

World Trademark Review Daily

**Court of Appeal considers 'Euro defences' in parallel imports case
United Kingdom - McDermott Will & Emery UK LLP**

Parallel imports

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In *Oracle America Inc (formerly Sun Microsystems Inc) v M-Tech Data Ltd* ([2010] EWCA Civ 997, August 24 2010), the Court of Appeal has overturned Mr Justice Kitchin's decision to grant summary judgment to *Oracle America Inc* in respect of its claim for trademark infringement in relation to certain parallel imports made by *M-Tech Data Ltd*.

M-Tech imported into the United Kingdom from the United States 64 computer hardware disk drives which had Oracle's registered trademark affixed to them. Oracle sued for trademark infringement, and sought summary judgment (the application being heard by Kitchin J), putting forward evidence showing that the drives had not been placed on the market in the European Economic Area (EEA) by Oracle (or with its consent).

M-Tech sought to rely on defences based upon Articles 28, 30 and 81 EC (now Articles 34, 36 and 101 of the [Treaty of the Functioning of the European Union](#)). M-Tech alleged that an independent trader in secondary Oracle goods (ie, one that was not a dealer authorised by Oracle) could not tell whether a particular secondary Oracle product had or had not been previously placed on the EEA market by Oracle (or with its consent). However, Oracle and its authorised dealers could. This was said to be due to the way in which Oracle had marked the goods. M-Tech also stated that Oracle had a policy of vigorously enforcing its rights against any independent trader discovered to be selling Oracle hardware which was not put on the EEA market by Oracle (or with its consent). These factors were said to have the effect of shutting down the independent sector of the secondary market, and was contrary to both Articles 28 and 30 EC.

The second 'Euro defence' was based upon Article 81 EC. M-Tech contended that agreements made between Oracle and its distributors contained a term which prevented those distributors from buying Oracle hardware from independent distributors, unless such hardware could not be supplied within the authorised network. This, said M-Tech, had the effect of restricting or distorting competition in the secondary market, and Oracle's policy on enforcement of its trademark rights had only the effect of re-enforcing such agreements.

For the purposes of the summary judgment application, Kitchin J assumed the factual basis upon which M-Tech's submissions were founded.

Kitchin J found that M-Tech's defence would have involved reading a further exception to Article 5 of the [Trademarks Directive](#) (2008/95/EC). The further restriction would have been to the right to prohibit the use of the mark in circumstances where the exercise of the right may affect the free movement of goods between member states. However, Kitchin J found that:

- this was exactly what the Community legislature had chosen *not* to do; and
- the legislature had expressly given trademark proprietors the right to control the first marketing of good bearing their registered marks within the EEA.

On Article 81, Kitchin J found that, even if the agreements entered into with distributors did restrict or distort trade, the disappearance of the independent secondary market was not attributable to the network of agreements, but to the inability of independent traders to ascertain the provenance of the Oracle hardware.

On appeal, the Court of Appeal was referred to case law of the Court of Justice of the European Union (ECJ) concerning repackaging, where the earlier equivalents of Articles 28 and 30 EC were found to apply to a restriction imposed by a trademark owner on the repackaging of its goods which were subsequently marketed, with its consent, in the European Union. The court found that these cases did not state that freedom of movement rules applied only to such cases. The court also found that other authorities it was referred to (eg, *Zino Davidoff SA v A&G Imports* (Cases C-414 to 416/99)) could not be used to exclude the applicability of Articles 28 and 30 EC, as the point did not arise in these cases. It was thus arguable that Article 5 of the directive did not exclude defences based upon Article 28 and 30 EC.

The Court of Appeal also noted that there was no case directly on the question of whether trademark proprietors not supplying information on the provenance of their goods and/or vigorously pursuing litigation against parallel importers would constitute measures "having equivalent effect" and, if so, whether such measures would qualify the trademark rights conferred by Articles 5 and 7 of the directive. The Court of Appeal decided that it was at least arguable that Articles 28 and 30 could apply in such circumstances.

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M-Tech also argued that, for the purposes of using Article 81 EC as a defence to trademark infringement proceedings, it was sufficient to rely on the fact that the aim of the terms agreed by Oracle with its authorised distributors and re-sellers was to eliminate unauthorised secondary trade. Again, the court relied on the same assumed facts as Kitchin J. In contrast to Kitchin J's finding, the Court of Appeal decided that a connection was at least arguable. It also said that there was no authority from the ECJ stating that Article 81 cannot be used as a defence in trademark cases.

This is a case to watch for the future - in particular, it is a case to watch for rights holders and traders involved in the secondary goods market. As the Court of Appeal noted, the outcome of this case clearly has important financial and economic implications not just for the parties, but also of others involved in the secondary market in other goods.

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