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EFTA Court preserves position of parallel importers of pharmaceuticals

(Judgment (Advisory Opinion) in Case E-3/02 between *Paranova AS* and *Merck & Co., Inc. and Others*)

The case before the EFTA Court concerned a lawsuit by the American pharmaceutical manufacturer *Merck* against the Danish *Paranova*, one of Europe's leading parallel importers. The latter's business consists of purchasing medicines in southern Europe at low prices and selling them in the Scandinavian Countries, Finland and Austria, where prices are higher. For this purpose, *Paranova* repackages the original products and reaffixes onto the new packaging *Merck*'s original trade mark as well as information on who repackaged the goods. Moreover, along the edges of the repackaging, it affixes vertical or horizontal stripes, whose colours vary in accordance with those employed by the original producer. It was argued that their shape and position gave an impression of a specific "Paranova product range." *Merck* brought an action against *Paranova* before the Norwegian courts, aimed at prohibiting the use of the coloured stripes. The Norwegian Supreme Court, *Høyesterett*, referred the case to the EFTA Court.

Pursuant to the so-called Trade Mark Directive, trade mark rights are exhausted after a product is first put on the market by the trade mark owner or with its consent, so that parallel imports are lawful in principle. It is also clear from the case law of the Court of Justice of the European Communities that the parallel importer, under conditions fulfilled in the present case, may repackage pharmaceuticals. The Court of Justice of the European Communities has made the right to repackage dependent on the so-called criterion of necessity. According to that, the repackaging is permitted only insofar as necessary to surmount obstacles to the free movement of goods. Packaging design, however, has not been an issue before that Court.

In today's ruling, the EFTA Court emphasizes the importance of free trade in markets partitioned along national boundaries, such as the pharmaceutical market. In recognition of their contribution to overcoming this partition, certain privileges are conferred on parallel importers. Once the right to repackage and to reattach the original trade mark is established and market access is thereby ensured, the parallel importer is to be considered as an operator on basically equal footing with the manufacturer and trade mark proprietor within the framework of the Directive. Consequently, its strategy of product presentation and the new design cannot be subject to the necessity criterion. Instead, a comprehensive investigation leading to a careful balancing of the interests of the trade mark proprietor and the parallel importer must be undertaken.

In doing so, the national court must take into account whether the packaging design used by *Paranova* is liable to damage the reputation of *Merck*'s trade mark and whether the marketing of *Merck*'s products by various parallel importers with various packaging designs will evoke the risk of degeneration of the trade mark. If this were the case, the trade mark owner would have "legitimate reasons" under the Trade Mark Directive to oppose *Paranova*'s use of coloured stripes. The possible risk of confusion among

consumers as to the identity of the manufacturer or to whether there is a commercial link between the manufacturer and the parallel importer, however, only plays a minor role in a case like the one at hand.

The full text of the judgment may be found on the Internet at: www.efta.int.

The EFTA Court is composed of Judges Carl Baudenbacher, Per Tresselt and Thorgeir Örlygsson.

This press release is not an official document. Please note that the Court may not comment on the case.