

United States of America

Q156

International Exhaustion of Industrial Property Rights

National Law

1. *Is there international exhaustion of (i) patents; (ii) trade marks; and (iii) other industrial property rights? That is, can an industrial property right owner use industrial property rights against parallel imports from another country, when the imported products have been put on the market in that country by the industrial property right owner or with his consent?*

Generally: The law relating to the control of parallel imports into the United States by U.S. industrial property right (IPR) owners, generally does not rely on whether or not the U.S. IPR owner "consented" to the marketing (or manufacture) of products in a foreign country, but rather on other relationships with the products or their source.

i) Patents: Infringement of a United States Patent is governed by 35 U.S.C. §271(a), which provides that "- - whoever without authority makes, uses, offers to sell or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent."

An owner of a United States patent (for an invention or a design) can use its patent against parallel imports from another country, when the imported product has been put on the market in that country by the patent owner or with his consent, unless a license to import the product has been granted by the patent owner. It is not relevant whether the patent owner owns a corresponding patent in the country from which the product is being imported. Nor is it relevant that the importer is a legal entity which has economic connections with the owner of the United States Patent.

ii) Trademarks: A trademark owner may seek to control parallel imports using statutory and regulatory provisions relating to the exclusion of imports and/or statutory provisions relating to infringement. However, where the goods are identical to those of the U.S. trademark owner, these provisions may provide relief against importation into the United States only in limited circumstances.

Section 526(a) of the Tariff Act of 1930 (19 U.S.C. 1526) prohibits the importation of any merchandise of foreign manufacture bearing a federally registered trademark owned by a U.S. citizen or corporation, unless written consent of the trademark owner is produced at the time of entry into the United States. Section 42 of the Lanham Act (15 U.S.C. 1124) prohibits the importation of goods bearing a mark which "copies or simulates" a federally registered trademark.

U.S. Customs Regulations (19 C.F.R. 133.23) deny entry of "restricted gray market articles".

A trademark owner may also invoke the infringement sections of the Lanham Act, in which section 32(a), bars the use of any "reproduction, counterfeit, copy, or colorable imitation" of a federally registered trademark, and section 43, which prohibits the use of any false designation of origin likely to cause consumer confusion.

Where the U.S. trademark owner acquired the U.S. trademark rights from an independent, unrelated foreign owner of the mark, importation of goods bearing the mark of that foreign company may be prevented from entering the United States. This situation can be regarded as one of protecting the U.S. trademark owner, rather than one of exhaustion.

An owner of a United States trademark which is registered on the principal federal register, and which authorizes an independent foreign manufacturer to use its trademark only in a specified country, for example by licensing the foreign manufacturer, can block importation of goods bearing the mark and made by the foreign licensee. United States Customs Regulations expressly provide for denial of entry for such goods.

