Legality of Parallel Imports with Respect to Copyrights, Trademarks and Patents: An Analysis

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ABSTRACT

The grey market in India has been a subject of great debate and controversy. While its legality has not expressly been mentioned in any of the statutes, an in-depth interpretation of them along with various case laws supporting the same, parallel imports hold a legitimate place in Indian commercial units. The rationale behind allowing parallel imports is that of providing for maximum consumer welfare while also sufficiently looking after the rights of the owner of the intellectual property. This paper conducts a doctrinal analysis on the legality of the regime of international exhaustion and thus, by extension, the legality of parallel imports in India. It has specifically been conducted with respect to copyrighted, trademarked and patented products. Parallel imports hold an important position in our country in terms of both, ensuring the minimum international prices of products are made available to consumers as well as the prevalence of healthy competition in the markets.

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INTRODUCTION

In the day and age of cut-throat competition in trade and commerce, parallel imports have been a constant topic of debate and discussion. Creating a conceptual rift between public interest and the intellectual rights of creators, they are inherently quite controversial. In essence, parallel imports are goods that are manufactured and sold legally, but are further distributed in an unauthorized manner outside of the channels of export contractually negotiated by the owner of the intellectual property of the product.[1] It occurs as a natural corollary of the doctrine of exhaustion. The doctrine of exhaustion means that once the authorised sale of goods protected under IPR law takes place, the owner loses his/her exclusive rights over them. In India, the doctrine of exhaustion applies differently for different forms of IPR and therefore, by extension, so does the legality of parallel imports for them.

The authors, via this article, seek to answer a number of pertinent questions related to parallel imports and the doctrine of exhaustion. Principle among these is which form of exhaustion is applicable to each of the various types of IPR. Further, they wish to uncover whether the act of importation of goods without the authorization or consent of the owner amounts to infringement and the impact of parallel imports of copyrighted, patented and trademarked goods in India.[2]

THE DOCTRINE OF EXHAUSTION

The origin of the doctrine of exhaustion can be traced back to the writings of Joseph Kohler, the German patriarch of modern intellectual property rights law. It was applied and adopted by the German courts and eventually found itself being used the world over. The doctrine is also referred to as the doctrine of first sale. It aims to impose limitations on the exclusive rights of the intellectual property owners. The doctrine states that once the authorised first sale of any object or process protected by the IPR law takes place, the owner's exclusive rights over the said object or process are terminated and they are no longer entitled to benefit from them. The underlying principle here is that since the owner of the intellectual property has already obtained the rewards due to him via the first sale of the property, he/she shouldn't be allowed

1 S.S. Rana, India: Legality Of Parallel Imports Vis-À-VisTrade Marks Law, Mondaq (Jan. 6, 2019) http://www.mondaq.com/india/x/730286/Trademark/Legality+Of+Parallel+Imports+VisVis+Trade+Marks+Law.

2 Kumar Salva Raghuvanshi, Parallel imports in Relation to Patents and Trademarks , SSRN(Jan. 4, 2019) https://poseidon01.ssrn.com/delivery.php?ID=737027111007810107406510612409001711708 9&EXT=pdf .

to gain continuous profits on the property due to his/her exclusive rights to control its use, resale or distribution.

There are, however, certain restrictions imposed on the doctrine of exhaustion. They are given as follows –

(i) For the doctrine of exhaustion to come into effect, it is essential and necessary for the 'first sale' of the product to have been completed in a legitimate manner and authorised by the owner of the said product.

(ii) The exhaustion of rights over a particular product after the 'first sale' that takes place does not imply that the purchaser has a right, in any manner, over the other protected intellectual property of the owner. In other words, this does not impact the exclusive rights of the owner of the intellectual property over his/her other creations.

There are four types of exhaustion regimes that can be implemented by countries –

(i) No Exhaustion

When the exclusive rights of the owner of the intellectual property can never be exhausted, no matter the fact that the 'first sale' has been completed, it is said to be under the No Exhaustion regime

(ii) National Exhaustion

When a person purchases a product protected under intellectual property rights law and is legally permitted to resell or further distribute the same within the territory of the country, it is said to be under the regime of National Exhaustion. The IPR owner will therefore have the right of exclusive import and will be able to control the import of his goods in other jurisdictions, i.e., no parallel imports are permitted under this regime.

(iii) Regional Exhaustion

If the owner of the protected intellectual property puts his product on the market or undertakes a transaction for the 'first sale' of his product, his exclusive right over the product is exhausted within the territory of a particular region. Third parties can then resell and distribute the product within the boundaries of the region without infringing the intellectual property right law. Thus under this regime, parallel imports are legal, however, strictly within the confines of the prescribed region.

(iv) International Exhaustion

Under the regime of international exhaustion, once a protected product is lawfully sold by his owner or made available in the market, the exclusive rights over the product, including that of import is exhausted. Any person in any part of the world can import the product and carry out resale and further distribution of it. As a result, parallel imports are most liberally permitted under this regime.

The TRIPs (Trade Related Intellectual Property) Agreement essentially forms the basic structure of the norms regarding intellectual property rights across the world. India, being a party to this agreement, bases its domestic legislation in accordance with the provisions mentioned in it[3]. Article 6 of the agreement states that *"nothing in this Agreement shall be used to address the issue of the exhaustion of the intellectual property rights."*[4]This denotes that the agreement leaves it to the discretion of its signatories to decide what form of exhaustion regime must be adopted by them. This is further clarified by Article 5(d) of the Doha Declaration which states that *"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 ..."*

PARALLEL IMPORTS

Parallel imports, as mentioned before, are the goods imported via channels of distribution not authorised contractually or consensually by the owner of the protected intellectual property after they have been put on the market or legitimately sold by the owner himself. They are, therefore, referred to as 'grey market' goods. Their legality in a particular country depends upon the regime of exhaustion followed by the country in question.

Parallel imports arise as a natural consequence of the doctrine of exhaustion where third parties exploit the doctrine to buy patented products at a lower cost in a particular country and import them to a country where the price of the same product is higher due to a variety of reasons such as difference in currency rates, economy, standard of living, etc. and use this to make a profit.

The objective of parallel imports is to promote healthy competition in free markets and to negate the possibility of the creation of a monopoly by the owner of the protected intellectual

3 SPA Ajibade & Co., Parallel Importation and the Exhaustion of Rights Principle under the "TRIPS Agreement" and the "Doha Declaration" , Lexology (Jan.13,2019) https://www.lexology.com/library/detail.aspx?g=3056555b-b704-4827-8843-dc7288432fb3.

4 The Agreement on Trade- Related Aspects of Intellectual Rights art.6, Jan.6 ,1995, http://14.139.60.114:8080/jspui/bitstream/123456789/12192/1/040_Whether%20Indian%20Law%20allows.pdf.

property. It promotes globalisation as it allows for goods to enter the market of countries where the owner may not have made his product available. It is also carried out in the greater public interest to provide the consumers with lower prices for goods. This is particularly useful in the pharmaceutical industry where various lifesaving drugs are provided to consumers at affordable and lower prices as compared to the exorbitant rates imposed by big corporate entities.

There are however certain drawbacks to parallel imports such as the possible infringement of the exclusive rights of the owners of the intellectual property. This takes away incentive from such creators to invent new products and processes.

1. Parallel Imports and Copyrights

While international treaties and agreements to which a country is a signatory form the framework and outline of the laws adopted by the country on the particular subject, the power of having binding legislation on the particulars of the subject remains vested in the domestic laws of the land. This section examines the legality of parallel imports of copyrighted material as prescribed under the Copyright Act, 1957. The act doesn't specify the kind of exhaustion that is in India with respect to copyright thus this can only be made clear by an in-depth interpretation of the section in question. The relevant section is section 14(a) (ii). For better understanding which regime of exhaustion is relevant to India, we must divide this section into two parts. The first part renders the owner with the right of sale or free distribution of the protected copyrighted material to the public while the second part places a limitation on this right by saying that it is only applicable to those copyrighted materials that have not previously been "in circulation".[5] The explanation given along with this section further breaks it down by clarifying that this refers to copyrighted materials that have already been sold once.

Upon deeply considering the literal as well as implied meaning of this section, the authors believe that it calls for the regime of international exhaustion to be applied in cases of parallel imports of copyrighted materials. Five arguments for the same have been formulated and presented below –

(i) The statute calls for the copyrighted products "in circulation" to mean in circulation *anywhere in the world*. This can be interpreted because the law does not take any effort to specifically mention that the circulation of the copyrighted

[5] The Copyright Act § 14 (a) (ii) (1957).

materials should strictly be within the confines of the territory of India. The phrase "already in circulation" is extremely wide. Clearly and unambiguously in the literal sense it means that the circulation of copyrighted materials can be anywhere in the world and this goes to imply the application of the regime of international exhaustion.[6]

In the case ***Association for Development vs. Union of India***[7]it was held that when a statute is mentioned in a "plain and unambiguous manner", the courts must take it as it is and apply it in the same sense for the very reason that it does not have the power to recast or reinterpret legislation in an unnecessarily complicated or far-fetched manner.

Thus, this case law leaves no room for the statute to be interpreted in a way other than to say that the Copyrights Act, 1957 calls for the regime of international exhaustion to be applied to copyrighted materials in terms of parallel imports in India.

(ii) An argument put forth by those opposing the view that section 14(a)(ii) implies that international exhaustion is followed is that since this matter arises out of an Indian statute, it must mean that the phrase "already in circulation" refers to the protected materials already in circulation *in India*. This negates the possibility that the said section permits international exhaustion. However, this argument does not hold good as the language given in the section is quite plain and a literal reading of the same implicitly calls for goods already in circulation in any part of the world. It cannot, thus, be said that by having such an interpretation is extra-territorializing the act.

(iii) A principle commonly followed when it comes to interpretation of the constitution is that if something is not expressly denied then it should be allowed. Since international exhaustion hasn't been prohibited by our constitution in a clear and defined sense, we can say, on the basis of theories of law and freedom, that our constitution allows for it.

(iv) In India, the executive branch of our government is tasked with entering into foreign treaties and the legislative branch has the duty of enacting and formulating domestic legislation. Both the branches must work in harmony with each other

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[6] Pranesh Prakash, Exhaustion:Imports,Exports and Doctrine of First Sale in Indian Copyright Law, SSRN(Jan.5,2019).

[7]Association for Development v. Union of India, 167. DLT 481 (2010).

because India's international stands taken via entering into various foreign treaties must be complementary to the domestic laws binding on its citizens. On various international platforms, India has been a supporter of international exhaustion and thus it is expected that we follow this particular regime of exhaustion. In interpretation of domestic legislation, our international position on the said matters must also be taken into consideration and thus we can say that, in a best-case scenario, section 14 (a)(ii) can be considered to legally permit parallel imports while in a worst case scenario the legality of the imports is simply doubtful.

(v) Certain products in the market are protected under a number of IPRs. For example, a patented product like a machine may also possess the trademark of the company that owns and manufactures it. Thus, in cases like this it is important for the various IPR statutes to have the same outlook on the matter of international exhaustion as each other. The Patents Act, 1970 and the Trademarks Act, 1999 both provide for international exhaustion and therefore, by extension, parallel imports. Thus, the Copyrights Act, 1957 should be interpreted in a manner in which it is in harmony with the Patents Act, 1970 and the Trademarks Act, 1999.[8]

COURT'S VIEW

The evolution of Copyright Law, 1957 in India has occurred through the decisions taken by the courts on the cases mentioned below.

Penguin Books, England vs. India Distributors[9]

The given case involved the plaintiffs, Penguin Books, suing the defendants, India Distributors, over infringement of their territorial copyrights/licenses of 23 books. The facts of the case were that India Distributors, Bombay were importing, reselling and offering for sale around 13 of the 23 titles mentioned in the suit at a significantly lower price in India. They claimed that they were well within the purview of the law and cited Section 51 of the Copyrights Act, 1957 as their defence as the books that they were importing were "lawfully published" in the US. The plaintiffs asked for a temporary injunction in the matter which the single trial judge at the time denied. However, on an appeal to the Delhi High Court, a division bench granted a permanent injunction against the importing of the books from the US to India. The grounds for this were

[8]Raman Mittal, Whether Indian Law Allows Parallel Imports Of Copyrighted Works: An Investigation, JSTOR (Jan., 2019).

[9]Penguin Books Ltd, England v. India Distributors, 26. DLT 316, (1984).

that copyright is considered to be infringed if a person, without the consent of the owner of the materials, imports into India such materials for the purpose of carrying out commercial activities. The bench felt that the true meaning of the word "publish" as prescribed under section 14 (i)(a)(ii) is' to make available to the public.' This included importing goods to another country to do so. Thus, the bench was of the opinion that the plaintiff's exclusive right to publish had been infringed and an injunction was granted.

Warner Brothers Entertainment Inc. and Others vs. Santosh V.G.[10]

In this case, the plaintiffs were the owners of a production company while the defendants were the owners of 4 retail outlets called Cinema Paradiso that distributed CDs to their customers on a rental basis. Many of the CDs they distributed had a clear warning on them which stated that the DVDs were not permitted to be sold or distributed outside of the US and Canada. This would constitute infringement of the rights of the owner of the copyrighted materials. The plaintiffs also alleged that the defendants had not procured a rental licence from the registered organisation against film piracy, although they had heavily advertised this on their website. The plaintiffs alleged that this meant that all their acts of rental services amounted to infringement under section 14 (d) (ii) read with section 51 of The Copyright Act, 1957. The defendants had also not acquired any form of legal counsel or consultation or the consent of the Motion Picture Association of America, for that matter. Thus, the plaintiff sued the defendants for permanent injunction and damages.

The arguments put forth by the defendants were that India recognises the doctrine of first sale and thus since the goods were legally purchased by them the rights of the plaintiffs over them have been exhausted. They further said that since the Patents Act, 1970 and the Trademarks Act, 1999 both have specific clauses which allow for the importation of goods, the Copyright Act, 1957 should be uniform with them to avoid inconsistency in legislation. The main issue was whether the actions of the defendant constitute infringement of section 51 (b) (iv)[11] and section 51 (a) (i) [12]of the Copyrights Act, 1957.

[10]Warner Brothers Entertainment Inc. and Others vs. Santosh V.G, 175. MIPR 2, (2009).
[11] The Copyright Act § 51(b) (iv) (1957) : When any person - imports (except for the private and domestic use of the importer) into India, any infringing copies .of the work, https://www.wipo.int/edocs/lexdocs/laws/en/in/in122en.pdf.
[12] The Copyright Act § 51(a) (i) (1957) : When copyright infringed— Copyright in a work shall be deemed to be infringed when any person, without a licence granted by the owner of the copyright or the Registrar of Copyrights under this Act or in contravention of the conditions of a licence so granted or of any condition imposed by a competent authority under this Act does anything, the exclusive right to do which is by this Act conferred upon the owner of the copyright, https://www.wipo.int/edocs/lexdocs/laws/en/in/in122en.pdf.

The decision given by the courts was that the defendants had indulged in copyright infringement. The arguments given by them in support of their actions did not hold good as the nature of the rights conferred upon cinematographic films is different from those conferred on other copyrighted materials. Section 14, in a literal sense, refers to "literary, musical or dramatic works" when it talks about "copies in circulation"[13]. The clear intent in not mentioning the same for cinematographic films is that it doesn't intend to confer the same rights to such works. The proviso to Section 51 (b) (iv) states that cinematographic works imported for personal use do not constitute infringement. The very fact that the phrase "personal use" is mentioned expressly shows that importation for commercial purposes was never intended for by the law. Further, on the question of parallel imports of cinematographic films, section 14 (1) (d) states that "regardless of whether such copy has been sold or given on hire on earlier occasion" thus implying that the doctrine of first sale is not applicable in the case of cinematic works.[14]

The response given to the last argument made by the defendant was that, if specific provisions existed to allow importation and further distribution of protected works under the Trademark Act, 1999 and the Patent Act, 1970, but didn't in the Copyright Act, 1957, this means that there was no legislative intent to allow for the same provisions with respect to copyrighted materials.

John Wiley and Sons Inc. v. Prabhat Chander Kumar Jain[15]

The plaintiff is the owner of a publishing house established in New York. A low price edition of some of the books that the company had already published in other countries was introduced in the Indian market at a price that was suitable to the economy of the country. The books contained a warning on the cover stating that the circulation of the books had territorial limitations and they were restricted for sale only within India and a few other Asian countries whose population had more or else the same affordability index. Low price editions of certain books were purchased legitimately in India by the defendants and an attempt to sell them in other countries, where the cheaper versions were not available, was made. The plaintiffs claimed that this was an infringement of their rights and called for an injunction.

The court held that while the transaction taking place within India of the defendants purchasing the lower price editions was completely lawful, the defendants have violated the exclusive

[13] The Copyright Act § 14 (1957), https://www.wipo.int/edocs/lexdocs/laws/en/in/in122en.pdf.
[14] The Copyright Act § 14(1) (d) (1957), https://www.wipo.int/edocs/lexdocs/laws/en/in/in122en.pdf.
[15]John Wiley and Sons Inc. v.Prabhat Chander Kumar Jain,170. DLT 701, (2010).

rights of the plaintiff since the very act of introducing certain protected copyrighted material in a country where it is not originally available amount to initiating circulation of goods or issuance of goods, the rights for which should remain exclusively with the owner of the copyrighted material. Thus, the acts of the defendants were a violation under section 14 read with section 51 of the Copyright Act, 1957.

Although this case clearly doesn't call for international exhaustion within the territory of India, the same cannot be concluded with finality or branded as a precedent as the matter at hand was regarding parallel exports, not parallel imports. However, even from the point of view of parallel exports, the judgement is considered to be flawed on various counts. Firstly, the Indian Copyright Act, 1957, in the explanation to section 14, states that the exclusive rights of the copyright owner over the copyrighted material are not viable once the first sale is completed, after which, the purchasers are allowed to freely circulate the said protected material. Exporting the copyrighted material would fall under the category of free circulation. In fact, section 31 of the Copyright Act, 1957 [16]states in plain language that only copyrighted materials which are issued under compulsory licences are deemed to be forbidden for export. The implication here would be that those materials which are issued under ordinary licences have no bar on them in terms of exports.

Proposed Amendment to Section 2 (m) of the Copyright Act, 1957

In the year 2012, the country saw the passing of the historic Copyright Amendment Bill[17], 2012 which had been under debate in the houses of parliament for a period of 12 years. One of the proposed amendments was the proviso to section 2 (m) of the Copyright Act, 1957. Section 2 (m) of the act gives the definition of an infringed copy of work in terms of literary, dramatic, musical, artistic, cinematographic films, sound recordings, a programme or performance.[18] The proposed proviso called for an exemption of sorts of parallel imports from the definition of the infringed copies. Essentially, this meant that a protected work could be imported from another country and further distributed within the Indian market without the express permission of the owner of the intellectual property as well as without infringing the Copyright Act, 1957. This was seen as a historic, progressive act along with being something that was the need of the hour for India in terms of trade and commerce.[19] The proviso would have finally clarified India's

[16] The Copyright Act § 31 (1957).
[17] Shamnad Basheer, Exhausting Copyrights and Promoting Access to Education: An Empirical, NISCAIR(Jan.5,2019) .
[18] The Copyright Act § 2(m) (1957).
[19] Amlan Mohanty, Amendment to S.2(m) – Copyright Standing Committee Report, SpicyIP(Jan.4, 2019).

stance on parallel imports and the doctrine of first sale. Some of the reasons given for the introduction of the same involved keeping the best interest of students at heart as various text books are not available in the Indian market, thus creating a disadvantage for them. Various other problems, such as these, were put forward and the only solution to them seemed to be to legalise parallel imports explicitly in the statue regarding the same. However, once the proposed amendment was made public, a number of publishers protested and claimed that their interests were not being looked after as such an amendment would sound the death bell for publishing companies and by extension cause grievous harm to India's economy. The Rajya Sabha, in its 227th Report on the Copyright Amendment Bill, 2010[20], said that the introduction of the proviso would be detrimental to the current Indian business model and would be a commercial blow to India's interests.[21] After lot of contemplation, the government decided to remove the proviso from the amendment temporarily. They claim to have referred the same to the National Council of Applied Economic Research (NCAER) to ascertain the sustainability of the move for the Indian economy and the business of he publishing houses. Thus the final call on the addition of this proviso to the Copyright Amendment Act, 2012 can only be made by the government once the report regarding the impact of the same is made available to them by the NCAER.

PARALLEL IMPORTS AND TRADEMARKS

Now that the applicability of international exhaustion in the case of copyrights has been discussed, let us move on to trademarks. The essential concept of parallel imports of trademarked goods starts with the process of purchasing trademarked products that have been made available to the public with the consent of the owner in the market of a particular country at a lower price. The purchased products are then imported into a country that sells the products at a higher price and then further distributed at the discretion of the purchaser without the need for the consent of the actual owner of the intellectual property.

Permission to carry out this practice is provided for in the Trademarks Act, 1999 within section 30. The section provides the exceptions to the infringement of the rights conferred upon products protected by trademarks which are provided for in section 29. Section 30 (3) (b) provides that once the goods have been lawfully acquired, the purchaser is free to further distribute these goods in the market or indulge in transactions with them as he/she pleases due

[20] Atin Kumar Das, Copyright Amendment Bill,2010.:A Birds Eye View, Legal Service India(Jan.7,2019.

[21] Sana Gangwani, Standing Committee Report Summary: The Copyright (Amendment) Bill,2010,PRS(Jan. 9,2019).

to the reason that the goods were initially made available in the market under the registered trademark in a completely lawful manner and with the consent of the owner. The question that arises after a plain reading of this section is whether or not the work "market" in this context refers to the international market or the domestic market.

While the statute provides for parallel imports, section 30 (4) of the act also provides for the protection of the rights of the owner of the trademarked product against genuine claims of infringement. Thus, if the importer alters or modifies the product in any manner which would render the new product, thus formed, to be different from the originally protected property, the owner can sue the defendant for infringement of his/her rights. The importers are also required by the law to have a warning on the imported product which implies that the product has been brought to the particular national market through parallel importation and that warranty and after sales services for the product cannot be provided by the importer.

India follows the regime of international exhaustion with respect to trademarks which can be seen in the decisions laid down in various case laws that shall be discussed subsequently. The main objective behind following such a regime is to promote social welfare and healthy competition. It is beneficial to both parties, the importers and the consumers. The importers make a profit by selling the article at a higher price than the one at which they purchased the product while the consumers are enabled to buy the product at a price lower than the one being offered in their national market by the owner of the intellectual property. The rationale of Indian legislation behind allowing international exhaustion with respect to trademarks is that the concept of trademarks in itself is to make people aware of the origin of the goods instead of giving the owners of the trademark a licence to control trade of the product. Different prices of the same products in the markets of different countries give rise to the practice of parallel imports. If uniform pricing internationally is introduced by the owners of intellectual property, parallel imports will altogether cease to exist.

Court's view

The applicability of the doctrine of international exhaustion to products protected under the Trademark Act, 1999 can be determined via the decisions laid down by the court in various judgements. This section discusses a few such judgements.

***Samsung Electronics Co. Ltd. &Anr. v. Kapil Wadhwa &Ors*.**[22]

[22]Samsung Electronics Co. Ltd. &Anr. v. Kapil Wadhwa &Ors, 194. DLT 2 (2012).

In this landmark judgement, most of the questions regarding the status of international exhaustion in India with respect to trademarks were answered. The current law followed in the land in this respect is based on this judgement. The plaintiff, Samsung Electronics, sued Kapil Wadhwa, the defendant, who was a former authorised dealer of Samsung products. The defendant had purchased genuine Samsung printers from a foreign market and imported them into India, where he was selling it at a lower price than Samsung Electronics itself as well as its licensed distributors.

Initially, the suit filed against Kapil Wadhwa by Samsung Electronics ended up in their favour with the judgement given by the single judge, J. Manmohan Singh, sated 17^{th} February, 2012, stating that India follows the regime of national exhaustion. Thus the acts carried out by Kapil Wadhwa amounted to infringement of the rights of Samsung Electronics under the Trademark Act, 1999.

This judgement was appealed by Kapil Wadhwa and heard in the Delhi High Court in front of a division bench. The order thus given by this division bench overruled the judgement of the previous case and stated in essence that the principle of international exhaustion is applicable in India with respect to trademarked goods. It was held that consent of the owner of the intellectual property is not required to import goods from foreign markets into India. However, as stated earlier, it is necessary for the importers to issue a warning along with the products at the time of resale stating that the products have been imported from abroad and that the importers are not in a position to be able to provide a warranty or after sale services for the products.

Dell Case

Three India-based importers who bought a consignment of Dell laptops from China were stopped by the customs authorities at the time of importation into India. They were stopped on the grounds that the said laptops were the object of an alert issued with respect to trademark infringement. The right holders, Dell India Ltd., did not object to the alert and also decided to pursue the matter in the courts by suing the defendants for the infringement of their rights. According to the plaintiffs, the defendants had violated Rule 6 of the given rules read with section 11 of the Customs Act, 1962[23].

The defendants referenced section 30 of the Trademarks Act, 1999 and claimed that under Indian laws, sub clause 3 and 4 of this section acted as a defence for carrying out parallel imports. These clauses acknowledge the principle of exhaustion of the rights of the owner of the intellectual property.

After hearing all the presented arguments, the decision arrived at by the Customs Commissioner was in favour of the defendants. After a thorough interpretation of section 30 (3) (b) of the Trademarks Act, 1999, the Commissioner was of the view that once the goods under a registered trademark are lawfully acquired in a particular market, the act of further distribution by the purchaser, or a representative of the purchaser, is not considered to infringe any of the rights of the owner of the intellectual property by virtue of the fact that the said goods were initially put on the market by the owner with his consent. Thus, unless the goods are altered or distorted in any manner, the defendants legally in the clear.

Xerox Corporation vs. Puneet Suri

This case is quite similar, in principle, to the Dell Case. The defendants were in the business of purchasing second hand copying machines bearing the trademark of the plaintiff, “Xerox”. The purchased machines were then imported into India and further distributed at the will of the defendants.

The plaintiffs claimed that the business of the defendants amounted to infringement of their rights over the trademarked products. The defendants claimed that their actions were protected under section 30 (3)(4) of the Trademarks Act, 1999 in the territory of India.

[23] Customs act § 11 (1962).

The Delhi High Court judge presiding over the matter, gave his decision in favour of the defendants and stated that as long as the machines in question were not modified or altered in any way, the rights of the plaintiffs had not been infringed.

***Samsung Electronics Company Ltd. &Anr. v. G. Choudhary and Another*[24]**

The case at hand was an important judgement that clarified the stance of parallel imports of trademarked goods in India. The plaintiffs, Samsung Electronics, brought a case against the defendants claiming trademark infringement and seeking an injunction on the sales of trademarked products by the defendant. The Delhi District Court judge in question denied the plaintiff an injunction on the basis of section 30 (3) of the Trademarks Act, 1999. However, in an appeal put forward by the plaintiff, the plaintiff made a different argument and prayed for an interlocutory injunction on different grounds than they did earlier.

The plaintiff claimed that via Article 51 (1) (a) under Section 3 (Provisional Measures) of the TRIPs Agreement, a country can impose "prompt and effective provisions" to prevent the infringement of intellectual property rights particularly when the goods have been introduced into the market or any other "channels of commerce" of a country after import, immediately after customs clearance. The plaintiffs also claimed that they were seeking an injunction on the grounds that although the goods were lawfully acquired, their sale in India did not conform to certain laws and regulations of the Indian markets.

The argument presented in the appeal compelled the judge to grant the injunction due to the fact that the balance of convenience was on the side on the plaintiff. However, the judge made some noteworthy remarks in his judgement.

He acknowledged that section 30 allows for parallel imports by saying that when goods that have been lawfully put on the market by the trademark holder or have been sold with his consent, the purchase of such products and their subsequent imports into the Indian market do not constitute infringements of the rights of the owner.

Thus, on the whole, it can be observed that Indian courts have largely interpreted section 30 (3) of the Trademarks Act, 1999 as allowing for the principle of international exhaustion with respect to trademarked goods. Thus, parallel importation of trademarked goods to India does

[24]Samsung Electronics Company Ltd. &Anr. v. G. Choudhary & Anr., 136. DLT 605(2007).

not constitute any infringement of the rights of the trademark owner and is legally permitted within the territory of India.

PARALLEL IMPORTS AND PATENTS

In India, the debate on the applicability of the doctrine of first sale with respect to patented products was sparked by the conversation on the benefits of permitting parallel imports for public health and wellness. The benefits included making available to the public a large number of lifesaving drugs at affordable prices in developing countries. The initial Patents Act, 1970 did not consist of any references to the legality of parallel imports in India with respect to patented goods. The Patents (Amendment) Act, 2002 consisted of an express provision to address the issue. For the first time in India, section 107A (b) of the Patents (Amendment) Act, 2002, spoke about the legality of parallel importation of patented goods.

The section states that *"Importation of patented products by any person who is duly authorised by the patentee to sell or distribute the product"* is not considered to be illegal or unauthorized in any manner in India. [25]However, this section allowed for parallel imports only at the hands of the authorized licensees of the patent holder. Thus, the section as it was, was considered to impose limitations on the concept of parallel importation of patented products.

An amendment to section 107A (b) in the Patent (Amendment) Act, 2005 was made and it was reconstituted. It now said 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"*was not considered to be an infringement of the rights of the patentee.[26] This widened the scope and allowed for a non-authorized third party to purchase patented goods in the exporting country and import them into India without infringing any laws on the subject. The importer, thus, has the freedom to purchase patented products from whomever he/she pleases and the exclusive rights of the patentee are exhausted after the first time the patented product has been put on the commercial market by him/her.

Ambiguities in Section 107A (b) of the Patents (Amendment) Act, 2005.

While section 107A (b) of the Patent (Amendment) Act, 2005 makes clear the stance of India in terms of parallel imports, a literal reading of it gives rise to a few pertinent questions. The amendment does not specify that for the importation to be legally sound, first sale, authorized

[25] Patents (Amendment) Act § 107 A (b) (2005).
[26] Id.

by the patentee, must necessarily be completed. This gives the implication that the exclusive right to import, mentioned in section 48[27] of the act can virtually be bypassed and also runs the risk of contravening the TRIPs Agreement.

It is emphasised in the section that an infringement does not take place when patented products are imported from *"a person who is duly authorised under the law to produce and sell or distribute the product".* This prompts the question of what exactly is referred to by the word "law". The word "law" here could have two implications – i) the law of the importing country, i.e., India or ii) the law of the exporting countries. Since no particular region has been specified in the law referring to what can be considered a legally acceptable exporting country, we assume that an international perspective can be adopted in terms of the exporting country. This could also include developing countries where patent laws do not exist. An example of such a country is Bangladesh.

The goods are generally imported from a producer or a distributor of the exporting country. Thus, the word "law" must refer to the law of the exporting country. If it were to refer to the law of the importing country, a rather bizarre situation would arise whereby it would come into question if under Indian laws, a particular producer or distributor was authorized to carry on his/her business. It is absurd to assume that the legality of the manufacture or sale of goods in the exporting country, particularly those in which patent laws do not exist, should be subjected to the laws of the importing country.

Thus, in order to maintain logical consistency within the amended section, the term "law" must mean the law of the exporting country. This further gives rise to another ambiguity, i.e., whether simply an authorization to manufacture, distribute or export a particular product by the concerned bodies relating to it in the exporting country is sufficient to satisfy the conditions of "due authorization" as mentioned in the amendment? If the answer to the above question is in the affirmative, then this would make the Indian patent laws the most liberal in the world in terms of parallel imports and would potentially eviscerate the exclusive right to import of the patentees.[28]

Conflict with Section 48 of the Patents Act, 1970

[27] Patents (Amendment) Act § 48 (2005).

[28] Shamnad Basheer, Mrinalini Kochupillai, 'Exhausting' Patent Rights in India: Parallel Imports and TRIPS Compliance, Manupatra (Jan. 2, 2019).

Section 48 of the Patents Act, 1970 confers upon the patentees the exclusive rights to prevent third parties from *"making, using, offering for sale, selling or importing"* patented products without his express permission.[29] Thus the amendment to section 107A (b) of the Patents (Amendment) Act, 2005 can be considered to be contravening this section. Some go as far as to say that the amendment renders section 48 and the patent grant as redundant in itself. All that a third party has to do to override the exclusive rights of the patentee is to relocate to a country where patent laws do not exist, such as Bangladesh, and manufacture and distribute the product there and finally import the product into India and further distribute it.

However, arguments have been made in favour of the amendment which state that section 107A (b) can only be used as a defence in terms of importing the goods. The other exclusive rights of the patentee such as the right to sell and distribute remain untouched and thus if the importer imports the goods into India without a prior completion of 'first sale' of the goods, the patentee has every right to prevent him/her from doing so.[30]

Thus, if this argument were to be considered, all the apparent loopholes and ambiguities are neatly tied up and resolved and it can be concluded that section 107A (b) of the Patents (Amendment) Act, 2005 is constitutional and does not infringe the rights of the patentee. This makes it safe to say that our courts can endorse the principle of international exhaustion and parallel imports of patented goods in good faith.

CONCLUSION

Parallel imports make up an integral part of the contemporary Indian market structure. They provide us with the two-fold benefit of ensuring maximum consumer welfare along with disallowing unfair dominance of the owner of the intellectual property by promoting healthy competition. Along with this, the laws on parallel imports also keep in mind the interests of the owner and ensures that his right to reap the benefits of his creations remains intact.

The primary goal of this paper has been to determine through doctrinal research whether parallel imports are legal in India with respect to copyrighted, trademarked and patented products. Through the research and consequent analysis, we come to the conclusion that while there are still a few technicalities that must be resolved in order to confidently state that parallel imports of copyrighted materials is legal, it is quite evident through statutes and various case

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[30] Shraddha Singh, Parallel Import, Astralegal (Jan.4,2019).

laws that with respect to trademarked and patented goods, parallel imports are legally authorized.

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