Parallel Imports in Pakistan

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Introduction

Parallel Import refers to goods manufactured by an Intellectual Property Rights (**IPR**) holder which are imported and subsequently sold in a jurisdiction without the consent or authorization of IPR holder. Such imports make reliance on the exhaustion of rights; the rights of an IPR holder are said to be exhausted when the holder loses the ability to control subsequent resale of his goods based on the premise that he has already reaped economic benefit when the goods were first put on the market.

Situation in Pakistan

The laws in Pakistan lack development with regards to Parallel Imports and the exhaustion of IPR. This lack of development makes it extremely difficult for the courts and authorities to define the boundaries and limitations regarding the import of such goods. Presently there are no laws restricting Parallel Imports into Pakistan, in fact, the current legal regime seemingly endorses them. A few examples are given below;

Section 15(d) of the Customs Act 1969 allows import of foreign goods bearing the trademark of a manufacturer dealer or trader in Pakistan under the condition that" *the name or trade mark is, as to every application thereof, accompanied by a definite indication of the goods having been made or produced in a place outside Pakistan; and (ii) the country in which that place is situated is in that indication shown in letters as large and conspicuous as any letter in the name or trademark, and in the same language and character as the name or trademark"*. Similarly, Section 30(5)(a) of the Patents Ordinance 2000 allows Parallel Imports by limiting the rights of a patent holder to "*articles which have been put on the market anywhere in the world by the owner of the patent or with his consent or by an authorized person or in any other legitimate manner such as compulsory licenses"*. Furthermore, as per the 2017 amendments in the Custom Rules 2001 through Government Notification SRO (170)(I)/2017; a detailed procedure for the better enforcement of IPR has been provided if the right holder is suspicious that the imported goods are infringing his rights. However, the same specifically exclude Parallel Imports by stating that such enforcement "***shall not apply to parallel or grey market imports****"*.

In recent times the Sindh High Court addressed the issue in the Samsonite Case (**2019 CLD 1060**); the case involved continued use of the Plaintiff's trademark "Samsonite" by the Defendant, a former distributor of the Plaintiff. The Defendant argued that there was no case for infringement as the goods being sold by him were genuine goods which had either been procured directly from the Plaintiff or from the open international market.

The Sindh High Court whilst drawing a distinction between Parallel Imports and counterfeit goods held that there were no laws restricting import and sale of such goods in Pakistan, provided that the goods were genuine. It was held that since the Defendant had procured the goods either directly from the Plaintiff during subsistence of their distributorship or from the Defendant's representative in Dubai, who had acquired the goods from the Plaintiff itself, classified the goods as permitted Parallel Imports. The Court ruled that the Plaintiff "*has already* *reaped the economic benefit from its trademark through first putting it on the market… hence, cannot be allowed any further benefit or protection to exercise any monopoly rights in relation to those very goods on which once an economic benefit has been earned".* The Defendant was allowed to sell the goods, however, the Court directed the Defendant to remove any signage bearing the Plaintiff's trademark from the Defendant's retail shop which may mislead customers to believe that the Defendant is the authorized representative of the Plaintiff.

The Court further placed reliance on a recent Parallel Imports judgment in Singapore which also related to the "Samsonite" trademark. The purpose was to highlight that Parallel Imports of genuine goods could be restricted under certain circumstances despite the law having a specific provision for exhaustion of IPR (Section 29 of the Singaporean Trade Marks Act 1998). It was held by the Singaporean Court that the goods imported into Singapore from China, although genuine, were in fact intended to be used as giveaways with the sale of other products as such never "first put on the market" for sale. Under such circumstances they could not be classified as permitted Parallel Imports. The Singaporean Court further held that the intention to put the goods on the market had to be expressly implied and not ambiguous.

Situation in India

The law across the border in India is more developed with regards to Parallel Imports. The Indian Trade Marks Act 1999 clearly stipulates exhaustion of IPR in Section 30(3), which states that "*Where the goods bearing a registered trademark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trademark by reason only of (b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent".* The definition of "market" was further clarified in the landmark judgment of **Kapil Wadhwa and Ors vs Samsung Electronics Co. Ltd. 2012** where the court held market to encapsulate the international market. This means that in India exhaustion of IPR may occur when the goods are first put on the market anywhere in the world and that IPR holders may not be able to restrict the import of genuine goods bearing their trademarks by unauthorized third parties. The Indian Court further held that the Defendants in the case should prominently display that the goods have been imported from abroad and the IPR holder does not give warranty of the same.

Conclusion

Under the current regime Parallel Imports are allowed in Pakistan. It may be inferred that Section 15(d) of the Pakistan Customs Act 1969 is actually in line with the Indian judgment of **Kapil Wadhwa and Ors vs Samsung Electronics Co. Ltd.** as both reinforce the requirement to mention the origins of the goods in a conspicuous manner. However, it is without a doubt that the law in Pakistan needs to be amended in a manner which clearly defines the approach with regards to the boundaries and limitations to be taken with such goods and the exhaustion of IPR.

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