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PARALLEL IMPORT REGULATIONS IN GEORGIA

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Abstract. The report is devoted to the peculiarities of regulation of parallel import in Georgia. The author analyzes the law enforcement practice and the doctrine of exhaustion of trademark rights.

Keywords: trademark, parallel import, customs, court, national exhaustion principle of IP rights, international exhaustion principle.

Trademark is one of the main marketing tools for the companies by the means of which owners reach out to the customers. Trademark does have number of general goals (ideas why do we need trademark), but generally the main one is to enable customers to differentiate goods or (and) services of one company from those of another. Thus, businesses spend lots of money for increasing its recognition / awareness among potential customers. While mark is well-recognized (assuming that certain volume of funds have been spent on marketing campaign), trademark owner has to worry more about its reputation as it is already well recognized.

Worldwide trademark registration enables one to enjoy certain extraordinary rights which normally are effective upon its registration. Georgia is not an exception in this regard, therefore one may enjoy trademark protection by the virtue of its registration in SAKPATENTI (Georgian trademark and patent office). As generally, IP rights are not absolute rights, it is rather reflection of the State policy where state tries to balance public and private interests, trademark protection (as well as other IP rights) in Georgia do have certain limitations.

Among other's Georgian enables one freely resell genuine goods (assuming that there are no contractual or other restrictions) save to certain exceptions, thus according to Law of Georgia "On Trademarks": "*The holder of the exclusive right in the trademark may not prevent a third party from using the protected trademark on goods that have been put*

*on the market directly by the holder of the trademark or with his / her consent...¹. Notwithstanding to the indicated above clause, the same clause implements certain exceptions from the set rule, thus according to the same article: *This rule (Clause 7.2) shall not apply where the features of the goods have changed, the quality has become worse or there are other important grounds for this prohibition*².*

While analyzing provided information we arrive to the opinion, that the main problem which we face while advising clients is to understanding how much change is enough so that the case could qualify to be considered as an exception under Clause 7(2) and what are those other important grounds which would enable the right holder to prohibit importation of genuine goods.

One could argue that Georgian court precedent is neither straight-forward nor it is comprehensive, that is why we do lack guidelines with regard to most of the parallel import matters, especially we lack guidelines established by Supreme Court of Georgia.

One of the main issues, is substantial in trademark law cases in general and particularly in the hypothetical parallel import cases is burden of proof matters. Thus, Georgian courts reconfirm general provisions of trademark law and the Supreme Court indicated, that *“in trademark dispute cases goods shall be considered as an counterfeit unless the defendant proves contrary”*³. This particular case is important because it sets game rules even in parallel import cases as in such cases it is of utmost importance to prove that goods are of genuine nature.

One of the main laws that regulate parallel import issues is Law of Georgia “On Customs Procedures Related to Intellectual Property”. This particular law and Customs activity is particularly important because import and (or) export regulation is normally one of the main steps to be taken during complex enforcement measures. It is important, that this particular law is the only legal act in Georgia that defines counterfeit goods. Thus, according to the law goods that have been manufactured in violation of copyrights, trademarks, patents, design or (and) in violation of any other IP regulations⁴.

¹ Clause 7(2) Law of Georgia “On Trademarks”.

² Ibid.

³ Supreme court of Georgia, Case No.: 936-901-2016.

⁴ Article 2(c) Law of Georgia on Customs Procedures Related to Intellectual Property.

As one may see it in the respective definition goods imported via unofficial channels are not considered as counterfeit goods, therefore customs does not enforce IP rights in case of the parallel import. Moreover, as we lawyers do not have communication problems with the Customs Department, during official / unofficial meetings as well as during seminars Customs officials make it clear that they do not enforce IP v. parallel import, that all genuine goods are welcomed and in case if the right holder wishes to enforce IP rights it shall apply to the court.

The problem with the Customs department's position is that when goods that are imported via unofficial channels are suspended at the board one may not know whether they are of genuine nature or not, therefore this particular gap in the respective legislation could be used by the right holder.

According to the law Customs shall stop goods in case if it has reasonable doubt that imported goods are not of the genuine nature. In such a situation, there is a dilemma even for customs officer: on the one hand in case he or she suspends genuine goods it may cause unreasonable damages to the importer, however, on the other hand if he or she authorizes import of counterfeit goods, an officer may lose the job or in certain case may face even criminal charges.

Some of the countries do have national exhaustion principle of IP rights, some of the countries do have international exhaustion principle, Georgia has sort of the mixed attitude.

There are lots of pros and cons for each of the principle, but its is clear that each state shall implement the principle which suits best its economy and national interests. Georgia is a small market with relatively developing economy, therefore if we prohibit parallel import we will have less products, higher prices and problems with the competition issues. On the other hand, the fact that generally parallel import is allowed, stops local distributors from promoting respective brands and investing into the marketing campaign.

After we have signed Deep and Comprehensive Free Trade Agreement with the European Union, we have been implemented lots of EU regulations. Taking that into account we do believe that this particular matter will be harmonized (to some extent) with EU laws in the nearest future. For businesses it is important to understand existing rules, however, currently, for parallel market, not all rules are clear.