

Submission to Review of Enforcement of Trade Marks

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To: Advisory Council on Intellectual Property
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Summary of Submission

This submission deals with parallel importing. It recommends that ICPR's submission on parallel importing should be supported by ACIP and ACIP should support the continuing legality of parallel importing.

Parallel Importing

The Issues Paper makes two basic points concerning parallel importation of trade marked goods:

1. The present arrangements concerning assignments of trade marks should not be interfered with in order to permit parallel importing and, consequently, the recommendations of the Intellectual Property and Competition Review Committee (the IPCR Committee) should not be adopted.
2. Trade mark owners should have greater protection against parallel importing.

The Recommendations of the IPCR Committee

On my reading of the IPCR Committee Report, the Issues Paper seems to misunderstand the IPCR's recommendation. Nothing in the recommendation expressly or impliedly recommends that the present procedures for assignment be changed. The recommendation is aimed at dealing with the effect of some assignments if and when infringement proceedings are brought by the assignee against a parallel importer.

The recommendation is aimed at clarifying what constitutes the consent of the registered owner of the trade mark to the application of the trade mark to the goods for the purposes of the defence in s123. At the moment, some Australian case¹ law holds that the assignment of a trade mark to a local distributor by an overseas manufacturer can effectively prevent parallel importing. In addition, in at least one instance², a parallel importer has undertaken to cease parallel importing after an assignment of this nature even though parallel importing prior to that assignment was clearly lawful. This is an

¹ *Fender Australia Pty Ltd v Bev* (1989) 25 FCR 161 [89 ALR 89; 15 IPR 267; [1989] AIPC 39,308 (¶90-614)]

² *Transport Tyres v Montana Tyres, Rims & Tubes Ltd* ("the Montana case") (1999) AIPC 91-467 (Full Court of the Federal Court of Australia).

absurd position as the policy arguments for and against parallel importing are not affected by such artificial arrangements.

The point of the IPCR's recommendation was that such artificial assignment arrangements should not determine the legality of parallel importing. Consequently, the emphasis should be and, on my reading, was, on clarification of the meaning of "consent" for the purposes of s123. Such an approach would discourage the sort of artificial assignment arrangements referred to in the Issues Paper without the need to interfere with the present assignment procedures.

Recommendation: ACIP should support the recommendation of the IPCR in relation to parallel importing in so far as it involves clarification of the concept of "consent" for the purposes of s123 of the Act and it does not involve altering the present procedures for the assignment of trade marks.

The Legality of Parallel Importing

The Issues Paper also effectively argues that parallel importing of trade marked goods should be prohibited on the grounds that it may disadvantage both local distributors and consumers. It is true that local distributors with an exclusive licence from the overseas manufacturer will be disadvantaged although the extent of that disadvantage is significantly lessened by the fact that they are well aware of the possibility of parallel importing.

The argument that consumers will be disadvantaged is far less obvious. The potential benefits for consumers have been well canvassed in the various debates concerning parallel importing, especially those relating to copyright. In addition, the list of attendees at the focus group meetings does not suggest that significant numbers of consumer advocates were in attendance.

While there are undoubtedly arguments both for and against parallel importing, the position in Australia has been for some decades that parallel importing of trade marked goods is legal except in unusual circumstances, including those circumstances discussed above. Nothing has occurred that would and should change the general position that parallel importing should be permitted. In fact, the contrary is the case.

The following factors suggest that parallel importing should remain legal:

1. The trend, both in Australia and worldwide, has been towards the liberalisation of parallel importing regulations. This trend is exemplified by Australian liberalisation of the copyright regime, the introduction of parallel importing within the EU and associated countries and the recent affirmation by the World Trade Organisation that nothing in TRIPS restricts or prevents parallel importing.

2. Trade marks are increasingly promoted on a global scale and the general image evoked by a trade mark is often marketed without any direct reference to the goods or services with which it is normally associated. Consequently, many trade marks have acquired a world wide reputation. The domestic registered owners of these trade marks derive considerable benefit from this international reputation. In short, any trade marked goods may signify two matters to a consumer. One is the international image of the goods as a consequence of the trade mark on it and the other is the assurance of quality provided by the local distributor. In many instances, it will be the former that is vastly more important to consumers. Prohibiting parallel importing would permit the national segregation of the benefits of that image with the consequent possibility of price discrimination and the lack of competition.

The Issues Paper asserts that consumer protection provisions and passing off are inadequate to protect the local reputation of a trade mark. While there may be some limitations on the effectiveness of these remedies, two issues need to be considered. First, there is a lack of empirical evidence supporting the argument that parallel importing has a significant detrimental effect on the reputation of trade marks and that existing consumer protection provisions are inadequate to address that effect. Second, any such detrimental effect, even if established, must be weighed against the anti-competitive implications of prohibiting parallel importing and the national segmentation of international reputations.

Recommendation: ACIP should adopt the view that parallel importing should be permitted.