

Copyright Law And Parallel Imports

Australia, the United States of America and Singapore

SYNOPSIS

This paper seeks to discuss to what extent the copyright laws in Australia, the United States of America, and Singapore have prevented the parallel importation of goods. It will be necessary to set out an understanding of how parallel imports function and the legal issues raised therein.

A discussion on how parallel imports affect the copyright owners and the interests of the public in regard to the unrestricted access to genuine products at competitive prices cannot be avoided. The two interest groups – the copyright owners (and their exclusive licensees) and the consumer groups – undoubtedly shaped public opinion, and their concerns have led to legislative amendments over the years in regard to the copyright laws in Australia, the United States and Singapore.

The courts have to take cognizance of the intentions of the legislature and the interests of the public when deciding on the competing claims of the copyright owner and the parallel importer.

The paper will summarise broadly the legislative regime and the judicial concerns in recent years in the three countries and end with some comments on who is winning the battle. In respect of Singapore, the paper will comment on the need for changes, if any, to prevent parallel imports.

WHAT ARE PARALLEL IMPORTS?

A copyright gives the owner of a creative work the right to keep others from using and copying his work without the owner's permission. A copyright consists of a bundle of exclusive rights held by the copyright owner. The bundle of exclusive rights include : the right to make copies; the right to authorise others to make copies; the right to make derivative works; the right to perform the work; the right to display the work; and the right to sell the work.

A parallel import occurs when a genuine product, made with the consent of the intellectual property owner, is imported into a country against the wishes of the intellectual property owner. In other words, the importation is made without the consent of the intellectual property owner and/or of his exclusive licensee in the country of importation. It is important to note that the intellectual property owner is not disputing

that the imported product is made with his consent. The products are not pirated or counterfeit goods. He is saying that the importation is made without his consent.

A parallel import may be made through the importation of the genuine product from the intellectual property owner's home country to a foreign country. A parallel import may also be made through the importation of the genuine product from a foreign country back to the intellectual property owner's home country.

The issue is : Is an importation of a genuine product made by the intellectual property owner an infringement of the intellectual property owner's rights? At first glance, this may sound like an absurd question, however once one realises that the intellectual property owner loses "control" over the movement and destination of the product he has licensed as soon as the product has been sold, it is easy to see the many possibilities for the genuine product to be imported into another country to sell at lower prices than the same product licensed to that country's exclusive licensee.

For example, under the United States' Copyright Act of 1976, the purchaser of a legal copy of a copyrighted work is generally entitled to treat that copy in any way he likes, so long as the copyright owner's exclusive rights are not infringed. This means the legal copy can be sold, re-sold, destroyed, given away, or rented to any party by the first purchaser. This is known as "the doctrine of first sale". There are exceptions to the doctrine of first sale, for example, the rental of computer programs and sound recordings is prohibited in the United States.

If the copyright owner has "exhausted" all his rights once he has sold his copyright product, what rights does the copyright owner have to prevent the importation of a genuine product first made and sold by the copyright owner?

Article 6 of the TRIPS Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) state : "nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights." TRIPS is therefore absolutely silent on the issue of parallel imports. As Australia, the United States and Singapore are signatories to the TRIPS Agreement, their national laws on intellectual property rights will determine the extent to which parallel imports are allowed or barred. The TRIPS Agreement does not affect these national laws at all so far as parallel imports are concerned.

WHAT CHANGES, IF ANY, CAN BE RECOMMENDED IN RESPECT OF SINGAPORE?

There are in fact very few possible changes to be made to the current liberal legislative regime in favour of parallel imports. One possible area where statutory interpretation may cause difficulties for the parallel importers is the meaning of "consent" as found in

the various statutory provisions of the Copyright Act 1999, notably sections 7, 25, 32, 33, 104 and 105.

George Wei raised the possibility of an overseas manufacturer who intentionally produces more copies than he is allowed under his licence; and subsequently exports the “unlicensed” surplus copies to Singapore. Would the parallel importer be caught under the statutory provisions requiring the consent of the owner of the copyright? Section 25(4) deems consent to have been obtained so long as the article was made with licence (other than a compulsory licence) of the copyright owner. The parallel importer need not have regard to all conditions as to sale, distribution or other dealings.

Whilst this provision is helpful to the parallel importer, it may not cover the situation where the overseas manufacturer produces in quantities exceeding that allowed by his licence, and the parallel importer is not aware of this.

In any action for copyright infringement the copyright owner has the burden of proving that his copyright is infringed. He would therefore have to prove that the parallel import in question was made without his consent.

In *Sin Heak Hin Pte Ltd & Anor v Yuasa Battery Singapore Pte Ltd* Yuasa, a subsidiary of the Japanese battery manufacturer, could not prove that the batteries imported by the plaintiff were imitations and were not licensed, approved or recognised by Yuasa Japan. What was agreed was that the batteries were exported to Singapore in breach of the Chinese manufacturer’s licence agreement.

The court held that this did not mean that the Chinese product bearing the Yuasa brand would change character radically from being authorised bearers of that brand to becoming imitations. Although the case was an action for defamation and slander of goods, the court’s view on the issue of imitations is illuminating and shows the difficulties that copyright owners have in proving that products bearing their copyright may have been manufactured without their consent.

See also *Remus Innovation & Anor v Hong Boon Siong & Ors* where an attempt to stop parallel imports under section 32 of the Copyright Act failed as the court held that the imported products were obtained from the plaintiff’s exclusive distributors in the United Kingdom and could not therefore be said to be made without their consent.

In summary, the legislative regime in Singapore supports parallel imports and there are almost no legal and practical impediments against parallel importation. This is due not only to the 1994 amendments to the Singapore Copyright Act but also to the fact that : (a) Singapore is a small domestic market, and (b) the costs of proving an alleged infringement of the consent of the copyright owner as against the benefits of a small

domestic market.

I have highlighted two areas where legislative clarifications or judicial interpretation may arise in future : (a) the meaning of “consent” as found in the various statutory provisions; and (b) the burden of proof required of the copyright owner in regard to “consent”.

SUMMARY

In different jurisdictions, the courts’ approach to parallel imports has been different and often contradictory. In Australia, copyright laws have prevented parallel imports under the Australian Copyright Act 1968 and the 1991 Copyright Amendment Act (except for the parallel importation of books under conditions set out in the 1991 statutory provisions).

Any product imported without the consent of the exclusive licensee in Australia will constitute an infringement of copyright if the imported product made outside Australia would, if the article had been made in Australia by the importer, have constituted an infringement of copyright.

This is the case so long as the product is imported without the copyright owner’s consent even if the product is made with the consent of the copyright owner outside Australia.

The United States have opted for a right of distribution subject to the “first sale” doctrine with regard to parallel imports. Under the United States Copyrights Act 1976, as amended, S109(a) sets out the first sale doctrine limiting the exclusive rights of the copyright owner once title or ownership is transferred. S106(3) gives the copyright owner the exclusive right to distribute copies. S602(a) prohibits the importation of a work acquired outside the United States and imported into the United States without the authority of the copyright owner.

The cases before the courts in the United States have centred on the conflicting rights of these three sections of the Copyrights Act 1976.

The Singapore Copyrights Act (Cap 63) 1999 was amended in 1994 to be less unequivocal on parallel imports. Sections 32 and 33 allow parallel importation so long as the parallel importers can show that the products made in the country of export are made with the consent or license of the owner of the copyright. Parallel importers will be in breach of sections 32 and 33 when they know or ought reasonably to know that the making of the parallel import product was carried out without the consent of the owner of the copyright.

This is not the full LLM Paper.

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