

Agreement on Trade and Tariffs (GATT)<sup>106</sup> may be invoked to facilitate free movement of branded goods in the EAC Common Market.

## *II. Trade mark rights in the Common Market*

Trade marks are essential aspects for the proper functioning of any Common Market. Practical experience shows that unless a special trade mark regime is established to cater for the interests of the common market, national trade mark regimes of the cooperating States will encourage imposition of some restrictions on the free movement of branded goods.<sup>107</sup> While the Common Market among the EAC Partner States has been established, a common trade mark regime that may substantially contribute to proper functioning of such market has not yet been put in place. The absence of such regime means that the exercise of independent national trade mark rights is likely to come into conflict with the Common Market's objectives of ensuring free movement of goods.

The national trade marks characterising the EAC trade mark protection regime are not only territorial but also independent of each other.<sup>108</sup> It is, thus, lawful for a trade mark proprietor to apply for registration of a single trade mark for identical goods in different countries.<sup>109</sup> In the circumstances, a trade mark proprietor owning a trade mark registered in Tanzania, Kenya and Uganda has some legal power not only to control the initial marketing, but also the further commercialisation, of the trade-marked goods and thereby dissecting the EAC Common Market into national markets. Goods marketed in one of these countries may not lawfully be re-imported in any of the rest countries. This legal possibility stands in contradiction with the noble purpose of the free movement principle enunciated in the EAC Treaty and the Protocols thereto.

106 The General Agreement on Tariffs and Trade of 30 October 1947 forms part of the General Agreement on Tariffs and Trade 1994 ("GATT 1994").

107 *Cf.* chapter 6 which describes this problem in relation to the European Common Market.

108 Regarding the territoriality principle of national trade marks *cf.* ECJ, Case C-9/93 *IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* [1994] ECR, I-02789, para. 22.

109 *Cf.* STUART, M., "The Function of Trade Marks and the Free Movement of Goods in the European Economic Community", 7(1) IIC 27, 34 (1976).

## 1. The Common Market Protocol

One of the items of evidence that national trade mark laws may be invoked to restrict free movement of branded goods can be deduced from Article 29 of the CMP. The basic purpose of the Article is to guarantee protection of cross-border investments in each of the Partner States. Cross-border investment, as used in the Article, refers to “any investment by a national of a Partner State in the territory of another Partner State”.<sup>110</sup> The term “investment” is employed in the Article to refer to “any kind of asset owned or controlled by an investor of a Partner State in another Partner State in accordance with the national laws and investment policies of that Partner States”.<sup>111</sup> Intellectual property rights are mentioned as a possible investment area pursuant to the relevant national laws.<sup>112</sup> In view of the foregoing provision, EAC nationals<sup>113</sup> are entitled to have their intellectual property rights created and protected in accordance with the relevant laws in the Partner State(s).<sup>114</sup> Viewed in this sense, Article 29 of the CMP allows circumvention of the principle of free movement of goods: It recognises the independent national trade mark regime of the partner states – a regime that facilitates multiple registrations of a single trade symbol as a national trade mark in different Partner States – without providing an alternative regime that is necessary to encounter the challenges, which the national trade mark systems pose on the EAC Common Market. Accordingly, Article 29 of the CMP contradicts the CMP’s general aim to establish a single market in which a stable regime for the free movement of goods is guaranteed. This mischief cannot be avoided, unless the Article is given a broad, purposive interpretation in the light of other provisions of the CMP, particularly Articles 33 and 36. While Article 33 articulates some prohibited business practices, Article 36 enshrines some provisions relating to consumer protection.

In relation to prohibited business practices, Article 33(1) of the CMP decrees that EAC Partner States “shall prohibit any practices that adversely affect free trade”. A Partner State enacting a piece of legislation that allows trade mark rights to be invoked to restrict free movement of goods fails to fulfil its duties under Article 33(1) of the CMP. Reliance on that law cannot be justified, unless

110 Article 29(4) of the CMP.

111 Article 29(4) of the CMP.

112 *Cf.* Article 29(4) (f) of the CMP.

113 Investor in the context of Article 29(4) of the CMP means a national of a Partner State who has made an investment in the territory of another Partner State.

114 The legal stipulation in Article 29 of the CMP may also be enforced based on Article 3(2)(a) of the CMP, which requires Partner States to avoid discrimination of nationals of other Partner States on grounds of nationality.

it is the only reasonable means to enforce the proprietor's legitimate interests.<sup>115</sup> Disappointingly however, Article 33(1) seems to be toothless and hence incapable of enforcing the foregoing conclusion.<sup>116</sup> Article 33 aims to capture some specific behaviour, among which unilateral conducts are excluded unless they relate to the abuse of dominant position.<sup>117</sup> This implies that, under certain circumstances, proprietors are free to rely on their trade mark rights to obstruct free movement of goods irrespective of whether such reliance is necessary for the trade mark to perform its functions or for the proprietor to realise his other legitimate interests such as the right to be the first to sale the trade-marked goods.

The practice of restricting free movement of goods on the pretext of protecting trade mark rights as explained above is contrary to the principle of consumer protection stipulated in Article 36 of the CMP. The Article requires EAC Partner States to create conducive environment for the realisation of fair and effective competition as a condition precedent "to provide consumers with greater choice among goods and services at the lowest cost".<sup>118</sup> The foregoing provisions foster free trade, the spirit of which may be realised through parallel importation.<sup>119</sup> By allowing parallel imports, Article 36 tends to outlaw any restrictions imposed on trade-marked goods in a way that cannot be justified by the principles of trade mark law.<sup>120</sup> However, unless the EAC Council issues a directive or regulation interpreting the provisions of Article 36 in line with the foregoing interpretation,

- 115 A clear description of these interests is offered in section C (I) of this chapter.
- 116 Article 33 of the CMP, basically incorporates competition rules. The extent to which these rules may be based upon to facilitate free movement of trade-marked goods in the Common Market is discussed in detail in Chapter 6 in the context of the EU Common Market.
- 117 The Article is drafted to outlaw business practices emanating from agreements between undertakings (including decisions by undertakings and concerted practices) which may affect trade between Partner States (and which have as their objective or effect the prevention, restriction or distortion of competition within the Community); mergers leading to the creation or strengthening of dominant positions, and the abuse of a dominant position by one or more undertakings within the meaning of Article 33(2) (a) to (c) of the CMP.
- 118 Article 36(1) (b) of the CMP.
- 119 "Parallel imports of genuine goods promote free trade, encourage competition and exert a salutary pressure for price levelling" (CORREA, C. M. & YUSUF, A. A. (eds.), "Intellectual Property and International Trade: The TRIPS Agreement" (2nd ed.) 20 Kluwer Law International, Alphen aan den Rijn, 2008)).
- 120 The principles of trade mark law relevant for the free movement of branded goods are discussed in section C (I).

trade mark proprietors will still be able to circumvent the free movement principle in relation to branded-goods.<sup>121</sup>

## 2. The Customs Union Protocol

The EAC assumes, pursuant to Article 6 of the CPM, that the provisions of the CUP contain a sufficient, appropriate legal force for the regulation of the free movement of goods in the Common Market.<sup>122</sup> Proponents of this assumption have put forth an argument that the legal regime for the elimination of internal tariffs and non-tariff barriers endorsed in the Customs Union Protocol was meant to facilitate the free movement of goods.<sup>123</sup> While this assumption has a scintilla of truth, it is doubtful whether the regime has been tailored to the needs of the free movement of intellectual-property-imbedded goods: Tariffs are likely to affect the free movement of tangible goods, whereas non-tariff barriers are capable of affecting the free movement of both tangible and non-tangible goods including intellectual property rights. The question whether the EAC policy makers have interpreted the abolition of non-tariff barriers as a conduit pipe for the regulation of the free movement of trade-marked goods deserves an analysis.

Article 13 of the CUP requires the EAC Partner States to eliminate “non-tariff barriers to the importation into their respective territories of goods originating in the other Partner States”. The term “non-tariff barriers” is operationally employ-

121 Enforcement of Article 36 of the CMP is done in accordance with the directives and regulations issued by the EAC Council (Article 36(2)).

122 Specific evidence of this assumption is in the final report of the study for the establishment of the EAC Common Market where it is contended that the free movement of goods “has been effectively secured under the Customs Union Protocol” (cf. M.A. Consulting Group, “Study on the Establishment of an East African Community Common Market”, (submitted to the EAC on 28th August 2007), at p. 45. In this regard, it has been argued that the formation of the EAC Customs Union did not follow the integration sequences laid down by trade theories according to which Customs Unions are customarily preceded by arrangements for Preferential Trade Area (PTA) and Free Trade Area (FTA); and superseded by a Common Market (CM) and finally Economic and Monetary Union (EMU) (cf. M.A. Consulting Group, *ibid.*, p. 10). This is supported by the contention that cooperation under the auspices of the Customs Union went beyond free trade in goods for it encompassed some areas of cooperation with relevance to Common Market such as free movement of persons, services and capital; cooperation in monetary and fiscal matters; coordination of macroeconomic policies; strengthening of the organs and institutions of the Community; and cooperation in sectoral areas (cf. M.A. Consulting Group, *ibid.*, p. 22).

123 Cf. M.A. Consulting Group, “Study on the Establishment of an East African Community Common Market”, (submitted to the EAC on 28th August 2007), at p. 22.

ed in the CUP to refer to “laws, regulations, administrative and technical requirements other than tariffs imposed by a Partner State whose effect is to impede trade”.<sup>124</sup> While the national trade mark laws of the EAC Partner States must be regarded, based on their capability to restrict free movement of goods, as a category of non-tariff barriers, the EAC policy makers’ attention has hitherto not been drawn to this reality.

According to an EAC report released in 2007, intellectual property rights are not regarded among the factors that pose some dangers to the free movement of goods and which are supposed to be categorised as non-tariff barriers.<sup>125</sup> This practical reality contradicts the EAC Partner States’ agreement to report on existence of non-tariff barriers guided by the non-tariff barriers categorisation codes of the World Trade Organisation (WTO) among which intellectual property issues feature.<sup>126</sup>

### ***C. Possible solution to the mischief***

#### *I. Principles of trade mark law*

The potential of trade marks to impede free movement of goods “is primarily debated in the context of parallel importation,<sup>127</sup> i.e. attempts made by trade mark proprietors to seal off national markets as an element in price discrimination strategy”.<sup>128</sup> The question that stems from the principles of trade

124 Article 1 of the CUP.

125 The prevailing view of the stake holders in the EAC regards the following as the leading forms of non-tariff-based impediments: police road blocks, standards, sanitary and phyto-sanitary requirements, customs procedures and documentation, etcetera cetera (*cf.* M.A. Consulting Group, *supra*, p. 17).

126 *Cf.* IHJA, S. N., “Monitoring Mechanism for Elimination of Non-Tariff Barriers” – a project undertaken on behalf of the East African Community & East African Business Council in 2009 (see particularly p. 11)  
<[http://www.eac.int/customs/index.php?option=com\\_content&view=article&id=4:ntbs-monitoring-mechanism&catid=3:key-documents&Itemid=141](http://www.eac.int/customs/index.php?option=com_content&view=article&id=4:ntbs-monitoring-mechanism&catid=3:key-documents&Itemid=141)> (Status: 30 July 2012).

127 “Parallel Importation occurs when an intellectual property owner or his licensee sells protected goods in one market under such circumstances that those goods can be purchased there for export and imported into another market for sale against the wishes of the intellectual property owner and in competition with similar goods enjoying equivalent protection in the second market” (HAYS, T., “Parallel Importation under the European Union Law” 1 (Sweet & Maxwell, London 2004).

128 *Cf.* KUR, A. “Strategic Branding: Does Trade Mark Law Provide for Sufficient Self Help and Self Healing Forces?” in: GOVAERE, I. & ULLRICH, H. (eds.), “Intellectual Property, Market Power and the Public Interest” 191 (P.I.E. Peter Lang, Brussels; New York 2008). The electronic copy of the publication under reference is available at