



IN THE HIGH COURT OF DELHI AT NEW DELHI

% *Reserved on:* 02nd May, 2024
Pronounced on: 21st May, 2024

+ **CS(COMM) 67/2024, I.A. 4731/2024, I.A. 5897/2024, I.A. 6336/2024
& I.A. 6337/2024**

SEAGATE TECHNOLOGY LLC Plaintiff

Through: Mr. Ranjan Narula, Ms. Shivangi Kohli
and Ms. Aishani Singh, Advts.

versus

DAICHI INTERNATIONAL Defendant

Through: Mr. Hemant Singh, Ms. Mamta Rani
Jha, Mr. Manish Kumar Mishra, Mr.
Anubhav Chhabra, Ms. Saloni Kasliwal
and Mr. Rahul Choudhary, Advocates
for *Amicus*.
Ms. Rashi Bansal, Mr. Saurabh Lal, Ms.
Kriti Garg and Ms. Tesu Gupta,
Advocates.

+ **CS(COMM) 114/2024 & I.A. 4692/2024**

SEAGATE TECHNOLOGY LLC Plaintiff

Through: Mr. Ranjan Narula, Ms. Shivangi Kohli
and Ms. Aishani Singh, Advts.

versus

CONSISTENT INFOSYSTEMS PRIVATE LIMITED AND ANR

..... Defendants

Through: Mr. Dushyant K. Mahant and Mr.
Vimlesh Kumar, Advocates for D-1.



Mr. Hemant Singh, Ms. Mamta Rani Jha, Mr. Manish Kumar Mishra, Mr. Anubhav Chhabra, Ms. Saloni Kasliwal and Mr. Rahul Choudhary, Advocates for *Amicus*.

+ **CS(COMM) 168/2024, I.A. 4409/2024, I.A. 4410/2024, I.A. 7145/2024, I.A. 7393/2024, I.A. 7437/2024 & I.A. 7438/2024**

WESTERN DIGITAL TECHNOLOGIES INC & ANR.

..... Plaintiffs

Through: Mr. Pravin Anand, Mr. Saif Khan, Mr. Shobhit Aggarwal, Mr. Prajjwal Kushwaha and Ms. Meghana Kudligi, Advs.

versus

GEONIX INTERNATIONAL PRIVATE LIMITED, & ANR.

..... Defendants

Through: Mr. Hemant Singh, Ms. Mamta Rani Jha, Mr. Manish Kumar Mishra, Mr. Anubhav Chhabra, Ms. Saloni Kasliwal and Mr. Rahul Choudhary, Advocates for *Amicus*.

Ms. Rashi Bansal, Mr. Saurabh Lal, Ms. Kriti Garg and Ms. Tesu Gupta, Advocates.

+ **CS(COMM) 191/2024, I.A. 5127/2024, I.A. 5128/2024, I.A. 7137/2024 & I.A. 7147/2024**

WESTERN DIGITAL TECHNOLOGIES INC. & ANR Plaintiffs

Through: Mr. Pravin Anand, Mr. Saif Khan, Mr. Shobhit Aggarwal, Mr. Prajjwal



Kushwaha and Ms. Meghana Kudligi,
Adv.

versus

DAICHI INTERNATIONAL & ANR. Defendants

Through: Mr. Hemant Singh, Ms. Mamta Rani
Jha, Mr. Manish Kumar Mishra, Mr.
Anubhav Chhabra, Ms. Saloni Kasliwal
and Mr. Rahul Choudhary, Advocates
for *Amicus*.

Ms. Rashi Bansal, Mr. Saurabh Lal, Ms.
Kriti Garg and Ms. Tesu Gupta,
Advocates.

+ CS(COMM) 192/2024, I.A. 5164/2024, I.A. 5165/2024, I.A.
7138/2024 & I.A. 8537/2024

WESTERN DIGITAL TECHNOLOGIES INC. & ANR.

.... Plaintiffs

Through: Mr. Pravin Anand, Mr. Saif Khan, Mr.
Shobhit Aggarwal, Mr. Prajwal
Kushwaha and Ms. Meghana Kudligi,
Adv.

versus

CONSISTENT INFOSYSTEMS PRIVATE LIMITED & ORS.

.... Defendants

Through: Mr. Dushyant K. Mahant and Mr.
Vimlesh Kumar, Advocates for D-1.

Mr. Hemant Singh, Ms. Mamta Rani
Jha, Mr. Manish Kumar Mishra, Mr.
Anubhav Chhabra, Ms. Saloni Kasliwal



and Mr. Rahul Choudhary, Advocates
for *Amicus*.

+ **CS(COMM) 335/2024, I.A. 9182/2024, I.A. 9183/2024, I.A.
9184/2024 & I.A. 9185/2024**

SEAGATE TECHNOLOGY LLC

..... Plaintiff

Through: Mr. Ranjan Narula, Ms. Shivangi Kohli
and Ms. Aishani Singh, Advs.

versus

CUBICOR INFORMATION SYSTEMS PRIVATE LIMITED AND
ORS

..... Defendants

Through:

**CORAM:
HON'BLE MR. JUSTICE ANISH DAYAL**

JUDGMENT

ANISH DAYAL, J.

**I.A. 1790/2024 (application under Order XXXIX Rules 1 and 2 CPC) & I.A.
7986/2024 (application under Order XXXIX Rule 4 CPC) in CS(COMM)
67/2024;**

**I.A. 2803/2024 (application under Order XXXIX Rules 1 and 2 CPC) in
CS(COMM) 114/2024;**

**I.A. 4404/2024 (application under Order XXXIX Rules 1 and 2 CPC) & I.A.
7392/2024 (application under Order XXXIX Rule 4 CPC) in CS(COMM)
168/2024;**

**I.A. 5124/2024 (application under Order XXXIX Rules 1 and 2 CPC) in
CS(COMM) 191/2024;**



I.A. 5160/2024 (application under Order XXXIX Rules 1 and 2 CPC) in CS(COMM) 192/2024

1. These suits have been filed by Seagate Technology LLC (“**Seagate**”) and Western Digital Technologies Inc. (“**WD**”) against the following parties: Daichi International (“**Daichi**”), Consistent Infosystems Pvt. Ltd. (“**Consistent**”), Geonix International Pvt. Ltd. (“**Geonix**”) and Cubicor Information Systems Pvt. Ltd. (“**Cubicor**”).

2. The issue relates to refurbishment of Hard-Disk Drives (“**HDDs**”), which are imported into India by various importers, resold to refurbishers in India, who, in turn, remove the marks of ‘Seagate’ or ‘Western Digital’ from the HDDs, refresh and repackage it under their own brand names, and sell it as refurbished products with an extended two-year warranty.

3. Apparently, there are three major manufacturers in the world of HDDs viz. Seagate, WD, and Toshiba. These HDD manufacturers supply their HDDs to various Original Equipment Manufacturers (“**OEMs**”) for installation as part of laptops, desktops and other equipment. The HDDs have a lifespan, as prescribed by the manufacturers, and the HDDs are unserviceable by the manufacturers after the said period.

4. The HDDs, however, still retain functionality, and when used equipment is sold and discarded globally, consignments of these *end-of-life* HDDs are refurbished by various entities and sold to consumers. These refurbished HDDs are typically used for either assembled desktops or for surveillance cameras.



5. Seagate and WD allege that these *end-of-life* HDDs could not be sold as refurbished products since the removal of their brand name from the product amounted to impairment, which was not permitted as per Sections 30(3) and 30(4) of the Trade Marks Act, 1999 (“**Trade Marks Act**”).

6. Essentially, the argument was that these goods, which bore a registered trademark i.e. ‘SEAGATE’ or ‘WD’, were not lawfully acquired and were sold in the market or otherwise dealt with. Moreover, even if they were lawfully acquired, the condition of the goods had been changed or impaired after they were put on the market, and, therefore, cause of action arose in favour of the registered trademark owners.

7. The issue, therefore, was of refurbished goods being sold after removal of the original brand, with no reference to the original manufacturers, thereby severing the umbilical cord with the original registered trademark owner; and whether in this situation an action for infringement or impairment could be considered.

Court Proceedings

8. These matters came up before two Coordinate Benches of the Intellectual Property Division of this Court and were subsequently clubbed together to be heard by this Bench. Two sets of orders were passed by the Coordinate Benches initially: (i) in some matters, *ad interim* injunction was passed restraining the defendants from selling or dealing with the refurbished HDDs; and (ii) in others, while the dealing was allowed, it had to be done with a disclaimer on the product packaging in a legible and discernible manner, to the effect that the



goods in question were “*used and refurbished goods*”. While the initial set of matters were being heard, couple of other proceedings were filed, in which injunctions had not been passed and they were kept for determination along with these connected matters *viz.* CS(COMM) 335/2024 filed by Seagate against Cubicor which was an importer of these HDDs.

9. Tabular representation of various suits and the relevant applications which are being considered by this judgment are as under:

CS(COMM) 67/2024	Seagate Technology LLC	Daichi International	I.A. No. 1790/2024 (<i>under Order 39 Rules 1 and 2, CPC</i>): By Order dated 24.01.2024 an <i>ex parte ad interim</i> injunction was granted. I.A. 7986/2024 (<i>under Order 39 Rule 4, CPC</i>)
CS(COMM) 114/2024	Seagate Technology LLC	Consistent Infosystems Pvt Ltd & Anr	I.A. No. 2803/2024 (<i>under Order 39 Rules 1 and 2, CPC</i>): By Order dated 06.02.2024 an <i>ex parte ad interim</i> injunction was granted.
CS(COMM) 192/2024	Western Digital Technologies Inc & Anr	Consistent Infosystems Pvt Ltd & Anr	I.A. No. 5160/2024 (<i>under Order 39 Rules 1 and 2, CPC</i>): By Order dated 04.03.2024, defendant was directed to add a disclaimer to the impugned products. Injunction was not granted. “ <i>any sale by Defendant no. 1 of their Impugned Products shall be accompanied by a disclaimer on the product packaging, in a font which is legible and discernible by purchasing customers, to the effect that the goods in question are used and refurbished goods</i> ” (Para 21)



CS(COMM) 168/2024	Western Digital Technologies Inc & Anr	Geonix International Pvt Ltd & Anr	I.A. 4404/2024 (<i>under Order 39 Rules 1 and 2, CPC</i>): By Order dated 26.02.2024 <i>ex-parte ad interim</i> injunction was granted. I.A. 7392/2024 (<i>under Order 39 Rule 4, CPC</i>)
CS(COMM) 191/2024	Western Digital Technologies Inc & Anr	Daichi International And Anr.	I.A. No. 5124/2024 (<i>under Order 39 Rules 1 and 2, CPC</i>): By Order dated 04.03.2024, defendant was directed to add a disclaimer to the impugned products. Injunction was not granted. “..impugned products shall be accompanied by a disclaimer on the product packaging, in a font which is legible and discernible by purchasing customers, to the effect that the goods in question are used and refurbished goods” (para 18.1)
CS(COMM) 335/2024	Seagate Technology LLC	Cubicor Information System Pvt Ltd And Ors	Summons and notice not issued.

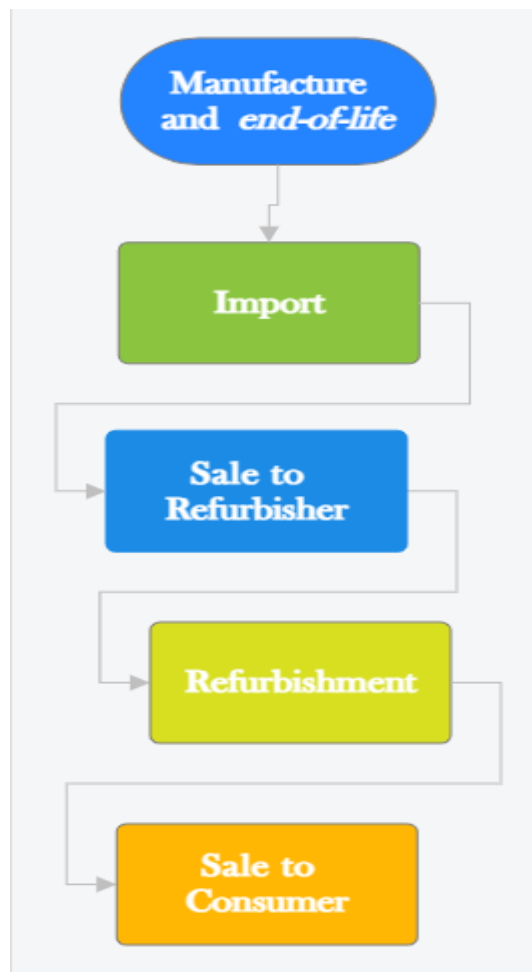
10. Arguments in these matters were addressed by Mr. Pravin Anand, Counsel on behalf of WD; Mr. Ranjan Narula, Counsel on behalf of Seagate; Mr. Dushyant Mahant, Counsel on behalf of Consistent; and Ms. Rashi Bansal, Counsel on behalf of Daichi and Geonix. As regards Cubicor, notice had not been issued, since it was filed while hearing in these matters was ongoing, and was made subject to the overall determination by this judgment of the injunction applications in the other suits.



11. Since the issue involves a relatively new area of law, and presents a veritable *tabula rasa*, to assist the Court, Mr. Hemant Singh, Advocate was appointed as the *Amicus Curiae*.

Submissions by the parties

12. Submissions by counsel for parties, for ease of appreciation and analysis, may be classified under different, distinct heads. For this purpose, a diagrammatic representation of the chain of transactions in question, is presented as under:





Manufacture and End of Life:

13. It is an admitted position that these refurbished HDDs sold by the defendants were originally manufactured by either Seagate or WD. Plaintiffs (*Seagate and WD*) submitted that they had sold their products to OEMs, and these products became *end-of-life* when the warranty expired. A product becoming *end-of-life* had nothing to do with the state and functionality of the device. It was submitted that *end-of-life* signified that the product could be used for a prescribed time period and ought not to be used thereafter.

14. Plaintiffs' counsel also stated that their products had unique features, in that the silver plates on the HDDs were differently shaped as also the color of the Printed Circuit Board (“**PCB**”) was distinct and, therefore, it was easy for a person in the industry to identify the manufacturer of the HDDs, even if the manufacturer's label was not present on it.

Importation and Sale:

15. In response to a query by the Court regarding prohibition on importation, if any, of *end-of-life* HDDs in India, Mr. Ranjan Narula adverted to one single document as part of Foreign Trade Policy, 2023 published by the Ministry of Commerce and Industry in March 2023. As part of Chapter II, “*General provisions regarding imports and exports*”, a table was referred to at Section 2.31, which is reproduced as under:



Import Policy for Second Hand Goods:

2.31 Second Hand Goods

Sl.No.	Categories of Second-Hand Goods	Import Policy	Conditions, if any
I. Second Hand Capital Goods			
I(a)	i. Desktop Computers; ii. Refurbished/re-conditioned spares of re-furbished parts of Personal Computers/ Laptops; iii. Air Conditioners; iv. Diesel generating sets	Restricted	Importable against Authorisation
I(b)	All electronics and IT Goods notified under the Electronics and IT Goods (Requirements of Compulsory Registration) Order, 2012 as amended from time to time	Restricted	(i) Importable against an authorization subject to conditions laid down under Electronics and IT Goods (Requirements of Compulsory Registration) Order, 2012 as amended from time to time. (ii) Import of unregistered/non-compliant notified products as in CRO, 2012 as amended from time to time is "Prohibited"
I(c)	Refurbished / re-conditioned spares of Capital Goods	Free	Subject to production of Chartered Engineer certificate to the effect that such spares have at least 80% residual life of original spare
I(d)	All other second-hand capital goods {other than (a) (b) & (c) above}	Free	
II. Second Hand Goods other than capital goods			
III. Second Hand Goods imported for the purpose of repair/refurbishing / re-conditioning or re-engineering			
		Free	Subject to condition that waste generated during the repair / refurbishing of imported items is treated as per domestic Laws/ Rules/ Orders/ Regulations/ technical specifications/ Environmental / safety and health norms and the imported item is re-exported back as per the Customs Notification.

16. Referring to II and III above (*highlighted*), Mr. Narula stated that secondhand goods imported for the purpose of repair, refurbishing, reconditioning or re-engineering were free to be imported, subject to the condition that the waste generated during the repair and refurbishment is treated as per domestic laws, and the imported item is re-exported back as per Customs Notification. He seems to suggest that this would amount to a requirement that the refurbished goods had to be re-exported back. Furthermore, Mr. Narula submits that customs law had to be read in conjunction with intellectual property law, in that, if importation was not permitted under intellectual



property jurisprudence in respect of trademarks, the customs law itself would have to be interpreted in that light.

17. Mr. Narula, Counsel for Seagate, further argued that the identity of the manufacturer i.e. the plaintiffs could not be completely obliterated, considering that the design of the HDDs included certain distinctive features like silver plates and PCBs and each of these manufacturers, namely, Seagate, WD and Toshiba used different shapes for the silver plate and different colors of PCBs, thereby giving a clear indication, to a technically aware user, that the said product was manufactured by either of these companies.

18. However, counsel for the defendants contend that this policy may not necessarily apply, considering that the goods were simply being imported into India as is, and then being used by various vendors for the purposes of refurbishment and sold as refurbished devices.

19. It was argued by counsel for plaintiffs that since import was happening of goods bearing a mark, it amounted to “*use of a registered mark*” in terms of Section 29(6) of the Trade Marks Act, which reads as under:

“(6) For the purposes of this section, a person uses registered 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 advertise”*



(emphasis added)

20. Accordingly, it was argued that the question of infringement would arise under Section 29(1) of the Trade Marks Act. Considering the importer would buy and stock the goods with the trademark, it was argued by the plaintiffs' counsel that the removal of these HDDs from the discarded computers and servers amounts to illegal acquisition. Hence, the defendants' argument of exhaustion by the plaintiffs was not tenable.

21. Mr. Dushyant Mahant, Counsel for Consistent, at the very outset, drew attention of the Court to a settlement agreement entered between *Seagate* and *Nickle Technologies* in 2018. He handed up in Court an order dated 13th December, 2018 by the ADJ, Saket Court, New Delhi, noting that there is a settlement between *Seagate (as the plaintiff)* and *Nickle Technologies (as the defendant)* which formed part of a consent decree. The said terms of settlement are extracted as under for ease of reference:

“1. The Defendant No.1 is free to import hard disks that are second hand, refurbished, end-of-life, unsupported by warranty or not meant for consumer retail;

2. The Defendant No.1 undertake that they will not market, sell-refurbished, second-hand hard disks under the mark SEAGATE or any similar brand, however the same can be sold under any other brand;

3. The Defendant No.1 undertake to remove the label of SEAGATE from the hard drives in their power and possession in the presence of the



representative of the plaintiff, thereafter the same can be sold;

4. The Defendant No.1 shall clearly indicate on its invoices, website etc. that the plaintiff will not provide warranty support for the hard disks and after sales support will be offered by only the Defendants or through its authorized agents;

5. Both parties agree to bear their respective cost;

6. The present suit may be disposed off in view of the above terms.”

22. He, therefore, stated that due to the fact that Seagate itself had entered into a full settlement with an importer, they cannot canvass that they were not aware that their HDDs were being imported and refurbished in India. Having allowed the importer to do so, in terms which form part of a decree before a court of law, they were precluded and estopped from maintaining the suit against either importers or refurbishers. He pressed hard on the point that Seagate ought to have disclosed this as part of their pleadings.

23. Mr. Narula, Counsel for Seagate, did not deny the factum of settlement but stated that the estoppel, if any, against Seagate can only be *inter se* parties and cannot serve as *res judicata*, particularly when the settlement is under Order XXIII, Rule 3 of the Code of Civil Procedure, 1908 and principles enunciated in ***Pankaj Goel vs. Dabur India Ltd.***, 2008 SCC OnLine Del 1744, apply. He contended that the act of removing the labels, effacing the plaintiffs' trademark, refurbishing, reformatting, removing the plaintiffs' literature etc.



amounted to changing the material condition of the goods and, therefore, was tantamount to impairment.

24. Ms. Bansal, Counsel for Geonix and Daichi, also reiterated that the manufacturers had not taken any action against importers or OEMs or sellers, and *prima facie* were unable to show that the HDDs were illegally imported. Owing to the fact that there was a settlement arrived at with the prior importer, the *balance of convenience* was not in favour of the plaintiffs.

Sale to Refurbisher

25. The issue, therefore, is that assuming the import itself is not *prima facie* illegal, whether further sale of the imported goods (*end-of-life* HDDs) to refurbishers can be considered legitimate.

26. In this regard, submissions by counsel for defendants (*Consistent, Daichi* and *Geonix*) are relevant, in that, the defendant were lawfully procuring the HDDs and had provided details of the sale and purchase. Defendants have disclosed the source of the purchase, along with GST invoices. Affidavits have been filed in this respect.

27. No material was supplied by the plaintiffs to counter this submission. Evidently, if the sale to the refurbishers by the importers had taken place through a formal transaction on which GST had been paid, the plaintiffs had to present some argument to state that this transaction itself was illegal. It was only submitted by counsel for plaintiffs that merely paying GST would not make the transaction legitimate.



Refurbishment

28. It was an admitted position that the defendants were removing plaintiffs' marks from the imported/purchased *end-of-life* HDDs. This, as per the defendants, was being done in order to ensure that there is no association with the plaintiffs' brand, and no responsibility or liability is foisted upon them. Counsel for defendants also submit that the *end-of-life* HDDs are repackaged under their own brands with a two-year warranty. The consumer, therefore, would look to the seller i.e. the refurbisher, whose brand was present on the repackaged HDDs, and would not associate the refurbished HDDs with the original manufacturer, for any reason whatsoever.

29. Mr. Ranjan Narula, Counsel for Seagate, pointed out that these HDDs were either used for laptops, desktops or for surveillance cameras (*CCTVs*), the dominant sale being for surveillance cameras. He submits that the very act of de-branding the HDDs amounted to changing the "*condition of the goods*" or "*impairment*" after they had been "*put on the market*". This permitted the plaintiffs, who were the registered proprietors of the trademarks, to oppose these dealings in consonance with Section 30(4) of the Trade Marks Act. Aside from this, it was also submitted that the defendants would not get any insulation under Section 30(3), considering that these goods were not "*lawfully acquired*" before sale in the market or before dealing with them.

30. Further, Mr. Narula, Counsel for Seagate, submits that the defendants were misrepresenting that the refurbished HDDs were brand new, manufactured/imported by them, unused, and under their trademark, and this



amounted to passing off old and used HDDs of the plaintiffs as new and unused, and reverse passing off of the plaintiffs' HDDs as the defendants.

31. Mr. Anand submitted that the misrepresentation was on various levels, *inter alia*, that the HDDs were manufactured by the defendants; that they were claimed to be '20% faster' but no comparative was provided as in "*faster than what*"; the HDDs did not disclose that they are used; certain aspects of technology were represented as being integrated into the HDD, which could not be technically possible; the HDDs were presented for both desktops and for surveillance cameras, whereas technically for each of these purposes, the HDD required is different (i.e. for desktop a HDD with 10 hours recording facility is required, whereas for surveillance cameras a HDD with 24 hour recording facility is necessary).

32. He stated that, due to misrepresentation, the manufacturers were receiving bad reviews from persons who could recognize that this was a WD HDD (*some illustrations were presented to demonstrate bad reviews*). Mr. Anand submitted that the disclosure must, therefore, be clear.

33. For reverse passing off, Mr. Anand, relied upon, the decision in *Smith vs. Montoro*, 648 F.2d 602 (9th Circ. 1981). Reverse passing off occurs when the original mark is removed or obliterated, before reselling the goods produced by someone else, and a consumer identifies that good with the original manufacturer (*senior user*). For principles of reverse passing of, Mr. Anand, Counsel for plaintiffs, also relied upon the decision of the Division Bench of this Court in *Shree Nath Heritage Liquor Pvt. Ltd. vs. Allied Blender &*



Distillers Pvt. Ltd., 2015 SCC OnLine Del 10164. He, therefore, stated that defendants' conduct misleads unsuspecting consumers by creating a false impression and allowing defendants to benefit from the plaintiffs' effort without incurring legitimate costs, amounting to unfair competition and unfair trade practice and false trade description which would be violative of Section 2(i), 2(1)(za) read with Section 103 of the Trade Marks Act.

34. On the issue of tampering being against law, Mr. Anand relied upon the decision in *Société Des Proouits Nestle v. Casa Helvetia*, 982 F.2d 633 (1st Circuit, 1992) in support of the arguments under Section 30(4) of the Act. He stated that the likelihood of confusion under trademarks jurisprudence depends on the nature of the goods, and special tests are carved out for special categories like cigarettes, newspapers, pharmaceutical products. Therefore, as regards refurbished HDDs, the likelihood of confusion has to be seen under a different regime and not as per the traditional test for likelihood of confusion. This argument was made in context of the different silver plates, used by manufacturers, which would result in an identification/confusion by an intelligent and technically qualified user.

35. Mr. Dushyant Mahant, Counsel for Consistent, contended that there was no functional impairment which the defendants were causing to the product. On the contrary, the plaintiffs had no use of the product since according to them it was 'end-of-life' and they had "washed their hands of the HDDs". The original warranty supplied by the manufacturer was exhausted. In any event, it was the defendants who were giving a fresh life to the products by



repairing/refurbishing them and providing a warranty of two years with a call-back facility, as well as servicing facility. The defendants would check the drives and if they were defective, they were returned to the supplier, and if the HDDs worked, software was erased and they were reformatted.

36. As per him, only 5% of the refurbished HDDs sold by them, had been returned and replaced, which bears out that the refurbished product was successfully functioning.

37. He argued that refurbishment was, in any, case a regular industry practice worldwide and adverted to a website *reconext.com*, which highlights the objective of extending “*the lifespan of returned equipment and have the ability to restore devices to like-new condition*”. Mr. Mahant further submitted that the “*take-back*” policy by Seagate for *end-of-life* HDDs was not implemented by them in any other country except Singapore, which has extremely strict rules regarding e-waste management.

38. Mr. Dushyant Mahant submitted that the HDDs were not sold for aesthetic appeal but for their functionality, which the defendants were providing only to benefit the consumer who could get these *end-of-life* HDDs, possibly for a cheaper price. *End-of-life* products are sold across India in various categories due to economic compulsion. As regards the submission under Section 29(6) of the Trade Marks Act, he submitted that the same has to be answered by the importer since they are the buyers of goods and not the defendants.



39. It was submitted that identification by steel plates was a bogey by the plaintiffs, since these refurbished HDDs would be embedded deep inside the equipment, and the possibility of consumers associating them with a particular manufacturer was quite remote. Therefore, reverse passing off would also not apply since the senior user was not coming to the mind of the consumer, there being no reference to plaintiffs' trademarks and no association in any manner. The goods were being sold under the refurbishers' warranty and the principle of exhaustion would apply to the goods. The de-branding of the product would not bring it under the purview of Section 29 or Section 30(4) of the Trade Marks Act.

40. Ms. Bansal, Counsel for Daichi and Geonix, submitted that the refurbisher undertakes numerous tests, including a health check, to determine the useability of *end-of-life* HDDs, and the process of refurbishing is not limited to the sole act of removing plaintiffs' trademarks and replacing them with defendants. Furthermore, the refurbisher provides a unique serial number and model number which was not that of the manufacturer.

41. Ms. Bansal contended that the plaintiffs had failed to make out a *prima facie* case for grant of an interim injunction, and that the balance of convenience was also not in favor of the plaintiffs, and no irreversible damage would be caused to the plaintiffs if the injunction as prayed for is not granted.

42. As regards plaintiffs being unable to establish a *prima facie* case, she contended that plaintiffs sell their product to OEMs, without any specific term for resale in their contracts. Plaintiffs failed to advert to any action that had



been taken against such OEMs for violations of terms of contract. Furthermore, Ms. Bansal submitted that no communication with the OEMs has been referred to by plaintiffs in this regard.

43. As regards balance of convenience, she stated that it was clear that refurbishment was not illegal and that refurbishment makes an otherwise *end-of-life* product reusable. She submitted that a refurbished product presents the consumer with a choice.

44. As regards irreversible loss, she pleaded that any injunction would completely shut the business of the defendants, whereas if the plaintiffs would succeed, they could always be compensated in damages. Regards application of Section 30(4) of the Trade Marks Act, she stated that it was not applicable since the sale was not of goods under plaintiffs' mark and it was only in the remote possibility of a technical analysis, that one could possibly ascertain who the original manufacturer was. Regards impairment, she contended that they were not diminishing the product, the change was not injurious in any way but rather they were adding value to the life of the product. The purchase by a consumer was under the defendants' name, and the purchaser in this category was a prudent purchaser, who was educated, and would clearly understand that he was buying a used and refurbished drive.

45. As regards use of the drive, it was contended that it could be used for a technical purpose like a desktop or a mere recording purpose like a CCTV and, therefore, the drives are meant for both purposes. In any case, she contended that the government was promoting refurbished goods under the policy of



“*Right to Repair*” in order to open up a market already dominated by a few players. Plaintiffs were not participants in the refurbishment market and, therefore, no irreparable loss was caused to them.

46. Ms. Bansal, further stated that Section 30(3) of the Trade Marks Act was not applicable since the HDDs were lawfully acquired and the principle of exhaustion would apply, and Section 30(4) was not applicable since, as stated above, there was no impairment. There was no damage to the goodwill of the plaintiffs, considering that there were separate serial numbers, separate customer service centers and clearly the goods were associated with the refurbishers. For example, she states that Geonix had 70 service centers in India. Ms. Bansal submitted, that Daichi has 14 service centers for its products, and has been selling refurbished HDDs since 2020.

47. She stated that the test of confusion arises at the time of purchase and since the plaintiffs’ trademark did not appear on the packaging for sale of the HDDs, there was no consumer confusion. A consumer would not be able to trace the product back to the plaintiffs while using the HDDs. Moreover, Seagate itself had flooded the market with *end-of-life* HDDs by entering into the settlement, as noted above. As regards lawful acquisition, she relied upon para 42 of *Kapil Wadhwa & Ors. vs. Samsung Electronics Co. Ltd. & Anr.*, 2012 SCC OnLine Del 5172. On Section 30(4), she stated that it will only apply if the further sale of the product is with the plaintiffs’ registered mark which was not the case here.

Submissions by Amicus Curiae



48. Ld. *Amicus*, in his first set of submissions, highlighted three major legal issues: *first*, is there an infringement at all on the facts of the case under Section 29; *second* issue is of the application of the principle of exhaustion; and *third*, that even if there was lawful acquisition and exhaustion, could the plaintiff have a right to challenge dealing in goods under Section 30(4) of the Trade Marks Act.

49. On the *first* issue, he stated that dealing was with goods which had been de-branded. De-branding could occur in two situations, *first*, where the brand was not visible at all like in the case of Seagate HDDs, and the other where it would be visible when it is activated as in the case of WD HDDs. According to him, Section 29(1) pre-supposes that there must be use of the mark ‘*in the course of trade*’. As long as there was a trade happening under the registered trademark of the plaintiffs there would be an infringement. But when the brand has been removed, and there is nothing on the product which identifies as the source of the brand owner, whether there could be an infringement or not cannot be stated definitively.

50. The *second* issue, on exhaustion, invites a question that when the product is being imported, would it fall within the defence of Section 30(3)? This would depend on goods not being lawfully acquired and, if so, the Section 30(3) defence would be vitiated. Lawful imports are those where rights were exhausted before the import and principles of exhaustion apply internationally, as recognized *inter alia* in ***Kapil Wadhwa*** (*supra*). It would be the defendants’ onus to establish that there was exhaustion, since the defence taken under



Section 30(3) would be by the defendants and defendants would have to prove that the import was not in violation of the terms, for which the goods were put into the market.

51. The *third* issue presented was that, assuming there was lawful acquisition and exhaustion, would the plaintiffs have the right to impose restriction under Section 30(4)? The onus would be on the plaintiffs to prove impairment or other reasons under Section 30(4) of the Trade Marks Act.

52. Ld. *Amicus* further submitted that the issue after the goods being imported, is what action has been done by the defendants with the goods. If one is tampering with it and selling it as the plaintiffs' goods without plaintiffs' permission, that situation is covered by *Kapil Wadhwa (supra)* and the plaintiffs would have a right to object as it would amount to an infringement. The tampering, if at all, would have to be adjudged on whether it was fair/unfair or right/wrong. The Courts have created a test, in that, the function of the trademark should not be affected.

53. Ld. *Amicus* highlighted that a brand has two functions, one, is to indicate the source, and the other to certify quality. Both functions should not be compromised, and if they are so compromised, it is legitimate reason for a brand owner to oppose further dealing.

54. In his second set of submissions, Ld. *Amicus* referred to the decision of the US Supreme Court in *Champion Spark Plug Co. vs. Sanders*, 331 U.S. 125 (1947), and a US Federal Appeal Court decision in *Hamilton Int'l Ltd. vs. Vortic LLC*, 13 F. 4th 264. In *Champion Spark (supra)*, it was held that



refurbishment and rebranding was permissible but there should not be any misrepresentation or perception to give an impression to the consumer that the refurbished goods have an approved quality of life. There should be sufficient disclosure and disclaimer to inform the consumers, in no uncertain terms, that the goods are not approved by the brand owner, there is no quality expected of the product as declared by the brand owner. If any such representation was lacking, it would create confusion and misrepresentation, and would fall within the realm of passing off. Sufficient declaration and disclosure would ensure that there is no damage to the brand in terms of the primary two functions of source and quality.

55. Ld. *Amicus* later submitted that removal of the brand cannot *ipso facto* give immunity to the defendants, as it could amount to infringement. He referred to *Champion Spark* (*supra*) wherein it was observed that “*cases may be imagined*” where the recondition and repair would be extensive; if refurbishment involves a complete breaking down of the product it would be a completely new product, but a simple removal of the brand as in the European Chamber Case of *Portakabin Ltd., Portakabin BV vs. Primakabin BV*, Case C-558/08, ECLI:EU:C:2010:416, was considered a legitimate reason to injunct them.

56. As regards Section 30(3) of the Trade Marks Act, he submitted that as per the language of the provision, the goods put into the market have to be the same as the goods which bear the registered mark, and if it were not so, the defence under Section 30(3) would not apply.



57. Ld. *Amicus* submitted that if the product bears the original brand, there ought to be sufficient disclosure post refurbishment so that nothing can be traced to the original brand. However, if the brand has been removed, they are no longer dealing with the same product and the defence under Section 30(3) cannot be taken. He did submit that refurbishment was not declared illegal as a policy in the country; but he submitted that refurbishment along with the brand *plus* proper disclosure would be a better situation. Otherwise, by complete de-branding, a person was taking somebody else's product and making it theirs, and that would introduce a lack of legitimacy. According to him, it would be preferable if the refurbisher discloses who the manufacturer is, since the defendants were not disintegrating the product but merely resupplying it. As per him, the manufacturer can be disclosed without undue prominence, so that the consumer is not led to believe that the product is being sold under the manufacturer's warranty. To the Court's query as to what was the benefit of putting the manufacturer's brand, he stated that the moment the product is rebranded, it would amount to infringement.

Rejoinder Submissions

58. Mr. Anand, Counsel for WD, presented certain arguments in rejoinder stating that if the technical consumer is the first purchaser of the goods, he would know where they are sourced from because of the shape of the HDDs and its technical features. He did not commit as to whether disclosure of the manufacturer's name on the refurbished goods would be a welcome proposition. On the Court's query, as to what steps had the plaintiffs taken to



educate the public regarding purchase of refurbished goods, Mr. Anand presented certain pictures of advertisements issued by WD under the theme of “*Don’t use used Shoes*”.

59. Mr. Narula, Counsel for Seagate, stated that they have a “*Reliability Campaign*” but did not present any sample of the campaign.

60. Counsel for the plaintiffs collectively stated that disclaimer, if at all, should be prominent, and must particularly state that the product is refurbished and used, and such disclaimers should also be prominently displayed on the websites, listings, products, promotional material etc. It was stated that no evidence on re-engineering was placed by the defendants and they were merely de-branding the products and selling them as repackaged. Moreover, it was pointed out that on e-commerce sites like Amazon, refurbished products were being listed along with the same manufacturer and that India had become a dumping ground for imported discarded products. The ‘*dumping ground*’ contention was not supported by Mr. Anand, Counsel for WD.

61. Mr. Dushyant Mahant, Counsel for Consistent, stated that they had no difficulty in disclosing the name of the manufacturer, if that be the decision arrived at.

Relevant Judicial Precedents

62. Counsel for parties primarily relied upon three decisions to buttress their arguments. The overarching decision relied upon by counsel for parties is ***Kapil Wadhwa*** (*supra*). In ***Kapil Wadhwa*** (*supra*), the respondents, Samsung



Electronics Company Ltd. and Samsung India Electronics Pvt. Ltd., manufactured and traded in electronic goods such as color televisions, home appliances, washing machines, microwaves, air-conditioners, printers etc. under the mark “SAMSUNG/Samsung”. The grievance of the respondents was that the appellants were importing printers under the mark “SAMSUNG/Samsung” manufactured and sold by respondents in the foreign market, and selling these printers in the Indian market under the mark “SAMSUNG/Samsung”. Respondents alleged that such reselling without their permission misled the consumers into believing that they are buying an authorized Samsung product. The appellants, on the other hand, submitted that the import and sale of printers is legal and valid as the appellant sold the products just as they were.

63. In this factual matrix, the Division Bench of this Court set aside the impugned order of the Single Judge restraining the appellants from importing Samsung printers and selling them in India. However, the appellants were directed to prominently display in their showrooms that the products sold by them have been imported from abroad, and that respondents do not give any warranty *qua* the goods nor do they provide any after sale services, and that warranty and after sale services were to be provided only by the appellants.

64. In coming to this conclusion, the Division Bench expansively discussed the true import of the words “*market*” featuring in Section 30(3) of the Trade Marks Act, as well as the words “*lawfully acquired*” and “*impairment*”. On the interpretation of the word “*market*”, the Court held that it implied the



application of the Principle of International Exhaustion. The Court also discussed various species of “*impairment*”. The relevant paragraphs from the said decision are extracted below for reference:

“42. There is a patent fallacy in paragraph 68(c). There is no law which stipulates that goods sold under a trade mark can be lawfully acquired only in the country where the trade mark is registered. In fact, the legal position is to the contrary. Lawful acquisition of goods would mean the lawful acquisition thereof as per the laws of that country pertaining to sale and purchase of goods. Trade Mark Law is not to regulate the sale and purchase of goods. It is to control the use of registered trade marks. Say for example, there is food scarcity in a country and the sale of wheat is banned except through a canalizing agency. Lawful acquisition of wheat in that country can only be through the canalizing agency. The learned Single Judge has himself recognized that the law of trade marks recognizes the principle of international exhaustion of rights to control further trade of the goods put on the market under the trade mark. The task of the learned Single Judge thus was to resolve the impasse in the Indian Law, and thus the presumption/assumption in paragraph 68(c) could not be the point to resolve the textual context in which the learned Single Judge has discussed in paragraph 68(d).

....

68. With reference to sub-section 4 of Section 30 of the Trade Marks Act 1999 it would be relevant to note that further dealing in the goods placed in the market under a trade mark can be opposed where



legitimate reasons exist to oppose further dealing and in particular where the condition of the goods has been changed or impaired. With respect to physical condition being changed or impaired, even in the absence of a statutory provision, the registered proprietor of a trade mark would have the right to oppose further dealing in those goods inasmuch as they would be the same goods improperly so called, or to put it differently, if a physical condition of goods is changed, it would no longer be the same goods. But, sub-section 4 of Section 30 is not restricted to only when the conditions of the goods has been changed or impaired after they have been put on the market. The section embraces all legitimate reasons to oppose further dealings in the goods. Thus, changing condition or impairment is only a specie of the genus legitimate reasons, which genus embraces other species as well. What are these species? (i) Difference in services and warranties as held in the decisions reported as 423 F.3d 1037 (2005) SKF USA v. International Trade Commission; 35 USPQ2d 1053 (1995) Fender Musical Instruments Corp. v. Unlimited Music Center Inc.; 589 F. Supp. 1163 (1984) Osawa & Co. v. B&H Photo. (ii) Difference in advertising and promotional efforts as held in the decisions reported as 70 F. Supp 2d 1057 Pepsi Co. Inc. v. Reyes; 589 F. Supp. 1163 (1984) Osawa & Co. v. B&H Photo. (iii) Differences in packaging as held in the decision reported as 753 F. Supp. 1240 (1991) Ferrero USA v. Ozak Trading. (iv) Differences in quality control, pricing and presentation as held in the decision reported as 982 F.2d 633 (1992) Societe Des Produits Nestle v. Casa Helvetia. (v) Differences in language of the



literature provided with the product as held in the decisions reported as 423 F.3d 1037 (2005) SKF USA v. International Trade Commission; 70F. Supp 2d 1057 Pepsi Co. Inc. v. Reyes; 816 F.2d 68, 76 (2 Cir. 1987) Original Appalachian Artworks Inc. v. Granada Electronics Inc.

69. Now, as we see it, this can only happen in case where goods have to be imported from a country of manufacture or a country where they are put on the market thereof, and then imported into India. Only then would there be a difference in the language of the literature provided with the product; difference in services and warranties in the country from where the goods are imported by the seller and the country of import i.e. the manufacturer's warranties not being available in the country of import; difference in quality control, pricing and presentation as also differences in advertising and promotional efforts.

70. This is also an indication of India adopting the Principle of International Exhaustion of Rights in the field of the Trade Mark Law.

71. We accordingly conclude that 'the market' contemplated by Section 30(3) of the Trade Marks Act 1999 is the international market i.e. that the legislation in India adopts the Principle of International Exhaustion of Rights.

72. That leaves the last submission of the respondents, that in view of Section 30(4) they are entitled to oppose further dealings by importers of their printers to India.

73. It is not the case of the respondents that the appellants are changing the condition of the goods



or impairing the goods which are put in the foreign market by respondent No. 1 or its subsidiary companies abroad. What is pleaded is that the physical features of the printers sold abroad are different from the features of the printers sold in India. But this is irrelevant as long as the goods placed in the international market are not impaired or condition changed. It is pleaded that the respondents have no control pertaining to the sale, distribution and after sales services of its goods which are imported by the appellants and sold in India. Now, the Principle of International Exhaustion of Rights itself takes away the right of the respondents to control the further sale and further distribution of the goods. With respect to after sales services, since the respondents do not warranty anything regarding their goods sold abroad, but imported into India and further sold, they not being responsible for the warranty of those goods, nothing turns thereon, as regards said plea. There may be some merit that the ordinary consumer, who is provided with warranties and after sales by the appellants, on not receiving satisfactory after sales service, may form a bad impression of the product of the respondents and thus to said extent one may recognize a possible damage to the reputation of the respondents pertaining to Samsung/SAMSUNG printers and Samsung/SAMSUNG products sold in India after importation. But, this can be taken care of by passing suitable directions requiring the appellants to prominently display in their shop that the Samsung/SAMSUNG printers sold by them are imported by the appellants and that after sales services and warranties are not guaranteed nor are they provided under the authority and control of the



respondents and that the appellants do so at their own end and with their own efforts. This would obviate any consumer dissatisfaction adversely affecting the reputation of the respondents, and thus if this is done, the respondents can claim no legitimate reasons to oppose further dealing in Samsung/SAMSUNG products in India.

....

75.The appeal is partially allowed. Impugned judgment and order dated February 17, 2012 is set aside insofar the appellants have been restrained from importing printers, ink cartridges/toners bearing the trade mark Samsung/SAMSUNG and selling the same in India. The appellants shall continue to remain injuncted from meta-tagging their website to that of the respondents. But, while effecting sale of Samsung/SAMSUNG printers and ink cartridges/toners, the respondents shall prominently display in their showrooms that the product sold by them have been imported from abroad and that the respondents do not give any warranty qua the goods nor provide any after sales service and that the warranty and after sales service is provided by the appellants personally. The appellants would prominently display in their showrooms:

Samsung/SAMSUNG Products sold are imported into India and SAMSUNG (KOREA) does not warranty the quality of the goods nor provides any after sales service for the goods. We warranty the quality of the goods and shall provide after sales service for the goods.”

(emphasis added)



65. Ld. *Amicus* adverted to the decision of the United States Supreme Court in *Champion Spark Plug* (*supra*) on the issue of sale of a refurbished product. The petitioner in this case was the manufacturer of spark plugs which it sold under the mark “*Champion*”. Respondents collected the used plugs, repaired and reconditioned them, and resold them whilst retaining the word “*Champion*” on the repaired and reconditioned plug. Consequently, the petitioner sued the respondent for infringement of trademark and unfair competition. The District Court found that respondents had infringed the petitioner’s “*Champion*” trademark, and enjoined them from selling or offering for sale any of the petitioner’s plugs which had been repaired or reconditioned unless a) the trademark and type and style of marks were removed; b) the plugs were repainted with a durable grey, brown, orange, or green paint; c) the word “repaired” was stamped into the plug in letters of such size and depth as to retain in a white paint to display distinctly each letter of the word; d) the cartons in which the plugs were packed carried a legend indicating that they contained used spark plugs originally made by petitioner and repaired, and made fit for use up to ten thousand miles by the respondent company.

66. The Circuit Court of Appeals held that respondents had not only infringed petitioner’s trademark but were also guilty of unfair competition. However, it modified the decree granted in following aspects: (a) it eliminated the provision requiring the trademark and type and style marks to be removed from the repaired or reconditioned plugs; (b) it substituted for the requirement that the word “*Repaired*” be stamped into the plug, etc., a provision that the word “*Repaired*” or “*Used*” be stamped and baked on the plug by an electrical



hot press in a contrasting color so as to be clearly and distinctly visible, the plug having been completely covered by permanent aluminum paint or other paint or lacquer; and (c) it eliminated the provision specifying the precise legend to be printed on the cartons, and substituted therefore a more general one.

67. The question before the United States Supreme Court, therefore, did not pertain to the finding as to infringement or unfair competition; rather, the controversy related to the adequacy of the relief granted, particularly, the refusal of the Circuit Court of Appeals to require respondents to remove the word “*Champion*” from the repaired or reconditioned plugs which they resell. The United States Supreme Court affirmed the decision of the Circuit Court of Appeal. Relying on the decision in *Prestonettes, Inc. v. Coty*, 264 U.S. 359, the Court observed that that sale of second-hand products is permissible so long as the manufacturer is not identified with the inferior qualities of the product, resulting from wear and tear or reconditioning. The Court added that “*a full disclosure*” would give the manufacturer all the protection required under law. Relevant paragraphs from *Champion Spark Plug (supra)* are produced below for reference:

“6. We are dealing here with second-hand goods. The spark plugs, though used, are nevertheless Champion plugs and not those of another make. There is evidence to support what one would suspect, that a used spark plug which has been repaired or reconditioned does not measure up to the specifications of a new one. But the same would be true of a second-hand Ford or Chevrolet car. And we would not suppose that one could be



enjoined from selling a car whose valves had been reground and whose piston rings had been replaced unless he removed the name Ford or Chevrolet. *Prestonettes, Inc., v. Coty*, 264 U.S. 359, 44 S.Ct. 350, 68 L.Ed. 731, was a case where toilet powders had as one of their ingredients a powder covered by a trade mark and where perfumes which were trade marked were rebottled and sold in smaller bottles. The Court sustained a decree denying an injunction where the prescribed labels told the truth. Mr. Justice Holmes stated, 'A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. * * * When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.' 264 U.S. at page 368, 44 S.Ct. at page 351, 68 L.Ed. 731.

7. Cases may be imagined where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words 'used' or 'repaired' were added. Cf. *Ingersoll v. Doyle, D.C.*, 247 F. 620. But no such practice is involved here. The repair or reconditioning of the plugs does not give them a new design. It is no more than a restoration, so far as possible, of their original condition. The type marks attached by the manufacturer are determined by the use to which the plug is to be put. But the thread size and size of the cylinder hole into which the plug is fitted are not affected by the reconditioning. The heat range also has relevance to the type marks. And there is evidence that the reconditioned plugs are inferior



so far as heat range and other qualities are concerned. But inferiority is expected in most second-hand articles. Indeed, they generally cost the customer less. That is the case here. Inferiority is immaterial so long as the article is clearly and distinctively sold as repaired or reconditioned rather than as new. The result is, of course, that the second-hand dealer gets some advantage from the trade mark. But under the rule of *Prestonettes, Inc., v. Coty, supra*, that is wholly permissible so long as the manufacturer is not identified with the inferior qualities of the product resulting from wear and tear or the reconditioning by the dealer. Full disclosure gives the manufacturer all the protection to which he is entitled.”

(emphasis added)

68. Ld. *Amicus Curiae* also adverted to the decision in *Hamilton* (*supra*). The facts of this case are as follows. Hamilton International Ltd. sued Vortic LLC for selling wristwatches that featured restored antique pocket watch parts with Hamilton’s trademark. The District Court observed that Vortic’s use of Hamilton’s mark is not likely to cause confusion in consumers. *Hamilton*’s primary argument before the Court of Appeal was that the District Court had wrongly relied upon by the decision in *Champion Spark Plug* (*supra*), and that no disclosure could be adequate when the watches are extensively modified.

69. Affirming the decision of the District Court, the United States Court of Appeal, *inter alia*, observed that a consumer would view ‘*The Lancaster*’ as an antique pocket watch modified into a wristwatch rather than an original product, and that the origin of the product and its lack of affiliation with the



manufacturer had been adequately disclosed. The following paragraph is relevant in in this regard:

“While the District Court determined that Hamilton’s mark was “relatively strong,” it found that the other factors supported entering judgment in favor of Vortic and Custer on Hamilton’s federal trademark claim. Relying on the disclosures that it discussed in its Champion analysis, the District Court properly concluded that the “similarity of the marks” factor did not support a finding of confusion given the context in which the mark appeared on The Lancaster. See Hamilton Int’l Ltd., 486 F. Supp. 3d at 666; Star Indus. Corp., 412 F.3d at 386 (holding that the similarity of products factor is not to be analyzed in isolation, but instead includes a consideration of “the context in which” the trademark is found (internal quotation marks and citation omitted)); Estee Lauder Inc., 108 F.3d at 1511 (finding that although the defendant used the plaintiff’s trademark on similar products, this factor did not weigh toward confusion because “each product [was] labelled to show which company is its source”).

Nor do we find any error in the District Court’s analysis of the “proximity of the products” factor. Hamilton argues that it competes in the same marketplace as Vortic, i.e., the watch market, and the District Court therefore should have found this factor to militate in favor of a likelihood of confusion. The District Court found, however, that the relevant market was one for antique or refurbished watches. This finding was supported by Custer’s testimony that Vortic catered to



consumers interested in antiques related to American history, and Hamilton failed to provide any evidence that it sold similar types of watches or that both companies sold their products in the same channels of commerce. See Cadbury Beverages, Inc. v. Cott Corp., 73 F.3d 474, 480 (2d Cir. 1996) (specifying that courts must look to the “structure of the relevant market,” which includes an analysis of “the class of customers to whom the goods are sold, the manner in which the products are advertised, and the channels through which the goods are sold” (quoting Vitarroz v. Borden, Inc., 644 F.2d 960, 967 (2d Cir. 1981)).

(emphasis added)

70. For the principle of reverse passing off, counsel for WD, Mr. Anand, relied upon the decision in *Smith vs. Montoro* (*supra*) where the United States Court of Appeal, Ninth Circuit, observed that reverse passing off is accomplished “*expressly*” when the wrongdoer removes the name or trademark on another party’s product and sells that product under a name chosen by the wrong doer. The contention, principally, advanced by Mr. Anand was that in removing references to WD on the imported HDDs and selling the refurbished products as their own, the defendants are indulging in the act of reverse passing off, especially because the consumer (*who, according to Mr. Anand, would necessarily be a technical consumer*) would eventually find out that the product was originally manufactured by the plaintiffs. Therefore, according to him, any malfunctioning in the refurbished HDDs would continue to be traced to the plaintiffs. The relevant paragraphs of *Smith vs. Montoro* (*supra*) relied upon by Mr. Anand are extracted below for reference:



“605. To the extent that the district court's standard for section 43(a) claims could be read as limiting such claims to cases of palming off, such a narrow rule would be contrary to established case law. As one commentator has explained, the law of unfair competition and trademarks "has progressed far beyond the old concept of fraudulent passing off, to encompass any form of competition or selling which contravenes society's current concepts of 'fairness'" 2 J. McCarthy, supra, § 25.1. See also, e. g., LL White Metal Casting Corp. v. Joseph, 387 F. Supp. 1349, 1356 (E.D.N.Y. 1975), ("The purpose of [section 43(a)] was to create a new federal cause of action for false representation of goods in commerce in order to protect persons engaged in commerce from, among other things, unfair competition, fraud and deception which had theretofore only been protected by the common law. While this section is broad enough to cover situations involving the common law 'palming off' of the defendants' products by the use of the plaintiffs' photographs, it is also comprehensive enough to include other forms of misrepresentation and unfair competition not involving 'palming off.'") (citations omitted).

The district court's ruling was entirely consistent with the vast majority of section 43(a) cases, however, to the extent that it indicated that a section 43(a) claim may be based on economic practices or conduct "economically equivalent" to palming off. Such practices would include "reverse passing off," which occurs when a person removes or obliterates the original trademark, without authorization, before reselling goods produced by someone else. See Borchard, Reverse Passing Off



— *Commercial Robbery or Permissible Competition?*, 67 *Trademark Rep.* 1 (1977). Reverse passing off is accomplished "expressly" when the wrongdoer removes the name or trademark on another party's product and sells that product under a name chosen by the wrongdoer. See 1 R. Callman, *supra*, § 18.2(b)(1). "Implied" reverse passing off occurs when the wrongdoer simply removes or otherwise obliterates the name of the manufacturer or source and sells the product in an unbranded state. *Id.*

In the instant case, appellant argues that the defendants' alleged conduct constitutes reverse passing off and that appellant's complaint therefore stated a section 43(a) claim even under the district court's own standard. Appellees argue, however, that the protection afforded by the Lanham Act is limited to "sales of goods" and does not extend to claims that a motion picture shown to the public might contain false information as to origin.

(emphasis added)

Analysis

71. It is an admitted position that these refurbished HDDs sold by the defendants were originally manufactured by either Seagate or WD, were sold to OEMs, and these products became “*end-of-life*” when the warranty expired.

72. Terming a product as “*end-of-life*” did not mean that it was not functional, since any solid-state device (*as the HDD was*) was not inherently a perishable product. Plaintiffs did not advert to any agreement with their OEMs, in order to respond to the Court’s query, as to whether they had introduced



clauses in the said agreements prohibiting OEMs from discarding *end-of-life* HDDs and enforcing penalty/damages, if there was a breach of such term.

73. This, in the Court’s opinion, could have been the “*nip-in-the-bud*” solution to ensuring that *end-of-life* HDDs are not distributed in the market, refurbished or otherwise, and are disposed of as part of a regulated process, if indeed the plaintiffs are so aggrieved. It was evident from the submissions that the manufacturers had no control once their HDDs were embedded in the electronic equipment, since the integrated equipment itself along with the HDDs was sold with the composite integrated warranty by the OEM, or distributors/sellers down the line. It was not the plaintiffs’ case that their warranty on the HDDs was held out to the ultimate consumer of the equipment, hence the umbilical cord of the manufacturer with the HDDs, would arguably sever at that stage of equipment integration.

Importation and Sale

74. Notably, despite queries by the Court, counsel for the plaintiffs were not able to produce any rule, regulation or policy which prohibited import of discarded HDDs/equipment into India. While allusions were made to the fact this would be an undesirable importation, no document was adverted to in order to substantiate that indeed this importation would be illegal, or that these discarded HDDs are arriving in India through illegal channels, or that there is a policy which prohibits, restricts or discourages such imports.



75. Mr. Ranjan Narula, Counsel, adverted to one single document as part of the Foreign Trade Policy, 2023 published by the Ministry of Commerce and Industry in March 2023, which would not be determinative of a prohibition.

76. No restrictive or prohibitive import policy or circular had been presented by the Ld. *Amicus* which could lead to a conclusion that the importation of these *end-of-life* HDDs in any manner whatsoever was prohibited in India.

77. On the material available before the Court, it cannot be concluded that the importation of such *end-of-life* HDDs manufactured by Seagate or WD is *prima facie* or patently illegal. As stated above, no agreement or term was pointed out by Seagate or WD with their OEMs which prohibited the detachment of the HDDs from the equipment and prevented further disposal, *inter alia*, through export to other countries. Furthermore, no material has been supplied by the plaintiffs to indicate that the import was illegal or any complaint in this regard had been initiated by the plaintiffs with the customs authorities or the appropriate government department.

78. In the event that the importation itself is indeed prohibited by a government policy or regulation, the question of refurbishment may not arise. Needless to state, the plaintiffs are at liberty to advocate for such regulation/policy in case they are aggrieved with the importation itself of their *end-of-life* HDDs, and it is for government to assess the *pros and cons* of a refurbishment market. Till that happens, this Court has no option but to proceed on the premise that there is no prohibition on the importation.

Sale to Refurbisher



79. The issue of whether the further sale of the imported goods (*end-of-life* HDDs) to refurbishers can be said to be legitimate, hinges upon the defendants' submission that their purchase from the importer was legitimate, under invoice and GST payment. No material was supplied by the plaintiffs to counter this submission. Evidently, if the sale to the refurbishers by the importers had taken place through a formal transaction on which GST had been paid, the plaintiffs had to present some argument to state that this transaction itself was illegal. It was only submitted by counsel for plaintiffs that merely paying GST would not make that transaction legitimate.

80. However, this submission is of no particular value. A sale and purchase taking place through a formal invoice with tax being paid to the Department of Revenue, would *prima facie* indicate that there was no attempt by either the importer or the refurbisher to hide the transaction, or not disclose the same, or indulge in some surreptitious activity.

Right to Repair

81. It is undeniable that there is a distinct market for refurbishment in India and this market is not restricted to HDDs. If the refurbishment market was illegitimate or not permitted, the Government would have come out with an expansive policy. However, quite to the contrary, the Government has encouraged the "*Right to Repair*" in order to address the needs of individuals from different economic strata of society. Refurbishment also finds resonance in the policy of the Government of India. The Ministry of Consumer Affairs



(“MCA”) has set up a committee recently to come up with a “*Right to Repair*” framework. It is stated on the site of the MCA as under:

“The framework is significant as it will give consumers a chance to repair their products at an optimal cost instead of buying new products altogether. The important sectors for the initial focus of the framework are farming equipment, mobile phones & tablets, consumer durables, automobiles & automobile equipment.

Under this framework, it would be mandatory for manufacturers to share their product details with customers so that they can either repair them by self or by third parties, rather than only depending on original manufacturers. The framework also aims to help harmonize the trade between the Original Equipment Manufacturers (OEMs), third-party buyers and sellers - thus also creating new jobs.

It will help reduce the vast mountain of electrical waste (e-waste) that piles up each year on the continent and boost business for small repair shops, which are an important part of local economies.

It will save consumers’ money and contribute to circular economy objectives by improving the life span, maintenance, re-use, upgrade, recyclability, and waste handling of appliances.”

(emphasis added)

82. A “*Right to Repair*” portal has also been formulated, to serve as a single platform to provide necessary information on repair and maintenance of



products to consumers. The portal is stated to have come up for four sectors i.e. Farming Equipment, Mobile and Electronics, Consumer Durables and Automobile Equipment.

83. Accepting the plaintiffs' contentions *prima facie* would amount to killing the refurbishment market, which policy makers haven't countenanced. There is no doubt that every country has its own economic and social compulsion, and policies are, therefore, evolved on national basis. Refurbishment allows a consumer, who is able to afford a lesser price point, to be able to use a product in its refurbished form, at least for some time, knowing very well that he is not purchasing the original, but a refurbished product. This applies universally to every secondhand/pre-owned market, right from electronic goods, to furniture, to machines, to automobiles etc. Refurbishment ensures an extended life for a product, which the manufacturer has declared as exhausted. Original warranties, it is well-known, are not necessarily co-terminus with the life of a product, but are self-imposed limitations by the manufacturer of its liability, and reflect the extent to which the manufacturer is ready to commit that the product would necessarily work or is serviceable.

Infringement under the Trade Marks Act

84. Plaintiffs' objection and the defence raised by the defendants to the sale of refurbishment HDDs is essentially premised upon Section 30(3) and Section 30(4) of the Trade Marks Act. Section 30 deals with "*limits on effect of registered trademark*"; for ease of reference, Section 30(3) and Section 30(4) are extracted below:



“(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.”

85. Section 30 provisions are essentially prescribing a limitation on the rights of a registered trademark proprietor. Section 30(3) is premised on three conditions: *first*, that the goods in question bear a registered trademark; *second*, that these goods are lawfully acquired by a person; and *third*, sale of these goods in the market or otherwise dealing those goods by that person. If these three conditions are satisfied then the trademark will not be deemed to be infringed in two prescribed situations: *first*, if the registered trademark is assigned by the registered proprietor to some other person, after the acquisition by a person of those goods, essentially that the registered proprietor has lost or given up its rights on the trademark; and *second*, the registered proprietor itself has put goods on the market or they have been put out with its consent.



86. Naturally, to support a plea of non-infringement, the defendant has to prove that it falls within this rubric. In this case, the plaintiffs assert that; (i) the goods, when they were imported into India and till they came into the refurbisher's hands, did bear the plaintiffs' registered trademark; (ii) there was no lawful acquisition by the defendants, in that, they were imported and sold in violation of government regulation; and (iii) that the goods have been put into the market with the registered mark and the sale, therefore, of the goods without the registered mark eventually by the refurbisher violates the third pre-condition. To this, the defendants claim, *firstly*, that the original goods did indeed bear a registered mark, and on that front, there is no quarrel; *secondly*, that they were lawfully acquired since there is no illegality in the importation and subsequent sale within India; and *thirdly*, that the goods once put out by the plaintiffs in the international market amounts to exhaustion of their right and any subsequent sale or use of those goods cannot be prevented by the plaintiffs.

87. Assessing these three pre-conditions, it is obvious that the goods originally bore a registered trademark of the plaintiffs and, therefore, there is no cavil in that regard. On the issue of lawful acquisition, this Court has already observed regarding importation, that there is no law, regulation or policy presented to the Court which prohibits such importation of *end-of-life* products and subsequent sale thereof. Till the plaintiffs, or anyone else similarly placed, are able to produce a prohibitory order or a direction of any Court in this regard, this Court cannot determine this in favor of the plaintiffs.



88. On the *third* aspect, the *Amicus*’ submissions that “*sale of goods in the market*” or “*goods having been put on the market*” would mean goods along with a registered mark, appeal to this Court. The pre-condition, therefore, according to the *Amicus*, does not qualify if such sale is without the registered mark. *Ergo*, the refurbisher’s sale of the goods without the mark shall preclude them from taking a defence under Section 30(3). Selling the goods without the registered trademarks, does not satisfy the pre-condition of Section 30(3) and, therefore, even if exhaustion applies, the defendants cannot get benefit of it under this provision.

89. This aspect also appeals to this Court considering that it resonates and is aligned with Section 30(4). Section 30(4) is an exception to Section 30(3), and excludes its applicability in a situation where the condition of the goods has been changed or impaired, after they are put in the market. Essentially, it entails that the goods have entered into the market along with the registered mark but since its condition has been changed or impaired, which would include the removal of the original trademarks, Section 30(3) could not apply. This interpretation of the third pre-condition of Section 30(3) and the express provision under Section 30(4), excepting out goods which are changed or impaired, settles into a sensible and logical construct.

90. This interpretation is also informed by the decision of the Division Bench of this Court in *Kapil Wadhwa* (*supra*). Without advertent to the facts of this case, which is extracted in detail in para 62-64 above, the Division Bench discussed the import of the word “*market*” in Section 30(3), as well as “*lawfully*



acquired”, and “*impairment*” as provided in Section 30(4). On “*market*”, the Division Bench held that it includes international market (*para 71 of the said decision*). On “*lawfully acquired*”, the Division Bench stated that the law in question would be where the sale and purchase is happening and not only of the country where the trademark is registered. The regulation in this case of the sale and purchase would, therefore, have to be seen under Indian Law (*para 42 of the said decision*).

91. On “*impairment*”, the Division Bench, in the facts of ***Kapil Wadhwa*** (*supra*), which did not involve refurbishment but sale of parallel imports, held (*in para 68 of the said decision*) that impairment was not restricted to the conditions of the goods being changed or impaired after they had been put on the market, but all legitimate reasons to oppose further dealing which include, *inter alia*, differences in services and warranties, differences in advertising and promotional efforts, differences in packaging, differences in quality control, pricing and presentation, differences in language of literature provided with the product.

92. In ***Kapil Wadhwa*** (*supra*), the Division Bench, therefore, permitted the sale of the parallel imports, as long as Samsung was not made responsible for any warranty and after sale service and there would be full disclosure, by the reseller in India, of the origin of those products. In this regard, the focus was on the prominent display in these resellers’ showroom in this form:

“*Samsung/SAMSUNG Products sold are imported into India and SAMSUNG (KOREA) does not warranty the quality of the goods nor provides any*”



after sales service for the goods. We warranty the quality of the goods and shall provide after sales service for the goods.”

(emphasis added)

93. Therefore, **Kapil Wadhwa** (*supra*) clearly points out that if there is no illegality in the import (*as in canalization or restriction – as illustrated in para 42 of the said decision*), and the original trademark of the manufacturer was in place, the goods could be sold along with a “**full disclosure**”.

International Perspective

94. This position seems to well resonate with the decision of the US Supreme Court in **Champion Spark Plug** (*supra*), the relevant extracts of which are in para 65-67 above. The US Supreme Court insisted on “**a full disclosure**” which would give the manufacturer all protection required under law. *Firstly*, it stated that reconditioning, restoration of goods with registered marks was not extensive, and was a mere restoration of their original condition being sold as second-hand goods. *Secondly*, it stated that inferiority is expected in most second-hand articles and it was immaterial as the article is distinctively and clearly sold as repaired/reconditioned, rather than as new. *Thirdly*, there is a cost factor involved as the customer is able to get a functional product as a refurbished second-hand for lesser price.

95. Even though in **Champion Spark Plug** (*supra*), the issue was not of removal of the trademarks on the original goods but of merely reselling them in a refurbished condition, the US Supreme Court was categorical that selling second-hand goods legitimately would involve the inclusion of the mark.



Notably, the District Court in *Champion Spark Plug (supra)*, directed that the trademarks be removed, which condition had been set aside by Circuit Court of Appeals; the US Supreme Court chose to affirm the Circuit Court of Appeals on this issue. It observed that the sale of second-hand products is permissible, so long as the manufacturer is not identified with the inferior qualities of the product resulting from reconditioning.

96. Retaining the manufacturer’s trademarks would also obviate the argument of the plaintiffs on reverse passing off. Counsel for the plaintiffs had relied on *Smith v. Montoro (supra)* of the United States Court of Appeal, 9th Circuit, submitting that in removing references to the manufacturer’s mark on the HDDs and selling the refurbished product as their own, defendants were indulging in an act of reverse passing off. The customer would eventually find out where the product was originally manufactured by the plaintiffs and would continue to be trace it back to the plaintiffs. Such a situation would not arise if the refurbisher clearly states that the goods are manufactured by the plaintiffs and that the refurbisher is refurbishing them, for the purposes of extended use, with a warranty exclusively provided by the refurbisher.

97. The Court has had the benefit of an informative article (*not cited by parties*), published by the *Oxford University Press* (2021) titled “*As Good as New’ – Sale of Repaired or Refurbished Goods: Commendable Practice or Trade Mark Infringement?*” by Annette Kur (*Prof. Dr, Max Plank Institute for Innovation and Competition Munich*).



98. The background in which the article was set was a lawsuit in the Munich Court on the issue whether WLAN router boxes can be re-sold under their trade mark. The question was whether the rights in the trade mark had been exhausted by the first marketing, or whether the trade mark proprietor could invoke ‘*legitimate reasons*’ to oppose further commercialization.

99. The defendant argued that that they saved the router boxes from being dumped, thereby contributing to goals set in relevant legislation, and that refurbished boxes complied with the standard version of the product, therefore, consumers were not deceived, nor was the plaintiff’s reputation detrimentally affected. The Munich District ruled in favor of plaintiff.

100. The author stressed upon uncertainty surrounding these situations. On one hand, there was a growing concern about over-consumption and waste control, and therefore, prolonging the life cycle of electronic products by repair or refurbishment could make a meaningful contribution to ecology and sustainable development. On the other hand, such sales might amount to trade mark infringement, if the products offered on the secondary market are no longer identical with those originally released into commerce.

101. It was stated by the author that “*removing the trade mark from refurbished products before reselling them may not provide a safe solution either*”. A reference was made to the Court of Justice of the European Union (“CJEU”) to the decisions in *Portakabin* (*supra*) and *Mitsubishi v Duma*, Case C-129/17, ECLI:EU:C:2018:594.



102. The author referred to Article 9 of the European Union Trade Mark Regulations (“EUTMR”) and in particular the “*double identity clause*” under Article 9(2)(a). In order to find for infringement, the author states “*it needs to be assessed whether the allegedly infringing conduct jeopardizes or risks jeopardizing in particular the essential function of guaranteeing origin, or other protected functions, such as the quality, advertisement, investment or communication functions*”.

103. In discussing a case, being **Viking Gas v Kosan**, Case C-46/10, ECLI:EU:C:2011:485, which involved refilling of branded containers of liquids, gases, the author states as under:

“The only legally relevant question in this context is whether the person undertaking the refilling can be held liable for infringement. The CJEU had to deal with this situation in Viking Gas v Kosan. The plaintiff held an exclusive license in the shape of composite gas bottles registered as a trade mark. The defendant refilled empty gas bottles originally filled by the plaintiff and delivered them to independent dealers, with additional labels bearing his name as well as additional information. Being asked whether this amounts to infringement, the CJEU responded that a balance must be struck between the legitimate interests of the trade mark holder and the licensee, and the legitimate interests of purchasers of those bottles, ‘in particular the interest in fully enjoying their property rights in those bottles, and the general interest in maintaining undistorted competition.’ The Court noted in this context that the trade mark holder and the licensee had already fully realised



the economic value of the bottle by the first sale, and that using the mark to prevent the bottles from being refilled by others would unduly limit the purchaser's choices and reduce competition on the downstream market.²⁵ Infringement therefore had to be denied.”

(emphasis added)

104. In relation to yet another case **BMW v Deenik**, Case C-63/97, ECLI:EU:C:1999:82, relating to resale of used goods, in particular sale by defendant of BMW cars, after changing conditions, the author articulated as under:

“In doing so the Court took account of the fact that buyers of used cars know what to expect, namely a car which is no longer brand-new. While the trade mark affixed to the product guarantees that the car originated from the trade mark holder, it is understood that it does not – and cannot – guarantee its current condition. As pointed out by the CJEU in Portakabin, the consumers' familiarity with the market for used goods regularly prevents that buyers are misled about commercial origin, or that the reputation of the mark is seriously damaged.”

(emphasis added)

105. In particular, with regard to further circulation of products and removal of the original mark, the author's analysis, extracted as under, may be useful:

“If legitimate reasons do exist to oppose further commercialisation of the product, the question remains whether this means that the products must



be taken off the market entirely, or whether they may still circulate, if only under certain conditions.

Under economic aspects (as well as for reasons of sustainability and preservation of resources), the latter alternative presents the preferable solution. In that light it could be asked whether it is advisable for resellers in unclear situations to remove the mark from the product.

However, that option might be foreclosed for legal reasons.

The issue has been addressed by the CJEU in Portakabin and in Mitsubishi. In Portakabin the defendant sold mobile buildings, originally put on the market by Portakabin, after removing the mark affixed to them and replacing it with its own trade mark 'Primakabin'. In Mitsubishi the defendants removed the trade mark from Mitsubishi's fork lift trucks, replacing it with their own mark, in the course of customs warehouse procedures preceding importation of the products into the EEA. In Portakabin the CJEU found that using the mark 'Portakabin' in advertisements for the products now sold under the trade mark 'Primakabin' amounted to an encroachment of the origin function. The same was held in Mitsubishi, even though in that case the allegedly infringed trade mark had not been used in relation to the actual products within in the EEA. In addition, the CJEU found in Mitsubishi that the advertising and investment functions were put in jeopardy.

The cases appear to signal that once a product has been put on the market under a trade mark – within or outside the EEA – anyone removing that mark and replacing it with their own sign commits an



infringement when the product is subsequently commercialised in the EU. Thus, the right pertaining to the use of trade marks for indicating commercial origin is transformed into a right governing the commercialisation of products once designated by the mark. There is no discussion on this point in the CJEU decisions, making it hard to tell whether the Court took notice of, and deliberately embraced, that paradigm shift. The silence is remarkable, as the issue can hardly pass as a negligible detail. The CJEU thereby implicitly dismantles one of the basic tenets of trade mark law, namely that protection of trade marks does not interfere with the product market as such.

In both decisions the CJEU motivated its findings by declaring that the origin function of the mark had been jeopardised. That reasoning reveals a literal understanding ('consumers must be informed about the 'true origin' of products') which has no basis in commercial reality or in previous jurisprudence. Thus, no one expects consumers to be informed about the 'true origin' of goods sold under supermarkets' or drugstores' own labels. Also, no one hinders proprietors of high-end trade marks from selling surplus production under 'cheap' labels, although informing consumers about the true origin of such products would likely be highly relevant for them. The fact that the origin function has little to do with a literal understanding of information about actual origin is also well-establish in case law defining that function: it is not about more or less than guaranteeing to the public that the product is marketed under control of the person whose mark is affixed on it. It is irrelevant who actually made



the product; likewise, the fact that the product was originally marketed under a different mark neither changes nor affects the message conveyed by the mark actually displayed.

.....

In the cases considered here this means that account must be taken of the fact that removal of the mark and its replacement by another is not motivated by the wish to pass off a product originally marketed under a different mark as one's own. Rather, it is motivated by a desire to keep a product which is still fit for its purpose 'alive', even though it no longer conforms to the original condition under which it was first marketed. It should be clear that even beyond the misgivings articulated above, removal of the mark in this situation cannot result in jeopardising the origin function if, due to changes affecting the substance, the product in its actual shape no longer originates from the trade mark proprietor, but rather from the person transforming it. Likewise, regarding the additional trade mark functions, the fact that removing the mark interferes with the trade mark holder's commercial strategies cannot be considered as detrimental if and because the proprietor would not want to be associated with the products in their actual condition.

(emphasis added)

106. The author then seems to recommend that removing the mark is a drastic measure, and it is preferable to employ less intrusive means. In some cases, the trade mark cannot be removed for physical or technical reasons, particularly



for electronic items where display of the mark is engrained in the operating system or the mark is embossed on the product of the body, or burnt into its surface, or when the shape of the product is its own trade mark.

107. The reseller as well as customers may have an interest to give and receive information about the identity of the original brand, which deserves at least some consideration, she notes.

108. The author, therefore, recommends as under:

“A middle solution is possible if, by additional labelling or accompanying product information, it is clarified that, how and by whom the original product has been transformed. Use of the original trade mark in that context would not have to be infringing if – under the functions analysis – neither the origin function nor the additional functions are seriously affected.”

(emphasis added)

109. The author, therefore, concludes as under:

“Complex issues do not lend themselves to easy solutions. Balancing the interests of trade mark proprietors, actual or potential competitors on secondary markets, consumers, and society as a whole requires flexibility and readiness to focus not only on one particular aspect – the presence or absence of trade marks affixed or otherwise used in relation to relevant goods – but to engage in a context-sensitive evaluation of infringement, exhaustion and limitations. This means that inter alia account must be taken of accompanying



information given by the reseller, as well as of overarching aspects such as the societal goal of preserving resources and reducing waste. It is true that by factoring the reseller's motivation as well as his readiness to provide neutral background information into the assessment of trade mark infringement, the evaluation gradually shifts from a pure trade mark law analysis towards an unfair competition-informed approach.”

(emphasis added)

110. The analysis in this article resonates with the interpretation, as discussed above, by the Court. The situation at hand, therefore, demands balancing the interest of trademark owners on one hand, the refurbishers in secondary markets on the other, consumers requiring a different price point on the third, and the goal of society as a whole to preserve resources and reduce waste. It is this balancing of interests, which imbues the opinion of this Court, and prompts the Court to pass directions as under.

Conclusion

111. Refurbished, secondhand, pre-owned goods exist in most countries of the world since it caters to a different market, that of a lesser paying customer. Originally manufactured goods, with their mint new warranty, are obviously sold at the maximum retail price and will be bought by people who require them and are ready to pay for them, which is the market of the manufacturer/ authorized distributor/ wholesaler/ retailer. Once the sale has happened and the warranty period attached to the goods is exhausted, none of these entities i.e. manufacturer/ OEM/ wholesaler/ distributor/ retailer in the chain would be



liable for any repair or servicing. Of course, if the retailer for purposes of promoting its sale, decides to give an additional warranty over and above the manufacturer's warranty or the OEM's warranty, that will only be a sales incentive.

112. Post exhaustion of warranty, none of these entities i.e. manufacture/OEM/ wholesaler/ distributor/ retailer have any liability or responsibility of the state of those goods, unless of course, there is a mandate under any law, regulation or policy of managing their disposal. In a situation where such policy or regulation does not exist, or even if it exists but does not impose conditions on the manufacturer, the umbilical cord is cut and the goods are in an untethered space. This is exactly where the principle of exhaustion comes into play; therefore, under Section 30(3)(b), the registered owner/manufacturer has no right to object to any dealing.

113. The only caveat is in Section 30(4) where, if the marks are removed from the original product or it is disfigured or changed in a manner that possibly amounts to 'change' or 'impairment', and when such goods are sold as goods identified with the manufacturer, the manufacturer's right kicks in to prevent the same. This is obviously to prevent the loss of reputation and goodwill of the manufacturer, since a consumer may potentially purchase that product thinking that the changed/impaired product is from the manufacturer.

114. This is where the necessity of "**full disclosure**" becomes critical from the customer's perspective. If there is "**full disclosure**" by the refurbisher that the change has been done by the refurbisher and does not, therefore, resemble the



original product, as doled out by the manufacturer, *inter alia*, in terms of warranty, serviceability, life, manuals and brochures - then consumers are fully warned as to what they are purchasing. The consumer gets “*the whole truth*”. The mandate of the “*whole truth*” is not only alive in the interstices of Section 30(3) and Section 30(4), but also expressly dealt with in both *Champion Spark Plug* (*supra*) and *Kapil Wadhwa* (*supra*). Ld. *Amicus*’ submissions also suggests the “*whole truth*” principle and, therefore, informs our conclusion.

115. As noted above in para 8 above, two kinds of orders were passed by this Court in these batch of matters: (i) an *ad interim* injunction; and (ii) directions permitting sale with a disclaimer on the defendants’ products of “*used and refurbished*”. *Prima facie*, therefore, the necessity of disclaimer had also appealed to the Court, even at the initial stage of the matter.

Directions

116. Basis this analysis and discussion, the Court deems it fit to pass the following directions for sale of refurbished goods by the defendants. The defendants will be permitted to sell the refurbished HDDs, provided they comply with the following:

- (i) **Packaging to identify the source of the product:** Packaging in which the refurbished product is sold, will clearly indicate that the HDD is manufactured by the concerned plaintiffs (*Seagate or WD as the case may be*). This may be displayed in a manner not to deceive the customer that the sale itself is of the original Seagate or WD i.e. it should be clear, but not dominating the packaging.



- (ii) **Reference to the original manufacturer is to be made through their word mark and not the device mark:** Reference to the plaintiffs should be through their word marks as in “Seagate” or “WD”, as the case may be. Defendant shall not use plaintiffs’ logos, in order to not cause any deception to the consumer.
- (iii) **Packaging must specify that there is no original manufacturer’s warranty:** A clear statement must be made to the effect that there is no manufacturers’ warranty or service by (*Seagate or WD, as the case may be*) on this product.
- (iv) **Packaging must specify that the product is “Used and Refurbished”:** A prominent statement on the front of packaging to the effect that the product is “Used and Refurbished” by the concerned defendants (*Consistent or Geonix or Daichi, as the case may be*)
- (v) **Statement as to extended warranty by the Refurbisher:** A clear and prominent message that the warranty or service of specified years is being provided by the concerned defendants (*Consistent or Geonix or Daichi, as the case may be*), along with customer care details and contacts.
- (vi) **Packaging must reflect an accurate description of the features:** An accurate, truthful, precise description of features and purpose of the refurbished product, without any misleading, half-truth, deceptive, ambiguous statements (which could potentially mis-



inform the consumer as to the features of the product and the purposes for which it could be used).

(vii) *All of the above should also be complied with by the defendants on promotional literature, website, e-commerce listings, brochures and manuals.*

117. Accordingly, these applications being I.A 1790/2024 and I.A. 7986/2024 in CS(COMM) 67/2024, I.A. 2803/2024 in CS(COMM) 114/2024, I.A. 4404/2024 and I.A. 7392/2024 in CS (COMM) 168/2024, I.A. 5124/2024 in CS (COMM) 191/2024, and I.A. 5160/2024 in CS (COMM) 192/2024 are disposed of in terms of the directions above.



2024 : DHC : 4193



CS (COMM) 335/2024 & I.A. 9181/2024

1. List before the Court for directions on 27th May, 2024.

CS(COMM) 114/2024

1. List before the Joint Registrar on 29th August, 2024.
2. Judgment be uploaded on the website of this Court.

**(ANISH DAYAL)
JUDGE**

MAY 21, 2024/MK/rj