

Bird & Bird & IP & IT Bytes

December 2015

First published in the December 2015 issue of PLC Magazine and reproduced with the kind permission of the publishers. Subscription enquiries 020 7202 1200.

Trade marks: parallel imports

Summary

The High Court has held that a parallel importer infringed a pharmaceutical company's trade mark by rebranding and marketing in the UK a drug which had not been put on the market in the EEA by or with the consent of the trade mark owner.

Background

In *Bristol-Myers Squibb v Paranova AS*, the European Court of Justice (ECJ) ruled on circumstances where the parallel importer had applied the mark under which the product was sold in the importing country, which differed from the mark applied in the exporting country (*C-427/93*, *C-429/93* and *C-436/93*). The ECJ set out a list of conditions (the BMS conditions) that parallel importers must fulfil in order to avoid a trade mark infringement claim, in cases concerning parallel trade in repackaged or relabelled pharmaceutical products. One condition is that enforcement of the trade mark proprietor's rights would contribute to the artificial partitioning of markets between EU member states, for example if the proprietor put an identical pharmaceutical product on the market in several member states in various forms of packaging, so that repackaging by the parallel importer would be necessary in order to market the product in the member state of import.

The BMS conditions also require the importer to give notice to the trade mark proprietor before the repackaged product is put on sale and, on demand, supply him with a specimen of the product.

A trade mark owner is not entitled to prohibit a third party from using, in the course of trade, indications concerning the kind, quality or other characteristics of goods or services provided that he uses them in accordance with honest practices in industrial or commercial matters (*section 11(2)(b)*, *Trade Marks Act 1994*) (*section 11(2)(b)*).

Facts

F sold a generic drug in the UK under the name Phenytoin Sodium Flynn and owned the UK registered trade mark and Community trade mark for the word FLYNN in respect of pharmaceutical products.

D planned to import the drug into the UK from other member states, where it was manufactured and sold by P under the brand name EPANUTIN, and rebrand it with the name Phenytoin Sodium Flynn. F claimed that this would infringe its trade marks.

D argued that its proposed use would not be "trade mark use" under *section 11(2)(b)*, relying on a disclaimer which explained the distinction between the product and F. D also argued that even if its proposed use was "trade mark use", the BMS conditions were fulfilled so D was not liable for infringement.

D argued that rebranding was necessary to market the drug in the UK. Doctors would not write prescriptions for the generic drug naming EPANUTIN, as parallel imports were not a guaranteed and stable source of supply for patients. The Medicines and Healthcare Products Regulatory Agency also required parallel

imports to be marketed under the same name as used for the UK product, or alternatively the name under which it was marketed in the source country, or a proposed new name.

Decision

The ECJ held that D's proposed use was trade mark use, and would infringe F's marks.

Section 11(2)(b) did not apply because the use of the word FLYNN was not a description of the goods, as it had no association with medicines or ingredients that denoted the medicine's qualities or ingredients. Despite D's disclaimer, the use of the sign would still be perceived by consumers as a mark of origin and so was clearly trade mark use.

The ECJ analysed whether the contractual terms between the manufacturer and the marketing authorisation (MA) holder meant that they were legally the same entity for the purpose of exhaustion of trade mark rights.

To prevent F from asserting its trade marks on the basis of exhaustion of rights, the imported goods must have been placed on the market in the member state from which they were exported by F itself or with its consent. Consent in this context was a question of who controlled the use of the trade mark and the quality of the product. Although F was responsible for marketing the drug in the UK, P was independently responsible for placing EPANUTIN on the market in other member states. The corporate and contractual relationship between F and P obliged F to acquire the UK product from P, but this did not mean that the same entity directly or indirectly controlled the product EPANUTIN in the country of export and Phenytoin Sodium Flynn capsules in the UK. The more important question was who was responsible to the end consumer for the product quality.

So F's trade mark rights in the name Phenytoin Sodium Flynn were not exhausted in respect of EPANUTIN placed on the market in other member states and it was entitled to enforce its trade marks to prevent the relabeling of the parallel imported products. The BMS conditions were not fulfilled.

The ECJ also noted that if F's trade mark rights had been exhausted, the BMS conditions would have been satisfied and the proposed rebranding would have been necessary in order to market the drug in the UK.

Comment

If trade mark exhaustion had been established, D's case here would have been helped by the narrow therapeutic index of the drug. As even a slight excess of the drug in the bloodstream could cause toxicity, two preparations of the drug from different sources might produce different effects on the patient. This would make it more difficult to enter the market under any name other than the established brand name of the product.

The judgment is also interesting for its analysis of the contractual terms between the manufacturer and the MA holder in the context of exhaustion of trade mark rights.

Case: Flynn Pharma Ltd v Drugsrus Ltd and another [2015] EWHC 2759 (Ch).

Database right: meaning of database

Summary

The European Court of Justice (ECJ) has ruled on the meaning of "independent materials" of a database in the context of a topographic map for the purposes of Article 1(2) of the Database Directive (96/9/EC) (the Directive) (Article 1(2)).

Background

A database is defined as a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means (Article 1(2)).

Facts

B, which published maps, was involved in proceedings with E, an Austrian publisher, which published maps for users such as cyclists.

The German Federal Court stayed the proceedings and referred the following question to the ECJ: whether Article 1(2) meant that geographical data extracted from a topographic map so that a third party may produce and market another map retain, after extraction, sufficient informative value to be held to be “independent materials” of a database.

Decision

The ECJ held that the term “database” must be given a wide scope. It held that protection extends to electronic and non-electronic databases, and that the concept of database is defined in terms of its function.

It is necessary for there to be a collection of independent materials: materials which are separable from one another without their informative, literary, artistic, musical or other value being affected. Individual pieces of information, and also a combination of pieces of information, may also constitute independent material.

In relation to analogue topographic maps, the separable material consists of two pieces of information: the geographical co-ordinates point and the signature or numbered code used by the map producer to designate a particular feature. Article 1(2) does not preclude these two pieces of information, or a further combination of information, from being independent material, provided that the extraction of information from the map does not affect the value of their informative content. The informative value of material from a collection is not affected if it has autonomous informative value after extraction, even if there may be a decline in its informative value.

The autonomous informative value of material which has been extracted from a collection must be assessed in the light of the value of the information not for a typical user of the collection concerned, but for each third party interested in the extracted material. Information from a collection which is utilised for financial gain and in an autonomous manner, such as the information extracted by E from the B’s topographic maps, constitutes “independent materials” from a database because once extracted, the information will provide the company’s customers with relevant information.

Article 1(2) must be interpreted to mean that geographical information extracted from a topographic map by a third party so that the information may be used to produce and market another map retains, following its extraction, sufficient informative value to be classified as “independent materials” of a database.

Comment

This decision confirms that topographic maps are capable of falling within the definition of a database under Article 1(2), and so reflects the reality of how modern maps and their underlying data are produced and used.

Elements such as the location of a feature on a map provide information such as its latitude and longitude, its elevation and the type of feature. This informational value is not affected by being separated from the database as a whole, as would for example be the case in relation to a musical or literary work. The rejection of the typical user reflects the fact that modern maps have different users with a variety of purposes, including for example, as the court noted, planning travel between two points, preparing a bicycle trip, searching the name of a road, town, river, lake or mountain, the width of watercourses or the height of relief on the landscape.

The increased use and commercial exploitation of digital information is likely to result in a corresponding increase in cases involving database rights.

Case: Freistaat Bayern v Verlag Esterbauer GmbH C-490/14.

Registered design: unjustified threats

Summary

The Intellectual Property Enterprise Court has dismissed an action for copyright infringement, and allowed a counterclaim for unjustified threats of registered design infringement in relation to a notice under eBay's Verified Rights Owner (VeRO) system.

Background

A claimant in a threats action can seek a declaration that the threats lacked justification, as well as damages and an injunction to prevent further threats (*section 26(1), Registered Designs Act 1949*) (1949 Act) (*section 26(1)*). However, if the design owner shows that the threats were justified and its registered design is being infringed, the claimant will not be entitled to this relief unless he can show that the registration is invalid (*section 26(2), 1949 Act*) (*section 26(2)*).

A mere notification that a design is registered does not constitute a threat of proceedings within the meaning of this section (*section 26(3)*).

The High Court has held that, although it was a difficult question, it was arguable that a notice under the VeRO system was a threat, and granted an interim injunction (*Quads 4 Kids v Campbell [2006] EWHC 2482 (Ch)*).

The High Court has refused an application by defendant design owners to strike out a claimant eBay seller's action for threats under *section 26(1)* and *section 253* of the Copyright, Designs and Patents Act 1988 based on a VeRO notice (*Cassie Creations Ltd v Blackmore and another [2014] EWHC 2941 (Ch)*).

Facts

T alleged that bed linen products sold by H infringed the copyright in its original artistic works. T also alleged that H had infringed its UK registered design in respect of a label for packaging.

H counterclaimed for invalidity of the registered design on the grounds of two alleged prior uses, and for groundless threats of proceedings for infringement of the registered design. The alleged threats fell into two categories: threats to two third party companies; and two communications sent to eBay about H's listing. T claimed that these threats were justified, and that H had not suffered any loss or damage resulting from them.

Decision

The court dismissed T's action for copyright infringement in relation to its bed linen products. The alleged infringing designs had been imported into the UK before to the creation of the T's drawings and so the claim for infringement of its artistic copyright failed on the basis that there had been no copying. T's registered design in respect of a packaging label was invalid as H's alleged infringing packaging had been made available to the public before the registration of the design.

T's notice of claimed infringement to eBay at most threatened proceedings for copyright infringement, which is not actionable. It would not be taken as threatening eBay, or any other person, with proceedings for infringement of the right in the registered design and so it was not actionable under *section 26(1)*. Although it was not necessary on the facts here to decide this point, the court's provisional view was that the initial notice of infringement could be a threat in line with *Cassie Creations*.

However, the second letter from T to eBay was a clear threat, even though it was written in the context of a complaint about the VeRO system, because it:

- Was written by T's solicitors on their headed notepaper.
- Specifically mentioned T's registered design right.
- Mentioned that court proceedings had been issued against the manufacturer of the infringing items.
- Linked the infringing items to the sellers who were selling the products on their website.

- Invited confirmation that the infringing items had been removed from the website.

The first impression of an ordinary reader in the position of the actual recipient would be that this was a clear threat.

T's letters to two of H's customers also constituted threats under section 26(1). Here, the justification defence under section 26(2) was not available because of the finding that the registered design was invalid.

Comment

This decision provides a useful summary of the law relating to threats, confirming that the test to determine whether a communication is a threat is an objective one. The initial impression which the letters would have on a reasonable addressee is the critical factor.

However, the question of whether the notification of infringement under the VeRo system is a threat within the meaning of section 26(1), or merely gives notice asserting registered design rights, remains undecided. The court noted that the issue was being raised as a small part of a one-day action in the Intellectual Property Enterprise Court and as a result had been the subject of less argument than in *Quads 4 Kids* or *Cassie Creations*, both of which took place in the High Court. Still, the court's provisional view was the notification was a threat.

Case: T&A Textiles and Hosiery Ltd v Hala Textile UK Ltd and others [2015] EWHC 2888 (IPEC).

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