Kluwer Trademark Blog

Mitsubishi Lifts Law on Parallel Imports to New Heights

Julius Stobbs, Amelia Sainsbury (Stobbs IP) · Monday, October 15th, 2018

In what has been considered a surprising decision (see for example previous comments in this blog here), the CJEU has recently held that the proprietor of a mark is entitled to oppose a third party which, without the proprietor's consent, removes the sign from products and affixes other signs in its place, with a view to then importing the products or trading them within the EEA for the first time.

This decision followed a referral from the Brussels Court of Appeal, where Mitsubishi had brought a claim against Duma Forklifts and its affiliated company, G.S. International, for the debranding and rebranding of its forklift trucks whilst in the customs warehousing procedure. Duma and GSI made the necessary modifications to render these trucks compliant with EU standards and then imported and marketed them in the EEA.

The Belgian Court observed that the CJEU had not yet ruled on the question of whether or not the actions of Duma and GSI constituted a use that the proprietor of a mark can prohibit and so referred two questions to the CJEU. In essence, these were:

1. whether Article 5 of Directive 2008/95 and Article 9 of Regulation No.207/2009 must be interpreted as meaning that the proprietor of a mark may oppose a third party removing all signs identical to that mark (debranding) and affixing other signs (rebranding), without its consent, on products placed in the customs warehouse with a view to importing them or trading them in the EEA where they have never yet been marketed; and
2. whether it makes any difference to the answer to the first question if the goods concerned are still identifiable by the average consumer as originating from the trade mark proprietor?

The CJEU recalled that the purpose behind Directive 2008/95 was to eliminate any disparities between the laws of Member States, which may impede the free movement of goods and supply of services and distort competition within the common market.

It has been repeatedly noted in case law that it is essential that the proprietor of a trade mark can control the first placing of goods bearing its mark on the market within the EEA, so as not to undermine the origin function of its mark.

The Court has previously held that the types of use that the proprietor of a trade mark may prohibit under Article 5(3) of Directive 2008/95 and Article 9(2) of Regulation No. 207/2009 is not exhaustive. For 'use in the course of trade' to be shown there needs to be active behaviour on the part of a third party, in the context of a commercial activity with a view to economic advantage. The CJEU held that the removal of existing signs identical to Mitsubishi's trade mark by Duma and GSI, in order to affix their own signs, satisfied this definition. Their active conduct had taken place with a view to importing the goods into the EEA and marketing them there for economic advantage.

This 'use in the course of trade', was held to have deprived Mitsubishi of the opportunity to place forklift trucks bearing its trade mark on the market in the EEA for the first time. This undermined Mitsubishi's essential right to control the initial marketing in the EEA of goods bearing its mark, adversely affecting the origin function of its mark. The fact that the forklift trucks imported by Duma and GSI were still identifiable by the relevant average consumer as originating from Mitsubishi was likely to accentuate the effects of this harm.

Further, the advertising and investment functions of Mitsubishi's mark had also been adversely affected. Mitsubishi's ability to acquire a reputation likely to attract and retain customers was impeded, as consumers would know its goods before being able to associate them with Mitsubishi's mark. In addition, Mitsubishi's ability to realise the economic value of the goods bearing its mark was affected.

The fact that Duma and GSI carried out their activities under the customs warehousing procedure was irrelevant. The CJEU concluded that such use in the course of trade was contrary to the objective of ensuring undistorted competition within the market.

This decision will surely be welcomed by trade mark owners, as it significantly strengthens their rights. One might argue that it was foreshadowed when considered in the context of cases such as *Boehringer Ingelheim* (C-348/04), a pharmaceutical case where it was held in principle that the debranding and rebranding of a product could infringe the rights of a trade mark proprietor, but has this extension of the definition of 'use' gone too far? Should we be stretching the principles of trade mark law to cover such activity? It will certainly be interesting to see how this judgment is applied going forward.

To make sure you do not miss out on regular updates from the Kluwer Trademark Blog, please subscribe here.

Kluwer IP Law

The **2022 Future Ready Lawyer survey** showed that 79% of lawyers think that the importance of legal technology will increase for next year. With Kluwer IP Law you can navigate the increasingly global practice of IP law with specialized, local and cross-border information and tools from every preferred location. Are you, as an IP professional, ready for the future?

Learn how **Kluwer IP Law** can support you.

This entry was posted on Monday, October 15th, 2018 at 11:38 am and is filed under CJEU, The EU is an economic and political association of certain European countries as a unit with internal free trade and common external tariffs.“>European Union, Use requirement
You can follow any responses to this entry through the Comments (RSS) feed. You can leave a response, or trackback from your own site.