



16 Jun
2021

Israeli court decides that Schweppes drink imported from Ukraine does not infringe SCHWEPPEES mark

Israel - [Gilat, Bareket & Co, Reinhold Cohn Group](#)

- Ben Shloush requested that the court declare that the import of its goods did not infringe the SCHWEPPEES mark registered in Israel in the name of JafOra
- The court ruled that Ben Shloush was allowed to import to Israel soda drinks with the SCHWEPPEES mark that were produced in Ukraine
- JafOrfa has appealed this decision

In *Ben Shloush Import and Export Ltd v JafOra-Tavori Ltd*, the court considered whether a local trademark owner, under which mark it manufactures and sells its goods, can enjoin the import of goods bearing the same mark, lawfully purchased from a different origin. The case is under appeal.

Background

The importer of Schweppes soda drinks from Ukraine, Ben Shloush Import and Export Ltd, requested that the court declare that the import of these goods did not infringe the SCHWEPPEES trademark registered in Israel in the name of a local soft drinks maker, JafOra - Tavori Ltd. In 2006 JafOra purchased the trademark SCHWEPPEES (in Latin letters) for the territory of Israel from UK company Cadbury-Schweppes.

It was proved that the goods imported from Ukraine were manufactured by European Refreshments Limited, the owner of the registered trademark SCHWEPPEES in Ukraine.

Decision

The court summarised the dispute between the parties as requiring responses to four questions.

Does the import of the goods in question qualify as a parallel import given that the respondent is the manufacturer of the Schweppes drink in Israel and not just the trademark rights holder?

The court held that the fact that JafOra manufactures its beverages in Israel does not affect the status of Ben Shloush as a parallel importer, and as long as the importer meets the requirements for recognition of parallel imports as legitimate, then these are not considered to be infringing the respondent's trademark.

Can parallel imports be considered legitimate when there is a certain difference between the imported goods and the goods sold by the local rights holder?

The court held that respondent did not provide evidence showing that the drinks imported by Ben Shloush from Ukraine contained different ingredients or characteristics from those of the drinks produced and sold in the territory by JafOra. The court further held that, even if some differences exist (eg, different tastes for different markets), as long as the product is original then the import is legitimate. In other words, from the court's perspective, the relevant question is whether the products are original and authentic, rather than the test of complete similarity between the products of the competing parties.

Is the doctrine of exhaustion of rights applicable in case of a territorial split in the trademark rights among several owners?

The court held that the international exhaustion of trademark rights was recognised by the Israeli courts; thus, an importer may import branded goods duly purchased outside Israel from the trademark owner at a given territory and distribute them in Israel in parallel to the official dealer if the goods are genuine. The court referred to Section 60(a)(2) of the Trademarks Ordinance, which stipulates that the import of goods marked with the permission of the trademark owner at the place where the marking was made for trading in them does not constitute a criminal offence. The court (wrongly) assumed that Section 60(a)(2) reflects the doctrine of exhaustion of rights and noted that this section focuses on the rights holder in the foreign territory, and on the authorisation given by the foreign trademark owner for the sale of the goods bearing the trademark.

Further, the court noted that the circumstances in the case at hand are different given the territorial split of ownership of the trademark rights and the fact that the foreign manufacturer does not hold these rights in Israel. Relying on a 2012 decision by the same judge (*Spin Master Ltd v Toys Empire Ltd*), which concerned the parallel import of copyrighted goods, the court ruled that, when the split of rights is not the result of a compulsory licence and rather an intentional split of rights, as in the case at hand, the doctrine of territorial exhaustion of rights should apply, and the respondent was aware of this when purchasing the trademark rights in Israel only. The court asserted that the doctrine of exhaustion should be applied in the same manner for all trademark rights.

Did the Ukrainian rights holder give its consent to the sale of the goods in Israel by way of parallel import?

Although JafOra tried to argue that the foreign rights holder did not agree to the sale of its products in Israel, no evidence was submitted in this regard. Nevertheless, the court opined that any territorial restriction by the trademark owner is a mere contractual obligation binding only the parties to such contract, unless third parties involved in the importation knew about the obligation and wrongly interfered with the contractual relations. In the case at hand, JafOra argued that the Ukrainian trademark owner did not grant permission to the sale of the goods outside of Ukraine, and the court ruled that the absence of such permission did not give ground to a claim by the local trademark owner.

Consequently, the court ruled that:

- Ben Shloush was allowed to import to Israel soda drinks with the SCHWEPES mark that were produced in Ukraine, which were legally purchased from the trademark owner in Ukraine; and
- such parallel import did not infringe JafOra's rights in the trademark SCHWEPES registered in its name in Israel.

JafOra has appealed this decision to the Supreme Court.

David Gilat

Gilat, Bareket & Co, Reinhold Cohn Group

Orit Gonen

Gilat, Bareket & Co, Reinhold Cohn Group

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