

# World Trademark Review Daily

**Customs circular: parallel imports are legitimate  
India - Ranjan Narula Associates**

**Parallel imports**

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In another twist to the 'parallel imports' saga, the [Central Board of Excise and Customs](#) (CBEC) has issued a [circular](#) dated May 8 2012 that aimed to dispel the uncertainty resulting from the conflicting views that emerged from the [Samsung](#) and [Dell](#) cases in relation to the import of genuine goods procured without the consent of the registered trademark owner.

The circular clears the decks for the free movement of parallel-imported goods in India, stating that they are genuine goods that are allowed under the [Trademarks Act 1999](#). The Customs Department, which comes under the Ministry of Finance, sought clarification from the Department of Industrial Policy and Promotion (DIPP), which comes under the Ministry of Commerce (the entity responsible for operational and policy matters in relation to the Trademark and Patent Office), and the latter seems to have interpreted the relevant section of the Trademark Act as meaning that parallel imports are allowed, in sharp contradiction to the ruling in [Samsung](#).

The main points that emerge from the circular are as follows:

- When deciding whether a particular consignment of imported goods infringes the rights of an IP rights owner, the Trademarks Act 1999, the Designs Act 2000, the Patents Act 1970, the Geographical Indication of Goods Act 1999 and the Copyright Act 1957 are to be taken into consideration.
- These acts are broad and do not exclusively deal with imported goods. Therefore, only those provisions which have been expressly mentioned in the [Intellectual Property \(Imported Goods\) Enforcement Rules 2007](#) and subsequent notifications are to be taken into consideration. In this regard, the provisions of the Trademarks Act that are mentioned in the 2007 Rules are Sections 102 (goods bearing a false trademark) and 2(i) (goods bearing a false trade description). Therefore, consignments can be seized only if the conditions under either of these two provisions are satisfied.
- In its comments on the issue of parallel importation, the DIPP - the nodal authority with regard to all matters pertaining to the Trademarks Act, the Designs Act and the Patent Act - has held that Section 107A(b) of the Patent Act allows parallel imports in relation to patents. In addition, Section 30(3) of the Trademarks Act provides for the principle of international exhaustion of rights, and suggests that parallel imports are allowed as long as the goods are genuine and have not been materially altered or impaired. In relation to designs, parallel imports are expressly prohibited under Section 22 (1)(b) of the Design Act.
- Field officers should follow the above principles when deciding whether a particular consignment is to be stopped or released.

The circular brings clarity as to Customs' position on parallel imports, highlighting that the authorities will no longer stop such consignments. However, this does not augur well for brand owners, who might argue that parallel imports render locally-produced goods less attractive from a price point of view. Encouraging parallel imports seems counterproductive, as local manufacturing generates employment and taxes. In addition, imported products do not take into account local preferences and demand, and do not carry warranty.

In terms of enforcing IP rights, the circular should thus make the situation more difficult for brand owners: they will need to monitor parallel imports and gather intelligence at the market level to seek redress from the courts on the basis of the [Samsung](#) ruling.

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