



PARALLEL IMPORT IN UZBEKISTAN AND SOME CENTRAL ASIAN COUNTRIES

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Article history:	Abstract:
Received: May 23 rd 2021 Accepted: June 7 th 2021 Published: July 8 th 2021	In this article, the author explains the concept of «parallel import» highlights its features and explains the difference between grey and counterfeit goods. Moreover, the author shows the experience and legislation of individual countries such as Uzbekistan and Kazakhstan, and the attitude of these countries to parallel import. Furthermore, the reasons why parallel import should or should not be supported by the state are explained in the following examples.

Keywords: Parallel import, grey import, goods, counterfeit, illegal import, legislation

1. INTRODUCTION

Parallel import is one of the hotspots of intellectual property law. The whole legal and manufacturing world is divided into two parts. Some believe that parallel import should be legalised, while others consider it restricts trademark rights holders and should be banned. So what is parallel import, what are its positive and negative sides.

2. MAIN BODY

What is "Parallel Import"?

"Parallel import" is not a legally defined term. This legal jargon has evolved in correlation with the concept of exhaustion of intellectual property rights ("IPRs"). Most parallel import cases involve trade marks rights, but they can also involve other IPRs.

Parallel importation refers to the free entry of original and branded products into the country without the permission of the trademark holder. Import of goods in this case is carried out not by the rights holder, its authorized importers or official distributors, but by other persons

According to Maskus (2001), parallel importing means that the trade situation which involve genuine products that are produced under patent, copyright or a trademark protection, which are imported into another market (the destination market), without appropriate authorization of the intellectual property owner in the destination market. Parallel trade refers to the resale of goods between countries without the authorization of the intellectual property rights owner associated with those goods (Kyle, 2009). Parallel

importing involves the selling of trademarked goods through channels of distribution that are not authorized by the trademark holders (Duhan & Sheffet).

Parallel trade deals with topics in three related fields: intellectual property law, international trade, and competition law (Kyle, 2009).

Each holder of an IPR has the exclusive right to use the respective IPR. This exclusive right means that nobody else has the right to use the same, unless the IPR holder gives his consent with such use. The rights conferred on the IPR holders to use their protected IPRs are limited by the principle of exhaustion. This principle means that once the IPR holder has sold the product bearing respective IPR, he cannot prohibit the subsequent resale of such product, i.e. his rights in respect of this individual product are deemed "exhausted" by the act of selling it. The issue of "parallel import" arises namely in connection with the exhaustion of the rights conferred on the IPR holder and, in particular, the geographic area with respect to which the rights are deemed to have been exhausted with the first sale.

According to World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) there are three forms of exhaustion of intellectual property rights (see also, Abbot, 2007; Semin et al., 2016):

1. *national exhaustion principle* (refers to exhaustion of the intellectual property owner's rights on the first authorized sale in the specified national territory, while the patent owner may continue to enforce his rights in



the region other than the defined national territory based on the legislation adopted by the other region);

2. regional exhaustion principle (refers to exhaustion of the intellectual property owner's rights in a specific region, for instance the Eurasian Economic Union, etc..., and its member states, while the intellectual property owner continues the right to distribution of the product anywhere outside the region);

3. international exhaustion principle (refers to exhaustion of the intellectual property owner's rights to the product across all the geographies, irrespective of the territory of the first authorized sale).

Application of the national regime of exhaustion of rights means that in the territory of a certain state the exclusive right to a trademark placed on a certain product is exhausted from the moment of the first introduction of the product into circulation directly by the right holder or with his consent in the territory of this state. Regional exhaustion implies the exhaustion of the exclusive right within the customs territory of several states. In case of international exhaustion, the exclusive right to a trademark shall be deemed to have been exhausted from the moment of the first introduction of goods into circulation directly by the right holder or with his consent anywhere in the world.

There is a national principle of trademark rights exhaustion in Uzbekistan:

Article 1107¹ of the Civil Code. Exhaustion of the exclusive right to the trademark states: *"It does not constitute an infringement of the exclusive right to trademark use of this trademark by other persons in respect of goods that have been legally introduced into civil circulation directly by the trademark owner or with his consent"*.

Legally introduced into civil circulation - introduced with the agreement of the right holder through official distributors or dealers.

According to the State Competitive Committee, the flow of complaints about unfair competition in the field of intellectual property has increased more than 7 times over the last 5 years.

Brand trading - the capture of other people's brands due to "loopholes" in legislation and a low level of law enforcement - damages importers and national producers who play by the rules.

In Uzbekistan, intellectual property rights are protected by the Constitution, the Civil Code, the Law on Trademarks, Service Marks and Appellations of Origin and a number of other bylaws. In addition, the Appeals Board of the Intellectual Property Agency also investigates the issue of publicity of a trademark, if it receives a relevant application from the right holder. Some precedents of brand trading in Uzbekistan:

Since 2014, the State Committee for Competition on infringement of Kalekim trademark rights. In its sector, it is one of the top five Turkish trademarks. Dealers brought dry building mixes to Uzbekistan, participated in exhibitions and had advertising. But the right holder did not register the trademark in Uzbekistan, relying on international norms and guarantees. As a result, one of the local companies started producing such products and registered the most recognizable part of the trademark in Uzbekistan. And it still manages to defend its position in court, because it is a "national producer".

Such a scheme is often used in the pharmaceutical industry as well:

- 1) importing goods as an official distributor;
- 2) production of an analogue (sometimes even on the basis of imported goods in the form of "in bulk"[2], requiring only packing and packaging);
- 3) registration of the trademark on its own;
- 4) removal of the original rights holder-competitor from the market.

Parallel imports, grey imports, counterfeit products are all classified as the same phenomenon.

Article 62 of the Copyright and Related Rights Act states *"Counterfeited are copies of works and objects of related rights, which are reproduced or distributed in violation of copyright and related rights. Counterfeit shall also include copies of works and objects of related rights protected under this Act imported without the consent of rights holders from the state in which these works and objects of related rights have ceased to be protected or have never been protected"*.

What is the difference between counterfeit, parallel imported goods and grey goods?

Actually, "parallel import" or "grey import" means an original produced goods, but imported in illegal way. Meanwhile, "counterfeit" is fake products. Legislator does not differ these terms from each other, which is usually criticized by people. It does seem unfair to sanction the production of counterfeit goods under someone else's trademark and the sale of the original goods with the same amount of fines.

Well, how right holders can protect their Trade marks in Uzbekistan?

Article 65. Methods of protecting copyright and related rights states that the author, holder of neighbouring rights or other holder of exclusive rights has the right to claim the infringer:

- recognition of the rights;
- restoration of the position
- the cessation of actions that violate or threaten to violate the right;



- compensation for losses in the amount of the income not received, which the rights holder would have received under normal civil turnover conditions
- payments of compensation in lieu of damages
- compensation for moral damages

Article 66. Confiscation of counterfeited copies of works and objects of related rights says counterfeited copies of works and objects of related rights, as well as materials and equipment used for their production and reproduction, and other instruments of offence are subject to confiscation in accordance with the law.

Confiscated counterfeit copies of works and objects of related rights shall be destroyed, except in cases when they are transferred to the right holder at its request.

Withdrawal of goods at importation into the Republic of Uzbekistan

Although Uzbekistan maintains a customs register, the ex officio principle does not apply. According to Article 386 of the Labour Code, the Customs Committee requires a written application for inclusion in the Customs Register of intellectual property objects. Therefore, the only way to stop the import of goods infringing the intellectual property right of the right holder into the territory of the Republic of Uzbekistan is to submit an application to the Customs Committee in advance.

Actions after the entry of the goods into civil circulation

If, however, the goods have crossed the border and been placed on the market, the rights holder is advised to apply to the Economic Court for the "withdrawal of goods from civil circulation" and "destruction of goods". And if the rights holder is able to prove the damage or loss caused, the rights holder is entitled to compensation or damages under Article 65 of the Copyright and Related Rights Act.

3.CONCLUSION

To conclude, parallel import does not tackled well in Uzbekistan and their still some misunderstandings in the legislation. However, overall situation does promise to become better as Uzbekistan tries to set free market relations in it's territory.

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