TRADEMARK EXHAUSTION AND PARALLEL IMPORTS FROM THE PERSPECTIVE OF RWANDAN INTELLECTUAL PROPERTY LAW

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A dissertation submitted in partial fulfilment of the academic requirements for the award of the degree of Master of Laws (LL.M) in Business Law

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DECLARATION

I, Englebert KAREMERA, hereby declare that to the best of my knowledge, the work presented in this dissertation entitled "Trademark Exhaustion and Parallel imports from the perspective of Rwandan Intellectual Property Law" is original and that it has not been previously submitted elsewhere for any academic qualification. Any references to other persons works are acknowledged in the footnotes and in the bibliography.

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DECLARATION BY THE SUPERVISOR

I, Dr. François-Xavier KALINDA, appointed Supervisor of the work presented in this dissertation entitled "Trademark Exhaustion and Parallel imports from the perspective of Rwandan Intellectual Property Law", hereby confirm that I have supervised this dissertation and that submission is made with my approval.

Date: …………………

Signature: ………………

Dr. François-Xavier KALINDA

DEDICATION

To:

My God,

My Wife,

My daughter and sons,

My relatives and dear friends,

And all my classmates,

Every one who contributed in my studies,

Those who participated in this research.

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God bless you all

LIST OF ACRONYMS AND ABBREVIATIONS

ARIPO:	African Regional Industrial Property Organization
Art.:	Article
CD:	Compact Disc
CEPGL:	Communauté Economic des Pays des Grands Lacs
CET:	Common External Tariffs
CHC:	Commercial High Court
COMESA:	Common Market for Eastern and Southern Africa
EAC:	East African Community
EEA:	European Economic Area
EPAs:	Economic Partnership Agreement
et al.:	*et alii* (and others)
etc.:	*et caetera* (and so on)
EU:	European Union
FDI:	Foreign Direct Investment
GATT:	General Agreement on Tariffs and Trade
GR:	Government of Rwanda
HCC:	High Commercial Court
i.e :	*id est* (that is)
INTA:	International Trademark Association
IP:	Intellectual Property
IPRs:	Intellectual Property Rights
LDCs:	List of least Developed Countries
LL.M:	*Legum Magister* (Master of Laws)
MFN:	Most Favored Nation
MINICOM:	Ministry of Commerce
MINISPORTS:	Ministry of Sports
NAFTA:	North American Free Trade Agreement
No:	Number

OGR:	Office of the Registrar General
PIs:	Parallel imports
PPA:	Power Purchase Agreement
RDB:	Rwanda Development Board
RG:	Registrar General
RILO:	Regional Intelligence Liaison Office
RRA:	Rwanda Revenue Authority
SMEs:	Short Medium Enterprises
STI:	Science, Technology and Innovation
TRIPS:	Trade-Related Aspects of Intellectual Property Rights
UK:	United Kingdom
UR :	University of Rwanda
US :	United States
USA:	United States of America
V. :	*Versus*
VAT:	Value Added Tax
WCO:	World Customs Organization
WIPO:	World Intellectual Property Organization
WTO:	World Trade Organization

ABSTRACT

The purpose of this research on *"Trademark Exhaustion and Parallel imports from the perspective of Rwandan Intellectual Property Law* " is to investigate the exhaustion regime adopted by Rwandan law on intellectual property and its impact on the ease of doing business.

The research focuses particularly on qualifying the types of exhaustion of rights provided for by the law on the protection of intellectual property in Rwanda; analyzing the problem of parallel imports and trademark infringement and then analyzing how the applicability of exhaustion of rights vis ă vis parallel imports affects the ease of doing business.

There are several reasons as to why this kind of phenomenon of the closely correlated approaches occurs whereby a third party happens to import within the geographical area covered by exclusive rights, without the consent of the owner of the trademark rights but usually the most common reason is the price. However, the scope of rights' exhaustion depends on the type of exhaustion.

The outcomes of the analysis have shown that the objectives were attained and that the applicability of the exhaustion of rights principle has got changes. Rwanda - for the ease of doing business- has adopted the international exhaustion principle in its "Revised Policy on Intellectual Property"of 2018 and hence accepts these internationally exhausted products to the territory. Nonetheless, on the basis of some decided cases on counterfeit, there resides the challenge of non-compliance with the implementation of the revised policy on intellectual property especially in courts.

Thus, the current rank of Rwanda among economies in the ease of doing business is to be appreciated as the Country manages to promote the free movement of goods through the principle of international exhaustion of rights. And such regime is consistent not only with Rwandan policy on intellectual property but also with WTO principles. The research suggests the revision of the Law on the protection of intellectual Property of 2009 to ensure that parallel imports are provided for by the Rwandan laws and that the exhaustion doctrine applies as well.

Key words: Trademark, exhaustion of rights, parallel imports, intellectual property

TABLE OF CONTENTS

GENERAL INTRODUCTION

0.1 BACKGROUND OF THE STUDY

The rapid development and globalisation of e-commerce mostly due to Covid-19 pandemic has brought with it new types of trademark infringements. Importation of counterfeit goods has exponentially increased. Parallel imports as a way to circonvent the monopoly of the trademark rights owners have always posed a challenge to business. The doctrine of exhaustion of intellectual property rights has targetted balancing the interests of trademark and product owners[1].

It is worth stating from the outset that the exhaustion of rights doctrine constitutes generally a limit on Intellectual Property (IP) rights. This doctrine is about the extent to which, after the first sale of a product protected by an intellectual property right, the IP owner can no longer control the further resale or other subsequent commercial exploitation of that product. The doctrine features in the ardently contested area of parallel imports market products, where resellers discover opportunities by which – without the permission of the IP owner – they buy goods in low price markets and import them for resale into higher price markets.[2]

Parallel imports are true goods protected by patent, copyright, or trademark but which are traded without the license of the intellectual property right holder.[3] Consumers do not complain against any price difference between buying from a firm and an authorized distributor since the good is authentic. It is up to the buyers to value the quality as an additional characteristic.[4]

The trademark owner generally is not allowed to formally put a stop on that sale of goods when the latter are being sold after the first sale. Therefore, the owner is to enjoy once for the entire intangible prerogative to deny the others the right to perform the selling of those goods bearing

[1] Z. Linda, ''The principle of trademark rights exhaustion'', *China Business Law Journal*, Partner Golden Gate Lawyers, 2017. Retrieved at https://www.vantageasia.com/the-principle-of-trademark-rights-exhaustion/ [18/05/2020]. Geographical spread of counterfeit products: While most countries have some trade in counterfeit goods, some have become notorious for producing and exporting large quantitiesof fakes.The top five suppliers of counterfeit goods to the United States in 1997, were Chiona, Korea, Chinese Taipei, Hong Kong (China) and the Philippines.Trade in fake goods stands at 3.3%of the global trade and the impact seems great. (Report of OECD)

[2] P.Cantril, R.Smalley & A. Galloway, "Brexit and …exhaustion of rights", 2018

[3] K. M. Sauer, "The quality of parallel imports", *Economic Bulletin*, University of Southern Indiana, ,Vol.6. N° 44, 2008, pp.1

[4] K. Aiginger, "Europe's Position in Quality Competition", *European Commission Enterprises*, DG Working Paper 4, 2001

the mark and this called the doctrine of "exhaustion of rights".[5] In order to gain exclusive rights that allows the owner to put up for sale his/her goods, the trademark owner has two types of rights: right to prevent prohibited acts (make, use, sell or import the product with trademark) and right to authorize certain acts.[6]

The exhaustion of rights doctrine is when goods are imported in the same country in parallel by licensed distributors for sale (not the case of the manufacturer's certified retail price). Nevertheless, one may wonder if the doctrine can also be relevant in another country where they are sold as "parallel import" when the same trademarked goods firstly sold in one country by the owner of the trademark are then marketed in another market by someone else.[7]

In intellectual property perspective, the exhaustion refers to the enjoyment of the right as a result of the lawfull transfer of ownrship right on a property asset. Thus, it is an outcome of the tangible nature of the property like expressions, knowledge, reputation, quality and so forth.[8]

Generally, exhaustion concerns the right that are of an exclusively commercial nature. It refers to a trade of a particular type of goods. It is put in categories following the effect it gets onto the geographical areas where it occurs. Apart from an international exhaustion of rights regime, the exhaustion principle also exists in terms of regional and national exhaustion. The latter refers to the consumption of rights in the jurisdiction of a nation. The former is about a market covering the borders of more than one country in a region of trade. This kind of regional exhaustion works in the same way as the national one and the effects look similar: the first sale within the same region of trade affects the whole territory of many countries forming the trade region.[9]

The principle of exhaustion of rights took its origin in the United States (USA) then expanded in the world throughout cases like *Bowman V. Monsanto Co. et al.*; *Quanta Computor, Inc.V. LG Electronics, Inc., 553 U.S.617, 625 ; United States V.Univis Lens Co.,316 U.S.241,249-250* and

[5] WIPO, *"The Role of Industrial Property in the Protection of Consumers",* 1983.
[6] F.X.Kalinda , *Intellectual Property Law*, Course Note, UR-CASS, School of Law (LL.M), 2018-2020.Unpublished.
[7] WIPO, *supra* note 5
[8] The doctrine of exhaustion (the first sale doctrine) establishes the limitations of a patent or a trademark owner's rights in the aftermath of the first sale of theprotected product. As for the doctrine, the practice does not involve the competition since the IP rights do expire. Then when the IP right is exhausted, this gives rise to other practices (like in any other activities) to be proved they constitute anti-competitive behavior .
[9] WIPO, '*Interface between exhaustion of Intellecvtual Property Rights and Competition Law* '', CDIP/8/INF/5 Rev., 2012

others.[10] In *Bowman V. Monsanto Co. et al*.; Monsanto was the respondent invented and patented Roundup Ready soybean seeds and Bowman , the petitioner purchased Roundup Ready soybean seed for the first crop from that company called Monsanto planted them and treated the plants with glyphosate for the planting of the next season. After discovering this practice Monsanto sued Bowman for patent infringment and Bowman raised the defense of patent exhaustion, which gives the purchaser of a patented article the right to use or resell that article. And the case reached the Supreme Court of the United States.[11]

In fact, under patent exhaustion doctrine the initial authorized sale of a patented article terminates all patent rights to that item. Hence, the doctrine of patent exhaustion limits a patentee’s right to control what others can do with an article embodying or containing an invention. After all, the exhaustion doctrine could not enable Bowman to make additional patented soybeans without Monsanto’s permission.[12]

The UN set is clear in its recommendation on the adoption of international exhaustion of trademarks with a number of caveats. The market segmentation or discrimination results from the use international brands: a) it constitutes an abuse of a dominant position or means to acquire and abuse of a dominant position ; b) it has or is likely to have adverse effects on international trade and c) it has or is likely to have adverse effects on the economic development of countries ; d) has the purpose to maintain artificially high prices.[13]

The importing of goods and services depends largely upon a country's revenue and its ability to create resources. Some countries import goods from other countries though they already have the goods themselves. This occurs because there is a larger product demand than what is being produced within the importing country. When it comes to importing there are two major forms of imports: intermediate goods and services, industrial and consumer goods. Corporations that participate in international trading import goods and services that are not accessible in their domestic market.

[10] *Bowman V. Monsanto* 569 US (2013). Decided on May13,2013
[11] *Ibidem*
[12] *Ibidem.* The Patent Act grants a patentee the right to exclude others from making, using, offering for sale or reselling the invention.
[13] WIPO, *supra* note 5

The theory of parallel imports seems close to the exhaustion principle. The parallel imports are regulated differently depending from country to country and according to the regime they do adopt (types of exhaustion of intellectual property rights): national, regional or the international regime. With the national exhaustion, the trademark owner's rights do expire only in that specific domestic territory. This implies that parallel imports are not allowed on the territory where the trademark rights owner has legally marketed his/her products. He/she has got the monopoly to exclusively sell these particular products on the national market. The owner of the tradmark rights is greatly free to market his/her trademarked product.[14]

As far as international exhaustion and parallel imports are concerned, the latter try to build up a free trade between countries by enhancing competitiveness at international level and trying to attain demand and interests of consumers in different countries. Parallel imports tend here to compete with IPR owners through bringing goods for sale from areas on low prices so as to sell them in countries where prices are high, and local consumers do profit from this kind of market.[15]

Concerning the regional exhaustion of rights, the right expires upon first sale within a well-defined region comprising a group of countries but not outside it. This regime allows a set of countries to import from one another but not from the rest of the world. It is discriminatory in the sense that it allows free parallel trade in a defined region and prohibits parallel imports from the rest of the world.[16] The European Union is a good example of economic region that applies the regional exhaustion of rights.

0.2 PROBLEM STATEMENT

It has been observed that competing goods differ in quality, price and others in characteristics even though there are no apparent differences. Parallel imports have become an important issue in many countries all over the world. This commercial practice recalls the situation whereby trademark owner has not authorized anyone to trade his/her trademarked product in a certain country. There are several reasons as to why this kind of event occurs, but as a rule the most

[14] D.Samuel & C.Archil, ''The Concepts of Trademark Exhaustion and Parallel Imports: A Comparative Analysis between the EU and the USA.'', *Baltic Journal of European Studies*, 2016.
[15] T. Cottier & P.C.Mavroidis (eds), *Intellectual Property – Trade, Competition and Sustainable Development*, 2003.
[16] K. Saggi, *The regional exhaustion of intellectual property*, 2013.

frequent reason is the segmentation of the market and the difference in prices that comes with it. [17] The owner of the trademarks rights will segment the market by defining consumers in terms of geographic, demographic and behavioral characteristics.

With the principle of territoriality, the exhaustion of a trademark owner's rights in one country is not to have effect in a country other than where it is registered. However, this principle does not depend on whether the protection is granted or not in other countries because each country is to enjoy the principle of independence of protection. Thus, each industrial property right to protection has effect only in the very country where it was granted, which is as constituting a problem.[18]

In fact, TRIPS Agreement regulates exhaustion of rights but doesn’t impose any type of exhaustion, therefore leaving each WTO member at liberty to chose its own type of exhaustion of IP rights. Intellectual property laws influence the freedoms of internal market in terms of goods and services encouraging the international trade, and the exhaustion of rights through parallel imports has also a role to play in such a situation.[19] From the point of the exchange of goods and services between countries, the emphasis of the exhaustion in question is put in the fact of operating on a national, regional or international level. But it depends from a country to another to choose the kind of exhaustion to adopt either the one taking effects within borders of the territory of the country or outside there. [20]

One of arguments against permitting parallel imports is that manufacturers may have diminished incentive to keep up the quality of their product when faced with competition from their own product. Consumers are indifferent (except for any price difference) between buying from the trademark owner and an authorized distributor since the good is authentic.[21]

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[17] I. Avgoustis, *Parallel imports and exhaustion of trade mark rights: should steps be taken towards an international exhaustion regime?* , 2012.

[18]K.E.Maskus, ‘’Parallel imports,’ *The World Economy*, vol. 23, 2000. Retrieved at http://dx.doi.org/10.1111/1467-9701.00329 [20/05/2020]

[19] J.A.Rothchield, *Exhaustion of Intellectual Property Rights and the principle of territoriality in the United States*, Wayne State University Law School. In *Irene Calboli & Edward Lee (eds.), Research Handbook on Intellectual Property* Exhaustion and Parallel Imports (Edward Elgar Publishing, 2016.

[20] S.Ghosh, *The implementation of Exhaustion of Policies : Lesson from National Experiences*, University of Wisconsin Law School, 2013.

[21] Sauer, *supra* note 3

Furthermore, the legal status of parallel imports in Rwanda is found in Law N° 31/2009 of 26/10/2009 on the protection of intellectual property especially in article 152 on limitations and exhaustion of rights that reads as follows:

> *"The rights conferred by the registration of a mark shall not be extended to the acts relating to products or services put lawfully on market, in Rwanda, by the registration owner or with his consent. Without prejudice to the provisions of this article and article 153 of this Law, the Minister shall have the authority, on advise of the empowered authority or at the request of any interested party, of declaring the patent rights of the mark exhausted, and thus of authorizing others to import the patented product provided with a mark or a product manufactured directly or indirectly by means of the patented registration ("the product") from another territory. ..."*[22]

Article 152 quoted above is a clear indication that Rwanda has adopted the regime of national exhaustion to address the issue of exhaustion of trademark rights and this choice would likely cause problems to international trade. Indeed, it is not so easy to differentiate an infringement from an authorized seller in the event of identical or confusingly similar marks. As for instance in Rwandan legal system, the case *Colgate Palmolive Company V. MUKAMUYENZI Liliane et al.* where the court decision on appeal level (Commercial High Court) confirmed it was an infringement qualified as *counterfeit*. As a matter of fact, it should be the issue of examining a parallel importation rather than qualifying it as an act of counterfeiting. [23]

However, the introduction of the rule of national exhaustion of trademarks in Rwanda has resulted in a serious competition policy concern and represents a barrier to entry for genuine products into a territory at lower prices, which has the potential to generate a negative impact on competition and free movement of goods on a country's market. In case of national exhaustion, parallel imports are not allowed (an option which is considered favorable to trademark holders). In addition to the issue of prices and anti-competitive abuses of IP rights, the national exhaustion which refers to the enjoyment of the first sale doctrine within the borders of the country, imposes limitations to free circulation of goods. [24]

[22] Art.152 of the Law N° 31/2009 OF 26/10/2009 on the protection of intellectual property

[23] *Colgate Palmolive Company V. MUKAMUYENZI Liliane* Case , N° RCOMA157/14/HCC-RCOMA 0165/14/HCC-RCOMA 0248/14/HCC, Decided on June 2014

[24] Rwanda Intellectual Property Policy-WIPO

It should be noted that there is a problematical relationship vis ă vis the consumer who is in need of protection of his/her interests against professionals in terms of conformity or compliance of the product, safety and prices of goods and services. [25]

Thus, introducing into the country like Rwanda products in a parallel manner may be seen as affecting a person's business since each industrial property right is deemed to produce effect only in the very country where it was registered for the protection and in accordance with the principle of independence of protection.[26] In case of the misuse of a trademark which is identical or similar to a protected trademark for goods, this is likely to mislead the consumer, the act leads to a counterfeit.

It's against the above background that the following research questions arise:

(a) What are the different types of exhaustion of IP rights?
(b) What is the problem of parallel imports in relation to trademark infringement under Rwandan law on the protection of IP?
(c) How does the choice of exhaustion of rights vis ă vis parallel imports affect the ease of doing business in Rwanda?

0.3 OBJECTIVES OF THE STUDY

The present research pursues three objectives. It seeks to:

(a) Qualify the types of exhaustion of rights and explain the one provided for under the Rwandan law on the protection of IP;

(b) Analyze the problem of parallel imports and trademark infringement in the perspective of Rwandan intellectual property policy (2018) and the law on the protection of intellectual property (2009);

(c) Analyze how the choice of a particular type of exhaustion of rights affects the ease of doing business.

[25] O.Vrins & M.Schneider, *Enforcement of Intellectual Property Rights Through Border Measures: Law and Practice in the EU*, 2nd ed.. Oxford: Oxford University Press, 2012.

[26] WIPO, *supra* note 5

0.4 RESEARCH METHODOLOGY

This study was a doctrinal research. As such it consists of a literature review of international legal instruments, domestic legislations, international and domestic case law, text books, journals and internet sources pertaining to the topic under investigation.[27] However, in order to attain the objectives of this research, different techniques of data collection and methods were used. The exegetic method helped to interpret various legislations. The analytic method was used for analysis of different elements of information collected.

0.5 LITERATURE REVIEW

The doctrine of the first sale originates from American case law. In trademark law, the doctrine allows the resale of products that constitute or contain someone else's intellectual property without the owner's permission. It is a defense to trademark infringement in the sense that basing on the principle of exhaustion of rights if an individual resells trademarked items, there can be no claim for trademark infringement as long as the goods are genuine and bear a true mark. At this, different authors have argued through their literature.

According to Sharma, an exhaustion of right occurs at the first sale of a trademarked product made by the owner of the trademark. This author examines different types of exhaustion intellectual property rights and found that the fundamental principle is that by the fact that the trademark right holder happens to obtain economic return from the first sale, the buyer may use, or resell it freely or with no any restrictions. The trademark owner's right is to be respected by importers. The concept of exhaustion of rights has been discussed a lot[28] and different benches of Delhi High Court took place and had diverse stands on it.[29]

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[27] E.Kayitana, *Advanced Research Methodology*, Course Notes, UR-CASS, School of Law (LL.M), 2018-2019.Unpublished.

[28] Samsung Electronics Company Limited & Anr. Vs. Kapil Wadhwa & Ors. MANU/DE/0571/2012. In this case the party who initiated the lawsuit is a company that produces protected printer and has authorized its Indian subsidiary the use of the Samsung trademark, the claimants, on one hand, expressed clearly that the printers they sold in India are sold by resellers and partners of the plaintiff with the authorization. Defendants was a company that distributed, retailed and sold different kinds of computer hardware. They imported the printer and sold it in India at a low price rather than that of the printer manufactured by the plaintiff company. Plaintiff challenged the said act of the defendants on the basis that the act of defendants of importation without the consent of the registered proprietor would amounts to infringement of its trademark.

[29] H.Sharma, ‘’Transformation of the Principle of Exhaustion of Rights’’, *Singh & Associates Article*, 2015.

Calboli analyzes the rights of the owner of the trademark, in the national approach and finds that they run through in the very country where the trademarked products are registered. The owner of the trademark is free to choose where to have its products/goods registered.[30] Thus, the country may opt for national exhaustion (within its own borders).

Cook has contributed to getting the definition of regional exhaustion explaining that the rights of the trademark owner are exhausted in the whole region or community when the trademarked products are placed in markets of one of the states of the community or region. According to him, the trademark proprietor cannot oppose to parallel imports coming from another state within the community. Thus, the owner of the trademark in a certain country has power over products coming from outside the whole region. The EU would be a good example of a regional community that has opted for the regime of regional exhaustion.[31]

Saggi goes further and explains the scope of theory of exhaustion of rights in international trade. He is of the view that, major economies, with respect to the protection and enforcement of intellectual property rights (IPRs) in the World Trade Organization (WTO), must act in accordance with the Agreement on Trade Related Intellectual Property Rights (TRIPS). The author takes basis of the article of TRIPS that provides a statement that grants extensive autonomy to WTO member countries to implement their own intellectual property rights.[32]

According to Gosh treaties put in place restrictions on individual states as to respect the implementation of laws and provide them various national goals and styles of development. As for him, to implement the exhaustion doctrine countries have to attain first different goals of development. He agrees that an evaluation of the exhaustion doctrine results from the goals of national and regional development in an international business system. In international relationship trade, a state may enact its own intellectual property laws to resolve problems within the country's boundaries. [33]

[30] I.Calboli, 'Trademark exhaustion in the European Union: Community-wide or international? The saga continues,' *Marquette Intellectual Property Law Review*, 2002,
[31] T.Cook, *EU Intellectual Property Law*, Oxford University Press, 2010.
[32] K.Saggi, *The Regional exhaustion of Intellectual Property*, 2013.
[33] Ghosh, *supra* note 20

In USA, for instance, trademark owners are used to have their rights in the trademark exhausted at the first sale. Therefore, it has become a principle that after the initial sale of the trademarked good, a trademark owner doesn't have any right to oppose to an importation of goods bearing IPR in a territory without the owner's consent.[34] In Apollinaris case, a US company had the right to sell mineral water under the name of a Hungarian company. In parallel, a German importer brought into the U S the mineral water from abroad for sale by the Hungarian company. Finally, the court held that there was no infringement of the trademark rights of someone with authorization because these were considered as parallel imports.[35]

Vrins and Schneider analyze the concept of trademark exhaustion compared to the parallel imports definition and found that they are very much correlated. The growing importance of these two technical terms at international level makes it very interesting particularly in the European Union (EU). However, the price appears to be the most common reason why this kind of phenomenon occurs. Even if the principle refers to authentic products which bear a trademark, but at some other extent parallel imports can get challenges.[36]

Maskus precises that the exhaustion of rights doctrine is refers to the situation where goods are on market in the same free trade area. Nevertheless, the author puts forward an argument that one may oppose the exhaustion doctrine in the situation where trademarked products which were firstly sold in one country by the owner of trademark are brought for sale into another country by someone else who sells the protected products with no consent of the owner of trademark. Thus, exhaustion of rights can be relevant not only in the country where the goods were from but also in the country to which the goods were brought to for resale.[37]

Thus, in international trade where counterfeited goods can be brought to a country for sale together with indisputable goods, parallel trade may bring challenges in terms of risks. Such a commodity, article brought in from abroad for sale; in other words all those branded goods that are imported into a market and sold there without the trademark owner's consent in that market discourages the control of the distribution of branded goods hence the increase of counterfeited

[34] *Apollinaris Co.,Ltd. V. Scherer*,27F.18(c.c.s.d.n.y1886); USA Caselaw.
[35] Ghosh, *supra* note 20
[36] Vrins, *supra* note 25
[37] Maskus , *supra* note 41

products as it is proven by customs officers' reports that confirm that seized fake products are most of the time mixed with authentic one of similar variety.[38]

In respect of the topic, some gaps have been found in the existing literature whereby the latter does corroborate, for instance the existence of the exhaustion of rights in the first sale. But it does not address the issue of applicability of the doctrine since each country has the right to choose what to adopt among the three dimensions of the doctrine: national, regional and international exhaustion of rights.

To conclude, this survey of scholarly sources or overview of major writings and other sources on the topic has given important insights into exhaustion of rights and highlighted the problem of parallel imports. The most significant cause of parallel imports is price difference which fuels unfair competition on the market. In countries where they opt for national exhaustion of rights, parallel import is discouraged together with fair competition compared to international trade.

Some literature do argue that an international trade gives rise to an interantional exhaustion of rights and enhances the fair competition ; they confirm the legal perspective of exhaustion of rights and parallel import, and the situation in which the distribution is taken as counterfeit, which prompted us to examine how the Rwandan law on the protection of intellectual property address the issue of exhaution of trademark rights.

0.6 THE SCOPE OF THE TOPIC

The scope of the study basically means all those aspects that are covered in the research. It identifies boundaries of the study in terms of subjects, objectives, facilities, area, time frame and issues to which the research is focused. However, the coverage of this study explains the extent to which the research area is explored. Thus, the intention of the study is to analyze issues of trademark exhaustion and parallel imports under Rwandan perspective.

[38] E. Bonadio, *Parallel Imports in a Global Market: Should a Generalized International Exhaustion be the Next Step?,* 2011

0.7 THE OUTLINE

Apart from the introduction, this research consists of three chapters as follows. The introduction of the entire work consists of the contextual background of the topic, the statement of the problem including the research questions; objectives of the research; the research methodology and sampling procedure; an extensive literature review; scope of the topic and the outline.

Chapter one describes the different types of exhaustion of rights in relation with the protection of intellectual property with focus on the type of exhaustion of rights provided for under the law on the protection of intellectual property in Rwanda.

Chapter two analyzes the problem of parallel imports in relation to trademark infringement under Rwandan law.

Chapter three analyzes how the choice of a type of exhaustion of IP rights affects the ease of doing business in Rwanda and suggest legislative reforms to level the playing field of the market.

A general conclusion wraps up the ideas developed in this research and summarizes the findings and recommendations arising out it.

CHAPTER ONE: TYPES OF EXHAUSTION OF INTELLECTUAL PROPERTY RIGHTS

This chapter describes the different types of exhaustion of rights in relation with the protection of intellectual property with focus on the type of exhaustion of rights provided for by the Rwandan Law on the protection of intellectual property. The overall purpose of exhaustion regimes is therefore to strike and maintain a balance between a public interest i.e. free movement of innovative goods and the private interest of IPR owners. There are types of exhaustion of intellectual property rights: the international exhaustion, the regional exhaustion and the national exhaustion. The TRIPs in its article 6 gives WTO member countries the right to choose the regime to choose among national, regional or international exhaustion regimes.

1.1.The motive for the exhaustion of intellectual property rights

The rationale of exhaustion of intellectual property rights refers to the structural limitations on the rights to aftermarket control of distribution and resale of a good after it has been legally put on the market by the trademark owner in a specific territory. Once a trademarked good has been marketed, depending on the territory, the IPRs (or certain aspects of them) are said to be exhausted, and the good may be re-exported for resale, which is called parallel trade.[39]

The adventages of the national exhaustion regime are stood downsized and disappears by the fact of having an international exhaustion regime. Basing on the literature review, one may say that the national exhaustion regimes have favorable effect to IPR holders and that they are favored by producers as they provide the incentive to innovate. The national exhaustion regimes do also prevent of parallel importers from easily benefit from investment by producers and authorized distributors. When compared to international exhaustion of rights the latter supports improved competition and provides consumers with potential benefits in the form of competitive pricing. However, international regimes also cannot satisfy some consumers' needs as the latter can allow circumstances that make it possible to reduce the quality of goods or may cause confusion to consumers.[40]

[39] A.Rubi Puig, "Copyrights Exhaustion Rationale and Used Software: A Law and Economics Approach to Oracle V.UsedSoft", 2013
[40] Rubi Puig, *supra* note 39

The fact that protected product can be exhausted only in a definite country. In this regard, the goods that are considered as exhausted only in one country cannot be brought into a country from abroad for sale without the authority from the owner of trademark.[41]Obviously, people crave to getting the trademarked products with an improvement in the standard of the product at a reasonable amount of money to be given in payment for. The author notices that even though genuine goods brought from abroad in parallel are surely at lesser prices for the benefit of customers, it is also an opportunity for the owner of the trademark to oppose the principle of exhaustion of rights to such circumstance.[42]

A number of scholars argue that an international exhaustion regime would suppress innovation, but this argument has been contested. No literature broadly quantifies all the effects upon consumers and rights holders in a model of the macro-economy. It looks hard to draw conclusions as for the general virtues of national, regional or international exhaustion regimes.

1.2.Types of exhaustion of intellectual property rights

1.2.1 International exhaustion of rights

The doctrine of international exhaustion of rights refers to the fact that when goods happen to get legally sold by the trademark owner for the first time or by his/her licensee in any international market, that sale results to rights exhaustion on the side of the trademark owner to prevent further sale of such goods anywhere in other country. With international exhaustion, an authorized sale anywhere in the world exhausts the right to control further disposition.

The international exhaustion of rights gives rise to parallel trade in international deal and by this the holders of IPR are discouraged from doing control over the resale of a protected product. The parallel trade in this regime of international exhaustion enhances competition of marketed goods, whereas the national exhaustion regimes are seen as to show in anti-competitive behaviors. The type of international exhaustion enables reduction of prices if compared to the prices that holders of IPR can set in case of a domination over manufacture and resale of their goods.[43] It is well known that parallel importers do use lesser prices for products and that

[41] S.Peatman, ''Moving toward uniform international trademark protection: how amending the TRIPS Agreement will make parallel importing of gray goods less gray,' *Southwestern Journal of International Law*, 2014.
[42] K.E, Maskus & D. Eby-konan, Trade-Related Intellectual Property Rights: Issues and Exploratory Results, 1994.
[43] A.Palangkaraya & J.Yong, *Entry, Exit, and Productivity of Indonesia Electronics Manufacturing Plants*, 2006.

discrepancy in the quality of those goods brought from abroad for sale can also ensure the right to choice as for those people who pay to consume the produced goods.[44]

As for international sources, developments in progress and the dependence of more nations on each other have made the international convention on business law got implications in international business activities. Other sources do contend and cite evidence in support of the idea that the outcomes of the above-mentioned developments would reach at a cohesive worldwide law.[45]

In addition, the international exhaustion looks opposite to the national approach because the special rights of the owner of trademark on product are exhausted outside the national border. As for this approach, Ghosh realizes that the trademark owner cannot oppose the importation of his/her trademarked goods into other countries of the world. It is well known that the international exhaustion enhances the free movement of goods in international trade rather than the national exhaustion. According to the author, the state that does not adopt the principle of international exhaustion does not accept the importation of products in parallel onto its territory without the authorization from the trademark owner. Likewise, the type of national exhaustion shows in the occurrence of confusion between parallel import and counterfeit, which may humper the ease of business.[46]

The intellectual property policy that Rwanda adopted in 2009 made it easy to get indispensable medicaments by authorizing goods brought from abroad by unlicensed distributors for sale at less than the manufacturer's official retail price. It is the lifeblood of development, the lifeblood of technology, of products and services, of Government, and of business. It is therefore increasingly important that information is codified and that its value is recognized. Intellectual property defines the limits under which information in the form of creations and innovations can be owned and how it can be transferred. It is thus of great importance that Rwanda has created and protected an intellectual property that relates to rights and obligations as well as privileges

[44] Fink & Maskus, *supra* note 42
[45] ''Institute of Certified Public Accountants of Rwanda'', Business Law; first ed., 2012
[46] Ghosh, *supra* note 20.

and incentives and for implementation it allows people to understand the full value of its existance, and permits the recognition of other systems .[47]

Rwanda is a member of many formally concluded and ratified agreements between states at international level in order to protect intellectual property. In this vein, Rwanda has ratified a lot of international treaties and has managed to implement them. Rwanda intellectual property policy of 2009 puts an emphasis on the qualification of intellectual property an instrument to use while enhancing the transfer of technology, putting an accent on the creation of knowledge, acquisition of knowledge and transfer of knowledge. Therefore, the idea was to bring about an economic rise and the transformation of the Rwandan society by creating an atmosphere where to utilize trade and industry craving for the rights of inventors, a person who introduces new products and companies.[48]

The following are international treaties in which Rwanda has got a great interest to accede: a) Convention Establishing the World Intellectual Property Organization (WIPO):
Rwanda accessed the treaty in 1983. This convention manages to be responsible for the running of a range of formal agreement between states and takes action as an assembly for open discussion to give a particular appearance to a set of laws of intellectual property and to adapt them to the sempiternal worldwide community; b) TRIPS: Rwanda agreed to the Agreement establishing the World Trade Organization (WTO) in 1996 and became signatory of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS Agreement). This Agreement was concluded to fill in the gaps whereby IPRs are protected all over the world, and to make them universal regulations. It put forward protection at some extent and states signatories are obliged to grant their respective domestic intellectual property regimes.[49]

Nonetheless, the TRIPS Agreement acknowledges the circumstances under which developing countries and least developed countries (LDCs) do business in the international trade and showed some flexibility in applying the policy. The fact of being flexible would give rise to the form of exceptions to some forms of intellectual property protection hence protecting rights came against the public interest which led to the incapacity to protect them. It is time for the craving to speed

[47] Rwanda Intellectual Property Policy, Nov 2009.
[48] *Idem* p.16
[49] *Ibidem* p.16

up the development of industries in a country and to offer something of interest or advantage to owners of products and persons introducing new products but the time comes when it deems it necessary to begin shifting from this kind of circumstances. The revised policy has discussed a lot those flexibilities in each category of IP rights.[50]

According to those who approve and encourage regimes of international exhaustion on the one hand, parallel imports do enhance the doing business between countries by putting forward competition in any geographical region (outside the territorial boundaries of a home country) where a business is conducted with a view to fulfilling demand and benefit of consumers. On the other hand, people who concurrently bring goods from abroad for trade are likely to challenge owners of IPR in selling products (brought from low-price areas) in higher-price countries and this seems advantageous to only local consumers. Practices of such dealing can have for the most part a constructive effect. Make also a note of that parallel importation boost the distribution and accessibility of products on affordable prices. Moreover, the selling at lower prices than those of the right holders of IPR can result to a dumping.[51]

The present legislation that governs intellectual property in Rwanda is made up with intellectual property act of 2009 that provides the domestic legal frame work for the protection of intellectual property, with the law governing seeds and plant varieties in Rwanda as well as the law on the protection of cultural heritage. It also includes an assortment of ministerial orders for implementation. From the time when the legislation came into force in 2009 a lot of challenges have come up. One big challenge is the fact that the law does not sufficiently tackle the copyright protection. Then, the law looks not consistent in its use of legal terminology and there are other legislations on duties and responsibilities for diverse organs and government entities.[52]

Rwanda adopts international exhaustion of IP rights and not national exhaustion to acknowledge the existence of affordable goods on international trade. It means that once a product has been first sold anywhere outside Rwanda the exclusive right to the distribution of that product is supposed to have expired, so resellers of the product are allowed to compete with owner of the

[50] *Ibidem* p.16
[51] Palangkaraya & Yong, *supra* note 43. Dumping is the term used in the context of international commerce. It is when a country or a company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.
[52] Maskus, *supra* note 41

trademark on the market. In this vein, parallel importation is allowed in Rwanda whereby the first-sale doctrine applies. In Rwanda, under this regime, once the owner of IPR puts a product on the market from outside the country (the first distribution), he/she loses their exclusive right and cannot prevent parallel imports from abroad.This is contrary to previous regime of 2009 (national regime) that allowed only parallel importation of generic medicines.[53]

Thus, with international exhaustion of rights it is obvious that marketed goods are purchased lawfully and subsequently there is no need to be resold with the consent of the owner of the trademark. As a rule the trademark owner cannot officially forbid such sale if the goods were first put on the market by him/her. The exclusive right to sell the goods bearing the trademark is exhausted by the first act of distribution and it cannot be exercised twice regarding the same products. In other words once a product has been lawfully sold by the owner of the trademark or by a licensee in an international market such a sale creates an exhaustion of rights (for the rights owner) to prevent extra sale of that product somewhere at an international level. As a result, the scenario is called the exhaustion doctrine.[54]

1.2.2 Regional exhaustion of rights

Beyond the national exhaustion comes the regional one which alludes to the first sale of the trademarked goods made by the propriator of the rights in a particular region where his/her IP rights over those given products expire not only domestically but within the region. Hence, the parallel imports cannot be opposed within the region basing on the IP right. So,the exhaustion of rights has something to do with the first sale (the right to use or resell the product), the transfer of ownership right. The basic principle is therefore that once the right holder has become able to get profit from the first sale or has put the product on market at first and within a specific region, the purchaser of the goods or service is entritled to dispose it of without further restriction.[55]

With the regional exhaustion, an authorized sale within a country where rights are granted exhausts the right to control further disposition anywhere in the region where such country ios located. The policy regime of regional exhaustion of intellectual property refers to the fact that a group of countries consent to bring genuine goods from one another and for sale (parallel

[53] Rwanda Intellectual Property Policy, Nov 2009, *supra* note 47
[54] Maskus, *supra* note 41
[55] Sharma, *supra* note 29

imports) but not from the outside of the group. It is in this vein, countries (with major economies) members of WTO did put up an agreement on trade related intellectual property rights in order to protect and enforce intellectual property rights. And those exhaustion policies do affect market outcomes by determining the legality of parallel imports.[56]

With the regional exhaustion of rights, the first sale of the protected products put on the market in a territory of countried makes it possible to the rights to get exhausted not only domestically, but also within the whole region, and parallel imports within the region can no longer be opposed based on the principle national exhaustion of rights.[57]

However, the collaboration of countries of a certain region for exhaustion policies looks particularly important in the sense that the parallel trade takes place between purely in neighbouring countries. Another point of view concerns the impact of Rwanda has got by the fact that it entered the East African Community (EAC) market. Rwanda is said to have got big challenges as to face very difficult cases before; that its exporters had to deal with issues of infringement, for the most part regarding to trademarks in EAC countries. Rwanda was not the only one to get that kind of challenge; it is the case of many other countries with a comparable economy.[58] Thus, under regional exhaustion, the right expires upon the first sale within a well defined region comprising a group of countries but not outside it.

1.2.3 The national exhaustion of rights

The national exhaustion policy leads to the limitation of the trademark owner within the territory of a certain country. With the national exhaustion, an authorized sale within a country where rights are granted exhausts the right to control further disposition within that country. However, trademark owners have to the use of their trademarks in connection with products marked with similar trademarks and placed into circulation anywhere in the world outside the domestic market.[59]

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[56] Saggi, *supra* note 32
[57] Sharma, *supr*a note 29.
[58] Rwanda Intellectual Property Policy, Nov 2009, *supra* note 47
[59] V. Novak, '*'Introduction of the regime of national exhaustion of trademark rights in Serbia : Emerging competition policy concern''*, 2019

The application of the rule of the national exhaustion has exerted a negative influence competition and movement of goods whereby trademark rights represents a barrier to entry for genuine products at lower prices, which has the potential to generate a total restriction of parallel imports into a country. Such a barrier restricts price and qualitative competition on genuine products bearing trademarks and affects the economy in general (particularly targets the welfare of consumers. This regime seems unsuitable for a small import-based economy.[60]

Basing on the fact that it is possible for the right holders to prevent the occurrence of competitive aggressiveness of parallel traders and to reinvest in innovation, which would benefit consumers, some writers argued (appreciating the national exhaustion) that it deems it necessary to restrict parallel trade in a manner involving great activity but they are also with the idea that parallel trade would reduce the degree to which a business or activity yields profit or financial gain. Nevertheless, as far as pharmaceuticals are concerned, parallel imports of patented medicines, for instance, would not be so easy for competent authorities to carry out all the necessary checks to grant the process of reviewing and assessing the evidence to support a medecinal product (marketing license). This is due to many differences between national legislations concerning safety of medicines (e.g: testing, packaging, labeling, etc.). Thus, importation of medicines from all over the world would complicate the work of these authorities which requires the check of the conformity of drugs to different national requirements.[61]

The vision of the 2011 National Industrial Policy was for Rwanda to have a competitive industrial and advanced services sectors, while increasing the number of farm jobs. To achieve this vision it took three objectives: increasing domestic production for local consumption, improving export competitiveness and creating an enabling environment for Rwanda's industrialization. The policy deals with technology, research and innovation. To create an enabling environment for industrial growth, it recognizes the need to build and acquire appropriate science, technology, innovation-entrepreneurial, engineering, and technical/vocational capacity to produce more value added goods and services.[62]

[60] Novak, *supra* note 59
[61] Bonadio, *supra* note 38
[62] G.Mengistie, "Integrating intellectual property into innovation policy formulation in Rwanda", Report, 2014. Law No 07/2009 of 27/04/2009 relating to companies amending the law No 06/1988 of 12/02/1988.

The approach of national exhaustion can be used as a tool to allow the segmentation of markets, limit or confine the IP rights. The use of exhaustion by courts concerns the geographical extension of the enforcement of rights. Hence exhaustion occurs as a consequence of the first authorized sale of the trademarked product within the boundaries of the territory of the country. This regime excludes parallel trade since the latter supports free trade in a competitive way, which gives a rise in the degree of price discrimination and provides holders of IPR with incentives to deliver low-priced goods in countries with low income. Therefore, the exhaustion comes here to provide the right holder the monopoly – leaving aside the idea of competition - on the market of the protected goods within the territory of a country. With a national exhaustion regime an IPR holder always exercises control over the resale, transfer or use of the relevant goods while discouraging the international trade.[63]

With the type of national exhaustion, once a product is first sold in the national territory with approval from the IPR holder, the latter cannot prevent the products from being resold within the country but parallel traders are discouraged accordingly in favor of the monopoly. Hence, the system thereby restricts parallel imports of products from any another country. [64]

The national exhaustion of rights id highlighted as one of the limits of intellectual property rights. That is the impossibility of owner of the trademark rights to controle the use of products put legally on the market by him or his licensee. The concept of national exhaustion does not allow the trademark owner to control the commercial exploitation of goods put on the domestic market by himself or with his consent.[65]

In short, it seems that the national exhaustion regime extends the holders of intellectual property rights the control over the international distribution of their goods. This national exhaustion policy would help protect not only investments in marketing but also services in the after-sales. Indeed, the policy also helps with controlling the quality of products put on market. In addition to this, a national exhaustion regime discourages the opportunity for parallel traders from free

[63] Bonadio, *supra* note 38
[64] Palangkaraya & J.Yong, *supra* note 43
[65] Sharma, *supra* note 29. An importation right is the legal ability to import a product into a certain country. Importation means sending goods from one country to another.

ride on investment promotion and market expansion. Palangkaraya found that parallel imports and their threat reduce the domestic investor’s incentives in market development.

CHAPTER TWO: PROBLEM OF PARALLEL IMPORTS IN RELATION TO TRADEMARK INFRINGEMENT UNDER RWANDAN LAW

The present chapter analyses how parallel imports have been affected by the implementation of national exhaustion regime in Rwanda in the framework of the Rwandan intellectual property law of 2009.

2.1 Consideration on trademark infringement under Rwandan IPL

How do Rwandan courts adjudicate trademark infringement? How does one know he/she is infringing on a trademark? The following 8 factor-trademark infringement tests illustrate the issue: the power of the senior mark; relatedness of the goods; resemblance of the marks; proof of genuine confusion; marketing channels used; likely degree of purchase care; the intent of defendant in selecting the mark and the likelihood of expansion of the product lines.[66]

The essential function of a trademark is to exclusively identify the source or origin of a product i. e. a badge of origin. From the viewpoint of a consumer, trademarks are indispensable when making a buying decision whereby when consumers become aware of the product/brand, they may search for information, compare offers and perform a cost benefit analysis before actually buying the desired product with the warranty that the goods are genuine and of a distinctive attribute. The trademark proprietor has to invest in the trademark itself in order to market it. The trademark owner needs to have these kinds of investments protected, which involves a particular attention of trademark exhaustion and parallel imports.[67]

Once a person uses someone’s trademark without first obtaining express consent or without a legal right to do so pursuant to the fair use doctrine, the registered trademark owner can sue him/her for trademark infringement, may file a civil action; i.e. lawsuit in a court of law for trademark infringement. Trademark infringement damages may consist of monetary compensation based on loss of profits and economic harm.[68]

Trademark infringement occurs in the situation where one party, the wrongdoer, uses intentionally a trademark which is identical or confusingly looks similar to a trademark owned

[66] W.R.Cornish, D.Llewelyn, & T.Aplin, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 7th ed., London: Sweet & Maxwell Limited, 2010.
[67] Cornish, Llewelyn & Aplin, *supra* note 66.
[68] Cornish, Llewelyn & Aplin, *supra* note 66

by another party, regarding products or services and which are covered by the registration.[69] Trademark piracy relates to the special cases wherein products which are protected by trademark law are counterfeited. Trademark and product piracy are categorized as economic crimes. Counterfeiting may be fraudulently imitating a product. In this vein, one may have an impression that it is a genuine product originating from genuine manufacturer or trader.[70]

As far as sanctions are concerned, rights of trademarks can be infringed through piracy or counterfeit. In case of a violation of the law in terms of infringement this may leads to sanctions like getting forbidden from using the confusingly similar mark and if the infringed mark is registered or cancellation of the registration. The law on intellectual property in its articles from 261 to 263 provides for legal protection criminal sanctions against counterfeiting. These are kind of administrative sanctions.[71]

However, since a trademark has to be registered for its protection against an authorized use, its infringement refers to actions of breaking the terms of law of the exclusive rights[72] attached to a trademark owner; enjoying the distribution of goods without the license of the trademark owner. It is defined as an authorized use of trademark or service mark on or in connection with goods and/or services in a manner that is likely to cause confusion, deception or mistake about the source of goods and services.[73]

An owner of a trademark can commence civil legal proceedings against a party which infringes its registered trademark. In the United States, the Trademark Counterfeiting Act of 1984 criminalized the intentional trade of counterfeited goods and services.[74] As for instance if the respective mark and products or services are entirely dissimilar, trademark infringement may still be established whether the registered mark is well known pursuant to Paris Convention. In the

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[69] C.M. Correa & X.Li, *Intellectual Property Enforcement : International perspective*, Edward Elgar Publushing, 2009, P.211

[70] F.X. Kalinda, *Intellectual Property Law,*Course Notes, UR-CASS, School of Law (LL.M), 2018, Unpublished.

[71] Rwanda Intellectual Property Policy, 2009

[72] It is a *de facto*, non tangible prerogative existing in law.It is to deny others the right to perform the same action.

[73] Rwandan Law on the Protection of Intellectual Property

[74] United States, the Trademark Counterfeiting Act of 1984.

US they speak of a trademark dilution to refer to an unauthorized use of application for a trademark that is likely to weaken the distinctive quality of or a harm of famous mark.[75]

Breaking down elements of trademark infringement, to prevail on a claim of trademark infringement, a plaintiff must establish that it has a valid mark entitled to protection and that the defendant used the same or similar mark in commerce in connection with the sale or advertising of goods or services without the plaintiff's consent. The literature has indicated a lot of factors that may motivate parallel trade in a particular territory or region. The price differentiations between various markets are the most identified motivating factor which increase the potential to profit from redistribution of goods in markets.[76]

Under Rwandan law, some remedies are provided for the protection of intellectual property against counterfeit: the offender can get criminal sanctions including imprisonment; civil sanctions like payment of damages or administrative measures referring to special border measures. Moreover, there can be a penalty of loss or giving up or confiscation of counterfeited goods when requested by the owner of the trademark. The action may also lead to the prohibition of the use of the confusingly similar mark or to the cancellation of the registration once the infringing mark is registered.[77]

Under the regime of national exhaustion of rights, there resides the problem of parallel imports. From legal perspective, the intellectual property law of 2009 provides the domestic legal framework for intellectual property protection but you may notice a number of challenges. This law does not effectively tackle the safeguard issue of copyright, which seems one of the afore-mentioned issues.[78]

All external economic factors influence buying habits of consumers and businesses and therefore which affect the performance where intangible assets (result of the human intellectual creative activity) are becoming more and more important and the volume of trade in goods, has required

[75] D.Irina, "The Puzzle of Criminal Sanctions for Intellectual Property Infringement", Harvard Journal of Law & Technology, 2011. Trademark dilution is a trademark law concept giving the owner a well known trademark power to forbid others from using the mark in a way that can lessen its uniqueness.
[76] Kalinda, *supra* note 70
[77] *Ibidem*
[78] Revised Intellectual Property in Rwanda, Oct. 2018

intellectual property protection. So, unsuitable and inadequate protection can distort free trade.[79] Apart from issues relating to competition and consumers protection (international trade), the reason is while there are increasing complaints regarding counterfeiting, there is very limited technical and human capacity to address claims of infringement within the police and the customs department. For instance, in Rwanda, in the past years the customs had no capacity to distinguish counterfeit products and relies wholly on the World Customs Organization (WCO) Regional Intelligence Liaison Office (RILO) based in Nairobi for detection.[80]

The economy of Rwanda is growing high-speed and transforming into the ability of an economy to supply increasing aggregate demand and maintain exports, which necessitates independent economy interconnecting both nationally and internationally.Thus, it is necessary to improve the existing IP policy by considering the importance of creating an improved IP system with a view to developping the (the idea of certain gain or profit through production, distribution and consumption of goods (economic exploitation).[81]

Therefore, the Rwandan intellectual property law consists of widespread provisions on enforcement and gives some powers to the courts and special tribunals, the police and customs authorities in order to address IP enforcement. The law also contains provisions to safeguard the third parties. Though, the act of putting in place the new law occurred at the same time with the launching of the Commercial Court.

2.2 Parallel imports and national exhaustion of rights under Rwandan IP Law 2009

Art. No 152of the Law 31/2009 of 26/10/2009 concerning the limitations and exhaustion of rights ; the latter are conferred to the owner of a trademarked product and they shall not be extended to the acts relating to products put legally on market, by the rights holder or a person with his/her authorization.

> « *Without prejudice to the provisions of this article (art.152)and article 153 of this Law, the Minister shall have the authority, on advise of the empowered authority or at the request of any interested party, of declaring the patent rights of the mark exhausted, and*

[79] I*dem*
[80] Rwanda Intellectual Property Policy, Nov. 2009, *supra* note 80
[81] Revised Intellectual Property in Rwanda, Oct. 2018, *supra* note 78

thus of authorizing others to import the patented product provided with a mark or a product manufactured directly or indirectly by means of the patented registration ("the product") from another territory when: 1° that product is not available in the territory of Rwanda; 2° that product is available in the territory of Rwanda with unreasonably low quality standards; or 3° that product is in a quantity that is not sufficient to meet the local demand; or 4° that product is at a price that the Minister deems abusive; 5° for any other reason of public interest, including anticompetitive practices ».[82]

It is observed that the relevance of assessing the trademark exhaustion doctrine compared to parallel trade looks the result of avoiding the abuse of trademarked products. That is the reason why unauthorized parallel trade of goods brought abroad for sale is considered as a threat to a free ride. Whatever is the matter, parallel imports are genuine trademarked goods that are acquired lawfully. Yet, the focal point of the consumer protection is to compare the legal rights of the trademark owner with those of the consumers in regard to those of the parallel traders.[83]

Considering limitations and exhaustion of rights in Art. 152 of the above-mentioned law, the provision appears to be challenging to parallel traders in Rwanda. As for example, limits revealing that the unavailability of a product in the Rwandan territory or that the unsufficiency of a quantity of product to meet the local demand would therefore seem challenging to parallel traders who bring from outside the country goods for sale.

2.3 National exhaustion of rights practice in Rwanda under IP Law 2009

The legislation in Rwanda at the outset took basis on the civil law system of Belgium. Nonetheless, since the reconstruction of the legal framework in 2002, the vote of the new constitution in 2003 and the entrance of the country into the Commonwealth in 2009, there is a kind of mixture of civil law and common law. The judiciary has suffered from a lack of resources and capacity but went on improving. Thus, Rwandan courts have to address commercial disputes and ease enforcement of property as well as contract rights.[84]

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[82] Art. 152 of the Law No 31/2009 of 26/10/2009 on the Protection of intellectual property.
[83] Avgoustis, *Supra* note 11
[84] J. Scott, *2020 Investment Climate Statements: Rwanda*, 2020

2.3.1 Trademark infringement and parallel trade

As a matter of fact, referring to the definition given to a parallel import, the latter is a non-countrerfeit product imported from another country without the permission of the intellectual property owner. Parallel imports often refer to as genuine products that are implicated in issues of international trade and intellectual property.[85]

As far as infringement to trademark is concerned, in the case of products imported from another country without the permission of IP owner (parallel imports) and in regard to intellectual property policy which was into force in Rwanda, courts did not use the term ‘’parallel imports’’ nor implement the revised policy on intellectual property that enhance the international exhaustion regime.[86]

So far, there were very few cases of infringement that had something to do with intellectual property that were brought before commercial courts. After some time the situation changed, however, with the new IP law. It is said that the fewness of intellectual property cases in commercial courts were due to the level of damages payable for infringement and lack of awareness whereas, for criminal cases, the lack of testing and detection ability made it difficult to get through the requirements of evidence in courts.[87]

Parallel importation focuses on the extent to which a trademark owner should be allowed to maintain control over its own brands by using its trademark rights in a country as defined as “national” to restrict the importation of goods into that country after the goods have been put on the market somewhere else by the trademark owner or with its consent. Implementation and enforcement of intellectual property rights law is an interesting and significant part of any IP regime. It is only through a suitable enforcement that Rwanda can enhance innovation denoting an increase or a slight one. It can also give rise to the creation of industries and facilitate investments in innovations.

A trademark classification is a way the trademark examiners and applicants’ trademark attorneys arrange documents such as trademark and service mark applications, according to the description

[85] Revised Intellectual Property in Rwanda, Oct. 2018, *supra* note 78
[86] *Ibidem*
[87] Rwanda Intellectual Property Policy, Nov. 2009, *supra* note 80

and scope of the types of goods and services to which the marks apply. The law on the protection of intellectual property in Rwanda defines a trademark as a visible sign or service mark enabling the products or services of a legal or natural person to be distinguished (to identify a product or a service) from those of others.[88]

Trademarked goods have become very important products of modern industries in the world and appear mostly in international trade. However, the growth of market-oriented economies assures fair competition to traders and consumers by providing a diversity of goods in similar variety. Nevertheless, those goods do generally differ in quality, price and other characteristics although consumers need to be given the guidance – the medium for naming goods on the market - that will enable them to consider the alternatives and make their choice between competing goods. For the purpose of obtaining a trademark clearance, it is advisable to search all related classifications of goods and services that could interact with or be supplied by a potentially confusing mark that already exists.[89]

Counterfeiting refers to the major infringement i.e. violation of the terms of the law in regard to a protected trademark, engages in copying or use indistinguishable or similar signs and issues relating to resemblance. However, acts like piracy and counterfeiting are punishable since offenders do deliberately affect business and without the authorization from the trademark owner. The other infringement consists of the use of any mark that looks like the one already registered whereby the goods covered by that trademark lead to a possibility to confuse or mislead the public.[90]

Trademarked goods or service seems any goods (including packaging) or services (for example insurance in finance) bearing a similar or non distinguishable brand in its essential aspects from the validly registered trademark and this without the consent of a trademark owner in respect of such goods, which infringes, by the way, the rights of the owner of the trademark in question. According to WPO counterfeiting is a crime whereas the common trademark infringement seems a legally civil wrong. Counterfeiting certainly constitutes somehow civil aspects of infringement

[88] Art.5,15^0 of the Law N° 31/2009 of 26/10/2009
[89] Kalinda, *supra* note 70
[90] World Trade Organization (WTO)

of the registered trademark. This applies to goods brought from abroad for sale only as the result of the principle of territoriality while fulfilling the registration requirements.[91]

According to Doblin and Chocia all counterfeiting is trademark infringement but not all trademark infringement is counterfeit. That means that the trademark infringement refers to unauthorized use of a trademark or service in a way that is likely to get consumers confused or mistaken about the genuineness of the goods.[92]

2.3.2 Trademark infringement and Rwandan commercial courts

In Rwanda, courts did receive a number of disputes and cases regarding intellectual property rights but at the beginning the issue of IPRs was at a low level of implementation. Let's have the example of *Kanto V. Kanta Case*, a famous hair dye case whereby Kanta , a business dealing in hair dye comes back to court represented by lawyers. Rwandans were ill with health consequences owing to purchasing products that have a similar label to the original one.[93]

Kanta , the Indian business company has been producing the *hair dye* since 1940. Kanta product hit the Rwandan market and got across the region in 1960's and became a widespread product for most rural Rwandans who made great effort to have their hair dyed black. In the *Kanto V. Kanta Case*, according to the claimant, the duplication of the trademark has been happening since 2012 bearing the names of the original Kanta (there was a slight difference in the trademark) – the product has been pirated and users just buy without checking labels on the package. [94]

As a matter of fact, there were two companies importing the much sought after hair dye product. One imported genuine Kanta product (made in India) and the other had counterfeit. MININTCO sued Dobusjes Ltd a Rwandan company for distributing a product similar to Kanta under trade name "Kanto" which was purchased from a Chinese company registered in Rwanda called

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[91] Agreement on Trade-Related Aspects of Intellectual Property Rights'TRIPS'

[92] S.Doblin & A.Chocia, ''The Concepts of Trademark Exhaustion nad Parallel Imports : A Comparative Analysis between tha EU and the USA,'' *Baltic Journal of European Studies*, 2016.

[93] D. Sabiiti, '*'Kanto V. Kanta''* Case back in court, Kigali Today, KT Press, 2019. Available at https://www.ktpress.rw/2019/03/kanto-vs-kanta-case-back-in court/#:~:text=A%20dispute%20of%20intellectual%20property,label%20to%20the%20original%20one.[27/06/2021]

[94] D. Sabiiti, *supra* note 93

DRESOCECO Ltd which is sued for importing similar hair dye under a trademark name of "Wild Olive" which had almost all but a few characteristics of Kanta and so was Dobusjes Ltd . The defendant was alleged to have introduced Kanta in 2012 and then Kanto in 2016.[95]

The Chief Executive Officer of the Indian producing (Kanta) company called MININTCO Ltd (the claimant) lodged the case in Kigali commercial court – Nyarugenge Commercial Court. The Indian argued that Rwandans were buying that product on the domestic market because most of them could not read nor differentiate the labels. He claimed that MININTCO Ltd should be paid compensation for illegal use of trademarks. The defendant contested the argument saying that 20 years of patent rights gave an opening market to anyone to duplicate a product which was already made-up.[96]

The defense lawyers agreed that it was true that there was a resemblance of products/ trademarks but argued that their client was just an importer of made in China branded hair dye thus she should not be held liable. MININTCO Ltd said that the brand is a registered trademark in Rwanda Development Board (RDB) and that he did not understand how one can make a similar brand to his, with similar colors. He said that this has diminished Kanta imports from ten to five containers every year.[97]

As for the defendant, basing on the argument that they might have a right to open competitive market, they requested the court for damages equal to 8.4million as 20% of interest on the seized goods for the last seven months. The claimant rejected the argument saying that it was baseless and non-evidence based and requested the court to protect the rights of an investor by referring to previous intellectual property rights case laws in Rwanda and in foreign countries.[98]

In fact, in this case *Minintco Ltd V. Dresoceco Ltd*, MININTCO (the plaintiff) in the first instance (before Nyarugenge Commercial Court) sued DRESOCECO Ltd (the defendant) for counterfeiting (trademark infringement)[99]; the latter was alleged of having imitated the trademarked products "Kanta" and have enjoyed of the distribution / sale of goods without

[95] *Idem*
[96] *Ibidem*
[97] *Ibidem*
[98] *Ibidem*
[99] Case No RCOM 00385/2017/TC/NYGE [*Minintco Ltd V. Dresoceco Ltd*]

authorization. The Defendant refuted allegations, saying that it has got license from the trademark owner and that it had the mark registered in RDB just to get full right to import and sell the product in the territory of the Republic of Rwanda. The Court decided that the allegations of MININTCO Ltd were valid for admissibility of the case, which made the Defendant appeal before Nyarugenge Commercial High Court.[100]

The judge of Nyarugenge Commercial High Court decided that the court admitted the application for appeal of the Defendant; it decided that the decision of the first instance with the case No RCOM 0148/14/TC/NYGE remained as it was and then MININTCO Ltd was to pay for a fine amounting to 400,000Frw.[101]

Another case law of trademark infringement is *Prosecution V. Bayavuge Idrissa et al*. whereby the plaintiff was T&T Trading Papeterie General Trade of KABANO representative of HACO TIGER BRAND in Rwanda and the accused, BAYAVUGE Idrissa, NIYONSENGA Silas and NIYITEGEKA Jerome. The subject matter was counterfeiting (imitation of the product "BIC"). The accused won the case. The Judge of Nyarugenge Intermediate Court sanctioned them with criminal sanctions of five- year imprisonment and a fine of 10,000,000Frw.[102]

Parallel imports or gray market goods refer to branded goods that are imported into a domestic market and sold there without the trademark owner's consent in that market. Therefore, under Rwandan perspective, only importers of a product are the ones acknowledged by the manufacturer, thus importing non-authorized products is illegal, since a protected trademark by the registration gives to the owner the exclusive right to use the registered trademark, for all products or services for which it is registered, but any person other than the trademark owner shall require the owner's consent.[103]

The tricky thing is that local courts uphold still national exhaustion of rights and has not yet relied on the implementation of the Rwanda revised policy on intellectual property of 2018, which may lead them to take unethical decisions. As for instance, in *Colgate Palmolive V. MUKAMUYENZI et al.*, the case N^{O} RCOMA0157/14/HCC-RCOMA 0165/14/HCC-RCOMA

[100] Case N^{o} RCOMA 0215/14/HCC *[Prosecution V. Bayavuge Idrissa et al.]*
[101] *Idem*
[102] Case No RP 0202/12/TGI/NYGE [*Prosecution V. Bayavuge Idrissa et al.]*
[103] Law No 31/2009 of 26/10/2009

0248/14/HCC where the Judge of the Nyarugenge Commercial High Court confirmed the decision of the Nyarugenge Commercial Court in the paragraph 14 of the appeal judgment qualifying the act of counterfeit basing on the fact that everyone who imports without the owner's permission commits the crime of counterfeiting.[104]

Nevertheless, let's have the detail of the Commercial Court and Commercial High Court, in the other case of *Colgate Palmolive V. MUKAMUYENZI et al.* the proceedings were instituted in the Commercial Court in 2013. Under the case No RCOM 0291/13/TC/Nyge; the Commercial Court admitted the Colgate Palmolive Company's legal suit against KANTENGWA Yvette, MUKAMUYENZI Liliane and Le NIRVANA , claiming that the latter have distributing its products without its authorization and hence infringed its protected right over a registered trade mark.[105]

On the other hand under the case *Colgate Palmolive V. MUKAMUYENZI et al.*, KANTENGWA Yvette , MUKAMUYENZI Liliane and Le NIRVANA respectively filed cases against Rwanda Revenue Authority requesting the Commercial Court to order RRA to release their suspended colgate products into free circulation as provided for by article 277 of the Law N° 31/2009 of 26/10/2009 on the protection of intellectual property.[106]

The above mentioned cases were joined and heard in one case as they look indivisible claims(connexity of cases) but on hearing date 30/12/2013 the claims against RRA were dropped (through withdrawal of the claims against RRA), hence the court had to go on with the only case of Palmolive Colgate company against alleged trade mark rights infringers. In its allegations, the Colgate-Palmolive requested the court to stop the distribution of the counterfeited Colgates (the toothpaste), to remove counterfeited Colgate from Rwandan market , to prevent and put a hindrance to importation of counterfeited Colgates and requested for the destruction of the remaining counterfeited colgates in the Customs because the Colgate products have been protected under the trade mark and and finally requested for damages.[107]

[104] Case N^{O} RCOMA0157/14/HCC-RCOMA 0165/14/HCC-RCOMA 0248/14/HCC, 2014,[*Colgate Palmolive V. MUKAMUYENZI et al.*],
[105] *Idem*
[106] *Ibidem*
[107] *Ibidem*

In her defense, KANTENGWA stated that Palmolive Colgate Company has no capacity to sue from USA and did not prove that it is the only one allowed to distribute Colgate products but she further noted that HONEST GENERAL ENTREPRISES Ltd which requested the customs authority to suspend to release into free circulation of the concerned products affirmed to have been granted the authorization by the PALMOLIVE EAST AFRICA Ltd. The defendant urged further that Claimant has no longer interest in the claim since the RRA had already released the concerned products and that the removal from the market and the destruction of counterfeited products could not be executed as the products has already been sold.[108]

The Commercial Court decided that Palmolive Colgate Company has right to lodge a case because it has full right to sue any person who infringes its rights and that Expert's report has shown that imported products were not Colgate's products though bearing its trade mark, thus counterfeited products as the Court found that considering that Palmolive Colgate Company has got a certificate of trade mark registration from Rwanda Development Board makes every imported colgate products without authorization from Palmolive become counterfeited products.[109]

Thus, the Commercial Court ordered the freeze of the distribution of counterfeited colgate and their removal from Rwandan market and further ordered the destruction of counterfeited products and further order that same will apply to any colgate that will be imported by any person other than Colgate Palmolive Company or any it has granted the authorization. The basis was colgate products were registered in RDB as patented invention of COLGATE-PALMOLIVE COMPANY. The Commercial Court awarded Palmolive Colgate Company the damages worth 600,000frw.[110]

The Commercial High Court had to determine whether the Commercial court confused the monopoly with the counterfeit act. In fact, all three defendants appealed in the High Commercial Court but later, MUKAMUYENZI Liliane dropped her appeal. The appellants claimed that the Commercial Court has confused the monopoly with the act of counterfeiting. The commercial High court confirmed the first instance court decision which based on articles 151 and 261 of the

[108] *Ibidem*
[109] *Ibidem*
[110] *Ibidem*

law on the protection of intellectual property in Rwanda; stating that considering that the appellants didn’t provide a proof of authorization from the trademark owner to import colgate products from Palmolive Colgate Company, those products are considered as counterfeited product under Rwandan Law.[111]

Article 261 of the Law No 31/2009 of 26/10/2009, Law on the protection of intellectual property ; it states :

> *‘’… Any third person, who knowingly sells, offers on sale, is making rent, detains or introduces on the territory of the Republic of Rwanda, the alleged infringing goods for commercial purposes, shall be considered as committing the same offence.*[112]

The court decided basing on the fact that the *Palmolive Colgate Company* has registered its trademark that any product imported with that trademark without its authorization was to be considered as counterfeited and decided then not to consider the proposed laboratory test to find out if the imported products were really manufactured by Palmolive Colgate Company. Thus, the Judge of Nyarugenge Commercial High Court, corroborated the decision of the Nyarugenge Commercial Court in the paragraph 14 of the appeal judgment stating that everyone who imports without the owner’s permission commits the crime of counterfeiting.[113]

In addition, the case law *Bakhresa V. Mikoani Traders Ltd* does illustrate how the infringement of the trademark is treated in Rwandan courts as decided by Nyarugenge Commercial High Court in October 28, 2016. The claimant/appellant was Bakhresa Grain Milling (Rwanda) Ltd and the respondent was Mikoani Traders Ltd. Both companies were represented by their respective advocates. The subject matter was application for the review of the case No RCOMA 00043/2016/ CHC/ HCC decided by Nyarugenge Commercial High Court on 15 April 2016.[114]

As a matter of fact, *Mikoani Traders Ltd* filed a case in Nyarugenge Commercial Court alleging *Bakhresa Grain Milling (Rwanda) Ltd* and requesting the Court to invalidate the registration of the mark AZANIA onto Bakhresa as that trademark belonged to Mikoani Traders Ltd. At this

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[111] Ibidem

[112] Law No 31/2009 of 26/10/2009

[113] Case N^{O} RCOMA0157/14/HCC-RCOMA 0165/14/HCC-RCOMA 0248/14/HCC, 2014.[*Colgate Palmolive V. MUKAMUYENZI et al*.],

[114] Case N^{o} RCOMA 00276/2016/CHC/HCC.[*Bakhresa V. Mikoani Traders Ltd]*

Bakhresa raised an objection regarding Mikoani's lack of jurisdiction, which was supported by the Court. Mikoani Traders Ltd appealed for that issue and Nyarugenge Commercial Court refuted the previous decision on that objection, which made Bakhresa apply for the review. It is now time to assess the reasons that Bakhresa (the appellant) put forward for the application for the review as for the admissibility of the review before the lawsuit.[115]

As for the Court decision on this case, Nyarugenge Commercial High Court did admit objection raised by Mikoani Traders Ltd but found it not valid; the Court admitted the application for review on the side of Bakhresa for it had a valid reason in some aspects. Hence, it decided that there was no reason to change the judgment regarding the case No 00043/2016/CHC/HCC that was subject to review. Thus, Bakhresa Grain Milling (Rwanda) Ltd (the claimant) lost the case and was ordered to pay for court and attoneys' fees.[116]

In Rwanda some trademark infringement cases were in earlier times heard – as criminal cases - in Intermediate Courts like Tribunal de Grande Instance (TGI). In the case law *Prosecutor Vs Bayavuge, et al.* Nyarugenge Intermediate Court admitted the case lodged by the Prosecution accusing the three (3) people namely BAYAVUGE Idrissa, NIYONSENGA Silas and NIYITEGEKA Jerome for imitating the trademark (counterfeiting) and sale of counterfeited products of BIC.[117]

In fact, fountain pens in the name of *Bic* were products of HACO TIGER BRAND, the manufacturer in Kenya and were imported in Rwanda by KABANO (whose wife is UMURUNGI UMWIZERWA, the one who lodged a civil action – damages – represented by Me RUTAGENGWA Jean Damascene) with the business "T & T TRADING" bearing the license/authorization from HACO TIGER BRAND to import and sell BIC products in Rwanda since the trademark was registered in RDB.[118]

Concerning the decision of the court, respondents did default before court as to respond to summons or notice to a party (they failed to attend without valid reasons) and after summoning a party with unknown domicile or residence, the judge of TGI Nyarugenge basing on art. 264 of

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[115] *Idem*
[116] *Ibidem*
[117] Case N° RP 0202/12/TGI/NYGE.[*Prosecutor V. Bayavuge, et al.]*
[118] *Idem*

the Law No 31/2009 of 26/10/2009 Law on the protection of intellectual property and on the facts presented by the prosecution adjuducated the case, decided that the Prosecution won and the accused lost the case; that the damages case for tort liability was adimissible; that Bayavuge Idrissa, Niyonsenga Silas and Niyitegeka Jerome were condemned to 5 years of imprisonment. They had also to pay for a fine of ten million (10,000,000Frw) each to the injured party (Umurungi Umwizerwa/T & T Trading) and the court fees.[119]

2.3.3 Trademark exhaustion doctrine: an affirmative defense

Procedurally, the trademark exhaustion doctrine operates as an affirmative defense, shielding authorized purchasers from infringement claims regarding the sale or use (including repair and modification) of a trademarked product after the trademark owner authorized the sale of the product. As an authorized sale triggers the doctrine, it cannot be so easy to determine whether the exhaustion doctrine applies in a particular case.

As far as a comparative analysis with trademark cases outside Rwanda is concerned, an up to date federal court case law illustrated the distinction between the concept of exhaustion of rights and that of parallel imports. The case law *Coty, Inc., et al. V. Excell Brands* concerned Coty companies (group of companies). According to the court in New York, *Excell Brands*, the Respondent sought to benefit from the success of fragrances or perfumes produced by Coty since the latter had cheap-price versions of fragrances and with names which bear nearly identical packaging. Nevertheless, Excell significantly incorporated in its packaging Coty's own trademarks. Coty brought suit for infringement of its trademark and unfair competition, trademark dilution, and false advertising before the Federal and New York court of Law.[120]

The court further found that denial of Excell saved it from counterfeiting legal responsibility. The court decided that Excell's act of imitation passed from the line of smooth talk to infringement, which led to unfair competition and false advertisement but refuted the idea that it constituted counterfeit in federal law. The Court cannot conclude that Excell had tried to trick consumers by the fact of buying Coty's products, although it sought to profit from Coty's good

[119] *Ibidem*
[120] T.A.Rondoni, ‘’ Crossing the Line: When Does Infringement Become Counterfeiting?’’*WestLaw: Coty Inc., et al.V.Excell Brands*, 4155402 (S.D.N.Y., Sept. 18, 2017). Retrieved at https://www.fredlaw.com/news__media/2017/11/22/1715/crossing_the_line_when_does_infringement_become_counterfeiting/ [23/08/2020]

will confusing customers on products of both companies. Thus, the court decided that act of imitation looks like a mere flattery but which can also become later costly.[121]

Indeed, the Federal Circuit cited Boesch in *Jazz Photo Corp.V. International Trade Commission*[122], charged that Jazz Photo Corp. and others were infringing Fuji photo's patents on is single use camera by acquiring used camera, opening them up, refurbishing them and reselling them. And the court found that the patents were exhausted with respect to cameras sold in the United States but not with respect to cameras sold abroad.[123]

In the end, regarding infringement of trademark in Rwanda, imitation of trademarked products looks an infringement act tending to make a product look similar but not identical to another one but with some judgments it is seen as counterfeit whereas outside they differentiate it from counterfeit which refers to a genuine product and there parties do oppose the exhaustion doctrine.

[121] Rondoni, *supra* note 119
[122] Case no 264 F. 3d 1094.[*Jazz Photo Corp.V. International Trade Commission]*
[123] L.D. Prutzman & E. Stenshoel, "The Exhaustion Doctrine in the United States", 2013, p.6.

CHAPTER THREE: IMPACT OF THE CHOICE OF THE TYPE OF EXHAUTION OF IPRs ON THE EASE OF DOING BUSINESS IN RWANDA

This chapter analyzes how Rwanda has chosen the type of international exhaustion of IPRs; the reason why Rwanda had to replace the IP Policy of 2009 ; its merit vis a vis the theory of exhaustion of rights; advantages of international exhaustion and impact on busines and then the way forward.

3. 1 International exhaustion regime to replace the national exhaustion

The Government of Rwanda embarked on the revision of the Intellectual Property Policy of 2009 with a view to upgrading the protection of intellectual property rights to the highest international standards. This review was aiming at developing the existing policy frame of the protection of intellectual property rights in Rwanda and putting in place the foundation for a strong institutional framework. Besides, the doctrine of International exhaustion works on the assumption that the whole world is one market or one country. The exhaustion of rights doctrine is a limit on IP rights; it concerns the extent to which, after the first sale of a genuine product in which the IP right vests, the IP owner can control the further resale or any other subsequent commercial exploitation of that product. [124]

The Rwanda Intellectual Property Policy of 2009 was to enhance the regime of national exhaution which does not allow the IP owner to control the commercial exploitation of goods put on national market by IPR holder or with a license. So, with the national regime, the IPR holder can oppose to the importation of genuine goods brought from abroad for sale and this on the basis of the right of intellectual property. In addition, as in the case of regional exhaustion, the first sale of the protected product by the IPR holder or with authorization. The intellectual property rights exhaust over these given products not only on internal market, but also international level (between countries). Nevertheless, where a country applies the concept of *international exhaustion*, the IP rights are exhausted once the product has been sold by the IP owner or with his consent in any part of the world.[125]

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[124] C,Heath, *Parallel imports and International trade*. Available at https://www.wipo.int/edocs/mdocs/sme/en/atrip_gva_99/atrip_gva_99_6.pdf [27/06/2021]

[125] Heath, *supra* note 121

The Rwanda Intellectual Property Policy of November 2009 has enhanced intellectual property to maximum advantage and with a view to encouraging technology transfer, with a particular emphasis on the creation of knowledge, acquisition and transfer. It was also necessary to improve the existing IP policy, consider the relevance of establishing a good or well-functioning system of intellectual property that would stimulate the implementation of IPR in Rwanda.[126]

However, in 2018 the Government of Rwanda managed to revise the intellectual property policy at hand the one that was adopted in 2009. The purpose for the review was to implement and get it bigger the new framework of the afore-mentioned policy on intellectual property in Rwanda through adopting an international exhaustion regime for an international free trade.[127]

By then, Rwanda recognized through this new policy of intellectual property, the international exhaustion of IP rights. In this regard, the principle establishes that the intellectual property holder with respect to the property stands exhausted when the property is legally sold in the market by the owner him/herself or by his/her authorized licensee anywhere in the world. Yet, with this revised IP in Rwanda, the parallel imports are therefore acceptable in Rwanda and the exhaustion doctrine sounds relevant.[128]
Thus, it seems that the possible effects if this switch from a regime of national territory to that of international exhaustion has made a very important reaction onto the national market bringing about the development of economic and social transformation and creating an atmosphere for implementation of the rights of an inventor.

From an economic perspective, trademark right owners receive an amount of money at the first sale of their products. It would be inappropriate to receive something else from any dispose of the product as the transfer of ownership right over that property has occurred. The same scenario remains also true even from a legal perspective. Indeed, the act of registration of a trademark before the Registrar General provides the trademark owner the exclusive right to exploit his/her

[126] Revised Intellectual property in Rwanda, Oct. 2018, *supra* note 78
[127] *Ibidem*
[128] *Ibidem*

intellectual property (the invention, the trade mark or a work of art), but not the physical goods incorporating that asset because once it is sold it can therefore be freely resold.[129]

The economy growth Rwanda looks fast and it is being transformed into a competitive export economy at international trade. In addition, the Economic Development and Poverty Reduction Strategy II (EDPRS II) and Vision 2050 policies have underlined the relevance of building a self-sufficient economy and have interrelated both at national and international levels. The IP Policy has come to provide guidance and a road map to ensure support and facilitation for achievement of the country's vision and targets through IP laws, practices and strategies.[130]

Inadequate access to international markets can prevent the growth of businesses and lower economies of scale reason why facilitating trade is of great importance. Markets in the vicinity of areas where products are made seem most of the time small, especially in developing countries. International trade also allows developing countries to participate in the worldwide supply chains. Being allowed to bring from abroad raw materials for sale and other goods plays a considerable role in multilateral trade. In contrast, delays or a shortage of such facilitation may significantly affect the production.[131]

In actual fact, having ownership right over an IP regarding a certain product differs from having ownership over a product itself. It is obvious that one's intellectual property remains his /hers to use as long as that product in question is protected. It is a preexisting work or something to use going forward after the engagement of a client. An intellectual property asset is found everywhere and it is incorporated and present in any physical goods which are protected and art.6 TRIPs regulates its scope of implementation at an international level by.[132]

The principle of exhaustion of rights has been dealt with in the case of *Samsung Electronics Company Limited & Anr. Vs. Kapil Wadhwa & Ors*. wherein the different benches of High Court have taken different stands of this concept. In this case concerns a company which makes printer

[129] N. Pires de Carvalho, *The TRIPs Regime of Patent Rights*, London, 2002, p.8. It has been noted that « exclusive marketibg rights need to exhaust at some point in order to bring about legal security in down – tream markets » : see T.Cottier and I.Meitinger, « The TRIPs Agreement withiut a Competition Agreement ? ''
[130] Revised Policy on Intellectual Property, 2018
[131] Y.Yue & J.W.Clark, *Trade Facilitation and Expanding the Benefits of Trade: Evidence from the Firm-Level Data*, 2009.
[132] TRIPs is one of the WTO agreement signed in 1994 and is one of the pillars of the international trade system. It imposes on WTO members the obligation to ensure a minimum level of protection of all types of IPR.

under its trademark and has licensed the Indian company to use the Samsung trademark. The plaintiffs have developed a claim that the printers that thery sold in India are sold with authorization . Any person without authorization from the trademark owner cannot logically sell nor market the products of Samsung in India. They went on saying that the marketing of the products is done specifically through the website of Samsung by which they plan to inform the customers about their various products.[133]

The assumption that consumers profit from parallel imports in the sense that cheaper prices are offered and that they do offer greater variety, even though there are a supporting and a divergent opinion, the unauthorized use or sale in parallel imports indicate some advantages on the market. Consumers undoubtedly can get happier when there is access to parallel imports (without restraint and worldwide) in an international exhaustion. Therefore, the consumers' rights are not the only rights worth protection but also the right of the trademark owner is to be protected in the same way.

3.2 Merits and advantages of international exhaustion of rights

The role of trademark protection is to reward creativity and provide incentives for new endeavours, as well as to enable customers to identify the origin of goods. According to the exhaustion of rights doctrine the trademark owner has the right to organise the distribution of goods or reinforce selective distribution networks.[134]

An international exhaustion regime strengthens the trade between countries, injecting competition into international markets and satisfying consumers' demand and interests. Parallel importers enter into competition and buy products from low price areas to sell them at higher prices in other countries; local consumers do gain from that particular experience. That kind of commercial practice provides a constructive impact in some fields like industry relating to medicinal drugs and having something to do with food.[135]

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[133] *Samsung Electronics Company Limited & Anr. Vs. Kapil Wadhwa & Ors*. 7135-7136 of 2012; No 26514-26515 of 2011

[134] A. P, Chatzimichali,'' The limits of Intellectual Property: Exhaustion of rights, international trademarks and digital copyright,''Available at http://www.wipo.int/sme/en/ip_business/export/international_exhaustion.htm [04/07/2021]

[135] Bonadio, *supra* note 38

Moreover, the practice of parallel trade results to the raise of the quantity for delivery indicated by the occurrence of a lot of goods on market and with different prices, which can cause a positive dumping effect. It is believed that parallel importation seems one of the ways to combat anti-competitive practices. Countries with less capacity of production which rely on exportation would benefit from the trade (economic and commercial development) that allows parallel trade of goods from abroad. [136]

The exhaustion of intellectual property rights (IPRs) constitutes one of the limits of intellectual property in that a product covered (by an IP right) has been sold by the right owner or by other who hold the consent of the owner that IP right is said to be exhausted. This plays an important role in the sense that IP rights cannot be used to stop the further distribution or resale of those goods, which enables free movements of goods and services at international level. At these afore-mentioned rights three violations appear to be common like infringement, countrerfeiting and acts of misappropriating trade secrets. In fact, the doctrine prevents the IPR holder's from controlling over the good with a view to tackling parallel imports by ceasing or desisting them. This kind of prohibit is critical as to the market economy because it permits the free trade of goods.[137]

In international commercial system, IP rights refer to the fact that the owner has the sole authority either to sell his/her work or to license it to third party who can make use of this work. But the exhaustion doctrine means that the rightful holder loses the right to control the resale of the protected goods at the first sale whereby he/she cannot object to subsequent circulation of the product. This first-sale doctrine of the creations of the mind limits the powers of the trademark owner over the goods in favor of open market (third parties) to ease doing business.[138]

Doing business has something to do with carrying on normal activities of a business entity or engagement in commerce bring goods or product from abroad for sale or vice versa (exportation); it involves the time and the cost. As for the trade across boundaries of the territory of a country there are documentation requirements and procedures at customs and other regulatory agencies. These are key dimensions of the ease of trading—the more time-consuming

[136] Bonadio, *supra* note 38
[137] Ghosh, *supra* note 20
[138] Bonadio, *supra* note 38

and costly it is to export or import, the more difficult it is for local companies to be competitive and to reach international markets. Trading across borders, as measured by doing Business, typically involves the following steps: After signing a contractual agreement with the overseas importer, the exporting company first prepares and obtains all required documents and submits them to the relevant authorities.[139]

Many countries which does not have territory connected to an ocean and which do not have their ports (landlocked) do face a great deal of challenges because of the long inland distances traders have to make in their commercial activities in their regional cooperation. These countries have to do their utmost to raise cooperation agreements with a view to regulate border issues (for example checkpoints) so that goods can move freely across borders until they reach the place they are being sent.[140]

In Rwanda, parallel importation has both legal and economic ramifications. Economically it promotes the availability of trademarked goods at different prices which prevents the establishment of a trade monopoly. The Government of Rwanda (GR) has managed to make its investment climate better by undertaking intellectual property policy reforms as one of measures to ease doing business.[141]

3.3 Effects of international exhaustion regime on doing business

In Rwandan context, the current intellectual property legal and institutional framework is conducive enough for the business to leverage on it in protecting their brands among other IP assets and making their companies more competitive both at local, regional and international markets.

3.3.1. Rwanda's economic growth and foreign investment climate

Concerning investment in Rwanda this country has got strong economic development, with a high rank in the *World Bank's Ease of Doing Business Index*, and was known or considered trustworthy for low corruption. The Government of Rwanda (GR) had to reform its policy on intellectual

[139] World Bank Group, 2019
[140] I.Ahmad & H.S.Manzoor, "Reforming Customs Clearance in Pakistan, Investment Climate in Practice series", Washington, DC, 2010.
[141] J. Scott, *supra* note 84.

property rights for the purpose of making much better the climate of investment – invetsment climate refers to economic , financial and sociopolitical conditions in a country whereby individuals, banks or institutions are willing to acquire a stake in businesses operating there - and develop Foreign Direct Investment (FDI). In 2018, the GR for instance put in place a revised document to discourage a lot of bureaucracy in issuing construction permits, improve timely provision of electricity, and reduce times spent to the processing of doing customs.[142]

Rwanda has got FDI opportunities like manufacturing, infrastructure, energy distribution and transmission, off-grid energy, agriculture and agro-processing, low cost housing, tourism, services, and Information and Communications Technology (ICT). The equal treatment between foreigners and nationals, movements of funds and compensation against expropriation, these are investment facilitation for potential investors.[143] In addition, Rwanda has promoted women and gender equality in different paths to life and has run lots of projects for the promotion of women entrepreneurs because both men and women have equal access to investment facilitation as well as protections.[144]

The Government of Rwanda has undertaken a series of policy reforms intending to get better investment climate, boost Rwanda's economy and develop DI levels.[145] National laws governing commercial investments, privatization and public investments, land, and environmental protection are the first directives governing investments in Rwanda. Rwanda is not party to any countertrade and offsetting arrangements, or agreements limiting exports to Rwanda, according to the revised intellectual property policy of October 2018.[146]

Since the protection of a trademark requires the registration process, in Rwanda, the legal entity in charge of the registration of intellectual property is Rwanda Development Board (RDB) which was established in 2006 to track investment projects and bring government agencies or any other trademark right worthy under the same roof. This involves the main activities relating to necessary approvals like registration of a business, promotion of an investment, compliance with environment

[142]M.Steed, "Economic and Commercial Officer, United States Embassy" ,Investment Climate Statements: Rwanda,2009. Available at https://www.state.gov/reports/2019-investment-climate-statements/rwanda/ [20/05/2021].
[143] Steed, *supra* note 139
[144] *Idem*
[145] *Ibidem*
[146] J. Scott, *supra* note 84

and promotion of export. So, new investors have to register nowadays online at the RDB's website and get a certificate in a short time.[147]

3.3.2 Protection of investors' Intellectual Property rights

The Investment Code of 2015 guarantees the protection of investors' intellectual property and legalizes rights relating to technology. RDB and RSB are the main regulatory bodies for Rwanda's intellectual property rights law. The Registrar General registers intellectual property rights and provides a certificate to corroborate the act and each IPR title is published in the Official Gazette after its registration. Domestic and foreign applicants should pay fees equally for substance examination and registration of IPR.[148]

Companies as well as prospective trademark owners should consider applying for trademark or patent protection in a timely manner. Rwanda has worked to enlarge IPR protection through RSB and the RRA but a number of goods violate the right to a trademark, especially for pharmaceutical products.[149]

Rwanda, as member of African Regional Intellectual Property Organization (ARIPO) and member of the World Intellectual Property Organization (WIPO), is however seeking for harmonizing its legislation with WTO Agreement, on the Trade-Related Aspects of Intellectual Property (TRIPS). It has to ratify WIPO Internet Treaties and has got steps to implement TRIPS Agreement. So far, Rwanda is signatory to treaties and conventions like the Paris Convention, the Berne Convention, the Patent Cooperation Treaty, the Madrid Protocol, the Hague Agreement and the Brussels Convention.

Numerous studies have tried to make estimation of the extent to which IPRs relate to trade. Bikker & Aart (1992) just to name a few, use an improved version of monopolistic competition to estimate patent protection impacts on international trade.[150]

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[147] Steed, *supra* note 139
[148] J. Scott, *supra* note 84
[149] *Idem*
[150] J A.Bikker & F.Aart, *An International Trade Flow Model with Zero Observations: An Extension of the Tobit Model*. Cahiers Economiques de Bruxelles 135. Nederlandsche Bank, Amsterdam, 1992.

As for Maskus, IPRs affect international trade flows in different ways. He goes on by giving an example that a company can be prevented from exporting its patented good into a foreign market if potential infringer can make smaller the state of the company's activity of yielding profit in that market owing to a weak IPR system. So, developing a country's patent or trademark regime contemplates increase of imports because alien companies do face increased demand for their products. A company might prefer to reduce its sales in a foreign market as a response to stronger IPR protection in an imitation safe area.[151]

The fact that flows of trade rise or fall in response to tight IPRs is not enough to draw conclusions on the subject of economic wellbeing; both static and dynamic effects need to be taken into account. From the dynamic view, the presence of IPRs encourages innovation in the country from which goods are bought and then raise prospect trade flows. This impact sounds beneficial for both trading economies. The international recognition of IPRs on the other side is seen as an adjustment mechanism that assures vibrant competition between countries.[152]

Countries where innovations are found do provide certain incentives as to develop new technologies, the ones whose next generation would be manufactured by their hanger-on countries. This method therefore leads to continued technological progress and economic development and, is beneficial, from a dynamic point of view, as well.[153]

The International exhaustion of rights adopted by Rwanda did affect Investors'of Intellectual Property rights taking into account its advantages and advantages. As earlier explained, the doctrine of international exhaustion means that once the goods have been legally sold by the trademark owner or his authorized person in any international market, such sale leads to an exhaustion of the rights of the trademark owner to prevent further sale of such goods anywhere internationally.[154]

[151]K.E.Maskus, ''Parallel imports,'' *The World Economy*, 2000.
[152] K.E.Maskus & E.Denise, *Trade-Related Intellectual Property Rights: Issues and Exploratory Results*. In Alan V. Deardorff and Robert M. Stern, eds., *Analytical and Negotiating Issues in the Global Trading System*. Ann Arbor: University of Michigan Press, 1994.
[153]M.J.Ferrantino, *The Effect of Intellectual Property Rights on International Trade and Investment.*Weltwirtschaftliches Archiv 129(2), 1993, pp300–31.
[154] A.Sherwood & M.Robert , *Intellectual Property and Economic Development.* Boulder, Colo.: Westview Press, 1990

It is not surprising in the context of economic globalization when the international system is moving towards strengthen IPRs. Globalization refers to the increasing interdependence of national economies across the world as a result of the growing scale of cross-border (natural barriers to trade, investment, and technology flows) movement of goods.[155]

In globalization economy, the creation inventions or innovations are more and more essential for commercial competitiveness and economic development. These circumstances necessitate growing the state or condition of being prominent or growing political issues in line of the fact that international mobility (which comprises the selection and relocation of workers for worldwide assignments) of capital and technology have relatively increased. Globalization vests its rewards in creative and skilled workers.[156]

In the words of the International Monetary Fund (IMF) emerging markets are countries with low to middle per capita income that have undertaken economic development and have begun to emerge as significant players in the global economy. However, those kinds of markets that have some characteristics of a developed market but do not fully meet its standards have got strong and growing interests in attracting trade, foreign direct investment (FDI), and technological expertise. They are to adopt programs to build domestic skills capacity and to ensure that the benefits of competition actually does rise.[157]

In this context, IPRs are an important element in a broader policy package which governments in developing countries should design with a view to maximizing the benefits of expanded market and enhancing fair competition in which domestic companies take part. That broad package comprises the promotion of political stability and economic development; promotion of labor markets and capacity building of labor; liberalization of markets; and development of regulatory regimes in services, investment, and intellectual property and competition practices.[158]

As far as the ease of doing business is concerned and according to the World Bank, it is an aggregate value that includes diverse parameters which define ease of doing business in a

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[155]A.Sherwood & M.Robert,Intellectual Property and Economic Development, 1990.

[156] A.J.Glass& S.Kamal, "Intellectual Property Rights and Foreign Direct Investment." *Journal of International Economics* 56, 2002, pp387–410.

[157] H.Amirahmadi &Weiping, "Foreign Direct Investment in Developing Countries,1994.

[158] Amirahmadi &Weiping, *supra* note 154.

country. It refers to a ranking system established by the World Bank Group whose index indicate better regulations for businesses and stronger protections of property rights; the regulatory with best practices for doing business as the parameter and the benchmark economies. So, a high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of local companies.[159]

Regulation that is efficient, transparent and implemented in a simple way facilitates business expansion and innovation, and makes it easier for aspiring businessmen, entrepreneurs or investors to compete on an equal footing. The major parameters are the following: enforcing contracts, resolving insolvency, starting a business, registering property, paying taxes (tax payment mechanisms) and trading across borders.[160]

However, the international exhaustion of rights is likely to ease doing business in Rwanda (international context and legislation). The vision of the new regime in Rwanda is to contribute to economic and social transformation by putting in place a situation which enables economic utilization of the rights of inventors, innovators and businesses, and this through the intellectual property rights protection to the maximum international values.[161]

Expected outcomes from the new regime of international exhaustion of rights would reflect a strong legal institutional framework that protects adequately intellectual property rights in Rwanda (protection of IPRs); an appropriate situation for the promotion of skills which are scientific and technological as well that would rise innovation ability (international trade, consumer protection, competitiveness, price issues, …); a development and economic exploitation of innovative, new projects and ideas implemented by inventors, innovators and companies; and then promote protection of signs used on products that have a specific geographical origin and possess qualities that are due to that origin (geographical indications), usual awareness and educating expressions and reasonable access to inherent property.[162]

[159] Vishnava, "Ease of Doing Business", July 20,2021
[160] Vishnava, *supra* note 156
[161] Revised Intellectual property in Rwanda, Oct. 2018, *supra* note 78
[162] *Idem*

3.4 Way forward: Legal reforms to implement international exhaustion of rights

According to the revised intellectual property in Rwanda document, the policy reforms proposed refer to, for instance, the policy on intellectual property right that would promote the idea of a certain gain or profit through the production, distribution and comsumption of goods and services of IP in Rwanda. Indeed it indicates a professional trademark examination system which is well harmonized with trademark registration procedures in other national territories.[163] One of main policy reforms on treaties on trademark proposed in this revised policy document is to give strength to legal framework by implementing provisions of different international treaties relating to the harmonization of the protection of regional and international intellectual property rights systems.[164]

Thus, considering the need to have a significant trademark examination regime that is well managed with trademark registration procedures in other jurisdictions, it deems it necessary to accede to and ratify agreements such as: a) Banjul Protocol on Marks within the Framework of the African Regional Industrial Property Organization (ARIPO) which gives rise to harmonized trademark registration systems, under ARIPO. b) Treaties on trademark protection dealing with Policy Reform on Treaties on Trademark. [165]

As recommended by the Intellectual Property Policy 2018, the Government of Rwanda should revise IP legislation and put in place policy reforms relating to the Trademark Regime with functions IPRs such as: a) give the definition of a criteria of absolute and relative grounds of refusal of registration of trademarks; b)avail the rights conferred and exceptions; c)specify the duration of the protection; d)clarify how to acquire and cancel trademark rights in particular, e)define procedures and timeframe according to the international standards; draw mechanisms of appeal and disputes resolution; f)empower the IP office with infrastructure, resources and know-how to enable carrying out of substantive examination of trademark applications; h)establish an administrative opposition procedure for the registration of trademarks and equip the IP office to conduct hearings and rule accordingly and g)empower the IP office to provide advisory services and develop the capacity of SMEs to make effective use of the IP system.[166]

[163] Revised Intellectual Property in Rwanda, Oct. 2018, *supra* note 78
[164] *Idem*
[165] *Ibidem*
[166] *Ibidem*

GENERAL CONCLUSION

Rwanda issued its intellectual property policy which became effective in November 2009. That law allowed parallel imports only to facilitate access to pharmaceutical products. However, the Government acknowledges that the internal trade law has weaknesses in the area of competition policy. It seems that some businesses have taken advantage of these weaknesses to engage in unfair competition. It is against this background that Rwanda has revised its IP policy of 2009.

Rwanda has adopted international exhaustion of rights in 2018 to replace the national one, just to facilitate the dealings or the doing business while importing goods or products from abroad and across borders. The revised policy of 2018 was to improve the existing one of 2009 which provided for the exhaustion of rights at the national level. Indeed this revision did occur because of the expansion of the legal framework for the protection of intellectual property rights as well as the provision of the foundation of a strong institutional structure.

It is an occasion to step up IP awareness among current IP users and prospective users, including inventors, persons who introduce new products, research centers and researchers in higher institutions, businesses (companies) and relevant government officials on the policy and legal framework relating to the protection of intellectual property rights in Rwanda.

Whatever is the matter; challenges did occur in the sense that despite the availability of the revised intellectual property document adopting the international exhaustion of rights, parallel imports were taken by Rwandan courts as counterfeiting. And the law No 31/2009 of 26/10/2009 law on the protection of intellectual property is yet to be revised to comply with the recommendations of the intellectual property policy of 2018.

Thus, it should be recommended that the Government of Rwanda put an emphasis on the revision of legislation on intellectual property rights and the strengthening of IP awareness among intellectual property users to encourage the idea of certain gain through the production, distribution and consumption of IP in Rwanda especially through international trade.

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