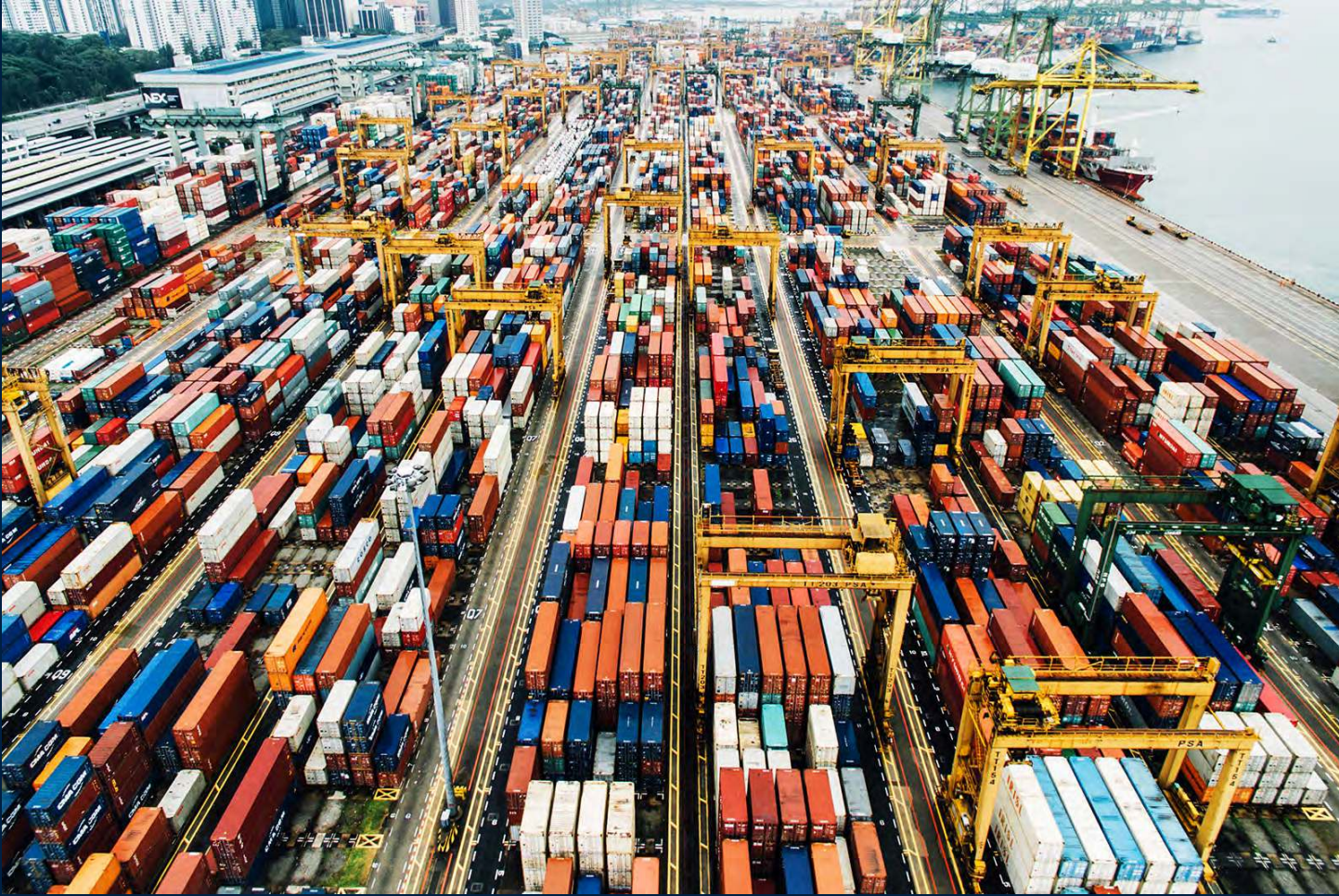


Tilleke & Gibbins



Parallel Import Enforcement in Southeast Asia

CAMBODIA • INDONESIA • LAOS • MYANMAR • THAILAND • VIETNAM

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INTRODUCTION

Parallel imports—branded goods imported into a domestic market and sold there without the consent of the intellectual property (IP) owner—pose a unique challenge for IP owners. In contrast to counterfeit goods, parallel imported goods are manufactured by or under the license of the IP owner and formulated or packaged for a particular jurisdiction then imported into a different jurisdiction without the authorization of the IP owner.

Intellectual property laws and perspectives on parallel import vary throughout Southeast Asia. The distinct legal landscape in each nation should be carefully navigated in consultation with legal experts to ensure brand protection to the fullest degree. This guide provides insight into the legal frameworks relating to parallel imports in Cambodia, Indonesia, Laos, Myanmar, Thailand, and Vietnam. Each section examines the relevant laws and regulations that pertain to parallel imports and explores the remedies available to IP owners in each country. Finally, the guide presents some strategies to combat parallel importation and maximize IP protection in Southeast Asia.

CAMBODIA

By Jay Cohen

Cambodia is unique in its recognition of the national exhaustion doctrine, found under the Law on Marks, Trade Names, and Acts of Unfair Competition (“Cambodian Trademark Law”).

The Cambodian Trademark Law confers on registered trademark owners the exclusive right to use their trademarks, including on any goods it wishes to import, distribute, and sell in Cambodia. The law further provides that the rights over trademarked goods will be exhausted once the trademark owner or their representative puts the trademarked goods on the domestic market in Cambodia.

Up until this first domestic sale, a trademark owner has control over the trademarked goods, and its consent is required for any imports, distribution, or sales. Once this first sale is made with consent of the trademark owner, its rights over the specific trademarked good are exhausted.

Parallel imports, however, are trademarked goods put on the market without the consent of the trademark owner. Any imports and sales without consent thus infringe on the exclusive right of the trademark owner under the Cambodian Trademark Law.

In practice, Cambodian authorities require trademark owners that wish to take action against parallel imports to register an exclusive distributorship in Cambodia. Without this registration, authorities will normally not enforce a trademark owner's rights against parallel imports.

In 2016, the Ministry of Commerce introduced a *prakas* (ministerial proclamation) to regulate the registration of exclusive distributorship, and to set out the rights of exclusive distributors and trademark owners, including the right to enforce against parallel imports. This Prakas on the Procedures to Record and File Permission Letters for Imported Goods Bearing Exclusive Trademarks affirms that an exclusive distributorship provides a trademark owner or distributor the exclusive right to import and distribute goods that bear a trademark registered in Cambodia.

This exclusive distributorship must be registered at the Department of Intellectual Property Rights (DIPR) for the trademark owner or distributor to enforce their rights against third parties, including parties that engage in parallel imports.

Remedies

To obtain protection against parallel imports, brand owners should register their trademarks.

The registration can be maintained by submitting an affidavit of use to the DIPR five years after the initial registration, and a request for renewal after ten years.

It is also a good idea to register an exclusive distributorship in relation to the trademark registration, as the authorities currently require this registration in order to enforce against parallel imports. A distributorship registration which is filed with the DIPR remains valid for two years and can be renewed starting three months before the expiry date.

An approved registration of an exclusive distributorship must be published in a local newspaper to inform the public and other traders on the market. Three months after the registration and publication, the trademark owner or distributor may start enforcing against parallel imports, including filing complaints with enforcement authorities and requesting that they take action. The trademark owner or distributor may also sue parallel importers.

The approval letter of a registered exclusive distributorship can also be forwarded to the Cambodian customs authorities so they can look out for and stop any imports not authorized by the registered exclusive distributor. In addition to protecting against parallel imports, this approach may also contribute to intercepting counterfeits, as shipments attract greater scrutiny from customs officials. Local distributors and affiliates should seek the advice of local counsel to navigate the Cambodian Trademark Law and to obtain protection against parallel imports to the fullest extent possible.



INDONESIA

By Wongrat Ratanaprayul

Currently, there is no national exhaustion doctrine in Indonesia and parallel imports are strictly limited to pharmaceutical products (allowed under the Patent Law No. 13 of 2016) to ensure that pharmaceutical products are reasonably priced and widely accessible in Indonesia. For example, if the price of a pharmaceutical product in Indonesia is extremely high, the parallel import of pharmaceutical products allows access to identical products that may be more affordable in the international market. Because parallel imports broaden the public's access to pharmaceutical products, the result should be more competitive pricing in the market and should not be related to anti-monopoly law issues.

The Patent Law also has regulations that relate to parallel import of non-pharmaceutical products. Patent holders have the right to prohibit any party from importing the patented products to Indonesia without their consent. Furthermore, an IP owner or licensee may opt for an exclusive distributorship in each territory where the product will be marketed to ease the monitoring of their products.

Remedies

If the parallel imported products are of lower quality, or if there is mislabeling of the products, then a consumer may be able to lodge a complaint with the Consumer Dispute Settlement Agency (BPSK) and the Non-Governmental Consumer Protection Agency, as allowed by the Consumer Protection Law. However, this seems to have not yet been tested.

If there is any breach of contract between the IP owner and the distributor, the brand owner can file a complaint with the court—such as a patent owner filing a patent infringement lawsuit at the Commercial Court. The remedies available include injunctions, damages, and criminal sanctions (including imprisonment, fines, or both).

It is difficult to solve parallel import issues in Indonesia without patent protection. However, there are measures that IP owners can put in place to make parallel imports more difficult. The contract between an IP owner and an Indonesian distributor should be carefully crafted to specify territories where distributors can sell, and exclusive purchase agreements should be included under which the distributor agrees to only purchase the products from the IP owner. Another possibility is to add information on the packaging indicating that the product is only for sale in Indonesia.



LAOS

By Dino Santaniello

In Laos, legal doctrines and judicial interpretation of laws are extremely limited. There is no stance regarding the national exhaustion doctrine, which is a concept that is not represented in Lao law. There are also no references in the Lao constitution to intellectual property or its protection. The main law framing intellectual property in Laos is the Law on Intellectual Property, as amended on November 15, 2017. This law does contain provisions that prevent parallel imports, but in practice they are difficult to enforce because the authorities, including the Department of Intellectual Property (DIP), generally view parallel imports as beneficial to consumers by lowering the price of goods in the Lao market.

Registration of an authorization to use a trademark renders it enforceable in Laos, whereupon the authorized party can act on behalf of the trademark owner to protect the mark in Laos. Such an authorization (or a franchise agreement) should be registered with the DIP, as stipulated by the Decision on Trademarks and Trade Names No. 2822/MOST, dated December 7, 2019.

Product labels need to include Lao language—a requirement restated in Announcement Department of Internal Trade. Moreover, the Law on Consumer Protection stipulates that any business operator supplying goods that are not labeled or that contain incorrect information will have their business license suspended. 1285 from the Ministry of Industry and Commerce's

Remedies

The typical remedies in Laos are mediation, administrative remedies, arbitration through the Economic Dispute Resolution Center, and court actions. Mediation is an effective way to resolve a dispute in a timely manner and at a low cost. It is a culturally popular dispute resolution mechanism, and people have often involved the local authorities as a neutral third party.

However, the experience of mediators and arbitrators regarding parallel imports is limited. Administrative remedies most effective for disputes that cannot be solved via mediation and require immediate action from the local authorities (e.g., raid actions, seizure of counterfeits, etc.). For high-value disputes, filing a complaint with the Lao People's Court may be the most effective solution, although this option has seldom



been used. Mediation and administrative remedies remain more popular and tend to be more efficient than filing a complaint with the Lao People's Court, including for disputes over parallel imports.

According to the Law on Intellectual Property, brand owners have the primary responsibility for protecting their rights by inspecting the use of the brand. Furthermore, brand owners are responsible for providing information about violations of its brand rights to the relevant governmental agency. In doing so, the brand owner may ask to exercise its rights to prevent and protect against the unauthorized use of its brand.

The Ministry of Industry and Commerce is the primary ministry responsible for intellectual property matters—from registration to enforcement of IP rights—and the Economic Police and the Ministry of Public Security can also field trademark infringement complaints. According to the Penal Code (2017), unfair practices, manufacturing, and trading of counterfeits are subject to fines and imprisonment.



According to the Decision on Trademarks and Trade Names, the licensor or the licensee must notify the DIP of unauthorized distribution. This notification gives the licensee the right to act on behalf of the trademark owner in Laos. Although there is an obligation to notify the authorities of any agreement relating to the use of a trademark in Laos, there are no penalties for failing to notify. In addition, the use of the trademark by an unregistered licensee does not disqualify the trademark use.

MYANMAR

By Yuwadee Thean-ngarm and Sher Hann Chua

In Myanmar, there are no specific provisions about parallel imports. However, some provisions of the Myanmar Trademark Law, Myanmar Industrial Design Law, and Myanmar Competition Law discuss the importation of products into Myanmar by an importer other than the rights owner.

Trademark

According to the Trademark Law, the mark owner may not prohibit the use of its mark on goods that are already in the market, if sent either by the mark owner or with the mark owner's consent. The mark owner may, however, prohibit continued selling of goods that have been altered or damaged after they were sent to the market.

Industrial Design

Under the Industrial Design Law, rights to registered industrial designs do not apply to the corresponding products that have already been officially sold in or imported to the country by either the industrial design owner or a party granted permission by that owner. However, there are no specific provisions in the Industrial Design Law regarding parallel import of industrial designs into Myanmar.



Competition Law

The Competition Law prohibits the selling of goods competitively in the market at a price below their production cost (or cost, insurance, and freight if imported). However, there is no specific indication regarding parallel imports.

Pharmaceuticals

Unregistered pharmaceutical products are considered illegal goods and parallel imports in Myanmar. All pharmaceuticals imported into Myanmar must be registered with the Food and Drug Administration (FDA). Therefore, the FDA can require proof that a second importer of the same medicinal product has obtained approval from the first registered importer before granting its approval.

The FDA is very active in conducting inspections and taking administrative action against the distribution of unregistered pharmaceutical products. However, there are currently no known or published court cases on parallel imports of pharmaceuticals into Myanmar.

THAILAND

By Ploynapa Julagasigorn, Alan Adcock, & Wiramrudee Mokkhavesa

Thailand does not prohibit parallel importation, because the first-sale doctrine (exhaustion of rights) is recognized by most intellectual property laws in the country.

Trademark

Thailand's Trademark Act does not specifically allow parallel importation, but courts have ruled many times that the parallel importation of trademarked items is legitimate. One high profile case resulted in Supreme Court Decision 2817/2543 (regarding the WAHL trademark), in which the court found that if a trademark owner authorizes the sale of goods embodying its trademark, the attached exclusive rights are exhausted because the trademark owner already benefits from the first sale of the products. The trademark owner then has no right to prevent customers from reselling the products.

Even though the Supreme Court's judgment is only a guideline and not legally binding under the civil law system, many subsequent cases have tended to follow this line of reasoning, and it seems unlikely that a court would go against this.

The court has not considered an exception to the exhaustion doctrine based on material differences between authorized goods and resold goods. As this would be a novel argument under Thai practice, it is difficult to predict how the court would rule on the issue.



Pharmaceuticals

In contrast with other goods, parallel imports are prohibited in the pharmaceutical sector. This is because importers must obtain an import license and local product registration before importing a pharmaceutical product. Furthermore, Thailand's Food and Drug Administration (FDA) will not accept an application for a trademarked product without the manufacturer's consent.

Remedies

Even though parallel importation is generally legitimate in Thailand, there are several factors that IP owners can investigate to tackle this challenge.

For example, if any of the parallel imported products require FDA registration or if there are any regulatory requirements, such as for medical devices (namely, prescription lenses) or cosmetics, the IP owner can point out that failure to meet the requirements is a violation of the regulations. Alternatively, if a parallel importer does anything that affects the quality or material characteristics of the product, or damages the brand's reputation, there might possibly be trademark infringement and the exclusive rights of the trademark owner might not be exhausted due to material differences between the authorized goods and the resold goods. In that case, the IP owner might be able to take legal action against the parallel importer to claim damages. Lastly, action can be taken if the taxes and import duties are not fully paid on the parallel imported products in accordance with the tax laws.

VIETNAM

By Loc Xuan Le

Parallel imports are legal in Vietnam under the Law on Intellectual Property, which states that IP owners cannot prevent others from “circulating, importing, or making best use of products which were lawfully launched to the market, including overseas markets,” with the IP owner’s consent. This means that once the goods legally enter the market, whether in Vietnam or abroad, the IP owner cannot preclude the subsequent distribution of the goods based on its IP rights. This statute legitimates parallel imports and international exhaustion of rights in Vietnam, and it applies to both trademarks and patents, among other IP rights.

Pharmaceuticals

Vietnam has allowed the parallel import of pharmaceuticals since 2004 (in Decision No. 1906/2004/QĐ-BYT) and codified parallel import in the country’s new pharmaceutical law. As a result, the authorization of grey drugs (non-counterfeit drugs sold by someone other than the trademark owner) does not run counter to international treaties to which Vietnam is a party.

Remedies

Many brand owners can still combat parallel imports on grounds not related to IP rights. For example, brand owners can address smuggling of goods without invoices, unidentified origin or sources, improper labelling, and failure to meet registered product quality or specifications.

Trademark owners can also proceed with customs recordal in Vietnam. As part of the recordal process, trademark owners must provide customs with a list of authorized importers. This helps customs authorities recognize counterfeit versions of products and improves the chance that suspicious items will be blocked at the border. However, Customs is on the lookout for infringing products, not parallel imports. If such parallel imports neither infringe the trademark owner’s rights nor violate other legal requirements, such as labelling and anti-smuggling regulations, customs will not stop the inbound shipments.

Importers of pharmaceutical products must obtain a license for the parallel import of pharmaceuticals from the Drug Administration of Vietnam through a simple procedure to guarantee the drugs’ safety. Overall, eliminating parallel imports of drugs is difficult under current practice in Vietnam because the attraction of lower prices of the products may affect the decisions of the authorities.





PRACTICAL ENFORCEMENT STRATEGIES ---

The laws and regulations that affect parallel importation in each Southeast Asian nation continue to evolve with time. While there is no one-size-fits-all approach to parallel imports, brand owners should be aware of the following general strategies:

Maintain Proper Registration of Trademarks and Patents

IP owners should ensure that their IP is registered in the relevant countries. Because registrations expire after a certain period, periodic renewal is needed.

Leverage Exclusive Distributor and Licensee Relationships

In some countries, if a contract exists between an IP owner and a distributor, it can be registered with a government agency and IP owners can ask customs to stop imports not authorized by a registered distributor.

Strengthen Existing Contracts with Authorized Retailers

If an IP owner has an exclusive distributor in the country, it may be helpful to include in the contract specific territories where the exclusive distributor can sell to, as well as provisions requiring the distributor to assist in local IP enforcement efforts.

Support Consumer Efforts to Lodge Complaints

If parallel imported goods are of lower quality or mislabeled, or if the parallel importer is offering unauthorized after-sale services, consumers can submit a complaint to the relevant agency.

Strategically Design Product Packaging

It may be helpful to add strategic packaging information such as “This product is only for sale in [country].” For example, in Laos, there is a national requirement to include Lao language on product labels.

Verify Compliance with Pharmaceutical Regulations

Pharmaceutical business operators should be aware of the varying regulations in different countries. In Thailand, for example, parallel imports of pharmaceuticals are not allowed, while in Vietnam an import license is required for parallel importation of pharmaceuticals. And in Myanmar, the relevant authorities can require proof that a second importer of the same pharmaceutical has obtained approval from the original registrant. Enforcement options in each of these regulatory environments likewise vary.

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