GAINING EXPERIENCE FROM A CASE ANALYSIS OF THE PARALLEL IMPORTATION OF TRADEMARK GOODS IN THE UNITED STATES

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ABSTRACT

The import of gray-market goods (also called parallel importation) has raised serious discussion about whether this type of behavior should be allowed and under what type of situations exceptions to the general rule should exist. Three parties are involved in the scenario of parallel importation: the consumer, the importer, and the domestic trademark rights owner. The benefits of allowing parallel importation are to encourage international business transactions and reduce the domestic market price. The drawbacks of allowing parallel importation are the potential of increasing unfair competition to the domestic trademark owner and also the potential confusion for the domestic consumer. Through the legal experience of the United States in solving parallel importation disputes, this study investigates the policy patterns of how to strike a balance for preserving the legal interests of the consumer, the importer, and the domestic trademark rights owner. By reviewing the experience of the United States, this study adds to the discussion on the Revised Trademark Act recently taking force in Taiwan.

Keywords: Parallel importation, gray-market goods, exhaustion doctrine, genuine goods, common ownership or control

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I. Introduction

The territorial effects of intellectual property protection are recognized as a general principle of intellectual property protection worldwide. Intellectual property protection includes different individual rights, and the right to import is most closely connected with the physical borders of sovereign nations. Generally, prohibiting the importation of counterfeit goods serves a legitimate legal purpose and causes no disputes. However, disputes arise when imports are legally manufactured outside the territory of sovereignty and enter the sovereignty without the permission of the intellectual property rights holder. This type of importation is called "parallel importation," and the goods involved are called "gray-market goods."[1] Because the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) remains silent on the topic of parallel importation,[2] deciding whether to allow the importation of gray-market goods is a policy choice.[3] This study presents a description of current policy attitudes regarding the parallel importation of trademarked goods in the United States by using a case research and analysis to further extend the author's personal observations. The end of this study provides a brief discussion of the trademark law recently revised in Taiwan based on experience from the policy solution to the parallel importation of trademarked goods in the United States.

Although the concept of exhaustion doctrine (also called first-sale doctrine) may overlap to an extent with the notion of parallel importation, these two legal principles cannot be regarded as equal, and they require clarification. The exhaustion doctrine restricts the control of a trademark owner to goods sold by the owner of intellectual property rights or with his/her consent. According to different requirements in different countries, the first sale of goods within a domestic territory, region, or any part of the world prohibits the owner's assertion of intellectual property rights.[4] However, prohibiting the importation of gray-market goods into the domestic market involves not only foreign goods manufactured by the owner of intellectual property rights or with his/her consent, but also foreign goods

[1] World Trade Organization, *Glossary, available at* http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm (last visited Sep. 28, 2012).

[2] Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO Agreement], Annex 1C, LEGAL INSTRUMENTS-RESULTS OF THE URUGUAY ROUND vol. 31; 33 I.L.M. 81 (1994) [herein after TRIPS Agreement].

[3] *See* ARTHUR R. MILLER & MICHAEL H. DAVIS, INTELLECTUAL PROPERTY 272-273 (2d ed. 1990).

[4] World Intellectual Property Organization, *International Exhaustion and Parallel Importation, available at* http://www.wipo.int/sme/en/ip_business/export/international_exhaustion.htm (last visited Sep. 29, 2012).

legitimately manufactured outside the domestic market without the permission of the rights owner to import into the domestic market. An overlap between the concept of parallel importation and exhaustion doctrine occurs in the situation where foreign goods manufactured by the domestic rights owner or under the owner's consent enter the domestic market through importation. For example, in the Olympus case,[5] the 2nd Circuit Court in the United States supported the Customs Regulation in treating foreign goods bearing the genuine domestic trademark under the exhaustion defense and prohibiting parallel importation into the United States.[6] Because the purpose of this article is to review the experience of importing gray-market goods into the United States from a policy perspective, this study focuses on a case analysis discussion of the United States on the subject of parallel importation instead of the exhaustion doctrine.

II. The Case Analysis of the Parallel Importation of Trademarked Goods in the United States

This section reviews judicial decisions in recent years regarding the importation of gray-market goods within the United States. Depicting the legal infrastructure of regulating parallel importation in the United States is crucial to achieving the goal of this study. However, the purpose of this study is to gain some experience from the policy thinking behind these judicial decisions based on the regulations of parallel importation in the United States. Therefore, this section both presents the legal infrastructure of regulating parallel importation in the United States through the case discussion and provides policy observations on this legal infrastructure.

Regulations on the importation of gray-market goods in the United States are from two federal legislations: (1) the Lanham Act[7] and (2) the Tariff Act of 1930 and its administrative regulations.[8,9] The Lanham Act treats the subject of importing gray-market goods from the consumer's confusion perspective, whereas the Tariff Act of 1930 and its administrative regulations consider unfair industrial competition. Before introducing cases to correspond with each of these directions, it is necessary to clarify that the term "genuine goods" is not synonymous in these two case groups. This is because the term has its own purpose of protecting the consumer and the

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[5] *See* Olympus Corp. v. United States, 792 F.2d 315, 320 (2d Cir. 1986).

[6] Timothy Toohey & Keith Gregory, *Parallel Imports and the First Sale Doctrine, available at* http://www.swlaw.com/assets/pdf/news/2011/11/14/ParallelImportsandtheFirstSaleDoctrine_Toohey_Gregory.pdf.

[7] 15 U.S.C § 1114 (1997).

[8] 19 U.S.C. § 1526(a)(d) (1930).

[9] 19 C.F.R. § 133.21(b)(c) (1987).

domestic trademark owner, respectively, as explained further below.

A. To Regulate Parallel Importation within the Tariff Act of 1930

Regarding the regulation of parallel importation, the pertinent provision to the Tariff Act of 1930 is 19 U.S.C. § 1526(a) and (d), which is read as follows:

> (a) Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle bears a trademark owned by a citizen of, or by a cooperation or association created or organized within the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of section 81 to 109 of title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said title 15, unless written consent of the owner of such trademark is produced at the time of making entry.[10]
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> (d)(1) The trademark provisions of this section … do not apply to the importation of articles accompanying any person arriving in the United States when such articles are for his personal use and not for sale if (A) such articles are within the limits of types and quantities determined by the Secretary pursuant to paragraph (2) of this subsection, and (B) such person has not been granted an exemption under this subsection within thirty days immediately preceding his arrival.[11]

The Customs Service promulgates administrative regulations to implement the above-mentioned provision within the Tariff Act of 1930, and the regulation is as follows:[12]

> (b) Identical trademark. Foreign made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States are subject to seizure and forfeiture as prohibited importations.
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> (c) Restrictions not applicable. The restrictions set forth in paragraphs … and (b) of this section do not apply to imported

[10] *See supra* text accompanying note 8.
[11] *Id*.
[12] *See supra* text accompanying note 9.

articles when:

(1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;
(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control;
(3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner … ;
(5) The merchandise is imported by the recordant of the trademark or trade name or his designate;
(6) The recordant gives written consent to an importation of articles … and such consent is furnished to appropriate Customs officials; or
(7) The articles of foreign manufacture bear a recorded trademark and the personal exemption is claimed and allowed under § 148.55 of this chapter.

Based on these provisions and administrative regulations, the general legal attitude in the United States regarding the importation of gray-market trademark goods is to disallow such behavior, with certain exceptions. To exclude applying the rule against gray-market good importation, the trademark owner's consent and personal use create little controversy because these two exceptions cause no significant harm to the trademark owner. However, to commercially import genuine trademarked goods that bear the legitimate trademark from either a domestic or foreign market without the express authorization of the domestic rights owner could create unexpected competition for the domestic rights owner. Therefore, lifting the ban on importing gray-market goods requires other convincing supportive arguments to clarify when and under what circumstances the policy should allow exceptions. The following case study and discussion present an answer to this question.

1. KMARK Corp. v. Cartier, Inc.[13]

This is a case seeking injunctive and declaratory relief, and was filed by the Coalition to Preserve the Integrity of American Trademarks and two of its members to invalidate the administrative regulation promulgated by the Customs Service, to enforce the provision to prohibit the parallel importation within the Tariff Act of 1930.[14] In this case, the Supreme Court described three types of importing foreign manufactured goods into the domestic

[13] KMARK v. Cartier, Inc., 486 U.S. 281 (1988).
[14] *Id*. at 281-282.

market, as follows:

> In case 1, despite a domestic firm's having purchased from an independent foreign firm the right to register and use the latter's trademark as a United States trademark and to sell its foreign manufactured products here, the foreign firm imports the trademarked goods and distributes them here, or sell them abroad to a third party who imports them here. In case 2, after the United States trademark for goods manufactured abroad is registered by a domestic firm that is a subsidiary of (case 2a), the parent of (case2b), or the same as (case 2c), the foreign manufacturer, goods bearing a trademark that is identical to the United States trademark are imported. In case 3, the domestic holder of a United States trademark authorizes an independent foreign manufacture to use that trademark in a particular foreign location. Again, the foreign manufacturer or a third party imports and distributes the foreign-made goods.[15]

The Supreme Court discussed the legitimacy of the exceptions of importing gray-market goods, as described in 19 C.F.R. § 133.21 (b)(c), corresponding with the Case 2 and Case 3 scenarios of parallel importation. The Supreme Court thought that the Case 1 scenario was exactly what motivated Congress to enact 19 U.S.C. § 1526(a) and (d) in prohibiting the importation of gray-market goods in the Katzel case.[16] That the Customs Service asserted no exception in the Case 1 scenario made prohibiting the entrance of gray-market goods straightforward and caused no controversy. The problem arose when the Customs Service applied the exceptions to the Case 2 and Case 3 scenarios to determine whether these exceptions contradict the appropriate interpretation regarding the provision of the Tariff Act of 1930. To interpret the provisional language of the legislation, the first step is to decide whether the language itself suffices in clarity and does not leave doubt for alternate interpretations, so that the administrative regulation cannot contradict the provisional language if the meaning of the language is clear.[17] However, "[I]f the statute is silent or ambiguous with respect to the specific issue addressed by the regulation, the question becomes whether the agency regulation is a permissible construction of the Statute."[18] The Supreme Court had no problem concluding that the Case 3 scenario (also 19 C.F.R. § 133.21 (c)(3)) fell outside the clear interpretation of provisional

[15] *Id*. at 286-287.
[16] A. Bourjois & Co. v. Katzel, 260 U.S. 689 (1923).
[17] Bd. of Governors, FRS v. Dimension Financial Corp., 474 U.S. 361, 368 (1986).
[18] *KMARK*, 486 U.S. at 291-92.

language in the Tariff Act of 1930 by reasonable administrative interpretation.[19] The opinion of the majority of the Supreme Court regarding how to explain the "common ownership or control" exception contained in 19 C.F.R. § 133.21 (c)(1)(2) was split; even the majority concludes that the common ownership or control situation is not covered by 19 U.S.C. § 1526(a) prohibiting the importation of gray-market goods. One part of the majority focused on the meaning of wording in 19 U.S.C. § 1526(a).[20] Two Justices thought the wording "owned of" did not apply to the domestic subsidiary that registered the trademark, as Case 2(a) exemplified, because the foreign parent might actually own the trademark. The wording "merchandise of foreign manufacture" might have several meanings, allowing Case 2(b)(c) to fall outside the coverage of 19 U.S.C. § 1526(a). The Supreme Court explained as follows:

> A further statutory ambiguity contained in the phrase "merchandise of foreign manufacture," suffices to sustain the regulations as they apply to case 2b and 2c. This ambiguity parallels that of "owned by," which sustained case 2a, because it is possible to interpret "merchandise of foreign manufacture" to mean (1)goods manufactured in a foreign country, (2)goods manufactured by a foreign company, or (3)goods manufactured in a foreign country by a foreign company. Given the imprecision in the statute, the agency is entitled to choose any reasonable definition to interpret the statute to say that goods manufactured by a foreign subsidiary or division of a domestic company are not goods "of foreign manufacture."[21]

In addition to the explanation provided by the two Justices, four other Justices focused on the legislative intent to protect the domestic trademark owner from unfair foreign competition with which he/she had no connection.[22] According to these four Justices, the common ownership or control exception corresponding to C.F.R. § 133.21 (c)(1)(2) was actually serving its legislative intent.

2. United States v. Eighty-Three Rolex Watches[23]

This case involves the definition of "common ownership or control" as found in the administrative regulation.[24] The dispute started when the

[19] *Id.* at 294.
[20] *Id.* at 292-293.
[21] *Id.*
[22] *Id.* at 302.
[23] United States v. Eighty-Three Rolex Watches, 992 F.2d 508 (1993).
[24] 19 C.F.R. § 133.2 d(1)(2) (1987).

Customs Service refused to provide ROLEX (USA) the protection of denying gray-market goods manufactured by ROLEX (Swiss) to entry.[25] Even when the owner of the ROLEX (Swiss) trademark assigned the ROLEX (USA) trademark to a domestic company in the United States, the owner asserted that ROLEX (USA) and ROLEX (Swiss) were under common ownership or control. First, that a sole shareholder who owned only 26 shares of the holding company of the ROLEX (USA) trademark was also one of the five-member board of directors and the seven officers to the company-owned ROLEX (Swiss) trademark was insufficient to prove common ownership and control. The argument that the owner of the ROLEX (Swiss) trademark has a close business relationship with the holding company of the ROLEX (USA) trademark owner (parts supporting and product distribution relationship) did not survive the common control scrutiny, which is similar to a parent-subsidiary relationship.[26] The court also indicated that possessing 30% of the ownership might not suffice to meets the common control requirement.[27]

3. Vittoria N. Am. L.L.C. v. Euro-Asia Imports[28]

This case, which was handed down by the West District of Oklahoma, had two main disputes. The first dispute was whether to assign the trademark rights to a domestic entity, with a preservation clause in the contract that could cast doubt on the transferring aspect of the contract itself, is really the Case 1 scenario. The second dispute involved how to decide the common control element, as in previous cases. The facts in this case were as follows: Vittoria (Italy), which registered the trademark for tires and inner tubes for bicycles and motorcycles, assigned the rights of its trademark to Vittoria (U.S.A.), which was organized under Oklahoma law. Vittoria (U.S.A.) had no official corporate structure connection with Vittoria (Italy), despite Vittoria (U.S.A.) having had a close business relationship with Vittoria (Italy).[29] For example, the owner of Vittoria (Italy) allegedly influenced the business decisions of Vittoria (U.S.A.) regarding the distribution and marketing budget for certain brands. Vittoria (Italy) also supplied a product catalogue for the use of Vittoria (U.S.A.), which listed Vittoria (U.S.A.) as part of an “International Distribution Network.” In addition to the close business relationship between Vittoria (U.S.A.) and Vittoria (Italy), the contract assigning trademark contained the following provision: “In the

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[25] *Eighty-Three Rolex Watches*, 992 F.2d at 510.

[26] United States v. Eighty-Nine Bottles of Eau de Joy, 797 F.2d 767 (9th Cir 1986).

[27] Osawa & Co. v. B & H Photo, 589 F. Supp. 1163 (S.D.N.Y. 1984).

[28] Vittoria N. Am., L.L.C. v Euro-Asia Imports, No. 99-CV-1357, 2000 WL 33950123 (W.D. Okla. July 12, 2000).

[29] *Id.* at *3.

event that [Vittoria (Italy)] desires to have the Trademark as well as the goodwill and all rights and title to the registration reassigned to it, it shall give [Vittoria (U.S.A.)] thirty (30) days written notice and [Vittoria (U.S.A.)] shall execute a reassignment to [Vittoria (Italy)]."

The court in the case discussion did not find sufficient evidence to support the argument of common control because the court considered the allegedly close business connection to be just like "any working relationship between a manufacturer and a distributor, such as coordinated marketing and warranty services."[30] Regarding the argument about the reassignment provision, the court recognized that Vittoria (Italy) was attempting to persuade the court that the trademark did not fully pertain to Vittoria (U.S.A.), despite the existing contract having been assigned the rights of trademark to Vittoria (U.S.A.). However, the court rejected the argument of Vittoria (Italy) and expressed that only reassignment wording in an assignment contract, without other convincing evidence, would not make the contract a sham.[31]

B. To Regulate Parallel Importation within the Lanham Act

As stated at the beginning of this study, the legal system in the United States adopts a two-prong approach to regulating the entry of gray-market goods. One is resolving disputes from the unfair competition perspective, as discussed early in part A of this section, and the other is resolving disputes from the perspective of consumer protection. The pertinent provisions contained in the Lanham Act codified at 15 U.S.C. § 1114 and 1124 are as follows:

> 15 U.S.C. § 1114: Any person who shall, without the consent of the registrant—(a)use in commerce any reproduction, counterfeit, copy, or colorable imitation of registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive…shall be liable in a civil action ….[32]
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> 15 U.S.C. § 1124: [N]o article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law afford

[30] *Id.* at *4.
[31] Premier Dental Prod. v. Darby Dental Supply Co., 794 F.2d 850, 855-856 (3d Cir. 1986).
[32] 15 U.S.C. § 1114(1)(a) (1988).

> similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States ….[33]

This section introduces several cases from the United States that explain how to apply these provisions to disputes regarding the importation of gray-market goods. Generally, the genuine goods mentioned in the following cases mean those goods that will not confuse the consumer about the true identity of the domestic trademark.

1. Iberia Foods Corp. v. Rolando Romeo[34]

Iberia Foods Corp. owned the domestic trademark "Mistolin," which was assigned by Mistolin Dominicana and the subsidiary of Mistolin Dominicana, Mistolin Caribe, sold products bearing the "Mistolin" trademark in Puerto Rico. The defendant, Rol-Rom Foods, registered in New Jersey, purchased goods bearing the "Mistolin" trademark from the Puerto Rico market and imported them into the U.S. market without the authorization of Iberia Foods Corp., owner of the "Mistolin" trademark in the United States. Two arguments are involved in the case. First the defendant contended that the geographical area for assigning the "Mistolin" trademark should include Puerto Rico. That Mistolin Caribe sold products bearing the "Mistolin" trademark in Puerto Rico made Iberia Foods Corp. either abandon the trademark rights or implied consent to their sale in Puerto Rico. This argument was rejected by the court based on the reason that the assigning agreement covered only the continental United States.[35] The second argument was whether the products imported by the defendant were genuine goods. The criterion here was the existence of material differences between the products sold by the trademark rights owner and those sold by the alleged infringer.[36] If material difference existed between the products sold by the trademark rights owner and the imported products according to the facts of the case, the importation of gray-market goods that are not genuine would be

[33] 15 U.S.C. § 1124 (1988).
[34] Iberia Foods Corp. v. Rolando Romeo, 150 F.3d 298 (1998).
[35] *Id.* at 301.
[36] Martin's Herend Imp., Inc. v. Diamond & Gem Trading USA, 112 F.3d 1296, 1302 (5th Cir. 1997).

disallowed, based on 15 U.S.C. § 1114.[37] The purpose of this provision is not only to protect the goodwill of the trademark owner,[38] but also to prevent the consumer from confusing the true identity (quality and nature) of trademarked goods.[39]

2. Yamaha Corp. of Am. v. United States[40]

In this case, Yamaha-America appealed a previous court decision in which the court had dismissed its complaint. This facts of the case mentioned here are simple. Yamaha-America was a wholly owned subsidiary of Yamaha-Japan and assigned from Yamaha-Japan the trademark registered in the United States. Yamaha-America filed a lawsuit against ABC International Traders Corporation for importing gray-market goods into the United States without the authorization of Yamaha-America. Yamaha-America was attempting to raise action for the violation of 15 U.S.C. § 1124 in importing gray-market goods, and the previous court had rejected this argument.

The court in this case affirmed the previous court decision and rejected the argument in this case because "the importation of genuine goods is not actionable under the Lanham Act,"[41] which had been confirmed by previous cases.[42] An important question pertaining to this case is whether the imported goods were genuine. The criterion for judging genuine imported goods depends on the existence of physical (material) difference. If no physical (material) difference exists between imported goods and domestic trademark goods, imported goods are genuine (and vice versa). The court did not decide the "genuine" issue on its merits because it applied the "issue preclusion" doctrine. The controversy had been heard in another case, with the conclusion that the imported goods were genuine. This court decision was based on insufficient evidence. However, the court in this case seemed to imply that additional evidence presented by Yamaha-America would offer it a fighting chance to prove the existence of a physical (material) difference between the goods of Yamaha-America and Yamaha-Japan if the court had not applied the "issue preclusion" doctrine. The additional evidence brought by Yamaha-America was as follows:

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[37] El Greco Leather Prod. Co. v. Shoe Word Inc., 806 F.2d 392, 395 (2d. Cir. 1986).

[38] Weil Ceramics and Glass, Inc. v. Dash, 878 F.2d 659, 671 (3rd Cir. 1989).

[39] Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc., 982 F2d. 633, 641 (1st Cir. 1992).

[40] Yamaha Corp. of Am. v. United States, 961 F.2d 245 (D.C. Cir. 1992).

[41] Yamaha Corp. of Am. v. ABC Int'l Traders Corp., 703 F. Supp. 1398, 1404 (C.D. Cal. 1988).

[42] NEC Electronics v. CAL Circuit Abco, 484 U.S. 851 (1987). *See also* Olympus Corp. v. United States, 486 U.S. 1042 (1988).

> [T]he gray-market products have the following physical differences: They lack the Underwriters Laboratory Approval and electromagnetic shielding required by the FCC; they have duel voltage switches and different plugs; they are not covered by the same warranties; and they do not include the sam training and educational services as those provided by Yamaha-America.[43]

III. The Observation of Policy Thinking behind the Regulations on Parallel Importation in the United States

The dispute about whether to allow the importation of gray-market goods (also called parallel importation) in trademark protection policy has long been in existence. Three parties are involved in the decision-making process: the consumer, the owner of trademark rights, and the importer. Occasionally, the interests of the consumer and the trademark owner are held together to some degree to counterbalance the considering interests of the other side. However, these two types of interest sometimes stand against each other.

To better understand the legal infrastructure regarding the importation of gray-market goods into the United States, this study considers two approaches to regulate parallel importation: the consumer protection approach and the unfair competition approach. In the consumer protection approach, the legal interests of the consumer and the owner of a trademark stand on the same side to counterbalance the interest of the importer of gray-market goods. Because no international treaty firmly recognizes the right to import gray-market goods, and to avoid consumer confusion and to protect the trademark rights owner, the importation of gray-market goods, which is treated as importing non-genuine goods, will be enjoined insofar as a material difference between the imported goods and that of the domestic trademark goods exists, resulting in consumer confusion regarding the true identity (quality and nature) of trademarked goods. Therefore, the importation influences the goodwill of the domestic trademark owner. In the unfair competition approach, the legal interest of the consumer's access to goods that are cheaper stands against the legal interest of the trademark holder, and striking a balance between the interests of each side is more difficult than in the first approach. This is because, in the first approach, preventing consumer confusion takes a higher priority than other considerations. The current legal policy in the United States to prevent the unfair importation of gray-market goods seems to weigh the domestic trademark owner's property rights more than the consumer's free access to "genuine goods." The only exception to appease concerns regarding unfair-competition effects in the importation of gray-market goods is by

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[43] *Yamaha Corp. of Am.*, 961 F.2d at 253.

applying the "common ownership and control" standard to the international exhaustion doctrine, which is limited in the interpretation of the doctrine itself.

IV. Conclusion

Based on the legal infrastructure regarding the parallel importation of trademarked goods in the United States, this section provides comments on the Revised Trademark Act recently enacted in Taiwan.[44] In article 5 of the Revised Trademark Act, importing goods bearing a trademark is defined as "use trademark," and articles 68, 95, 96, and 97 stipulate penalties for the unauthorized use of a trademark. This includes importing gray-market goods without the consent of the domestic trademark owner.[45] Therefore, generally, legislators in Taiwan also want to prevent the importation of gray-market goods. However, the exceptions to this prohibition of parallel importation, which are based on the international exhaustion doctrine, are broader than their counterparts in the United States. In article 36 of the Revised Trademark Act,[46] the provision stipulates that "[w]here goods have been put on the domestic or foreign market under a registered trademark by the proprietor or with his consent, the proprietor is not entitled to claim trademark rights on such goods…." The provision itself is unclear on the meaning of "by the proprietor or with his consent," and whether this provision includes the common ownership or control situation, or whether non-exclusive licensing still holds on further judicial interpretation. Regarding the consumer protection aspect of parallel importation, the test in the United States is on whether a physical (material) difference exists between imported goods and domestic trademarked goods, or whether the goods cause consumer confusion. In Taiwan, according to article 68 of the Revised Trademark Act,[47] using an identical domestic trademark certainly causes consumer confusion, and the international exhaustion doctrine enacted in article 36 also applies to this situation. The legislators in Taiwan seem to have adopted the consumer protection approach and the unfair competition approach and regard them in the same manner for regulating parallel importation. This study proposes that the consumer protection approach and the unfair competition approach should be treated separately, as is the case in the United States. To consider the unfair competition aspect of parallel importation, the author of this study supports the notion that

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[44] LAWBANK, *Trademark Act, available at* http://db.lawbank.com.tw/Eng/FLAW/FLAWDAT0201.asp.
[45] *Id.*
[46] *Id.*
[47] *Id.*

Taiwan could reduce restrictions on the importation of gray-market goods because Taiwan is still a trademark-import country instead of a trademark-export country. This would be valid until Taiwan turns into a trademark-export country or other important national considerations arise.

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