

Indian Law and “Parallel Exports”

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Recently, a lawyer for the publishing industry made the claim that allowing for parallel importation would legally allow for the exports of low-priced edition. Here we present a legal rebuttal of that claim.

Recently, on publisher/editor/writer Divya Dubey's blog, Saikrishna Rajagopal, a highly respected copyright lawyer and founding partner of Saikrishna & Associates, claimed that we had misconstrued the law with regard to export of books from India, and that allowing for parallel importation would harm that.

Mr Rajagopal writes:

The fundamental legal infirmity that I find in Mr. Prakash's argument are twofold: 1. That current Indian Law allows export of low priced editions; 2. That the proposed proviso would not include within its scope 'exports'.

1. As regards the argument that current Indian Law allows export of low priced editions, the two John Wiley cases of the Delhi High Court of May 2010, make it abundantly clear that current Indian Copyright Law precludes export of low priced editions. Pertinently, an appeal was preferred in one of the Wiley cases and was dismissed. These judgments are therefore final now and therefore authoritatively, interpret Indian Copyright Law as it stands today.

I was wrong regarding the question of export of low-priced editions. There are two Delhi High Court judgments which came out in May 2010 on export of books, holding that export of Low-Priced Editions meant for India to countries outside is unlawful (*John Wiley & Sons Inc. & Ors v. Prabhat Chander Kumar Jain & Ors* and *John Wiley & Sons Inc. & Ors v. International Book Store & Anr*). However, in the first judgment Justice Manmohan Singh clearly held that it would be unlawful to export without permission of the rights owner regardless of whether we followed the doctrine of national exhaustion (disallowed parallel importation) or the doctrine of international exhaustion (allowed parallel importation), and the "the question of exhaustion of rights of owner in copyright does not arise at all".^[1] Thus Mr. Rajagopal's fears are, thankfully, unfounded.

Mr. Rajagopal continues:

2. As regards Pranesh's argument that the proposed amendment does not cover 'exports', this argument is completely specious. In order to determine at what stage a copyright owner loses its right to control further sale and distribution of a copyrighted product, the statute itself needs to be looked into to determine what standard of exhaustion of rights has been contemplated. If the proposed proviso becomes law, it would be a clear indicator to a Court that Indian Copyright Law follows international exhaustion, namely, that once a product is legitimately sold anywhere in the world market, the copyright owner loses/exhausts the right to control further distribution and sale, including export and import. It is because the copyright owner exhausts rights globally that the proposed amendment is allowing for genuine copies of books sold in the international market, to be legally imported into India. This being the case, there is almost unanimity amongst IP Lawyers that export of low priced editions would also be considered legal, in view of the proposed amendment. This is not just our Indian view, but also the view of other international IP experts who have had an opportunity to look at the implications of this proviso.

The copyright owner, under a proper appreciation of the Indian law, never has the right to control "further sale and distribution" (as per s.14(a)(ii) of the Copyright Act), contrary to Mr. Rajagopal's assertion. Once a copy is in circulation (e.g., is sold), the copyright owner no longer has the exclusive right to put that copy into circulation, nor to control its further sale / distribution in any manner. This is the limitation on the owner's right that allows libraries exist. This is how second-hand book shops exist. If this limitation of the copyright owner's right did not exist, libraries and second-hand book shops would need to take permissions from the owner for each copy of each book that they lend or sell.

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 doesn't 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).

Having done research on this point for the past week, I have not been able to come up with any legal articles or cases to directly oppose Mr. Rajagopal's claim that the legality of book exports from a country can depend on whether it follows national or international exhaustion. It is such a novel claim that no one has made it so far, and so no one has thought to oppose it. I know of

no other IP lawyers in India or internationally who agree with Mr. Rajagopal's claim that allowing for parallel importation in India will have an impact on the exports of low-priced editions from India.

Most pertinently, when the Wiley judgments which related to export of low priced editions, were being pronounced in Court, the Hon'ble Judge casually remarked that the law laid down in cases may soon become redundant if the proposed legislation comes into force.

As noted above, the judge specifically stated in the written judgment itself that as per the court's reasoning, the question of whether the export of low-priced editions is legal is not related to the question of exhaustion of rights of the owner: ". . . *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 . . . the question of exhaustion of rights of owner in the copyright does not arise at all*".

To get a little bit more technical, Justice Singh rules that there is a difference between first sale (exhaustion) vis-a-vis the owner and first sale vis-a-vis the licensee. He states that only rights of the licensee have been exhausted, and that the rights of the owner being exhausted do not even arise. But he is quite clear that this difference would apply regardless of whether we follow international exhaustion or national exhaustion.

Update (2011-02-15): For the tabularly inclined, here's a summary of what it means for a country to follow "national exhaustion" or "international exhaustion":

	What "Exhaustion" Means	
Where copyrighted work is first circulated	Where right of circulation is exhausted	What this is termed
In any country	In all countries	[- Not possible.
		<ul style="list-style-type: none"> • Law in one country can't dictate law in another.
		<ul style="list-style-type: none"> • Exhaustion of right of circulation "in all countries" can only be declared so through an international treaty (e.g., the way TRIPS makes a book copyrighted in all countries if it

		is copyrighted in any country)
		• Art. 6 of TRIPS doesn't allow for this interpretation.]
** In any country**	**Domestic territory**	**International exhaustion**
Domestic territory	In all countries	[- Not possible.
		• Law in one country can't affect law in another.
		• Exhaustion of right of circulation "in all countries" can only be declared so through an international treaty (e.g., the way TRIPS makes a book copyrighted in all countries if it is copyrighted in any country)
		• Art. 6 of TRIPS doesn't allow for this interpretation.]
** Domestic territory**	**Domestic territory**	**National exhaustion**

Thus it is seen that the "national" or "international" exhaustion only determines the question of where the book has to be first circulated for exhaustion to happen. It can never change *where* the right of first circulation is exhausted (which in either case can only happen at a territorial level).

The implication of the right of circulation being exhausted world-wide is that no country can by law prevent parallel importation. The TRIPS Agreement, via Article 6, decided to give each country the right to choose to allow or disallow parallel importation. This was despite a great effort by developing countries to get international exhaustion codified as the worldwide norm.

To make this even more clear, I propose the following thought experiment. **X** - national of **New Zealand**, which follows international exhaustion. **Country 1** - a country that follows national exhaustion / doesn't allow parallel imports **Country 2** - a country that follows national exhaustion / doesn't allow parallel imports **Country 3** - a country that follows international exhaustion / allows for parallel imports

- Example 1: If **X** buys a book from **Country 1** and sells that book in **Country 2**, he is in violation of **Country 2**'s laws, regardless of the laws in **New Zealand** and **Country 1**.

- Example 2: If **X** buys a book from **Country 1** and sells that book in **Country 3**, he is *not* in violation of the law (either in **New Zealand** or in **Country 3**).
- Example 3: If **X** buys a book in **New Zealand** and sells that book in **Country 2**, he is in violation of **Country 2**'s laws, regardless of the laws in **New Zealand**.
- Example 4: If **X** buys a book in **New Zealand** and sells that book in **Country 3**, he is *not* in violation of the law (either in **New Zealand** or in **Country 3**).

If one takes "international exhaustion" to mean that the right is exhausted in *every country*, then **Example 3** would be wrong. But that would be absurd, since we know from experience that it is correct: Buying a book in New Zealand and selling it in the United Kingdom (which follows national/regional exhaustion) is unlawful. So obviously "international exhaustion" doesn't mean that.

Similarly, if one takes "national exhaustion" to mean that after sale a book cannot be exported, that would imply that **Example 2** is faulty. But we know from experience that this is not so: Buying a book in the United Kingdom and selling it in New Zealand is lawful. So obviously "national exhaustion" doesn't mean that.

Thus, it is only the act of import that is ever affected by the question of national vs. international exhaustion, and never exports.

Notes

[¹]: Justice Manmohan Singh writes: "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." (Para 104).