

IN THE SUPREME COURT OF INDIA
(CIVIL APPELLATE JURISDICTION)

SPECIAL LEAVE TO APPEAL (CIVIL) NO. 2012

IN THE MATTER OF:

SAMSUNG ELECTRONICS COMPANY LTD. & ANR. ...PETITIONERS

VERSUS

KAPIL WADHWA & ORS.

...RESPONDENTS

AND

IN THE MATTER OF:

APPLICATION SEEKING INTERVENTION WITH PRAYER TO BE PERMITTED AS AMICUS TO MAKE SUBMISSIONS ON QUESTION OF LAW PERTAINING TO EXHAUSTION OF RIGHT AND PARALLEL IMPORT INVOLVED AND ARISING FOR ADJUDICATION IN PRESENT PETITION BY INTERNATIONAL TRADEMARK ASSOCIATION (INTA), NEW YORK, USA

The applicant abovenamed respectfully submits as follows:

1. The applicant herein, International Trademark Association, 655 Third Avenue, 10th Floor, New York, NY 10017 USA, (hereinafter referred to as INTA) is a membership association of more than 6200 trade mark owners and professional firms from more than 190 countries all over the world. The organization is dedicated over the last 135 years to supporting trade marks and related intellectual in order to protect consumers and to promote fair and effective commerce. An important objective of INTA is to protect the interest of the public and brand owners through the proper use of trade marks. In this regard, INTA strives to advance the development of trade mark and unfair competition laws and treaties throughout the world.

2. **REQUEST FOR AMICUS:**

INTA has acted in the capacity of *amicus curiae* before the European Court of Justice (ECJ) as well as in the United States and several other jurisdictions from time to time. INTA has been an official non-governmental observer to the World Intellectual Property Organization (WIPO) since 1979 and actively participates in all trade mark related WIPO proposals. INTA has consequently contributed to WIPO trade mark initiatives such as the Trademark Law Treaty and is active in other international arenas including the Asia Pacific Economic Cooperation Forum (APEC), the Association of Southeast Asia Nations (ASEAN), the European Union (EU) and the World Trade Organization (WTO). INTA's membership is varied and extensive. It is a balanced and reliable representative body.

3. INTA's international character brings a global approach to the issue at stake in this case, i.e. "exhaustion of rights" of a registered trade mark owner in India on account of "parallel imports". INTA represents hundreds of trade mark owners who are placed in several countries but the issue of the exhaustion of their rights to trade marks registered in India is at stake and is the subject matter of adjudication before this Hon'ble Court. Many trade mark owners have secured registration of their trade marks in India, carry on business in India and strive to protect their marks, market and goodwill in India. They have made huge investments in India to: 1) promote their brands; 2) set up after sales service centers to effectively and efficiently service warranties and guarantees to consumers in India, and 3) prevent unauthorized and unregulated sales. These trade mark owners would be directly impacted by the adjudication of issue of "exhaustion" and therefore as a representative body INTA seeks to represent a well-researched perspective on the issue of "exhaustion of rights" so as to effectively assist and contribute in the advancement of law in the interest of the public at large and that of the rights holders in a global economy.

4. **OBJECTIVE:**

Considering that parallel imports and exhaustion of trade mark rights is an issue being globally debated in various jurisdictions and involves significant rights of its members, INTA is requesting this Hon'ble Court to be allowed to put forth a perspective based on global research on the issue so as to assist this Hon'ble Court in the adjudication of the question of law involved in the present case. INTA prays to be permitted to be heard as amicus in the present case.

5. **SUBMISSIONS:**

INTA supports the principle that "international exhaustion" should not apply to "parallel imports" in absence of clear proof that the trade mark owner has "expressly consented" to such import and that the burden of proof should be on the party seeking to prove such consent. A trade mark owner cannot and should not be deprived of its right of territorial commercialization of its trade marks unless it is proven that it has expressly consented to such sale in a particular country.

6. The primary function of a trade mark for goods may be characterized in more than one way. The first and foremost is to indicate the origin or source of the goods in relation to which it is used, thus enabling consumers to distinguish the goods of one trader from those of the others. However, a trade mark not only serves its purpose of identifying the source, but also serves to assure and guarantee the quality of goods sold. It is the trust in quality which propels the consumer to go for repeat purchase. If the quality is consistent, the trade mark will acquire goodwill. Goodwill thus symbolizes the quality that a trader is able to maintain and identify with a particular source that goods emanate from.

7. It is respectfully submitted that the trade mark owner often has specific packaging, sales and distribution networks to meet specific cultural, language, environmental and other conditions which may vary from country to country. Territorial franchising and distribution of goods through a licensee, franchisee or subsidiary is a well established business model worldwide which is in consumers' interest on account of warranties and after sales service. From such activity, goodwill is built up differently in different countries wherein the trade mark is used. Thus, goodwill is territorial and arises from the use of the mark in a particular country, the extent and nature of brand promotion, the availability of trade marked goods, the availability of the latest product range, after sales service, and the availability of retail outlets for such trade marked product. Undertaking all such activities to build the goodwill in a trade mark product requires immense planning, deployment of human resource and financial investment before the trade mark acquires goodwill. It is unreasonable to the trade mark owner to hold that the goodwill is "exhausted" in all countries by use of the mark in just one country.

If use of the mark in one country cannot confer proprietary right and goodwill globally in all the countries, then conversely, how may the goodwill and right to use of the trade mark be exhausted globally and in all other countries by mere use of the mark in just one country? The principle of law applicable must be the same for creating a right as for the exhaustion of a right so created.

8. Parallel importers generally acquire genuine goods in one jurisdiction and then import them into another jurisdiction, often undercutting the trade mark owner or its authorized distributor in the price of the goods. Such undercutting of price causes

irreparable prejudice to trade mark owner and its franchisee/licensee/subsidiary who have invested in market research, product development, brand promotion, after sales service, and distribution network.

Further, the activities of parallel importers do not just affect the trade mark owner and their franchisee/licensees/subsidiaries but they also undermine consumers' trust in their marks and the quality as there is no supervision and quality control of the imported goods which may not have been customized for India or their quality may have been compromised by intermediaries who have handled such goods in transit and storage in warehouse. Failure to maintain quality leads to loss of trust and goodwill of the the trade mark amongst consumers thus harming consumers as well as trade mark owners.

9. INTA thus maintains that the doctrine of "national exhaustion" benefits the consumer and the trade mark owner and propounds this doctrine which is based on a number of reports and studies in relation to parallel import and trade mark exhaustion, including those listed below:

RESEARCH MATERIAL FORMING BASIS OF INTA'S POSITION:

- (i) NERA Report for the EU Commission: "The Economic Consequences of the Choice of a Regime of Exhaustion in the Area of Trademarks," February 1999;
- (ii) AIM Position Paper: "Parallel Trade—Consumer Benefit or Consumer Loss?"; April 1999;
- (iii) Max Planck Institute: "Parallel Imports and International Trade," June 1999;
- (iv) European Commission: "Exhaustion of Trade Mark Rights— Working Document from the Commission Services," December 1999;
- (v) International Chamber of Commerce: "Exhaustion of Intellectual Property Rights," January 2000;
- (vi) AIPPI Q.156: "International Exhaustion of Industrial Property Rights," March 2001;
- (vii) OECD Joint Group on Trade and Competition: "Synthesis Report on Parallel Imports," June 2002;
- (viii) London School of Economics Special Research Paper: "The Economic Impact of Pharmaceutical Parallel Trade," January 2004;

- (ix) Imperial College London, funded by the Economic and Social Research Council: “Intellectual Property Rights: Trading in Pharmaceuticals,” March 2004;
- (x) National and Regional Reports by the subcommittees of the INTA Parallel Imports Committee for the 2004–2005 term.

10. There is currently no international treaty or consensus dictating a standard of “national exhaustion” or “international exhaustion”. The Paris Convention does not address the issue. The agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) is deliberately neutral on the subject. Article 6 of TRIPS reads as under:

“For the purposes of dispute settlement under this Agreement ... nothing in this Agreement may be used to address the issue of the exhaustion of intellectual property rights.”

11. Research by INTA’s Parallel Imports Committee found that, currently, the concept of “national (or regional) exhaustion” is present in numerous jurisdictions throughout the world.

12. The EU comprises the most significant block of countries in the world where an established system of regional exhaustion applies and which is in fact administered as “national exhaustion” under a harmonized international trade regime. Because a number of its 28 member states are also among the wealthiest countries in the world, and have relatively high price structures for consumer and healthcare goods, the EU is a particularly attractive target for parallel importers.

13. INTA’s POSITION:

13.1 INTA asserts that given the potential harm to consumer and trade mark owners, parallel imports should only be permitted within a system of national exhaustion or, in appropriate cases, such as the EU, “regional exhaustion of rights”;

13.2 INTA disapproves of international (or global) exhaustion of rights, except in circumstances where the trade mark owner has positively consented to the importation of goods bearing its trade marks. Such consent will usually be express, but may be implied from circumstances that unequivocally demonstrate that the trade mark owner has renounced any intention to enforce its rights;

- 13.3 INTA advocates that, in disputes concerning parallel imports, it should be for the parallel importer or subsequent trader to prove consent and not for the trade mark owner to demonstrate its absence;
- 13.4 INTA believes that this position is in the best interests of trade mark owners, their customers (the consumers) and of orderly markets. INTA considers that international exhaustion allows unscrupulous “gray-market” traders to unfairly benefit from the investment in markets by genuine trade mark owners, with little benefit and significant possible detriment to consumers. INTA believes that national (or regional) exhaustion of rights provides the most benefit to consumers;
- 13.5 In order to ensure orderly markets and consumer protection, INTA encourages governments whose legal systems follow an international exhaustion policy to change their laws so as to adopt national or appropriate regional exhaustion;

14. **CONSUMER BENEFITS FROM TRADE MARKS ARE UNDERMINED BY PARALLEL TRADE**

- 14.1 Trade marks provide a number of important benefits for consumers in a healthy and vigorous trade environment. The trade mark is the “face” of a product, recognizable by consumers and indicating qualities they have come to expect and trust. Trade mark owners therefore have a stake in ensuring that their marks are associated with high quality and a good buying experience, that is, in protecting the goodwill associated with the trade mark. Trade mark owners invest in their marks, and the protection of their marks, in order to ensure this.
- 14.2 Benefits to consumers in this scenario include:
- reassurance that the trade marked product is reliable and of a certain quality;
 - receiving the expected quality and satisfaction from the purchase;
 - confidence that the trade marked product is the same as that purchased previously and is equally suitable for their needs;
 - trust in the quality or value which the mark signifies to them;
 - in many cases, convenience of wide availability; and
 - expectation that the trade marked product will be backed by the trade mark owner with quality guarantees or after sales service.
- 14.3 Parallel traders, who do not deliver these consumer benefits, both undermine the value of the trade mark to the trade mark owner, and also deceive or disappoint the consumer.

15. **TRADE MARK OWNERS' INVESTMENT IN TRADE MARKS IS THREATENED**

Trade mark owners invest in the promotion, development and protection of their marks in order to attract consumers with the benefits described above. In the same way, they invest in R&D and maintenance of quality on their products which are marketed under the trade mark.

When trade mark owners have built, with this investment, a valuable trade mark with good consumer association, they are encouraged to expand into new markets which may not otherwise be serviced, including R&D into the best product formulations or specifications for the new market. Brand extension into new products also produces opportunities for investment, to the benefit of consumers.

If the return on this investment is undermined by parallel imports, the investment will inevitably decline, leaving:

- less choice and product availability for consumers;
- less R&D for new products and a consequential slowdown in innovation;
- less expansion into new geographic markets (especially those where international exhaustion prevails); and
- less trade and its associated benefits.

16. **ECONOMIC ANALYSIS FAVOURS NATIONAL (OR REGIONAL) EXHAUSTION**

16.1 It is a common misconception that parallel imports are always cheaper for consumers than the goods marketed directly by the trade mark owner, but research shows this to be an oversimplification. (Information sourced from the reports listed in the Research section, particularly the AIM Position Paper and NERA Report.)

16.2 Parallel traders will sell the goods at the highest market prices they can command. Their aim is to maximize their profit, not altruistically benefit consumers. Further, parallel imported goods which may initially be marketed at a lower price are often used only as a “carrot” to attract customers initially, and prices soon rise.

16.3 Tax variations between countries can obscure the true price differential. Legitimately traded goods are subject to the payment of local taxes and duties (such as VAT or GST levied in many countries and regions including Latin America, Europe and

Australia). Parallel imported goods (especially those marketed in small quantities on the Internet) may avoid the payment of such taxes. This skews the price comparison, and is not to the social good.

16.4 Trade mark owners' pricing reflects their past and future investment. Trade mark owners' pricing must necessarily reflect the investment which has been made in R&D, marketing and distribution (all benefits for the consumer), not just the base price of producing the product. Parallel importers do not need to reflect such investment. They thus take unfair advantage of the trade mark owners' investment. Trade mark owners may choose—or indeed be forced—to retreat from a market if they cannot recoup the investment cost of producing their product; and/or they may be discouraged from investing in new products, to the detriment of consumers.

16.5 Local distributors for the trade mark owners may also be adversely affected, having negotiated to pay a royalty to distribute the trade mark owners' product in a territory, and having invested in local marketing, information and provision of after-sales service or warranties, only to be faced with unfair competition from a parallel importer who makes none of this investment nor provides any of such services for consumers. Consumers may be misled into believing that the authorized distributor will honour warranties or provide after-sales services for goods with which in fact, it has no sales connection.

16.6 A low-pricing policy in a developing country, such as the supply of drugs to regions of Africa at special low prices, may be aimed at benefiting a particular disadvantaged section of society. If pharmaceutical companies repeatedly find such drugs being diverted and imported into richer countries which do not have such a significant health problem, they will be discouraged from maintaining their ethical low pricing strategy in the countries that need it.

17. **PACKAGING, QUALITY, SUITABILITY AND ENVIRONMENTAL ISSUES**

17.1 Parallel importers often alter the packaging of goods, or import and sell goods intended for another market which uses different packaging. They may also remove lot numbers (which allow goods to be traced more easily in the case of product recall, for example); or over-stick information as to origin, ingredients or other mandated

information. This often leads to breach of packaging legislation, which in turn places consumers at risk.

- 17.2 The quality of product frequently varies from region to region. Not all formulations suit all markets; and in addition delays in delivery of parallel imported goods (old stock, or long and inefficient distribution channels) can erode the quality of the original product. Again, this is to the detriment of the consumer and erodes the trade mark owner's value in the trade mark.

Following are some examples of harm to consumers on account of lack of consistent quality:

- Lack of regulatory or marketing approval for sale of the relevant product in the import country, for example, sanitary regulations in South America;
- Unworkable consumer helpline or consumer careline phone number(s) in the import country;
- Fundamental formulation or recipe variations according to consumer or cultural tastes, for example, abrasives in toothpaste—silica, calcium carbonate or bicarbonate of soda—which are very regionally specific and do not sell well or at all “out of region”; another example is bromide in bread, which is permitted in some countries but not in others (for example, Peru);
- The same risk could be applied to any food products being traded internationally where the recipes used will sometimes vary according to local culinary norms;
- The taste of many products can vary depending upon the market for which they are intended—for example, top selling European brands of toothpaste in Indonesia taste of cloves, not mint. Trade mark owners research local flavor preferences and tailor their product accordingly;
- Face cream formulated for the humidity of the tropics is inappropriate for other regions;
- A DVD player purchased in the United States will not play all DVDs sold in the United Kingdom or Australia;
- Motor lubrication oils are radically different for the Middle East and Scandinavia.
- Excessive heat while shipping can ruin the taste and fizz of soft drinks;
- A leading brand of cigarettes which reaches the EU by parallel routes may deliver a tar yield (15 milligrams) in excess of the limit authorized in the EU (12

milligrams) while misleading consumers by indicating a lower tar yield on a paper label, stuck to the packs by the parallel trader;

- Parallel imported products may enter a country from a jurisdiction with different environmental protection laws or packaging waste laws, that do not meet the needs of the country of import;
- Personal care or cleaning products sold for use in some countries are formulated to meet hard water conditions which do not exist in other countries (e.g. – USA and UK).

18. **CONSUMER UNHAPPINESS/DISSATISFACTION**

18.1 As noted, trade mark owners work hard to build up an expectation of quality and value in their trade marked products. If these expectations are not met by parallel imported products, consumers may be significantly dissatisfied, for example with:

- no after sales service;
- no warranty or guarantee honoured;
- incomplete or missing product information or instructions;
- quality or formulation intended for another jurisdiction, not suitable for the consumer's purpose;
- package uses a foreign language;
- packaging makes (or omits) claims as to reusability, recyclability and the like which are inaccurate;
- important health information may be omitted (e.g. because it was not required in the originating country);
- levels of tar or nicotine in tobacco products or alcohol in beverages may exceed local mandates, endangering consumer health;
- pharmaceuticals which are parallel imported may not comply with local mandates and may endanger consumer health;
- cases have arisen where the packaging of pet medicine bears incorrect directions for the climatic conditions in the country of import.

18.2 If medicine or beverages do not meet local governmental requirements, emergency telephone numbers on the packaging for medicine are missing or inaccurate, directions are inapplicable or the product is stale or otherwise rendered ineffective,

potentially serious consequences may follow. If consumers use these products, they run the risk of not only being simply dissatisfied but also their health may be put at risk.

19. **AN EASY ROAD FOR COUNTERFEITERS**

19.1 Studies, as well as anecdotal evidence, show parallel imported goods are often mixed or entwined with counterfeit goods thus hiding the counterfeits. Such instances are not often reported, since businesses that are “caught” importing counterfeit goods, when they thought they had simply got a good deal on some gray goods, will often reach a confidential settlement to avoid action by trade mark owners or face criminal liability.

19.2 Counterfeits are a serious scourge on global trade and consumer safety and protection, and huge sums are expended by trade mark owners and governments to fight the problem;

19.3 Anything that actively assists counterfeiting should be avoided or regulated to stop this practice;

19.4 The channels of trade for parallel imported goods are ideal for counterfeiters. Trade mark owners ship through regular shipping agents and ports where customs officials have knowledge of the agents and have experience with regular shipments. Both parallel importers and counterfeiters avoid such regular routes and benefit from confusion created by using multiple different ports and agents.

20. **BURDEN OF PROOF TO ESTABLISH EXPRESS CONSENT:**

20.1 In order for a parallel importer to defend an allegation of trade mark infringement by a trade mark owner, it has to be proven that the trademark owner consented to the importation of the trade marked goods. This raises two potentially contentious legal and procedural issues:

1. Which party has the burden of proving this; and
2. What constitutes “consent?”

20.2 INTA favours the view that the parallel importer, who is alleging “consent” in his defense, should bear the burden of proof. Moreover, the parallel importer must

establish that the consent was clear and unequivocal. This is the position that has been reached in the EU after considerable legal debate and judicial analysis, and it also accords with the position in many countries whereby the grant of a license by the owner of an intellectual property right is to be interpreted restrictively, in favor of the right owner.

20.3 It is the view of INTA that it is manifestly unreasonable to create a presumption that a trade mark owner has consented to parallel importation of its goods or to rely on national contractual or other doctrines of implied or indirect consent. It is more reasonable to create a presumption that a trade mark owner has not consented. This presumption could be open to rebuttal by the importer proving either that the trade mark owner has expressly approved the importation in question or that there are circumstances which unequivocally demonstrate that the trade mark owner has renounced any intention to enforce its trade marks. Such a rule is more in line with the realities of the marketplace, and takes into account the possible differences in quality and image that commonly exist between goods designated for different markets.

If a trade mark owner is considered to have given consent, and thereby to have exhausted its trade mark rights which would otherwise be available, then such consent should, logically and fairly, be shown unequivocally, and not merely implied.

21. There is currently no international treaty or consensus dictating a standard of national (or regional) exhaustion or international exhaustion. Many countries of the world appear to favour national (or regional) exhaustion. For the reasons discussed herein, INTA approves of national (or regional) exhaustion, which provides protection for the investments made by trade mark owners in their brands, and provides most benefits for consumers.

22. INTA recognizes that there is among the public generally, and in some governments and legislatures, a negative attitude towards the concept of national (or regional) exhaustion, in the largely mistaken belief that parallel imports are of significant benefit to consumers. In its comments on this matter, INTA hopes to dispel this misconception and point out that national (or regional) exhaustion can benefit trade mark owners, consumers and continued investment in all countries both developed and developing, as well as orderly global trade.

23. **THE INDIAN TRADE MARKS ACT, 1999 PRESCRIBES “NATIONAL EXHAUSTION”:**

23.1 It is INTA's understanding of the Indian Trade Marks Act, 1999 that for purposes of creating a right or its infringement, it is the use of the mark in India which alone is relevant. The statutory right of exclusive use conferred under Section 28 of The Trade Marks Act, 1999 and infringement thereof pertains to use of a trade mark within territory of India only. This is evident from reading of relevant extract from Section 28 and 29 of The Indian Trade Marks Act, 1999 as under:

“28. Rights conferred by registration.-

(1) Subject to the other provisions of this Act, the registration of a trade mark shall, if valid, give to the registered proprietor of the trade mark the exclusive right to the use of the trade mark in relation to the goods or services in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided by this Act.

(2)

(3)

29. Infringement of registered trade marks.-

(1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark.

(2)

(a)

(b).....

(c).....

(3)

(4)

(a)

(b)

(c)

(5)

(6) For the purposes of this section, a person uses a registered mark, if, in particular, he-

(a) affixes it to goods or the packaging thereof;

(b) offers or exposes goods for sale, puts them on the market, or stocks them for those purposes under the registered trade mark, or offers or supplies services under the registered trade mark;

(c) imports or exports goods under the mark; or

(d) uses the registered trade mark on business papers or in advertising.

(7)

(8)

(a)

(b)

(c)

(g)

“30. Limits on effect of registered trade mark.-

(1)

(a)

(b)

(2) A registered trade mark is not infringed where-

(a)

(b) a trade mark is registered subject to any conditions or limitations, the use of the trade mark in any manner in relation to goods to be sold or otherwise traded in, in any place, or in relation to goods to be exported to any market or in relation to services for use or available or acceptance **in any place or country outside India** or in any other circumstances, to which, having regard to those conditions or limitations, the registration does not extend;

(c) the use by a person of a trade mark-

(i)

(ii)

(d)

(e)

(3) Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade by reason only of-

(a) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods; or

(b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

(4) Sub- section (3) shall not apply where there exists legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods, has been changed or impaired after they have been put on the market.”

“56. Use of trade mark for export trade and use when form of trade connection changes.-

(1) The application in India of trade mark to goods to be exported from India or in relation to services for use outside India and any other act done in India in relation to goods to be so exported or services so rendered outside India which, if done in relation to goods to be sold or services provided or otherwise traded in within India would constitute use of a trade mark therein, shall be deemed to constitute use of the trade mark in relation to those goods or services for any purpose for which such use is material under this Act or any other law.

(2) The use of a registered trade mark in relation to goods or services between which and the person using the mark any form of connection in the course of trade subsists shall not be deemed to be likely to cause deception or confusion on the ground only that the mark has been or is used in relation to goods or services between which and the said person or a predecessor in title of that person a different form of connection in the course of trade subsisted or subsists.”

It is evident from reading of Section 30(2)(b) Section 56 that the Indian legislature has specifically chosen to expressly refer to “use of mark outside India” whenever it

intended to do so. There is no such reference to “market” used in Section 29 or Section 30.

- 23.2 The provision of Section 29 envisages the circumstances under which the infringement takes place. It is obvious from reading Section 29 that its scope is limited to use of a trade mark in India to constitute infringement of statutory right conferred by registration in India.
- 23.3 It is further submitted that Section 30 exhausts right of registered proprietor in India by sale of trade marked goods by the registered proprietor in Indian market. The term “market”, therefore, for purposes of infringement under Section 29 and for purposes of “exception to infringement” under Section 30(3) must be considered as one and the same market. Consequently, a right holder cannot be held to have exhausted its right arising from trade mark registration in India unless the goods have been put in market in India by the right holder or by express consent of right holder in India and this fact must be proved beyond doubt by a claimant seeking to raise defense of “exhaustion of right”.
- 23.4 It is respectfully submitted that the Learned Appellate Court failed to appreciate the fact that the “material difference” between the goods sold by Samsung in the Indian market and those imported in India by Kapil Wadhwa was sufficient ground for Samsung to oppose the parallel importation of the trade marked goods. The very fact that there was a quality difference between the goods proves that the product sold outside of India could not be held to have exhausted the right of Samsung. The fact that goods were materially different was sufficient for Samsung as the trade mark owner to oppose further dealing in those goods by importers in India. This is more so when the Appellate Court itself rightly held that the application of Section 30 (4) embraces all legitimate reasons to oppose further dealing in goods which are not limited to only when the condition of goods have been changed or impaired after they have been put on the market.
- 23.5 It is further submitted that the provision of Section 30 (4) of the Act which prescribes “legitimate reasons” to oppose further dealing in goods should be broad enough to include non-conformation with packaging and labeling laws of India such as The

Standards of Weights and Measures Act, 1976. The manner of packaging and the legal compliance in respect thereof varies from country to country based upon local laws and procedures. A proprietor is entitled to oppose the sale of its goods in any country that was not the proprietor's intended destination for the good and where therefore the proprietor has not had the opportunity to ensure that all such packaging and retail compliances are made. Thus, a proprietor should not be burdened with the doctrine of international exhaustion, particularly when a disappointed consumer is entitled to initiate proceedings against a proprietor for deficiency in the product. Applying the doctrine of international exhaustion, a proprietor may be guilty of such deficiency even though the goods were neither manufactured nor marketed for India.

23.6 It is further submitted that the Learned Appellate Court has failed to appreciate the fact that Section 30 (3) of The Trade Marks Act, 1999 deals with exhaustion of rights of the goods bearing registered trade mark lawfully acquired by a person. Such lawful acquisition under the registered trade mark has to refer to the market for which the mark is registered. Further, it is the sale of goods in such market that has been exempted as not to constitute infringement under the provisions of Section 30 (3) of the Act. The "market" therefore contemplated by Section 30(3) has to mean one and the same market/geographical area/economic area where the trade mark is registered, where the goods are acquired and where the goods are sold. The Legislature, when wanting to refer to any market other than India, clarified and said so as contemplated by Section 30(2)(b) of the Act. The "market" contemplated by Legislature under Section 29(6), Section 30(3), Section 30(3)(b) and Section 30(4) must be read consistently and coherently for harmonious construction of the provisions.

23.7 Trade mark laws and rights are historically territorial and governed by the national laws determining the scope and extent of protection conferred by it. The trade mark legislation in each country is confined in its application to its own territory of operation. It confers rights and privileges arising from use of the trade mark in the country of legislation and protection. Any reference to "use of the trade mark" under Indian Trade Marks Act, 1999, naturally means "use in India" unless expressly stated to the contrary by the legislature. Indian Trade Marks Act itself draws distinction whenever it intended to refer to the use of the trade mark in India and the use of the trade mark

outside India as evident from a reading of Section 30 and Section 56 of the Act enunciated above.

23.8 Therefore, in the humble opinion of INTA, The Trade Marks Act, 1999 envisages a doctrine of “national exhaustion” as distinguished from “international exhaustion”. It is also an interpretation consistent with the favoured position taken by many countries and INTA on the subject in the interest of right holders and consumers at large. INTA is grateful for being permitted to bring this perspective for kind consideration by this Hon’ble Court.

INTERNATIONAL TRADEMARK ASSOCIATION

THROUGH

HEMANT SINGH
(ADVOCATE)
Intl Advocare
Express Trade Tower
B-36, Sector – 132
Noida Expressway, Noida 201303
National Capital Region of Delhi.INDIA
Phone +91 120 2470200–298