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Parallel Imports in Cambodia

Parallel imports—that is, genuine, noncounterfeit products imported into a country without permission of the intellectual property owner—are a systemic problem in Cambodia. Imported from neighboring countries without the authorization of legitimate manufacturers, parallel imports are sold on the “grey market” at prices which can be much lower than products imported through official channels. This causes significant difficulties for local affiliates and legitimate business owners, who struggle to compete with the lower prices. In addition, brand owners are unable to control how parallel imports are marketed and supported with after-sale services, which can tarnish their reputation.

In Cambodia, protection against parallel imports is available through trademark registration. Business owners who are in competition with merchants that deal with parallel imports should therefore familiarize themselves with Cambodia’s Trademark Law. This article provides an overview of how protection against parallel imports can be achieved under Cambodia’s Trademark Law.

Article 11 (a) of Cambodia’s Trademark Law confers a right on registered trademark owners to the exclusive use of their trademarks in relation to goods their marks are registered for, and they can consent to others using their marks.

Unlike most ASEAN countries, Cambodia abides by a national exhaustion doctrine and therefore prohibits parallel imports. Under the national exhaustion doctrine, a trademark owner’s rights are not exhausted until the first legitimate sale within the domestic market. For example, a product that was sold with the trademark owner’s consent in Country A could not be imported and resold in Country B without the trademark owner’s consent to that resale. This grants the registered trademark owner more control over the distribution of its products in markets that adhere to the national doctrine.

This doctrine is based on the idea that a registered trademark owner should be able to benefit from promoting its product in each separate market. The doctrine is especially welcomed by local distributors and affiliates, who obtain a license from the trademark owner and invest in promotions, warranties, and other services to build a legitimate domestic business. The reward is their first sale, and afterward, their rights are exhausted.

The national exhaustion doctrine is reflected in Article 11 (c) of Cambodia’s Trademark Law, which states the following:

“The rights conferred by registration of a mark shall not extend to acts in respect of articles which have been put on the market *in the Kingdom of Cambodia* by the registered owner or with his or her consent.” [Emphasis added]

The language in Article 11 (c) clearly implies that a foreign sale does not exhaust the trademark owner’s rights, because foreign sales do not take place “in the Kingdom of Cambodia.” Therefore, the unauthorized use of a trademark through parallel imports in Cambodia is an infringement of a registered trademark owner’s intellectual property rights.

Although there is an implied prohibition of parallel imports, uncertainties remain about actual enforcement against parallel imports under Cambodia’s Trademark Law. While Article 11 (b) of the Trademark Law allows a trademark owner to institute court proceedings against an infringer, the chapter on penalties for infringement only addresses imitation and counterfeit goods; it does not provide penalties for noncounterfeit parallel imports. Therefore, as part of the enforcement process, the Economic Police can seize imitation and counterfeit goods but it is unclear whether noncounterfeit parallel imports can be seized.

To further obfuscate matters, in Cambodia, judicial decisions are rarely published and therefore case law on trademark infringement is scarce. However, there is one publicized case in September 2010 involving the seizure of parallel imported beer from Vietnam. In that case, an internationally renowned beer company cooperated with its local distributor, which had an exclusive contract to import the company’s beer into Cambodia, and convinced the Cambodian authorities to seize the parallel imported beer. It is unclear if damages or any other remedies were awarded.

To obtain protection against parallel imports, brand owners should register their trademark. They should also submit an affidavit of use to the Department of Intellectual Property (DIP) in Cambodia five years after the initial registration and renew registration after ten years to maintain protection over their trademark.

In licensing trademark rights to a local distributor, brand owners are strongly advised to register their licensing agreement with the DIP. Article 52 of the Trademark Law states that a reference to the licensed distributor will be published, allowing the distributor to uphold its licensed rights against third parties. Although the Trademark Law clearly stipulates that a trademark registration is public and any use of a trademark requires a trademark owner’s consent, a public record of a distributorship strengthens a case against infringement or unauthorized use. If a trademark covered by a registered license agreement is infringed, the local distributor will have standing to defend its trademark rights. However, if an agreement has not been registered, only the actual trademark owner is able to enforce its rights. For overseas trademark owners, this can be a costly and an uncertain exercise.

DIP officials have indicated that they are willing to cooperate with border authorities to stop parallel imports only when a distributorship agreement is both exclusive and registered. This practice may change in the future, but for now, a trademark owner should register its distributorship agreement (whether exclusive or not) with the DIP to protect against parallel imports and strengthen its enforcement capabilities if the need arises.

The DIP has a proven track record of readily addressing most incidents of intellectual property rights infringement, and we have reason to believe that the same proactive approach may be taken to parallel imports. In the meantime, local distributors and affiliates should seek the advice of local counsel to navigate Cambodia’s Trademark Law and obtain protection against parallel imports to the fullest extent possible. 🍷