

**Trademark not infringed by sale of goods lawfully acquired - whether such goods are locally acquired or imported is immaterial**

The Division Bench of the Delhi High Court has in its landmark decision in *Kapil Wadhwa vs. Samsung Electronics Company Ltd.*, (judgment dated 3<sup>rd</sup> October 2012) held that if a person lawfully acquires branded goods abroad, imports them into India and resells them here, even though such importation and resale is without the consent of the owner of the trademark borne on the goods acquired abroad, such importation and sale will not amount to infringement of the trademark.

This decision is likely to provide for competition for goods sold in India by the owners of internationally renowned brands by themselves or through subsidiaries and reduce prices for the consumers of goods of internationally renowned brands.

Samsung Electronics Company Ltd., of Korea (Samsung) and its Indian subsidiary sued an Indian dealer of Samsung printers which were imported and resold in India. Samsung contended that the import and sale of the goods by the Indian dealer was without its permission and amounted to infringement of its trademark registered in India. The Indian dealer contended that since he had lawfully acquired the goods abroad, he was entitled to import it to India and resell it. The question arose as to whether the Indian Trademarks Act, 1999 adopts the principles of international exhaustion or national exhaustion of the trademark. The Division Bench of the Delhi High Court, reversing the judgment of the Single Judge, held that the Indian Trademarks Act adopts the principles of international exhaustion. It therefore held that since the Samsung printers had been lawfully acquired abroad, there was no bar on its import into India and resale in India even though that may have been without the consent of Samsung. The Court held that as per the Indian Trademarks Act, once the owner of the trademark had applied the trademark to the goods and put the goods on the market, he could not, subject to certain exceptions, prevent the further sale and dealing with those goods in India on the basis of his trademark, even though he had put the goods in the international market and not in the Indian market. The Division Bench held that there is no law stipulating that goods sold under a trademark can be lawfully acquired only in the country where the trademark is registered. Lawful acquisition of goods would mean the lawful acquisition thereof as per the laws of that country pertaining to sale and purchase of goods.

However, the Court observed that the owner of the trademark could prevent further dealing in the goods on the basis that it would affect his reputation and in turn the distinctiveness of the trademark where legitimate reasons exist to oppose further dealing, where the condition of the goods since it was first put out on the market has been changed or impaired, or where there is difference in services and warranty, difference in advertising or promotional efforts, difference in packages, difference in quality control presentation, difference in the language of the literature provided with the product. In the present case, the physical condition of the goods had not been changed or impaired, the customers were benefitting in as much as the goods imported and resold were being sold at a lower price than those sold directly by Samsung through its authorized

dealers. Accordingly the Division Bench set aside the injunction granted by the Single Judge restraining Indian dealer from selling the imported Samsung printers, and allowed it to carry on with its sales. However, in the light of Samsung's apprehension that servicing of the printers would not be of the same quality and warranties are not given by Samsung, the Division Bench required the Indian dealer to permanently display in their shop that the Samsung printers sold by them are imported and after sales and warranties are not guaranteed nor provided by the authority of Samsung but it will be given by the Indian dealer at its own end.

Incidentally, it was found that the act of the Indian dealer in meta-tagging his website with that of Samsung's was an illegal act that would give an impression that they have been authorized by Samsung to deal with the printers and the Indian dealer was accordingly restrained from meta-tagging his website with that of Samsung's.

However we may not have seen the last of this issue and Samsung may take this matter up to the Supreme Court. A decision either way would have a significant impact on the retail consumer market, especially with regard to imports and resale of goods of international brands and possibly even on local manufacturing by such brands.

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