

IN THE HIGH COURT OF DELHI AT NEW DELHI

CS (OS) No. 1603 of 2006

Samsung Electronics Company Ltd. & Anr.
...Plaintiff through
Mr. Praveen Anand, Adv.

Versus

Mr. S. Sahani
...Defendants through
NEMO.

Date of Decision : September 6, 2006

CORAM:
HON'BLE MR. JUSTICE VIKRAMAJIT SEN

1. Whether reporters of local papers may be allowed to see the Judgment? No
2. To be referred to the Reporter or not? Yes
3. Whether the Judgment should be reported in the Digest? Yes

VIKRAMAJIT SEN, J. (Oral)

IA No.9118/2006 in CS (OS) No.1603/2006

1. Allowed, subject to all just exceptions.

CS (OS) No.1603/2006

2. Plaint be registered as a Suit.

CS (OS) No.1603/2006

Page 1 of 13

3. Summons of the Suit be issued to the Defendants in the ordinary course, registered AD covers as well as by courier, returnable on 18.12.2006 before Joint Registrar.

4. Summons would indicate that the Written Statement shall be filed within 30 days of the receipt of the summons as prescribed under the Code of Civil Procedure.

IA No. 9116/2006 in CS(OS) 1603/2006

5. Issue notice of this application to the Defendants in the ordinary course, registered AD covers as well as by courier, returnable on 22.11.2006 before Court.

6. Reply be filed within four weeks. Rejoinder, if any, be filed within two weeks thereafter.

7. The Plaintiff prays for an interlocutory injunction which, in essence seeks to combat and eradicate parallel importation by third parties into India of products manufactured by the Plaintiff itself, but in China. The case set up is that although the products are genuine, they are not meant for Indian markets, inter alia because their sale does not strictly conform to Indian laws and regulations, such as being accompanied with literature in English or the Vernaculars; and/or with a label indicating the

CS (OS) No.1603/2006

Page 2 of 13

maximum retail price; and/or that they are not covered with a warranty; and/or that use of these products is likely to constitute a breach of the warranty of other machinery which has been legally purchased etc. It is common knowledge that multinational corporations have made a conscious preference to establish their manufacturing units in countries where a large percentage of the products leave from the 'back door' and thence for purveyance in the 'grey market'. Countries not connected with the manufacturing process (such as India in the present case) whose economies have not received any economic benefit; are expected to expend their resources to fight malpractices to which they are not privy. It also places an added and heavy burden on the Indian judicial system, already staggering under the weight of an exponential increase in litigation, not adequately matched by a corresponding increase in the strength of Judges, to fight an illegality occurring in another country. In the course of preliminary hearings it has been conceded by Learned Counsel for the Plaintiff that legal steps to stem this problem, which has become both endemic and pandemic in

not more than a couple of countries with whom we share the eastern hemisphere, have not been initiated in the country of origin. It is thus left to the Indian Legal system to judicially quell an economic malpractice rampant in another country. Mr. Anand has filed an affidavit of Mr. Jared Margolis, an internationally renowned lawyer and the author of Intellectual Property Rights Hong Kong, SAR & Peoples Republic of China who has opined that it is not feasible or practical to restrain 'parallel' exports from China, although pure counterfeits, i.e. goods originally manufactured without the authorisation of the IP owner, as is the case in hand, can be dealt with stringently.

8. It is not surprising that when parallel imports of 'lux' were discovered in Mainland China, purportedly infringing the contract for the exclusive use of the Chinese manufacturer, the Customs Office in Foshan, Guangdong Province seized the entire consignment. The Ghangzhan Intermediate Peoples Court in this case entitled Shanghai Lihua Co. Ltd. vs. Business Trading Co. held that it violated the rights of the Chinese manufacturer. However, in the present cases, there is no indigenous industry which

stands to benefit from the restraining orders prayed for by the Plaintiff. It appears that Section 3 of the Customs Regulation on Intellectual Property Rights forbids the import or export of goods that infringe property rights protected by Chinese laws. However, there is prevailing doubt whether "infringing goods" will include parallelly imported goods, as has been expressed in 'Exhaustion and Parallel Imports in China' a research supported by the National Natural Science Foundation of China (NSFC).

9. The following provisions of the Trade Marks Act, 1999 are germane to the present dispute --

29 (1) Infringement of registered trade marks- 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.

.....

(6) For the purposes of this section, a person uses a registered trade 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.

30. Limits on effect of registered trade mark.--(1) ...

(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.

.....

140 (1) Alteration of deposited regulations and consent of the Registrar for assignment or transmission of certification trade marks.-- (1) An application by the registered proprietor of certification trade mark under sub-section (2) of Section 74 to alter the deposited regulation shall be made in Form TM-42 and where the Registrar decides to permit such alteration it shall be advertised in the Journal and further proceeding in the matter shall be governed by rules 47 to 57.

10. In this regard it will also be proper to keep in perspective some of the provisions of Trade Related Aspects of Property Rights (TRIPS) which are extracted for facility of reference:

Section 3 : Provisional Measures

ARTICLE 50

1. The judicial authorities shall have the authority to order prompt and effective provisional measures:

(a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;

(b) to preserve relevant evidence in regard to the alleged infringement.

11. The following passage from *Exhaustion and Parallel Imports in India* by Sonia Baldia only confounds the conundrum:

Indian law is quite liberal in permitting parallel imports of genuine goods bearing registered trade marks, provided such goods have not been materially altered after they have been put on the market. The general rule is that once trademarked goods are released anywhere in the world, by or with the consent of the trade mark proprietor, that proprietor cannot assert its trade mark rights to prevent imports of such goods into

India, provided that such goods remain materially unaltered. In other words, once genuine goods are released into commerce anywhere by or with the proprietor's consent, all associated Indian trade mark rights are exhausted. Such consent may be express or implied, direct or indirect. The underlying rationale for liberal exhaustion is that trade marks are deemed to connote trade origin and not control. The trade mark proprietor may, however, impose contractual restrictions on a third party, such as a foreign licensee, against importing genuine goods into India, provided, that such restrictions pass muster under the Trade Mark Act and the MRTP Act, Indian's competition statute. Subsequently, if such genuine goods are imported into India, the trade mark proprietor's remedy against the importer would be through a claim for breach of contract and not for trade mark infringement.

The issue of exhaustion was not expressly addressed in the 1958 Act, but the New Act statutorily introduces this concept. Sec. 30 of the New Act provides that where the goods bearing a registered trade mark are lawfully acquired, the further sale or other dealings in such goods by the purchaser or by a person claiming to represent him is not considered an

infringement if the goods have been put on the market under such mark by the proprietor or with his consent. Such goods may not have been materially altered or impaired after they were put on the market, however. A cause of action for trade mark infringement may be available to the proprietor against an importer where the genuine goods have been materially altered without the proprietor's consent after they were put on the market. The burden of proving such consent is on the importer. A cause of action on the grounds of passing off is available if the trade mark proprietor can show that the importer is passing off the goods in a misleading or improper way causing confusion in the minds of the public. To date, there are no reported Indian court decisions on the issue of exhaustion or parallel imports involving trademarked goods. As in other forms of intellectual property rights, Indian courts routinely follow English precedent in the absence of guiding applicable Indian precedent.

12. In view of this brief discussion I am satisfied that a prima facie case has been disclosed for the issuance of ex parte ad interim injunction. The balance of convenience is in favour of the Plaintiff who is likely to suffer irreparable

loss and injury if only notice is issued in the first instance. It is almost certain that the goods and the evidence to substantiate the complaints of the Plaintiff shall be removed if an injunction is not granted forthwith.

13. In these circumstances, the Defendants, their partners, directors, principal officers, servants, agents and all others acting for and on their behalf are restrained from importing, exporting, distributing, selling, offering for sale, advertising, directly or indirectly dealing in grey market ink cartridges/toners or any other products of the Plaintiffs under the trademark "SAMSUNG" or under any other mark as may be deceptively similar to the Plaintiffs' trademarks amounting to the infringement of the Plaintiffs' registered trademarks.

14. Compliance of Order XXXIX Rule 3 be made on or before 26th September, 2006.

I.A. 9117 of 2006

15. An ex parte ad interim injunction has already been granted. Because of the nature of the dispute, it is necessary to appoint Local Commissioner since otherwise the evidence for the assertions in the Plaint can be easily

removed.

16. In these circumstances, I appoint Shri Balram Chopra, Registrar of this Court, Mobile No. 9910390910, as the Local Commissioner to visit the premises of Defendants at M/s. S.T.S. Paper, 1A, Nath Market, Gali Satte Wali, Nai Sarak, Delhi-110006, to inspect, seize and seal the ink cartridges/toners and any other products bearing the trademarks of the Plaintiffs, with the help of representatives of the Plaintiffs and also prepare an audit/inventory of the same, and to determine if they are "grey market" products/infringing versions of the Plaintiffs' products; to inspect books of accounts and sales records kept at the premises of the Defendant with the help of the representatives of the Plaintiff to determine the quantum of sale of "grey market" products/infringing versions of the Plaintiffs' products. The Local Commissioner shall hand over the seized material on 'superdari' to the Defendants or their representatives, who may be directed to give an appropriate undertaking that the seized materials will be produced before this Court, as and when directed and to seek police assistance, if the need arises.

17. The Local Commissioner shall be paid a fee of Rs.20,000/- together with incidental expenses.
18. The Report of the Local Commissioner be filed before the next date.
19. The application stands disposed of.
20. A copy of this order be given dasti to the counsel for the Plaintiff.
21. Copy of this order be also sent to the Local Commissioner for necessary information/compliance thereof.

September 6, 2006
'n'

Sd/-
(VIKRAMAJIT SEN)
JUDGE

