RECOMMENDED MODEL FOR PARALLEL IMPORTATION OF TRADEMARKED GOODS IN ASEAN

-Pankhuri Agarwal*

I. Introduction

The ASEAN Economic Community (AEC), on the lines of the common market of the European Economic Area (EEA), was established on 31 December 2015.[1] One of its aims, as reflected in Article A.1.9 of the AEC Blueprint 2025, is to allow '*competitive, efficient, and seamless movement of goods within the region*'.[2] National restrictions on parallel importation of trademarked goods that have been put on the market anywhere in AEC may affect this desire of free movements of goods within ASEAN. Part II of this paper will discuss the meaning of parallel importation of trademarked goods. Further, Part III will throw light on the arguments for and against allowing parallel importation. Furthermore, it will describe the different parallel importation models adopted by countries around the world and critically analyse those adopted by Singapore and EEA in particular. Finally, Part IV will analyse which model would be most suitable for ASEAN to adopt, keeping in mind both, its aim of seamless movement of goods, as well as the justifications for trademark protection.

II. Meaning of Parallel Importation of Trademarked Goods

Parallel importation of goods means importation of goods sold by or with the consent of the owner of intellectual property rights (IPRs) in a country into another country without the consent of the owner of such IPRs.[3] In the case of trademarked goods, it means importation of trademarked goods sold by or with the consent of the trademark owner

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* Pankhuri Agarwal is an IP law and policy researcher and a Managing Editor at SpicyIP, a blog on IP, innovation law and policy in India. She did her Master of Laws in Intellectual Property and Technology Law from National University of Singapore under a Faculty Graduate Scholarship and won the Michael Hor Prize for Best Student in Freedom of Speech in the year 2016.

1 Ellodie Sellier, 'The ASEAN Economic Community: The Force Awakens?' *The Diplomat* (12 January 2016) <http://thediplomat.com/2016/01/the-asean-economic-community-the-force-awakens/> accessed on 22 July 2020.

2 The ASEAN Secretariat, 'ASEAN Economic Community Blueprint 2025' (November 2015) <https://www.asean.org/storage/2016/03/AECBP_2025r_FINAL.pdf> accessed on 25 August 2020.

3 Massimo Introvigne, 'International Exhaustion of Trademarks in the European Union' (1998) 3 International Intellectual Property Law and Policy 8-1; INTA, 'International Trademark Association Position Paper on Parallel Imports' (2015).

in country A into country B without the consent of the trademark owner. The goods so imported are commonly referred to as parallel imports or grey [market] goods and it is to be noted that these goods are genuine and not counterfeit goods as they are manufactured by or with the consent of the trademark owner.[4] Whether parallel importation of trademarked goods in a country is legal or illegal depends on the theory of exhaustion of trademark rights adopted by the trademark law of that country.[5] A country may choose to follow one of the three theories of exhaustion, namely national, international and regional.[6] National exhaustion means that once a trademarked good has been sold in a particular country by the trademark owner, he cannot control the resale of that good within that country.[7] However, he is entitled to control resale of goods sold in another country as his exclusive rights exhaust only with respect to the goods sold by him in that country.[8] This principle is also known as the principle of territoriality.[9] On the other hand, international exhaustion means that once a trademarked good is sold anywhere in the world by the trademark owner, his rights with respect to that good gets exhausted internationally and thus he cannot control resale of that good in any country.[10] A mix of these two theories is the theory of regional exhaustion, according to which, once the trademark owner sells the trademarked good in any country of a particular region, he cannot prevent resale of that good in any of the countries of that region.[11] In short, the principle of national exhaustion prohibits parallel importation, the principle of international exhaustion allows it and the principle of regional exhaustion allows it from countries within a region. Most countries follow some theory of exhaustion of trademark rights so as to allow free alienation of goods once they have been sold by the trademark owner and thereby promote a free market system.[12]

III. Arguments For and Against Parallel Importation

At present, there is no international standard governing parallel importation of goods.[13] Article 6 of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS), which lays down minimum standards of IPRs to be adopted by all WTO members, reads as:

4 Stephanie Peatman, 'Moving toward Uniform International Trademark Protection: How Amending the Trips Agreement Will Make Parallel Importing of Gray Goods Less Gray' (2014) 20 Southwestern Journal of International Law 445; Kimberly Reed, 'Levi Strauss v. Tesco and E.U. Trademark Exhaustion: A Proposal for Change' (2003) 23 Northwestern Journal of International Law and Business 139.

5 Cindy Wai Chi Wong, 'Parallel Importation of Trademarked Goods in Hong Kong and China' (2004) 34 Hong Kong Law Journal 151.

6 Peatman (n 4).

7 Reed (n 4); INTA (n 3).

8 Irene Calboli, 'Trademark Exhaustion in theEuropean Union: Community-Wide or International? The Saga Continues' (2002) 6 Marquette Intellectual Property Law Review 47; INTA (n 3).

9 Wong (n 5).

10 Reed (n 4); INTA (n 3).

11 Reed (n 4).

12 Reed (n 4); Calboli, 'Trademark Exhaustion in the European Union' (n 8).

13 INTA (n 3).

'*For the purposes of dispute settlement under this Agreement … nothing in this Agreement may be used to address the issue of the exhaustion of intellectual property rights*'.[14] Thus, the member countries are not obliged to adopt any particular principle of exhaustion and as a result, have adopted different principles. Before proceeding to the examination of the different exhaustion models adopted by countries, it is important to understand the policy considerations that guide them in deciding whether parallel importation should be allowed or not.

1. Arguments against Parallel Importation

Trademark owners argue that parallel importation of goods in a particular country may adversely affect the goodwill of their trademark as well as the interests of the consumers in that country, which the trademark law is designed to protect.[15] They argue that the parallel imports can cause consumers to be confused or deceived into buying a good that is not the good they intended to buy.[16] This is because the goods sold by the trademark owner in another country may not exactly be the same as those sold by him in the country of importation.[17] Goods may often be customised for a country according to consumer preferences, environmental protection and waste management laws, safety and quality control standards or climatic conditions of that country.[18] The language on the packaging and that of the manuals or instructions and the telephone numbers for customer support may also differ from country to country.[19] Further, the parallel imports may not carry a valid warranty in another country or come with the same after-sales services as offered on the goods authorised to be sold in the importing country.[20] Also, improper care during importation may also alter the condition of the goods.[21] The consumers in the importing country who buy such parallel imports without being aware of these differences may be disappointed with the goods bearing a certain trademark not being of the expected and satisfactory quality or standard.[22] Such disappointment and dissatisfaction of consumers negatively impacts the goodwill of the trademark owner.[23] Another argument put forth by the trademark owners is that the parallel importers free ride on their goodwill and investment they made in promotion of the trademarked goods.[24] This according to them

14 ibid.

15 ibid.

16 Clark W Lackert, 'Introduction tothe Parallel Imports Controversy: Trade or Trademark Policy?' (1987) Columbia Business Law Review 151.

17 George SS WEI, 'Parallel Imports and the Tort of Passing-Off and Trade Mark Infringement' (1989) 31 Malaya Law Review 284; Peatman (n 4); INTA (n 3).

18 INTA (n 3); Peatman (n 4).

19 ibid.

20 ibid; Lackert (n 16).

21 Peatman (n 4).

22 INTA (n 3).

23 INTA (n 3); Peatman (n 4).

24 INTA (n 3); Peatman (n 4);Lackert (n 16).

reduces the incentive for them to produce more and thus leads to the limited production of quality goods.[25] Trademark owners are said to indulge in price discrimination, a practice where they price their goods differently in different countries depending on the economic growth and stability of the country in which they are to be sold, so as to widen their market reach.[26] Thus, prices in developing countries are sometimes lower than in developed countries, thereby making it more affordable and beneficial for consumers in the former.[27] However, parallel importation of lower-priced goods into developed countries could divert the sales and profits away from the trademark owner in those countries which may thereby force the trademark owners to adopt uniform pricing throughout the world.[28] This, they argue, would render the goods unaffordable for the consumers in developing countries and place a higher price burden on the consumers in developed countries to make up for the lost market.[29]

2. Arguments For Parallel Importation

There are many who argue for allowing parallel importation. Their basic argument is that once a trademark owner has made a profit by the first sale of the good, he must not be allowed to control further distribution of that good.[30] This is also referred to as the doctrine of first sale. Prevention of parallel importation, they say, creates a barrier against free trade and competition.[31] On the other hand, allowing it protects the consumers against payment of high prices by increasing the supply of trademarked goods and thereby preventing the trademark owner from engaging in monopolistic behaviour like price discrimination.[32] Parallel importation is also said to increase the demand of trademarked goods and thereby increase employment and economic benefits for developing countries.[33] The imported goods may also be exported by these countries for profit.[34] For these reasons, international exhaustion with respect to at least those trademarked goods that are qualitatively the same is said to be line with the function of the trademark to indicate the source and quality of goods and the intra-brand price competition caused by parallel importation is not considered justified for extension of trademark rights to goods that have been once sold.[35]

25 Peatman (n 4).

26 ibid.

27 ibid.

28 ibid.

29 ibid.

30 ibid.

31 Peatman (n 4); Christopher B Conley, 'Parallel Imports: The Tired Debate of the Exhaustion of Intellectual Property Rights and Why the WTO Should Harmonize the Haphazard Laws of the International Community' (2007) 16 Tulane Journal of International and Comparative Law 189, 206.

32 Peatman (n 4); Lackert (n 16); Wong (n 5).

33 Peatman (n 4).

34 ibid.

35 WEI (n 17).

Any confusion likely to be caused by the difference in warranty can be prevented by requiring a simple notice to be given.[36]

IV. Parallel Importation Models Adopted by Different Countries

TRIPS, as mentioned in Part III above, does not oblige member countries to follow a particular principle of exhaustion of IPRs. This has led to a lack of uniformity in approach with respect to legality of parallel importation of trademarked goods as different countries have adopted different rules of exhaustion in their national laws. Many Asia Pacific countries like Singapore, China, South Korea, Japan, Hong Kong, Taiwan, Australia, New Zealand, and South Africa have adopted international exhaustion rule with some limitations.[37] The European countries forming part of the EEA follow the rule of regional exhaustion except in certain circumstances (see part IV-B below). United States (U.S.) enforces a system that is hybrid of national and international exhaustion.[38] National exhaustion principle has been adopted by very few countries like Russia, Ukraine, Turkey and Brazil (with some exceptions).[39]

For the purpose of evaluating which exhaustion model would be most suitable for ASEAN to adopt, it will be most useful to look at the parallel importation model of Singapore, it being a member state of ASEAN and that of EEA, it being a single regional market like AEC.

1. Singapore Model

Singapore has allowed parallel importation of trademarked goods to promote competition and industrial development in its market.[40] Section 29 of Singapore's Trade Marks Act 1998 (Singapore Act) provides for international exhaustion of exclusive rights conferred by a registered trademark with certain exceptions.[41] Section 29(1) provides that a registered trademark is not infringed by the use of a trademark in relation to goods that have already been put in the market, whether in Singapore or outside, under that trademark by its proprietor or by someone else with his express or implied consent. The consent may be conditional or unconditional,[42] which suggests that '*private restraint on parallel imports, such as by restrictive contracts or by putting prohibitive labels on products, will not be interpreted as a sign of non-consent*'.[43] Two exceptions to this rule are laid down in section 29(2). First, the rule does not apply to cases where the condition of the goods has been

36 Lackert (n 16).

37 INTA (n 3).

38 Reed (n 4); INTA (n 3).

39 INTA (n 3).

40 Wong (n 5).

41 Singapore Trade Marks Act 1998, s 29.

42 ibid s 29(1).

43 Wong (n 5).

changed or impaired after they were put in the market. Second, it excludes cases where the use has caused dilution of the distinctive character of the registered trademark in an unfair manner. Section 29(2) has, however, been criticised for being narrow in scope as it does not exclude parallel importation of trademarked goods that are qualitatively different from those sold by the proprietor in Singapore and also in cases where the packaging and not the actual content of the trademarked goods have been tampered with.[44]

Therefore, Singapore's model of parallel importation can be said to be very generous as it does not seem to adequately protect the interests of the consumers and the trademark owners through its statutory exceptions to the international exhaustion rule.

2. EEA Model

The First Council Directive 89/104/EEC of 21 December 1988 (Directive) mandated adoption of the principle of regional exhaustion by the members of the European Economic Community (EC).[45] Article 7(1) of the Directive states that trademark rights could not be used to prevent the use of the trademark in relation to '*goods which have been put on the market in the* [EC] *under that trademark by the proprietor or with his consent*'.[46] The adoption of the Agreement for the EEA of 2 May 1992 (EEA Agreement) extended this principle to the European Free Trade Agreement (EFTA) countries joining the EEA (which were Norway, Iceland, and Liechtenstein).[47] Thus, now all European countries that are EEA members enforce the rule of regional exhaustion of trademark rights.[48]

Article 7(1) of the Directive provides that trademark rights are exhausted in relation to goods that have been sold *in* the EEA, but does not mention anything with respect to the goods put on the market *outside* the EEA. It did not clarify whether the EEA members could adopt the principle of international exhaustion within their national territories.[49] Some countries like Germany, Austria, England and the Netherlands adopted the rule of international exhaustion prior to the Directive.[50] This ambiguity was settled by the

44 Ng-Loy Wee Loon, 'Exhaustion of Rights in Trade Mark Law - The English and Singapore Models Compared' (2000) 22 European Intellectual Property Review 320; Wong (n 5).

45 Official Journal of European Communities, 'First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to Trade Marks' <https://op.europa.eu/en/publication-detail/-/publication/4a573477-c9fe-4df6-8763-e557017f7677> accessed on 26 August 2020.

46 ibid; art 7(1).

47 Calboli, 'Trademark Exhaustion in the European Union' (n 8).

48 *See* UK Trade Marks Act 1994, s 12 and Sweden Trade Marks Act 2010, s 12 that give effect to Article 7 of the Directive.

49 Calboli, 'Trademark Exhaustion in the European Union' (n 8).

50 Calboli, 'Trademark Exhaustion in the European Union' (n 8); Eddie Powell and Catrin Turner, "Fortress Europe': International Exhaustion of Trademark Rights and the EC: The Retailer's Perspective' (2002) 30 International Business Lawyer 3; Thomas Hays, 'The Incorporeal Curtain: The EEA is closed to extra-market gray goods' (2002) 92 Trade Mark Reporter 626.

Court of Justice of European Union (CJEU) in *Silhouette v Hartlauer*[51] (Silhouette) by interpreting Article 7 to lay down regional exhaustion as the exclusive standard and not just the minimum standard. It was held that the countries were not free to adopt international exhaustion as it would defeat the aim of the EC directive to harmonize laws with respect to exhaustion.[52] The same was confirmed by the CJEU in *Sebago v. GB-Unic*.[53] Thus, under the EEA parallel importation model, a trademark owner retains the right to prevent importation of trademarked goods sold *outside* EEA. Only parallel importation of goods first sold *within* the EEA is allowed.

In *Davidoff v A&G Imports*,[54] the High Court of London interpreted *Silhouette* to not prohibit parallel importation of goods sold outside EEA if it is made *with the consent* of the trademark owner. Issues thus arose regarding the meaning of 'consent' for the importation of goods sold outside EEA.[55] The meaning was clarified by the CJEU in 2001 in *Zino Davidoff* and *Levi Strauss*.[56] It was held that consent can be implied but must be unequivocally demonstrated. It must have been expressed positively and cannot be implied from silence as to any restriction. The burden of proof was said to be on the importer to show it had consent, and it was not found to be of relevance that the restrictions were not communicated to the importer. It was held that importer can be said to have consent only if an affirmative right is given to the first purchaser to sell in EEA.[57] Questions have often come up before CJEU on the interpretation of 'trademark owner's consent' in Article 7(1) as well.[58] The interpretation by the court has been such that the trademark owner would not be considered to have consented to the first sale of the good in the EEA unless he has given 'express and unequivocal consent' for it.[59] Such narrow interpretation of 'consent' has been criticized for impacting the free movement of goods not only between EEA and other countries but also within the EEA and overly rewarding the trademark owners.[60]

51 Case C-355/96 *Silhouette International Schimed GmbH & Co. KG v Hartauer Handelsgesellschafmb*H [1998] ECR I-04799.

52 ibid.

53 Case C-173/98 *Sebago Inc. and Ancienne Maison Dubois & Fils SA v G-BUnic SA* [1999] ECR *I-04103.*

54 *Zino Davidoff SA v A & G Imports Limited* [1999] 3 All ER 711.

55 Hays (n 50); Davidoff SA (n 58); C-415/99 and C-416/99 *Levi Strauss & Co. v Tesco Stores Ltd.* and *Levi Strauss v Costco Wholesale* (High Court of Justice of England and Wales, Chancery Division, 22 July 1999).

56 Joined Cases C-414/99 to C-416/99 *Zino Davidoff SA v A & G Imports Ltd, Levi Strauss & Co. v Tesco Stores Ltd* and *Levi Strauss & Co. v. Costco Wholesale UK Ltd.* [2001] ECR I-08691.

57 Hays (n 50).

58 Calboli, 'Trademark Exhaustion in the European Union' (n 8).

59 Irene Calboli, 'Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union (Ten Years Later)' (2012) 16 Marquette Intellectual Property Law Review 257.

60 ibid; (discussing Case C-324/08, *Makro Zelfbedieningsgroothandel CV v Diesel SpA.*, 2009 E.C.R. 1-10019; Case C-59/08, *Copad SA v. Christian Dior Couture SA*, 2009 E.C.R. 1-03421; Case C-127/09, *Coty Prestige Lancaster Group GmbH v Simex Trading AG*, 2010 E.C.R. 1-04965; Case C-324/09, L'Oreal SA v. eBay).

The rule of regional exhaustion of trademark rights under Article 7(1) of the Directive is not absolute. Under Article 7(2) intra-EEA parallel importation also can be prevented for legitimate reasons. Article 7(2) reads as '[Article 7(1) shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market'.[61] Similar to that in the Singapore Act, an express exception has been made for cases where the condition of the goods is changed or impaired after their first sale by the trademark owner. However, the scope of Article 7(2) is much broader than section 29(2) of the Singapore Act as it allows the trademark owners to prevent parallel trade for any other 'legitimate reasons' as well. In many cases, the CJEU has been called upon to decide questions on the interpretation of 'legitimate reasons'.[62] The court has given this exception a very broad interpretation. Not only have material change or impairment in the condition of goods by removal of serial or identification numbers applied or repackaging (except in cases of pharmaceutical products provided the repackaging company's name is stated on it) and de-branding[63] been held to be 'legitimate reasons',[64] but even serious damage to the reputation of the mark in cases where the sale of the trademarked goods in discounted stores or use of a trademark for advertising by the importer can affect the 'aura of luxury' and exclusivity of the goods.[65] Thus, not only has parallel importation been prevented for protecting consumers against confusion as to the origin of the trademarked goods, but also for protection the goodwill or reputation of trademarks especially those that are famous or identify luxury goods.[66] This expansive interpretation has been criticized to threaten the free movement of goods within the EEA and also to go against historical justifications for trademark protection that focus on prevention of confusion and unfair competition and only indirectly the goodwill of the trademark owner.[67]

Therefore, EEA model of parallel importation can be said to be too restrictive as a result of its narrow interpretation of 'consent' with which the goods sold outside EEA can be imported and of 'consent' with which goods, if sold in EEA, can be imported and broad interpretation of 'legitimate reasons' for which the parallel importation can be prevented

61 First Council Directive (n 45) art 7(2).

62 Calboli, 'Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union' (n 59).

63 ibid; (discussing Case *C-558/08, Portakabin Ltd. v Primakabin BV*, 2010 E.C.R. 1-06959).

64 ibid.

65 ibid; (discussing Case C-59/08, *Copad SA v Christian Dior Couture SA*, 2009 E.C.R. 1-03421; Case C-337/95 and Case *C-558/08, Portakabin Ltd. v Primakabin BV*, 2010 E.C.R. 1-06959).

66 Calboli, 'Trademark Exhaustion in the European Union' (n 8); Calboli 'Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union' (n 59) (citing Joined Cases C-427, C-429 & C-436/93, *Bristol-Myers Squibb v Paranova* A/S, 1996 E.C.R. 1-3457; Case C-349195, *Loendersloot v Ballantine & Son Ltd.*, 1997 E.C.R. 1-6227 and Case C-337/95, *Parfums Christian Dior SA v Evora BV*, 1997 E.C.Rt 1-6013).

67 Calboli, 'Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union' (n 59).

by the trademark owner.

V. Recommended Parallel Importation Model for ASEAN

The EEA model of regional exhaustion of trademark rights may appear the obvious model for AEC to adopt for the reason that AEC establishes a single market for ASEAN countries as the EEA does for a group of European countries. However, as noted above, the EEA model has not been free from criticism. Recommendations have been made by some for the adoption of international exhaustion in the EEA.[68] Also, the CJEU in *Silhouette* disallowed countries to opt for international exhaustion in their national territories not because it considered that international exhaustion, if mandated for all, would hinder the free flow of goods within the EEA, but because the option, if given, would disturb the uniformity of exhaustion systems in the region leading to the creation of trade barriers within the internal market.[69] Therefore, in my opinion, an independent assessment must be made as to whether ASEAN must adopt a national, regional or international exhaustion model keeping in mind the ASEAN's desire for seamless movement of goods as well as the justifications for conferment of exclusive rights on the trademark owner.

As you have been told, restrictions on parallel importation of trademarked goods can impact ASEAN's desire to have 'a seamless movement of goods' within ASEAN. This is because of the lack of uniformity in the exhaustion regimes adopted by ASEAN countries.[70] Although many ASEAN countries like Malaysia[71] and Singapore abide by the international exhaustion principle, some countries like Cambodia[72] follow the principle of national exhaustion.[73] This means that the trademarked goods that have been once sold by the trademark owner or with his consent anywhere in the ASEAN region cannot be legitimately imported and resold in the ASEAN countries that follow a national exhaustion

68 Reed (n 4); United Kingdom Trade and Industry Committee, *Trade Marks, Fakes and Consumers (Eighth Report)* (1999 HC 380).

69 Silhouette (n 51); Carl Baudenbacher, 'Trademark Law and Parallel Imports in A Globalized World-Recent Developments in Europe with Special Regard to the Legal Situation in the United States' (1998) 22 Fordham International Law Journal 645.

70 *See* Peatman (n 3) ("the exclusive rights afforded by national laws to trademark owners could be an obstacle to the creation of a unified internal market...the distinctive approaches to exhaustion deter international trade and business"); Calboli (n 59) ("In the formative years of the European Economic Community (EEC), the European Community Commission (the "Commission") and the European Court of Justice (ECI) argued that the exclusive rights afforded by national laws to trademark owners could be an obstacle to the creation of a unified internal market.")

71 'Parallel Import Law Clarified' *Mirandah* (10 November 2011) <http://www.mirandah.com/pressroom/item/320-parallel-import-law-clarified> accessed 22 July 2020 (suggesting that Malaysia's law allows parallel importation in Malaysia by referring to the High Court of Malaysia's decision in *Tien Ying HongEnterprisesSdnBhdvBeenionSdnBhd* [2010]).

72 Law Concerning Marks, Trade Names and Acts of Unfair Competition of the Kingdom of Cambodia 2001, art 11(c); David Mol and Sokmean Chea,'Parallel Imports in Cambodia' (*Lexology,* 29 February 2016) <https://www.lexology.com/library/detail.aspx?g=817150f3-c0b7-4053-a49b-dbb1ec51354c> accessed 22 July 2020.

73 Mol and Chea (n 72).

model without the consent of the trademark owner, thereby creating a barrier to the creation of a common market for free trade. Therefore, all ASEAN countries must be mandated to allow parallel importation of those goods that have been put on the market, at least, in the AEC by the trademark owner himself or with his consent. In other words, at the minimum, the principle of regional exhaustion of trademark rights must be adopted by ASEAN for free intra-ASEAN trade.

Although adoption of a regional exhaustion model after regional exhaustion model: ,instead an international exhaustion model, would be in line with ASEAN's aim to allow seamless movement of goods *within* ASEAN, it would not be backed by justifications for trademark protection. Trademark law confers upon the trademark owner the right to exclude others from using his trademark on their goods primarily for preventing harm to the consumers (caused by confusion as to the source or quality of those goods) and the owner. When trademarked goods, first sold outside a particular country by or with the consent of the trademark owner, are imported and sold in that country seeking his consent, the consumers are *generally* not likely to get confused as to the source and quality of the goods. Any harm or loss to the trademark owner is also unlikely to be caused by such import and sales, as they have already earned a profit once from the first sale of those goods outside the country. Thus, adoption of a regional exhaustion model that prevents parallel importation of goods that have been first sold *outside* the region by or with the consent of the trademark owner is not supported by the justifications for trademark protection,[74] and unduly benefits the trademark owners at the cost of free movement of goods between the region and the outside. Therefore, in my opinion, the rule of international exhaustion, as opposed to that of regional exhaustion, must be adopted by ASEAN.

However, this rule must not be absolute or otherwise, it runs the risk of not protecting, in certain cases, the very interests that the trademark law is designed to protect. Thus, Singapore model of providing for international exhaustion of trademark rights with some exceptions must be adopted by ASEAN, but the exceptions must not be limited to those provided in section 29(2) of the Singapore Act. Parallel importation must not be allowed in any case where the consumers are likely to be confused or deceived as to the origin, quality, condition, warranty, after-sales services, instructions of use and the legal compliance of the trademark goods. This will include not only those cases where the condition of the goods themselves has been changed or impaired after their first sale but also where the goods have been de-packaged, repackaged, de-branded or relabelled or where the goods imported were those that were made qualitatively different or otherwise customised for a different country by the trademark owner himself. However, the focus in evaluating whether parallel trade must be prevented even in these cases must always be on likelihood of consumer harm. Its prevention must not be held justified merely on the ground of harm to the reputation of the brand caused by the sale of imported trademarked goods along with counterfeit goods or

74 *Davidoff* SA (n 54) (refer to the criticism of *Silhoutte* in Opinion of Justice Laddie in the decision).

at discounted stores etc.

VI. Conclusion

In light of the above, it is concluded that ASEAN must adopt the rule of international exhaustion of trademark rights and thereby allow parallel importation of trademarked goods irrespective of whether they are first sold within the ASEAN region or outside it. However, to protect the interests that trademark law is designed to achieve, an exception must be made to the rule in cases where trademarked goods imported in a country from another country are different than those that are sold in that country by or with the consent of the trademark owner, if the differences (including those in packaging) are likely to deceive or cause confusion in the minds of the consumers.