

World Trademark Review Daily

**Delhi High Court provides much-needed clarity on parallel imports issue
India - Ranjan Narula Associates**

Parallel imports

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The parallel imports saga has seen many twists and turns, with conflicting views emerging from the courts and the customs authorities. In *Samsung Electronics Co Ltd v Kapil Wadhwa*, a single judge had held that Indian trademark law follows the principle of national exhaustion of trademark rights (ie, any goods imported without the consent of the registered proprietor will amount to infringement); however, the Central Board of Excise and Customs (CBEC), in a circular issued on May 8 2012, stated that the Trademarks Act provides for the principle of international exhaustion of rights, and clarified that parallel imports are allowed as long as the goods are genuine and have not been materially altered or impaired.

In the meanwhile, an appeal filed by Kapil Wadhwa and other importers of Samsung printers in *Samsung Electronics Co Ltd v Kapil Wadhwa* was heard by the Division Bench of Delhi High Court. The court, in its [decision dated October 3 2012](#), ruled that India follows the principle of international exhaustion, thus taking the position advocated by the CBEC circular. The court reversed the decision of the single judge in respect of the meaning of the word 'market' under the act, stating that it meant "international and/or domestic market".

In particular, the court found that a conjoint reading of Section 29(1) and Section 29(6) of the [Trademarks Act](#) suggested that the sale of imported products constitutes 'use of the mark' within the meaning this section; however, this did not mean that the sale of imported products without the consent of the registered proprietor was prohibited.

The division bench interpreted Section 30(3) of the act as permitting the sale of imported products without the consent of the registered proprietor based on the following findings:

- The expression 'lawfully acquired' in Section 30(3) does not mean "acquisition by consent for the purposes of import".
- The situations in Section 30(3)(a) and Section 30(3)(b) are "distinct and operate in two mutually separate areas". One section cannot be interpreted in a manner that renders the other section otiose. Thus, the further sale of "lawfully acquired" goods cannot be prevented just because the trademark has been assigned to another entity.
- The scope of the expression 'the market' in Section 30(3) is not limited to domestic markets.
- The international statutes are of no assistance in determining whether the principle of international exhaustion applies in India.
- The Statement of Objects and Reasons of the Trademark Bill 1999, India's communications at the Uruguay Rounds and the report of the Standing Committee on the Copyright (Amendment) Bill 2010 clearly showed that India supports parallel imports and the principle of international exhaustion.
- The difference in services and warranties is not sufficient to oppose further dealings under Section 30 (4), as this does not constitute a material change or impairment of the goods.

The Division Bench thus found that the appellants were not restrained from importing printers, ink cartridges and toners bearing the trademark SAMSUNG, and selling them in India. Nevertheless, the court held that:

- the appellants were injuncted from metatagging their website to that of Samsung; and
- the appellants should prominently display in their showrooms that the goods are imported and that Samsung does not provide any warranties or after-sales services.

Samsung had argued that, if India were to allow parallel imports, brand owners and consumers would be disadvantaged. However, the court took the view that this argument touches upon a matter of policy and, therefore, it was for the legislature to take a call on this issue. The courts must interpret the law based on the objects and reasons of the statutes.

This judgment is welcome in that it provides much-needed clarity and consistency on the issue of parallel imports.

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