Law Lore & Practice

PTMG Pharmaceutical Trade Marks Group

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Editorial: Carpe Diem

How hard it is to live life day by day when all around us encourages us to plan for tomorrow. Governments advocate new pension restrictions as part of austerity measures, technology giants launch yet another upgrade of an indispensable, hand-held, never to leave our sides, life planner. Exciting events such as the next PTMG conference are announced twelve months ahead so that we can all block the dates well in advance.

Suddenly then, when an unexpected event such as the announcement of a serious illness or even the death of someone we know bring us up short, we are obliged to stand still and take stock. In some parts of the world today, tragic events are customary and many deaths are still anticipated if not accepted but in the western world we continue to find them intolerable.

We live in a world where the loss of a loved one is unacceptable. Our expectations of the drugs available, the advances in medicine and the ever increasing knowledge that we all have as to how illnesses take over our bodies and how to try to avoid them create an illusion of omnipotence which is far from the truth. Wikipedia ® or other on-line medical manuals provide all we need to know and yet we are still at the mercy of the finality of life itself.

As trade mark practitioners active in the pharmaceutical sector, we are very much front line workers – fighting the battle every day for the pharmaceutical companies, whatever their size, to ensure that guaranteed, genuine medicines reach the patients that need them. Yet even we are capable of being broadsided into our own vulnerability and the irony of this has escaped none of us I am sure.

I trust that readers will forgive this trip down the road of melancholia but the arrival (at last !) of Spring in the northern hemisphere is the moment to stop running on the treadmill, admire nature's resilience and spend time with those around us who truly make life worth living.

Of course, it will soon be time to book up for the 87th PTMG conference in Vienna and I look forward to seeing many of you there – another occasion to seize the day!

Vanessa

US Law Update

James Thomas, Thomas Trademarks and Copyright Legal Services, North Carolina

The US Supreme Court recently issued the final word on exhaustion under US Copyright Law in Kirtsaeng v. John Wiley & Sons, Inc., 568 U.S. (19 March, 2013). With a vote of 6 to 3, the Court elected to abandon the line of reasoning it began in Quality King Distributors, Inc. v. L'anza Research Int'l, Inc. 523 U.S. 135 (1998) and found that the US Copyright Act actually provides for international exhaustion.

In Quality King, the Court reached the conclusion that the distribution right was exhausted in works originally made in the US and then shipped by the copyright owner to a foreign country where they were first sold. The Court reasoned that because the section of the US Copyright Act that provided for exhaustion applied if the works were "lawfully made under" the US Copyright Act, then the right of distribution in works made in the US would clearly be exhausted regardless of the fact that they were then sent overseas to be first sold.

In Kirtsaeng, however, the works at issue, foreign textbooks, were made and sold in Thailand. Therefore, the Court could not say that the works were made in the US. Nevertheless, the Court reached the conclusion that the "lawfully made under" language in the US Copyright Act was not intended to refer only to works subject to the US Copyright Act. Instead, the Court found that this language referred to any works made in any country so long as it would have been lawful had the US Copyright Act applied. Therefore, if acquired legitimately overseas (i.e., legitimately as determined under US copyright law whether or not such law applies), the work could be freely imported into the US.

As a result, US copyright law now unequivocally embraces international exhaustion, at least to the extent that the manufacture and acquisition of the foreign works would be permissible under the US Copyright Act if the US Copyright Act were to apply to such foreign acts. As a result, companies (including pharmaceutical companies) will no longer be able to use their rights under US copyright law to prevent importation of parallel imports. Trade mark law can still provide some protection from parallel imports where such goods are physically and material different as will US regulatory requirements applicable to pharmaceutical products, although these remaining sources of protection may also soon be targeted for legal challenge by parallel importers, consumer advocates, and in the case of pharmaceuticals particularly, politicians.

Words from the Chair

As I write this short article for Law, Lore & Practice, I have just returned from Hamburg after chairing the 86th PTMG Conference. This was our Spring 2013 Conference although "spring" only existed in name as we had to face very cold and snowy weather. However, we were lucky enough to be located in a fantastic hotel and the lovely surroundings helped us forget about the inhospitable conditions outside.

As always, it was a pleasure to see so many well known faces in Hamburg; my special thanks go to all the delegates who have been attending PTMG Conferences for many years. It was also really nice to see many new faces who were easily identified by the gold stickers on their PTMG name badges! I particularly welcome all new members to PTMG and I hope the Hamburg Conference is only the first of many PTMG events you will attend in the future.

Many of you have already been extremely helpful to the PTMG by providing feedback about the Conference and I want to thank you for taking the time to do so. It is very important for me, and the PTMG Committee, to understand what you like or find of particular interest at our Conferences. I am delighted that the majority of you highlighted the relevance of the topics and the quality of the speakers. If anyone else has further feedback, please do not hesitate to send it to me; it is never too late and I welcome comments from everyone.

I look forward to seeing you in Vienna in October.

Sophie Bodet

Registrability of Acronyms in Germany

Margret Knitter, LL.M. SKW Schwarz

Provoked by the often long and complex characteristic of product labels, the ability to register acronyms is always sparking interest in the pharma sector. On this subject, the German Federal Patent Court (FPC) has recently given a decision.

The company Froximun AG registered the term MANC as a trademark at the German Patent and Trademark Office (GPTO), for, amongst others, "pharmaceutical products".

The Trademark Division (TD) considered the registered term as being devoid of any distinctive character, as the term "MANC" constituted a very clear and descriptive statement. "MANC" is an abbreviation for "modified activated natural clinoptilolite" which will be readily understood in this respect by experts working in the fields of chemistry, pharmacy and agriculture. The applicant itself uses the term MANC on its website for products fulfilling that description.

The TD further concluded that for the adoption of the interpretation of the term by the public concerned it does not depend on whether the abbreviation is lexically provable or used often, but only how it will be interpreted according to its meaning. Even if the abbreviation had been created by the applicant, it could still establish itself as a technical term and as the term of an ingredient despite, the term "modified activated natural clinoptilolite" being quite long such that the use of an abbreviation is almost guaranteed.

The FPC overturned this decision, deciding that the term MANC is able to be registered (judgment of 13 November 2012 - 25W(pat)99/11). The court was of the opinion that the public will not interpret the term "MANC" as the abbreviation of "modified activated natural clinoptilolite", even if the respective goods do contain the substance "modified and activated natural clinoptilolite" and doctors and pharmacists, for example, are familiar with technical terms in English.

The court further held that the fact that the applicant itself uses the term for its products in this descriptive sense does not conflict with their decision, because the applicant did not use the term "MANC" alone but always with the explanatory additional words "modified activated natural clinoptilolite" or "modifizierter aktiver natürlicher Klinoptilolith".

In a comparable case, the FPC considered the term "BRU-Konzept" [in English: BRU-Concept] to be distinctive (judgment of 26 September 2012 - 28W(pat)72/11). The German Patent and Trademark Office had refused the application because the applicant itself used "BRU" as an abbreviation of "Bedding Recovery Unit". The BRU-Concept was therefore a method of reprocessing and isolating undigested raw fibres out of liquid manure, whereas the dried and cleaned fibres can then be used as bedding in cattle farming. The Federal Patent Court held that the descriptive use by the applicant alone will not lead to the conclusion that "BRU" is a commonly used, well-known abbreviation interpreted in the sense of "Bedding Recovery Unit" by the relevant experts in agriculture in Germany.

Practical Tip:

When trying to register an acronym as a trade mark, one has to convey to the trademark office that the registered alphabetic string is no common abbreviation. The mere fact that the applicant himself uses the alphabetic string as an abbreviation does not, according to the above-mentioned judgments at any rate, detract from the distinctive character.

Nevertheless, one should not register the alphabetic string together with the descriptive addition (therefore not: "MANC - Modified Activated Natural Clinoptilolite"), because such a sign will be rejected as not being of distinctive character according to the latest case law of the European Court of Justice (see judgment of 15 March 2012 in joined cases C-90/11 and C-91/11 - "Multi Markets Fund MMF" and "NAI – Der Natur-Aktien-Index").

Tasting your own medicine?

Max Rockall and Chris McLeod, Squire Sanders (UK) LLP, London

Will the judgment of the Court of Justice of the European Union in the AstraZeneca case pave the way for an increased focus on competition law issues within the pharmaceutical industry in the future?

On 6 December 2012, the Court of Justice of the European Union (CJEU) delivered its long-awaited judgment in the AstraZeneca AB and AstraZeneca plc. v. Commission (Case C-457/10P) case, dismissing their appeal against the General Court's judgment in 2010. The recent decision of the Court might play a significant role in changing the future of the competition law landscape within the pharmaceutical sphere, necessitating an increased understanding and awareness of competition issues for large and arguably dominant entities in that market.

Abuse of Dominance

Avoiding unfair market dominance is a fundamental aspect of European competition law. The CJEU defined dominance as "the power [of a company] to behave to an appreciable extent independently of its competitors, suppliers and ultimately its consumers" (United Brands Co v Commission (Case 27/76 [1978] 1 CMLR 429)). Abuse of a dominant position occurs when the financial strength of a dominant entity in the market allows it to behave in such a manner that its conduct deters the entry of new competitors into the market, resulting in reduced market competition.

When deciding dominance, one must assess the market share of a company. As a general rule, the higher a company's market share, typically between 50 and 70 per cent, the more likely it is that a company will be considered to be dominant. Conversely, a company with a market share of less than 40 per cent is less likely to be seen as dominant. Other factors are also taken into consideration, including, but not limited to: the holding of key intellectual property rights, access to technology not available to competitors and superior distribution systems.

The Commission's Decision in 2005

This case has attracted interest in the legal press since June 2005 when the Commission imposed a fine of €60 million on AstraZeneca, having found them to have committed two separate abuses of their dominant position within the meaning of Article 102 of the Treaty on the Functioning of the European Union ("TFEU").

The first alleged offence put forward by the Commission involved AstraZeneca's submission of misleading representations to the patent offices and national courts of various EU Member States, attempting to prolong the protection afforded to their patents, in respect of their anti-ulcer drug, sold under the LOSEC trade mark. AstraZeneca had tried to increase the period of protection attributed to their rights by applying for supplementary protection certificates ("SPCs") that would, if granted, extend the protection of the patented active ingredients present in LOSEC after the expiry of the patent. In view of the fact that generic drug manufacturers are unable to introduce a generic version of a particular drug until the patent protection on that specific active ingredient expires, the Commission took the view that AstraZeneca's representations were intentionally misleading and deliberately framed to restrict market entry for those generic medicine producers, and therefore that AstraZeneca were not entitled to SPCs, or potentially that they were entitled, but for a shorter period of time.

The second alleged offence concerned the selective de-registration of market authorisations (an organisation's permission to sell the medicine) by AstraZeneca for the LOSEC capsule in certain Member States, in conjunction with the removal of the capsule from the market and the introduction of a new LOSEC tablet. The Commission argued that AstraZeneca's actions were designed to have a direct impact on generic drug producers, delaying their ability to compete within the market, and constituted an attempt to obstruct parallel trade in the LOSEC product by deliberately extending the market exclusivity of the drug.

The General Court's Decision in 2010

AstraZeneca appealed the findings of the Commission to the General Court, which handed down its judgment on 1 July 2010. The Court took the view that objective misrepresentations made to public authorities and national courts by a company in a dominant position, purely to prolong the company's monopoly on LOSEC, could constitute an abuse under Article 102 TFEU. However, the Court also formed the view that the Commission had failed to demonstrate a sufficient causal link between the alleged abusive behaviour and a reduction in parallel trade. To account for this failure, the amount of the fine was reduced from €60 million to €52.2 million, thereby annulling part of the Commission's decision.

The CJEU's Decision in 2012

The much anticipated decision of the CJEU was issued in December 2012. The CJEU dismissed AstraZeneca's appeal, upholding the decision of the General Court, confirming that AstraZeneca's misuse of regulatory procedures amounted to breaches of competition law. Their actions in misleading national patent offices with an anti-competitive aim, to obtain exclusive rights, together with selectively deregistering market authorisations, without any objective reasoning or justification, had, on the merits, fallen outside the scope of fair competition. Furthermore, the CJEU concluded that without any mitigating circumstances, the abuses had to be viewed as serious infringements, and consequently the amount of the fine was not reduced, thereby reflecting the company's wrongdoing.

Possible consequences for the pharmaceutical industry

The key issue arising from this case is that it is critically important for large pharmaceutical undertakings to have a good understanding of European competition laws. Knowing the parameters of the law and the boundaries associated with using regulatory procedures is to help a company operate within the legal framework.

In addition, those with patent or other exclusive rights will have to ensure that they can rely on robust evidence to justify objectively their use of regulatory procedures to fall within the remit of fair competition on the merits, rather than arguably causing unfair barriers to entry for generic competitors.

International Update

Australia

Rebecca Measday

Corrs, Chambers, Westgarth

A new mandatory standard (standard 1.2.7 Nutrition, Health and Related Claims) is now in force in Australia. The standard regulates the way nutrition content and health claims are made on food labels and in advertisements.

The standard allows businesses to make claims that a food or a property of food (including vitamins and minerals) has or may have an effect on health (for example, "Vitamin C contributes to normal growth and development in children" or "calcium is good for bones and teeth"). These types of claims can only be made in relation to foods which meet the criteria set out in the standard.

Prior to the introduction of the standard, health claims about foods or properties of foods were generally prohibited in Australia.

Health claims must be based on, and meet the requirements of, one of the more than 200 pre-approved claims set out in the standard. Alternatively, businesses have the option of self-substantiating a food-health relationship in accordance with the process set out in the standard.

Therapeutic claims in relation to foods (i.e. a reference to the prevention, diagnosis, cure or alleviation of a disease, disorder or condition) continue to be prohibited.

Businesses have until early 2016 to ensure their labels and advertisements are compliant with the new standard.

Bulgaria

PETOSEVIC

As of 1 March, 2013, the Bulgarian Patent and Trade mark Office (PTO) will change its approach when interpreting the scope of protection where class headings are used in lists of goods and services in trade mark applications and registrations.

National trade mark applicants listing class headings will have to clearly indicate whether they are seeking protection for all goods or services that fall within a particular class or only for the specific goods or services mentioned in the class heading.

The change follows the 19 June, 2012 Court of Justice of the European Union decision in the IP Translator case, further to which all national PTOs in the European Union (EU) and the Office for the Harmonization of the Internal Market agreed to unify the approach.

- The Bulgarian PTO will introduce the following basic rules:
- If the applicant wishes the scope of trademark protection to cover all goods and services included in the alphabetical list of the particular class, the applicant must explicitly state on the application that "the application refers to all goods/services included in the alphabetical list of this class".
- If the applicant does not explicitly state that the scope of protection covers all goods and services in the alphabetical list of the particular class, the PTO will conclude that the applicant is seeking protection only for the goods or services mentioned in the class heading.

The change in the practice of the Bulgarian PTO will not affect trade mark applications and registrations filed or processed prior to 1 March, 2013.

Ethiopia

Joanna Matar / Joy Jeha

Saba & Co. IP

The long-awaited regulations implementing the Ethiopian trade mark law of 2006 were published on 24 December, 2012. Significant work is underway to establish the official requirements and steps. The list below is related to the procedure that is expected to be adopted in Ethiopia following the introduction of the regulations.

1. New trade mark applications must be submitted no later than 24 June, 2014 for all marks filed in the country before 7 July, 2006. These new applications will not be registered automatically but will be subject to examination on absolute and relative grounds.
2. Pending applications filed between 7 July, 2006 and 24 December, 2012 will be examined in accordance with the provisions of the new trade mark law.
3. Trade mark applications filed after 7 July, 2006 which have already matured into registration will be receiving new registration certificates. Requests should be submitted to the Trade mark Office for this purpose.
4. Obtaining permission from the Ethiopian Intellectual Property Office (EIPO) to publish cautionary notices in the local newspapers is no longer applicable. The new practice in Ethiopia involves the standard procedure adopted in most countries of our region. In other words, after the applicant submits his application to the EIPO, the application is placed for examination. If accepted by the Registrar, it will proceed to publication. It is worth mentioning here that publication will still occur in local newspapers for the time being and until the EIPO issues an official gazette. Therefore, the publication takes place by means of a "trade mark registration publication notice". If no opposition is filed within 60 days from the publication date, the registration certificate will be issued.

India

Ashish Singh

K&S Partners

In this case, Samsung Electronics Company Ltd. (Korea) along with its Indian subsidiary filed a suit for infringement against one of their erstwhile authorized dealers alleging that the defendant, without any express authorization from them, was importing printers as well as their ink cartridges and toners and selling the same on the Indian market under the SAMSUNG trade mark. It was further alleged that the defendant was also selling his products online by meta-tagging Samsung's website. The Single Judge granted an interim order to the plaintiffs, finding trade mark infringement and upholding the injunction against the defendants, primarily on the ground that India follows national exhaustion of trade mark rights.

However, on appeal, the Division Bench of the Delhi High Court reversed the order and held that India followed international exhaustion of trade mark rights and this in itself took away the rights of the respondents to maintain control over further sale and distribution of the goods.

The Bench however affirmed the Single Judge's order that prevented the appellants from meta-tagging their websites with those of the respondents.

India

Abhishek Nangia

Ranjan Narula Associates

While dismissing an Appeal filed by the Registrar of Trademarks, the Division Bench of Delhi High Court in Union of India & others v Malhotra Book Depot upheld a decision of the Single Judge holding that a mark cannot be removed from the register if the mandatory notice in Form O-3 has not been issued by the Trade Marks Registry.

The court ordered the restoration and renewal of the trade mark MBD even after a lapse of 26 years. The court was of the view that the Trade Marks Registry cannot remove the mark without complying with the mandatory procedure. The court also disagreed with the findings of the Intellectual Property Appellate Board (IPAB) in an earlier case stating

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that renewal of the mark is not dependant on service of notice to the registered proprietor.

The decision reinforces the need for the Trade Marks Registry to have a robust system in place to avoid procedural lapses. Further, it provides clarity and relief to the registered proprietors given that several marks have been removed by the Registry even without issuing mandatory notice prior to the expiry of registration.

Lithuania

PETOSEVIC

After Lithuania's parliament ratified the Singapore Treaty on the law of trade marks on 8 November, 2012, it also adopted the amendments to Lithuania's law on trade marks, which will enter into force on 1 June, 2013.

The trade mark law amendments and the related amendments to the law on Fees for the Registration of Industrial Property Objects, which will also enter into force on 1 June, 2013, are intended to simplify the procedures and reduce registration fees by approximately 25 percent.

Some of the most important changes to the trade mark law are described below.

While currently only well-known trade marks and Community trade marks (CTMs) with reputation enjoy protection against marks covering dissimilar goods or services, the amended law will extend the protection to international registrations designating Lithuania and national trade marks with a reputation in Lithuania.

To simplify the application procedure, the amended trade mark law will allow payment of application fees within a month after the filing. Only details of payment will need to be indicated without providing a paper copy of the bank transfer.

In case a mark is contested, the amended trade mark law will allow a division of the trade mark application or registration into several applications or registrations with the obligation to pay application and/or registration fees for each separate application or registration.

Another novelty is that the assignment of trade mark rights will not be permitted if:

- The trade mark would become misleading as a consequence of the assignment; or
- If the assignee does not submit proof of permission to use the trade mark where such permission is required (use of national symbols for example).

Another important change is that licenses will have effect against third parties even if they are not recorded in the Lithuanian trade mark register. In addition, it will no longer be necessary to submit a notarized copy of the license agreement for the recordal of a license. A copy of the license agreement will be sufficient for recordal purposes.

Also included are important amendments pertaining to acquiescence. The amended law is clearer with regard to invalidation actions and avoids difficulties in the interpretation of "obviously tolerating the use of a later mark for more than five years" as defined in the current version of the law. The amended law more clearly defines that the trade mark may not be invalidated "if the owner of the earlier mark has known and has not opposed the use of a later mark" within five years following registration.

The provisions on non-use cancellation actions have also been changed. The amended law no longer includes the provision stating that a trade mark will be cancelled if it has not been put to use or if there have not been "serious preparations to start use" for five years since registration. The amended law simplifies the non-use cancellation grounds, i.e. it simply states that the mark must be brought into genuine use within five years of the registration date.

Morocco

Joanna Matar / Joy Jeha

Saba & Co. IP

According to Ministerial Resolution no. 06/2012 dated 21 June, 2012, the official fees for trade mark, design and patent related matters were revised in Morocco, effective 1 October, 2012. Fees have substantially increased in comparison with their current level. The new schedule of fees is applicable to all new applications as well as applications that have still not matured to registration.

It is also worth noting that maintenance fees in the country will be due annually on the anniversary of the filing date of the patent. There is a six-month grace period for late payment with a surcharge. Previously, annuities were paid every five years. The 1st through the 5th patent annuities were payable at the time of filing. The remaining annuities were payable in groups of 5 years at the time of payment of the 6th, 11th and 16th annuities.

Also, fees for the filing and the renewal of trade mark applications will be payable separately for each and every class, and not up to the first 3 classes, as was previous practice.

Serbia

Gordana Pavlovic

Cabinet Pavlovic

In Serbia, unfair competition is regulated by the law on Trade, enacted in 2010. On 7 February, 2013 a set of amendments to the law came into force.

The amended law defines unfair competition as an act of one trader against another trader (i.e. a competitor), which violates the code of conduct and good business practices and which is damaging or may be damaging to the competitor. Selling goods featuring designations, data or shapes that create consumer confusion regarding the source, quality, or other characteristics of the goods is listed as an example.

The amended law introduces detailed provisions regarding civil remedies. A trader can request the Court to establish that an act of unfair competition has been committed, to prohibit further continuation of that act, and to order removal of the consequences of the act as well as indemnification. Previously, the Law only indicated that unfair competition was prohibited.

The amended law explicitly provides that both material and immaterial damages (harm to business reputation) can be claimed. The Court will award immaterial damages if it considers that the claim for damages is justified, and will take into account the gravity, duration, and intensity of the violation, the effect of the violation on the trader's business, the importance of the infringed property, and the aim that is to be achieved with indemnification. This provision will, ideally, encourage Serbian courts to award more generous damages.

The action must be initiated within six months after the trader learns of an act of unfair competition and the identity of the perpetrator, and no more than three years after the act of unfair competition was committed. Previously, the law did not provide for a deadline for such an action.

The amended law represents an important piece of legislation for the fight against "look alikes," and the detailed provisions about civil remedies which were introduced with the amendments represent good news for brand owners.

Yemen

Joanna Matar / Joy Jeha

Saba & Co. IP

The Yemeni Ministry of Industry and Trade has recently launched a new system to file trade mark applications electronically on the following website: www.yipo.gov.ye.

This new system allows applicants to complete an electronic application form along with the requirements, check and review it for accuracy and precision, and then submit it directly over the internet to the Intellectual Property Office. Original copies of the required documents should still be submitted before the Trademark Office.

Members News

New members

We are delighted to welcome the following new members to the Group:

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Corrections

My apologies to **Heidi Gorenstein** Nigri of Luiz Leonardos & Cia, whose e-mail address was incorrectly printed in the last edition of LL&P. It should be hgorenstein@llip.com

Moves and Mergers

Susan Evans, our immediate Past President, is happily enjoying retirement in Switzerland. She can now be contacted at sme@timba.ch. We hope to see Sue again at one of our future events.

The firm Gilbey Delorey is now known as Gilbey legal. Member **Richard Gilbey** can still be contacted at r.gilbey@gdhlegal.com

Dorothy Linvill-Neal has left Johnson & Johnson to join Novartis Pharmaceuticals Corporation in East Hanover, NJ, USA. She can be contacted at Dorothy.linvillneal@novartis.com

Santiago O'Conor has left Marval O'Farrel & Mairal to establish his own firm; O'Conor Power & Co in Buenos Aires, Argentina. Santiago can be contacted at oconor@oconorpower.com.ar

Peter van der Wees has left Zacco Netherlands and can now be contacted at petervanderwees@online.nl

Gabriela Taugwalder has left Wenger Vieli AG to join Wild Schnyder AG in Zurich, Switzerland. Gabriela's new email address is Taugwalder@wildschnyder.ch

David Harlow has left Nelson Mullins to join Manning, Fulton & Skinner, P.A. in Raleigh, NC, USA. David can now be contacted at harlow@manningfulton.com

Christian Bardenfleth has left Zacco Denmark to join Plesner in Copenhagen Denmark. He can now be contacted at chb@plesner.com

PPR, the luxury goods company, has recently changed its' name to Kering. Member **Katrina Burchell** can now be contacted at Katrina.burchell@kering.com

Please remember to let us know of any changes to your contact details. You can notify me either via the PTMG website www.ptmg.org or directly to Lesley@ptmg.org or by writing to me at Tillingbourne House, 115 Gregories Road, Beaconsfield, Bucks, HP9 1HZ

Lesley Edwards

PTMG Secretary

PTMG Spring Conference Report

Hamburg, 18th and 19th March 2013

ALL CHANGE! EXPLORING PHARMACEUTICAL TRADE MARKS TODAY AND TOMORROW

Gordana Pavlovic, Cabinet Pavlovic, Brussels, Belgium and Belgrade, Serbia
Iris V. Quadrio, Marval, O'Farrell & Mairal, Buenos Aires, Argentina

A white snowy Hamburg welcomed us for the 86th conference, which started with a packed pre-conference dinner for the early arrivals on the evening of March 17 in the elegant Ubersee-Club. Delegates were busy at their tables catching up with old friends and making new acquaintances while being entertained by the tricks of a Dexter magician. This marked the beginning of a wonderful Spring conference, featuring high level speakers and creative presentations.

Sophie Bodet

In spite of the cold weather and grey skies, during the morning of March 18th the PTMG delegates arriving early had the chance to go on a fantastic boat ride through the massive Hamburg harbour, the second biggest port in Europe. The boat tour was sponsored by local firms Hogan Lovells, Harmsen Utescher and s.m.d. markeur - Schutz Marken Dienst. Huge containers in different colours made a big impression on the attendants, especially when they learnt that many of them are transported on container vessels, the main business of the Oetker family (otherwise known as the inventors and producers of the popular baking powder).

Following a quick taxi ride back to the hotel, we congregated for registration and refreshments. The conference started immediately after, with the PTMG chairman, Sophie Bodet, swiftly going through the formalities of the AGM. We saw Sophie formally elected as Chairman. Sophie then introduced the PTMG committee members, including new members Isabelle Dini of Norgine and Wolfgang Feiler from Takeda.

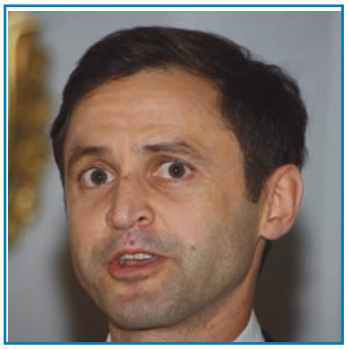
Sophie gave a warm welcome to the 260 delegates from 56 countries, to Germany, a country which represents the largest market for the pharmaceutical industry in Europe but which is nowadays criticized for its pricing system reforms. Having this in mind and considering the present global financial conditions, particularly in Europe where strong austerity measures are being taken, all attendees were eager to listen to the Alan Cox Memorial Lecture delivered this year by Beate Schmidt, the President of the German Federal Patent Court.

In a very structured way, Beate Schmidt guided us through the past, present, and future of the harmonization of trademark law in Europe, highlighting the most important events in the history of the community trademark (CTM). She explained the role of the ECJ and OHIM in the trademark harmonization process, touching upon the importance of ECJ preliminary rulings. She also explained the efforts of OHIM in organizing educational programs for national judges, developing

Beate Schmidt

various computer tools, and launching a convergence programme with national offices. She highlighted the importance of the European Observatory on counterfeiting and piracy, and the study of the Max Planck Institute on the functioning of European trademark system. At the end of her presentation Beate revealed the latest proposals to modernize trademark law and procedures and revise the 1989 Trademark Directive (now codified as 2008/95/EC), the 1994 Trademark Regulation (now codified as 207/2009/EC) and the 1995 Commission Regulation on the fees payable to OHIM (2869/95).

Bill Ladas, of Corrs Westgarth & Chambers, was charged with the task of driving us around the world, commenting on the recent case law in EU, the United States, and Australia, and taking it into the pharma space. Bill broke his very interesting and illustrative presentation into four segments, starting with formal issues (in particular cases since IP Translator), then discussing absolute and relative grounds (mentioning difficulties in dealing with complex marks containing descriptive words), and ending with non-use issues (highlighting an Australian decision in which the general discretion



Bill Ladas

not to remove the mark even absent use during the relevant period was exercised). Bill sometimes had to drive in sixth gear, as it was a huge challenge to cover all this territory in just 40 minutes

Later that evening, we stayed at the hotel for dinner – a wise choice considering the cold temperatures and snowy conditions outside. Following a lively reception, we were taken through to the Grosser Festsaal (Ballroom) of the Atlantic Kempinski hotel, where we enjoyed excellent food and wine, and then continued our deliberations in the hotel bar (where else?) but only for a while, as we had to be up and running early for day 2 of the conference.

Jenny Barker

Tuesday started with a very clear and practical presentation on joint ventures, mergers, and acquisitions from GSK's Jenny Barker, who gave us insights into the business trends of consolidations and marriages of companies. These processes often involve different cultures, and the parties are not always 100% compatible. In Jenny's words, as in a marriage, prenuptial agreements are worth considering. Jenny looked into due diligence exercises prior to acquisitions and changes of ownership, and also analyzed the do's and don't's of assignment deeds, while considering the impact of regulatory issues, recordals, and of course costs. For many of the delegates, who have been through the

process of consolidations and divestments either in their own companies or when assisting their clients, Jenny's summary of potential issues and their solutions was very much on target.

Wolfgang Feiler

In a very entertaining fashion, Wolfgang Feiler then walked us through the complex stages in the adoption of new names by his company, in particular the challenges faced by his legal team prior to launching the new company name ALTANA PHARMA. Wolfgang was very open about the process they went through and his presentation left us with quite a few lessons learned for both in-house and outside counsels who face these issues: to always work on the basis of good internal information; search as much as possible; keep records; be flexible; and in Wolfgang's words "know that nearly everything can be negotiated!"

After coffee break, we were welcomed by a panel formed of in-house and outside counsel plus a search provider, who thoughtfully presented us with an ideal road map for clearing pharmaceutical trademarks. Christian Schalk, from Bayer,

Christian Schalk, Catherine McGirr and Bernard Volken

gave the in-house perspective, complemented with useful tips and recommendations by private practice lawyer Bernard Volken from Fuhrer Marbach & Partner. The view from the search company was given by Catherine McGirr from Avantiq, who facilitated open discussion and drew practical conclusions and recommendations for the audience. The trio touched on such interesting topics as clearance specifics, regulatory issues, expectations on search reports, risk analysis and useful tips on getting started before doing the actual clearance work. They also defined a profile of an ideal person to be engaged in search work: a legally creative and not too anxious trademark attorney or paralegal with a lot of experience in dealing with searches.

Drinks followed in the foyer where some of us gathered near the windows to look at the snow flurries that by then had become a symbol of the Hamburg

Sarah Keefe

conference. After a lovely lunch with excellent food and wine, we reconvened to hear a very interesting and well-thought-out presentation from Sarah Keefe, of Womble, Carlyle Sandrige & Rice, who was brave enough not only to bring the crowd back to the conference room after lunch but also to describe, from a private practitioner perspective, the qualities of an ideal pharmaceutical client in the context of global recession. This was an opportunity for delegates to think about their own clients and consider which of the adjectives mentioned by Sarah (fair, educated, trusting, critical, forthcoming and helpful) provide the most accurate description. Sarah also shared with the audience facts and figures regarding trademark filing, opposition and litigation proceedings in the US and briefed us on the present activity and staffing at the USPTO.

Stefano Marino

Stefano Marino of Sigma Tau came next with a thorough overview on the prescription of generics today, a very controversial and politically driven topic which, depending on the jurisdiction, can include compulsory INN prescriptions, generic substitution or compulsory generic substitutions. Considering the popularity of generic substitution, electronic prescriptions to save social security additional funds, and the importance of generics in curbing pharma expenditures, Stefano wondered if there is any room left for innovation.

He made reference to the European Cross-Border Directive whereby medicinal products should be prescribed using the common name, and indicated that Member States shall have to adopt the directive into their legislative systems by October 25, 2013.

Last but not least, Maria Fernandez-Marques of Pfizer, posed a sensitive and fundamental question that can definitely impact the IP profession both in-house

Maria Fernandez-Marques

and in private practice: Are pharma trademarks important in the industry today? To answer that question Maria started by defining the nature of what we know as "pharma trademarks" which can include not only the ordinary word or logo marks but also those that make reference to diagnostic tools, adherence programs, disease awareness websites, health management programs and tools and health education resources. Maria went on to imagine a life without pharma trademarks, which would likely result in medication errors and difficulties for consumers' choice and for drug safety and monitoring. To avoid this, Maria said, trademarks must be easy to remember to build familiarity and trust. What comes next is still to be seen: is the industry exhausting its potential of brands or is it surrendering to the system for lack of a better idea? That could be, perhaps, the subject of discussion for the next conference.

A big thank you to Sophie, Lesley, the PTMG Comittee, the grass roots team, and to the outstanding speakers for an amazing array of presentations! This was a memorable conference, which is likely to inspire many delegates to attend the Autumn Conference in Vienna in October. Make sure to register in time!

PTMG 87th Conference Vienna

October 2nd - 5th 2013

Registration on line at www.ptmg.org from mid June

Case Notes - INN stems –

Australia

Carly Mansell

Davies Collison Cave

We have previously reported on the practice of the Australian Trade Marks Office to object to class 5 pharmaceutical trade marks that contain an INN stem. The Office has been proactive in reviewing extensive feedback from practitioners and industry, and we are pleased to report it has now changed its practice to reflect many of the concerns raised.

The old practice for INN stems

The Trade Marks Act 1995 (Cth) provides that a trade mark application will receive an objection if, because of some connotation of or within the trade mark, the use of the trade mark in relation to the applied for goods or services would be likely to deceive or cause confusion (section 43).

The Trade Marks Office will object under the section 43 ground to a trade mark in respect of pharmaceuticals, veterinary substances or pesticides containing an INN stem:

- if the INN stem is contained within the mark in "a meaningful way"; and/or
- the goods covered by the specification are restricted to substances belonging to a pharmacological group pertaining to the INN stem.

The previous Office practice did not adequately recognise that some stems are not likely to be associated with a particular pharmacological group, for instance because the stem has not been used for several decades or because the relevant consumers are accustomed to seeing a high number of products on the market with trade marks containing the stem but which relate to a range of pharmacological groups.

An example is Boehringer Ingelheim International GmbH's application for ZELVICOL which initially received an objection from the Office on the basis that it contained the INN stem -OL. This was despite the fact that the suffix -OL is in widespread use in Australia in relation to various types of pharmaceuticals which do not relate to the INN stem. The objection was later withdrawn after a hearing for reasons in line with the new Office practice for INN stems outlined below (the new practice had been circulated internally at the Office in draft form at the time the decision was made).

The new practice for INN stems:

The Office has now adopted a more flexible approach which we consider more closely reflects the commercial realities relating to pharmaceutical trade marks. The Office practice now qualifies the question of whether an INN stem will be viewed as being contained within the mark in a "meaningful way" with the following principles, all of which must be considered. Where most of the following factors are present the section 43 ground for objection should not be raised as it is unlikely that the use of the INN-stem would deceive or cause confusion:

- both the state of the Register and the marketplace indicate that the suffix is in common use other than as an INN stem;
- the INN stem is two or three letters long;
- the INN stem will not necessarily be perceived as the suffix – such as where there are other obvious suffixes present. For example, in EXIMAL, -AL or –MAL might be seen as the suffix; and
- in the context of the mark as a whole, the INN stem would not be generally considered as indicating only a particular kind of pharmaceutical because the prefix does not conform with the usual formulation relevant to the INN stem.

When do the changes come into effect?

The formal change of practice was implemented with amendments to the Examiner's Manual as of 14 February 2013. However, we have noted a trend in recent months whereby individual examiners have already been applying the new, more flexible criteria and considerations. This is good news for applicants as it avoids the expense of a formal hearing.

Implications for pharmaceutical companies

The change of practice is a positive development for pharmaceutical companies, particularly those seeking to roll out global brands to Australia. The formalisation of the change of practice suggests that pharmaceutical companies should receive less frequent objections to class 5 marks on the INN stem basis in future. In addition, when such objections are raised, a more flexible range of criteria will be considered in order to overcome the objection on the basis that a mark does not in fact contain a misleading connotation with respect to the INN stem.

Trade mark owners in the pharmaceuticals, veterinary and pesticides field should continue to consult the list of INN stems when clearing names and be wary of selecting names in Australia containing an INN stem unless the product is destined for the relevant pharmacological group or can be shown not to contain an INN-stem connotation.

Pharmaceutical companies should also consider filing new applications for marks which have previously been subjected to an endorsement which may no longer be required under the current practice and marks for which registration was not pursued due to an INN stem objection.

Greece

Dr Nikolaos Lyberis

Vayanos Kostopoulos

Due to rising popularity of INNs, several pharmaceutical manufacturers attempt to obtain trademark protection for signs that are either identical to INNs, or consist of invented names resembling INNs to a varying degree, or contain word elements that are included in INNs (so-called "stems") to indicate that the substance belongs to a group having similar pharmacological activity.

While a mark identical to an INN would be rejected in class 5 on absolute grounds, case law would provide useful guidance as to the assessment of acceptable degree of similarity to an INN:
Trademark LEFLOXACIN was rejected being an abbreviation of INN LEVOFLOXACIN (ATC Dec. 3626/2009).

Combinations of an INN and a company name are registrable trademarks while the INN part of said combinations may be freely used by any competitor:
VALSARTAN MIKLICH LABORATORIOS was accepted as a trademark despite INN VALSARTAN (ATC Dec. 8265/2009); RAMIPRIL/ZEINCRO was also accepted as a trademark (INN RAMIPRIL) in the name of ZEINCRO Hellas SA (ATC Dec. 10663/2008); OXALIPLATIN/MEDICUS was accepted as a trademark (INN OXALIPLATIN) in the name of MEDICUS S.A.. However, trademark OXALIPLATIN U.K.R. was rejected (INN OXALIPLATIN) because the applicant's initials U.K.R. were not considered sufficient to avoid the confusing similarity to said INN
.
While the majority of marks similar to INN stems are accepted, it is noteworthy that trademark BIOGRASTIM was refused due to confusing similarity to INN FILGRASTIM (Adm. Court of Appeal Dec. 1347/2008). Similarly, trademark application VALARTAN was refused due to confusing similarity to INN VALSARTAN (ATC Dec. No. 4698/2011).

United States Supreme Court to Decide Whether "Reverse Payments" to Settle Pharma Patent Cases Unlawful

Joseph A. Meckes, Partner, Squire Sanders (US) LLP

On 25 March 2013, the United States Supreme Court will hear oral argument on whether a brand pharmaceutical company can lawfully pay a generic drug company to delay entry into the market and not to challenge the brand company's patents. The case, Federal Trade Commission v. Actavis, will address the tensions between federal competition law, which generally prohibits an incumbent firm from agreeing to pay a potential competitor to stay out of the market, and principles of patent law, which reward innovation by providing market exclusivity within the scope of the patent.

Actavis arises under the Hatch-Waxman Act (21 U.S.C. § 355(j)), through which the United States Congress sought to promote the introduction of generic drugs while at the same time protecting the rights of innovator companies. The Hatch-Waxman Act allows a manufacturer to obtain approval for a proposed generic pharmaceutical through an Abbreviated New Drug Application (ANDA). An ANDA may rely on the safety and efficacy studies for the target branded pharmaceutical provided that the generic is the branded product's "bioequivalent." The first generic manufacturer to gain approval is awarded an exclusive 180-day window in which to sell a generic version of the branded pharmaceutical – a valuable asset in the event that other generic companies also seek to market the drug.

Most pharmaceuticals are covered by patents assigned to the branded pharmaceutical company. When a company believes its patents protect a pharmaceutical or some aspect of its formulation or delivery system, the branded company must list those patents with the United States Food and Drug Administration (FDA). The patents are then listed in the FDA's "Orange Book" as covering that particular product. If a generic manufacturer wishes to file an ANDA as to a pharmaceutical that the Orange Book lists as having patent protection, its ANDA must certify that the generic formulation does not infringe the claims of any listed patents or that such patents are invalid. The ANDA filer must then notify the branded company of the ANDA and of the particular non-infringement and/or invalidity contentions underlying its certification to the FDA. If the branded company disagrees, it must file suit for patent infringement. The filing of an ANDA constitutes an act of patent infringement provided the patent owner can establish that its patent or patents read on the generic formulation. Once a lawsuit is filed, the FDA will not approve the ANDA for 30 months or until a court finds the patents not infringed or not valid.

This mechanism provides a generic drug manufacturer the ability to litigate infringement and validity without the expense and risk of actually launching a product. At the same time, the branded pharmaceutical company is permitted to defend its intellectual property rights without the immediate harm to its market share that typically accompanies generic entry.

Many of the patent infringement actions that arise through this Hatch-Haxman process involve widely prescribed pharmaceuticals with huge revenue streams, putting vast quantities of money at issue. Given the huge amounts of money that can be involved along with the vagaries of the litigation process, branded pharmaceutical companies may consider paying the generic company some compensation to delay its market entry. A generic manufacturer may find such a settlement superior to the uncertainties of litigation, too.
Actavis arose out of such a scenario. The branded company plaintiff settled its claims against the defendant generic companies by paying them tens of millions of dollars to delay marketing a competing generic product for several years. After learning of the settlement, the Federal Trade Commission (FTC) brought an action against all of the parties alleging that their settlement was anticompetitive and violated Section 5(a) of the Federal Trade Commission Act (15 U.S.C. § 45(a)). The FTC alleged that the patent owner improperly settled to preserve its monopoly because it realized that it was not likely to prevail in litigation based on the defendants' "persuasive arguments" and "substantial evidence" that the patents were invalid or not infringed.

Relying on established precedent, however, the trial court dismissed the FTC's claims, reasoning that reverse payments are not anticompetitive "so long as the terms of the settlement remain within the scope of the exclusionary potential of the patent, i.e., they do not provide for exclusion beyond the patent's term and do not operate to exclude clearly noninfringing products, regardless of whether consideration flowed to the alleged infringer." The United States Court of Appeals for the Eleventh Circuit affirmed, holding that a district court should not be put in the position of having to re-litigate whether a settlement is anticompetitive when the basis for doing so is that the defendants' arguments for invalidity or non-infringement were strong. Likening patent litigation to a game of "Russian Roulette," the court reasoned that a party may want to settle even where it believes it is likely to win, simply to avoid the devastating impact in the unlikely event it were to lose. The courts, it reasoned, should not be put in such a position, stating:

Predicting the future is precarious enough. Retroactively predicting from a past perspective a future that never occurred is even more perilous. Too perilous to form a foundation for antitrust liability.

Within a few months after the Eleventh Circuit's decision, however, the US Court of Appeal for the Third Circuit, in In re K-Dur Antitrust Litigation, held that a branded company's payment to a generic rival to delay the latter's entry into the market and not challenge the patent is per se an illegal restraint of trade. Because the public interest is served by submitting weak patents to challenge, the Third Circuit reasoned, any payment to avoid such a challenge is anticompetitive – especially in the context of generic drugs, access to which the Hatch Waxman Act is intended to promote.

To resolve this split in reasoning between the appellate circuit courts, on 12 December 2012, the US Supreme Court granted review in Actavis to resolve whether these kinds of reverse payments are "per se lawful unless the underlying patent litigation was a sham or the patent was procured by fraud," as the lower court held in Actavis, or whether they are "presumptively anticompetitive and unlawful" as held by the Third Circuit in K-Dur. This case has drawn substantial interest from numerous outside groups including drug companies that believe such settlements in fact promote efficiency and judicial economy in patent litigation while at the same time avoiding risk. Various consumer advocacy groups, meanwhile, believe such settlements promote artificially high drug costs based on weak patents.

Whatever the outcome, the Supreme Court's resolution will almost certainly affect how such cases are resolved for years to come. Notably, however, Justice Samuel Alito has recused himself, which gives rise to the real possibility of a 4-4 split between the eight remaining justices. If this were to occur, the opinion in Actavis would be affirmed, but the bigger question of whether reverse payments are unlawful would be left for another day.

(1) Hollister Incorporated (2) Dansac A/S v Medik Ostomy Supplies Limited "A Question of Quantum"

Jamie Rowlands, Wragge & Co

Background:

Hollister Incorporated and Dansac A/S (the Claimants) are part of the Hollister group of companies. They made and sold ostomy products under their registered trade marks.

Medik Ostomy Supplies Ltd (Medik) was a parallel importer. In 2003 Medik began importing ostomy products into the UK that had been legitimately put on the market by the Claimants elsewhere in the EEA. Medik repackaged the products, re-applying the Claimants' trade marks.

The law of repackaging:

The rights of a registered trade mark owner are set out in Article 5 of Directive 2008/95/EC (Directive) and Article 9 of Council Regulation (EC) No. 207/2009 (Regulation). However, once goods have been legitimately placed on the market by or with the consent of the trade mark proprietor those rights are said to have been exhausted except when:

"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" (Article 7(2), Directive).

It is settled law from the European Court (CJEU) that there are five criteria that must be met by a parallel importer who repackages products to avoid trade mark infringement. These are known as the BMS Conditions:

- Where reliance on trade mark rights by the owner would contribute to the artificial partitioning of the markets between Member States;
- It is shown that the repackaging cannot affect the original condition of the product inside the packaging;
- The new packaging clearly states who repackaged the product and the name of the manufacturer;
- The presentation of the repackaged product is not such as to be liable to damage the reputation of the trade mark and of its owner (so the packaging must not be defective, poor quality or untidy); and
- The importer gives notice to the trade mark owner before the repackaged product is put on sale, and, on demand supplies him with a specimen of the repackaged product.

The First Instance Decision:

Medik had not complied with BMS Condition 5 by not giving notice to the Claimants of the repackaged product. The Claimants started proceedings against Medik for trade mark infringement. Medik admitted liability, agreed to stop the infringing acts and provide disclosure of the extent of its infringing acts.

On 2 November 2011, having reviewed Medik's disclosure, the Claimants elected to proceed with an account of Medik's profits rather than an inquiry into the Claimants' damages (ie. its own loss of profits, which is more typical in English proceedings).

His Honour Judge Birss (HHJ Birss) (sitting in the Patents County Court) had to assess the level of quantum to be awarded to the Claimants in light of the European jurisprudence.

The CJEU considered the potential penalties for a parallel importer who did not comply with BMS Condition 5 in a number of cases, including C-348/04 Boehringer Ingelheim KG v Swingward Ltd [2007] ETMR 71 (known as Boehringer II). It was held that the remedies available to the trade mark owner if a parallel importer breached BMS Condition 5 only are the same as if the goods were counterfeit. On the question of financial remedies, it is for the national court to determine quantum according to the circumstances of each case taking two issues into consideration, in particular. Firstly, the extent of damage caused by the infringement. Secondly, proportionality must be considered whilst ensuring any remedy is an effective deterrent to ensure the Directive/Regulation is fully effective.

HHJ Birss stated that if the CJEU had meant that the quantum assessment should be the same for a breach of BMS Condition 5 as for counterfeit goods, it would have made it clear. It did not. As such, HHJ Birss adopted the following approach when assessing quantum:

- Assess the account on normal basis under English law;
- Consider the extent of damage caused by the infringement and the issue of proportionality; and
- Decide what final sum should be awarded having regard to (1) and (2) above.

On the usual approach (step 1), HHJ Birss found that Medik had made net profits of £392,096 as a result of its infringing acts. However, when considering step 2, HHJ Birss considered that there were factors that should be taken into account as a result of Boehringer II. For instance, infringement only arose as a result of a breach of BMS Condition 5, no damage was suffered by the Claimants which BMS Condition 5 was meant to protect and the Claimants always knew about Medik's activities. For these reasons (and applying step 3), HHJ Birss halved the award to £196,048.

The Court of Appeal Decision:

The Court of Appeal clarified the difference in approach to be adopted in an account/ assessment of a defendant's profits as opposed to an inquiry as to the damages suffered by a claimant in respect of its profits. In relation to an account of profits, the remedy is equitable and the Court has discretion whether to order it. The purpose of an account of profits is to deprive the infringer of its profits (not to put the trade mark owner in a position it would have been absent the infringement). It held that such a remedy was proportionate as it ensures an infringer would not benefit from its wrong whilst containing no element of punishment. It was also an effective remedy, as an infringer knows it will not retain profits from the infringing acts.

The Court of Appeal held that HHJ Birss was wrong in his approach on the question of quantum. It was not permissible to embark on his step (2) being an assessment of the damage caused to the Claimants by the infringement, a review of proportionality by reference to the Claimants' state of mind and whether Medik's acts caused the requisite damage for the purposes underlying BMS Condition 5. In a quantum assessment, by way of an account of profits, it is not permissible to assess the damage suffered to the Claimants. The only relevant consideration is the profit made by the infringer. Likewise, the weighing up of factors under HHJ Birss' step (3) is irrelevant and impermissible.

For these reasons, the Court of Appeal held that the Claimants were entitled to the full assessment of the profits made by Medik without taking account of the deductions used by HHJ Birss. The Court of Appeal felt that this was consistent with the approach adopted in Boehringer II.

Assessment of Net Profits

The Court of Appeal also clarified what overheads should be included in net profits.

Medik was entitled to deduct any direct costs associated with the infringement and also any overheads that would not have been incurred but for the infringements. However, Medik was not permitted to allocate a proportion of its general overheads (ie. cost of premises and general staff costs) to the infringing activity unless it could show that any such overheads were fairly attributable to the infringing activity.

The Claimants have various trade marks including HOLLISTER and DANSAC

Joined cases C-427/93, C-429/93, C-436/93 Bristol-Myers Squibb v Paranova A/S [1996] ECR I-3457

Kazakhstan : Protection of trade marks using customs measures

Yuri Bolotov, Partner and Zhanat Nurmagambetov, Associate, BMF Group LLP, Kazakhstan

The issue of whether the actions taken by Toyota Motor Corporation (TMC) to protect its trade marks, which are placed on car spare parts, in Kazakhstan were lawful or not has been repeatedly raised recently in print media, on TV and Internet. Fears that prices of spare parts will go up, increase the time of delivery and decrease the popularity of Toyota cars are being raised. So what is going on?

TMC had included its trade marks into the customs register of intellectual property items (the Register), which resulted in goods containing TMC's trade marks being seized at the border. Such steps were taken by TMC to protect its reputation, which may be damaged due to import and use of poor quality counterfeit goods and its commercial interests by granting the right to import spare parts into Kazakhstan to only one company – Toyota Motor Kazakhstan LLP.

Why now is the crucial question?
The customs legislation of Kazakhstan has experienced a number of modifications. The first Decree of the President of Kazakhstan "On Customs in the Republic of Kazakhstan" adopted on 20 June 1995, contained no provision with regard to the protection of intellectual property. Later, on 16 July 1999, it was amended so that a trade mark owner could include its trade marks on the Register.

Subsequently, the Customs Code of Kazakhstan dated 5 April 2003 defined counterfeit goods as goods incorporating intellectual property which were created and/or moved across the customs border of Kazakhstan in absence of right holder's consent, and determined the procedure for the suspension of goods which met the criteria for being counterfeit as well as the dispute resolution procedure.
Customs measures became available once the goods were included into the "Customs Register of Goods Containing Intellectual Property". At the same time, the list of intellectual property items was not limited and could include trade names, patents for invention and selection inventions. The above definition of the counterfeit goods expressly specified that the goods might be counterfeit even if they were legally produced but they became counterfeit upon crossing the border into Kazakhstan.

In 2010, the definition of counterfeit goods was excluded due to the adoption of a new Code "On Customs Affairs in the Republic of Kazakhstan", and, despite the provisions of the law on Trade marks, which provide for the requirement to obtain a consent of the trade mark owner to use trade marked goods, it became impossible to take any customs measures against the parallel import.

After a considerable gap, from 1 January 2012 it became possible again to take customs measures to protect trade marks and copyrights items against parallel import into Kazakhstan. Such possibility is contemplated by Article 13 of the Agreement on Unified Principles of Governance of Preservation and Protection of Intellectual Property Rights, which was signed as part of legislation of the Customs Union. So, TMC, as well as a number of other companies, simply took advantage of such an opportunity.

As soon as TMC declared that it had granted to Toyota Motor Kazakhstan LLP the exclusive right to import spare parts, rumours emerged that some companies "found a legal way to import spare parts without obtaining consent from TMC". We believe that there is a possibility to complete customs clearance of goods in Russia or Belarus and thereafter to import such goods out-of-control into Kazakhstan. Such possibility exists, but subject to the legal import of spare parts into Russia or Belarus. Such legality should be confirmed by the right holder, i.e. by TMC, rather than by the absence or non-application of the customs measures upon crossing the borders of those countries.
Even if such measures of suspension of goods are not applied, there are also other methods to fight against infringement of rights, such as application to the court, financial police authorities, the Ministry of Justice of Kazakhstan. Undoubtedly, such measures do not have the same effect as the suspension of goods at the border before their distribution to various cities and shops, and are more costly, but such measures are available and are also applied.
In our experience and according to TMC, as well as its exclusive distributor in Kazakhstan – Toyota Motor Kazakhstan LLP – the application of customs measures of trade marks protection is one of the most effective measures in combating the illegal use of trade marks.

Following several years of tough fighting against the infringing Toyota and Lexus trademarks, TMC became the first to understand the importance of relying on the customs measures to protect trademarks. Auto spare parts imported into Kazakhstan by unauthorised importers and without the consent of TMC will not be allowed in the local market, where, first, it would be difficult to track their distribution, and second, to prove their illegal import. The future of spare parts suspended at the borders of Kazakhstan will be decided by the court, and they will either be ordered to be destroyed or the importer will have to revoke its application for customs clearance and export them back out from Kazakhstan.

Nonetheless, taking into account that some delivery orders were made prior to the inclusion of TMC's trademarks into the Register, i.e. prior to 8 February 2012, Toyota Motor Kazakhstan announced, on behalf of TMC, that it would not seek protection of its rights through administrative, law enforcement or court authorities up until 1 September 2012. However, such temporary easing only applied to the genuine spare parts and accessories made and marked by the factories of origin of TMC or with its consent.

TMC and Toyota Motor Kazakhstan expect that grey import will cease and the delivery volume through the official importer, Toyota Motor Kazakhstan, will increase. The dealer network is also expected to expand by regions to make it more comfortable for consumers.
TMC's policy will, first of all, allow consumer protection from poor-quality products. Vehicle owners who purchase such products become exposed to the risk of damage to their safety and the safety of their passengers, not to mention the car itself. Moreover, TMC's policy helps prevent more and more grey importers from making their business illegal.

The fact that right holders have a real opportunity to protect their intellectual property in Kazakhstan suggests that the investment climate in the country has improved which will make Kazakhstan more attractive for a serious business.

We would like to stress again that TMC is one of many that has included its trademarks into the Register. We expect that other trademark owners will also take advantage of such opportunity in protecting their rights and commercial interests, as well as the lawful interests of their Kazakhstani partners.

PROFILE: Iris V. Quadrio

Iris has been a partner of Marval, O'Farrell & Mairal since 1998 and currently co-leads the firm's Trademark Department. She specializes in IP law, with extensive experience advising domestic and foreign clients, principally on trade mark and trade dress issues, including IP rights clearance, registration and management of IP portfolios, with particular emphasis in the Latin American region.

She was a member of the Board of Directors of the International Trademark Association (INTA), having received the 2004 and 2009 Volunteer Service Awards for the Advancement of the Association and of its Committee Objectives. She is also a qualified member of the Buenos Aires Bar Association, the Argentine Association of IP Agents as well as of other IP groups including ASIPI, AIPPI, FICPI, IPO and ITMA. She has been a member of PTMG since 2005.

Where were you brought up and educated?

I was born and raised in Buenos Aires.

How did you become involved in trade marks?

Like many people did, by chance. While I was a law student, I worked part-time for a small law firm in Buenos Aires, with a general commercial and intellectual property practice. Once I received my law degree, I started searching for a full-time job. Although I was looking for a position in the commercial litigation field, when I learned that Marval was looking for a trademark attorney, I decided to apply and give it a try. I finally got the job and soon became captivated by IP matters, in particular by trademarks.

What would you have done if you hadn't become involved in intellectual property?

I think I would still have been involved in the legal field but probably doing something related to foreign service affairs and international relations..

Which three words would you use to describe yourself?

Self-confident, friendly, determined

What do you do at weekends?

Enjoy family life and get together with friends as much as possible, which most times includes cooking or having a good barbecue at home

Complete the following sentence: If I have time to myself ...

. . . I would love to take painting lessons and attend a course on history of art

What's the best thing about your job?

Meeting so many wonderful people from diverse countries all over the world. And, what's more important, making truly great friends.

What does all your money get spent on?

Shoes!

What is your favourite work of art?

Van Gogh's "Starry Night"

What's the toughest thing about your job?

The pressure of keeping up to date with massive amounts of emails!

Who was your mentor or role model?

I owe much of what I am today to the invaluable guidance and teachings of mentors Ernesto O'Farrell, Ernesto Aracama Zorraquin and Michael Cassels, who transmitted to me their passion for IP and for high quality work.

What car(s) do you drive?

Peugeot 207 compact, ideal to drive through the crazy Buenos Aires traffic.

What is your favourite children's book?

Antoine de Saint-Exupéry's "The Little Prince", which I received as a birthday gift when I turned 5.

Which music recording would you take with you to a desert island?

The Beatles' White Album

Which one person would you invite to dinner

Pope Francis, a wonderfully human, kind and simple person.

What is your favourite food dish?

Argentine beef by far!

Which word or sentence do you most often say?

I have two teenage boys, so "Stop it!" is the most frequent expression I am using these days…

What is your favourite holiday destination?

Punta del Este, Uruguay

Where do you see yourself in 10 years' time?

Still working in IP, but hopefully shorter hours.

What's the best invention ever?

The laundry machine

What do you wish you'd never worn?

A pair of yellow flower-patterned Oxford pants, with matching shirt when I was 11.

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