Bird & Bird & IP Exhaustion, Drugs, Parallel Trade and Brexit

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Brief recap

- Exhaustion determines the point at which an IP right holder's control over protected goods expires.

- Article 34 TFEU
  "Quantitative restrictions" on trade and provisions "having equivalent effect" are prohibited.

  BUT

- Article 36 TFEU
  Such restrictions are allowed where they are justified for the protection of industrial and commercial property unless they constitute a disguised restriction on trade.

- Articles 11 and 13 EEA Agreement
UK's adoption of exhaustion principles

• section 12 of the Trade Marks Act 1994 implementing article 7 of the Trade Marks Directive 89/104/EC now article 15 of Directive (EU) 2015/2436;

• section 18 of the Copyright Designs and Patents Act 1988 (as recently amended by SI 2018/995) on issuing copies to the public implementing article 4 of the Copyright Directive 2001/29/EC;

• section 7A of the Registered Designs Act 1949 implementing article 15 of the Designs Directive 98/71/EC
Section 12 of the Trade Marks Act 1994

(1) A registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.

(2) Subsection (1) does not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods (in particular, where the condition of the goods has been changed or impaired after they have been put on the market).
Fortress Europe

Zino Davidoff v A&G Imports, Levi Strauss v Tesco Stores (Joined cases C-414/99 to C-416/99)

Silhouette v Harlauer (C-355/96)

Sebago v G-B Unic (C-173/98)
Other Harmonised IPRs

**Copyright (distribution right):** *Laserdisken v Kultruministeriet* (Case C-479/04)

Advocate General Sharpston said this:

"Given that the wording of Article 4(2) of the Copyright Directive is, if anything, even clearer than that of Article 7(1) of the Trade Marks Directive, I see no reason not to interpret Article 4(2) consistently with the Court’s ruling in *Silhouette*."
Section 12 of the Trade Marks Act 1994

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Repackaged and rebranded products

*Bristol-Myers Squibb v Paranova* (C-427/93, C-429/93 and C-436/93) requirements:

"(1) Necessary to repackage to market the product;
(2) No effect on original condition and proper instructions;
(3) Clear identification of manufacturer and importer;
(4) Non-damaging presentation;
(5) Notice."

"If one looks at the BMS conditions one can see that they are all about protecting the reputation of the mark. A fair summary of the position may be that (1) re-affixing creates a risk of jeopardising the reputation (2) but if the conditions are satisfied that risk is removed."

Jacob LJ in *Boehringer Ingelheim v Swingward* [2004] EWCA Civ 129 at [28] and [74]
Debranded products

*Mitsubishi v Duma (C-129/17)*

- Removal of mark prevents the goods from bearing that mark for the first time as they are placed on the market in the EEA and hence deprive the TM owner of the benefit of the essential right
- Adversely affects the functions of the mark
- Contrary to the objective of ensuring undistorted competition
- And is 'use in the course of trade'
Brexit

Withdrawal Agreement

Article 61: Exhaustion of rights

Intellectual property rights which were exhausted both in the Union and in the United Kingdom before the end of the transition period under the conditions provided for by Union law shall remain exhausted both in the Union and in the United Kingdom.
An opportunity?

- Stakeholders from the pharmaceutical sector were the only ones able to provide an estimate of the size of the parallel market
- Parallel trade in the EEA = £5bn (at 2012 ex-factory prices)
- Expected parallel imports within the UK = £1bn, a minimum of 5% of the total UK pharmaceutical market by volume
- Direct saving to the NHS = £100mn/annum through the reimbursement to pharmacies
- Parallel exports = £400-500mn
Paragraph 5 amends s.12(1) TMA

A registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market in **the UK or** the EEA under that trade mark by the proprietor or with his consent.

**Similar amendments for other harmonised IPRs**

- UK will recognise national exhaustion **and** EEA-wide exhaustion
- Holders of IPRs in the EEA will be able to prevent parallel imports from the UK
Paragraph 2 of the SI

Anything which

(a) was, before exit day, an enforceable EU right relating to the exhaustion of rights of the owner of an intellectual property right under articles 34 to 36 [TFEU] or articles 11 to 13 [EEA Agreement]; and

(b) is retained EU law by virtue of section 4 of the European Union (Withdrawal) Act 2018 has the same effect on or after exit day, despite the United Kingdom not being a Member State, as it had immediately before exit.
Asymmetric regional exhaustion

Government's advice: "Businesses that own IP rights (for example, a trade mark) may wish to seek legal advice if their IP-protected goods are parallel exported from the UK to the EEA. You will need to consider if you want to allow parallel exports of your IP-protected goods from the UK to the EEA after 1 January 2021."

_Schweppes SA v Red Paralela (C-291/16)_
What about goods imported from third countries?

Harmonised rights

- *Silhouette* and *Laserdisken* are 'retained EU case law' under s.6 of the European Union (Withdrawal) Act 2018
- [If wrong, revert to implied licence? e.g. *Revlon v Cripps & Lee* [1980] FSR 85 (CA)]

Until ...

- Supreme Court, a relevant court* or Parliament decides otherwise

Patents

- Principle of implied licence in *Betts v Willmott* (1871) L.R. 6 Ch. App. 239 applies

* Inserted by s. 26 of the European Union (Withdrawal Agreement) Act 2020 and then only if provided for by an SI
What does the future hold?
Thank you & Bird & Bird

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