PARALLEL IMPORTS – HOW TO MANAGE THE PROBLEM

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OUTLINE OF DISCUSSION

• PARALLEL IMPORTS
• EXHAUSTION DOCTRINES
• A REGIONAL PERSPECTIVE
• NATIONAL PROTECTION – NIGERIA
• COMPARISON: EUROPEAN UNION
• REMEDIES AVAILABLE IN NIGERIA AGAINST PARALLEL IMPORTS
• FUTURE DEVELOPMENTS
A CLASSIC DEFINITION

“Parallel importation occurs when a genuine product of a particular trademark owner or his licensee which is intended for sale in a particular country or territory is imported by a third party into that country or territory for which it is not intended.”


“THE GREY GOODS SCENARIO”

Parallel imports inevitably compete with the version of the same product intended for that particular region but the authenticity of the product is not disputed as there is no imitation or counterfeiting and no sub-standard goods involved.
EXHAUSTION DOCTRINES

- Exhaustion of Intellectual Property Rights ("IPR")
- No exclusivity once products have been placed in the market by IPR owner or with his consent.
- The degree to which an IPR owner can exclude parallel import will depend on national or regional treatment of the exhaustion of rights.

EXHAUSTION DOCTRINES

Protection differs with country, region and jurisdiction.
APPLICATION OF EXHAUSTION DOCTRINES

SHAPING THE TRIANGLE
Source: Adapted from Harry Korine – “Managing Transnational Corporations”
London Business School

A REGIONAL PERSPECTIVE: NIGERIA/WEST AFRICA
World merchandise trade, 1948 - 1999: Percentage share

Source: World Trade Organisation,

A REGIONAL PERSPECTIVE

West Coast of Africa from Mauritania to Angola has 24 significant ports
A REGIONAL PERSPECTIVE

Top four ports in West Africa, Lagos, Abidjan, Dakar and Doula represent 30% of African region’s traffic

SOURCE: WORLD BANK

A REGIONAL PERSPECTIVE

Containerised traffic has been growing by more than 10% per year in West and Central Africa (cf. 7% global average)
REGIONAL PROTECTION - ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

- Combined GDP of US$565 billion
- 289 million population
- Africa’s’ largest regional economy
- First exhaustion policy for Economic Community of West African States (ECOWAS) 2008

CURRENT POSITION: ECOWAS

Failure to domesticate the ECOWAS Competition Rules by ECOWAS member states (including Nigeria see Honda cases) - no regional exhaustion doctrine.
CURRENT POSITION: ECOWAS

- Owners of marks increasingly grant non-exclusive rights to proprietors in West-African countries.

- Owners have multiple channels for the distribution of their goods, reducing the possibility of parallel importation.

- Will this trend change as the competition for markets intensifies?

NATIONAL PROTECTION – NIGERIA

Trade Mark Act 1965 Section 5 (2) confers exclusive right to use the trade mark

The decisions of the Supreme Court of Nigeria in

Dyktrade v Omnia [2005] 4 CLRN 1 and
Ferodo Ltd v. Ibeto Ind. Ltd [2004] 4 CLRN 1

are leading local authorities on protection of marks
The claimants sued against the importation of the cars “manufactured and assembled for the American market and ill adapted for the Nigerian conditions and fuel specifications”.

The claimants sought to protect their “reputation and business”.

The defendants case was to reject the notion that license for Nigeria affected its right to import genuine goods “from elsewhere outside Japan”. 
NATIONAL PROTECTION – NIGERIA

Honda Company Ltd and Anor. v. Bright Motors and 4 Ors 1998 12 NWLR* Part 577 at p.230

The court granted injunctive orders to restrain the sale and importation of Honda products into Nigeria except through the authorized main dealer of Honda products in Nigeria.

* Nigerian Weekly Law Reports

COMPARISON: EXHAUSTION DOCTRINE IN THE EUROPEAN UNION

The European Court of Justice ("ECJ"):  
A registered trade mark user has exclusive right but this does not constitute an absolute safeguard against parallel importation.
COMPARISON: EXHAUSTION DOCTRINE IN THE EUROPEAN UNION

- **Terrapin V. Terranova** and **Merck V. Stephar**
  - goods put on the market by a registered proprietor or with his consent
  - the free circulation rule is said to apply.
  - trade mark rights cannot used to prevent further dealings in the goods.

REMEDIES AVAILABLE IN NIGERIA AGAINST PARALLEL IMPORTS

- Express stipulation of exclusivity
- Pursuit of remedy in Court for unlawful interference with Economic rights.
- Court Enforcement of Contractual obligation
WHAT NEXT...?

- Some countries notably Ghana in Patents allow Parallel importation if the product to be imported is already “put in the market in any country by the owner of the patent or with the owner’s consent”.

- It is possible other countries will emulate this particularly in the area of Drugs and pharmaceuticals (see S. 11 Ghana Patent Act 2002)

WHAT NEXT...?

In Nigeria, the Competition Bill (Nigeria Antitrust (Enforcement, Miscellaneous Provisions, etc) Bill 2008) is currently before the National Assembly;
WHAT NEXT...?

If the bill is passed International Exhaustion will apply in Nigeria (see Part III section 8 (2) (d) paragraph 21 -24 of the Competition Bill).

This change will affect the entire sub-region due to the relative size of Nigeria’s economy.

FOOD FOR THOUGHT