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New twist in Samsung parallel imports case as APAA and INTA offer conflicting views **Parallel imports**
India - Ranjan Narula Associates

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The fiercely contested case of *Samsung Electronics Company Limited v Kapil Wadhwa*, which is pending before the Supreme Court, will decide whether the Indian trademark law provides for the national or international exhaustion of trademark rights. The clear difference in positions has emerged not only among the parties involved in this case, but also among two IP organisations.

The [Indian Group of Asian Patent Attorneys Association](#) (APAA) has filed an application with the Supreme Court seeking leave to intervene in this matter. Last year, the [International Trademark Association](#) (INTA) had also filed an application to intervene. Interestingly, while INTA advocated in its petition that national exhaustion is the correct position, the APAA petition strongly pushed for international exhaustion as the correct interpretation of Indian trademark law.

The facts of the case are as follows. [Samsung](#) filed a suit for trademark infringement and passing off against the defendant for allegedly importing from Korea into India printers bearing the SAMSUNG mark for retail sale. Further, the plaintiff alleged that the defendant was meta-tagging its website to that of the plaintiff to market parallel-imported products.

In an order dated February 17 2012, a single judge of the Delhi High Court held that the import of goods into India without the consent of the registered trademark proprietor amounted to infringement under the [Trademarks Act 1999](#). The defendant appealed. The Division Bench reversed the decision of the single judge and held that India follows the principle of international exhaustion. It said that the Trademarks Act does not prohibit the import of goods without the consent of the registered trademark proprietor. However, the court restrained the defendant from meta-tagging its website to that of the plaintiff.

The plaintiff then filed an appeal to the Supreme Court. The issue before the Supreme Court is whether the Trademarks Act provides for the principle of international or national exhaustion of trademark rights.

The gist of the submissions advanced by APAA in its application for leave to intervene is as follows:

1. The Indian legislature has adopted the principle of international exhaustion and parallel imports of genuine and unimpaired goods. This is clear from the reading of Sections 30(3) and 30(4) of the Trademarks Act.
2. The stance adopted by India at the General Agreement on Tariffs and Trade dated July 10 1989 on 'Standards and Principles Concerning the Availability, Scope and Use of Trade-Related Intellectual Property Rights' indicates that it favours the doctrine of international exhaustion.
3. Sub-clauses (3) and (4) of Clause 30 of the Statement of Objects and Reasons annexed to the Trademark Bill 1999 shows the intent of the legislature to recognise the doctrine of international exhaustion.
4. Paragraph 7(12) of the report (No 227) presented by the Rajya Sabha Committee at the time of the introduction of the Copyright (Amendment) Bill 2010 stated that the national policy on the exhaustion of rights was in conformity with the concept of 'international exhaustion', which is also envisaged in Section 107(A) of the Patents Act 1970 and Section 30(3) of the Trademarks Act.
5. The Customs Notification No 1/1964 of the Department of Revenue dated January 18 1964 permits the import of goods bearing a trademark which is identical to the trademark of any manufacturer, dealer or trader in India, if the goods bear the name and place of the country where the goods have been produced in lettering as large and conspicuous as those used for the name of the producer or the trademark. However, this notification does not permit the parallel import of genuine goods that have been altered.
6. The doctrine of international exhaustion has been accepted in various countries such as Singapore, Hong Kong, Japan, Canada, the United States, Egypt and New Zealand.
7. Indian law provides for the international exhaustion of rights as long as the origin of the goods is conspicuously displayed and the goods have not been materially altered/modified.

The gist of INTA's submissions is outlined below:

1. As use of a mark in one country does not automatically confer rights in all countries, the principle of exhaustion should also apply only nationally: "The principle of law applicable must be the same for creating a right as for the exhaustion of a right so created."

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2. Buying products in one jurisdiction cheaply and then reselling them in another for less than the trademark owner's price point in that country "causes irreparable prejudice to the trademark owner and its franchisee/licensee/subsidiary who have invested in market research, product development, brand promotion, after sales service and the distribution network". If return on research and development is undermined by parallel imports, the investment will inevitably decline.
3. Parallel imports do not affect only the trademark owner and its franchisee(s) - they also undermine consumers' trust in the marks and the quality of the goods, as there is no supervision and quality control over the imported goods. This may lead to consumer dissatisfaction.
4. The quality of the products varies from region to region. Not all formulations suit all markets and delays in the delivery of the parallel-imported goods can erode the quality of the original product. Examples of potential harm to consumers on account of a lack of consistency in quality include: unworkability of consumer helpline numbers in the country of import; lack of regulatory approval in the country of import; variations in recipe/taste/formulation according to cultural preferences or climate; and varying environmental protection standards.
5. Parallel importers often alter the packaging of goods. This may lead to breaches of packaging legislation which, in turn, places consumers at risk.
6. Many countries favour the principle of national exhaustion. National exhaustion benefits trademark owners, consumers and promotes investment in all countries.
7. Economic analysis favours the concept of regional or national exhaustion. International exhaustion threatens to undermine low-pricing policies in under-developed countries and it can be unfair to local distributors. It also encourages the importation of counterfeits by legitimising parallel imports, which are often shipped through the same channels or mixed with counterfeit goods.

The differing views of APAA and INTA in the applications filed before the Supreme Court have provided another twist in this case. While APAA's arguments are based on the legislature's intention in framing the law, INTA's arguments take into account the realities of international trade. What is at stake is a growing Indian consumer market with a large appetite for branded goods. Therefore, it is important to strike a balance between legal principles and consumers' interests.

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