Exhaustion: Imports, Exports and the Doctrine of First Sale in Indian Copyright Law

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Can foreign works be copyrighted works?

Section 13(2) of the Indian Copyright Act states that insofar as published works go, copyright only subsists if the work is first published in India or if the work is by an Indian citizen. It does except the application of this section to all those works to which sections 40 and 41 of the Act apply. Section 40 allows for the provisions of the Act to be extended to foreign works and foreign authors by special order of the government. The government is required to do so, being a member of the Berne Convention, the Universal Copyright Convention as well as the TRIPS Agreement, and has fulfilled its requirement via International Copyright Order, the latest such order having been issued in 1999.

Thus, for purposes of our law, we protect not only Indian works, but foreign works as well. It expressly places foreign authors and works published in a foreign country in the same shoes as Indian authors and works published in India, respectively.

Import of copyrighted works

Thus having established that foreign books enjoy protection under Indian law, we now turn to the question of whether import of foreign works into India is permissible under Indian law. There is no provision of the Copyright Act by which the owner or licensee of copyright given the exclusive right to import a copyrighted work into India. Section 51(b)(iv) does, however, makes it illegal to import infringing copies of a work.[1] It is clear that illegally published copies are infringing copies, and thus cannot be imported. But are legally published copies that are legally purchased outside of India also 'infringing copies' and is their import also prohibited by the section 51?

[1]Section 51(b)(iv) states: "Copyright in a work shall be deemed to be infringed (b) when any person (iv) imports into India, any infringing copies of the work." A proviso to the section reads: "Provided that nothing in Sub-clause (iv) shall apply to the import of one copy of any work for the private and domestic use of the importer."

This question is laid out as:

> We now arrive at one of the most difficult topics in copyright law. It is our ambition to expound this subject as clearly as possible but inevitably this involves exposing some troublesome problems which lurk not far beneath the surface. The basic idea is simple. It has long been the policy of copyright law in the UK and other countries which follow our system that as a rule, mere selling or other secondary dealings with articles manufactured in the home market shall not be treated as copyright infringement unless their marking was piratical in the first place. Further, it is policy that traders should be free to buy and sell goods without getting involved in copyright proceedings, so long as they do so in good faith. Do not deal in pirate copies where you can tell they are probably such" is a law anyone can understand. Dealing in pirate copies where you know or have reason to believe that they are such is called secondary infringement in contrast to primary infringement (e.g. manufacturing) where liability is strict.
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> This idea works fine as long as one does not need to examine too closely, what one means by pirate copies; it is usually pretty obvious. However, when it comes to parallel imports it is not so obvious, and one has to know precisely what is meant. It is plain that the test cannot be whether the copy was made piratically in its country of origin because the copyright laws of foreign states are irrelevant so far as rights in the UK are concerned, and in some cases these laws may not even exist. Since foreign copyrights are separate and distinct rights, and since it is commonplace for these to be assigned so as to be exploited by different hands, it cannot matter whether a copy imported from Britannia was lawfully made in its country of origin; this principle has been recognized from an early date.

According to section 2(m) of the Act, a reproduction of a literary, dramatic, musical or artistic work, a copy of a film or sound recording is an "infringing copy" if such reproduction, copy or sound recording is made or imported in contravention of the provisions of this Act. So section 2(m) does not clarify matters either, because it applies only to that importation that is "in contravention of the provisions of" the Copyright Act. So we look to section 14 which lays down the meaning of copyright and is read with section 51 when determining what does and does not constitute infringement. Nowhere, in section 14 of the Act is a right to import granted to the copyright owner. However, section 14 does clearly lays down that insofar as literary, dramatic or musical works go; it is the copyright owner's exclusive right to issue copies of the work to the public not being copies already in circulation". The explanation to this section goes to clarify that for the purposes of this section, a copy which has been sold once shall be deemed to be a copy already in circulation."What this means and how this has been construed by various courts shall be seen in the following sections.

Judicial history on importation

The Penguin case[2]

The issue of parallel importation first reached the higher judiciary in 1984 when the Delhi High Court was called upon to pronounce judgment on whether import by a third party without the express authorisation of the copyright owner constitute infringement. The court, bizarrely, ruled that it constituted infringement because it constituted a violation of the owner's right to publish:

> While publication generally refers to issue to public, importation for the specified purpose may be a necessary step in the process of issuing to the public, and therefore of publishing. It appears to me that the exclusive right of the copyright owner to print, publish and sell these titles in India would extend to the exclusive right to import copies into India for the purpose of selling or by way of trade offering or exposing for sale the hooks in question. This is the true meaning of the word "publish" as used in section 14(1)(a)(4).

> 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.

It should be noted that prior to the 1994 amendment of the Copyright Act, the first two clauses of section 14 read: "(i) to reproduce the work in any material form; (ii) to publish the work". Thus, this judgment extends the right to "publish the work" (or in the words of the judge, "print, publish and sell") to include a right of importation out of thin air, simply by stating that it appears so. While the judge notes that "publication" under the Act (in 1984) was defined as meaning the issue of copies of the work, either in whole or in part, to the public in a manner sufficient to satisfy the reasonable requirements of the public having regard to the nature of the work", he does not explain how importation is subsumed under that definition contrary to a plain reading of the law. Finally, the judge does note that, "It is true that India Distributors are not printing these books and are not guilty of what is called primary infringement", but goes on to state however, that "when they issue copies of these titles for public distribution they are guilty of secondary infringement". These categories are created, but neither explained nor explored in the judgment. One other legal nuance that was examined was the allowance granted to the Registrar of Copyright under section 53 to "order that copies made out of India of the work which if made in India would infringe copyright shall not be imported. The judge noted that the words infringing copy as contained in section 53 could not

[2]Ed.: MANU/DE/0402/1984: AIR 1985 Delhi 29, 26 (1984) DLT 316"

be different in meaning from the same words contained in section 51(b). The implication of this shall be demonstrated shortly.

Importantly, the judgment does not look into section 16 of the Act which states that there shall be no copyright except as provided by the Act, and how this should prevent a judge from expanding the rights provided in the law to include a new judicially created right to prevent imports.

Privity of contract

Nowhere in the judgment does the judge explain how an exclusive distribution contract between two parties can affect a third party in violation of the well-held principle of privity of contract. This is an important issue because in effect, the judgment makes a third party bound by the contract entered into by two private parties. The parties agree inter se (for example) to ensure that the India distributor does not sell the book outside of India and that the owner of rights will not give the right to sell in India to any other person. How could this contract between those two parties come in way of a third person buying from a foreign market and importing into India? If it was the case of an exclusive UK licensee selling in India, then both the exclusive Indian licensee as well as the owner of the copyright would have cause of action in India on the basis of both violation of contract as well as violation of copyright (for exceeding his territorial licence). However, a third party who buys from a stream of commerce cannot be bound by these contracts because he becomes the owner of the book and not a licensee. Thus, the judgment makes a contract between two private parties, which merely creates a right *in personam*, applicable to the entire world. By doing this it allows a contract to create a right in rem without any express provision of the law doing do. Indeed, this issue was examined by the United State Supreme Court in 1908 in the case of *Bobbs-Merrill Co. v. Straus*,[3] in which the doctrine of first sale was judicially evolved.

Doctrine of first sale/exhaustion

Importantly, nowhere in the judgment does the judge bother to go into the details of the interaction between the sale of a copy of a book (upon the occurrence of which no further conditions can be laid) and the Copyright Act. If I sell you a bicycle laying down a condition that you cannot re-sell it, such a condition cannot be upheld in a court of law because by sale I divest all saleable interest I have in the bicycle. This principle is what is embodied in sections 10 and 11 of the Transfer of Property Act. Section 10 states–"Where property is transferred subject to a condition or limitation absolutely restraining the transferee or any person claiming under him from parting with or disposing of his interest in the property, the condition or limitation is void, except in the case of a lease where the condition is for the benefit of the lessor or those claiming under him. In the same vein, section 11 states–"Where, on a transfer

[3]210 U.S. 339 (1908).

of property, an interest therein is created absolutely in favour of any person, but the terms of the transfer direct that such interest shall be applied or enjoyed by him in a particular manner, he shall be entitled to receive and dispose of such interest as if there were no such direction." Thus, by selling of a copy of a book (as opposed to a licensing the book), I divest myself of all saleable interests in that particular copy of the book (though not copyright). I cannot prevent you from re-selling that book. However, copyright law would require that you can only re-sell a copy of a book without the owner's permission, and cannot sell it without the owner's permission. This is known as the doctrine of first sale, which evolved as a via media between copyright law, which gave the owner of copyright rights in a book, and property law, which gave the buyer of a book rights in her particular copy of the book.

The best appreciation of this doctrine of first sale (also known as "exhaustion of rights") has come in a judgment by Justice Ravindra Bhat, who states the meaning of the doctrine very clearly:

> The doctrine of exhaustion of copyright enables free trade in material objects on which copies of protected works have been fixed and put into circulation with the right holder's consent. **The exhaustion principle in a sense arbitrates the conflict between the right to own a copy of a work and the author's right to control the distribution of copies.** Exhaustion is decisive with respect to the priority of ownership and the freedom to trade in material carriers on the condition that a copy has been legally brought into trading. Transfer of ownership of a carrier with a copy of a work fixed on it makes it impossible for the owner to derive further benefits from the exploitation of a copy that was traded with his consent. The exhaustion principle is thus termed legitimate by reason of the profits earned for the ownership transfer, which should be satisfactory to the author if the work is not being exploited in a different exploitation field.
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> Exhaustion of rights is linked to the distribution right. The right to distribute objects (making them available to the public) means that such objects (or the medium on which a work is fixed) are released by or with the consent of the owner as a result of the transfer of ownership. In this way, the owner is in control of the distribution of copies since he decides the time and the form in which copies are released to the public. Content wise the distribution rights are to be understood as an opportunity to provide the public with copies of a work and put them into circulation, as well as to control the way the copies are used. The exhaustion of rights principle thus limits the distribution right, by excluding control over the use of copies after they have been put into circulation for the first time.

1994 Amendment to the Act

Interestingly, the *Penguin* judgment was sought to be overturned by an amendment to section 14 in 1994. That amendment removed the right to "publish", and instead made it a right to "to issue copies of the work to the public not being copies already in circulation". It stands to reason that this not only ensures the centrality of the doctrine of first sale in India, but also allows for international exhaustion, thus allowing for parallel import. This is clear from the fact that we, in Indian law (as per section 40), makes it clear that "all or any provisions of this Act shall apply to work first published in any class territory outside India to which the order (under section 40) relates in like manner as if they were first published within India.

Thus, even books published internationally are, under the legal fiction under section 40, akin to books published in India. Since we are granting foreign works all the protection under the Act as though they had been published in India by Indian authors, it is but natural that they should be subject to all the same limitations as well (such as the doctrine of first sale).

As one commentator puts it, "with amendments, the decision of the Penguin case is no more the law. Like most other nations, we have also accepted the principle of international exhaustion. This seems to be after taking into view the public interest angle."[4]

Unfortunately, legal commentators seemed to have paid greater attention to legislative changes than did the courts.

Eurokids case[5]

In 2005, the same issue of parallel importation in literary works arose before the Bombay High Court. Highly unfortunately, the decision by the Bombay High Court was even more ill-reasoned than that of the Delhi High Court in the *Penguin* case. Nowhere in the judgment is the issue of the first sale doctrine, on which the issue of parallel importation rests, even cursorily examined. Nowhere is the amendment to section 14 of the Copyright Act even noted. Indeed, the only time that section 14 is even mentioned is when the section is quoted to establish it as providing the meaning of "copyright" in Indian law. The implications of section 14 in terms of exhaustion of rights are simply not examined. Section 2(m) of the Act, which it is necessary to examine (as shown above) to understand what to make of the phrase "infringing copy" in section 51, is not even mentioned once. As per the logic of the judgment, any copy that is sold in India by a third party in contravention of an exclusive licence contract is automatically assumed to be infringing. Thus, once again, copyright law magically overrides the concept of privity of contract without so much as an explanation.

[4] Arathi Ashok, Economic Rights of Authors under Copyright Law, 15 J. Intell. Prop. Rights 46 (2010) at 50.

[5] MANU/MH/0938/2005.

Most importantly, because the case relies on the *Penguin* decision without having noticed and accounting for the subsequent change in the text of the law because of the 1994 amendment, it should be held to be *per incuriam*, and should not act as a precedent.

Warner Bros. case[6]

In 2009, the Delhi High Court pronounced yet another verdict on parallel importation in the case of *Warner Bros. v. Santosh V.G.* However, this was a case on DVDs, and not on books. While the Court correctly understands the meaning of the first sale doctrine in terms of literary works (and thus becoming the first judgment to explicitly talk about this doctrine), it is open to debate whether it was correct in its ruling on the inapplicability of the doctrine when it came to cinematograph films. The reasoning of the court (in paragraphs 77 and 78) as to why parallel importation is not allowed under Indian law is faulty, and is worth quoting *in extenso*:

> In this case, the copies that are being let out for rent/hire by the defendant are not made in India. Rather, they have been made in the US and imported into India. As noticed earlier, copyright in a work published abroad, in a Berne Convention country, like the United States, entitles its owner to assert copyright in India; such rights are "as if" the works were published in India (section 40 and provisions of the order). An infringing copy is one "made or imported in contravention of the provisions of this Act". In this context, the proviso to section 51(b)(iv), in the court's view, provides the key to Parliamentary intention. It carves only one exception, permitting "import of one copy of any work for the private and domestic use of the importer". The plaintiffs' argument is that there would have been no need to enact this exception, if there were no restriction on import of cinematograph films, genuinely made outside India. The effect of the proviso to section 51(b)(iv) is plainly, not to relax the importation of genuinely made cinematographic films but to allow for the importation of one copy of any work "for the private and domestic use of the importer." This would mean that the proviso allows for the importation of an infringing work, for private and domestic use of the importer, and not commercial use.

Quite obviously, there are some glaring problems in the court's reasoning. The proviso to section 51(b)(iv) does indeed carve out an exception, but that exception is for infringing copies of a work, and not for non-infringing or "genuine" copies. The plaintiffs' argument, according to the judge, is: If all genuine copies of the cinematograph film could be legally imported, there would be no need to enact this exception. However, there could well be a need to enact this exception to cover a *single non-genuine* copy of a cinematograph film. It is precisely because of this that the exception is so very narrow, being for not only

[6]MANU/DE/0406/2009.

private use, as in section 52(1)(a), but of a single copy of a work and that too only for "private and domestic use". This possibility of allowing import of a non-genuine copy is completely overlooked by the judge. The judgment continues:

> The defendant's argument that the plaintiffs lost the power to deal with the copy, once placed in the market place, in the United States, is also unsupportable as too broad a proposition. In the context of the Act, the argument is more hopeful, than convincing. Even in the United States, it has been held (*United States v. Wise*, 550 F.2d 1180, 1187 (9th Cir. 1977)) that though, after "first sale", a vendee"is not restricted by statute from further transfers of that copy", yet a first sale does not, however, exhaust other rights, such as the copyright holder's right to prohibit copying of the copy he sells. The Federal Appellate Court noted that "other copyright rights (reprinting, copying, etc.) remain unimpaired". It is clear therefore that the copies in question are infringing copies. Therefore, their importation, and more importantly, use for any of the purposes under section 51, other than the one spelt out in it the proviso is in contravention of the Act. The question, however, is whether the action of the defendants amounts to infringement of the copyright of the plaintiffs. This must be answered independently of the question of whether parallel importation of copyrighted goods is permissible under Indian copyright law.

While the reading of the law is correct (i.e., the first sale doctrine does not exhaust all rights, but merely the right to prevent further transfers), the application of the law to the facts is incorrect. In this case, the fact situation before the court was not of "reprinting, copying, etc." but of the physical transfer of copies of a work bought in the US into India. As is noted in *United States v. Wise*, "after first sale," the buyer "is not restricted by statute from further transfers of that copy". Indeed, this was case can be seen as exactly such a "further transfer" (of the rights over that copy from a shop in the US to the buyer in India). How the judge misreads the argument as being about something other than transfer of property rights in a copy (and more as something akin to reproduction), and concludes that "it is clear therefore that the copies in question are infringing copies," is not clear.

However, the verdict of the court does not proceed on this ground alone, and involves discussion of the doctrine of first sale with regard to cinematograph films, the provisions of section 53, which apply only to cinematograph films, none of which are applicable in case of literary works.

Export of copyrighted works

Now, that we have dealt with the traditionally contentious part on imports, we may now examine the rare, but even more contentious issue of exports. Barring a few exceptions, notably the United States, the copyright law in no country regulates exports. Even in the United States, section 602 of their Copyright Act

regulates only the export of infringing works, and not the export of legitimate works. In India, though, there are two judgments of the Delhi High Court that seemingly make illegal export from India of legal copies of a copyrighted work. As one of these decisions is an ex parte order without any reasoning—indeed calling the reasoning "bare minimum" would be doing that phrase a disservice—we shall focus only on the other judgement: the one pronounced by Justice Manmohan Singh in *John Wiley & Sons v. Prabhat Chander Kumar Jain*[7]. The facts of the judgment are rather simple. John Wiley & Sons Inc., based in New York, exclusively licensed the rights over certain books to Wiley India Pvt. Ltd. (all the other plaintiffs follow the same model, so we shall restrict ourselves to the case of the Wiley corporation). These books were sold at a reduced cost in the Indian market and were clearly labelled as being "Wiley Student Edition restricted for sale only in Bangladesh, Myanmar, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam". Another label on the same book read: "The book for sale only in the country to which first consigned by Wiley India Pvt. Ltd and may not be re-exported. For sale only in: Bangladesh, Myanmar, India, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka and Vietnam."[8]. Quite clearly, John Wiley & Sons, being the owner of the rights, had given exclusive license to Wiley India Pvt. Ltd. to publish and print an English Language reprint edition only in the territories entailed in the agreement and not beyond that. Further, they wished to impose this restriction on all buyers of the book by way of that notice and attached conditionality, and thus prevent exports to the United States.

At this stage, it would do us well to dwell into the facts of the 1908 US Supreme Court case of *Bobbs-Merrill Co. v. Straus*[9]. In this case, the plaintiff-appellant sold a copyrighted novel with a clear notice under the copyright notice stating that, "The price of this book at retail is $1 net. No dealer is licensed to sell it at a lower price, and a sale at a lower price will be treated as an infringement of the copyright". Macy & Co., a famous retailer, purchased large lots of books both at wholesale prices and at retail prices, and re-sold the books to its customers at 89 cents a copy. This was quite clearly in violation of the condition imposed by the notice.

It may be seen that the facts in this case quite clearly mirror the fact situation in *John Wiley & Sons v. Prabhat Chander Kumar Jain*. It is only the nature of the conditionality that differentiates the two cases: in the one it was a restriction on price at which the book could be further sold, in the other it was a restriction on where the book could be further sold. How did the judge rule in *Bobbs-Merrill Co. v. Strauss*? The court ruled that it was on the record that Macy

[7]MANU/DE/1142/2010: MIPR 2010 (2) 0247.

[8]While the exact countries were different in the case of each of the plaintiffs, there were all restricted to sale in India and a few of its neighbouring countries.

[9]210 U.S. 339 (1908).

& Co. had knowledge of the notice. However, despite that, the notice was held not to be binding on Macy & Co. The court noted:

> The precise question, therefore, in this case is, "Does the sole right to vend secure to the owner of the copyright the right, after a sale of the book to a purchaser, to restrict future sales of the book at retail, to the right to sell it at a certain price per copy, because of a notice in the book that a sale at a different price will be treated as an infringement, which notice has been brought home to one undertaking to sell for less than the named sum?" We do not think the statute can be given such a construction copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract …To add to the right of exclusive sale, the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment.

This judgment proceeded on privity of contract, the factum of a sale having occurred, and created what is now known as the doctrine of first sale–an established principle that the exclusive right to sell, distribute or circulate a copy of the copyrighted work exhausts the moment the item is placed into a stream of commerce through a sale. This can, of course, be contradicted if explicitly stated so in a statute.[10] However, as we noted earlier, the Indian statute explicitly notes that the right to issue copies of a work to the public, guaranteed to the owner of the copyright over a literary, dramatic, or artistic work is restricted to copies not already in circulation. Thus, it might seem to one to be quite clear how the court would in the *John Wiley & Sons* case. One would then be wrong.

In fact, Justice Manmohan Singh, in a very detailed and circuitous judgment, rules that the activity done by the defendant is a violation not of some implied contract between Wiley India Pvt. Ltd. and him, but that it constituted a violation of the Indian Copyright Act, and notably section 51 of the Copyright Act. How does he reach this conclusion?

His reasoning rests on 3 dubious pillars:

- that the rights of the licensee are distinct from that of the owner, and that the former may get exhausted without affecting the latter;
- that the licensee cannot pass on better title to those that buy from him than he himself has;

[10] All signatories of the TRIPS Agreement have to ensure a right of rental, over and above a right of first sale, for all video (or what are known as cinematograph films in the Indian law).

- that sale or even offer for sale or taking of orders for sale are all forms of putting into circulation or issuance of copies.

First, through a close reading of the various provisions of the Copyright Act he notes that the Act creates a clear difference between the rights of the owner and the rights of the licensee (para 47-50). He then finally comes to noting that,

> "A logical corollary drawn from above analysis which needs reiteration at this stage is that for the purposes of section 51 which is in the preceding chapter, the term owner of the copyright does not include exclusive licensee. Thus, the rights of the owner although may include rights of the exclusive licensee but the court cannot read the term owner of the copyright as that of the exclusive licensee and their rights are different as per the allocation by the owner." (para 62).

Thus, he establishes that some rights of the licensee may be extinguished (as per the doctrine of exhaustion) without extinguishing that same right of the owner. In other words, while the right of circulation of the licensee get exhausted, the right of circulation of the owner remains unaffected. Justice Singh doesn't go into the implications of this, but there can be two ways of interpreting what this means. It could mean that by virtue of the circulation rights of the licensee getting exhausted, the circulation right of the owner gets exhausted in those nine countries for which the licensee had been granted rights of circulation. Else, it could mean that the exhaustion of the licensee's circulation rights does not at all affect the owner's circulation rights. This latter one is obviously an absurd idea, since that would, in all cases, leave the owner with a cause of action in case of all sales even when the owner is in India. Thus, one is left considering the former the only logical meaning.

However, that this cannot possibly be right is demonstrated by the fact that this can easily be applied to an all-in-India transaction as well. Thus, for instance, the owner of rights can decide never to directly sell any book, but only allow its licensees to sell. Thus, it can contractually bind a licensee to sell only in Andhra Pradesh and hold that because of that license contract any buyer who buys from the Andhra Pradesh licensee and decides to re-sell to a second-hand bookstore in Karnataka is actually violating the terms of the license (because the circulation right gets extinguished only insofar as the licensee is concerned, and that licence only allows sales in Andhra Pradesh).

That is obviously cannot be held to be the purpose of the law. Thus, the privity of the contract between the owner of the right and the licensee must be upheld and may not be held to bind a third party purchaser.

The second ground on which Justice Singh rules is on the general property law principle that a person cannot pass on a better title than she herself has. Thus, Justice Singh holds that when the licensee sells a book to a person, that person

only receives as much of the title to that book that the licensee has. Thus, since the licensee only has title in the book insofar as those nine countries go, the person who buys that book cannot get better title.

The plain fault in this reasoning is the very founding basis of the doctrine of first sale: the differentiation between property rights in a copy of a book and the copyright in the book. No one has contended in this case that the transaction between the licensee and the book purchaser is not a sale. Once a sale happens, all property rights in that copy of the book are alienated to the book purchaser. It must be remembered that this transaction is not the case of the licensee sub-licensing the right to circulate the book. The licensee cannot sub-license to another party the right to sell the book in, say, Australia, because she does not have that right in the first place. However, in this case, the licensee is invoking the right to sell the book in India, and is not passing on that right. The right of a book buyer to re-sell comes from the statute— from the doctrine of first sale and not from a passing on of that right from the licensee.

The last pillar of the judge's reasoning is that the sale—or even offer for sale, or taking of orders for sale—of a book online are all forms of putting into circulation or issuance of copies. Section 40 does not work two ways. It only deems a foreign work "Indian", and does not deem a sale in a foreign land the same as sale in India. Thus, even if we are to accept the other two pillars of Justice Singh's reasoning, it is unclear how an offer made online to sell a book is equated to actually placing a book in circulation in India. How can an India law prohibit circulation on the streets of Bogotá? This is only possible if a separate right of export is recognised. But Justice Singh is extremely clear that he is not creating such a distinct right.

A notice to the buyer that re-exports are prohibited cannot be held to constitute a valid contract because the Transfer of Property Act clearly makes such a prohibition invalid (sections 10 and 11) after all, it is a sale that takes place and not a license as does the Copyright Act (section 14).

Amendment to Section 2(m)

There has been much controversy lately with some publishers trying to stop the government from amending section 2(m) of the Indian Copyright Act, clarifying that a parallel import will not be seen as an "infringing copy". Some lawyers for the publishing industry have made the claim that allowing for parallel importation would legally allow for the exports of low-priced edition and overturn the basis of the Wiley judgment. This is false.

The amendment itself merely adds the following proviso at the end of section 2(m) (which itself defines what an "infringing copy" means):

> 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 shall not be deemed to be an infringing copy.

It seems that this is in fact a provision introduced solely to clarify that this (i.e., following international exhaustion) is the position that India holds, and not to change the statute itself. It is merely to clarify that the courts have misread the provisions of the law, or that they have indeed not read the provisions of the law (as in the *Eurokids* case).

This provision will have no effect whatsoever on the Wiley ruling. While the Wiley ruling deserves to fail on its own merits, the reasoning in that case does not depend on whether we follow international or national exhaustion. Indeed, in para 104, the judge states:

> 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.

Thus, the argument that following the principle of international exhaustion will upturn this judgment is faulty. Imports and exports are two distinct things. India's following of the principle of "international exhaustion" means that the right to first sale is exhausted in India, when the work is legally published anywhere internationally (i.e., regardless of where that copyrighted work is legally published). The principle of international exhaustion does not not exhaust the right of first sale internationally—the word "international" is used to indicate where the publication has to take place for exhaustion to occur, and not where the exhaustion takes place. After all, Indian law on a matter cannot determine whether a book can or cannot be sold anywhere else in the world (which is precisely what it would do if it is to hold that rights are exhausted internationally by virtue of a book being printed in India).

Conclusion

I think the best way of concluding this are by quoting, *in extenso*, a passage from a book on the Indian intellectual property law by Prof. N.S. Gopalakrishnan & Dr. T.G. Agitha:

> Under the Indian law there is no express provision recognising the right of importation. This would in fact enable parallel importation of works. "Parallel importation" means transportation of "legitimate" goods which are available at a cheaper rate in one country by independent buyers

(e.g. book sellers), for sale in another country. This could act as an effective check on creating monopoly in the market. Hence, it is an important aspect to be borne in mind for a developing country like India. Since there is no international obligation against parallel importation, nothing prevented the court from taking the stand that unless there is an express provision conferring importation rights on the owner of copyright or prohibiting parallel importation, it need not be considered to be prohibited in India. It is pertinent to note that India supported the principle of international exhaustion and not the national exhaustion principle.[11]

However, it is submitted that the court (in *Penguin v. India Book Distributors*) failed to take note of these aspects while deciding this case."[12]

One can only hope those words by these leading experts on IP law in India are paid heed to, and that the arguments otherwise will fail to convince both the government as well as future court decisions.

* Please do not cite this note in an academic paper. Feel free to cite elsewhere. This note is still very much a work in progress. However, given the urgency of this issue and the importance of ensuring debate on the legal ramifications of the proposed amendment to s.2(m), this note should prove useful.

Notes

Also see SSRN

Download the file here.

[11]R.V. Vaidyanatha Ayyar, The Process and Politics of a Diplomatic Conference on Copyright (1998) 1 JWIP 3 at 17, cited in N.S. Gopalakrishnan and T.G. Agitha, Principles of Intellectual Property 256 (2009).

[12]N.S. Gopalakrishnan and T.G. Agitha, Principles of Intellectual Property 256 (2009).