Private Labels in OTC

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What is OTC/ CHC?

- **OTC**: Over-The-Counter
- **CHC** means Consumer Health Care
- Products sold **without prescription**
- From vitamins, anti-histamine to digestive health, mouth wash, dental or oral care…
Introduction

- How to make money? **By private labelling!**

- **Wide scope of goods** covered: From OTC pain relievers to antacids and cough remedies.

- Large pharmacies generally sell main brand name products side-by-side on store shelves with their own “look-alike” private label brands.

- A way to **benefit from reputation** of a main brand and for a lesser cost.

- Why so few cases in the pharma industry? Are we that permissive?
Definition and primary considerations

1- Definition
No real harmonized and fixed definition
- No specific definition in the pharma sector.
- Usually linked to unfair competition & passing off.
- No particular commercial practices legislation between private labels and main brands in the pharma sector.

Suggestion:
- A way for market retailers or distributors or suppliers to enter the market with products that are partially different in their looks, but somehow associable or even similar or even very similar, to those that are famous or enjoy high customer recognition through a proximity to a famous Trademark and/ or Trade dress.

2- A few comments
- The private label product is usually positioned by mass-market retailing or large scale distribution.
- Usually lower-cost alternatives to main brands.
- Synonyms or associations: home brands, own brands, own labels, store brands, retailer brands.
Agenda

- Private labels by distributor/ retailers only?
- 1- Landscaping/ What’s the issue(s) here?
- 2- Focus on key markets/ jurisdictions
- 3- Grounds of action
- 4- Preventive strategy?
Landscaping
Landscaping

- **Wide** range of products or industries can be concerned by private labels.
- Generally positioned **as lower price**.
- **Where? US: success of private labels.**
- Very common in **large distributions & in food and groceries** industry.
  - For instance: in 2006 P&G filed a number of Trade dress infringement suits: Herbal Essence & Head & Shoulders.

- Interesting to note that there are **very few publications** on this topic.
Landscaping
Landscaping: So what?

- **Substantial investments** from brand owners.

- **Contractual relationships** with wholesalers or distributors sometimes.
  - Private label brands are customers of the brand owners, often purchasing large quantities of their products hence a reluctance to act…

- **Borderline cases**: IP *not clearly infringed* – difficult to rank these cases in the clear unfair competition/ TM infringement/ passing off.

- Hard to win & expensive cases.

- Private labels have become *quite common*. 
Landscaping: So what?

- Consumers are **duped** into buying an “**inferior**” imitation.

- Arguments from private labelers:
  - **No imitation**: no one owns a color combination or a common visual.
  - **Goal of private labelers’** blatant imitation is not consumer confusion, **but rather to aid consumers by identifying the private-label product as a cheaper imitation of its brand-name counterpart.**
  - They know how far they can go.
Landscaping: Who wants to take its largest client to court?

- Our **biggest partners** are private labelling our products.
  - Those who place our products on shelves & promote them.

- **Well advised** of how far they can go.

- **Influence** from our business/ **code of conduct**s?
KEY MARKETS/JURISDICTIONS
In the US: nowadays situation

- U.S. law is **rather kind** to private label competition.

- **Small number** of Trade dress lawsuits by pharma companies AND **even fewer lawsuits** directly against retailers of these products.

- In the US, periodic changes to private label/store brand marketing tactics.
  - Focus mainly on the TM or the corporate name used by private labelers: is it different from the main brand?
    - Courts consider that if the TM is **sufficiently different**, it will not create confusion and there is no intent to create confusion.
  - Most cases settled out of court.

- General perception: private label has won the larger battle.
In the US: nowadays situation - The ALLEGRA example (Sanofi)
In the US: nowadays situation - The ALLEGRA example (Sanofi)
In the US: Jurisprudence

Focus on:
- The strength and/or protectability of the alleged Trade dress,
- The similarity of the two Trade dresses,
- And the defendant’s bad faith.
  - Prominent use of differing word marks can avoid a likelihood of confusion over Trade dress.
  - Bad faith in the intentional copying seen as evidence probative of secondary meaning in the packaging.

Examples of cases:
- Conopco Inc. v. May Department Stores Co - 1994 - Vaseline packaging: although the Vaseline packaging evidently copied: no likelihood of confusion because the private label prominently displayed the retailer’s nationally recognized logo.
In the US: Jurisprudence – Different trends

- **McNeil-PPC, Inc. v. Guardian Drug Co., Inc. & Arbor Drugs, Inc, 1997:**
  - McNeil’s packaging was *inherently distinctive*,
  - Arbor Drugs’ copying was strong evidence of *secondary meaning*.
  - Arbor Drugs intended to *confuse consumers*.

- **McKeon Products Inc. v. Flents Products 2003:**
  - A way to *force the customer to choose* between the more expensive brand name and the less expensive one. Thus, *no intention to create confusion*. 
In the US: Jurisprudence – Different trends

- **Johnson & Johnson v. Actavis Group hf, 2008:** secondary meaning was not met because “the advertising for the product emphasizes the brand name, and does not always emphasize or even include the Gold Mark.” The failure to present a consumer survey on confusion weighed heavily against a finding of likelihood of confusion.

- **McNeil Nutritionals LLC v. Heartland Sweeteners LLC, 2007:**
  - Consumers are highly aware of the existence of store-brand products; consumers are aware this is of course private label and not the original product even though the same scheme of colors is reproduced...
Canada: the battle is mostly lost

- Private labelling is extremely common, even endemic.
- No case ever litigated.
- Most arise from a retailer selling both its own private label brands and the brand named products.
- Virtually every successful brand is private labelled.
- In Canada, customers seem to be “enlightened”.
Canada: a few examples

- CENTRUM (Pfizer) / ESENTRA
Canada: a few examples

- **CENTRUM (Pfizer)** and Shoppers Drug Mark Life Brand “SPECTRUM” private label multi-vitamins – common use of “color band” design and similar sounding brand names “CENTRUM” and “SPECTRUM”.
Canada: a few examples

- **TUMS (GSK)** and **Life Brand** (Shoppers Drug Mart) private label products – similar package shape/design, and similar blue colored cap.
Canada: a few examples

- **GRAVOL (Church & Dwight)** and Life Brand (Shoppers Drug Mart) private label products – same colours and similar product packaging corresponding to dosage/product type.
Canada: a few examples

- **BENYLIN (Johnson & Johnson)** and Life Brand (Shoppers Drug Mary) private label products - similar product packaging and “man and lung design” graphic, as well as similar colors corresponding to product type.
Canada: a few examples

- **ADVIL (Pfizer)** and Loblaws’ EXACT private label brand ibuprofen – same colours in packaging, including use of “graph design” very similar to the ADVIL brand packaging.
South Africa

- Not many private labels.

- **No jurisprudence** dealing specifically with private labels.

- **Common law of passing-off** would apply to private labels:
  → In order to succeed in a passing-off, Plaintiff must establish:
    - **1. A reputation** in the features protected.
    - **2. Misrepresentation**, typically a **likelihood of confusion** or **deception** based on a comparison of the products.
    - **3. Harm**: typically established where misrepresentation is established.

  ➢ **Difficulty for Plaintiff**: when comparing products emphasis is normally placed on the primary **word mark**.

  Generally plaintiffs have strong word marks.
If private label product does not contain a **word mark similar** to the Plaintiff’s word mark, **argument** that its product is not confusingly similar to the original product is **strong**, despite general similarities in the overall get up of the products.

- This is particularly so where the private label contain a **well-known Trade mark** of the producer in question.

- For instance, **CLICKS** (private label products producer) consistently uses the **CLICKS TM** (which is a **well-known TM** in South Africa) together with their device in a **wave form** at the top of the packaging.

- That TM usage would typically be sufficient to distinguish the Clicks products from the other products, **despite the common colors used**.
South Africa
South Africa – Some passing-off instances

- **CITRO-FIZZ / CITRO-SODA**

  CITRO-FIZZ infringed TM CITRO-SODA and the overall getup of CITRO-FIZZ packaging also constituted passing-off of the CITRO-SODA product.
South Africa – Some passing-off instances

- **TM VIRAL CHOICE** not infringed by **VIRAL GUARD**: VIRAL is *descriptive* and the words CHOICE and GUARD enough distinguish the composite marks.

- **Passing-off**: the overall impression of the products, in particular the packaging size, colors, fonts was such that the combination *leads to a likelihood of confusion or deception.*
South Africa – Some passing-off instances

- Most recent important passing-off case of Supreme Court of Appeal dealt with *maize meal* and the word **STAR**:
- Despite the similarity between the word marks, both of which incorporate the word **STAR**, the similarity between the “red stars” and black and red color code, the court found that the products were **not** confusingly similar!
Australia

- **Very few** legal decisions.

- Supermarkets accused of **deliberate use of copycat packaging** to mislead consumers, especially by the **Australian Food and Grocery Council (AFGC)**.

- A 2013 agreement signed between Woolworths, Coles & Aldi with the AFGC for a **voluntary code of conduct** that governs retailer-supplier relationships:
  - **Prohibition** from using suppliers’ IP to **develop private label products** and will not be able to retrospectively alter contract terms.
  - Upon signature with suppliers, retailers become **accountable to a complaints system**, overseen by the **Australian Competition and Consumer Commission (ACCC)**.
  - It is a **voluntary** code.

- Another Australian specificity: **TGA: Therapeutic Goods Administration (regulates pharma & OTC products)**: can refuse a product if likely to be confused with another product because of look-a-like packaging.
Australia Jurisprudence

- Over the last 20 years: **very few** successful claims of passing off and misleading and deceptive conduct based on reputation in a product's "get-up" alone.

- **None in the pharma field.**

- **A few examples « cousin » to the pharma industry:**
  - Cat Media Pty Limited v Opti-Healthcare Pty Limited 2003: Too close - Passing off and misleading and deceptive conduct established.
    - Packaging was of **identical size**, substantially **similar color** scheme, **model** and **layout**.
    - The name “Fat Terminator” had **similar connotations** as “Fat Blaster”.

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![Picture of product packaging](image-url)
Nutrientwater Pty Ltd v Baco Pty Ltd 2010: no passing off and misleading or deceptive conduct

- **No degree of distinctiveness** established by plaintiff in the colors of the Nutrientwater product range (or any other feature),
- **Failure to establish a relevant reputation** in the features,
- A trader is entitled to adopt the features of competitors’ products, providing the result is not likely to deceive or mislead the ordinary reasonable consumer into mistaking the trader’s goods for the goods of competitors.
Europe: UK

- **Lookalikes**: an *ever present problem* for brand owners in the UK.
- **Very difficult** cases: usually unsuccessful and very expensive.
- The **Saucy Fish case 2014**: Aldi had a quite close packaging to the one of Saucy Fish case.
  - Reason of this success: because Saucy Fish had earlier UK trade mark registrations for the packaging of its products.
Europe: UK

- **Moroccanoil case 2014** (Moroccanoil Israel Ltd v Aldi Stores Ltd):
  - Shows the **weaknesses of English law** when no registered **TM** and only **passing off** claim.
  - Moroccanoil’s closest TMs were being **challenged by a 3rd party** so any reliance on them: impossible in the present case. In the absence of misrepresentation, the tort of passing-off could not be welcomed.
Europe: UK

- **GSK ALLI example** from small independent retailer – C&D letter and negotiations resolved issue without need for court action.
Europe: Czech Republic & Slovakia

- **No case-law** related specifically to private labels.
- Rather: cases regarding **placing of food supplements on the market** (food supplements which take unfair advantage from regulated medicines).
- But there are indeed some private labels: example of Dr Max pharmacies offer private labels in CZ & SK.
Europe: Czech Republic & Slovakia
Europe: Czech Republic & Slovakia – ESSENTIALE examples
China

- No legal concept of private labels.
- Imitation phenomenon by distributors or retailers or supermarkets unknown.
- Imitation of famous products’ packaging violates Article 5 of Anti-Unfair Competition Law.
- Such cases are common in China.
- However, difficult for the owner to persuade the court to recognize its product as "famous products".
- Courts are strict when recognizing famous brand and also on judging the similarity of the packaging.
- Sanofi example:
How can we act against private labels?
Trademark claim vs private label

- The **most comfortable situation**: a TM, even a **figurative** one and even of **low distinctivity**.

- Depending on the country: the overall design of a package or the product label, or some of the specific distinctive graphic features, is **registrable as a TM**, in Canada or **in the US** for instance:
  - Provides the right to **prevent others from** adopting a similar TM.
  - In case a party uses, as a TM, a sign that is **substantially identical or deceptively similar** to a registered TM for goods the same or similar to the goods of the registered TM.
  - The owner of a trademark must show that:
    - it has a **valid mark** entitled to protection and (registered TM: sufficient) if not registered: must prove that it’s **source identifying**.
    - the defendant's use of the same or similar mark is likely to **cause consumer confusion**. Must prove the **likelihood of confusion**.
  - Consideration of the **degree of similarity**: marks' look, phonetic similarity, and underlying meaning,
  - There can only be infringement if the similar get-up elements are **used as TMs** (i.e. to indicate origin). Often a difficult issue.
Passing off vs private label

- **Canada**: For **unregistered Trade dress**: Common Law protection:
  - Trade dress seen as **visual characteristics of packaging/ products** that identify to consumers the **source of the product**, including the size, shape, colors, packaging, as well as the lettering and arrangement of the label.

- **Proof needed in Canada & Australia** of:
  - the existence of **reputation** or **goodwill** in the Trade dress,
  - **misrepresentation** leading people to believe there is a **business association or connection** between the products/ parties; (difficult to establish of course: consumers are less and less likely to believe there is a connection between the private label and the main brand name owner),
  - actual or potential **damage**.
Copyright claim vs private label

**Canada:** Copyright protection could be eligible for the **visual characteristics** of a packaging:
- Kraft Canada Inc v. Euro Excellence, 2007: artistic works appearing on product packaging can receive both TM and copyright protection, provided that the artwork is an **original artistic expression**.
- Copyright provides the sole right to reproduce the packaging and its features and prevent the use of all or substantial part of it: need to prove that a substantial part of the work has been reproduced by copying:
  - Difficult to prove since in most cases not all the packaging and not all its features are look-alike but only some of it,
  - Besides: many common figures or visuals on packagings in the pharma OTC industry.

**Australia:** Similar question: Are there aspects of the offending packaging which infringe a particular artistic or literary work?
- Is the alleged infringing work ‘**objectively similar**’, **involves copying**, and whether a **substantial part of the expression of the original work** (both quantitatively and qualitatively) has been **reproduced**?
Copyright claim vs private label

**US**: a plaintiff must have a registered copyright and show:
- Ownership of a valid copyright (copyright registration) and
- The copying of constituent elements of the work that are original.
- Must demonstrate:
  - (1) **actual copying** of the plaintiff's work, through showing that
    - (a) the defendant had access to the plaintiff's works and
    - (b) that there are similarities between the works that tend to indicate copying AND
  - (2) that this copying amounts to an "improper appropriation" of the work.
Industrial design / Design patent vs private label

● **Canada – Industrial Design:** The visual features that give a product’s packaging a **specific appearance** may qualify for industrial design protection.

● Must be **novel** and **original:** not easy to meet especially since we have constraints of packagings.

● Assessments made by the Court:
  - Are the designs **the same**?
  - Are the differences between the designs **substantial**?
  - Is this design an **obvious imitation** of that one?
  - Need to establish that the **similarities** between the designs are **more than similarities in general appearance as dictated by functional requirements**…
Industrial design / Design patent vs private label

● **US – Design patent**
  - Covers the **ornamental design** for a **functional object**.
  - Plaintiff must show that:
    - It possesses a **valid patented design** (registered): a design patent issued by the USPTO is sufficient to establish a presumption of a valid patented design,
    - An **ordinary observer, familiar with the prior art and "giving the attention of a purchaser"**, would believe that the allegedly infringing design was **substantially the same as the patented design**.

● **Australia: Design registrations** may be available for shape and/or pattern/ornamentation related to aspects of packaging: Needs to be:
  - New
  - Distinctive
Trade dress claim vs private label

- **Similarity** to be assessed between packagings.

- Many factors before deciding whether to pursue this claim:
  - Store brand products are being sold by the company’s largest customers. Not an attractive option.
  - Very difficult to win where the private label packaging has a distinctive brand name of its own, i.e. EQUATE, WAL-FEX, CVS, KIRKLAND.

- **US:** an owner of an unregistered Trade dress must establish that
  - Its Trade dress is either inherently distinctive or has acquired secondary meaning,
  - Its Trade dress is non-functional,
    - Owners of registered trade dress enjoy a presumption that the dress is valid and thus distinctive and non-functional
  - That the defendant's use of a confusingly similar Trade dress is likely to confuse consumers.
Misleading or deceptive conduct vs private label

- **Australia**: The Australian Consumer Laws (ACL), being Schedule 2 to the Competition and Consumer Act 2010,

  - The brand owner must show:
    - His product has a **reputation**.
    - Consumers are **likely to be misled or deceived** into thinking that the look-alike product is the **branded product**, or **associated** with it.
    - Conduct that is merely confusing or creates uncertainty in the minds of consumers is **not enough** to constitute misleading or deceptive conduct.
Europe: the European Commission position

- The European Commission published a study commissioned to Hogan Lovells in 2011: *Study on Trade Secrets and Parasitic Copying*

- **Key findings** of the study are:
  - Some protection against parasitic copying but effectiveness varies considerably, with copying flourishing in some jurisdictions;
  - Unfair competition law: the most popular means cited;
  - Unfair competition law varies by Member State, from elaborate laws to simpler systems;
  - For majority of Member States: parasitic copies are an example of an unfair commercial practice and national laws derived from the EC Unfair Commercial Practices Directive can be used to prevent them.
Europe: the European Commission position

- **Key conclusions** of the study:
  - The current regimes of protection against parasitic copying and enforcement options are **inconsistent** and lead to **different results** in different Member States;
  - The different treatments of parasitic copies could amount to a **barrier to trade** within the internal market;
  - The Unfair Commercial Practices Directive has improved the protection available against parasitic copies in a **few Member States**: the exception rather than the rule.
Europe: the European Commission position

- **Recommendations:**
  - Parasitic copying legislation should include a *clear and precise indication* of its *intended nature, aims and objectives*;
  - **Specialist courts** should be the only competent entity;
  - It would be worth considering the extension of *uniform* provisions to parasitic copying cases so that they are *clearly available across the EU*.

- **So, what’s next?**
PREVENTIVE STRATEGY
What can we do? Preventive Strategy

● **Register our Trade dress**
  - If it qualifies for said protection and if possible in your legal system: must be inherently distinctive of the products or has acquired distinctiveness.
  - **Example**: in the US, registration for Trade dress is admissible as prima facie evidence of the owner’s rights in and to the Trade dress, it serves as
    - Foundation for nationwide protection of Trade dress rights,
    - It establishes federal jurisdiction in infringement actions
    - It provides the basis for treble damages.

● **Register it as a figurative Trademark**

● **Be careful: if we don’t, they will!**
  - Ex. Woolworth in Australia.
What can we do? Preventive Strategy

- **Need to EDUCATE our business and local affiliates** AND need monitoring especially when launching new visual identities/ TMs and at this point of time **FIGHT VIGOROUSLY**.

- **GET A DISTINCT LOOK** (and **hard to imitate**): Need to select a new or different or inventive packaging/ trade dress/ color code OR emphasize that Trade dress in advertising and marketing efforts.

- **PROMOTE IT WIDELY**.

- **CONTRACT**: prohibit our distributors from carrying any competing products. Distributors would then be in violation of their contract and it could be terminated.
What can we do? In a preventive manner

- Need also to **MAINTAIN AS MUCH EVIDENCE** as possible demonstrating **consumer recognition** of your Trade dress.

- Any and all instances of **actual confusion** between the brand-name and private-label Trademarks should be **WELL DOCUMENTED**.

- **Factual consideration**: the use on the packaging in a **prominent manner** of **very well-known corporate name or house TMs** such as Wall-Mart: very little chances that we could successfully fight such cases.
Worst enemy? Inaction!

- **Take action **RIGHT AWAY from the start and from the 1\textsuperscript{st} private label found.

- **CONSISTENTLY TAKE ACTION** against private-label imitators when action is warranted.

- We **CANNOT BE PERMISSIVE** in allowing private-label growth around it, nor can we pick and choose which private label imitators we go after.  
  - Otherwise: risk that the defendants would point that out. And if it does not, the court will. Ex. Warner Lambert Co.\textsuperscript{v.} McCrory’s Corp 1989
Trust our customer!

- Customers know what they’re buying/ are wise to the fact that retailers are making copies of the main brands.

- Trusting our customer also means keep that trust and relationship by developing very identifiable visuals.

- In some countries, studies made: conclusion: very easy for customers not to be confused anymore.
Conclusion

- **Our challenge**: protect the most efficiently before launching & focus on what **needs and deserves** to be protected.

- **Issue remains**: how do you make your product better/ more trustworthy and find a way to **visually identify strongly** your products?

- If you are private labelled, doesn’t it mean your products is a success? 😊

- Now that some private labels have become famous, even private labelers are “private labelled”!

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