

Trade Marks and Parallel Imports

Until the *Levi Strauss v Tesco* case was decided in July 2001, one of the major concerns for trade mark owners was the question of how to deal swiftly and economically with the problem of parallel importers.

Parallel importing occurs where goods which have been placed on the market outside the European Economic Area ("EEA"), usually at much lower prices, are imported and sold within the EEA at prices much lower than the price of the same goods sold "officially" within the EEA.

The "exhaustion principle" (first applied in the *Deutsche Grammophon* case) was applied again and clarified in the *Levi Strauss* case. Essentially, this doctrine:

- prohibits a trade mark (or other intellectual property) right holder from preventing the importation for resale in a EEA country, goods which have been put on the market by him or his licensees in another EEA country;

but

- allows the trade mark holder to prevent the importation into the EEA for resale goods which have first been put on the market by him or his licensees in a non-EEA country unless the trade mark owner has consented to this.

In essence, once trade mark owners have agreed to put their goods on the market within the EEA they cannot then stop others from trading in those goods by alleging trade mark infringement, they have "exhausted" their trade mark rights. The doctrine does not however apply to goods placed on the market outside the EEA. In that case, the consent of the trade mark owner will be required.

Until the *Levi Strauss* case, there had been no clear indication of what was meant by "consent". *Tesco* argued, for example, that by failing to impose or give notice of any restrictions to run with the goods such as marking the jeans "not for sale outside the US" that *Levi Strauss* had impliedly consented to their resale within the EEA.

Following referral of this matter by the High Court of Justice, the European Court of Justice held that in the absence of express consent from the trade mark owner to the goods being sold or marketed within the EEA, consent could only be implied if the following conditions were satisfied:

1. The consent must be positive such that it cannot be inferred from silence or from a failure to mark the goods "not for sale in the European Economic Area".
2. The trade mark holder must be shown, in the circumstances, to have unequivocally demonstrated its intention to renounce its rights to object to the marketing of the goods in the European Economic Area.
3. The burden of proving that consent has been given is on the person alleging it and not on the brand owner.

Comments

This case presents a major victory for brand owners over parallel importers. It is difficult to see how anyone will be able to import goods from outside the EEA without the clear consent of the brand owner.

As far as brand owners are concerned it will clearly allow them to continue to use their trade marks to control the distribution and pricing of their products within the EEA and maintain price differentials with the rest of the world.

The clarification provided in the *Levi Strauss* case means that trade mark owners will also find it much simpler and more cost effective to deal with unlawful parallel imports.

This information sheet has been prepared to highlight some key issues relating to trade marks and parallel imports. It is intended to be for general guidance only and is not a substitute for specific advice. It is based upon our understanding of the legal position as at January 2003 and may be affected by subsequent changes in the law.

Should you require any specific legal advice on the issues covered, please contact Kamal K Aggarwal by email at kamal.aggarwal@ts-p.co.uk or call Kamal on 01892 510000.