

26 Jun
2020

Merck v Merck: infringements in the digital age

United Kingdom - [Locke Lord LLP](#)

- At the heart of this dispute between Merck KGaA and Merck Sharp & Dohme was how an agreement dating from 1970 operates in the internet age
- Use of a mark on websites accessible by UK users can constitute use “in the course of trade” even when no product bearing the mark is sold in the United Kingdom
- Such use is unlikely to be considered *de minimis*

A recent decision of the High Court has brought to a conclusion (for now) the long-running trademark dispute between Merck KGaA and Merck Sharp & Dohme ([Merck KGaA v Merck Sharp & Dohme Corp](#) ([2020] EWHC 1273 (Ch), 20 May 2020).

Background

The dispute initially dates back to the early part of the 20th century, in particular following the end of World War I, although Merck KGaA (referred to in the judgments as ‘Merck Global’) is a German company that can in fact trace its origins back to 1668. A full history is set out in the ‘trial judgment’ ([\[2016\] EWHC 49 \(Pat\)](#)) of Mr Justice Norris (now Sir Alastair Norris) following a trial in April 2015 (which subsequently went to the Court of Appeal ([\[2017\] EWCA Civ 1834](#))), with the key points as follows:

- In 1902 a US business (supported but not owned by Merck Global) was incorporated as Merck & Co Inc (the second defendant in this dispute, referred to collectively as ‘Merck US’). Its original activity was acting as a selling agent for Merck Global, but it established its own manufacturing business and developed its own export markets in the American continent during WWI. After the war, Merck Global and Merck US became separate independent businesses which informally cooperated with each other in relation to the business use of the name Merck. In effect Merck US only used the word ‘Merck’ in the United States and Canada; and Merck Global in the rest of the world.
- In 1932 Merck Global and Merck US entered into a formal agreement in which they formalised those arrangements, recognising the right of Merck US to the exclusive use of the word ‘Merck’ in the United States and Canada, and the right of Merck Global to the exclusive use of the word ‘Merck’ in the rest of the world (with certain designated shared territories).
- This was subsequently superseded by a further agreement entered into in September 1955 (by which time Merck & Co Inc had merged with Sharp & Dohme).
- The 1955 agreement was in turn updated in 1970, and it is this agreement which, with one subsequent alteration, still governs the relationship between Merck Global and Merck US and which, in summary, permits each company to operate in the other’s territory provided it used its full name and provided such names are geographically identified.

As explained in the trial judgment, at the heart of this dispute lies the question of how the 1970 agreement operates in the internet age. As explained at Paragraph 16 of the trial judgment:

Merck US operates a number of websites, amongst them those having the domain names ‘merck.com’, ‘merckformothers.com’, ‘merckresponsibility.com’ and ‘merckmanuals.com’. These are accessible globally and employ numerous uses of the word ‘Merck’ alone. Merck Global complains that this activity is a breach of the 1970 agreement or is otherwise unlawful. Merck US says that these websites are targeted at US consumers, and matters of which Merck Global makes complaint are either inevitable accidental references or essentially “overspill” references to rightful use in the USA by Merck US in the course of its worldwide activities. What (if anything) does the 1970 agreement say about such activity? If it does not provide a code which completely governs this activity, what (if anything) does English trademark law provide by way of an answer to the dispute? [emphasis added]

High Court decision

Whilst Merck Global won at both first instance and on appeal in relation to its claim of trademark infringement and breach of contract, several issues (as touched upon in the quote above) were remitted back to the High Court for further consideration, of which two are of particular note and pertain to the application of the 1970 agreement in the age of the internet and social media:

- whether the impugned activities of Merck US constituted use in the United Kingdom “in the course of trade” in relation to any relevant goods or services; and
- whether any uses of the kind identified in i) fall to be regarded as *de minimis*.

Infringement – use “in the course of trade”

It was not in dispute that Merck US had ever sold or supplied goods or services in the United Kingdom under or by reference to the sign MERCK. Goods or services in the United Kingdom are sold or supplied by Merck Sharp & Dohme Limited (the third defendant, ‘MSD’). However, the “use” at issue is the use by MSD and by Merck US of MERCK in promotional and informational material and in the course of general commercial activities (including on websites, social media activities, emails, press releases and so forth).

The judge held that, in remitting the issue, the Court of Appeal was leaving open the possibility that “use in the course of trade in the United Kingdom” was not simply confined to situations where Merck US or MSD was actually selling or offering for sale goods bearing the MERCK mark, but also covered situations in which they were indulging in some other “material and relevant commercial activity with a view to gain”. Accordingly, and consistent with the original trial judgment, the judge held that the Merck US websites and social media activities of which complaint was made (and 32 examples of such were given), were “targeted” at users in the United Kingdom and therefore constituted infringements (as well as breaches of contract).

Were any of the uses to be regarded as de minimis?

The judge was clear that the individual examples of infringement were not *de minimis*. He believed that the instances of infringement relied on at trial were not the only instances, and furthermore, the occurrences were not (save for a couple) accidental but were rather the consequence of the way Merck US decided to organise its affairs – ie, that use of the MERCK mark in the manner described (on websites and on social media) was a deliberate commercial strategy of Merck US.

Moreover, the judge held that it was irrelevant how small Merck US’s infringing output was in comparison to its total output of material. Rather:

The question is whether the infringements that have taken place are negligible or insignificant: and that question is not answered by calculating what proportion of the total output is infringing... overall, the examples before the court cannot be dismissed as de minimis. My evaluation is that they are the exemplification of a policy to bring before the market in the UK the sign Merck in relation to the products of Merck US at every opportunity (with the consequence that the impact of Merck Global's exclusive use of the MERCK mark in the UK was diluted). (see Paragraph 89 of the judgment)

Comment

In conclusion, the remitted issues confirm that use of a trademark on websites and social media that are accessible by users in the United Kingdom can constitute use “in the course of trade” even when no actual product bearing the mark is sold or supplied in the United Kingdom, and that such use is unlikely to be considered *de minimis*.

Of course, such issues would have been far from the minds of the parties when the 1970 agreement was drawn up. Nevertheless, this decision highlights the importance of carefully drafted co-existence agreements. Whilst they cannot of course predict every eventuality, such agreements should, as far as possible, cover off as many examples of likely use as possible.

Ellen Hughes-Jones

Locke Lord (UK) LLP

TAGS

[Enforcement and Litigation](#), [Portfolio Management](#), [Pharmaceuticals](#), [Europe](#), [United Kingdom](#)