offered by undertakings and accordingly to avoid consumer confusion. The origin function of the trade mark guarantees that all products bearing a trade mark emanate from the same commercial source. It thus enables the manufacturer to invest in the trade marks goodwill and functions as a guarantee that the product lives up to the consumers expectation of quality.

Economists have generally accepted that international trade leads to optimising of output and income levels in the long run. By establishing an internal market, the EU seeks to unite national markets into a single market having the characteristics of a domestic market. This will result in products most favoured by consumers being the most successful, regardless of country of origin. Ultimately, this will serve to maximise wealth-creation in the Community as a whole since it allocates resources most effectively when assets flow into areas of greatest economic advantage.

Free movement of goods is provided for in Art. 28 of the E.C. Treaty. However, Art. 30 E.C. Treaty provides for an exception from the fundamental principle of free movement, if the provisions are justified for the protection of industrial and commercial property and does not constitute a disguised restriction on trade between Member States. The ECJ has construed this into stating that Art. 30 E.C. Treaty only allows exceptions from the free movement principle if the provisions are justified in order to safeguard the *specific subject-matter* of the intellectual property right. The specific subject-matter of trade marks is the guarantee that the trade mark proprietor has the exclusive right to put the products into circulation for the first time. When assessing a trade mark's specific subject-matter, regard must be had to its *essential function*, which is to guarantee consumers that all goods bearing the trade mark have the same origin. Furthermore, the exclusive right of an intellectual property is limited to placing the protected goods on the market for the first time. After that, the exclusive rights are *exhausted*.

The trade mark proprietor is only allowed to oppose repackaging and relabelling to the extent necessary to enable the trade mark proprietor to safeguard rights which form part of the specific subject-matter of the trade mark. Thus, in those cases it is possible to derogate from the fundamental principles of free movement of goods. However, that cannot be accepted if the proprietor's opposition to repackaging constitutes a disguised restriction on trade between Member States within the meaning of Art. 30 E.C. Treaty. A disguised restriction will exist if the exercise by the trade mark proprietor's rights to oppose repackaging will contribute to an artificial partitioning of the markets between Member States. It must be regarded as

contributing to artificial partitioning of the markets between Member States if the repackaging or relabelling is *objectively necessary* in order to enable the product to be marketed in the Member State of importation.

In addition to showing that repackaging or relabelling is objectively necessary in order to obtain effective access to the market in the State of importation, the parallel importer must fulfil the following conditions:

- The repackaging may not be carried out in such a way that it risks affecting the *original condition* of the product.
- The parallel importer has to give *prior notice* to the trade mark proprietor before marketing the repackaged or relabelled product.
- The new packaging has to indicate the *identity* of who executed the repackaging.
- The presentation of the repackaged or relabelled product must not be liable to *damage the reputation* of the trade mark.

Swedish courts have faced difficulties interpreting the ECJ body of case law consistently. The courts appear to have construed the principles much too strictly making it difficult for parallel importers to dispose of their products on the market in Sweden. One possible reason for this misconception of the ECJ case law might lie in the fundamental objectives of the courts. The ECJ's main objective is the establishments of market integration, thus focusing essentially on the product and its movement across national borders. National courts, on the other hand, tend to focus more on the occurrence of a trade mark right, resulting in a favouring of trade mark proprietors.

Preface

I would like to thank my supervisor, Hans Henrik Lidgard, for putting and keeping me on the right track.

Furthermore, I would like to thank Amelia McClean for helping me with proof reading of the manuscript.

Finally, I would like to thank Per Ugge at Cederquist and Charlotte Bus at Magnusson Law Firm for the great help and for providing a practitioners point of view to the problem.

/Stojan Brdarski

Solna, December 2004

“He’s not the Messiah; he’s a very naughty boy. Now go away!”
//Monty Python’s Life of Brian

Abbreviations

A.G.	Advocate General
CTM	Community Trade Mark
E.C.	European Community
ECJ	European Court of Justice
E.C.R.	European Court Reports
EU	European Union
EEA	European Economic Area
E.I.P.R.	European Intellectual Property Review
E.L. Rev.	European Law Review
I.I.C.	International Review of Industrial Property and Copyright Law
IPQ	Intellectual Property Quarterly
NIR	Nordiskt Immateriellt Rättsskydd
TMD	Trade Mark Directive

1 Introduction

Art. 28 of the E.C. Treaty facilitates for goods moving freely within the single market. Nonetheless, disparities still exist between the national markets of Member States. Those in turn give rise to parallel importation. Intellectual property rights are normally territorially delimited and such rights have an inherent tendency to isolate markets. This naturally comes into conflict with the objective of creating a single market.

Parallel importation refers to the activity of independent traders who acquire legitimate goods in one State and transports them for sale in another. Goods are acquired in Member States where the prices are comparatively low and sold in States where the prices are higher. Thus, the parallel importer is able to undercut the official sales prices in the State of importation while still making a profit.

Due to legal and cultural differences between Member States, parallel importers many times wish to repackage or relabel the goods in order to effectively dispose of the goods on the market in the State of importation. Since packaging and labelling laws, not to mention consumer preferences, differ between Member States there are different reasons for wishing to repackage or relabel the goods. The trade mark proprietor might even be using different trade marks on identical products in various Member States resulting in the parallel importer wishing to replace the original trade mark on the packaging with the trade mark used in the State of importation. This clearly comes into conflict with the exclusive rights conferred by trade mark protection. The ECJ has attempted at striking a balance to reconcile the conflicting objectives and thus assist national courts when applying the different provisions.

The Swedish courts have kept fairly busy handling repackaging and relabelling cases. The topic is still of immediate interest which is proved in the numerous cases that has appeared before national courts over the last years.

Explanations

-*Repackaging*: When a parallel importer acquires a product placed on the market, replaces the container in which the products were sold and re-affixes the trade mark before marketing.

- *Relabelling*: When a parallel importer replaces the outer packaging and re-affixes another trade mark, under which the very product is sold in the Member State where it is going to be marketed, instead of re-affixing the original trade mark.[1]

[1] Some authors refer to this as rebranding.

-*Overstickering*: When a parallel importer reuses the original packaging and affixes labels, or stickers, to that packaging.

1.1 Purpose

The purpose of this thesis is to analyse the inherent conflict between territorially delimited intellectual property rights and the objective of creating a single market within the Community. This will be accomplished through analysing the effects of that conflict on parallel importation, especially concerning the problems related to repackaging and relabelling of trade marked goods. Above all, the thesis aims at examining the ECJ's body of case law considering the requirement that repackaging and relabelling of trade marked goods has to be objectively necessary. A concluding section will also analyse how Swedish courts have construed the requirement for objective necessity.

Through this analyse I wish to ascertain the answer for the following questions:
-What is the nature of the conflict and how has the ECJ approached it?
-Under what circumstances are a parallel trader allowed to repackage and relabel trade marked goods?
-What is comprised in the requirement that repackaging and relabelling has to be objectively necessary?
-How have Swedish courts construed the necessity requirement?

1.2 Method and Material

The method used in this thesis is a traditional method for legal research, combining a descriptive and analytical study of the legal sources. However, my expectations are not only to describe the existing law, but also attempt to illuminate *why* the law is constructed as it is. To fully grasp the situation it is necessary to look behind the object of the single market and the rationale for protecting intellectual property, or in this case trade marks, to see which conflicts of interests causes the problems. Therefore, I have tried to analyse the underlying rationales for protecting trade marks and for creating free trade areas. It is my belief that this will explain why the problems occur and why the different institutions have approached the problems as they have. In some parts of this analysis, I have also tried to view the problem from a different perspective using economic concepts.

My intention has been to present the thesis in a primarily objective manner. There are, however, subjective views inserted in the concluding section of each chapter.

The material that I have used is almost entirely based on judgments from the ECJ and unpublished judgments from Swedish courts. The reason for using case law in such a wide extent is that the conflict between intellectual property rights and the notion of free movement of goods has been managed almost entirely judicial. However, I have also used literature and articles from various law reviews.

1.3 Delimitation

The subject of intellectual property law and free movements of goods is of considerable proportions. This calls for some delimitation as to the scope of the thesis. The thesis will mainly consider repackaging and relabelling of trade marked goods. Therefore, the first section will only consider the conflict with regards to trade mark rights, for example, when investigating the *specific subject-matter* doctrine. Intellectual property rights other than trade marks are not discussed. On the whole, the parts concerning free movement of goods are not as extensive as might be called for. Since the space is limited, I have chosen to set my focus on the second and third section of the thesis. This thesis, therefore, presupposes a reader with basic knowledge of intellectual property law as well as E.C. Law.

1.4 Outline

The thesis is divided into three main sections. The first section, chapter 2, is a general consideration regarding the conflict between intellectual property rights and the notion of free movement of goods. The section, which can be regarded as a general background for the two following sections, aims at examining the nature of the conflict and how the ECJ has approached it. The second section, chapter 3, analyses the ECJ case law relating to repackaging and relabelling of trade marked goods. This section scrutinises the requirements that have to be fulfilled by the parallel importer in order to be allowed to repackage and relabel trade marked goods. Above all, the section examines the requirement that repackaging and relabelling has to objectively necessary. The third section, chapter 4, is an analysis of Swedish case law and aims at examining how Swedish courts have construed the necessity requirement. Every main section ends with a concluding part where I do my own interpretation of the established case law.

The last section, chapter 5, encloses a general discussion, which tries to view the conflict from a wider perspective.

2 Intellectual Property Rights and Free Movement of Goods

2.1 Rationale for Protection of Trade Marks

A trade mark is a sign that individualises the goods or services of a given undertaking and distinguishes it from its competitors. Trade mark protection plays an important role in a market economy. This follows from the underlying assumption that consumers benefit from being able to choose and that they can choose rationally only if they know the relevant differences between the products or services provided for by different undertakings. Therefore, there is a need to protect the means of distinguishing competing goods and services offered by undertakings in order to avoid consumer confusion.[2]

Trade marks perform a variety of economic functions in a commercial environment. Outside this environment, the trade mark lacks any independent meaning or value. This distinguishes trade marks, in some extent, from other intellectual property rights. For example, copyright protected works are considered to enclose an independent value not limited to a certain environment.[3]

The different functions of a trade mark can be broken down into three categories.[4] The ECJ has used a somewhat different division of the function of the trade mark in its *essential function* doctrine, to which will be returned.

Origin function:
The 'origin function' is considered as the oldest and most basic function of the trade mark and has in view to protect the connecting link between the consumers and the trade source from which the goods or services originate.[5] The relationship of confidence between the provider of goods or service and the costumer is important since trade marks facilitate consumer choice

[2] Cornish, *Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights*, 2003, p. 588-589.
[3] Koktvedgaard & Levin, *Lärobok i immaterialrätt*, 2002, p. 335.
[4] Cornish, *Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights*, 2003, p. 586. This is the division that Cornish have made. Other authors divide the functions a bit different; see for example Nordell, *Varumärkesrättens skyddsobjekt -Om ordkännetecknets mening och referens,* 2004, p. 69-100 or Tritton, *Intellectual Property in Europe,* 2002, p. 506-507.
[5] Nordell, *Varumärkesrättens skyddsobjekt -Om ordkännetecknets mening och referens*, 2004, p. 77.

between competing products.[6] The underlying idea is that every object that bears the same trade mark shall have the same commercial origin.

Quality or guarantee function:
The 'quality or guarantee function' is directly correlated to the 'origin function'. A trade mark has a guarantee function in the sense that consumers can distinguish, without danger of confusion, specific goods or services that they associate with qualities and have certain expectations of. Trade marks usually ensure a consistent level of quality – be it good or bad, which helps the consumers to return to desirable goods or services, or to avoid undesirable ones.[7]

Investment or advertising function
The final argument that is used to justify trade mark protection is the 'investment or advertising function'. There if often a great deal invested in the promotion of trade marked products, which consequently adds additional value to the mark. This added value has been considered deserving protection as such.[8] Undertakings are thus provided the opportunity to accumulate goodwill associated with their goods or services. The 'investment or advertising function' has been considered an ethical argument for the protection of trade marks as it is based on the idea of fairness or justice in preventing competitors from taking advantage of the reputation of an earlier trade mark.[9]

The 'quality or guarantee function' and the 'investment or advertising function' are to a large extent ancillary to the origin function. Since the origin function guarantees that all products bearing a trade mark emanate from the same commercial source, it enables the manufacturer to invest in the trade mark's goodwill and thus functions also as a guarantee that the product satisfies the consumer's expectation of quality.

Developments tend to suggest that the scope of the protection conferred by trade marks has gradually been broadened and that the concept of trade mark protection has undergone a slight transformation. Rather than emphasising the origin function, the ancillary functions of the trade mark have grown in importance.[10] A similar development can be perceived in other intellectual property fields, that is an increased emphasis on the economic aspect of intellectual property rights.

---

[6] Koktvedgaard & Levin, *Lärobok i immaterialrätt*, 2002, p. 336.
[7] Nordell, *Varumärkesrättens skyddsobjekt -Om ordkännetecknets mening och referens*, 2004, p. 84.
[8] Nordell, *Varumärkesrättens skyddsobjekt -Om ordkännetecknets mening och referens*, 2004, p. 93 and Cornish, *Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights*, 2003, p. 587.
[9] Bently & Sherman, *Intellectual property law*, 2004, p. 701.
[10] Keeling, *Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law*, 2003, p. 150.

2.2 The Single Market

Economists have generally accepted that international trade leads to optimising of world output and income levels in the long run.[11] Since all countries have different prerequisites in natural resources, climate, workforce among others, these individual advantages translates into maximum productivity for all trading States. Ultimately, free trade should lead to the most effective allocation of resources as assets flow into areas of greatest economic advantage. Where commercial forces are unhindered by artificial boundaries, and hence free to act, they create a level playing field where supply and demand can meet.[12] This leads to greater economies of scale and thus maximises welfare by making sure that resources are used in the most efficient way. Consequently, social rights and benefits will arise since working conditions improve.[13] Another consequence of free trade is that countries that are dependent on each other for supplies are less likely to wage war against each other.[14]

These theories are based on a situation of perfect competition. Perfect competition is present in markets were no State intervention is present and the following assumptions are made: buyers and seller act rationally, are numerous, have full information about products on offer, can contract at little cost, have sufficient resources to transact, can enter and leave the market with little difficulty, and will carry out the obligations which they agree to perform.[15] Under these conditions, market participants continue to trade until no gains can be realised from further exchange. However, these conditions do not exist in any market. In a modern political economy, there are inevitably political and social difficulties that governments have to face and these affect relationships with other trade partners. Therefore, governments are likely to impose import restrictions in order to protect the domestic industry, which may be less efficient and therefore less competitive, in order to divert expenditure away from foreign-produced goods in favour of domestic goods.[16] Nevertheless, the barriers associated with trade restrictions can be removed by bilateral agreements between the contracting parties.[17]

By establishing an internal market, the EU seeks to unite national markets in a single market having the characteristics of a domestic market.[18] In

[11] Tillotson & Foster, *Text, cases and materials on Europeans Union law,* 2003, p. 259.
[12] Hays, *Parallel importation under European Union law,* 2004, p. 16.
[13] See for example Art.136 E.C. Treaty and White Paper from the Commission Com (85) 310 Final, para. 20.
[14] Barnard, *The Substantive Law of the EU,* 2004, p. 6.
[15] Ibid. p. 6-8.
[16] Tillotson & Foster, *Text, cases and materials on Europeans Union law,* 2003, p. 259.
[17] Barnard, *The Substantive Law of the EU,* 2004, p. 7.
[18] In this thesis, I will use the terms common, single and internal market synonymous, i.e. integration by removing all impediments to free movement of goods, persons, services and capital between Member States, as well as a common external policy in respect of non-Member States. Technically, the term 'internal market' is a narrower concept since it only

realising those goals, the four freedoms are of central importance. Art. 2 of the E.C. Treaty state that the Community shall have the task of establishing a common market and an economic and monetary union. For these purposes, the activities of the Community shall include an internal market characterised by the abolition, as between Member States, of obstacles to the free movement of goods, persons, services and capital.[19]

The object is to ensure that products and production factors, such as workers and capital, freely can move across national borders, thus enabling entrepreneurs to move their production capabilities to places were it would be most economical. In achieving this aim of single market integration, removal of discriminatory trade barriers is necessary. The Community expects that this will result in products most favoured by consumers being the most successful, regardless of the country of origin, and this will ultimately serve to maximise wealth-creation in the Community as a whole. Furthermore, the Community expects it will contribute to an increase in industrial efficiency and competitiveness of EU companies by enabling industries to make economies of scale and thus lead to job creation.[20]

2.2.1 Free Movement of Goods

Free movement of goods is one of the four freedoms guaranteed by the original E.C. Treaty. The objective of the provisions is to establish the basic principles of the Common Market. This includes the removal of custom duties and quantitative restrictions on the import and export of goods between Member States.[21] The idea is that goods that have been placed on the market shall circulate freely within the Common Market. The provisions on removal of custom duties, which are regulated in Arts 25 to 27 E.C. Treaty, will not be dealt with since they are beyond the scope of this thesis.

Article 28 E.C. Treaty
The prohibition of quantitative restrictions is dealt with in Arts 28 to 31 E.C. Treaty. These articles are of central importance in achieving the objectives of the Union. Art. 28 E.C. Treaty has direct effect and may be invoked by individuals against Member States. Art. 28 states[22]:

> Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States.

---

focuses on the four freedoms, see Tillotson & Foster, *Text, cases and materials on Europeans Union law,* 2003, p. 250. For a synopsis of different economic stages of integration, see Barnard, *The Substantive Law of the EU,* 2004, p. 8-17. For a synopsis on different political integration theories, see Moussis, *Access to European Union –law, economics, policies,* 2003, p. 6-8.

[19] Art. 3.1 (c) E.C. Treaty.

[20] White Paper from the Commission Com (85) 310 Final, paras 13 and 63.

[21] Art. 3.1 (a) E.C. Treaty.

[22] Art. 29 contain a similar provision relating to exports.

The ECJ has construed the scope of this provision very broadly. In *Geddo v. Ente nazionale Risi*[23] 'quantitative restrictions' was defined to include all measures which amount to total or partial restraint of imports, exports or goods in transit. However, it is the interpretation of 'measures having equivalent effect' that has led to a tide of subsequent rulings from the ECJ. The most decisive of these cases is the ruling in *Dassonville*.[24] In this case, the ECJ broadly construed the standard definition of the scope of 'measures having equivalent effect'. The Court held that "all trading rules enacted by Member States which are capable of hindering, directly or indirectly, actually or potentially, intra-Community trade are to be considered as measures having an effect equivalent to quantitative restrictions."[25] This wide definition includes all measures that in some way impede the possibilities of an importer establishing in a Member State. It is important to keep in mind that the *Dassonville formula* focuses on the effect of the measure. It does not matter whether the measure has a discriminatory intent, it is sufficient that it has the potential to hinder intra-Community trade.

The *Dassonville formula* was affirmed and expanded in *Cassis de Dijon*[26], where the Court held that Art. 28 E.C. Treaty could apply to national rules even though the provisions did not discriminate against imported goods. Accordingly, there is an obstruction of the free movement even though the national rules effect imported goods in the same way as domestic goods. Through this, the ECJ fashioned a principle of mutual recognition. Goods that have been placed on the market shall not be hindered from admittance to another Member State merely because the trade rules differ form those applicable in the country of origin.[27]

However, in the absence of Community harmonisation the importing State may invoke reasonable measures as long as they serve objectively justifiable purposes and treat imported goods in the same way as domestic.[28] This principle is known as *the rule of reason.* The measures that are invoked by Member States have to be justified by a 'mandatory requirement'. The enumerated list of relevant requirements in *Cassis de Dijon* is not exhaustive, subsequent case law has added other objective justifications.[29] The 'mandatory requirements' are separate from the justifications under the stricter Art. 30 E.C. Treaty.

The wide scope of Art. 28 E.C. Treaty, as it is defined in *Dassonville* and *Cassis de Dijon*, has been delimited in the later *Keck*[30] case. In *Keck*, the ECJ excluded selling arrangements from the ambit of Art. 28 as long as they

[23] Case 2/73, Geddo v. Ente nazionale Risi.
[24] Case 8/74, Procureur du Roi v. Dassonville.
[25] Ibid. para. 5.
[26] Case 120/78, Rewe-Zentrale AG v. Bundesmonopolverwaltung für Branntwein (Cassis de Dijon).
[27] Ibid. para. 14.
[28] Ibid. para. 8.
[29] See for example Case 178/84 Commission v. Germany (consumer protection and public health), Case 302/86 Commission v. Denmark (environmental protection)
[30] Joined cases C-267 and 268/91 Criminal Proceedings against Keck and Mithouard.

apply and affect the marketing of domestic products in the same manner as those from other Member States.

Art. 28 E.C. Treaty applies only to measures employed by Member States or the Community, as opposed to those employed by private individuals or undertakings. The definition of 'State' is wide and includes measures by administrative bodies in which the national government in some way exercises, more or less, control or influence.[31]

Article 30 E.C. Treaty

Art. 30 of the E.C. Treaty provides for an exception from the fundamental principle on free movement of goods laid down in Art. 28 E.C. Treaty. Since it is an exception, the ECJ has construed the rule strictly and the enumerated list in the Article is exhaustive.[32] However, the expression 'industrial and commercial property' has been interpreted widely.[33] Art. 30 states:

> The provisions of Articles 28 and 29 shall not preclude prohibitions or restriction on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historical or archaeological value; or 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. [emphasis added]

Art. 30 E.C. Treaty applies even if the national provision discriminates against imported goods, as long as it justified for the protection of industrial and commercial property and does not constitute a mean of arbitrary discrimination or a disguised restriction on trade between Member States. The provision must also be proportional, meaning that it must be an appropriate measure and must be the least restrictive means possible to attain the objective in question.[34]

However, Art. 30 E.C. Treaty can no longer be invoked as a ground for justifying restrictions if the Community harmonises an area totally or exhaustively.[35] Many Community harmonising measures are nevertheless not intended to exhaustively deal with the area at present.

The exception for protection of industrial and commercial property is reinforced by Art. 295 E.C. Treaty, which provides that:

> The Treaty shall in no way prejudice the rules in Member States governing the system of property ownership.

---

[31] Craig & De Búrca, *EU Law -Text, Cases and Materials,* 2003, p. 625.
[32] Ibid. p. 626.
[33] Tritton, *Intellectual Property in Europe,* 2002, p. 461.
[34] Craig & De Búrca, *EU Law -Text, Cases and Materials*, 2003, p. 626.
[35] Case 5/77 Tedeschi v. Denkavit, para. 35.

2.2.2 Harmonisation

The main objective for Community harmonising provisions in the field of intellectual property is to remove national differences and thus facilitate the accomplishment of the single market. The Commission has held that differences in intellectual property laws between Member States have a direct and negative impact on trade in the single market and on the ability for undertakings to treat the Community as a single environment for their economic activities.[36] In the absence of harmonisation by Community institutions, it is for the national law to determine the procedures and conditions governing the grant of intellectual property rights.[37]

National trade mark laws have been somewhat harmonised by the Trade Mark Directive.[38] The Directive was a consequence of the Commission's ambition to implement a Community Trade Mark, CTM. Since national trade mark laws would continue to exist alongside the CTM, the Commission realised that the national laws needed to be harmonised in order to adapt the two different systems.[39] The substantive provisions of the Directive are virtually identical to those of the Community Trade Mark Regulation.[40] The CTM enables undertakings to obtain, on a single application, one trade mark covering all the Member States.

The legal basis for the Directive was Art. 95 E.C. Treaty, which confers rights to the Council to adopt measures for the approximation of provisions that have the object of establishing the functioning of the internal market. According to the recitals, the rationale behind the Directive was to remove disparities in the national trade mark laws of the Member States. These disparities might have obstructed the free movement of goods and hence could impede the functioning of the internal market. Therefore, it was considered fundamental that registered trade marks enjoy the same protection under the legal systems of all Member States.[41]

The Directive is not intended to fully harmonise the Member States trade mark laws. It is limited to those provisions that most directly affect the functioning of the single market.[42] Since the harmonisation is not total, recourses to Art. 30 E.C. Treaty are still justified, relating to subjects not fully covered, for the purpose of interpreting the legal effect of those national provisions. However, the Directive has been held to completely

[36] White Paper from the Commission Com (85) 310 Final, para. 145.
[37] Case 144/81 Keurkoop v. Nancy Kean Gifts, para. 18.
[38] First Council Directive, 89/104/EEC, to approximate the laws of the Member States relating to trade marks.
[39] Tritton, *Intellectual Property in Europe*, 2002, p. 213.
[40] Council Regulation (EC) No 40/94 on the Community trade mark.
[41] Trade Mark Directive, rec. 1 and 10.
[42] Ibid. rec. 3.

harmonise in relation to trade mark exhaustion, thereby excluding the applicability of Art. 30 in that matter.[43]

2.3 Articles 28 to 30 E.C. Treaty and Intellectual Property rights

Exclusive territorial protection is characteristic of intellectual property rights. This principle is difficult to reconcile with the objective of creating a single market within the Community. By enforcing national intellectual property rights to oppose importation of goods, which where lawfully marketed in another Member State, there is a risk that private parties are allowed to partition the Community along national lines. To some extent, harmonisation of the Member States laws may overcome obstacles to free movement of goods arising from discrepancies in national law, but it cannot solve the more fundamental problems due to the territoriality of intellectual property rights.[44]

It has been questioned whether intellectual property rights fall within the ambit of the E.C. Treaty at all. This uncertainty arises primarily from the wording of the Treaty. Intellectual property rights are expressly mentioned only in Art. 30 E.C. Treaty, which provides for an exception from the free movement of goods. It was initially uncertain whether this implied that intellectual property rights were exempted from the application of the Treaty and therefore within the exclusive competence of the Member States. These uncertainties have been removed and it has been firmly established that intellectual property rights are within the ambit of the Treaty.[45]

The following sections will deal with the inherent conflict between the objectives of a single market, as expressed in Art. 28 E.C. Treaty in particular, and national intellectual property rights, protected under Art. 295 and Art. 30 E.C. Treaty. The attempts at establishing a proper balance between these conflicting objectives have been almost entirely judicial. In the early 1970s, the ECJ gave a series of significant rulings on Arts 28 and 30 E.C. Treaty in relation to intellectual property. Over time, the ECJ has developed an extensive body of case law laying down a number of doctrines, which will be discussed below.[46]

[43] Case C-355/96 Silhouette v. Hartlauer paras 15-31 and case C-173/98 Sebago v. Unic, paras 13-17.
[44] Keeling, *Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law,* 2003, p. 26.
[45] Govaere, *The Use and Abuse of Intellectual Property Rights in E.C. Law,* 1996, p. 42.
[46] Tritton, *Intellectual Property in Europe,* 2002, p. 462.

2.3.1 Existence v. Exercise

In its early years, the ECJ avoided the application of Arts 28 and 30 in relation to intellectual property rights. Instead, they often applied the E.C. Treaty rules of competition in Arts 81 and 82.[47] The existence v. exercise doctrine originates from the ECJ judgement in the *Consten & Grundig v. Commission*[48] case, which related to Art. 81. The Court attempted to resolve the problem of Arts 30 and 295 E.C. Treaty in relation to misconduct behaviour possible due to intellectual property rights, and stated that the prohibition under Art. 81 (1) does not affect the *grant* of national intellectual property rights but only limits their *exercise*.[49] This was the birth of the existence v. exercise doctrine.[50]

The aforementioned case related to the competition rules of the E.C. Treaty. It was not until *Deutsche Grammophon v. Metro*[51] that the doctrine was applied in the context of the provisions on free movement of goods. In this case, records originally manufactured by Deutsche Grammophon were marketed through its French subsidiary in France. Metro then acquired records from a wholesaler in France and placed those records for sale in Germany, undercutting Deutsche Grammophon's official prices. Deutsche Grammophon brought complaints against Metro claiming that Metro had infringed their copyright. The German court referred two questions to the ECJ asking whether this operation of the German copyright law was in conflict with Art. 81 (1) E.C. Treaty, or if it could constitute an abuse of a dominant position within Art. 82 E.C. Treaty. The ECJ did not confine itself with answering those questions but went on to examine the situation in light of Arts 28 and 30 E.C. Treaty. The Court stated:

> Although the Treaty does not affect the *existence* of rights recognised by the legislation of a Member State with regard to industrial and commercial property, the *exercise* of such rights may nevertheless fall within the prohibitions laid down by the Treaty.[52] [emphasis added]

The distinction between existence and exercise has been criticised by many authors. *Tritton* has argued that that a prohibition on the exercise intellectual property rights means that the essential part of the national intellectual property law is unenforceable and as such, the prohibition constitutes an attack on the very existence of such law. Therefore, a distinction between

[47] Tritton, *Intellectual Property in Europe*, 2002, p. 462.
[48] Joined cases 56 and 58/64 Consten & Grundig v. Commission.
[49] Joined cases 56 and 58/64 Consten & Grundig v. Commission, E.C.R. [1966] p. 345.
[50] In Consten & Grundig v. Commission, the ECJ uses the expression 'grant'. It was not until case 24/67 Parke, Davies v. Centrafarm that the Court used the phrasing 'existence'.
[51] Case 78/70 Deutsche Grammophon v. Metro.
[52] Ibid. para. 11.

the existence and exercise of rights, for the purposes of Arts 28 to 30, would be both illogical and wrong.[53]

However, it appears that the application of the existence v. exercise doctrine has been abandoned by the ECJ, in respect of the free movement of goods provisions. While the Court reiterated the definition in almost every judgment in the intellectual property field between 1971 and 1982, it does not occur in any subsequent judgment.[54] In the Opinion for *Merck v. Primecrown*, A.G. *Fennelly* held that "the distinction between the existence and the exercise of rights can, at times be quit unreal. It has not been referred to in recent case-law … and may now, at least in so far as the interpretation of [Arts 28 to 30] is concerned, be discarded."[55] Other authors have maintained that the distinction has not become obsolete.[56]

2.3.2 Specific Subject-Matter

In *Deutsche Grammophon v. Metro*, the ECJ applied the existence v. exercise doctrine to intellectual property for the first time in the context of Arts 28 and 30 E.C. Treaty. However, the Court also stated that Art. 30 E.C. Treaty only permits prohibitions or restrictions on the free movement of goods to the extent to which they are justified for the purpose of safeguarding rights which constitute the specific subject-matter of the intellectual property.[57] Thus, in order to be justified on grounds of protecting industrial and commercial property under Art. 30 E.C. Treaty, the national provision in question must be necessary to safeguard the specific subject-matter of that property. The ECJ had never before referred to the specific subject-matter of an intellectual property and it did not attempt, in this case, to define what actually constituted the specific subject-matter.

It was not until *Centrafarm v. Winthrop*[58] that the ECJ defined what constituted specific subject-matter for trade marks.[59] Centrafarm acquired

---

[53] Tritton, *Intellectual Property in Europe*, 2002, p. 467 and Tritton, *Articles 30 and 36 and Intellectual property: Is the jurisprudence of the ECJ now of an Ideal Standard*, 1994, p. 423.

[54] Keeling, *Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law*, 2003, p. 55.

[55] Opinion by A.G. Fennelly in joined Cases 267-268/95 Merck v. Primecrown and Beecham v. Europharm, para. 93.

[56] Marenco & Banks, *Intellectual Property and the Community Rules on Free Movement: Discrimination Unearthed*, 1990, p. 226.

[57] Case 78/70 Deutsche Grammophon v. Metro, para. 11. Some authors, for example Tritton, use the term 'specific object' instead. The terms appear to be interchangeable and originate from the problem of translating the French 'object spècifique'. See Keeling, *Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law*, 2003, p. 63-64.

[58] Case 16/74 Centrafarm v. Winthrop.

[59] For a definition of specific subject matter regarding other intellectual property rights, see Case 15/74 Centrafarm v. Sterling Drug (patents), Joined cases 76, 77 and 91/89 Magill

supplies of the urinary infection drug NEGRAM in the UK and exported them for sales in the Netherlands. In the Netherlands, the company was met by proceedings for infringement of Winthrop's Dutch patent and trade mark. The Court's statement, in full citation, regarding specific subject-matter of trade marks merits:

> In relation to trade marks, the specific subject matter of the industrial property is the guarantee that the owner of the trade mark has the exclusive right to use that trade mark, for the purpose of putting products protected by the trade mark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trade mark by selling products illegally bearing that mark.[60]

The above citation demonstrates that the specific subject-matter is essentially the exclusive right for a trade mark proprietor to first place a product on the market. To a large extent, this doctrine correlates with the doctrine of exhaustion and therefore as a result they can be considered as two sides of the same coin.

Keeling has criticised the ECJ for only singling out one aspect of the purpose of trade mark protection 'to protect … against competitors wishing to take advantage of the status and reputation of the trade mark'. The author points out that nothing is mentioned about the trade marks role in preventing the deception of consumers.[61]

The scope of the specific subject-matter doctrine has been adjusted by the ECJ. In *Van Zuylen v. Hag (Hag I)* the Court held, regarding the specific subject-matter, that trade marks protect the legitimate holder of the intellectual property right against infringements on the part of persons who lack any legal title.[62] This was the starting point for the later abandoned *common origin* doctrine.[63] In *Hoffman-La Roche v. Centrafarm*, the ECJ stated that the specific subject-matter of a trade mark includes the right for a proprietor to prevent any use of a trade mark which is likely to impair the guarantee of origin.[64] Furthermore, in *Centrafarm v. American Home Products* the ECJ concluded that the right granted to the proprietor to prohibit any unauthorised affixing of his mark to his product falls within the specific subject-matter of the trade mark.[65]

(copyright), Cases C-92 and 326/92 Phil Collins (copyright), Case 238/87 Volvo v. Veng (design).

[60] Case 16/74 Centrafarm v. Winthrop, para. 8.

[61] Keeling, *Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law*, 2003 p. 64-65.

[62] Case 192/73 Van Zuylen v. Hag (Hag I), para. 10.

[63] See Pehrson, *Common origin-pricipens uppgång och fall*, NIR 1995 p. 10, and Case C-10/89 CNL-Sucal v. Hag (Hag II).

[64] Case 102/77 Hoffman-La Roche v. Centrafarm, para. 7.

[65] Case 3/78 Centrafarm v. American Home Products, para. 17.

The specific subject-matter doctrine is not an attempt by the ECJ to create an abstract definition of the fundaments and minimum standard of intellectual property protection under Community law. Thus, the doctrine is not to be understood as encapsulating the very essence of the intellectual property rights. There is no legal basis, either in the E.C. Treaty or in the Community Directives on intellectual property law, providing the Court with the competence to define the extent of protection provided by intellectual property rights.[66]

The specific subject matter doctrine has been criticised for being a fluctuating concept, which is only defined on a case-by-case basis. *Keeling* argues that the doctrine is of little use, and can hardly be said to serve the interests of legal certainty. The author explains that the criterion is so fluid and hazy that it does not permit useful predictions to be made about the probable outcome of specific cases that arise in practice.[67] He continues, rather poetically:

> [h]aving played the role of midwife to the exhaustion principle, it was led off to early retirement in spite of its obvious potential for performing more challenging roles. Since then it has been allowed back on stage in a few cameo parts where it was unlikely to cause embarrassment, and it has of course continued to go through its familiar routine in the exhaustion cases.[68]

Marenco and *Banks* are of the opinion that the idea of specific subject-matter is arguably an awkward tool of analysis. This is due to the fact, *inter alia*, that the definition of the specific subject-matter has been modified with every new case in order to fit the particular problem.[69]

On the other hand, A.G. *Jacobs* has defended the doctrine on the ground that it is flexible. He has held that the concept of specific subject-matter is essentially connected to the existence v. exercise doctrine, because it makes it possible to determine, in relation to each type of intellectual property, the circumstances in which the exercise of the right will be permissible under Community law.[70]

2.3.3 Essential Function of Trade Marks

The specific subject-matter doctrine guarantees the trade mark proprietor the right to use the trade mark for the purpose of putting a product into

---

[66] Beier, *Industrial Property and the Free Movement of Goods in the Internal European Market*, 1990, p. 148.
[67] Keeling, *Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law*, 2003, p. 66.
[68] Ibid. p. 72.
[69] Marenco & Banks, *Intellectual Property and the Community Rules on Free Movement: Discrimination Unearthed*, 1990, p. 230-234.
[70] A.G. Jacobs Opinion in Case C-10/89 CNL-Sucal v. Hag (Hag II) paras 11 (ii) and 14.

circulation for the first time. In order to determine the exact scope of this right, the ECJ has developed the doctrine of the essential function for trade marks. The essential function doctrine is essentially a sub-classification of the specific subject-matter doctrine.

Hoffmann-La Roche v. Centrafarm[71] was the first case in which the ECJ referred to the essential function of a trade mark.[72] The Court held that the essential function of a trade mark is to guarantee the identity of the origin of the trade marked product to the consumer or ultimate user, by enabling him or her without any possibility of confusion, to distinguish that product from products which have another origin. The right of the proprietor to prevent any use of the trade mark which is likely to impair the guarantee of origin is therefore part of the specific subject-matter of the trade mark right.[73] The principle was reiterated five months later in *Centrafarm v. American Home Products*[74] where the Court stated that the essential function is to guarantee the identity of the origin of the trade marked product to the consumer or ultimate user.[75] The ECJ thereby established the origin function as the essential function of the trade mark.

This definition of the essential function of a trade mark coincides with the Trade Mark Directive. Recital 10 states that the function of the trade mark is in particular, to guarantee the trade mark as an indication of origin. However, the phrasing 'in particular' suggests that the origin function is not the only relevant trade mark function.

According to *Tritton*, the essential function and the specific subject-matter of the trade mark should be seen as two sides of the same coin. These doctrines constitute the two functions of the trade mark.[76] First, the essential function of the trade mark enables consumers to distinguish goods or services from different sources (origin function). Secondly, the specific subject-matter of the trade mark guarantees that the proprietor has the exclusive right to market specified goods or services under the trade mark in order to protect his or her investment in the brand (investment function). Both these doctrines describe the basic role of a trade mark in a market economy. The definition of the essential function describes that role from the consumer's point of view, while the definition of specific subject matter describes it from the viewpoint of the trade mark proprietor.[77]

---

[71] Case 102/77 Hoffmann-La Roche v. Centrafarm.
[72] However, in Case 119/75 Terrapin v. Terranova para. 6, the ECJ referred to the 'basic function' of a trade mark.
[73] Case 102/77 Hoffmann-La Roche v. Centrafarm, para. 7.
[74] Case 3/78 Centrafarm v. American Home Products.
[75] Ibid. para. 12.
[76] Tritton, *Intellectual Property in Europe,* 2002, p. 506-507. Compare with the three functions of the trade mark in the section on rationale for protection of trade marks.
[77] Tritton, *Intellectual Property in Europe,* 2002, p. 506. These two functions have also been recognised by A.G. Jacobs in Case C-10/89 CNL-Sucal v. Hag (Hag II) at para. 18 of his opinion.

In its early judgments, the ECJ had a more negative attitude towards the value of trade mark protection compared to other intellectual property rights.[78] However, in the *Hag II*[79] case the ECJ reassessed the importance and essential significance of trade mark protection. The Court held that trade mark rights are an essential element in the system of undistorted competition which the E.C. Treaty seeks to establish and maintain, and proceeded to reiterate the essential function of the trade mark, co adopting the same phrasing as in *Hoffman-La Roche v. Centrafarm*.[80]

Later on, in *Ideal Standard*[81] the ECJ refined the concept of essential function. In *Hag II,* the Court had mentioned that a trade mark, in order to be able to fulfil its role, must offer a guarantee that all goods bearing it have been produced under the control of a single undertaking, which is accountable for their quality.[82] According to the judgment in *Ideal Standard,* the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control.[83] This implies that only the origin function, to the exclusion of the ancillary quality or guarantee function, is within the scope of the essential function. *Tritton* has criticised this view and held that when referring to the essential function of a trade mark, it is illogical to only consider confusion as to origin and ignore confusion as to quality.[84] However, it is counter argued that since the trade mark works as a guarantee of origin the consumers are given an ancillary guarantee of quality.[85]

Subsequent case law from the ECJ has shown greater acceptance of the advertising or investment function of the trade mark.[86] This demonstrates that the Court is aware that the scope of trade mark protection may sometimes be wider than the tests of specific subject-matter and essential function imply. In the repackaging and relabelling cases, which will discussed later, the ECJ has held that, in some circumstances the trade mark owner may still object to an inappropriate presentation of the repackaged products on the ground that defective, poor quality or untidy packaging could damage the trade mark's reputation.[87]

---

[78] See especially case 40/70 Sirena v. Eda where the Court at para. 7 of the judgment stated that " a trade mark right is distinguishable … from other rights of industrial and commercial property, inasmuch as the interests protected by the latter are usually more important, and merit a higher degree of protection, than the interests protected by an ordinary trade-mark." See A.G. Jacobs' opinion in Hag II para. 16.
[79] Case C-10/89 CNL-Sucal v. Hag (Hag II),
[80] Ibid. paras 13-14.
[81] Case 9/93 IHT v. Ideal Standard.
[82] Case C-10/89 CNL-Sucal v. Hag (Hag II) para. 13.
[83] Case 9/93 IHT v. Ideal Standard, para. 37.
[84] Tritton, *Articles 30 and 36 and Intellectual Property: Is the Jurisprudence now of an Ideal Standard*, 1994, p. 426.
[85] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 47.
[86] See especially case C-337/95 Dior v. Evora and case C-63/97 BMW v. Deenik.
[87] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 75.

2.3.4 Exhaustion of Rights

The exclusive right to intellectual property is normally limited to placing the protected goods on the market for the first time. Since intellectual property rights are territorial in nature, a proprietor would be able to partition off national markets if he was allowed to control further trading of the goods once they had been placed on the market. This would restrict trade and thus facilitate the maintenance of price differences between Member States. Therefore, the ECJ has embraced the doctrine of exhaustion in order to prevent proprietors from relying on national intellectual property laws to hinder further trading of goods that have been placed on the market within the Community. The concept of exhaustion basically means that after a product has been placed on the market by the proprietor, or with his consent, the lawful owner of the specific product may use, sell or otherwise dispose of that product in which way as he choose.

The doctrine was first established in the aforementioned *Deutsche Grammophon v Metro* case. After establishing that the exercise of an intellectual property right might fall within the ambit of the E.C. Treaty, and that Art. 30 admits derogations only in order to safeguard rights which constitute the specific subject-matter, the ECJ continued and established the principle of exhaustion. The principle was founded on the basis of the E.C. Treaty provisions on free movement of goods. The Court held that the essential purpose of the Treaty could not be attained if, under the various legal systems of the Member States, nationals were able to partition the market and bring about arbitrary discrimination or disguised restrictions on trade between Member States. Thus, a proprietor is not allowed to rely upon national rules in order to prevent the marketing in one Member State, of goods distributed by the holder of the right or with his consent on the territory of another Member State, on the sole ground that such distribution did not take place on the national territory.[88] This principle has been strictly upheld in later case law by the ECJ.[89]

Subsequent harmonising Community legislation contains explicit provisions on exhaustion. Art. 7 of the Trade Mark Directive states:

> The trade mark shall not entitle the proprietor to prohibit its use in relation to goods that have been put on the market in the Community under that trade mark by the proprietor or with his consent.
>
> Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

[88] Case 78/70 Deutsche Grammophon v. Metro, para. 12.
[89] Tritton, *Intellectual Property in Europe,* 2002, p. 472.

Art. 7 of the Directive operates in respect of goods that have been put on the market within the Community. However, there is no explicit mention of importing goods from outside the Community and some countries, including Sweden, earlier favoured an international exhaustion principle.[90] The question of whether Art. 7 did imply that Member States were required to relinquish their national doctrines on the subject was answered by the ECJ in *Silhouette*[91]. In this case, Silhouette sold spectacle frames under the mark SILHOUETTE into Bulgaria on condition that marketing would only occur in former Eastern Bloc countries. Later on, the frames were imported into Austria by a parallel importer. The ECJ held that Art. 7 was to be interpreted as leaving no room for national provisions on this matter. If some countries were free to maintain international exhaustion, while others did not, there would be an immediate difficulty in maintaining free movement within the internal market.[92] Thus, the ECJ defined the geographical market for the exhaustion principle to the EEA area.

The exhaustion principle applies to goods placed on the market in a Member State by the holder of that right or with his consent. The meaning of 'consent' is not always as clear as it may initially appear. Exhaustion occurs when goods are placed on the market with the proprietors consent, meaning that undertakings which belong to the same economic group, agents, distributors or licensees, among others, cannot place goods on the market without exhaustion occurring.

However, there are situations in which Community-wide exhaustion does not occur. For example, if an undertaking assigns a trade mark to another undertaking with which it has no legal or economic link, then the first undertaking can oppose importation into Member States where they maintained trade mark rights.[93] This reasoning corresponds with the protection of the essential function of the trade mark, that is, to guarantee the origin of the goods since the assignor no longer has control over the manufacturing in the assigned territory. Furthermore, if goods are placed on the market in a Member State under a compulsory license, the proprietor can oppose importation into other Member States where he or she still has protection.[94] In such situations, the goods cannot be considered as placed on the market with the consent of the proprietor. Nevertheless, if the proprietor places goods on the market in a Member State where, for various reasons, he or she has no protection, they cannot object to the importing of those goods into another Member State where the protection is maintained.[95]

---

[90] Lidgard, *Parallelhandel –konsumtion av immaterialrätt i Europa och USA*, 2002, p. 34-35.
[91] Case C-355/96 Silhouette v. Hartlauer.
[92] Ibid. para. 37.
[93] Case C-2/93 IHT v. Ideal Standard.
[94] Case 18/84 Pharmon v. Hoechst.
[95] Case 187/80 Merck v. Stephar. This principle was later upheld in joined cases 267-268/95 Merck v. Primecrown. See also Mutimear, *The Challenge to Merck v. Stephar*, E.I.P.R. 1996, 18(2), 100-103.

It is consent to the act of marketing of the specific goods, not the act of manufacture, which is the relevant measure. It is not sufficient that other batches of the same product already have been placed on the market.[96] In *Davidoff* [97], the ECJ discussed under what circumstances consent had been given to importation into the EEA. The Court held that the consent must be so expressed that an intention to renounce those rights is unequivocally demonstrated. However, it is conceivable that consent may be implied, where it is to be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA.[98]

Art. 7.2 of the Directive provides the proprietor with legitimate reasons to oppose further commercialisation, especially where the goods have been changed or impaired after initial placement on the market. The article was subject to interpretation in *Dior*[99], where the ECJ held that the phrasing 'especially' implied that there could be other legitimate reasons besides the risk of impairing the condition of the goods. The case related to the right in advertising parallel imported goods. The Court held that while the trade mark proprietor cannot oppose advertising that follows the customs of the retailer's sector of trade, he could oppose advertising that may seriously damage the reputation of the trade mark. That could occur, for example, if the retailer used the trade mark in a context that might seriously detract from the image, which the trade mark owner has succeeded in establishing.[100] Furthermore, the reseller may not advertise in such a way that it gives rise to the impression that there is a commercial connection between the reseller and the trade mark proprietor or that there is a special relationship between the two undertakings.[101]

2.4 Conclusions

As demonstrated above, the main objective behind the creation of a single market is to maximise wealth-creation in the Community as a whole. This is to be achieved by uniting the national markets of the Member States into a single market having the characteristics of a domestic market. This naturally comes into conflict with the territoriality inherent in trade mark protection. However, there is no doubt that trade mark protection plays an important role in a market economy since it facilitates consumer distinction between competing goods or services. When a conflict arises between two such important interests, it hardly seems appropriate to assume that one of those

[96] Case C-173/98 Sebago Inc v. GB Unic SA.
[97] Joined cases 414-416/99 Davidoff v. A & G Imports.
[98] Joined cases 414-416/99 Davidoff v. A & G Imports, paras 45-47. Also see Lidgard, *Parallelhandel –konsumtion av immaterialrätt i Europa och USA*, 2002 p. 154-155.
[99] Case C-337/95 Dior v. Evora.
[100] Ibid. paras 44-48.
[101] Case C-63/97 BMW v. Deenik, para. 51.

interests is more fundamental than the other one. Hence, this calls for balancing of the specific interests at stake.

The ECJ has attempted to strike such a balance, but the question is whether they have succeeded. The essence of the ECJ case law can be summarised in that; free movement of goods is provided for in Art. 28 of the E.C. Treaty. However, Art. 30 E.C. Treaty provides for an exception from the fundamental principle of free movement, if the provisions are justified for the protection of industrial and commercial property and does not constitute a disguised restriction on trade between Member States. The ECJ has construed this into stating that Art. 30 E.C. Treaty only allows exceptions from the free movement principle if the provisions are justified in order to safeguard the specific subject-matter of the intellectual property right. When assessing a trade mark's specific subject-matter, regard must be had to its essential function, which is to guarantee consumers that all goods bearing the trade mark have the same origin. Furthermore, the exclusive right of an intellectual property is limited to placing the protected goods on the market for the first time. After that, the exclusive rights are exhausted. As for the existence v. exercise doctrine, the author's opinion is that it can be considered a thing of the past.

When examined in this way, the doctrines appear comprehensible. It seems that the ECJ has managed to strike a desirable balance between the competing interests. However, if the surface is scratched, inconsistencies become visible. The ECJ has faced problems in maintaining a clear line when balancing the interests at stake. The approach to the doctrines has fluctuated over the years and they appear as *ad hoc* solutions for solving specific problems. This has lead to vaguely defined doctrines. *Hays* has held that the "result has been the generation of a series of abstract legal doctrines which attempt to fractionalise intellectual property rights and recombine the pieces so as to make them fit within a common single market."[102]

The *specific subject-matter* doctrine has the disadvantage that it is construed based on certain facts in the specific cases. This leads to uncertainty when applying the doctrine to set of facts different from that of a decided case. However, the doctrine has some advantages since it allows subtle distinctions to be made, depending on the type of intellectual property right, as to whether exercises of intellectual property rights are compatible with Arts 28 and 30.

As for the *essential function* of the trade mark, the ECJ's case law perceives a shift from emphasising the origin function to also recognising the investment and advertising functions. It can be discussed whether the quality or guarantee function has also been included by the ECJ in the essential function of the trade mark.[103] The author's opinion is that it has not

[102] Hays, *Parallel importation under European Union law*, 2004, p. 19
[103] See for example Hays who argues that the ECJ case law also regards the function of quality as an essential function, *Parallel importation under European Union law*, 2004, p. 32.

been included, although the Court has demonstrated a greater awareness of the existence of the quality or guarantee function. The problem is that the Court does not seem to separate the different functions. This might in practice be a consequence of the fact that the Court does not demonstrate recognition of the differences. An example of the Court's confusion can be seen in *Hag II*. After stating that the essential function guarantees to the consumer the origin of the trade marked product, the Court held that the essential function would be jeopardised if the consumers would no longer be able to identify the origin of the marked goods and that the proprietor could be held responsible for the poor quality of goods, for which he or she was in no way accountable.[104] This indicates that the ECJ, to some extent, has included the quality function into the origin function.

The basic aim of the *exhaustion* principle is not difficult to grasp. It basically stipulates that intellectual property rights are not to be used against goods originating from the proprietor after he or she has put them on the market for the first time. The exhaustion principle is not controversial, but follows merely from common sense. There are, however, differences in opinion as to what extent the goods or its packaging can be altered after the initial sale without the proprietor being allowed to oppose further commercialisation. This issue will be returned to in the next chapter.

All of these doctrines appear to be *ad hoc* solutions to the conflict between free movement of goods and territorially delimited intellectual property rights. The long term solution to the conflict would not lie, in the author's opinion, in further harmonisation of national law, but in the replacement of national intellectual property rights with unitary Community-rights. Unitary intellectual property rights, valid throughout the Community, are undoubtedly a necessary component in achieving a genuine single market. The CTM and the Community Design Right are starting points for achieving this. However, they do not completely replace national intellectual property rights – they only constitute alternatives. Nevertheless, many obstacles are faced in replacing nationally delimited rights with Community-wide intellectual property rights. The most difficult barrier to overcome is the many different languages used throughout the Community. This situation has not improved with the latest expansion of Member States. With many different languages follows translation costs, which eventually are borne by the companies applying for the intellectual property right. As long as Member States insist that applicants have to translate their applications into the national language of their respective state, then costs for obtaining Community-wide protection will be disproportionately high. In consequence, only major multinational companies would benefit from the system. This is one of the main reasons that the Community has not been able to pass a Regulation on a Community patent. If the application process was simplified by stipulating that the procedure for obtaining protection only required the use of one language, preferably English, then costs would

[104] Case C-10/89 CNL-Sucal v. Hag, paras 14-16.

be lowered for handling registered intellectual property rights and thus diminish the need of a national system.

On the other hand, many companies operate only on small national markets and thus have no interest in obtaining Community-wide protection. For them, a centralised application procedure would only unnecessarily complicate things. Therefore, there is a risk that centralised procedures would lead to weakened intellectual property protection for smaller companies.

Another major problem is that the history of the EU has shown that the Member States are not that eager to transfer legislative competence to the Community. The author does not believe that the nearest future will demonstrate willingness from Member States to give up their national intellectual property systems in favour of a common EU-system.

3 Repackaging and Relabelling Trade Marked Goods

3.1 Nature of the Phenomenon

The incentive for parallel trade is the existence of price differences between Member States. In order to effectively dispose of the products on the market in the State of importation, parallel traders often wish to repackage the goods and re-affix the trade mark on the new packaging. The reason that the parallel importer repackages the goods is the occurrence of legal and cultural variations between Member States, for example, as to packaging and labelling laws and consumer preferences. In some cases, the parallel importer even may wish to re-affix a different trade mark on the new packaging because the product is sold under different trade marks in the Community. When marketing the product in the State of importation, the parallel importer re-affixes the trade mark that is used for the same product in that Member State.[105]

In particular, the problem of repackaging and relabelling has arisen with pharmaceutical products. Many of the leading cases concerning the free movement of goods within the Community have been cases about parallel importation of pharmaceuticals. However, *Loendersloot v Ballantine*[106] implies that the requirements for repackaging and relabelling apply to all trade marked products. This issue will be returned to.

Pharmaceutical products have become targets for parallel importer due to the occurrence of large price differences between the Member States. Furthermore, pharmaceutical products are easy to transport in relation to the high prices that can be obtained, thus reducing transaction costs. The pharmaceutical market differs considerably from that of other commercial products due to the special nature of its subject-matter. Price differences are largely a result of intervention by the individual Member States in the price-fixing of the pharmaceutical products. Therefore, pricing of pharmaceutical products is not subject to purely economic considerations and the producers are not completely free to act on the basis of supply and demand in the market.[107]

The demand side is greatly affected by the fact that the greater part of the cost for pharmaceuticals is borne by the public health care system. It is therefore the government, rather than the individual consumers, that may be

[105] Tritton, *Intellectual Property in Europe*, 2002, p. 255.
[106] Case C-349/95 Loendersloot v. Ballantine.
[107] Koutrakos, *In Search of a Common Vocabulary in Free Movement of Goods: The Examples of Repackaging Pharmaceuticals*, 2003, p. 55.

seen as the relevant costumer since it pays for the products. Governments have great influence on pharmaceutical prices, either by their buying power or by their ability to control pricing through imposing constraints, for example by the imposition of a maximum price or limiting the amount that can be reimbursed under social security schemes. Since different governments pursue different objectives, the pricing policies between the Member States will differ. Some focus primarily on keeping prices low and hence restraining public healthcare expenditure, while others put more emphasis on promoting research and development and therefore permit higher prices.[108]

3.2 Legal Framework

The ECJ has been asked in several cases to determine whether parallel importers are permitted to repackage or relabel the products in order be able to dispose them on the market in the importing Member State. The first case dealing with this issue was *Hoffmann-La Roche v. Centrafarm*[109].

Hoffmann-La Roche owned the trade mark VALIUM which it had licensed to a British company and a German company. Centrafarm acquired Valium tablets on the British market and imported them into the Netherlands where it repackaged the tablets, in batches of 1 000 tablets, and re-affixed the mark VALIUM for marketing in Germany. The question referred to the ECJ they was whether it was compatible with the E.C. Treaty for Hoffmann-La Roche to rely on their German trade mark rights to prevent Centrafarm from marketing the products in Germany. After reiterating the existence v. exercise, specific subject-matter and essential function doctrines the ECJ held that it was justified under the first sentence of Art. 30 E.C. Treaty for the proprietor of a trade mark to prevent an importer from re-affixing the trade mark to the new packaging without authorisation. The first sentence provides for an exception from Art. 28 E.C. Treaty in relation to provisions which are justified for the protection of industrial and commercial property. However, the Court continued and considered whether the exercise of such a right might constitute a 'disguised restriction on trade between Member States' within the meaning of the second sentence of Art. 30 E.C. Treaty. The Court held that such a restriction might arise, *inter alia*, from the proprietor of the trade mark putting onto the market an identical product in various packages while relying on the trade mark rights to prevent repackaging by a third person. This would be the case if it were done in such a way that the identity of origin of the trade marked product and its original condition could not be affected.[110] Such prevention of marketing

[108] Rey & Venit, *Parallel Trade and Pharmaceuticals: A Policy in Search of Itself*, 2004, p. 161-162.
[109] Case 102/77 Hoffmann-La Roche v. Centrafarm.
[110] Ibid. paras 8-9.

constitutes a disguised restriction on trade between Member States within the meaning of the second sentence of Art. 30 E.C. Treaty where:

> - It is established that the use of the trade mark right will contribute to the artificial partitioning of the markets between Member States;
> - It is shown that the repackaging cannot adversely affect the original condition of the product;
> - The proprietor of the mark receives prior notice of the marketing of the repackaged product; and
> - It is stated on the new packaging by whom the product has been repackaged.[111]

Centrafarm v. American Home Products[112] concerned relabelling of pharmaceutical products and came before the ECJ at about the same time as *Hoffmann-La Roche v. Centrafarm*. American Home Products marketed a pharmaceutical product under the trade mark SERENID D in the U.K. and under the trade mark SERESTA in the Netherlands. The therapeutic effects of the pharmaceuticals were identical, even though they differed in taste. Centrafarm acquired SERENID D in the U.K. and relabelled them as SERESTA before marketing in the Netherlands. Consequently, American Home Products brought charges against Centrafarm for infringement of their Dutch trade mark rights. The ECJ reached the same conclusion as in *Hoffmann-La Roche v. Centrafarm*, namely that the trade mark proprietor is justified according to the first sentence of Art. 30 E.C. Treaty to prevent a third party from marking the product but it nevertheless is necessary to consider whether the exercise of that right might constitute a 'disguised restriction on trade between Member State' within the meaning of the second sentence of Art. 30 E.C. Treaty.[113]

This distinction between the first and second sentence of Art. 30 E.C. Treaty has been criticised. In the opinion for *Bristol-Myers Squibb v. Paranova*, A.G. *Jacobs* asserted that the two sentences in Art. 30 E.C. Treaty should be read as a whole. It would be a mistake to interpret the second sentence as an exception to a general rule laid down in the first sentence. Either a measure is justified on one of the grounds listed in Art. 30 E.C. Treaty or it is not.[114] The ECJ agreed with A.G. *Jacobs* and has since not made any distinctions between the first and second sentence of Art. 30 E.C. Treaty.

After the adoption of the Trade Mark Directive, the legal basis for repackaging is Art. 7 of the Directive instead. The seminal case was *Bristol-Myers Squibb v. Paranova*[115]. The ECJ held that the introduction of Art. 7 TMD did not intend to restrict the scope of earlier case law on repackaging. It continued by stating that Art. 7 of the Directive, like Art. 30 of the E.C. Treaty, is intended to reconcile the fundamental interest of protecting trade

[111] Case 102/77 Hoffmann-La Roche v. Centrafarm, para. 14 (b).
[112] Case 3/78 Centrafarm v. American Home Products.
[113] Ibid. paras 18-19.
[114] Opinion of A.G. Jacobs in joined cases C-427/93, C-429/93 and C-436/93, Bristol-Myers Squibb v. Paranova, para. 82.
[115] Joined cases C-427/93, C-429/93 and 436/93 Bristol-Myers Squibb v. Paranova.

mark rights with that of free movement of goods within the Common Market. Therefore, those two provisions, which pursue the same result, must be interpreted in the same way. The Court's body of case law made under Art. 30 E.C. Treaty is consequently to be taken as the basis for determining whether, under Art. 7.2 of the Directive, a trade mark proprietor may oppose the marketing of repackaged products to which the trade mark has been re-affixed.[116]

Bristol-Myers Squibb v. Paranova related to the repackaging and re-affixing of the original trade mark to new packaging. As for relabelling, the ECJ has come to a different conclusion ascertaining the legal base for re-affixing a different trade mark. In *Pharmacia & Upjohn v. Paranova*[117] the Court held that Art. 7.1 of the Directive exhausted the rights conferred by the trade mark only in relation to goods which have been put on the market in the Community 'under that trade mark'. Therefore, it follows from the wording of the article that it does not apply where the parallel importer replaces the original trade mark with a different one. In that case, Arts 28 and 30 of the E.C. Treaty determine the respective rights of the trade mark proprietor and of the parallel importer. The Court then reiterated the reasoning from *Bristol-Myers Squibb v. Paranova* that Art. 7 of the Directive and Art. 30 of the E.C. Treaty pursue the same result and must be interpreted in the same way.[118]

In summary, the decisions of the ECJ stipulate that the trade mark proprietor's ability to oppose repackaging is judged under Art. 7 of the Directive, while the proprietor's ability to oppose relabelling is judged under Art. 30 of the E.C. Treaty.

3.3 Conditions for Repackaging and Relabelling

Bristol-Myers Squibb v. Paranova confirmed and clarified the cumulative conditions for repackaging and relabelling established in *Hoffmann-La Roche v. Centrafarm*. The facts of the joined cases in *Bristol-Myers Squibb v. Paranova* were complicated since they involved a number of companies and no fewer than 14 different pharmaceutical products. Bristol-Myers Squibb, Boehringer, and Bayer manufactured and marketed various pharmaceuticals in different Member States. Paranova acquired these products in Member States where the prices were relatively low and imported them into Denmark, where it sold them below the manufacturers official sale price while still making a profit. For purposes of marketing in Denmark, Paranova repackaged all the medicine in new external packaging with uniform appearance and change in packet size.

[116] Joined cases C-427/93, C-429/93 and 436/93 Bristol-Myers Squibb v. Paranova, paras 40-41.
[117] Case C-379/97 Pharmacia & Upjohn v. Paranova.
[118] Ibid. paras 27-30.

Another seminal case that also elaborated on the conditions established in *Hoffmann La-Roche*, however in relation to relabelling, was *Pharmacia & Upjohn v. Paranova*. Pharmacia & Upjohn marketed an antibiotic under the trade mark DALACIN in Denmark, Germany and Spain, the trade mark DALACINE in France and the trade mark DALACINE C in the other Member States. Paranova acquired DALACINE in France and DALACINE C in Greece, repackaged them and re-affixed the trade mark DALACIN for marketing in Denmark.

The aforementioned cases are the foundation when assessing the conditions for repackaging and relabelling trade marked goods. The ECJ has not made any distinction, other than the legal basis, between the two different situations. The conditions for repackaging and relabelling are therefore construed in the same manner and are ultimately to be assessed by national courts.[119] *Forrester*, who disagrees with the Court's assertion that there is no objective difference between repackaging, relabelling and overstickering, has criticised this view.[120]

Both *Bristol-Myers Squibb v. Paranova* and *Pharmacia & Upjohn v. Paranova* involved pharmaceutical products and it was not clear whether the conditions would be identical for repackaging and relabelling of all trade mark protected products. In *Loendersloot v. Ballantine*[121], the question of repackaging and relabelling was for the first time relating to products other than pharmaceuticals. Ballantine produced and marketed whiskey in various Member States. Loendersloot purchased the products in Member States where prices were relatively low and sold them in Member States where the prices were higher after it had altered the packaging by removing, from the original label, the identification numbers, the word 'pure' and the name of the importer approved by Ballantine.

Some authors argue that *Loendersloot v. Ballantine* confirms that the principles applied to repackaging and relabelling of pharmaceutical products also are applicable to other types of products. *Stamatoudi* has held that, in the light of the aforementioned case, it can now be accepted that the requirements set out in the earlier trade mark cases in relation to pharmaceuticals apply equally to any parallel imported goods which is not a pharmaceutical product.[122]

In the author's opinion, this is a correct interpretation of the case. However, coming to that conclusion is not as obvious as it appears. If the ECJ's reasoning in *Loendersloot v. Ballantine* is scrutinised more closely, then

[119] See for example case C-379/97 Pharmacia & Upjohn v. Paranova, para. 32.
[120] Forrester, *The Repackaging of Trade Marked Pharmaceuticals in Europe: Recent Developments*, 2000, p. 516.
[121] Case C-349/95 Loendersloot v. Ballantine.
[122] Stamatoudi, *From Drugs to Spirits and from Boxes to Publicity (Decided and Undecided Issues in Relation to Trade Marks and Copyright Exhaustion)*, 1999, p. 111. See also Clark, *Trade Marks and the Relabelling of Goods in the Single Market: Anti-Counterfeiting Implications of Loendersloot v. Ballantine*, 1998, p. 331.

certain differences appear. First, bearing in mind that the *Loendersloot v. Ballantine* judgment was delivered one year after *Bristol-Myers Squibb v. Paranova*, the Court elaborates more fully on the conditions in *Bristol-Myers Squibb v. Paranova* than in the latter.[123] It would have been easy for the Court to use the same phrasings and definitions of the conditions as it had done in earlier cases relating to pharmaceutical products. Secondly, the condition that the new packaging must state the identity of the entity who executed the repackaging is not mentioned in *Loendersloot v. Ballantine*. Neither is the requirement that the parallel importer has to provide the trade mark proprietor with a specimen on request.[124] Finally, in subsequent rulings, as in *Bristol-Myers Squibb v. Paranova*, the ECJ has persistently adopted the phrasing 'pharmaceutical products' when reiterating the conditions for repackaging and relabelling. This might indicate that the Court's intention is to construe the conditions more strictly for pharmaceuticals. On the other hand, the Court's unwillingness to go all the way in *Loendersloot v. Ballantine* might merely be a consequence of Art. 234 E.C. Treaty. As A.G. *Jacobs* noted in the opinion for *Loendersloot v. Ballantine*, if the Court were to rule on all aspects of repackaging and relabelling, which might be undertaken by parallel importers in relation to different types of products, it would exceed its function under Art. 234 E.C. Treaty.[125]

It is the author's opinion that the conditions for repackaging and relabelling are to be construed in the same manner for all trade marked goods, regardless of the nature of the product. The reason for this standpoint lies in analysing the functions of the trade mark.[126]

Some might argue that pharmaceutical products require special considerations in relation to repackaging since the products are of special nature and that it is important that no one tamper with the original condition of the pharmaceutical. However, in *Loendersloot v. Ballantine*, as in the other cases relating to pharmaceuticals, the ECJ has persistently reiterated that the repackaging may not affect the original condition of the product. This is to guarantee the essential function of the trade mark, namely the origin function guaranteeing that all goods bearing the trade mark have been produced under the control of a single undertaking which is accountable for their quality. Furthermore, the ancillary function safeguarding the investment or advertising function is also protected due to the condition that the presentation of the repackaged may not be such as to be liable to damage the reputation of the trade mark and its owner. Since the main functions of the trade mark always have to be protected, the author does not believe it is necessary to differentiate between pharmaceuticals and other trade marked products. Pharmaceutical products may, on the other hand, be more

[123] Compare joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 79 with case C-349/95 Loendersloot v. Ballantine, para. 50.
[124] This issue will be returned to below, para. 3.3.3.
[125] Opinion of A.G. Jacobs in case C-349/95 Loendersloot v. Ballantine, para. 33.
[126] This view is to some extent also shared by A.G. Jacobs in his opinion for case C-349/95 Loendersloot v. Ballantine, para. 30.

sensitive to careless handling, which may have repercussions on public health and hence go beyond damage to the trade mark proprietor's rights. However, the fact remains that the parallel importer is not allowed to repackage the product if there is a risk of affecting the original condition of the product. Using the same set of principles, regardless of product, will also assist national courts when applying the requirements. The issue will, however, not be fully clarified until the ECJ hand down its explicit opinion.

The following sections will consider the conditions for repackaging and relabelling as the have been construed through the ECJ's case law.

3.3.1 Artificial Partitioning of the Markets

In *Hoffmann La-Roche v. Centrafarm,* the ECJ stated that it might constitute a disguised restriction on trade within the meaning of Art. 30 E.C. Treaty if it is established that the proprietor's use of trade mark rights, having regard to the marketing system which has been adopted, will contribute to the artificial partitioning of the markets between Member States.[127] This will occur, in particular, when the owner has placed an identical pharmaceutical product on the market in several Member States in various forms of packaging and the product may not be marketed, in that condition, in the Member State of importation by the parallel importer.[128]

It was questioned, due to the Courts referral to 'the proprietor's marketing system', whether the manufacturer must have had an intention to partition the markets or whether it was sufficient that the exercise of the trade mark right did in fact partition the market, that is an objective test. The answer came in *Bristol-Myers Squibb v. Paranova*. The ECJ held that the phrasing 'artificial partitioning of the markets' did not imply that the importer must prove that the proprietor deliberately sought to partition the markets between Member States by putting an identical product on the market in varying forms of packaging.[129] Whether the markets are artificially partitioned is thus to be assessed on objective criteria. Consequently, the trade mark proprietor cannot oppose repackaging even if the use of different sizes of packaging is the result of rules and practices in force in the different Member States. The Court gave some examples of what would be regarded as artificial partitioning of the markets; rules authorising packaging only of certain size or a national practice to the same effect, health insurance rules making the reimbursement of medical expenses depend on the size of the packaging or well-established medical prescription based, *inter alia*, on

[127] Case 102/77 Hoffmann La-Roche v. Centrafarm, para. 14 (b).
[128] Joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 52.
[129] Ibid. para. 57.

standard sizes recommended by professional groups and health insurance institutions.[130]

A.G. *Jacobs* endorsed the objective test stating that if the repackaging is executed in such a way that the essential function of the trade mark is not impaired, then there is no need to show any intent by the proprietor of partitioning the markets. If the trade mark proprietor takes advantage of a situation that has arisen as a result of circumstances outside his or her control and relies on their trade mark rights to exclude parallel importation then their conduct must be considered as an abusive exercise of the trade mark and a disguised restriction on trade. A.G. *Jacobs* continued by stating that it would in any event, be illogical and impracticable to require proof of a deliberate intention to partition the market since that would be difficult or even impossible to prove. A parallel importer who wishes to repackage goods must be able to assess whether he lawfully can do so with a reasonable level of certainty and his behaviour should not be dependent upon another person's subjective intent.[131]

The judgment in *Bristol-Myers Squibb v. Paranova* related only to repackaging. As for relabelling, the question regarding a subjective or objective test for assessing the partitioning of the markets was answered in *Pharmacia & Upjohn v. Paranova*. The earlier judgment in *Centrafarm v. American Home Products* had left the question concerning the subjective or objective test unclear for relabelling. The ECJ had held that while it might be permitted for manufacturers to use different trade marks on the same product in different Member States, it nevertheless was possible that such practise followed by the trade mark proprietor as a part of a marketing system intended to partition the markets artificially.[132] Some authors argued that this meant that parallel importers needed to show that the trade mark proprietor deliberately partitioned the markets.[133] However, in *Pharmacia & Upjohn v. Paranova* the ECJ held that there is no objective difference between re-affixing the original trade mark or re-affixing another trade mark. There would be obstacles to intra-community trade giving rise to artificial partitioning of the markets whether or not the proprietor intended such partitioning. Therefore, the condition of artificial partitioning of the markets between Member States, as defined by the Court in *Bristol-Myers Squibb v. Paranova*, applies where a parallel importer replaces the original trade mark by that used by the proprietor in the Member State of importation.[134]

---

[130] Joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova. para. 53. This statement has also been reiterated in case C-143/00 Boehringer Ingelheim v. Swingward, para. 47 and in case C-443/99 Merck, Sharp & Dohme v. Paranova, para. 26.
[131] Opinion of A.G. Jacobs in joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, paras 81-83.
[132] Case 3/78 Centrafarm v. American Home Products, paras 20-23.
[133] See for example Shea, *Parallel Importers use of Trade Marks: The European Court of Justice Confers Rights but also Imposes Responsibilities*, 1997, p. 105.
[134] Case C-379/97 Pharmacia & Upjohn v. Paranova, paras 37-40.

In the opinion for *Pharmacia & Upjohn v. Paranova*, A.G. *Jacobs* held that his reasoning in *Bristol-Myers Squibb v. Paranova* was equally valid where the trade mark proprietor has placed identical products on several markets in different Member States under different trade marks.[135] This is rather inconsistent from his earlier reasoning in *Bristol-Myers Squibb v. Paranova* where he held that it seemed that more difficult problems would arise when the parallel importer replaced the trade mark, as opposed to simply changing the packaging. Different solutions might therefore be called for.[136] In the opinion for *Bristol-Myers Squibb v. Paranova* A.G. *Jacobs* held that; "In [Centrafarm v. American Home Products] the Court indeed make it clear that, where the trade mark owner uses different marks in different Member States for the same product, a parallel importer is not entitled to substitute one mark for the other unless the use of different marks is deliberately intended to partition the markets."[137] This is to be compared with his opinion for *Pharmacia & Upjohn v. Paranova* where he held that; "I would add that I do not in any event regard it as obvious that *American Home Products* established that it was invariably necessary to demonstrate intention: all the Court said was that where there was intention, then there was disguised restriction within the meaning of Article [30]."[138]

3.3.2 Original Condition of the Product

According to the ECJ, the essential function of the trade mark is to guarantee the identity of the origin of the trade marked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin, that is an origin function. In *Hoffmann-La Roche v. Centrafarm*, the Court elaborated on this function in relation to repackaging. The Court stated that this guarantee of origin means that the consumer or ultimate user can be certain that a trade marked product which is sold to him or her has not been subject, at a previous stage of marketing, to interference by a third person, without the authorisation of the trade mark proprietor, such as to affect the original condition of the product.[139] In *Bristol-Myers Squibb v. Paranova*, the Court held that if the repackaging is carried out in conditions that cannot affect the original condition of the product inside the packaging, the essential function of the trade mark as a guarantee of origin is safeguarded.[140]

The ECJ has exemplified some situations where it is possible to imagine that the repackaging is undertaken in such a way that the original condition

[135] Opinion of A.G. Jacobs in case C-379/97 Pharmacia & Upjohn v. Paranova, para. 41.
[136] Opinion of A.G. Jacobs in joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 84
[137] Ibid.
[138] Opinion of A.G. Jacobs in case C-379/97 Pharmacia & Upjohn v. Paranova, para. 43.
[139] Case 102/77 Hoffmann-La Roche v. Centrafarm, para. 7.
[140] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 67.

of product cannot be affected. This may be in situations where the product is marketed in double packaging and the repackaging only affect the external packaging, leaving the internal packaging intact or where the repackaging is inspected by a public authority for the purpose of ensuring that the product is not adversely affected.[141] The method of double packaging is common for pharmaceuticals where the packaging normally consist of an outer layer and an internal layer of, for example, blister packs, phials, ampoules or inhalers. Whether the repackaging can affect the original condition of the product varies according to the circumstances and, in particular, to the nature of the product and the method of repackaging.

However, in *Bristol-Myers Squibb v. Paranova* the plaintiffs argued that the replacement of the outer layer might also adversely affect the original condition of the product. This might occur because blister packs coming from different packets or different batches with different use-by date could be grouped together in a single external packaging. Furthermore, products might have been stored for to long and light-sensitive products might have been damaged by light during repackaging. The Court did not accept these arguments and held that it is not possible for each hypothetical risk of isolated error to suffice to confer on the trade mark owner the right to oppose any repackaging of pharmaceutical products in new external packaging.[142] Thus, there must be a real risk of affecting the original condition of the product.

Although it is a matter for the national courts to consider what constitutes an adversely effect on the original condition of the product, the ECJ gave some guidance in *Bristol-Myers Squibb v. Paranova*. The Court exemplified what did not affect the original condition, namely; fixing of self-stick labels to flasks, phials, ampoules or inhalers, the addition to the packaging of new user instructions or information in the language of the Member State of importation, or the insertion of an extra article, such as a spray, from a source other than the trade mark owner. However, the original condition of the product might be indirectly affected where, for example, the external or inner packaging, or a new set of user instructions, omits certain important information or gives inaccurate information, or where an inserted extra article does not comply with the method of use and the doses envisaged by the manufacturer.[143] If the parallel importer adds an extra article from a source other than the trade mark owner, he must ensure that the origin of the extra article is indicated in such a way as to dispel any impression that the trade mark owner is responsible for it.[144]

[141] Case 102/77 Hoffmann-La Roche v. Centrafarm, para. 10.
[142] Joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, paras 62-63.
[143] Ibid. paras 64-65.
[144] Ibid. para. 73.

3.3.3 Prior Notice to the Brand Owner

The third condition that has to be fulfilled by the parallel importer is the prior notice to the trade mark proprietor before marketing. The ECJ has justified this condition by stating that the proprietor has an interest in ensuring that consumers are not misled as to the origin of the product. Therefore, the parallel trader is not allowed to market repackaged or relabelled goods until he has given notice to the trade mark proprietor.[145]

On request, the parallel importer must provide the proprietor with a specimen of the repackaged product before it goes on sale. This enables the proprietor to examine whether the repackaging is executed in such a way that it directly or indirectly affects the original condition of the product and to examine whether the presentation of the new packaging is likely to damage the reputation of the trade mark. It also affords the trade mark proprietor a better possibility of protecting himself or herself against counterfeiting.[146]

It is unclear whether the obligation to supply a specimen of the repackaged product is applicable only to pharmaceutical products or whether it is applicable to all trade marked goods. In *Loendersloot v. Ballantine,* the Court contented itself with stating that the interests of the trade mark proprietor, and in particular his need to combat counterfeiting, are given sufficient weight if the repackager gives him prior notice before the repackaged products are put on sale.[147] Nothing was mentioned about the requirement to provide a specimen. Nevertheless, it is the author's opinion that the obligation to provide a specimen of the repackaged product might be implied in the condition of advance notice and thus applicable to all trade marked goods, regardless of product. The ECJ will need to clarify the issue, preferably by establishing that in order to safeguard the trade mark proprietor's interests, the parallel importer, on request, has to provide a specimen of the repackaged product before marketing, regardless of product.

In *Boehringer Ingelheim v. Swingward*[148], the ECJ held that it is the parallel importer himself that is obliged to give notice to the trade mark proprietor. It is not sufficient for the proprietor to be notified by other sources, such as the authority which issues a parallel import license to the importer.[149]

The proprietor has a right to be notified within a reasonable time before marketing in order to have time to react to the intended repackaging. The assessment of what amounts to reasonable time is for the national courts to

[145] Case 102/77 Hoffmann-La Roche v. Centrafarm, para. 12.
[146] Joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 78.
[147] Case C-349/95 Loendersloot v. Ballantine, para. 49.
[148] Case C-143/00 Boehringer Ingelheim v. Swingward.
[149] Ibid. para. 64.

determine in the light of all the relevant circumstances. However, the ECJ has indicated that a period of 15 working days will likely constitute a reasonable time where the parallel importer has chosen to give notice to the trade mark proprietor by supplying him simultaneously with a sample of the repackaged product. The period of 15 working days is purely indicative and it remains open to the parallel importer to allow a shorter time and to the proprietor to ask for a longer time to react.[150]

3.3.4 Indication that the Goods have been Repackaged

The fourth condition that the parallel importer has to comply with, according to *Hoffmann-La Roche v. Centrafarm*, is that the repackaged product must state by whom the product has been repackaged.[151] The condition was further refined in *Bristol-Myers Squibb v. Paranova*. According to the Court, this indication will have the effect that consumers are not led to believe that the owner is responsible for the repackaging.[152]

The indication must clearly be shown on the new external packaging. It must be understandable in the sense that consumers reading the package would be able to recognise that product was repackaged and recognise who repackaged it.[153] National courts are required to assess whether the information is printed in sufficiently large letters such that a consumer with normal eyesight, exercising a normal degree of attentiveness will be able to understand who is responsible for the repackaging.[154]

The indication must also retain a clear indication of who manufactured the product. The Court referred to the manufacturer's interest that the consumer or end user should not be misled to believe that the importer is the owner of the trade mark.[155] However, it is not necessary to require that the indication state that the repackaging was carried out without the authorisation of the trade mark owner. Such a statement could be taken, according to the ECJ, to imply that the repackaged product is not entirely legitimate.[156]

3.3.5 Protection of Brand Reputation

The last condition for repackaging and relabelling relates to the trade mark proprietor's right in being able to oppose marketing of repackaged products

[150] Case C-143/00 Boehringer Ingelheim v. Swingward. paras 66-67.
[151] Case 102/77 Hoffmann-La Roche v. Centrafarm, para. 12.
[152] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 70.
[153] Case C-232/94 MPA Pharma v. Rhône-Poulenc, para. 43.
[154] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 71.
[155] Ibid. para. 74.
[156] Ibid. para. 72.

that are liable to damage the reputation of the trade mark. This condition was first mentioned in *Bristol-Myers Squibb v. Paranova* where the ECJ acknowledged the fact that trade mark proprietors might suffer from an inappropriate presentation of the repackaged product.[157] Consequently, defective, poor quality or untidy packaging could damage the trade mark's reputation. Therefore, parallel importers are not entirely free to repackage as they please, even if the original condition of the product cannot be adversely affected.

In assessing whether the repacked product might damage the reputation, account shall be taken of the nature of the product and the market for which it is intended. The ECJ has held that pharmaceutical products are sensitive in the sense that the public is particularly demanding as to the quality and integrity of the product. On the other hand, if the product is sold to hospitals, the products are administered to patients by professionals for whom the presentation of the product is of little importance.[158] Account must also be taken of the trade mark proprietor's interest in protecting the possible reputation or luxury image that the trade mark might enjoy.[159]

Shea has welcomed this restriction to protect brand reputation since it ensures that parallel importers meet high standards in the presentation of their packaging. However, he sees a problem in that the condition introduces another area of uncertainty, which can be used by trade mark proprietors to render parallel importation more difficult in practice.[160]

3.4 The Necessity of Repackaging and Relabelling

In *Bristol-Myers Squibb v. Paranova* the ECJ ruled that a trade mark proprietor will not be entitled to invoke his power to oppose the importation of repackaged trade marked products where the repackaging undertaken is 'objectively necessary' in order to market the product in the Member State of importation. Thus, there will be no artificial partitioning of the markets unless the repackaging is necessary to dispose of the products.[161] As for relabelling, in *Pharmacia & Upjohn v. Paranova* the ECJ ruled that the conditions of market partitioning, defined in *Bristol-Myers Squibb v. Paranova*, also apply to relabelling and that this implies that the

[157] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova. para. 75.
[158] Ibid., paras 75-77.
[159] Case C-349/95 Loendersloot v. Ballantine, para. 33.
[160] Shea, *Parallel Importers use of Trade Marks: The European Court of Justice Confers Rights but also Imposes Responsibilities*, 1997, p. 111.
[161] Joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, paras 55-56. See also case C-379/97 Pharmacia & Upjohn v. Paranova, para. 39.

replacement of trade marks must be objectively necessary within the meaning of that judgment.[162]

The ECJ further defined the doctrine of necessity in *Pharmacia & Upjohn v. Paranova* where it stated that the condition of objective necessity is satisfied if the prohibition imposed on the importer against replacing the trade mark hinders effective access to the markets of the importing state. Such an impediment exists, according to the ECJ, if pharmaceutical products cannot be placed on the market of the importing Member State in their original packaging due to national rules or practices relating to packaging. It is clear from the judgment that repackaging and relabelling must be *objectively* necessary and that it is not for the parallel importer to determine what is necessary in order to gain effective access to the market of the importing Member States. Whether these conditions are fulfilled is a matter for determination by national courts, taking into account of circumstances prevailing at the time of marketing.[163]

Another important case concerning repackaging, in which the ECJ examined the necessity doctrine, was *Merck, Sharp & Dohme v. Paranova*[164]. Merck marketed the pharmaceutical product PROSCAR in various Member States. Paranova acquired the product in Spain and had it repackaged in Denmark for marketing in Austria. The repackaging involved replacing the outer packaging, re-affixing the trade mark and setting out information and precautions for use in German. Merck claimed that the repackaging constituted unlawful interference with its trade mark rights. The question referred to the ECJ was whether it was objectively necessary to repackage a pharmaceutical product in order to be able to market it in the State of importation on the basis that the marketability would otherwise be jeopardised because a significant proportion of the consumers in that State would be suspicious of pharmaceutical products clearly intended for the market of another State. The ECJ begun by declaring that resistance to overstickered pharmaceuticals does not always constitute an impediment to effective market access such as to make replacement packaging necessary. However, there may exist on a market, or on a substantial part of it, such strong resistance to overstickered pharmaceutical products from a significant portion of consumers that there must be held to be a hindrance to effective market access. The Court held that in such circumstances, repackaging of pharmaceuticals would not be undertaken solely in an attempt to secure a commercial advantage, since the purpose would be to achieve effective market access.[165]

[162] Case C-379/97 Pharmacia & Upjohn v. Paranova, para. 42. This view was shared by A.G. Jacobs in his opinion for the same case. However, he stated that the situations might fall to be applied differently in certain circumstances, see paras 48-50 of the opinion.
[163] Case C-379/97 Pharmacia & Upjohn v. Paranova, para. 43.
[164] Case C-443/99 Merck, Sharp & Dohme v. Paranova. The judgment in case C-143/00 Boehringer Ingelheim v. Swingward was delivered on the same day.
[165] Case C-443/99 Merck, Sharp & Dohme v. Paranova, paras 30-31.

Gross and *Harrold* have criticised the ECJ for not providing any guidance on interpreting the terms 'strong resistance' from a 'significant proportion of consumers'. This may ultimately have the effect that different decisions on the question of consumer resistance are reached in Member States, rather than a harmonised EU position.[166]

In *Loendersloot v. Ballantine* the ECJ held that the situation in that case was different from the cases concerning repackaging of pharmaceutical products in regards to whether relabelling was necessary in order to prevent artificial partitioning of the markets between Member States. According to the Court, it is the role of national court to assess whether the relabelling is necessary to protect the sources of supply of the parallel trade, while in the pharmaceutical cases the national courts must consider whether circumstances in the markets of their own States make repackaging objectively necessary.[167] The case was rendered more complex because the producers had a legal obligation to apply identification numbers, in particular under *Council Directive 89/396/EEC on indications or marks identifying the lot to which a foodstuff belongs*. This Directive provides that packaged foodstuff may not be marketed unless they are accompanied by either a lot code or a sufficiently precise use-by date. In its judgment, the Court concluded that it is not necessary to repackage a product in order to remove identification numbers that are applied for purposes of identifying the lot to which a foodstuff belongs, since they are legitimate from the point of Community law. If the trade mark proprietor also uses the identification number to impose sanctions on traders which sell products to parallel importers, protection can be obtained under the provisions of Community competition law.[168] Nevertheless, it might prove necessary to remove identification numbers that have been placed on the products to enable the manufacturer to trace the circulation of parallel imported goods with the purpose of preventing their dealers from supplying parallel traders.[169] Where it is established that the use of the word 'pure' and the name of the approved importer on the original label would prevent the products from being marketed in the Member State of destination, then relabelling would be deemed necessary.

The ECJ has persistently stated that if the product is repackaged solely because the parallel importer attempts to secure a commercial advantage, then the condition of necessity will not be satisfied.[170] A.G. *Jacobs* has held that interference by the importer, which is not necessary to overcome objective factors, but which the parallel importer considers would enhance sales, is not necessary in enabling effective access to the market of the importing Member State.[171]

---

[166] Gross & Harrold, *Fighting for Pharmaceutical Profits*, 2002, p. 501-502.
[167] Case C-349/95 Loendersloot v. Ballantine.
[168] Ibid. paras 42-43.
[169] Ibid. para. 40.
[170] Case C-379/97 Pharmacia & Upjohn v. Paranova, para. 44.
[171] Opinion of A.G. Jacobs in case C-143/00 Boehringer Ingelheim v. Swingward para. 115.

In that context, the ECJ has held that a trade mark proprietor may oppose repackaging where the parallel importer, for the purpose of marketing in the Member State of importation, is able to reuse the original packaging by affixing labels to that packaging, that is overstickering.[172] The Court has also held that repackaging is not necessary where the parallel importer could package in another less intrusive way that would be acceptable in the Member State of importation. For example, it would not be necessary to repackage or relabel if it would suffice with overstickering. In *Loendersloot v. Ballantine,* the ECJ held that where the original labels comply with the rules on labelling in force in the Member State of destination, but those rules require additional information to be given, it is sufficient to apply stickers on the bottle with the additional information. Thus, repackaging or relabelling would not be necessary. The Court continued by stating that relabelling must "use means which make parallel trade feasible while causing as little prejudice as possible to the specific subject-matter of the trade mark right".[173] This forms somewhat of a proportionality test, where the parallel importer is not allowed to repackage the product if there are less intrusive ways of enabling effective access to the market of the importing State.

In summary, the condition of necessity is fulfilled if the parallel importer is hindered effective access to the markets of the importing States without repackaging or relabelling. This will, for example, occur when the product cannot be placed on the market of the Member State of importation in its original packaging due to national rules or practices relating to packaging or if there is such strong resistance from a significant portion of consumers on the market to overstickered products. However, the condition of necessity is not fulfilled upon execution of the repackaging solely because the parallel importer attempts to secure a commercial advantage or if it is sufficient that the parallel importer reuses the original packaging and affixes new labels to that packaging.

It has been questioned whether allowing repackaging only if it is established that it is objectively necessary would be in conflict with the principle that proprietors only are allowed to oppose repackaging to the extent necessary to safeguard the rights which constitute the specific subject-matter of the trade mark. The question was posed by the High Court of Justice of England in *Boehringer Ingelheim v. Swingward*. The referring judge, *Laddie J*., could not conceive of why the criterion of necessity should be a factor. He argued that if the marketing of the repackaged goods cannot harm the specific subject-matter of the trade mark, then on the basis of earlier case law it should not be lawful for the trade mark proprietor to oppose it. The ECJ disagreed and stated that according to its body of case law, it is the repackaging of the product which in itself is prejudicial to the specific subject-matter, not necessarily the actual effects of the repackaging by the

[172] Case C-143/00 Boehringer Ingelheim v. Swingward para. 49 and case C-443/99 Merck, Sharp & Dohme v. Paranova, para. 28.
[173] Case C-349/95 Loendersloot v. Ballantine, paras 45-46. See also joined cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova, para. 55.

parallel importer. A trade mark proprietor's opposition to repackaging must be regarded as contributing to artificial partitioning of the markets between Member States if the repackaging is necessary in order to enable the product to be marketed in the State of importation. According to the ECJ, it is thus clear that the repackaging of a trade marked product, which in itself creates the risk of interference with the original condition of the product, may be prohibited by the trade mark proprietor unless the repackaging is necessary in order to enable the product to be marketed in the Member State of importation.[174]

Even though the ECJ has endeavoured to introduce a degree of certainty through its development and interpretation of the necessity requirement, many aspects remain unanswered. For example, does 'without repackaging effective access to the market is hindered' also mean 'without advertising and marketing of the original product'? That is, can there be placed a burden on the parallel importer to promote the product in an appropriately appealing manner in order to gain effective access to the market? Furthermore, what level of resistance amounts to 'such strong resistance from a significant portion of consumers' that repackaging and relabelling is necessary? Finally, when assessing whether there is strong resistance from the consumers, who is the relevant consumer – the end consumer or the skilled medically qualified practitioner?[175]

3.5 Conclusion

The ECJ's body of case law on repackaging and relabelling of pharmaceutical products has, fundamentally, exposed the inherent conflict between territorially delimited intellectual property rights and the notion of free movement of goods. The ECJ has attempted to balance the conflicting interests by allowing repackaging and relabelling if certain requirements are fulfilled. However, even though the Court has tried to provide guidance on how the conditions are to be interpreted, many uncertainties remain. It appears that each new judgment trying to clarify the issue inevitably opens up a backdoor, leaving room for uncertainties in other areas. An example is *Bristol-Myers Squibb v. Paranova* where the ECJ had as an objective to clarify the requirements established in *Hoffmann-La Roche v Centrafarm*. Nevertheless, the Court opened up for the necessity doctrine while not providing any guidance on how it was to be construed.

Two of the conditions for repackaging and relabelling relate to the trade marks function and can therefore be considered as more important to safeguard. The first condition, that the repackaging may not affect the original condition of the product, follows from the origin function of the trade mark and guarantees the consumer that no one has tampered with the original condition of the product bearing the trade mark. The second

[174] Case C-143/00 Boehringer Ingelheim v. Swingward paras 28-35.
[175] Phillips, *Trade Mark Law – A Practical Anatomy*, 2003, p. 550-551.

condition, that repackaging may not damage the brand reputation, follows from the investment or advertising function and guarantees the trade mark proprietor that no one may execute repackaging in a way which might inflict harm on the trade marks reputation or status. The latter three conditions facilitate in safeguarding the first two.

By introducing the necessity doctrine, it appears that the ECJ has to some extent tried to restrain its earlier case law, which was partially tipped in favour of the parallel traders. Even though the ECJ has provided some examples of what is to be considered as objectively necessary, it is important to keep in mind that the key criterion is whether it is necessary in order to gain *effective access to the market of importation*. There may indeed be additional factors which impede the effective market access, even though the ECJ has not specified them in its case law. This indicates that it is possible to cumulate different obstacles. Even if an obstacle in itself does not amount to objective necessity, it might be cumulated with other obstacles resulting in an impediment to the effective access of the market making it objectively necessary to repackage or relabel.

In *Pharmacia & Upjohn v. Paranova,* the ECJ stated that the principle of objective necessity is to be construed in the same manner for repackaging and relabelling. Nevertheless, it might be argued that it should be differentiated in respect of the two situations. Re-affixing a different trade mark is a greater encroachment on the proprietor's rights, which might justify particular considerations when assessing whether relabelling is objectively necessary. However, such concerns are, in the author's opinion, sufficiently considered through the proportionality test, which sets the outer limits for relabelling. Relabelling is not allowed if it is sufficient to oversticker or repackage the products.

If the objective necessity principle for relabelling is to broadly construed, the object of market integration is, in the author's opinion, taken too far. On the other hand, relabelling is only allowed for identical products marketed under different trade marks. One can wonder if there is a rationale for allowing trade mark proprietors to arbitrarily partition the internal market by applying different trade marks for different Member States.

The ECJ has greatly emphasised the essential function of the trade mark in its decisions concerning repackaging and relabelling. Since the essential function of the trade mark always requires safeguarding there is, in the author's opinion, no need to differentiate between pharmaceuticals and other trade marked products. However, when assessing whether it is objectively necessary to relabel trade marked goods there might be grounds for treating pharmaceutical products differently. It might be argued that since pharmaceutical products are more sensitive to careless handling, which might have repercussions on public health, repackaging should thus only be allowed in exceptional circumstances. That argument can, however, not be upheld when opposing the re-affixing of another trade mark by applying new stickers to the packaging. In those cases it might argued that because of

the risk of consumer confusion, in relation to pharmaceutical products, it should be easier to establish objective necessity for replacing the trade mark. As has been demonstrated, there are arguments both for treating pharmaceutical products in a stricter manner and for treating pharmaceutical products more leniently than other trade marked products when establishing objectively necessity for repackaging and relabelling. Since there are advantages and disadvantages to both points of view, it would be expedient to construe a principle that treats pharmaceuticals and other trade marked goods in the same manner.

4 Repackaging and Relabelling Cases before Swedish Courts

The conditions for repackaging and relabelling, as they have been established by the ECJ, are ultimately interpreted by national courts. This section considers a selection of cases relating to repackaging and relabelling that has appeared before Swedish courts over the past years. Only those aspects that are of interest regarding objective necessity will be discussed.

4.1 Aventis Pharma v. Paranova[176]

Aventis marketed a pharmaceutical product in Sweden under the registered trade mark IMOVANE. The same product was marketed in Spain under the trade mark LIMOVAN since the Spanish healthcare authority had held that IMOVANE was likely to be confused with another pharmaceutical product on the Spanish market. Paranova acquired the pharmaceutical products in Spain and relabelled it IMOVANE before marketing in Sweden. Aventis brought complaints before Stockholm's District Court arguing that Paranova infringed their trade mark right for IMOVANE.

The Court held that the relabelling of the pharmaceutical product could be considered as an infringement of Aventis' trade mark rights according to 4 and 6 §§ of the Swedish *Trade Mark Act*. However, the Court recognised that Aventis was not allowed to rely on its trade mark rights if it violated Sweden's commitment to the E.C. Treaty. After examining the ECJ's body of case law, the District Court concluded that relabelling to IMOVANE would only be allowed if it were objectively necessary in order to gain actual access to the Swedish market.[177]

The Court held that the phrasing 'objectively necessary' indicated that the ECJ's intention was to construe a principle that made high demands on the parallel importer to show why relabelling was necessary. According to the Court, there were no Swedish rules that hindered the marketing of the pharmaceutical product under the trade mark LIMOVAN. Furthermore, there were no practices hindering actual market access even though Paranova would meet hindrance in marketing the product under a different name than IMOVANE because pharmacists were not aware that it was the same product. The Court held that these were not circumstances that were to

[176] Case nr T 10375-99 Aventis Pharma v. Paranova, Stockholm Tingsrätt 2000-10-05.
[177] The Swedish court used the term 'faktisk tillgång till marknaden' (actual access to the market) due to a mistake in the translation of *Pharmacia & Upjohn v. Paranova*. The original Danish version of the judgment reads 'effektiv adgang til markedet' (effective access to the market). The Swedish courts have observed this issue and appear to use the phrasings interchangeably.

be considered as such an absolute hindrance that it was to be deemed objectively necessary to relabel the pharmaceutical product. Thus, relabelling was not allowed.

4.2 UCB v. Orifarm[178]

UCB marketed a pharmaceutical product under the registered trade mark ZYRTEC in Europe, while marketing the same product in Sweden under the mark ZYRLEX since the Swedish Medical Products Agency had held that ZYRTEC might be confused with another earlier Swedish trade mark. Orifarm acquired the pharmaceutical product in Greece, where it was labelled with the mark ZIPTEK written in the Cyrillic alphabet, and relabelled them ZYRLEX for marketing in Sweden. UCB argued that this was an infringement of their trade mark rights and brought complaints, requesting an interim injunction, before Stockholm District Court.

The Court held that is was objectively necessary to relabel a product if rules or practices hindered the marketing of the product in Sweden. However, it was not objectively necessary to replace the trade mark if the reason for relabelling was driven solely by the importers attempts to secure a commercial advantage. The Court referred to the Medical Products Agency's regulations, which states that a foreign language on pharmaceutical products only is allowed in special circumstances. Thus, the Court concluded that Swedish rules hindered the access of the pharmaceutical product to the Swedish market under the Greek trade mark. Furthermore, it was not possible for Orifarm to obtain market access through the import of the pharmaceutical ZYRTEC instead.

UCB appealed to the Court of Appeals, which did not reverse the District Court's decision.[179]

4.3 Roche v. Paranova[180]

Hoffmann-La Roche had a trade mark registered for ALGANEX. However, the same pharmaceutical was marketed in Spain under the trade mark TILCOTIL. Paranova acquired pharmaceuticals in Spain, repackaged them into different sizes, and re-affixed the mark ALGANEX for marketing in Sweden. The Swedish subsidiary, Roche argued that Paranova's relabelling was an infringement of their trade mark rights.

[178] Case nr T 10438-00 UCB v. Orifarm, Stockholm Tingsrätt 2000-08-24.
[179] Case nr Ö 6305-00 UCB v. Orifarm, Svea Hovrätt 2001-03-05.
[180] Case nr T 7333-01 Roche v. Paranova, Stockholm Tingsrätt 2001-07-20

Paranova's main argument was that relabelling was necessary since TILCOTIL would be likely to be confused with the earlier Swedish pharmaceutical trade mark TIOTIL. Once again the Court reiterated that 'objectively necessary' indicated a heavy onus on the parallel importer to show why relabelling was necessary. Relabelling would only be allowed if the parallel importer was otherwise hindered actual access to the Swedish market. The District Court held that it was not likely that the use of TILCOTIL would constitute an infringement of the rights for TIOTIL and therefore there was no hindrance to marketing the pharmaceutical product without relabelling. The Court continued, rather remarkably, that Paranova in any event would be free to use another mark.

Paranova appealed to the Court of Appeals, which determined that the trade mark TIOTIL constituted a hindrance which made it objectively necessary to relabel the pharmaceutical from TILCOTIL to ALGANEX.[181] Thus, the District Court's decision was reversed.

4.4 Pfizer v. Orifarm[182]

Pfizer v. Orifarm is to some extent related to the aforementioned *Roche v. Paranova*. Both cases concerned whether an earlier trade mark in the State of importation would constitute a hindrance making it objectively necessary to relabel the product since it might otherwise be confused with the earlier trade mark.

Pfizer marketed the pharmaceutical product TRESLEEN in Austria where Orifarm acquired it for marketing in Sweden. Before marketing, Orifarm relabelled the products ZOLOFT, which was the registered trade mark Pfizer used for the pharmaceuticals in Sweden. Pfizer brought complaints against Orifarm, requesting an interim injunction, arguing trade mark infringement of their registered trade mark ZOLOFT. The case came before Malmö District Court.

The Court scrutinised whether it was objectively necessary to re-affix the trade mark ZOLOFT in order to obtain effective access the market in Sweden. Orifarm argued that the relabelling was necessary since the trade mark TRESLEEN was confusable with older registered trade marks, for example TRESALINE, TRICLENE and TRISLIM. The Court held that these trade marks would not be a hinder to the marketing of TRESLEEN in Sweden. One of the reasons for this standpoint was that Pfizer had claimed that the registration of TRESLEEN had earlier priority as a CTM. Hence, the District Court ordered an interim injunction since it concluded that there was no hindrance to the effective access to the market in Sweden of the pharmaceutical products labelled TRESLEEN.

[181] Case nr Ö 5632-01 Roche v. Paranova, Svea Hovrätt 2001-10-18.
[182] Case nr T 681-02 Pfizer v. Orifarm, Malmö Tingsrätt 2002-03-21.

Orifarm appealed the decision to the Court of Appeal, which came to the same conclusion as the District Court.[183]

4.5 Beecham & GlaxoSmithKline v. Paranova *and* Beecham & GlaxoSmithKline v. Ivax[184]

Within a period of six months, four cases regarding the pharmaceutical product SEROXAT came before the Stockholm District Court.[185]

GlaxoSmithKline marketed, under a license from Beecham, a pharmaceutical product under the registered trade mark SEROXAT in Sweden. Paranova and Ivax acquired the pharmaceutical product in France where it was marketed under the trade mark DEROXAT. The pharmaceutical product was not allowed to be marketed under the trade mark SEROXAT in France due to the likelihood of confusion with another pharmaceutical. Before marketing in Sweden, Paranova and Ivax repackaged the outer packaging and re-affixed the mark SEROXAT. Both Paranova and Ivax also co-branded the packaging with their own respective trade marks. Beecham and GlaxoSmithKline argued that the relabelling was not necessary in order to market the pharmaceuticals in Sweden and therefore brought complaints before Stockholm District Court.

In the *Paranova* case, the Court reiterated that the ECJ's intention in creating the necessity doctrine was to construe a principle which would place a heavy onus on the parallel importer to show why relabelling was necessary. It also held that the onus was on Paranova to prove that the repackaging and relabelling was objectively necessary.

The Court concluded that there were no rules or practices hindering market access of the pharmaceutical under the mark DEROXAT. The Court was of the opinion that the parallel importer had the possibility, through marketing, to influence practitioners in order to prescribe the pharmaceutical under the mark DEROXAT.

In the *Ivax* case, the dispute was centred upon whether co-branding was allowed. The Swedish Medical Products Agency had not allowed Ivax to repackage the pharmaceuticals into white boxes with black labelling.

[183] Case nr Ö 873-02 Pfizer v. Orifarm, Hovrätten över Skåne och Blekinge 2002-07-02.
[184] Case nr T 12019-01 Beecham & GlaxoSmithKline v. Paranova, Stockholm Tingsrätt 2003-11-12, and case nr T 19823-01 Beecham & GlaxoSmithKline v. Ivax, Stockholm Tingsrätt 2004-04-30.
[185] The other two cases were; Case nr T 8727-01 Beecham & GlaxoSmithKline v. Cross Pharma, Stockholm Tingsrätt 2003-11-19 and case nr T 12020-01 Beecham & GlaxoSmithKline v. Arrow, Stockholm Tingsrätt 2003-12-04.

Therefore, Ivax had repackaged the pharmaceuticals into boxes coloured in two shades of turquoise. The District Court concluded that the colouring of the packages served as a distinctive trait for Ivax and held that repackaging was not allowed if it damaged the reputation of the trade mark. Furthermore, the Court held that repackaging might not be carried out in a manner which indicated the existence of a commercial link between the parallel importer and the trade mark proprietor within the meaning set out in *BMW v. Deenik*[186]. Therefore, the Court held that the appearance of the packaging gave the impression that there existed a commercial link between Ivax and GlaxoSmithKline. It was not objectively necessary to present the product in the manner Ivax had.

However, one of the three judges had a dissenting opinion regarding the colouring of the repackaged product. He held that no wrongful associations between the undertakings had occurred. Even though colours may have distinctive character and thus could function as trade marks, they normally did this only after substantial use. Colours that are unusual do not automatically fulfil the requirement of distinctive character. Therefore, he held that it had not been proved that the specific colouring of the repackaged products distinguished Ivax pharmaceuticals.

4.6 Glaxo Group and GlaxoSmithKline v. Paranova[187]

In March 2004, Glaxo Group and GlaxoSmithKline requested provisional measures before the Stockholm District Court arguing that Paranova had infringed their trade mark rights for the pharmaceutical products SERETIDE and DISKUS. Paranova had acquired the pharmaceuticals in Belgium and repackaged them for marketing in Sweden. GlaxoSmithKline argued that the repackaging was not objectively necessary for Paranova to obtain effective access to the Swedish market.

Paranova counter argued that the repackaging was necessary in order to remove an inscription written in Braille. Paranova referred to a decision from the Medical Products Agency who required that the inscription in Braille had to be removed in order for the pharmaceutical product to be allowed for marketing in Sweden. The Agency held that overstickering would have been sufficient if the Braille was not felt under the sticker. However, no parallel importer had yet accomplished that. Consequently, the Court concluded that GlaxoSmithKline could not oppose the repackaging of the pharmaceutical products since it was objectively necessary in order to comply with national practice.

[186] Case C-63/97 BMW v. Deenik.
[187] Case nr T 5274-04 Glaxo Group & GlaxoSmithKline v. Paranova, Stockholm Tingsrätt 2004-05-13.

4.7 Conclusions

The ECJ has tried, more or less successfully, to establish clear guidelines on which measures a parallel importer is allowed to carry out before marketing goods in the State of importation. However, the aforementioned Swedish cases have clearly shown that national courts have faced difficulties in interpreting the requirements. The earlier case law of the ECJ indicated that the parallel importers had a relatively wide range of measures available of repackaging and relabelling that were legitimate without the trade mark proprietors being able to oppose. That wide range was, however, somewhat narrowed with the introduction of the necessity doctrine in *Bristol-Myers Squibb v. Paranova*. The Swedish courts have demonstrated that there are problems in interpreting to what extent it has been delimited.

The essence of *Aventis Pharma v. Paranova* is that the Court held that there must be an 'absolute hindrance' to the market for it to be objectively necessary to relabel. This indicates that the Court has imposed a very high barrier that the parallel importer must climb in order to show objective necessity for relabelling. This is, in the author's opinion, a misinterpretation of the case law from the ECJ. Even though the phrasing 'absolute hindrance' is not used in any other decisions, it clearly shows that the courts have made it much too difficult for the parallel importers to show 'objective necessity'. The author's interpretation of the ECJ case law is that repackaging and relabelling is objectively necessary when it otherwise would be too hard for the parallel importer to effectively dispose of the products on the market in the State of importation. The Swedish courts, on the other hand, appears to have interpreted that repackaging and relabelling is objectively necessary only if it would otherwise be practically impossible for the parallel importer to actually dispose of the products on the market in Sweden. As long as there have been no absolute hindrances to disposing the product, the courts have not allowed relabelling. Thus, the courts have in some cases made it practically impossible for parallel importers to dispose of the products on the market in Sweden.

The Swedish courts appear to be focusing on whether it is *at all possible to market the product* under the trade mark or packaging in which it has been placed by the proprietor in the Member State of exportation. Instead, they should be focusing on whether the product is hindered effective market access as a *product originating from the trade mark proprietor*. The Stockholm District Court in *Roche v. Paranova*, for example, demonstrates this confusion as the Court held that the parallel importer in any event was free to use an alternative trade mark to ALGANEX, that is, free to use any other trade mark at all. This is quite an astonishing misinterpretation of the ECJ case law. It is irrelevant that in practice Paranova would be able to use a trade mark other than the ones in question. The fundamental question that the Court should have decided on was whether Paranova was allowed to replace the trade mark with another trade mark that the proprietor used for

the identical product, without the risk of damaging the essential function of the trade mark.

A further interesting observation that indicates a misinterpretation of the ECJ case law is a remark made by the Stockholm District Court in *UCB v. Orifarm*. When concluding that relabelling was necessary due to foreign language on the original packaging, the Court held that it was not possible for the parallel importer to gain effective access by importing ZYRTEC from another Member State instead. This shows that the Court does not have a full understanding of the functioning of the single market. The objective of the free movement of goods is not to enable parallel importers to acquire goods from Member States other than the supposed State of marketing. Rather, the objective is that every single product that has initially been placed on the market shall be free to move, without impediments, anywhere in the Community. Thus, every specific product that has been placed on the market shall be able to freely flow into the supposed State of marketing.

There are, however, examples of where the court has made correct assessments of the established principles. *Glaxo Group v. Paranova* is a well balanced decision where the Court demonstrates that it has a good understanding of the established case law from the ECJ.

Relabelling was objectively necessary in *UCB v. Orifarm* due to foreign language on the packaging. The Court, however, failed to discuss proportionality, that is, if it would have been sufficient with overstickering of the boxes with text in Swedish. That issue was raised in *Glaxo Group v. Paranova* where the Court held that overstickering would not be sufficient since the Braille could be felt through the stickers.

Besides foreign language and inscription in Braille, the Swedish courts have considered it objectively necessary to relabel if the trade mark on the original packaging might be confused with another Swedish trade mark. In *Roche v. Paranova,* the Court of Appeals held that TICOTIL might have been confused with TIOTIL and therefore relabelling was objectively necessary. That decision does not concur with the decision by Malmö District Court in *Pfizer v. Orifarm* where the Court held that TRESLEEN was not likely to be confused with, for example, TRESALINE, TRICLENE and TRISLIM. It is surprising that the District Court ignored the other trade marks. Since it had not been established whether TRESLEEN would actually infringe the other trade marks, or vice versa, it was uncertain whether it was possible to use the trade mark TRESLEEN in Sweden. If there are such uncertainties as to whether the product is marketable or not under the present trade mark, then it would, in the author’s opinion, be objectively necessary to relabel. Any uncertainties as to whether the product is marketable in the State of importation have to be considered when establishing whether there are hindrances to the effective access of the market.

The Swedish courts have persistently held that repackaging may not be carried out in a manner which establishes a risk of creating a commercial link between the parallel importer and the trade mark proprietor, that is co-branding. This is a reasonable conclusion which follows from the case law of the ECJ. Co-branding would likely afford the parallel importer the opportunity to launch the marketing of their own brand and thus allow the importer to take advantage of the goodwill of the original trade mark. Even though the parallel importer is required to indicate his identity on the packaging, it does not mean that it is necessary to redesign the packaging in a uniform manner which is distinctive for the parallel importer. Thus, it is not objectively necessary for the parallel importer, in order to gain an effective access to the market of the state of importation, to use his logo, graphical elements or other markings on the new packaging. However, this presupposes that the graphical elements or colours in some way functions as indicators of the parallel importer. The mere use of an unusual colour does not suffice to be considered as co-branding. Furthermore, according to the proportionality test, the parallel importer is required to repackage the products in the least intrusive way. Adding logos or redesigning the packaging cannot be considered as the least intrusive way of repackaging.

5 Comments

The issue of repackaging and relabelling of trade marked goods have been widely debated. In one corner stand the proponents of strong intellectual property protection, while in the other corner are the market integrators. In the middle is the ECJ, somewhat undecided and torn between the two sides.

The objective of market integration is to allow products to freely move across borders. In that aim, the parallel importers play an important role in creating a level playing field. It is however not to be forgotten that parallel importers are ultimately free-riding of the backs of companies, who's research and development contribute to driving the progress of society forward, and that the principal beneficiaries of parallel trade are the parallel traders themselves.

Parallel trade of pharmaceutical products is still a present occurrence, which is demonstrated by the numerous cases appearing before national courts, in addition to the countless cases that are settled out of court. There are large sums of money involved in parallel trading of pharmaceuticals. As long as price differences between Member States continue to exist there will be parallel trading. It will be interesting to see whether the problems of repackaging and relabelling will occur in relation other products, besides pharmaceuticals. This is, however, not likely due to the special situation regarding pharmaceutical, namely, large price differences and special requirements on packaging and information. Even if parallel trade occurs with other products, there is not the same need for repackaging and relabelling as for pharmaceuticals, thus it will be more difficult to show that it is objectively necessary to repackage and relabel.

It has been questioned whether parallel importation should be allowed at all for pharmaceutical products. The main benefit of free trade is the maximizing of wealth creation. However, that assumption is based on the notion of perfect competition, that is no State intervention. As has been shown, the main stimulus for parallel trade in pharmaceutical products is the price differences between Member State, resulting from State intervention in pricing policies. Thus, the benefits of free trade will not be fully applicable to this situation. However, the solution to that problem does not lie in providing the pharmaceutical industry with an exception from the free movement provisions. The long-term solution lies in Community efforts towards harmonising national pricing policies among Member States, that is, a political rather than a judicial solution.

The ECJ has shown good intentions in attempting to establish a proper balance between the interests of parallel traders and trade mark proprietors. These endeavours are embodied in the objective necessity doctrine. However, a central problem with the necessity doctrine is its

ambiguousness. The ECJ has not provided the national courts with sufficient guidance on how the doctrine is construed. By studying cases that have appeared before Swedish courts, it can be concluded that it is not entirely clear what level of hindrance to the access of markets that needs to be established in order to conclude that it is objectively necessary to repackage or relabel the products.

One of the main reasons for the discrepancies between the ECJ's body of case law and cases from national courts is, in the author's opinion, to be found in the fundamental objectives of the courts. The ECJ's main objective is the establishment of market integration, thus focusing essentially on the product and its movement across national borders. Therefore, national trade mark laws are incoherent with that objective, resulting in the ECJ only allowing trade mark rights to fully function if it is compatible with the single market. National courts, on the other hand, tend to focus more on the actual trade mark right. There is no doubt that, according to national trade mark laws, repackaging and relabelling clearly fall within the exclusive scope of the trade mark proprietor's rights. The provisions on free movement of goods are only allowed to interfere in special circumstances since they are seen as exceptions from the exclusive rights granted by trade mark laws. This explains why the ECJ tends to favour parallel importers, while national courts tend to favour trade mark proprietors.

The central question of whether repackaging and relabelling is allowed depends on where the line is drawn between what is necessary in order to gain 'effective access to the market' and what is solely governed by 'the purpose of securing a commercial advantage'. It is the balance between these considerations which essentially requires clarification by the ECJ in future case law. In the end, all repackaging and relabelling are executed in order to secure a commercial advantage, but when is it solely governed by the purpose of securing a commercial advantage? Are not all repackaging and relabelling executed solely for the purpose of securing a commercial advantage? Even though, in the author's opinion, it appears clear that effective access to the market of the State of importation means that it would otherwise be very difficult for the parallel importer to dispose its products, the Swedish courts appears to have made a different assessment. In their opinion effective access to the market means that it otherwise would be impossible for the parallel importer to dispose its products on the Swedish market. However, coming to that conclusion may be understandable if one considers the perspective the problem is viewed from by the courts. Therefore, Swedish courts would benefit from a broadened perspective when tackling the situation.

The Swedish courts have, in the author's opinion, misinterpreted the case law of the ECJ. It is questionable how long this will be sustainable, especially before it draws the attention of the Commission. The Commission is closely monitoring the area at present and has issued a Communication on

parallel imports of pharmaceutical products.[188] The Communication summarises the ECJ's body of case law concerning repackaging and relabelling and aims at giving guidance on the practical application of the jurisprudence of the national measures relating to parallel imports.[189]

The issue of repackaging and relabelling of trade marked goods require further attention since it currently creates legal uncertainty for all actors. Since many questions remain unanswered, it is not unlikely that we will see more cases on repackaging and relabelling finding their way down to Luxembourg.

[188] Commission Communication on parallel imports of proprietary medicinal products for which marketing authorisations have already been granted, Com (2003) 839 Final.
[189] Ibid. p. 3.

Bibliography

Literature:

Barnard, Catherine, "*The Substantive Law of the EU*", Oxford University Press, Hampshire 2004.

Bently, Lionel & Sherman, Brad, "*Intellectual Property Law*", 2 ed., Oxford University Press, Gosport 2004.

Cornish, William R, "*Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights*", 5th ed, Sweet & Maxwell, London 2003.

Craig, Paul & de Búrca, Gráinne, "*EU Law -Text, Cases and Materials*", 3 ed, Oxford University Press, Oxford 2003.

Govaere, Inge, "*The Use and Abuse of Intellectual Property Rights in E.C. Law*", Sweet & Maxwell, London 1996.

Hays, Thomas, "*Parallel importation under European Union law*" Sweet & Maxwell, London 2004.

Keeling, David T, "*Intellectual Property Rights in EU law, volume 1 Free Movement and Competition Law*" Oxford university press, Chippenham 2003

Koktvedgaard, Mogens & Levin, Marianne "*Lärobok i immaterialrätt*", 7th ed, Norstedts Juridik, Stockholm 2002.

Lidgard, Hans Henrik, "*Parallelhandel –konsumtion av immaterialrätt i Europa och USA*", Norstedts juridik, Stockholm 2002.

Moussis, Nicholas, "*Access to European Union –law, economics, policies*", 12th ed., European Study Service, Rixensart 2003.

Nordell, Per Jonas, "*Varumärkesrättens skyddsobjekt -Om ordkännetecknets mening och referens*", MercurIUS, Stockholm 2004.

Phillips, Jeremy, "*Trade Mark Law – A Practical Anatomy*", Oxford University Press, Oxford 2003.

Tillotson, John & Foster, Nigel, "*Text, cases and materials on Europeans Union law*", 4th ed., Cavendish Publishing Ltd., London 2003.

Tritton, Guy, "*Intellectual Property in Europe*", 2 ed., Sweet & Maxwell, London 2002.

Articles:

Beier, Friedrich-Karl, "*Industrial Property and the Free Movement of Goods in the Internal European Market*", I.I.C. 1990 (21), 131-160.

Clark, Andrew, "*Trade Marks and the Relabelling of Goods in the Single Market: Anti-Counterfeiting Implications of Loendersloot v. Ballantine*", E.I.P.R. 1998, 20 (9), 328-334.

Forrester, Ian S, "*The Repackaging of Trade Marked Pharmaceuticals in Europe: Recent Developments*", E.I.P.R. 2000, 22 (11), 512-519.

Gross, Naomi & Harrold, Lucy, "*Fighting for Pharmaceutical Profits*", E.I.P.R. 2002, 497-503.

Koutrakos, Panos, "*In Search of a Common Vocabulary in Free Movement of Goods: The Examples of Repackaging Pharmaceuticals*", E.L. Rev. 2003, 28 (1), 53-69.

Marenco, Guiliano & Banks, Karen, "*Intellectual Property and the Community Rules on Free Movement: Discrimination Unearthed*", E.L. Rev. 1990 (15), 224-255.

Mutimear, Jane, "*The Challenge to Merck v. Stephar*", E.I.P.R. 1996, 18 (2), 100-103.

Pehrson, Lars, "*Common origin-principens uppgång och fall*", NIR 1995 p. 10.

Rey Patrick & Venit, James S., "*Parallel Trade and Pharmaceuticals: A Policy in Search of Itself*", E.L. Rev. 2004, 29 (2), 153-177.

Shea, Nicholas, "*Parallel Importers use of Trade Marks: The European Court of Justice Confers Rights but also Imposes Responsibilities*", E.I.P.R. 1997, 19 (3), 103-114.

Stamatoudi, Irini A, "*From Drugs to Spirits and from Boxes to Publicity (Decided and Undecided Issues in Relation to Trade Marks and Copyright Exhaustion)*", IPQ 1999 (1), 95-113.

Tritton, Guy, "*Articles 30 and 36 and Intellectual property: Is the jurisprudence of the ECJ now of an Ideal Standard*?", E.I.P.R. 1994, 16 (10), 422-428.

Other Sources:

White Paper from the Commission to the European Council on Completing the Internal Market, Com (85) 310 Final, Brussels 14 June 1985.

First Council Directive, 89/104/EEC, to approximate the laws of the Member States relating to trade marks.

Council Regulation (EC) No 40/94 on the Community trade mark

Commission Communication on parallel imports of proprietary medicinal products for which marketing authorisations have already been granted, Com (2003) 839 Final, Brussels 30.12.2003.

Table of Cases

Sweden:

Case nr T 10438-00 UCB S.A. and UCB Pharma AB v. Orifarm AB, Stockholm Tingsrätt 2000-08-24.

Case nr T 10375-99 Aventis Pharma AB v. Paranova Läkemedel AB, Stockholm Tingsrätt 2000-10-05.

Case nr Ö 6305-00 UCB S.A. and UCB Pharma AB v. Orifarm AB, Svea Hovrätt 2001-03-05.

Case nr T 7333-01 Roche AB v. Paranova Läkemedel AB, Stockholm Tingsrätt 2001-07-20.

Case nr Ö 5632-01 Roche AB v. Paranova Läkemedel AB, Svea Hovrätt 2001-10-18

Case nr T 681-02 Pfizer AB v. Orifarm AB, Malmö Tingsrätt 2002-03-21.

Case nr Ö 873-02 Pfizer AB v. Orifarm AB, Hovrätten över Skåne och Blekinge 2002-07-02.

Case nr T 12019-01 Beecham Group p.l.c. & GlaxoSmithKline AB v. Paranova Läkemedel AB, Stockholm Tingsrätt 2003-11-12.

Case nr T 8727-01 Beecham Group p.l.c & GlaxoSmithKline AB v. Cross Pharma AB, Stockholm Tingsrätt 2003-11-19.

Case nr T 12020-01 Beecham & GlaxoSmithKline v. Arrow Läkemedel AB, Stockholm Tingsrätt 2003-12-04.

Case nr T 19823-01 Beecham Group p.l.c. & GlaxoSmithKline AB v. Ivax Scandinavia AB, Stockholm Tingsrätt 2004-04-30.

Case nr T 5274-04 Glaxo Group Ltd & GlaxoSmithKline AB v. Paranova Läkemedel AB, Stockholm Tingsrätt 2004-05-13

European Court of Justice:

Joined cases 56 and 58/64 Ètablissements Consten SARL and Grundig-Verkaufs-GmbH v. Commission, E.C.R. [1966] 299. (*Consten & Grundig v. Commission*)

Case 24/67 Parke, Davies & Co. v. Probel, Reese, Beintema-Interpharm and Centrafarm, E.C.R. [1968] 55. (*Parke Davies v. Probel*)

Case 40/70 Sirena Srl v. Eda Srl and others, E.C.R [1979] 3169. (*Sirena v. Eda*)

Case 78/70 Deutsche Grammophon Gessellschaft mbH v. Metro-SB-Grossmarkte, E.C.R. [1971] 487. (*Deutsche Grammophon v. Metro*)

Case 2/73, Riseria Luigi Geddo v. Ente nazionale Risi, E.C.R. [1973] 865. (*Geddo v. Ente nazionale Risi*)

Case 192/73 Van Zuylen Fréres v. Hag AG, E.C.R. [1974] 731. (*Hag I*)

Case 8/74, Procureur du Roi v. Beneoît and Gustave Dassonville, E.C.R. [1974] 837. (*Dassonville*)

Case 15/74 Centrafarm BV and Adriaan De Peijper v. Sterling Drug Inc., E.C.R. [1974] 1147. (*Centrafarm v. Sterling Drug*)

Case 16/74 Centrafarm BV and Adriaan De Peijper v. Winthrop BV, E.C.R [1974] 1183. (*Centrafarm v. Winthrop*)

Case 119/75 Terrapin (Overseas) Ltd. v. Terranova Industrie C.A. Kapferer & Co, E.C.R [1976] 1039 (*Terrapin v. Terranova*)

Case 5/77 Carlo Tedeschi v. Denkavit Commerciale s.r.l., E.C.R [1977] 1555. (*Tedeschi v. Denkavit*)

Case 102/77 Hoffmann-La Roche & Co AG v. Centrafarm Vertriebsgesellschaft Pharmazeuticher Erzeugnisse mbH, E.C.R [1978] 01139. (*Hoffmann-La Roche v. Centrafarm*)

Case 3/78 Centrafarm B.V. v. American Home Products Corporation, E.C.R [1978] 1823. (*Centrafarm v. American Home Products*)

Case 120/78, Rewe-Zentrale AG v. Bundesmonopolverwaltung für Branntwein, E.C.R. [1979] 649. (*Cassis de Dijon*)

Case 187/80 Merck & Co v. Stephar BV and Petrus Stephanus Exler. E.C.R. [1981] 2063. (*Merck v. Stephar*)

Case 144/81 Keurkoop BV v. Nancy Kean Gifts BV, E.C.R. [1982] 2853. (*Keurkoop v. Nancy Kean Gifts*)

Case 19/84 Pharmon BV v. Hoechst AG, E.C.R. [1985] 2281. (*Pharmon v. Hoechst*)

Case 178/84 Commission of the European Communities v. Federal Republic of Germany, E.C.R. [1987] 1227. (*Commission v. Germany*)

Case 302/86 Commission of the European Communities v. Kingdom of Denmark, E.C.R. [1988] 4607. (*Commission v. Denmark*)

Case 238/87 AB Volvo v. Erik Veng (UK) Ltd., E.C.R. [1988] 6211. (*Volvo v. Veng*)

Case C-10/89 SA CNL-Sucal NV v. Hag GF AG, E.C.R. [1990] I-3711. (*Hag II*)

Joined cases 76, 77 and 91/89 Radio Telefis Eireann and others v. Commission of the European Communities, E.C.R. [1989] 01141 (*Magill*)

Cases C-267 and 268/91 Criminal Proceedings against Bernard Keck and Daniel Mithouard, E.C.R. [1993] I-6097. (*Keck*)

Joined cases C-92 and 326/92 Phil Collins v. Imtrat Handelsgesellschaft mbH and Patricia Im- und Export Verwaltnungsgesellschaft mbH and Leif Emanuel Kraul v. EMI Electrola GmbH, E.C.R. [1993] I-5145. (*Phil Collins*)

Case C-9/93 IHT Internationale Heiztechnik GmbH and Uwe Danziger v. Ideal-Standard GbmH and Wabco Standard GmbH, E.C.R. [1994] I-2789. (*Ideal Standard*)

Joined Cases C-427, 429 and 436/93 Bristol-Meyers Squibb v. Paranova A/S, C.H. Boehringer Sohn, Boehringer Ingelheim KG and Boehringer Ingelheim A/S v. Paranova A/S and Bayer Aktiengesellschaft and Bayer Danmark A/S v. Paranova A/S, E.C.R. [1996] I-3457. (*Bristol-Meyers Squibb v Paranova*)

Case C-232/94 MPA Pharma GmbH v. Rhône-Poulenc Pharma GmbH, E.C.R. [1996] I-3671. (*MPA Pharma v. Rhône-Poulenc*)

Joined Cases C-267-268/95 Merck & Co Inc., Merck Sharp & Dohme Ltd and Merck Sharp & Dohme International Services BV v. Primecrown Ltd, Ketan Himatlal Mehta, Bharat Himatlal and Necessity Supplies Ltd and Beecham Group plc v. Europharm of Worthing Ltd., E.C.R. [1996] I-6285 (*Merck v. Primecrown*)

Case C-337/95 Parfums Christian Dior SA v. Evora BV, E.C.R. [1997] I-6013. (*Dior v. Evora*)

Case C-349/95 Frits Loendersloot, trading as F. Loendersloot Internationale Expeditie v. George Ballantine & Son Ltd and Others, E.C.R [1997] I-06227. (*Loendersloot v. Ballantine*)

Case C-355/96 Silhouette International Schmeid GmbH & Co v. Hartlauer Handelsgesselschaft mbH, E.C.R. [1998] I-4799. (*Silhouette v. Hartlauer*)

Case C-63/97 Bayerische Motorenwerke AG and BMW Netherland BV v. Ronald Karel Deenik, E.C.R. [1999] I-905. (*BMW v. Deenik*)

Case C-379/97 Pharmacia & Upjohn SA, formerly Upjohn SA v. Paranova A/S, E.C.R. [1999] I-6927. (*Pharmacia & Upjohn v. Paranova*)

Case C-173/98 Sebago Inc and Ancienne Maison Dubois & Fils SA v. G-B Unic SA, E.C.R. [1999] I-4103. (*Sebago v. Unic*)

Joined cases 414-416/99 Zino Davidoff SA v. A&G Imports Ltd and Levi Strauss & Co. and Others v. Tesco Stores Ltd and Others, E.C.R. [2001] I-8691. (*Davidoff v. A&G Imports*)

Case C-443/99 Merck, Sharp & Dohme GmbH v. Paranova Pharmazeutika Handels GmbH, E.C.R. [2002] I-03703. (*Merck, Sharp & Dohme v. Paranova*)

Case C-143/00 Boehringer Ingelheim KG, Boehringer Ingelheim Pharma KG, Glaxo Group Ltd, The Wellcome Foundation Ltd, SmithKline Beecham plc, Beecham Group plc, SmithKline & French Laboratories Ltd and Eli Lilly and Co v. Swingward Ltd and Dowelhurst Ltd, E.C.R. [2002] I-03759 (*Boehringer Ingelheim v. Swingward*)