PARALLEL IMPORT & EXHAUSTION PRINCIPLE

POSITION IN INDIA
Indian Case Laws

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PART–I: LEGISLATIVE HISTORY

Brief History of Trade Mark Legislations in India

In India the first trade mark legislation was Indian Merchandise Act, 1889 where the disputes or problems relating to the infringement of trade mark or passing off used to be decided under of Section 54 of the Specific Relief Act 1887 and the registration issues were tackled under the Registration Act 1908. The law of trade mark in India before 1940 was based on the common law principles of passing off and equity as followed in England before the enactment of the first Registration Act, 1875. The Trade Marks Act, 1940 had similar provision like the UK Trade Marks Act, 1938.

It was felt that, in the light of developments in trading and commercial practices amongst the trading community and with the emphasis and encouragement of investment flows, technology development and transfer, the trade mark system in the country had to be simplified. Although the Indian Trade and Merchandise Marks Act, 1958 used the U. K. Act principally as its model, yet there are important differences. The Trade Marks Enquiry Committee's Report, 1954 was the origin of the Indian departure from the British Act. It also recommended certain amendment of the old Section 30 of the previous Indian Act. This was followed by a report of Mr. Justice Raja Gopala Ayyangar on Trade Marks Law Revision in 1955. This Ayyangar Committee rejected the proposal of the report of the Trade Marks Enquiry Committee. On the basis of the report of Mr. Justice Ayyangar, the Trade and Merchandise Marks Act was enacted in 1958 which consolidated the provisions related to trademarks contained in other statutes like, the Indian Penal Code, Criminal Procedure Code and the Sea Customs Act. Later on, the Trade Marks Bill, 1993 was introduced in the Lok Sabha on 19.5.1993, which was passed by the Lok Sabha on the lines recommended by the Standing Committee. However, as the Bill failed to get through the Rajya Sabha, it lapsed on the dissolution of the Lok Sabha. A new Bill titled as Trade Marks Bill, 1999 (Bill No.33 of 1999) was introduced in Rajya Sabha and eventually passed by both the Houses of Parliament.

Parliamentary Material on Trade Mark Exhaustion and Parallel Import

The major observations of these parliamentary materials have been quoted below for reference.

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1 Para 30, Mac. Laboratories Private Ltd. v. American Home Products Corporation and Anr.
2 Ibid. para 33
3 Ibid. para 33a

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Rajya Sabha’s 227th Report on Copyright Amendment Bill, 2010:

“The viewpoint of the Motion Picture Association was that repealing India’s long-existing national exhaustion rule for copyright would not be a good policy choice, as all the important copyright producing nations in the WTO have the rule of national exhaustion for copyright national. The national exhaustion is beneficial to the economy as it allows exclusive distribution arrangements to be formed and respected and at the same tune, keeps the prices low in the country and helps build a strong domestic copyright industry. It was suggested that the concerns over impact of the existing rule on persons bringing in small quantities of parallel imported copy-righted material for personal use can be taken care of by an amendment creating an exception which could be narrowly crafted.”

Clarification given by the Federation of Indian Publishers was that the rights were commonly split up and assigned territorially. Indian publishers often enjoyed the right to publish and sell a book in India, while some other publishers did so in some other country(ies). Author was given the right to allow parallel imports regardless of whether or not he was the current owner of copyright. It was mentioned that as the amendment would be benefitting authors at the disadvantage of the publishers and it would also give rise to litigation between authors and publishers. The Indian Reprographic Rights Organization contended that the provision was likely to upset the whole pattern of commercial exploitation of most kinds of copyright works, by legitimizing the circumvention of territorial rights acquired by assignees at some cost.

“As clarified by the Department, the main purpose of this amendment was to allow for imports of copyright materials (e.g. books) from other countries. It was in accordance with Article 6 of the TRIPS Agreement relating to exhaustion of rights whereunder developing countries could facilitate access to copyright works at affordable cost. Exhaustion of rights (popularly called as parallel import) was a legal mechanism used to regulate prices of IPR protected materials. This was viable only if the price of the same works in the Indian market was very high when compared to the price in other countries from where it was imported to India.”

“Committee was also given to understand by the representative of publishing industry that the scheme of copyright law was entirely different from The Trade Marks Act and Patents Act 1970. The application of the standards and principles of these two laws through the proposed amendment of section 2(m) would completely dismantle the business model currently employed, rendering several industries unviable. On specific query in this regard, the department informed that the concept of international exhaustion provided under section 107 A of the Patent Act

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4 Paragraph 7.3
5 Paragraph 7.6
6 Paragraph 7.10

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1971 and in section 30 (3) of Trade Marks Act and in section 2(m) of copyright law were similar. This provision was in tune with the national policy on the exhaustion of rights.”

Lok Sabha’s Combined discussion on the Statutory Resolution regarding disapproval of Patents (Amendment) Ordinance, 2004 (No.7 of 2004) and the Patents (Amendment) Bill, 2005 as per Shri Pawan Kumar Bansal (Chandigarh)

“The second point, Madam, which has now been incorporated in the present Bill and as also in the Ordinance, is an amendment to Section 107A(b), providing for parallel import. Here, this amendment says: “On import of patented commodity from anywhere in the world, the Government reserves the right.” Despite the fact that a particular medicine may be patented here by any other company, we have the right to import that patented commodity from anywhere in the world, where it is cheaper, even though it is patented here. Earlier however, this required that the foreign exporter was duly authorised by the patentee. That was the condition earlier. I may remind my hon. friends on the other side that it has been taken off. Now, the law would be, as it has been included here in the Bill before us now, that ‘no longer do we only need to stick to that condition that the foreign exporter was duly authorised by the patentee to sell and distribute the products.’ The position now would be that ‘the foreign exporter be authorised under the law, thus making the parallel imports easier.’ This mechanism, as you know, would help in price control [k36].”

XIIIth Lok Sabha’s Discussion on the Patents (Amendment) Bill, 2002 as per Dr. Raghuvansh Prasad Singh (in the Chair)

“Then, you have to define the concept of parallel imports in such a way that it protects the legitimate public interest whenever it arises.”

Rajya Sabha, Department Related Parliamentary Standing Committee on Commerce, 88th Report on Patents and Trade Marks Systems in India

“1.9 (iii)... Parallel imports can be allowed to ensure availability of patented drugs at reasonable prices through parallel imports (Section 107 A). Parallel import need not be only from a person authorised by the patentee.”

“Even the WHO Commission on Public Health, Innovation and Intellectual Property Rights have commented in the same manner. Quoting from WHO Commission report as:...As also recognised in the Doha Declaration (Members) may on various grounds provide for measures such as parallel imports, government use and compulsory licensing”.

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7 Paragraph 7.12
8 Presented to the Rajya Sabha on 24th October, 2008 and laid on the table of the Lok Sabha on 24th October, 2008.

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“...it is worth re-examining and reemphasising the following from para 4 of Doha Declaration.....

4. The effect of the provisions in the TRIPS Agreement that are relevant to the exhaustion of intellectual property rights is to leave each Member free to establish its own regime for such exhaustion without challenge, subject to the MFN and national treatment provisions of Articles 3 and 4.”

Patents (Second Amendment) Bill, 1999

“Some of the salient features of the Bill are as under:-- (g) to provide provisions relating to parallel import of patented products;“

Parallel Provisions in Trade Mark Act of 1940 and 1958

Trade Marks Act, 1940, Section 22: No infringement in certain circumstances

1. The right to the use of a trade mark given under section 21 by registration shall be subject to any conditions or limitations entered on the register, and shall not be deemed to be infringed by the use of any such mark as aforesaid in any mode, in relation to goods to be sold or otherwise traded in, in any place, or in relation to goods to be exported to any market, or limitations the registration does not extend.

Trade Marks Act, 1958, Section 30: Acts not constituting infringement

(1) Notwithstanding anything contained in this Act, the following acts do not constitute an infringement of the right to the use of a registered trade mark:--

(a) where a trade mark is registered subject to any conditions or limitations, the use of the trade mark in any manner in relation to goods to be sold or otherwise traded in, in any place, or in relation to goods to be exported to any market, or in any other circumstances, to which, having regard to those conditions or limitations, the registration does not extend;
PART–II: RELEVANT STATUTORY PROVISIONS

Department of Revenue (Central Board of Excise and Customs), Clarification on the issue of parallel imports through Circular dated 08-05-2012

“Department of Industrial Policy and Promotion which is nodal authority for all matters relating to (i) Trade Marks Act, 1999 (ii) Patents Act, 1970 and (iii) Designs Act, 2000 has, interalia, stated that:

(i) Section 107A (b) of the Patents Act, 1970 provides that importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product shall not be considered as an infringement of patent rights. Hence, in so far as Patents are concerned, Section 107A (b) provides for parallel imports.

(ii) Section 30(3)(b) of the Trade Marks Act, 1999 provides that where the goods bearing a registered Trade Mark are lawfully acquired, further sale or other dealing in such goods by purchaser or by a person claiming to represent him is not considered an infringement by reason only of the goods having been put on the market under the registered Trade Mark by the proprietor or with his consent. However, such goods should not have been materially altered or impaired after they were put in the market.

(iii) In so far as designs are concerned, it is clarified that parallel imports are not allowed as indicated by Section 22 (1)(b) of the Designs Act, 2000.

(iv) As regards geographical indications, it is stated that there are no identical or similar provisions as in Section 107A(b) of Patents Act, 1970 on parallel imports under the Geographical Indications of Goods (Registration and Protection) Act, 1999. The said Act does not address the issue of parallel import at all. Hence, parallel imports are not covered under this Act.

(v) As regards ‘copyright’ since the clarification is awaited from the nodal authority i.e., Department of Higher Education, the field formations may follow the extant provisions of the Copyright Act, 1957 until further instructions are issued in this regard.”


Section 2(a): “goods infringing intellectual property rights” means any goods which are made, reproduced, put into circulation or otherwise used in breach of the intellectual property laws in India or outside India and without the consent of the right holder or a person duly authorized to do so by the right holder”;

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Section 6: Prohibition for import of goods infringing intellectual property rights-
“After the grant of the registration of the notice by the Commissioner on due examination, the import of allegedly infringing goods into India shall be deemed as prohibited within the meaning of Section 11 of the Customs Act, 1962.”

Customs Act, 1962

Section 11: Power to prohibit importation or exportation of goods – “(1) If the Central Government is satisfied that it is necessary so to do for any of the purposes specified in sub-section (2), it may, by notification in the Official Gazette, prohibit either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, the import or export of goods of any specified description.

(2) The purposes referred to in sub-section (1) are the following: ...(n) the protection of patents, trademarks and copyrights;”

Sale of Goods Act, 1930

Section 14: Implied undertaking as to title, etc.- “In a contract of sale, unless the circumstances of the contract are such as to show a different intention, there is-

(b) an implied warranty that the buyer shall have and enjoy quiet possession of the goods;

(c) an implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party not declared or known to the buyer before or at the time when the contract is made.”

Copyright Act, 1957

Section 2(m) of Copyright Act after 2012 Amendment- ““infringing copy” means,—

(i) in relation to a literary, dramatic, musical or artistic work, a reproduction thereof otherwise than in the form of a cinematographic film;

(ii) in relation to a cinematographic film, a copy of the film made on any medium by any means;

(iii) in relation to a sound recording, any other recording embodying the same sound recording, made by any means;

(iv) in relation to a programme or performance in which such a broadcast reproduction right or a performer’s right subsists under the provisions of this Act, the sound recording or a cinematographic film of such programme or performance, if such reproduction, copy or sound recording is made or imported in contravention of the provisions of this Act;
Provided that a copy of a work published in any country outside India with the permission of the author of the work and imported from that country shall not be deemed to be an infringing copy."

Section 51: When copyright infringed—"Copyright in a work shall be deemed to be infringed—(b) when any person...(iv) imports into India, any infringing copies of the work."

The Patents Act, 1970

Section 107 A (b): In 2005, the Patents Amendment Act 2005 amended section 107A (b) to bring in full advantage with the principle of parallel importation. Old provision, before amendment, stated –

“(b) importation of patented products by any person from a person who is **duly authorized by the patentee** to sell or distribute the product,”

New provision, after amendment, states –

“(b) importation of patented products by any person from a person who is **authorized under the law** to produce and sell or distribute the product,”

**Note:** The new provision removed the earlier restriction of importing the patented products only from a person who is duly authorized by the **patentee** to sell or distribute, but also include to cover resellers such as wholesalers, pharmacies and retailers. According to new provision, importation of patented products by any person from a person who is duly authorized under the law to produce and sell or distribute the product will not be considered as an infringement of patent rights. Section 107A (b) is exemption to infringement of Indian patent, not foreign patent as we cannot regulate infringement in other jurisdiction.

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9 Here ‘patented product’ interprets a product protected by Indian patent (Indian Jurisdiction), not by a patent outside India (other jurisdiction).
10 Here ‘duly authorized under the law’ interprets authorized under the law of exporting country.
PART–III: CASE LAWS-TRADE MARKS ACT

List of Cases

1. *Hindustan Lever Ltd. v. Briju Chhabra*\textsuperscript{11}[2000]
2. *CISCO Technologies v Shrikanth*\textsuperscript{12} [2005]
3. *Samsung Electronics Company Ltd. & Anr. vs. G. Choudhary and Anr.*[2006]
4. *Xerox Corporation v. Puneet Suri*\textsuperscript{13}[2006]
6. *Louis Vuitton Mallettier v Abdul Salim and others*\textsuperscript{15} [2006]
8. *Dell Case* [March, 2012]

**Hindustan Lever Ltd. v. Briju Chhabra**\textsuperscript{17}

Here, the plaintiff HLL was the registered proprietor of the trade mark LUX and LUX label in respect of toilet soaps within India. Unilever, PLC is the principal company and registered proprietor of the trade mark LUX worldwide. The defendant in this case imported into India LUX soaps manufactured in Indonesia without any license, permission or authorization from HLL. The product so imported also expressly indicated that the product was for sale in Indonesia only.

HLL argued that such parallel import by defendant of LUX soaps from Indonesia amounted to infringement of its statutory and common law rights on LUX in India. It was also argued that the fact of such imported product being genuine was of no relevance as any shortcomings in the grey goods would be attributed to HLL. The plaintiff argued misrepresentation on the part of the defendant. It was also argued that if the territorial demarcation is not respected, HLL in India would have to suffer huge losses by way of reduced sales of its goods.

The Hon’ble High Court of Delhi agreed with the submissions of the plaintiff and defendant was restrained from indulging in any further acts of parallel import.

\textsuperscript{11} Suit No. 2345 of 2000, High Court of Delhi
\textsuperscript{12} Delhi High Court, J. Nandrajog, 10 May, 2005
\textsuperscript{13} CS (OS) No. 2285/2006
\textsuperscript{14} CS(OS) No.1283/2006
\textsuperscript{15} CS(OS) 90/2006
\textsuperscript{16} 2010(44)PTC307(Mad)
\textsuperscript{17} Suit No. 2345 of 2000, High Court of Delhi
CISACO Technologies v. Shrikanth

In this case, plaintiff CISCO was selling its products used in computer hardware since the year 1984 under the trademark 'CISCO' and was using a 'Bridge Device'. It was submitted that the product of the plaintiff is used in critical networks such as railways, air-traffic control, hospitals, air defence, etc. and malfunctioning/failure of such products would result in huge losses due to failure of these networks.

The defendant in this case copied the product and the trade name of the plaintiff in identical terms. Further, they were also using the word 'CISCO SYSTEMS' on its products with the 'Bridge Device'. The plaintiff invoked Section 29(6)(c) of the Trade Marks Act, 1999.

Prima-facie case was made out for grant of ex-parte ad interim relief. The defendants or any person acting under their authority were restrained from marketing, selling, offering for sale, importing, manufacturing or dealing with in any manner, hardware components pertaining to computer or any electrical/electronic goods bearing the trademark 'CISCO' and/or using the 'Bridge Device' or any other trademark/mark deceptively similar thereto.

It was observed that Section 140 of the Trade Mark Act, 1999 makes statutory provisions whereunder the Collector of Customs could prohibit the importation of goods if the import thereof would infringe Section 29(vi)(c) of the Trade Marks Act. Statutory authorities must prohibit import of such products, import whereof would result or abet in the violation of the proprietary interest of a person in a trademark/trade name.

Therefore, directions were issued by the High Court of Delhi to the Collector of Customs to notify at all ports that no consignment, other than that of the plaintiff, be permitted to be imported in respect of routers, switches and cards which bears the trade mark 'CISCO' and/or the 'Bridge Device'. A local Commissioner was also appointed to cease all goods bearing the mark in issue and inventory the same.

Samsung Electronics Company Ltd. & Anr. v. G. Choudhary and Another

In the present case, Samsung initially brought suit in the district court in Delhi seeking an injunction based upon a claim of trademark infringement against the unauthorized distributors from importing and distributing Samsung's products. The district court denied the injunction. In appeal, the plaintiff prayed for an interlocutory injunction which, in essence, sought to combat and eradicate parallel importation by third parties into India of products manufactured by the plaintiff itself, but in China. The case set up

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18 2005 (31) PTC 538 (Del)
19 Para 8
20 CS (Os) No. 1602 of 2006; Vikramajit Sen; 2006 Indlaw DEL 1386, 2007 (136) DLT 605, 2006 (33) PTC 425

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was that although the products were genuine, they were not meant for Indian markets, inter alia because their sale does not strictly conform to Indian laws and regulations.

**Relevant Provisions Cited** –

- **Trade Mark Act, 1999**: Ss. 29(1) & (6), 30(3) & (4)
- **TRIPS**: Sec. 3, i.e. Provisional Measures Article 50(1)(a)

> “1. The judicial authorities shall have the authority to order prompt and effective provisional measures—

(a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;”

The Court held in this held that a prima facie case has been made out for the issuance of ex parte ad interim injunction. The balance of convenience was in favour of the plaintiff who was likely to suffer irreparable loss and injury. The Court observed that the goods and the evidence to substantiate the complaints of the plaintiff would be removed if an injunction is not granted forthwith. Hence, injunction was allowed. Some of the key observations have been cited below-

> “Indian law is quite liberal in permitting parallel imports of genuine goods bearing registered trademarks, provided such goods have not been materially altered after they have been put on the market.

...once genuine goods are released into commerce anywhere by or with the proprietor's consent, all associated Indian trademark rights are exhausted. Such consent may be express or implied, direct or indirect. The underlying rationale for liberal exhaustion is that trademarks are deemed to connote trade origin and not control. The trademark proprietor may, however, impose contractual restrictions on a third party, such as a foreign licensee, against importing genuine goods into India, provided, that such restrictions pass muster under the Trade Marks Act and the MRTP Act, Indian's competition statute. Subsequently, if such genuine goods are imported into India, the trade mark proprietor's remedy against the importer would be through a claim for breach of contract and not for trade mark infringement.”

The issue of exhaustion was not expressly addressed in the 1958 Act, but the New Act statutorily introduces this concept. Section 30 of the New Act provides that where the goods bearing a registered trade mark are lawfully acquired, the further sale or other dealings in such goods by the purchaser or by a person claiming to represent him is not considered an infringement if the goods have been put on the market under such mark by the proprietor or with his consent....A cause of action
for trademark infringement may be available to the proprietor against an importer where the genuine goods have been materially altered without the proprietor's consent after they were put on the market. The burden of proving such consent is on the importer. A cause of action on the grounds of passing off is available if the trademark proprietor can show that the importer is passing off the goods in a misleading or improper way causing confusion in the minds of the public.\textsuperscript{21}

\textbf{Note:} The fact that the Indian law follows the principle of international exhaustion was recognized by the Delhi High Court in Xerox Corpn. v. Puneet Suri.

\textbf{Xerox Corporation v. Puneet Suri}\textsuperscript{22}

In this case, the plaintiff owned the trademark ‘Xerox’ and claimed that the defendant's act of importing and selling second hand Xerox machines constituted trademark infringement. The defendants argued that their acts were covered under Section 30(3), which recognized the principle of international exhaustion.

Justice Kaul of the Delhi High Court agreed with the defendants and held that ‘import of [second hand] Xerox machines that ha proper documentation is permissible under the Trademarks Act, provided that ‘there is no change or impairment in the machine.’

\textbf{M/s General Electric Company v. Altamas Khan and Ors.}\textsuperscript{23}

In the given case, the plaintiff, General Electric Co. filed a suit against the defendants to restrain them from misrepresenting themselves as authorized distributors of the plaintiff and from trading as GE Dehumidifiers or in any other deceptively similar trading style and also from importing, exporting, distributing, selling or dealing in Dehumidifiers or any other product of the plaintiff under the trademark GE or GENERAL ELECTRIC or the GE monogram or any other mark as may be deceptively similar to the plaintiff’s trademark.

It was the case of the plaintiff that the plaintiff for the reason of not marketing Dehumidifiers in India was neither giving any warranty nor any after sales service for the said Dehumidifiers in India and the illegal sale thereof by the defendant caused loss of reputation to the plaintiff in as much as the purchasers from the defendants on not being able to claim on the warranty and get the after sales service were likely to think ill of the plaintiff. The defendant had further tampered with the products by erasing the serial and model numbers, which could have helped to identify and track the origin of the products.

\begin{footnotesize}
\textsuperscript{21} The observation was made by referring to a passage from Exhaustion and Parallel Imports in India by Sonia Baldia. In reaching its decision, the High Court relied substantially on an article authored by Mayer, Brown, Rowe & Maw partner, Sonia Baldia that had analyzed at length the parallel imports of IP-protected goods under Indian law.
\textsuperscript{22} CS(OS) No. 2285/2006; Unreported Order
\textsuperscript{23} CS(OS) No.1283/2006
\end{footnotesize}

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Delhi High Court passed an interim injunction restraining the defendant from dealing in General Electric (GE) dehumidifiers without authorization from the plaintiff. It also issues a permanent injunction against the defendants.

The use by the defendants of GE instead of Global Electronics on their invoices clearly indicated that the defendants thereby wanted to pass off their business and their products as that of the plaintiff and intended to confuse and deceive the customers and public at large. Therefore, it was held that the defendants by using the said monogram clearly infringed the trademark of the plaintiff and sought to pass themselves off as the plaintiff.

The present case being an ex-parte matter, the Delhi High Court, however, did not find it appropriate to deal with the issue of parallel importation and trademark infringement.

**Louis Vuitton Mallettier v Abdul Salim and others**

The factual matrix of this case was so that a suit was filed for protection of rights in the trademark "Louis Vuitton", trademark/logo "LV" and the "Toile monogram" design. The plaintiff as the registered proprietor of the aforesaid marks/logo/monogram sought order against the defendants from selling, offering for sale, advertising or dealing in hand bags, wallets luggage, footwear, leather and imitation of leather and goods bearing the aforesaid trademarks/logo/monogram. The cause of action for the suit was the import by the said defendants of counterfeit goods of the plaintiff bearing the aforesaid trademarks/logo/monogram. Injunction was also claimed restraining the said defendants from importing the aforesaid goods and passing off the same as plaintiff’s goods.

The court ruled in this case pronounced a judgment in favour of the plaintiff. The defendants No. 1 & 2 were proved to be illegally importing counterfeit goods of the plaintiff and infringing the registered trademarks/logo/monogram of the plaintiff. The defendants were held not entitled to do so and the plaintiff, entitled to a decree for permanent injunction.

**Wipro Cyprus Private Limited v. Zeetel Electronics**

The Appellant in this case filed a suit for permanent injunction, restraining the Respondents from using the trade mark YARDLEY or any other phonetically similar expression in any media which can infringe the Applicant’s registered Trade Mark. The applicant alleged that the Respondent was passing off or attempting to pass off or causing, enabling or assisting others to pass off their talcum powder, body spray and other cosmetic preparations as and for the business and products of the Applicant.

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24 Para 12  
25 CS(OS) 90/2006  
26 2010(44)PTC307(Mad)  

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The Plaintiff had earlier purchased the registered trademark, namely 'Yardley' with all its variants from Lornamead Group Ltd., which had got its trademark registered in India under the Trade Marks Act. Consequently after such purchase, the Plaintiff filed an application for getting the registration transferred in its name. Thus, the Plaintiff, being the assignee of the said trade mark, had the right to manufacture the said product in India and sell it using the said trademark. While so, without any manner of right, the Defendant tried to import the talcum powder and body spray having the Plaintiffs' trademark from Singapore.

Contentions:

Defendant-

1. The goods tried to be brought into India are nothing but the original products manufactured by the assignor of the Plaintiffs' trade mark and in such a case, as per Section 30(2)(c) of the Trade Marks Act, 1999 no action would lie as against the Defendant. There is no embargo for importing genuine goods bearing the trademark similar to that of the trademark of the Plaintiff and the Plaintiff cannot claim monopoly over that trademark.

2. The impugned goods have been imported from Singapore to India. The trader in Singapore virtually obtained those goods only from U.K. manufactured by the very assignor of the Plaintiff who still holds the trademark and manufactures goods in U.K. and exporting countries like Singapore, Malaysia etc.

Plaintiff-

1. By virtue of Sections 28 and 29 of the Trade Marks Act, 1999, once the assignee (Plaintiff here) has got the assignment of the trademark from the original registered owner the former has got exclusive right to use it in India. If the Defendant is permitted to (parallel) import such product in violation of Clause (c) of Sub-section (6) of Section 29 of the Act, then the very purpose of the assignment of the trademark from the original owner would be rendered nugatory.

Issues:

a. Whether the Plaintiff has got the right to prevent the Defendant from importing those goods and trading in India;

b. Whether a case for passing off was made in the present case.

The Madras High Court in this case held that the Defendant cannot import such goods into India. The High Court distinguished the present case from the Revlon Case as cited by the defendant and noted that among the principal and subsidiary companies, one cannot try to claim monopoly right as against the other.

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When the assignor of the trademark transferred the trade mark in favour of the Plaintiff, the plaintiff acquired exclusive right to use it. A plain reading of Section 28 of the Trade Marks Act, 1999 amply make the point clear that the Plaintiff being the assignor of the trade mark is having the exclusive right of using it in India. If Section 28 of the Act is interpreted in any other manner, that would amount to rendering Sub-section (1) of Section 28 nugatory. Also, if the Defendant is allowed to import the goods bearing the Plaintiffs registered trade mark, then it would amount to violating Section 29(6)(c) of the Act.

Harmonious construction of legislation is the bed rock of interpretation of statutes. Sections 28 and 29 of the Act should be read conjunctively and Section 30 of the Act has to be read subject to Sections 28 and 29 of it. If Section 30 is read in isolation, it would render the aforesaid Sections 28 and 29 otiose. In fact, Section 30 should be treated as the proviso to Sections 28 and 29 of the Act.

Statute has to be interpreted keeping in view their objects. The very object of getting once trade mark registered is to have exclusivity and if that exclusivity itself is taken away by any dubious interpretation, it would render the entire statute meaningless.

However, the Court observed that since there is no simulation or emulation of a registered trade mark by another person, who want to deceptively use the same, no case for passing-off is made out.

Dell Case

In this case, three Indian importers filed Bills of Entry for import clearance of Dell laptops. These laptops were imported into India from China. On examination of the goods it was found that they were subject matter of an alert which was issued in relation to the registration of trade mark filed by Dell India Pvt. Ltd. under the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The matter was forwarded to Dell India for getting their ‘No Objection’. The right holder (Dell India) did not grant any authorization in respect of the said consignments imported by the defendants and intimated their willingness to join the proceedings. The plaintiff submitted that the said consignments were prohibited goods under Rule 6 of the said Rules read with Section 11 of the Customs Act, 1962.

The defendant made reference to Section 30(3) of the Trade Marks Act, 1999 to state that the law in India relating to import of branded goods is governed by the said section. It was submitted that the exception carved out by the said section protected lawful importers who imported branded products which were lawfully acquired even if some other person(s) was the exclusive distributor in respect of those products.

By quoting notes on clauses for Section 30(3) which states that “sub-clause (3) and (4) recognize the principle of “exhaustion of right” by preventing the trade mark owner

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27 herein after the Rules

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from prohibiting on the ground of trade mark right, the marketing of goods in any geographical area, once the goods under the registered trade mark are lawfully acquired by a person.”

Consequently, after hearing all the parties, the Customs Commissioner passed an order in favour of the three importers, based on interpretation of Section 30(3) (b) of Trade Marks Act, 1999, which provided that where the goods bearing a registered trademark are 'lawfully acquired', further sale or other dealing in such goods by the purchaser, or by a person claiming to represent him, is not considered an infringement by reason of the goods having been put on the market under the registered trademark by the proprietor or with his consent. However, such goods should not have been materially altered or impaired after they were put in the market.

Note: As in the Samsung case (discussed later), this matter is likely to go into appeal and we can look forward to see how courts interpret this section of the Trade Marks Act.

**Samsung Electronics Co. Ltd. v. Kapil Wadhwa**

The first plaintiff, Samsung Electronics Company Ltd. (P1) was a company incorporated in Korea. The second plaintiff, Samsung India Electronics Pvt. Ltd. (P2) was a company in the same group (subsidiary), incorporated in India. P1 had licensed the use of the SAMSUNG trademark in India to P2.

The grievance of the plaintiffs is that the defendants (D) are purchasing, from the foreign market, printers manufactured and sold by plaintiff No.1 under the Trade Mark 'SAMSUNG/Samsung' and after importing the same into India are selling the product in the Indian market under the Trade Mark 'SAMSUNG/Samsung' and are thereby infringing the registered Trade Mark of the plaintiffs in India. They further alleged that defendants were guilty of passing off the imported products as emanating from P2.

D submitted that when acting as P2’s authorised retail outlet in the years 2000-2004 they had sold parallel imported products with P2’s full knowledge, and P2 had itself sold parallel imported products in the same way as D. D also argued that the principle of international exhaustion applied.

The main issue in this case was whether the provisions of the Trade Marks Act 1999 (India) provided for the import of goods as an infringement and, if so, whether it included genuine products emanating from the proprietor on the international market without the proprietor's consent.

It was held in this case that on conjoint reading of s.29(1) and s.29(6) it was clear that a person used a registered trade mark if he imported or exported the goods under the mark. Therefore, any importer who was not a registered proprietor or permissive right holder infringed the mark if he imported goods under the mark. There was no proviso

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in s. 29(6)(c) excluding genuine products from the acts of import or export. It could not therefore be assumed that the importation of genuine goods was an exception to the rigors of infringement. Permissive rights had to emanate from the registered proprietor by way of permitted use, and could not be implied on the basis of the proprietor putting the goods in any market. The import of genuine goods was an equal infringement as that of counterfeit goods in the absence of any legislative measure distinguishing the two, and also by virtue of the plain reading of s.29 (see paras 19, 22-25, 30-32, 38).

Section 30(3) acted as an exception to s.29. It operated as a defence to an infringement where the person dealing in the goods under the mark could plead that the goods were lawfully acquired from the market where the proprietor had put the goods. It did not confer any additional rights. If the trademark was registered in one country, then the goods bearing the trade mark could be lawfully acquired from that country only. Once the lawful acquisition had been made from the domestic market, then the sale of the goods or further dealings in the market had to be in the same market from where the goods were acquired. Section 30(3) could not give permission to the acquirer to sell the goods to the worldwide market. The words "the market" were therefore confined to the domestic Indian market. The same conclusions could be reached from an examination of the position under United Kingdom trade mark law. There was no indication in s.30(3) of any concept of international exhaustion (paras 40, 43, 47 57, 68-69, 83-85).

By virtue of ss.29(1) and (6) D's importation of the products was prima facie an infringing act. D had been unable to establish any plausible defence to such an infringement. The past relations between P1, P2 and D could not be used in D's favour. P2 was an authorised user and exclusive licensee of P1, which clearly removed P2 from s.29, whereas D had been dealing with the products without consent or authorisation. The plaintiffs were able to establish a prima facie case of infringement of their registered trademarks and the balance of convenience also was in their favour. Hence, the injunction was allowed to be continued (paras 139, 142-144).

Kapil Wadhwa and others v. Samsung Electronics Company Limited.29[DB]

The above judgment was later on presented before the division bench of the Delhi High Court. The Contentions that were raised by the Appellant before the division bench were-

a. The act of importation and sale of printers in India is authorized and the sale in the Indian market is legal and valid inasmuch as the appellants sell the product as it is. Therefore the act of meta tagging is covered by 'fair use' as it was only to enable the purchaser to understand the features of the product as per the website of the respondent.

b. The respondents do not manufacture the printers in India. Even they import the printers from abroad.

29 FAO (OS), 93/2012

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The precise issue was the same, i.e. whether the Trade Marks Act 1999 embodies the International Exhaustion Principle or the National Exhaustion Principle when the registered proprietor of a Trade Mark places the goods in the market under the registered trade mark. In order appreciate and understand the decision of the division bench, it is essential to first summarise the key findings of the Single Judge Bench in this case. The Single Judge Bench had earlier held the following:

- The Trade Marks Act 1999 embodies the National Exhaustion Principle.
- Since the act of import for further sale of the goods in the Indian market itself being without the consent of the respondents was infringement of the respondents’ registered Trade Mark in India, the question of any fair use did not arise.
- The import of Samsung products for sale in the Indian market being without the consent of the respondents amounted to an infringement of the respondents’ Trade Mark.

The Division Bench, observed:

- The action is for infringement brought by a registered proprietor/user of a Trade Mark and not one for passing off.
- DB agreed with the analysis of S. 29 of the Trade Marks Act, 1999 by the Single Judge but not the reference (in para 36) to the commentary as it pertained to the Trade Marks Act, 1994 in the United Kingdom.
- DB by referring to relevant statutory provisions in seven jurisdictions abroad noted that the legislature in these jurisdictions had clearly indicated the legislative intent to either follow the Principle of International Exhaustion or National Exhaustion.
- Preceding the TRIPS Agreement, even at the Uruguay Round of the General Agreement on Tariffs and Trade, the Indian position was to favour the Doctrine of Exhaustion of Rights linked to parallel imports.
- Art. 6 of the TRIPS Agreement has left it to the discretion of the member States to either adopt or not to adopt any Principle of Exhaustion of Rights linked to parallel imports.
- As regards various merits of the National Exhaustion as pointed out by counsel for the respondents (refer para 63 and 64) it was observed that the same is a matter of policy, and it is for the legislature to take a call on that. DB however concluded that neither situation would be a win-win situation.
- The fact as pointed out by the respondents that the physical features of the printers sold abroad are different from the features of the printers sold in India is irrelevant as long as the goods placed in the International market are not impaired or condition changed.

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30 Para 46
31 Para 73

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Principle of International Exhaustion of Rights itself takes away the right of the respondents to control the further sale and further distribution of the goods.

There is indeed some merit in the contention that some merit that the ordinary consumer, who is provided with warranties and after sales by the appellants, on not receiving satisfactory after sales service, may form a bad impression of the product of the respondents and thus to said extent one may recognize a possible damage to the reputation of the respondents’ products sold in India after importation. But, this can be taken care of by passing suitable directions requiring the appellants to prominently display in their shop that the Samsung/SAMSUNG printers sold by them are imported by the appellants and that after sales services and warranties are not guaranteed nor are they provided under the authority and control of the respondents and that the appellants do so at their own end and with their own efforts. This would obviate any consumer dissatisfaction adversely affecting the reputation of the respondents and this way the respondents can claim no legitimate reasons to oppose further dealing in Samsung/SAMSUNG products in India.

As regards the appellants meta-tagging their websites with those of the respondents, DB concurred with the Single Judge giving an injunction order against the appellants from doing so. The argument by the appellants that how else would the appellants know about the working of the particular product has no substance as the appellants has the option to design their website in a manner to display the relevant information without meta-tagging.

Some of the important foreign authorities cited by the Division Bench were-

**Art. 7 of the EU Directive on Trademarks:**

“1. The trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the community under that trademark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods in changed or impaired after they have been put on the market.”

**S. 12 of the UK Trademarks Act, 1994:**

“(1) A registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.
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(2) Subs. (1) does not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods (in particular, where the condition of the goods has been changed or impaired after they have been put on the market).”

You can refer to Comparative Table of Reasoning supplied by both the Single Judge Bench and the Division Bench here. To conclude, the appeal was partially allowed by the Division Bench of the Delhi High Court. The opinion expressed was prima-facie for the purposes of deciding the application filed by the respondents seeking interim injunction without being a conclusive opinion on the matter. The final decision would be keeping in view the evidence led.
PART – IV: CASE LAWS-COPYRIGHT ACT

List of Cases:

2. Warner Bros. Entertainment Inc. and Others v. Santosh V. G⁴⁵
3. John Wiley and Sons Inc. and others v. Prabhat Chander Kumar Jain and Ors.⁴⁶ AND John Wiley & Sons Inc. & Ors v International Book Store & Anr⁴⁷

Penguin Books, England v. India Distributors⁴⁸

In the present case, the appellants, Penguin Books Ltd. of England, (original plaintiffs) brought a suit for perpetual injunction against the respondents, M/s India Book Distributors (original defendants) restraining them from infringing Penguins' territorial copyrights/licence in 23 books.

Admittedly India Book Distributors, Bombay were importing, distributing and offering for sale in India 13 out of these 23 titles at a significantly lower price, originally purchased from United States. The defendant argued that the imported copies were not “infringing copies” within the meaning of Section 51 of the Copyright Act because they were “lawfully published” genuine copies purchased in US and imported into India.

Penguins asked for a temporary injunction in the suit. Learned single (trial) judge refused the injunction. Aggrieved by such decision, appellants filed an appeal before the Delhi High Court.

The Division Bench granted the injunction on the ground that copyright is infringed if any person, without a license from the copyright holder, imports into India any literary works for any purpose, including selling distributing or for other commercial activities. The observation of the Court in this case is worth to be cited-

“While publication generally refers to issue to public, importation for the specified purpose may be a necessary step in the process of issuing to the public, and therefore of publishing. It appears to me that the exclusive right of Penguins to print, publish and sell these titles in India would extend to the exclusive right to import copies into India for the purpose of selling or by way of trade offering or exposing for sale the books in question. This is the true meaning of the word ‘publish’ as used in sec. 14(i)(a)(ii).”³⁹

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³⁴ AIR 1985 Del 29
³⁵ CS(OS) No. 1692/2006
³⁶ CS (OS) No1960 / 2008
³⁷ CS (OS) 2488 / 2008
³⁸ AIR 1985 Del 29
³⁹ Para 37

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“It is also an infringement of copyright knowingly to import into India for sale or hire infringing copies of a work without the consent of the owner of the copyright, though they may have been made by or with the consent of the owner of the copyright in the place where they were made. In America the subject books were lawfully published, it is true. But they cannot cross the borders of India without infringing the copyright of the exclusive licensee.”

**Warner Bros. Entertainment Inc. and Others v. Santosh V. G.**

The Plaintiffs (P), their associated and affiliated companies carried on the business of film production and are the owners, co-owners, assignees, licensees of rights, titles and have interests in and to the copyrights in the films produced by them. The Defendant (D) was the proprietor/partner of the concern which carries on business from four premises by the name and style of Cinema Paradiso.

P alleged that D offers rental DVDs which are either collected by the customers from the shop or delivered to them. Several DVDs so hired out by D, bear the warning that such DVDs are not permitted for sale or rental outside the US and Canada. P thus alleged that giving (a film) on hire or offering a film for hire without the copyright owner’s license is an act of infringement. P further alleged that D has no rental licenses in his favour and all such acts of rental amount to an act of infringement of copyright under the provisions Section 14 (d) (ii) read with section 51 of The Copyright Act, 1957.

P also alleged that D on its website claims to be first DVD store in India with complete license having obtained the assent of the registered organization against film piracy. According to P such claim was made despite the Defendant not being licensed by any of the Plaintiffs. D also had not allegedly obtained any legal consultations or assent of the Motion Picture Association of America (MPAA) or the MPA.

Consequently, P sued D for permanent injunction and damages, claiming that the latter infringed their copyrights in respect of films, by hiring, and offering for hire, infringing copies, in India.

One of the arguments raised was that the doctrine of first sale applies in India, and there was no case of infringement. It was also argued that since Section 30 of the Trademarks Act, 1999, and Section 107-A of the Patents Act, 1970, permit certain types of use and importation analogous to that in the present, the same should be extended over copyright so as to ensure uniformity between the different laws.

The key issue in this case was whether the importation into India by D for giving on hire or rent in India copies of cinematograph films authorized for sale or rental in a particular territory outside India, in which cinematograph films the plaintiff claims copyrights, constitutes infringement of copyright under section 51(b) (iv) i.e.

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40 Para 38
41 CS (OS) No. 1682/2006

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The Court in this case held that the defendant’s actions amount to infringement of copyright. It was observed that the nature of the bundle of rights which make up the copyright in case of cinematographic works is different from that in the case of literary works, dramatic works etc. The phrase “copy in circulation” was found in describing the copyright vis-à-vis literary, musical and dramatic works. It found no application in cinematographic works. On a plain reading of Section 14, the phrase was used to limit the copyright in the case of literary, musical and dramatic works only. The legislative intent was clear from the fact that while defining copyright vis-à-vis cinematographic works, the phrase was not used at all. Thus, it was observed that that even though the exhaustion principle may be applicable to literary, musical and dramatic works; that would not apply in case of cinematographic works.

Under Section 14(1)(d), in the case of cinematographic works, the right is “regardless of whether such copy has been sold or given on hire on earlier occasion”. On the question of parallel imports of cinematographic works, it was noted that the Proviso to Section 51(b)(iv) states that importation for private use of the importer is not deemed to be an infringement. The very fact that this proviso was inserted into the statute would indicate that importation for commercial, non-private use would be tantamount to infringement.

On the question of uniformity across different intellectual property laws (Trade Marks Act, Patent Act) it was held that if a specific provision allowed such use and import under the Trademarks Act and Patents Act, the absence of the provision in the Copyrights Act is a sure indication that the legislative intent was to not have the same treatment in this respect for copyrights.

John Wiley and Sons Inc. and others v. Prabhat Chander Kumar Jain and Ors.\(^{42}\) AND John Wiley & Sons Inc. & Ors v International Book Store & Anr\(^{43}\)

The cases pertained to the sale and distribution of low price edition (LPE) books, which were restricted by the publisher for sale in a few Asian Countries only, to other countries across the globe. The publisher and plaintiff, John Wiley & Sons, moved the Court to seek an order of injunction restraining the defendants in both cases, from infringing their copyright in the books. They alleged involvement of the defendants, in both cases, in re-selling the LPEs to other countries through websites providing delivery services all over the world. Potential buyers were being lured in through advertisements describing the reprint editions as having a soft cover and a black and white print, but maintaining the same content.

\(^{42}\) CS (OS) No1960 / 2008
\(^{43}\) CS (OS) 2488 / 2008
The defendants contended that since the LPEs were legally purchased in India and subsequently exported, no act of infringement had been committed within the territory and hence, the provisions of the Copyright Act could not be invoked (the Indian Copyright Act 1957 only prohibits import of infringing articles, and is silent with regards to exports). Basing their defense on the rule of exhaustion and an earlier judgment (Warner Bros v. Santosh VG), the defendants urged that once the plaintiffs had sold a particular copy of the LPEs, they could not control its further re-sale. They further argued that since India follows the principle of international exhaustion, the plaintiffs exhausted their rights in the LPEs worldwide when they first sold their publications in India.

The Court observed that the doctrine of exhaustion did not curtail the rights of the copyright owner. It noted that the same was affected by way of licenses where the exclusive licensees were granted limited rights subject to the conditions and limitations imposed by the agreement. The applicability of first sale doctrine would partially exhaust the rights of the licensee, but it cannot defeat those of the copyright owner. Furthermore, noting that no express provision for international exhaustion of rights was present in the Indian law, the Court held that it would be appropriate to confine the applicability of the same to regional exhaustion only. The Court finally passed an order of injunction, restraining the defendants from indulging in any kind of distribution or circulation of the LPEs outside the designated territory. The Delhi Court ruled that primary infringement has to be seen from the perspective of rights of the owner and not those of the licensee.

The violation undermines the rights of the owner under section 14 (a) (ii) of the Copyrights Act 1957, as well as violates the conditions of the licence, leading to copyright infringement.

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