

## Legal Issues in 'IP Exhaustion'

Issue: Whether Parallel Importation of Literary Works is Permitted under the Copyright Act, 1957?

## Introduction

- ❖ **Parallel Importation:** mean imports of genuine goods from one market into another market without authorization from the proprietor of the intellectual property.
- ❖ **Are parallel imports legal?:** Legality of such parallel imports depends on whether the importing market follows national, regional or international doctrine of exhaustion of rights.
- ❖ **National Exhaustion:** According to this doctrine, the buyer of goods may legitimately resell or move the goods within the country itself. Any resale or redistribution within the country without the consent from the proprietor of IP does not amount to any violation.
- ❖ **International Exhaustion:** According to this doctrine, the purchaser of goods may legitimately resell the goods anywhere in the world. The IP rights of the proprietor are over after the first sale.
- 2 ❖ **Regional Exhaustion:** According to this doctrine, the purchaser of goods can legally resell the goods within countries belonging to a specific region.

## Relevant Provisions of the Copyright Act, 1957

❖ *“Section 14: Meaning of copyright - For the purposes of this Act, copyright means the exclusive right subject to the provisions of this Act, to do or authorise the doing of any of the following acts in respect of a work or any substantial part thereof, namely—*

*(a) in the case of a literary, dramatic or musical work, not being a computer programme,--*

*...(ii) to issue copies of the work to the public not being copies already in circulation;*

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*...Explanation.--For the purposes of this section, a copy which has been sold once shall be deemed to be a copy already in circulation]” [Emphasis supplied]*

## Relevant Provisions of the Copyright Act, 1957 (Contd.)

❖ **Section 2(m): "infringing copy" means-**

(i) *in relation to a literary, dramatic, musical or artistic work, a reproduction thereof otherwise than in the form of a cinematograph film...*"

❖ **Proposed proviso to Section 2(m) in the Copyright Amendment Bill, 2010 –**

4 *“Provided that a copy of a work published in any country outside India with the permission of the author of the work and imported from that country into India shall not be deemed to be an infringing copy.”*

[Emphasis supplied]

## Copyright Amendment Bill, 2010: Standing Committee Report

- ❖ “...the Committee is of the view that proposed inclusion of the proviso in the definition of the term ‘infringing copy’ seems to be a step in the right direction, specially in the prevailing situation at the ground level. The present practice of publishers publishing books under a territorial license, resulting in sale of books at very high rates cannot be considered a healthy practice. The Committee also notes that availability of low priced books under the present regime is invariably confined to old editions. It has been clearly specified that only those works published outside India with the permission of the author and imported into India will not be considered an infringed copy. Nobody can deny the fact that the interests of students will be best protected if they have access to latest editions of the books...”

[Emphasis supplied]

## Relevant Case Laws

### ❖ *Penguin Books Ltd v. India Book Distributors*, [AIR 1985 Del 29]

#### Issue:

Whether import by a third party without the express authorization of the copyright owner constitutes infringement?

#### Law:

It should be noted that prior to the 1994 amendment of the Copyright Act, the first two clauses of Section 14 read as-

- 6 “(i) to reproduce the work in any material form;
- (ii) to publish the work”.

## *Penguin Books Ltd v. India Book Distributors (Contd.)*

### ❖ **Held:**

- “...An infringing copy means a copy "imported in contravention of the provisions of the Act." The central provision in section 51 which says that copyright shall be deemed to be infringed where any person without a license granted by owner of the copyright "does anything, the exclusive right to do which is by this Act conferred upon the owner of the copyright." The owner of the copyright or his licensee has the "exclusive right" of printing, or otherwise multiplying, publishing and vending copies of the copyrighted literary production in India. *India Distributors are infringing this right. Therefore, India Distributors are dealers in "infringing copies" ...*” [Emphasis supplied]
- “It is also an infringement of copyright knowingly to import into India for sale or hire infringing copies of a work without the consent of the owner of the copyright, though they may have been made by or with the consent of the owner of the copyright in the place where they were made.” [Emphasis supplied]

## *Eurokids International Pvt. Ltd. v. India Book Distributors Egmont,* [2005 (6) Bom CR 198]

- ❖ The issue of parallel import of literary works was taken up for consideration by the High Court of Bombay in this case, wherein a Single Judge Bench injuncted the defendant from importing the plaintiff's books from the USA and selling in India without a license. **The Court came to such a conclusion on the basis that the plaintiff has an exclusive license to sell its books in India and import of such books by the defendant would be in contravention and amount breach of such license.**
- ❖ The Court also relied on the earlier case of Penguin Books Ltd v. India Book Distributors[AIR 1985 Del 29] to reach to this conclusion.
- ❖ **Held:** “...It is clear that permission to import and distribute the titles is not granted to the first defendant by either second defendant or the plaintiffs. If the exclusive rights of the plaintiffs are being violated or breached by the first defendant's acts of importation or distribution of titles in question in India, then the plaintiffs have made out a case of infringement of their copyright...”

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## *Warner Brothers v. Santosh V.G.*, [MIPR 2009 (2) 175]

- ❖ The plaintiff was a movie producer and has released its movie in theatres pursuant to which it further released in other forms of media such as DVDs, rental cables and satellite television. The plaintiff had released its film in US including in the media formats such DVDs, rental cables, etc. The defendant, legally purchased these films stored in DVDs and other media formats in United States and imported them to India for and started renting out such DVDs and other media formats.
- ❖ The High Court of Delhi faced the issue of parallel importation under Section 14 (a)(ii) of the Copyright Act, 1957.
- ❖ The High Court, acknowledged the applicability of doctrine of exhaustion in the Section 14 (a)(ii) of the Copyright Act, 1957. However, noted that doctrine of exhaustion is applicable under Section 14 (a)(ii) in respect of literary, dramatic and musical works but not in respect of cinematographic films.
- ❖ Therefore, this case acknowledge applicability of doctrine of exhaustion under the Section 14 (a)(ii) but it fell short of stating whether such exhaustion was national or international.

## *Export of Copyrighted Works: John Wiley & Sons v. Prabhat Chander Kumar Jain, [2010 (44) PTC 675 (Del)]*

- ❖ **Facts:** The Plaintiff had an exclusive license from a New York based publishing house for publishing and selling books in India and South Asian countries. The books were sold with a mark – “Only available for sale in Bangladesh, Myanmar, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam.” The defendant started exporting such books meant to be for South Asian Countries to other international markets. Hence, the plaintiff brought a suit for infringement of its copyright in such books.
- ❖ **Held:** *“As per my opinion, as the express provision for international exhaustion is absent in our Indian law, it would be appropriate to confine the applicability of the same to regional exhaustion. Be that as it may, in the present case, the circumstances do not even otherwise warrant this discussion as the rights if at all are exhausted are to the extent to which they are available with the licensees as the books are purchased from the exclusive licensees who have limited rights and not from the owner. In these circumstances, the question of exhaustion of rights of owner in the copyright does not arise at all.”*

# THANK YOU!

## Questions?

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