

# Parallel Import

## EU and South East Europe

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# What is “Parallel Import”?

## Principle of Exhaustion of Intellectual Property Rights (IPR)

**International Exhaustion** - once the IPR holder has sold a product on any market anywhere in the world it is deemed that he has exhausted his right to prohibit a further resale of this individual product.

**National Exhaustion** - the exhaustion applies only with respect to a certain geographic area where the IPR holder has sold the product.

**Community Exhaustion** - the exclusive rights of the IPR owner are exhausted by putting the goods on the EU market.



# Definition of Parallel Import

**The term “Parallel Import” is used to describe the importation of goods bearing protected IPR in a territory applying the national exhaustion regime without the IPR holder’s consent.**



# Economic Reasons for Parallel Import

Price Differences between Different Markets Due to:

√ **Differences in Production or Distribution Costs;**

√ **Regional Consumer Specificities (purchasing power, taste, etc.);**

√ **Differences in Regional Brand Investment Levels;**

√ **Other Industry or Company Specific Reasons.**



# The EU Approach

## Legislation

1. **First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (the “First Directive”).**

**Article 7(1) of the First Directive reads:**

***“The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.” (emphasis added).***

# The EU Approach (Contd.)

## Legislation

### 2. CTM Regulation

#### *Article 13 Exhaustion of the rights conferred by a Community trade mark*

*“A Community trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.” (emphasis added).”*



# The EU Approach (Contd.)

## Legislation

- 3. Directive 2001/29/EC on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society;**
- 4. Directive 98/71/EC of the European Parliament and Council of October 13, 1998 on the Legal Protection of Designs and Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs;**
- 5. Exhaustion within European Economic Area (EEA);**



# The EU Approach (Contd.)

## Case Law in the EU

**Principle of Community exhaustion of trade marks continuously upheld by the European Court of Justice.**

- **The Silhouette case**

**Does the First Directive leave it open to Members States in the EU to retain the international exhaustion rule in their domestic legislation?**

- **The Sebago Case**

**Is the Consent of the Trademark Owner Required in respect of each Individual Item of the Product?**





# The EU Approach (Contd.)

## Case Law in the EU

**Principle of Community exhaustion of trade marks continuously upheld by the European Court of Justice.**

- ***The Davidoff and Levi Strauss Cases***  
Can the Consent be Tacit or Implied?
- ***Case T-198/98 Micro Leader v. Commission***  
Exhaustion of Copyrights.



# The EU Approach (Contd.)

## Summary of the EU Approach

- √ **It is unlawful for any person to import and/or sell on the EU market genuine goods without the consent of the IPR owner.**
- √ **The Consent of the IPR Owner must be Express and Explicit;**
- √ **Parallel Importers bear the Burden of Proof;**
- √ **Consent of the IPR owner is Required per each Individual Item.**



# The EU Approach (Contd.)

## Enforcement Mechanisms. Border Control Measures

**The EU regulations exclude the possibility of applying border control measures in the cases when IPRs are infringed by “parallel import”.**

- **Art. 3 of Council Regulation (EC) No. 1383/2003 of 22 July 2003 Concerning Customs Actions against Goods Suspected of Infringing Certain Intellectual Property Rights and the Measures to be Taken against Goods Found to have Infringed such Rights.**



# The EU Approach (Contd.)

## Enforcement Mechanisms. Border Control Measures

### Available means of protection:

**Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, provides for adequate instruments, including:**

- **provisional measures like preservation of evidences in respect of alleged infringement,**
- **physical seizure of infringing goods, etc.**

**The involvement and cooperation of the customs authorities in the cases where “original” goods are entering the Community customs territory are necessary for successful implementation of the measures provided for in Directive 2004/48/EC with respect to “parallel import”.**



# The Bulgarian Approach

## The Marks and Geographical Indications Act

**Introduced the National Exhaustion Regime.**

***Article 15. Exhaustion of the rights conferred by a mark***

***(1) The proprietor of a mark cannot prohibit its use in relation to goods which have been put on the market in the country under that mark by the proprietor or with his consent. (emphasis added)***

***(2) Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”***

**As of the date of Bulgaria’s entry in the EU, amendment to the provision of Article 15 shall enter into force, replacing the words “*in the country*” with the words “*in the territory of the EU Member States or, respectively the EEA*”.**



# The Bulgarian Approach (Contd.)

## Other Domestic Laws

- **Copyright and Related Rights Act (Art. 18a);**
- **Patents Act (Art. 20a)**
- **Industrial Design Act (Art. 21)**

**provide for the principle of national exhaustion with respect to the relevant IPR before EU accession and, after EU accession - Community exhaustion.**



# The Bulgarian Approach (Contd.)

## Conclusion

**At present, it is unlawful in Bulgaria for anyone to import and sell in the territory of Bulgaria goods in respect of which an IPR exists in Bulgaria or internationally with protection covering the territory of Bulgaria without the consent of the proprietor. It is irrelevant from where the goods are imported. It would be equally unlawful to import such goods from the EU/EEA and from any other territory.**

**As of January 1, 2007, when Bulgaria will join the EU, the relevant market will become the market within the boundaries of the EU, respectively EEA. This would mean that the import of goods which have been lawfully put on the market of any other member state of the EU (respectively EEA) will not require the consent of the IPR holder. The import of goods from countries, which are not member states of the EU (respectively EEA) without the consent of the IPR holder will be still unlawful.**



# The Bulgarian Approach (Contd.)

## Enforcement Mechanisms. Border Control Measures

- **The Bulgarian customs authorities are empowered, upon a written application by the IPR proprietor or on their own initiative, to detain goods which are passing through the state border of Bulgaria and for which there are reasons to believe to be infringing IPRs;**
- **The Marks Act does not expressly exclude from the scope of application of the border control measures goods which have been manufactured with the consent of the trademark holder (e.g. “original” goods);**
- **A provision for exclusion of original goods from the scope of the measures continues to exist in the Regulation on Border Control Measures, which, however, is a lower in ranking normative act;**
- **In practice the Customs Authorities use to detain goods manufactured by the trademark owners or with their consent, which are imported in the country without the consent of the trademark holder and to seek the trademark proprietor’s confirmation whether the goods are genuine or not .**





# The Bulgarian Approach (Contd.)

## Case Law

√ Since 2002 Borislav Boyanov & Co. have been representing a number of clients, including major brand owners, in cases for trademark infringement through parallel import.

√ We have successfully obtained more than a dozen final judgments against parallel importers;

√ Court practice is still controversial;

√ Supreme Court has in some cases wrongly interpreted the EU case law.

# Parallel Import in South East Europe

Country	Type of adopted IPR Exhaustion	Border Control Measures applicable in respect to Parallel Import
Albania	National	Yes
Croatia	National	Yes
Romania	National (Community following EU Accession)	No

# Parallel Import in South East Europe

Country	Type of adopted IPR Exhaustion	Border Control Measures applicable in respect to Parallel Import
<b>Serbia</b>	Copyright – International; Industrial Property Rights - National	Copyright – No; Industrial Property Rights – Yes.
<b>Macedonia</b>	National	No
<b>Bosnia and Herzegovina</b>	N/A	No



# Parallel Import in South East Europe

Country	Type of adopted IPR Exhaustion	Border Control Measures applicable in respect to Parallel Import
Turkey	National	No
Greece	Community	No
Slovenia	Community	No

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