

# World Trademark Review Daily

## Conflicting views on parallel imports lead to confusion for brand owners and importers

### Parallel imports

India - Ranjan Narula Associates

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Until recently, the law on parallel importation was a grey area in India. However, the recent decision of the Delhi High Court in *Samsung Electronics Company Limited v Kapil Wadhwa* made it clear that the Trademarks Act 1999 recognises the principle of 'national exhaustion' of trademark rights, as opposed to 'international exhaustion'. Therefore, the importation of goods into India without permission of the registered trademark owner would be infringing, even if the goods are genuine.

Just as brand owners started to rejoice at the positive implications of the *Samsung* decision, on March 29 2012 (little over a month after the decision) the customs commissioner in Mumbai released a parallel-imported consignment of DELL-branded laptops. In his [order](#), the customs commissioner declared that the impugned consignment was lawful and awarded costs of demurrage and warehousing to the importers.

The facts of the case are as follows. In January 2012 three importers - Venktron Digital Systems Pvt Ltd, Sapphire Micro Systems and Momentum Technologies - imported 365, 87 and 50 DELL-branded laptops, respectively, from China. As Dell had recorded its trademarks with Customs under the Intellectual Property (Imported Goods) Enforcement Rules 2007, the laptops were stopped by Customs at the air cargo complex of Sahar Airport, Mumbai. In accordance with the rules, a notice was issued to [Dell India Pvt Ltd](#), asking if it had any objection. Dell India objected to the import, which led to the suspension of the consignment.

Dell contented as follows:

- The consignment was not authorised for import and, therefore, infringed the IP rights of Dell. The laptops were 'prohibited goods' under Rule 6 of the 2007 Rules, read in conjunction with Section 11 of the Customs Act 1962;
- Relying on the decision in *Samsung*, Dell argued that, even though the goods were genuine, they had travelled through unauthorised routes, and the importers did not have a licence. Therefore, the importation of the goods infringed Dell's trademark rights.
- Having a chartered engineer test some samples to determine whether the goods were genuine was not the right approach, as this was a case of trademark infringement.

The importers argued that:

- the laptops were genuine goods that had been procured through an authorised Dell distributor;
- under Section 30(3) of the Trademarks Act, the trademark owner's rights are exhausted when the goods are first put on the market anywhere in the world (principle of international exhaustion); and
- the decision in *Samsung* did not apply in the present scenario because, in *Samsung*, the rights holder sought to enforce its rights under the Trademark Act, rather than the Customs Law.

The customs commissioner based his decision on two main findings:

- A harmonious reading of Sections 29(1), 29(6) and 30(3) of the Trademarks Act suggests that the act recognises the principle of international exhaustion of rights; therefore, the import of genuine goods procured by lawful means did not amount to infringement.
- The *Samsung* decision did not apply in the present case, as the latter involved the Intellectual Property (imported Goods) Enforcement Rules 2007, which the Customs Office is bound to follow. The rules prohibit the importation of goods only if they bear a false trademark or description. However, in this case, as the goods were genuine (and an independent chartered engineer had confirmed the same), they could not be refused entry into India.

The differing views of the Delhi High Court and the customs commissioner have created a difficult situation. Based on the customs commissioner's order, one could assume that Customs will not stop parallel-imported consignments at ports, even when the brand owner objects to it. However, once the goods have been released by Customs, brand owners can start court proceedings to have the goods seized on the basis that they infringe their rights. This situation is not helpful for brand owners and importers, as both would prefer to have clarity on this issue.

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