

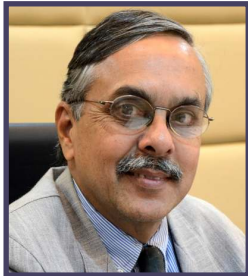
# INTELLECTUAL PROPERTY TOOL KIT FOR CUSTOMS OFFICIALS



INTELLECTUAL  
PROPERTY

This Tool Kit is prepared by S.S. Rana & Co. and seeks to explain the basic concepts of Counterfeiting and Piracy in India with a view to aid customs officials in combating widespread counterfeiting and piracy.

# Foreword



Retaining a nation's competitive edge rests on its ability to innovate as well as create, and maintain an environment which aims to nurture, protect and sustain innovation. Today India strives to achieve a conducive environment where enforcement of Intellectual Property Rights is given paramount importance.

In this regard, enforcement agencies have been actively working towards curbing the menace of counterfeiting and piracy in IP intensive industries. But due to the complexity and multi-faceted nature of these offences, there is a need among the enforcement agencies to have additional assistance in identifying and appropriately dealing with various IP infringement cases.

FICCI's Intellectual Property Rights Division is intensively involved with the issue pertaining to protection and enforcement of IP Rights, and the Federation is pleased to present the Intellectual Property Tool Kit for Customs Officials. This Tool Kit will serve as a ready reckoner for the Customs officials while dealing with the menace of counterfeiting and piracy which is posing a serious threat to the nation's economy.

I would like to express my appreciation to the FICCI IPR Committee members for extending their valuable guidance towards the development of the Tool Kit. I also take this opportunity to acknowledge with much appreciation BSA | The Software Alliance for their initiative and guidance, and our knowledge partner, S.S. Rana & Co, who have played a pivotal role in the development of the Intellectual Property Tool Kit for Customs Officials.

**Dr. A. Didar Singh**  
Secretary General  
FICCI



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# GUIDE TO THE TOOLKIT

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## Who should use the Booklet?

The booklet may be used by any person as it provides a basic understanding to the concepts of Counterfeiting and Piracy and a useful insight to the challenges faced by the Customs Officials in enforcing Intellectual Property Rights at borders.

The booklet has been designed to assist the Customs Officials which maybe used as a practical guide when dealing with importation of infringing goods. An attempt has been made to provide a ready reckoner for Customs Officials compiling all the relevant provisions of law, methodologies to detect counterfeit products and a checklist for the Customs officials while enforcing Intellectual Property Rights with relevant statistics and data.

## What is the scope of the Booklet?

Counterfeit is used both for forgeries of currency as well as the imitations of clothing, handbags, shoes, pharmaceuticals, aviation and automobile parts, watches, electronics, software, works of art, toys, movies etc. The booklet primarily focuses on Intellectual Property enforcement.

## What is in the Booklet?

**Chapter 1** provides an understanding to the concept of Counterfeiting and Piracy by illustrating different modes in which it takes place. It discusses its impact on various stakeholders and the role and specific challenges faced by the Indian Custom Authority in dealing with the ever growing industry of counterfeiting/piracy.



**Chapter 2** deals with the regulatory framework under the various Indian laws to enforce the Intellectual Property Rights of an individual with special emphasis on the importation of counterfeit/pirated products. The Chapter also highlights relevant landmark judgments in this context.

**Chapter 3** intends to cover the various methodologies to aid Customs officials in differentiating the original product from its counterfeit. It also discusses in detail the tools developed by World Custom Organization to support the Custom administrations around the world to secure and facilitate trade.

**In Chapter 4**, an attempt has been made to provide the various steps to be taken by Customs Officials in recording, identifying, suspending and finally disposing counterfeit goods under Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007.



# Chapter 1

## Understanding Counterfeiting and Piracy

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### 1.1 Introduction

As the world is witnessing the change in technologies, with mass production age giving way to knowledge era, information technology and the internet, it has brought with it the even daunting task of managing the assets. Considering the Intellectual property, there has been a radical shift in the global equity market where companies are not only strategizing to reap the economic benefits but are also utilizing the IP assets possessed by them as business tools in form of technology, brands, designs, trade secrets etc. to have the competitive edge. Undeniably IP plays indispensable role in commercializing the product by accentuating and ensuring its economic value. In pursuit of profitable business, it is this value which is often misappropriated, in the illegal trade channels, by way of copying and bringing in pirated and counterfeit goods.

The challenge of counterfeited and pirated goods has emerged as a global problem. With low barriers to the market entry and infiltration, no country is immune from the impact of counterfeiting and piracy and no single sector can be said to be an exception. Counterfeit goods, including medicines, auto and airplane parts, electrical components, toys, food and beverages and many others, can be dangerous and can potentially harm or even kill consumers. The massive infiltration of counterfeit and pirated goods drains \$1 trillion from the global economy and robs over 2.5 million jobs.<sup>1</sup> Apart from the significant economic loss to the government in terms of sales tax, excise tax, income tax and customs duty, loss of jobs etc., these products are unsafe and pose risks to millions of individual consumers in terms of health and safety not to mention the evils like child labor, money laundering and even human trafficking which are associated with the counterfeit industry.

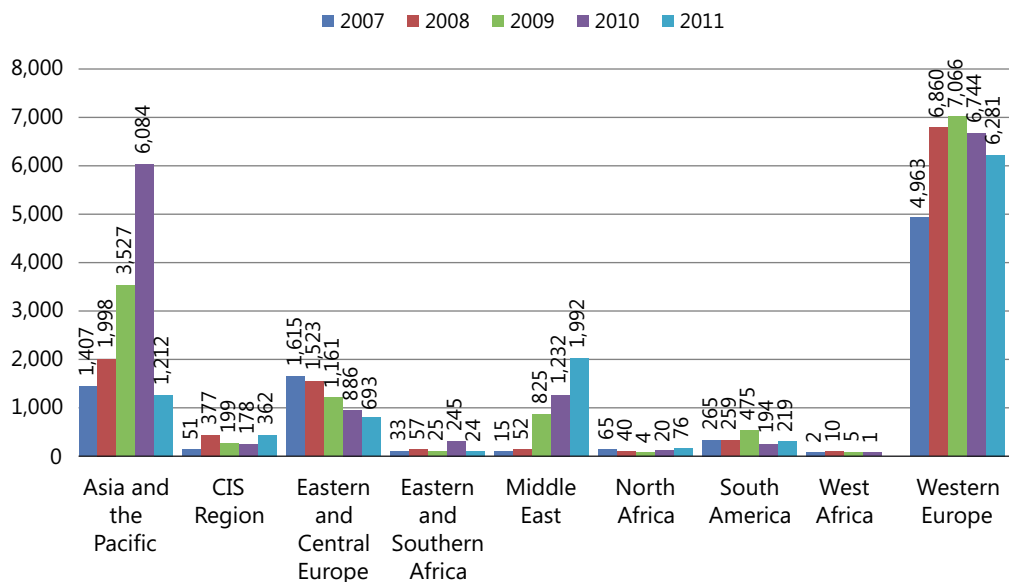
The framework of stringent laws designed to safeguard the interest of customers and stakeholders and fair return to the right holders is the nucleus of IPR protection and enforcement. To address the issue of counterfeiting and piracy comprehensively, to meet the interest of customers, to ensure incentives for companies investing in research and development and to encourage continued innovation, it has become imperative for

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<sup>1</sup> International Chamber of Commerce World Business Organization, Counterfeiting and piracy undermine economic development available at <http://www.iccwbo.org/advocacy-codes-and-rules/bascap/>

a nation to strengthen its intellectual property enforcement regime and develop infrastructure for acknowledging property rights especially at its borders so as to keep a check on the import and export of such pirated products.

**Graph 1.1: Trend in Seizures of Counterfeit Goods by Major Regions of the World (2007-2011)**



Source: WCO Customs and IPR Report for the years 2008 to 2011

## 1.2 The Impact of Counterfeiting and Piracy across Different Stakeholders<sup>2</sup>

### Government

- ❖ Loss of taxes (direct and indirect)
- ❖ Anti-counterfeiting and anti-smuggling measures such as police raids, customs seizure and mass public awareness campaigns
- ❖ Public welfare costs including monetary compensation and health care-related ones
- ❖ Legislative costs

### Original right holder

- ❖ Loss of sale and profitability
- ❖ Loss of brand value
- ❖ Infringement of copyright
- ❖ Special advertising campaigns
- ❖ Increased packaging costs
- ❖ Reputational risk
- ❖ Consumer patronage

<sup>2</sup> FICCI-CASCADE, 'Counterfeiting, piracy and smuggling: Growing threat to national security'

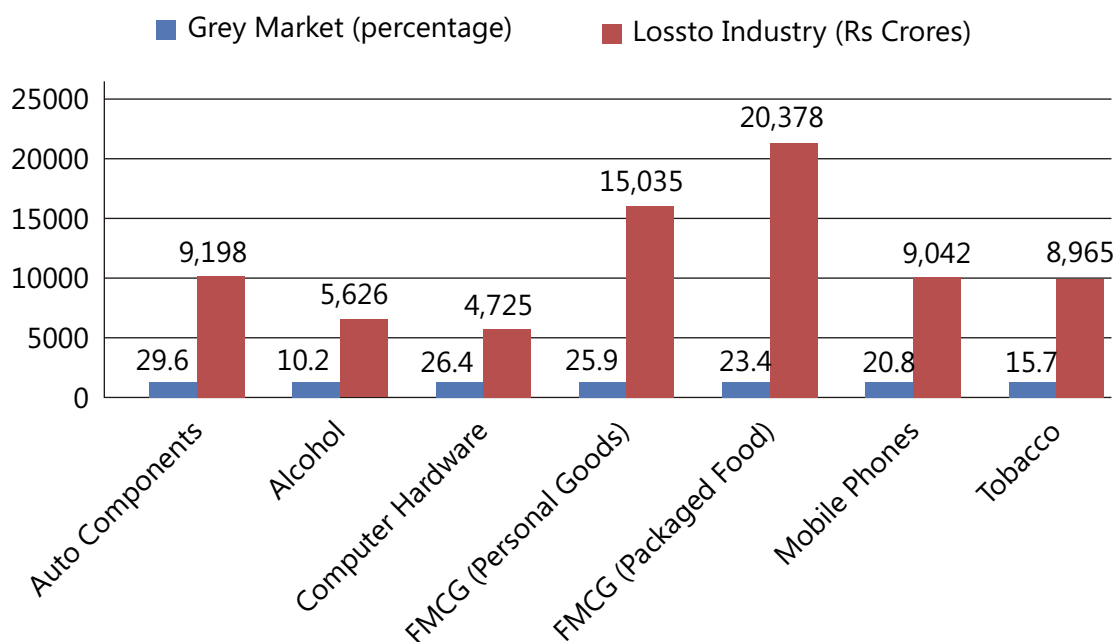
### Economy

- ❖ Reduced GDP
- ❖ Increase in black money
- ❖ Increased criminal activity and terrorism
- ❖ Reduced employment and deteriorating working conditions
- ❖ Degradation of environment
- ❖ Reduced expenditure on research and development

### Consumers

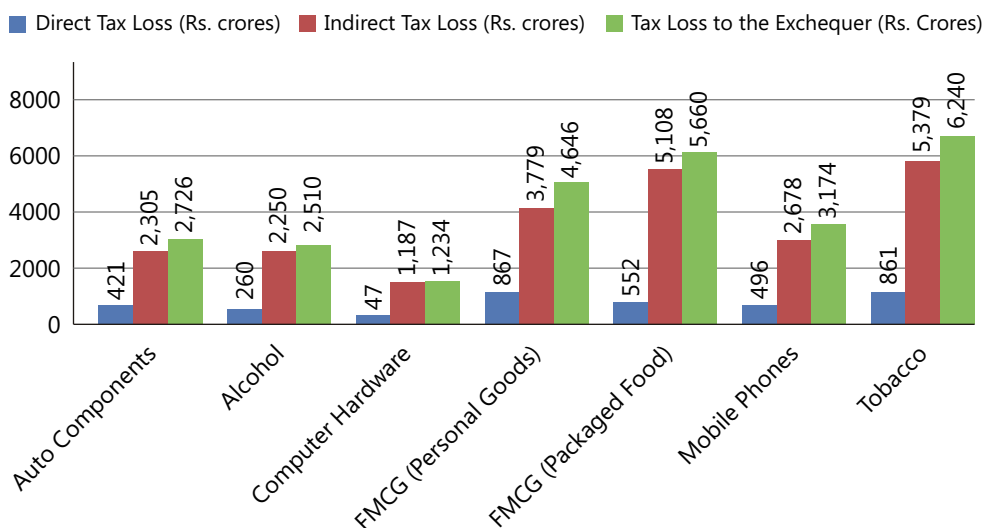
- ❖ Defrauding of consumers-availability of poor quality goods leads to loss of money
- ❖ Health and safety concerns (e.g. medications, baby formula, electronic goods etc.)
- ❖ Lowers consumers' confidence in using the affected brand.

**Graph 1.2: Estimated Revenue Loss to Industries (2012)**



Source: FICCI CASCADE Report on Socio-Economic Impact of Counterfeiting, Smuggling and Tax Evasion in Seven Key Indian Industry Sectors

**Graph 1.3 Estimated Loss to the Exchequer (2012)**



Source: FICCI CASCADE Report on Socio-Economic Impact of Counterfeiting, Smuggling and Tax Evasion in Seven Key Indian Industry Sectors

### 1.3 Challenges faced by India- Emerging Trends

The unique geographical location of India with eight neighboring countries and lengthy porous border makes it more susceptible to counterfeit and contraband products. At the same time counterfeiters often adopt strategies which make it easier for them to produce and bring in the counterfeit products, such as shipment of products for final assembly and distribution, thereby minimizing the risk of seizures in the countries where components are produced. Some of the major challenges faced by India are discussed below:

**Entry Points** - India has 116 major seaports, airports, land customs stations, inland container depot through which goods are imported and exported. The large number of entry points and constraints on resources is often cited as the major hindrance for the Customs officials to keep a check on counterfeit products. It is becoming increasingly necessary to identify and focus on high-counterfeit import ports.

**India's booming Online Retail Market**- More and more Indian consumers are taking the route of e-commerce. The geographical boundaries are vanishing and the market for a counterfeit product is now every consumer who shops online. The youth is using

fake identities to carry out this illegal business on the internet. For instance when the Customs officials of Hong Kong conducted an operation against online sales of counterfeit goods in July 2013, dozens of suspects including university students were arrested and fake goods worth HK\$560,000 were seized.<sup>3</sup>

The internet allows counterfeiters to gain anonymity making it extremely feasible for them to dupe consumers into believing that they are buying genuine products. In addition to customers, retailers and wholesalers are also prone to unintentionally purchasing counterfeits from anywhere in the world. Further as the websites and domain names offering fake products are often registered using wrong addresses and anonymous services, it is difficult to track and identify the person involved.

**Availability of high gain, low risk market** - Fascination with brands and trade names and the desire to get these products at the cheapest possible rates fuel the demand of pirated products. Reportedly on buying the counterfeit products the buyer and end-user save upto 20 to 60% on the price of branded goods<sup>4</sup>

At the same time there is practically no investment on the part of the counterfeiters. Right from the conception of the idea, to the research and development, marketing and sales everything has already been done by the right holder, on which these counterfeiters bank on.

**Less stringent penalties:** The profits gained in selling the fake products are huge. Also as the penalties for selling such products are often less stringent the vendors and retailers do not shy from taking the risk and selling or offering to sell the pirated products. (The provisions of laws under various Acts are covered in detail in Chapter 2).

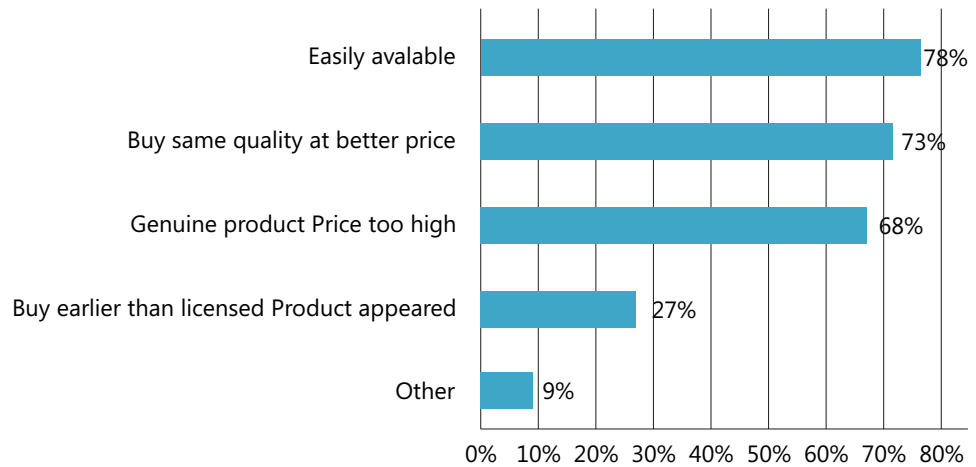
### Consumer Survey regarding Counterfeiting

Gallup is a 75 year old organization with an objective to deliver forward-thinking research, analytics, and advice. In the year 2005, Gallup conducted a survey to understand the consumer mindset regarding counterfeited products and allied circumstances. The result of such survey is as follows;

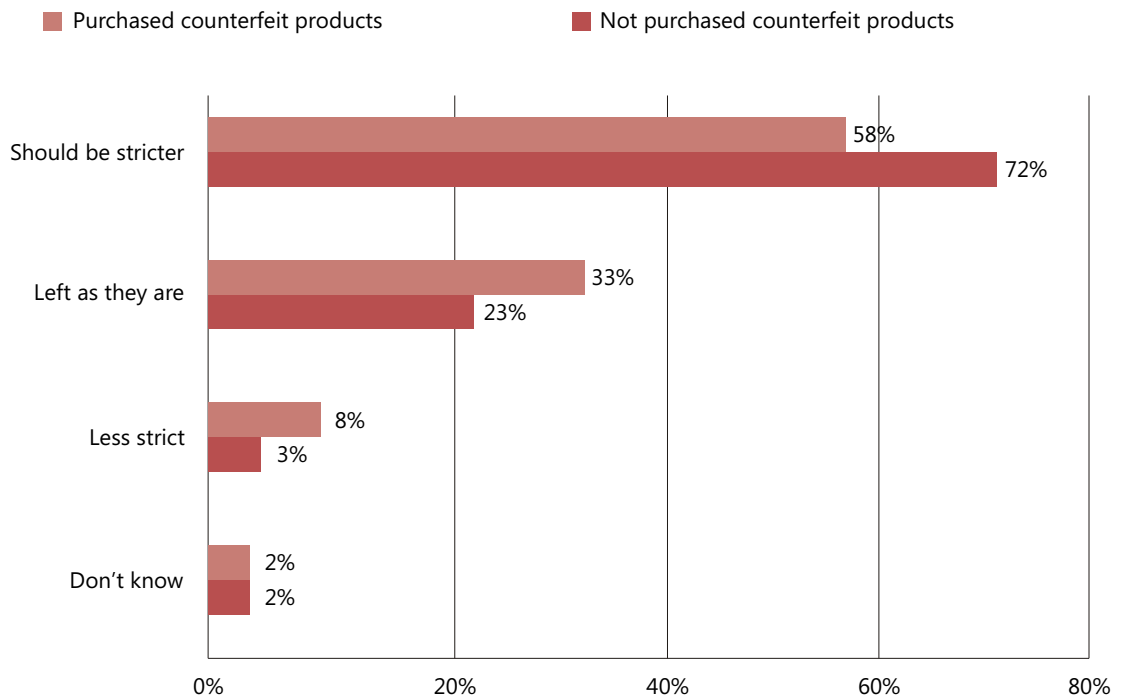
<sup>3</sup> Fake-goods sellers snared as customs hunt online, June 18, 2013 available at [www.thestandard.com.hk/news\\_detail.asp?art\\_id=134703&con\\_type=1](http://www.thestandard.com.hk/news_detail.asp?art_id=134703&con_type=1)

<sup>4</sup> Veer Singh, Counterfeiting and Piracy: An Overview, NALSAR Law Review, Vol. 6, Issue 1, August 31, 2010, p. 3

**Which of the following were factors in your purchase of an imitation or counterfeit product?**



**Do you believe counterfeiting and piracy laws should be stricter, left as they are, or made less strict?**



Source: [www.gallup.com](http://www.gallup.com). These results are based on telephone interviews with a randomly selected sample of 1,304 U.S. adults, aged 18 and older. The detailed survey is available at <http://www.gallup.com/poll/15088/brand-piracy-victimless-crime.aspx> (Last visited on November 15, 2013).

## 1.4 Role of Customs:

Customs are in a unique position today as they have to maintain a proper balance between:

- (i) Facilitating trade on one hand and,
- (ii) Protecting the interests of India and its citizens.

Until recently, the role of the Customs was primarily collecting Customs duties and other indirect taxes at import. Numerous developments, including advent and the development of e-commerce and the internationalization of organized crimes like terrorism have altered the environment in which Customs operate.

Customs officials play a very crucial role in identifying, seizing and thereafter disposing goods which are found to be infringing with the rights of the Intellectual Property Holders, all in a manner that is consistent with the legal framework, policy legislation and case laws. In addition to the remedies under IPR laws, enforcement measures adopted by Custom authorities (under various provisions as explained in Chapter 2) by preventing infringing goods from entering the national territories or confiscation of such goods is necessary for an effective enjoyment of rights by IPR holders.<sup>5</sup>

### Indian Customs Electronic Data Interface (EDI) Gateway - ICEGATE

#### ICEGATE

- Portal connects 17 categories of external stakeholders including Port Authorities, custodians for sea, air and ICD cargo and ICES 1.5 for exchange of about 127 messages with regards to import/export goods clearance.
- Contributes significantly to reducing time, transaction costs and enhance enforcement, effectiveness etc.
- Along with ICES 1.5 serve about 6.7 lakh importers/ exporters and handle more than 80% of all Customs clearance documents accounting for nearly 98% of all import and export. There are about 14,000 registered users at ICEGATE who act as intermediaries between Customs and the importers and exporters.
- receives almost 4.6 Million hits per day.

<sup>5</sup> Vijay Lakshmi, Aravind M Patro, Intellectual Property Protection at Border, Vol. 14, Journal of Intellectual Property Rights, pp. 330-339, 2009, p.330

CBEC is the first Government department to receive the coveted ISO 27001 quality certification from Standardization Testing and Quality Certification (STQC) Directorate of the Ministry of Information. India's ICEGATE Model has also won several National and International awards such as:

- Gold award in National award for E-Governance in 2011.
- Digital Inclusion Award by Skoch Foundation
- e-Asia Award for trade facilitation by AFACT in Taipei, Taiwan in 2011.
- Manthan South Asia Award in 2011.

Source : Government of India, Ministry of Finance, Annual Report, 2012-13

## 1.5 Counterfeiting and Piracy- Meaning

It is simple yet challenging to define counterfeit/pirated goods. In India, Section 28 of the Indian Penal Code gives a general definition of counterfeit as follows '*A person is said to counterfeit who causes one thing to resemble another thing, intending by means of that resemblance to practice deception, or knowing it to be likely that deception will thereby be practiced.*' Intellectual Property Laws in India do not define the Counterfeit Goods or Pirated Goods, though TRIPS agreement to which India is signatory defines *Counterfeit Trademark Goods*<sup>6</sup> and *Pirated Copyright Goods*.<sup>7</sup>

In general parlance the term counterfeit is used in reference to trademark infringement and piracy for infringement of copyrights. In simple words counterfeit means to imitate something with the intention to practice deception. Piracy means making an unauthorized exact copy not a simple imitation of an item covered by an intellectual property right generally in the context of music, motion pictures, computer software etc.

A workable definition in the context of Intellectual Property Rights for Counterfeit/Pirated goods can be as follows "Illegal goods infringing upon genuine

<sup>6</sup> The definition of 'counterfeit Trademark goods' is provided under Article 51 of TRIPS Agreement as follows: "Counterfeit trademark goods shall mean any goods, including packaging, bearing without authorisation a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation."

<sup>7</sup> The definition of 'Pirated Copyright goods' has been provided in Article 51 of the TRIPS Agreement as follows: "Pirated copyright goods shall mean any goods which are copies made without the consent of the right holder or person duly authorised by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation."



goods that are legally protected under Industrial Property Law i.e. Trademark, Design, Patent, Geographical Indication and Copyright Law."<sup>8</sup>

## 1.6 Modes of Counterfeiting and Piracy

According to a report by the Office of the United States Trade Representative (USTR, an executive agency) counterfeit goods and other commodities, especially fuel oil, and pirated software and optical media continue to thrive in India . The report named Nehru Place and Palika Bazaar in New Delhi, Richie Street and Burma Bazaar in Chennai, Manish Market, Heera Panna, Lamington Road and Fort District in Mumbai, and ChandniChowk in Kolkata as notorious markets for the illicit drug trade.<sup>9</sup>

For better understanding of the problems and challenges faced by Customs officials, the modes in which counterfeiting and piracy takes place can be categorized as follows:

### I. Origin of Counterfeit Products

#### (i) Import of Counterfeit Goods

According to World Custom Organization Report - Customs and IPR Report, 2011 Asia Pacific region has been reported to be the region from where maximum numbers of counterfeit products are distributed around the world. Further as per the survey conducted by BASCAP<sup>10</sup> China serves as a source of 50% of counterfeit goods globally. There are many factories in remote locations in China that manufacture counterfeits and ship them to neighboring countries, including India.

To address the issue of imports at major ports is a challenge in itself for the Customs keeping in view the resource constraints. But what is more challenging is when counterfeit goods cross by land through porous borders such as Bangladesh and Tibet.



890 indicates India as country of origin

<sup>8</sup> Countermeasures to Counterfeiting Problems, Japan Patent Office , Asia-Pacific Industrial Property Center, JIII, 2007

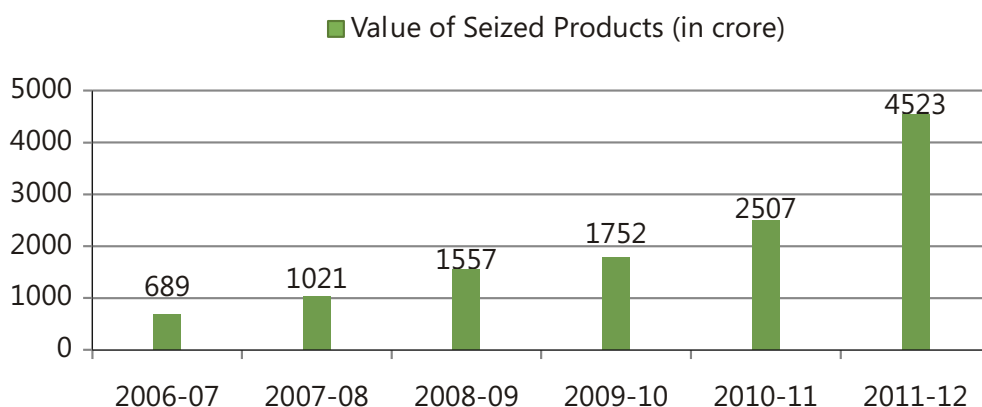
<sup>9</sup> Counterfeit Goods a Growing Problem in India, Rediff Business

<sup>10</sup> India's Counterfeiting and Trademark Environment: Summary and Analysis of BASCAP Member Survey, International Chamber of Commerce, World Business Organization, BASCAP

(ii) Domestic production of Counterfeit Goods

The demand for Counterfeit goods is increasing in India. According to a report by a leading trade and industry body in India, the current market size of counterfeit products is Rs. 45,000 crore, of which Delhi alone contributes nearly 75 per cent to the production of fake goods<sup>11</sup>. The counterfeiters use computerized and digital machines to write manufacturing dates and batch numbers making their detection rates even lower.<sup>12</sup>

**Graph 1.4 Value of Total Seizures by Customs in India**



Source: Government of India, Ministry of Finance, Annual Reports from 2006-2012

**II. Knowledge of the Consumer-Whether Deceived or not?**

- (i) Individuals buying counterfeit or pirated products thinking that they are purchasing genuine items (Primary Market).
- (ii) Knowingly buying lower-priced counterfeit or pirated items. (Secondary Market)

The degree to which consumers knowingly buy counterfeit or pirated products depends on the characteristics of the products concerned as well. For instance, consumers who would knowingly purchase counterfeit garments without any hesitation may have no interest in purchasing counterfeit pharmaceutical products.

<sup>11</sup> Vikram Kumar, Delhi produces 75 per cent of counterfeit goods & caters to clients in markets across city, India Today, June 16, 2013 available at <http://indiatoday.intoday.in/story/capital-of-fakes-delhi-produces-75percent-of-counterfeit-goods/1/280410.htm>

<sup>12</sup> Ibid n. 8

### III.Process by which Counterfeit Goods enter the Market

Stages	TYPE
<b>Manufacture /Production</b>	<p><b>Authorized Packaging for Fake Products</b></p> <p>Authorized packaging facilities that sell off genuine packaging materials to the counterfeiters who package their fake goods in genuine packaging. In such cases it is even more difficult to identify the fakes on the basis of packaging material alone. Such cases have to be referred to labs for final verifications.</p>
	<p><b>Recycling and Remarketing</b></p> <p>Recycling and remarketing is a process by which the used components are removed from package and is repackaged and remarked. These components are then sold as new product in the open market. These parts may be non-functioning or not performing as per manufacturer's specifications and raises major reliability concerns. The reused rubbished materials may be used by counterfeiters.</p>
<b>Distribution</b>	<p><b>Out of Specification</b></p> <p>Defective piece is sold instead of being destroyed. This mode of counterfeiting is very common in apparels, shoes, bags etc. A lot of times due to minute defect in stitching, finishing etc. of the product, the same is rejected by the company. These products instead of being destroyed re-enter the distribution channel.</p>
	<p><b>Break in Supply Chain</b></p> <p>Due to the expanding overseas markets, supply chains are becoming more and more fragmented due to which there is an increased risk of break in the chain of distributors.</p>
<b>Import<sup>13</sup></b>	<p><b>Contraband</b></p> <p>Concealment of goods for avoidance of customs controls</p>

<sup>13</sup> FICCI-CASCADE, 'Counterfeiting, piracy and smuggling: Growing threat to national security'

	<p><b>Re-labeling/ Reclassification</b></p> <p>Camouflage of high-tariff products as low-tariff ones to reduce tax liability or change the name of the country of origin to take advantage of favorable economic relations with a country</p>
	<p><b>Short-landing transit Goods</b></p> <p>Grey channel leakage of transit goods or bonded imports not meant for consumption in the domestic market</p>
	<p><b>Falsification</b></p> <p>Tampering with documents relating to goods</p>
	<p><b>Mixing fake products with genuine products</b></p> <p>Non mention of brand name and adding counterfeit trademark i.e. logos once it crosses the border</p>

## 1.7 Conclusion

*Counterfeiting and Piracy are on the increase the world over via criminal networks and organized crime.* Counterfeiting accounts for between 5 - 7% of world trade, worth an estimated \$600 billion a year.<sup>14</sup> This amount is larger than the Gross domestic product of more than 100 countries. This aptly echoes the menace of the counterfeiting industry and the extent to which it is affecting the earning potential of investors and right holders.

To combat this counterfeit industry and to establish a market where rights of the owner are recognized and the owners can freely use and commercialize their IP assets as financial instruments, potent strategies needs to be formulated with initiatives and participation from government agencies and policy makers, industries, enforcement agencies as well as consumers.

In view of the current global economic scenario, the introduction and enforcement of strong Anti-Counterfeiting laws for any nation is imperative in international market,

<sup>14</sup> Counterfeiting Intelligence Bureau, International Chamber of Commerce, World Business Organization available at <http://www.iccwbo.org/products-and-services/fighting-commercial-crime/counterfeiting-intelligence-bureau/>

which would not only facilitate trade leading to increased foreign direct investment but would also uplift seemingly disparate level of societies in areas such as law, technology, economics and finance

The booklet intends to cover the main principles and link between owner's rights, counterfeit products, economic perspectives and intellectual property protection. It aims to provide a ready reference to the Customs officials to enable them to effectively tackle piracy and counterfeit products, addresses important issues that defines the specific frameworks of regulatory environment, discusses technological solutions and need for anti-counterfeiting policy, industry initiatives and consumer awareness. The various legal and regulatory frameworks are covered in the booklet so as to sensitize the Customs officials thereby enabling the authorities to understand the implications of the contraband and pirated products from the point of view of intellectual property rights. The case studies and brief on land mark judgments illustrate the stance that Indian judiciary has taken to curb the illegal trade from time to time.

## Chapter 2

### Current Laws applicable on Counterfeiting and Piracy, Penalties and Remedies thereof alongwith Landmark Judgments

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At outset it is relevant to mention that the Customs Officials are not only responsible for enforcing the Customs Act, 1962 but all the laws enacted for the time being in force and notifications, rules and regulations made/issued thereunder, which prohibit the import or export of certain goods or permit import subject to certain conditions. Thus, it is advisable for the Customs Officials to be well versed with such laws in order to effectively perform their duties. For the sake of convenience, an attempt has been made to provide a brief overview of all the laws for the time being in force, which are relevant for the Customs Officials to tackle the issue of counterfeiting/piracy.\

1. Trademarks Act, 1999
2. Copyright Act, 1957
3. The Patents Act, 1970
4. The Designs Act, 2000
5. The Geographical Indications of Goods (Registration and Protection) Act, 1999
6. The Information Technology Act, 2000
7. Indian Penal Code, 1860
8. The Drugs and Cosmetics Act, 1940
9. The Food Safety and Standards Act, 2006
10. The Customs Act, 1962

11. Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007
12. Laws relating to Parallel imports
13. Laws relating to Export

## 2.1 Trade Marks Act, 1999

A trademark can be a word, logo, name, pattern of colours, slogans, three-dimensional shapes etc. which distinguishes the goods and services of one trader from its competitors.<sup>15</sup> The main objective of a trademark is to indicate the source of origin of the goods or services. The Trade Marks Act, 1999 (hereinafter referred as the TM Act) alongwith the Trade Mark Rules, 2002 are the primary legislation in India which deals with law relating to trademarks. When a person has registered a trademark he has the exclusive right to use the trademark in relation to the goods or services in respect of which the trademark is registered.<sup>16</sup>

Registration of a trademark under the TM Act grants a bundle of rights to the registered proprietor and if anyone violates such rights it is called infringement of trademark. The TM Act

further provides that a trademark is infringed, when a mark is used in trade by an unauthorised person which is:

- a) identical or deceptively similar to the registered trademark; and
- b) used in respect of goods or services, which are identical or similar to the goods or services for which the trademark is registered.<sup>17</sup>

### Provisions relating to Counterfeit Goods

The TM Act does not expressly define the term 'counterfeiting'. However, the TM Act has defined the offences of 'falsifying a trademark' and 'falsely applying a trademark' which can be said to be overlapping with counterfeiting of trademarks.

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<sup>15</sup> Section 2(1)(zb) of the Trade Marks Act, 1999 defined 'trademark' as a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours

<sup>16</sup> Section 28 of the Trade Marks Act, 1999

<sup>17</sup> Section 29 of the Trade Marks Act, 1999

S.No.	Offences	Meaning
1.	Falsify a Trademark	A person shall be deemed to falsify a trade mark, who: (a) Makes the trademark or a deceptively similar mark, without the permission or authorisation of owner of the trademark; or (b) Falsifies any genuine trade mark, whether by alteration, addition, effacement or otherwise. <sup>18</sup>
2.	Falsely applying a Trademark	A person shall be deemed to be falsely applying a trademark who, without the consent of the proprietor of the trademark: (a) Applies such trademark or a deceptively similar mark to goods or services or any package containing goods; or (b) Uses any package bearing a mark which is identical with or deceptively similar to the trademark of such proprietor, for the purpose of packing, filling or wrapping therein any goods other than the genuine goods of the proprietor of the trade mark. <sup>19</sup>

### Penalty for Offences relating to Counterfeit Products

S.No.	Offence	Penalty
1.	Falsify a Trademark, Falsely applying a Trademark or applying False trade description	Imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than Rs 50, 000(Fifty thousand) but which may extend to Rs 2,00,000 (Two lakh) <sup>20</sup>
2.	Intentionally selling goods or providing services to which false trade mark or false trade description is applied	Same as above

<sup>18</sup> Section 102 of the Trade Marks Act, 1999

<sup>19</sup> Ibid

<sup>20</sup> Section 103 of the Trade Marks Act, 1999



3.	Subsequent conviction for the above offences	Imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than Rs 1,00,000/- (Rupees One Lakh) but which may extend to Rs 2,00,000/- (Rupees Two Lakh)
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It is pertinent to note that the offence of falsifying a trademark, falsely applying a trade marks and selling such goods and services are cognizable in nature.<sup>21</sup>

### **Requirement as to indicate origin of the goods and details of the manufacture**

This provision is particularly important for Customs officials as under Section 139 of the TM Act, the Central Government may by notification in the Official Gazette, require that an indication of the country or place in which they were made or produced, or of the name and address of the manufacturer be applied on a specified class of goods which are made or produced beyond the limits of India and imported into India. The notification may also specify the manner in which such indication shall be applied. It is also pertinent to note that notification issued by Central Government shall not be applicable, if the Commissioner of Customs is satisfied at the time of importation that imported goods are intended for exportation whether after transshipment in or transit through India or otherwise.

### **Power to require information of imported goods bearing false trade marks**

Where goods, which are prohibited to be imported into India by notification of the Central Government under Section 11(2)(n) of the Customs Act, 1962 (hereinafter referred as the Customs Act), are imported into India, the Commissioner of Customs if, upon representation made to him, has reason to believe that the trade mark complained of is used as a false trade mark, may require the importer of the goods, or his agent, to produce any documents in his possession relating to the goods and to furnish information as to the name and address of the person by whom the goods were consigned to India and the name and address of the person to whom the goods were sent in India. The importer or his agent are bound to comply with the requirement as aforesaid within fourteen days and if the importer or his agent fails to do so, they shall be punishable with fine which may extend to five hundred rupees.<sup>22</sup>

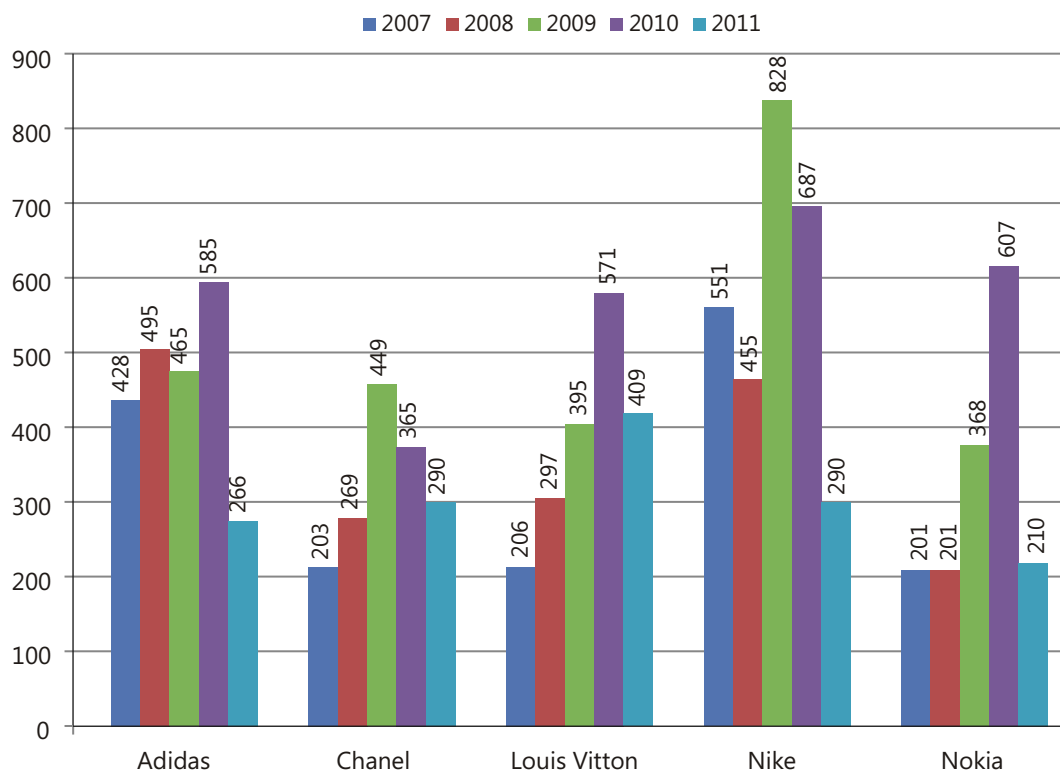
<sup>21</sup> Section 115 of the Trade Marks Act, 1999

<sup>22</sup> Section 140 of the Trade Marks Act, 1999

**Table 2.1 Major Counterfeited Trademarks of the World (2007 - 2011)**

<b>Major Counterfeited Trademarks of the World (2007 - 2011)</b>					
<b>Trademark</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Adidas	428	495	465	585	266
Apple	-	-	188	719	685
Blackberry	-	-	-	118	245
Calvin Klein	-	-	-	231	247
Chanel	203	269	449	365	290
Cialis	-	-	-	160	321
Eli Lilly	92	439	578	-	-
Gucci	179	-	-	-	-
Hello Kitty including Sanrio Hello Kitty	-	-	223	420	392
Louis Vitton	206	297	395	571	409
Mac	-	-	-	263	540
Nike	551	455	828	687	290
Nintendo	-	176	387	-	-
Nokia	201	201	368	607	210
Power Balance	-	-	-	375	447
Puma	221	-	-	-	-
Rolex	241	192	-	304	237
Sony	-	137	-	-	-
Viagra	165	500	-	430	532
Walt Disney	-	-	415	281	230

**Graph 2.1 Major Counterfeited Trademarks of the World (2007 - 2011)**



Source : WCO Customs and IPR Report for the years 2008 to 2011

## 2.2 Copyright Act, 1957

In India, the laws relating to copyrights are mainly governed by the Copyright Act, 1957 (hereinafter referred as the Copyright Act) and the Copyright Rules, 2013. Copyright generally exists in following kind of works;

- a) original literary, dramatic, musical and artistic works;
- b) cinematograph films; and
- c) sound recordings.<sup>23</sup>

<sup>21</sup> Section 13 of the Copyright Act, 1957

## **Copyright Infringement**

Copyright in a work is infringed when any person without licence from the owner of the copyright or the Registrar of Copyright, does anything, the exclusive right to do is conferred upon the owner of the copyright.<sup>24</sup> It becomes important to mention here that the act of importing into India any infringing copies of the work is also infringement of copyright under the Indian law.

### **Prohibition on importation of infringing copies**

The owner of any right conferred by the Copyright Act in respect of any work or any performance embodied in such work, or his duly authorised agent, may give notice in writing to the Commissioner of Customs, or to any other officer authorised in this behalf by the Central Board of Excise and Customs,-

- a) that he is the owner of the said right, with proof thereof; and
- b) that he requests the Commissioner for a period specified in the notice, which shall not exceed one year, to treat infringing copies of the work as prohibited goods, and that infringing copies of the work are expected to arrive in India at a time and a place specified in the notice
- c) when any person, without a licence granted by the owner of the copyright or the Registrar of Copyrights under the Copyright Act or in contravention of the conditions of a licence so granted or of any condition imposed by a competent authority under the Act-
  - (i) does anything, the exclusive right to do which is by the Copyright Act conferred upon the owner of the copyright, or
  - (ii) permits for profit any place to be used for the communication of the work to the public where such communication constitutes an infringement of the copyright in the work, unless he was not aware and had no reasonable ground for believing that such communication to the public would be an infringement of copyright; or
- d) when any person-
  - (i) makes for sale or hire, or sells or lets for hire, or by way of trade displays or offers for sale or hire, or

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<sup>24</sup> Section 51 of the Copyright Act, 1957 provides that copyright in a work shall be deemed to be infringed:

- (ii) distributes either for the purpose of trade or to such an extent as to affect prejudicially the owner of the copyright,
- (iii) or by way of trade exhibits in public, or
- (iv) **imports into India, any infringing copies of the work.**

However, this provision shall not to the import of one copy of any work for the private and domestic use of the importer.

The Commissioner, after scrutiny of the evidence furnished by the owner of the right may treat infringing copies of the work as prohibited goods that have been imported into India, excluding goods in transit. However, the owner of the work deposits such amount as the Commissioner may require as security having regard to the likely expenses on demurrage, cost of storage and compensation to the importer in case it is found that the works are not infringing copies.

When any goods allegedly infringing goods have been detained, the Customs Official detaining them shall inform the importer as well as the person who gave notice of detention of such goods within 48 hours of their detention.

The Customs Officials shall release the goods, and they shall no longer be treated as prohibited goods, if the person who gave notice does not produce any order from a Court having jurisdiction as to the temporary or permanent disposal of such goods within fourteen days from the date of their detention.<sup>25</sup>

S.No.	Offence	Penalty
1.	Knowingly infringes or abets infringement of copyright work	Imprisonment for a term which shall not be less than six months but which may extend to three years and with fine which shall not be less than Rs. 50,000/- (Rupees Fifty Thousand only) but which may extend to <i>Rs 2,00,000 (Rupees Two Lakhs only)</i> <sup>26</sup>
2.	Subsequent Conviction for the above offence	Imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than Rs 1,00,000 (Rupees One Lakh only) but which may extend to <i>Rs 2,00,000 (Rupees Two Lakhs only)</i> <sup>27</sup>

<sup>25</sup> Section 53 of the Copyright Act, 1957

<sup>26</sup> Section 63 of the Copyright Act, 1957

<sup>27</sup> Section 63A of the Copyright Act, 1957

**The Copyright (Amendment) Act, 2012:** The last amendment to the Act was done in 2012, which came into effect from June 26, 2012. The amendment, among other important changes such as independent rights to the lyricist and the composers, extension of term of copyright for photographic work and incorporation of provision that would make it more difficult to produce cover versions, was all set to introduce the provision that would have allowed parallel importation of copyright work (by virtue of amendment in Section 2(m)), it was however dropped from the amended Act passed by the Parliament.

Section 2(m) defines meaning of infringing copy and the proposed amendment intended to keep "copy of a work published in any country outside India with the permission of the author of the work and imported from that country" outside the ambit of infringing copy.

Passage of aforesaid provision would have meant that book purchased anywhere in the world could have been imported and sold in India. However, the then Minister for Human Resource Development Mr. KapilSibbal had commissioned National Council of Applied Economic Research (NCAER) to submit its recommendation on the Parallel Importation and held that the aforesaid amendment would indeed be incorporated if favorable report on the same is submitted by NCAER.

It is pertinent to mention here the decision of the Delhi High Court (Penguin Books Ltd. vs. India Book Distributors & Ors., AIR 1985 Delhi 2) where it was held that importation of books which are "infringing copies of the work" is an infringement. So is the sale thereof. The Court had noted that "An infringing copy as defined in section 2(m) of the Act means a copy "imported in contravention of the provisions of the Act. If any person, without the license of the copyright owner or his exclusive licensee, imports into India for the purpose of selling or distributing for purposes of trade the literary work, the copyright is infringed. Any importation of infringing copies is therefore an infringement unless it is for the importer's own use."

## Software Piracy

Software piracy poses a serious threat to the future of software industry. The software industry loses more than \$33 billion annually worldwide due to software piracy.<sup>28</sup> Legitimate companies receive nothing from the sale of pirated software, and this loss of revenue often leads to lay offs within the software and related industries. In addition, the profits from the sale of counterfeit software don't help expand the economy by providing jobs, taxes, and wages.<sup>29</sup> The society doesn't really treat software piracy like other kinds of theft as nothing is physically taken away and often considered as crime without victim. Only copies of the disk or other storage medium are made and the legal owner is still in possession of the software. But the impact that software piracy has on the economy and the industry is severe and deserves urgent attention from the stakeholders including the government.

Under the Copyright Act, *literary work includes computer programmes, tables and compilations including computer databases.*<sup>30</sup>

**Meaning of Software Piracy:** Software piracy is copying and use of Software without proper license from the developer. Similarly, simultaneous use of single user license software by multiple users or loading of single user license software at multiple sites and using trial version software for commercial gains is also software piracy.

### **Common types of software piracy:**

#### a) End-User piracy:

End-User Piracy is unauthorized reproduction of copies of licensed software. Using one licensed copy to install a program on multiple computers or acquiring academic or other restricted versions and using the same for commercial purpose also amounts to End-User Piracy.

<sup>28</sup> Prashant Mali, Software Piracy & Indian Law, Security Corner

<sup>29</sup> Ibid

<sup>30</sup> Section 2(o) of the Copyright Act, 1957

b) Software Counterfeiting:

When illegal copies of software are made and distributed in packaging that replicates the original manufacturer's packaging it amounts to Software Counterfeiting. Counterfeit software copies come out with similar packaging, manuals, license agreements, labels, registration cards, security features and often look authentic. This is a more serious offence as it is done in an organized manner and the buyer is also made to believe that he is buying a genuine product.

c) Internet Piracy:

Internet Piracy is unauthorized downloading of software over the Internet. Any form of software piracy that involves the use of the Internet either to market or distribute copyrighted software programs can be termed as Internet Piracy. Many online auction sites offer counterfeit or infringing copyright software.

d) Hard-Disk Installation:

Hard-disk Installation occurs when a business that sells new computers, loads illegal copies of software onto the hard disks to make the purchase of their machines more attractive.

e) Pre-installed Software Piracy:

When a computer manufacturer uses one licensed copy of software and illegally installs it on more than one computer it is called Pre-installed Software Piracy. To avoid this type of piracy the consumers should be on the lookout for proper license documentation when purchasing a new PC in order to ensure that they're getting what they paid for.

**How to reduce Software Piracy<sup>31</sup>**

Increase Public Education and Awareness

Reducing software piracy requires a fundamental shift in public attitudes toward software and IP. Public education is critical and therefore, it is

<sup>31</sup> Global Study Conducted by BSA, Competitive Advantage, The Economic Impact of Properly Licensed Software available at [http://portal.bsa.org/insead/assets/studies/2013softwarevaluestudy\\_en.pdf](http://portal.bsa.org/insead/assets/studies/2013softwarevaluestudy_en.pdf)



imperative to increase awareness of the importance of managing software assets and respecting creative works through compliance with software licensing.. In addition, support for industry-led initiatives to promote the business practice of managing and optimizing software purchases, utilization, and maintenance - a process known as software asset management (SAM) - can help governments, businesses, and other organizations derive greater value from software assets by optimizing their use of licensed applications and reducing piracy.

Federation of Indian Chambers of Commerce and Industry (FICCI) and BSA-The Software Alliance, signed an MOU on July 10, 2013 to collaborate on creating awareness amongst enterprises in different states and conduct a series of activities that aim to create a favourable environment for IP protection in the country, thereby helping to reduce the piracy rate.

#### Modernize IP Laws to Account for New Innovations

Around the world, copyright and other intellectual property laws seems to be lagging behind the pace of technology innovation. With the advent of cloud computing and the proliferation of networked mobile devices, policymakers should modernize protections

for software and other copyrighted materials. This effort should include vigorous enforcement actions —including against online piracy — and modernization of underlying copyright laws, for example through implementation of World Intellectual Property Organization (WIPO) copyright treaties.

#### Step Up Enforcement with Dedicated Resources

Too often, software theft is not considered a serious crime and penalties for convicted offenders are too low to provide effective deterrence. Genrally, countries can elevate their enforcement of intellectual property by:

- Creating specialized IP enforcement units at the national and local level and providing dedicated resources to investigate and prosecute IP theft;
- Supporting the training of law enforcement and judiciary officials (including establishing specialized IP Courts where appropriate) and providing better technical assistance to ensure that the people on the front lines of piracy enforcement are equipped with the tools they need to deal with the changing nature of IP theft; and
- Laws to provide for clear protection and energetic enforcement against misappropriation and infringement of new software innovations, such as cloud computing technologies.

As far as Customs Officials are concerned increasing intra and inter country cooperation among police and other enforcement agencies may substantially increase the chances of redressing the menace of counterfeiting and piracy.

## 2.3 The Patents Act, 1970

A Patent is an exclusive right to use, make sell, import an invention granted to the inventor for a limited period by the Government. The Patent System in India is governed by the Patents Act, 1970 and the Patents Rules, 2003.

### **Tenure and rights granted by patent**

Patent is granted for twenty years from the date of filing of the application for the patent.<sup>32</sup> When a patent granted under the Patents Act, patentee have an exclusive right to prevent third parties from making, using, offering for sale, selling or importing patented products or product obtained directly form the patented process.<sup>33</sup>

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<sup>32</sup> Section 53 of the Patents Act, 1970

<sup>33</sup> Section 48 of the Patents Act, 1970

## **Whether Customs Officials are competent to decide upon infringement of Patents, Designs and Geographical Indications?**

### **LG Electronics India Pvt. Ltd. vs. Bharat Bhogilal Patel and Ors.<sup>34</sup> (13/07/2012)**

In this case, one Mr. Bharat Bhogilal Patel claimed to have obtained a patent for process titled as "A Process of manufacturing engraved design articles on metals or non-metals."

On September 29, 2010, Mr. Bharat Bhogilal Patel filed a complaint with the Custom Department against LG Electronics India Pvt. Ltd. and various other importers namely Sony India, Motorola India Private limited, Nokia India, Samsung India Electronics Pvt. Ltd. Videocon Mobile Phone Division, Spice Mobiles Ltd, Bharti Airtel Limited etc. alleging that such importers were importing products inter alia GSM handsets (Phones), using laser marking and engraving process which infringe his patent rights.

The Delhi High Court observed that while it is not difficult for Customs Officials to determine Copyright and Trade Marks infringements at the border based on available data/inputs, it may not be so in the case of the other three violations i.e. Patents, Designs and Geographical Indications, unless the offences have already been established by a judicial pronouncement in India and the Customs is called upon or required to merely implement such order.

The Delhi High Court held that the Customs Officials are not competent to adjudicate upon the infringement of patents, design and geographical indications and a suit for infringement of patent lies in the Civil Court under Section 104 of the Patent Act, 1970.

However the present case stands over-ruled by the Delhi High Court (Division Bench) by the below discussed case.

<sup>34</sup> The order is available at <http://lobis.nic.in/dhc/MAN/judgement/16-07-2012/MAN13072012IA190792011.pdf>

**Telefonaktiebolaget Lm Ericsson Torshamsgatan vs.  
Union of India and Ors.  
(13.07.2012)<sup>35</sup>**

It is interesting to note that on the same date as the aforesaid Judgment, the Division Bench of Delhi High Court comprising of Justice Arjun Sikri & Justice Endlaw gave a contrary judgment on the same issue and has impliedly overruled the aforesaid decision.

The decision specifically states that the Customs Officials are competent to decide upon the issue of infringement of patent under the IPR Enforcement Rules and there is no need for the right holders to approach Civil Courts for seeking injunction against alleged consignment. However, Customs Officials are bound to clearly state the prima facie reasons on basis of their belief that the consignment in question infringes the right granted by patent to the right holders.

The Court has also imposed a caveat on the aforesaid decision that it would be open for the alleged infringer or right holders to argue that the matter is complex and it may not be possible/feasible for the competent authority to come to any such prima facie conclusion for "reason to believe". In such cases, the Court directed that the Customs Officials may either pass an order suspending the clearance of goods giving specific and clear "reason to believe" that goods in question infringed the patents claimed by the appellant or else it would be within its discretion to direct the appellant to approach the competent Court to assert its claim to patent.

## 2.4 The Designs Act, 2000

The Industrial designs refer to that part of a commercial product, which is concerned with the ornamental or aesthetic features of the product and not with its utility. The Designs Act, 2000 and the Designs Rules, 2001 were enacted to protect new or original

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<sup>35</sup> The Judgement is available at <http://www.indiankanoon.org/doc/170144590/>

design applied on products manufactured by industrial process and to ensure that the artisan, creator, originator of a new or novel design are not deprived of their bona fide reward.

An industrial design is registered for a period of fifteen years (a design is initially registered for a period of ten years which can further be extended for five years)<sup>36</sup> and after the registration of an industrial design it shall not be lawful for any person to apply or cause to be applied the design or obvious or fraudulent imitation thereof, to any article in any class of articles in which the design is registered. It is important to note that import of such products is also unlawful and would amount to Piracy of Registered Designs.<sup>37</sup>

## 2.5 The Geographical Indications of Goods (Registration and Protection) Act, 1999

Geographical indication is a name or sign used on certain products, which is used to identify a good as originating in the territory or a region or locality in a territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. At present 192 geographical indications<sup>38</sup> are registered in India and most prominent among them are Darjeeling Tea, Tequila, Kancheepuram Silk, Scotch Whisky, Tirupathi Laddu, Bikaneri Bhuja Champagne etc. Geographical Indications of Goods (Registration and Protection) Act, 1999 governs the laws relating to Geographical Indication. The Act defines the offences and provides penalties for falsifying and falsely applying geographical indications which are similar in nature to the corresponding offences of Trademark.

Geographical Indications of Goods (Registration and Protection) Act, 1999 and Geographical Indications Of Goods (Registration and Protection) Rules, 2002 are the relevant laws for registration and protection of geographical indication.

### Remedies in case of infringement of Intellectual Property Rights

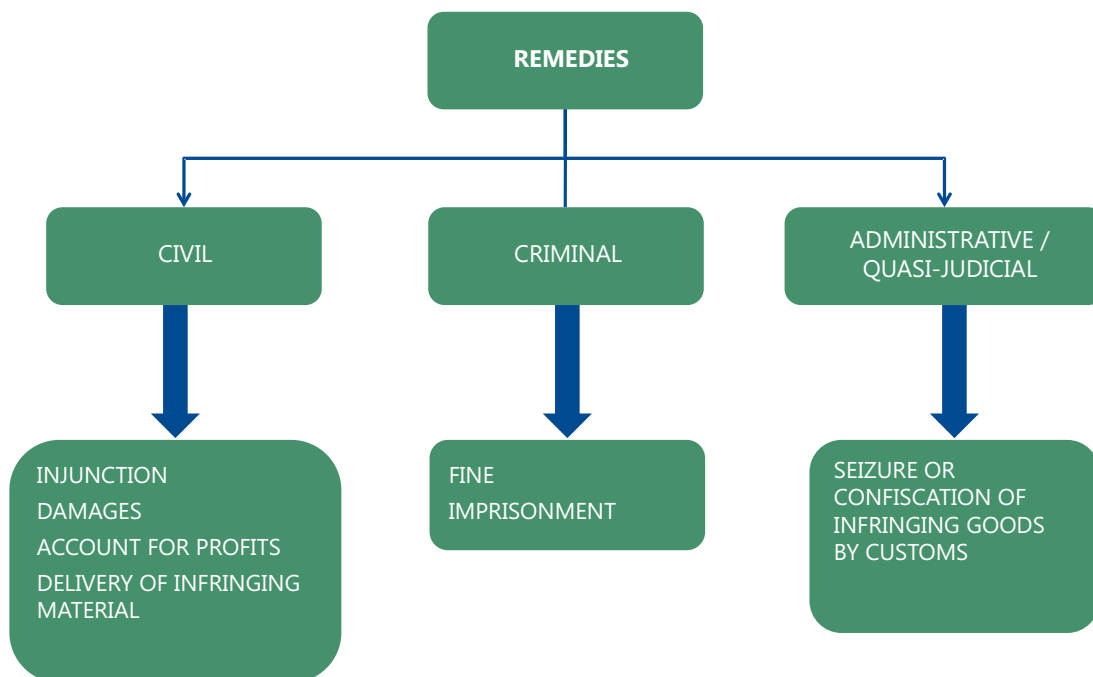
The following diagram illustrates the various remedies available with a person in a suit for infringement of an intellectual property right.

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<sup>36</sup> See Section 11 of the Designs Act, 2002

<sup>37</sup> See Section 22 of the Designs Act, 2002

<sup>38</sup> As per the records of the Office of CGPDTM available at <http://ipindiaservices.gov.in/GirPublic/DetailsGIR.aspx>



### Civil Remedies

In general, the **Civil remedies** granted in a suit for infringement of Intellectual Property Right are as follows:

#### a) Injunction

Injunction is a Court order by which a person is required to perform or is restrained from performing, a particular act. In relation to suits for infringement or for passing off the Court may pass injunction directing other party to refrain from using the trademark in question.

#### b) Damages or Accounts for profits

Damages means the compensation for the injury suffered. In relation to suits for infringement or for passing off Courts grant damages to the Plaintiff to compensate for the injury suffered on account of unauthorised use of the trademark. Account of profit means the actual amount of profit made by the opposite party due to unauthorised use of the trademark in question.

### **c) Delivery-Up**

In relation to suits for infringement or for passing off Courts can order for the delivery-up of infringing labels and marks for destruction or erasure.

### **d) Anton Pillar Orders**

On the lines of Anton Pillar Orders of English and English derived legal systems, in appropriate cases, the Court has inherent jurisdiction on an application by the plaintiff to require the defendant to permit the plaintiff to enter his premises and take inspection of relevant documents and articles and take copies thereof or remove them for safe custody.. The necessity for such an order arises when there is grave danger of relevant documents and infringing articles being removed or destroyed, so that the ends of justice will be defeated.<sup>39</sup>

### **e) John Doe Orders**

John Doe orders are ex parte remedy sought in anticipation of an infringing act against unknown/nameless defendants whose identity is not known to the plaintiff at the time when it is issued. These orders are issued by the Court to search and seize against unknown defendants.

The Criminal Penalties have been discussed above in detail with each law relating to Intellectual Property Right and Administrative Remedies is discussed later in this Chapter.

## **2.6 The Information Technology Act, 2000**

The main objective of the Information Technology Act, 2000 (hereinafter referred as IT Act) along with allied rules is to provide legal recognition for transactions carried out by means of electronic data inter-change and other means of electronic communications. The IT Act defines electronic record to mean data, record or data generated, image or sound stored, received or sent in an electronic form or micro film or computer generated micro fiche.<sup>40</sup>

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<sup>39</sup> Section 135 of the Trade Marks Act, 1999

<sup>40</sup> See Section 2(1)(t) of the Information Technology Act, 2000

### **Penalty for damage to computer, computer system, etc.**

If any person without permission of the owner or any other person who is in charge of a computer, computer system or computer network commits any one of the following acts then he shall be liable to pay damages by way of compensation not exceeding INR 1,00,00,000/- (Rupees One Crore only) to the person so affected by such act, namely;

- a) accesses or secures access to such computer, computer system or computer network;
- b) downloads, copies or extracts any data, computer data base or information from such computer, computer system or computer network including information or data held or stored in any removable storage medium; introduces or causes to be introduced any computer contaminant or computer virus into any computer, computer system or computer network;
- c) damages or causes to be damaged any computer, computer system or computer network, data, computer data base or any other programmes residing in such computer, computer system or computer network;
- d) disrupts or causes disruption of any computer, computer system or computer network;
- e) denies or causes the denial of access to any person authorised to access any computer, computer system or computer network by any means;
- f) provides any assistance to any person to facilitate access to a computer, computer system or computer network in contravention of the provisions of the IT Act, rules or regulations made thereunder;
- g) charges the services availed of by a person to the account of another person by tampering with or manipulating any computer, computer system, or computer network.<sup>41</sup>

### **Tampering with computer source documents and penalty thereof**

Whoever knowingly or intentionally conceals, destroys or alters or intentionally or knowingly causes another to conceal, destroy or alter any computer source code used

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<sup>39</sup> Section 43 of the Information Technology Act, 2000



for a computer, computer programme, computer system or computer network, when the computer source code is required to be kept or maintained by law for the time being in force, shall be punishable with imprisonment up to three years, or with fine which may extend up to Rs 2,00,000/- (Rupees Two Lakhs), or with both.<sup>42</sup>

### **Hacking with computer system and penalty thereof**

Whoever with the intent to cause or knowing that he is likely to cause wrongful loss or damage to the public or any person destroys or deletes or alters any information residing in a computer resource or diminishes its value or utility or affects it injuriously by any means, commits hacking with computer system and shall be punished with imprisonment up to three years, or with fine which may extend up to Rs 2,00,000/- (Rupees Two Lakhs), or with both.<sup>43</sup>

### **Publishing of information which is obscene in electronic form and penalty thereof**

Whoever publishes or transmits or causes to be published in the electronic form, any material which is lascivious or appeals to the prurient interest or if its effect is such as to tend to deprave and corrupt persons who are likely, having regard to all relevant circumstances, to read, see or hear the matter contained or embodied in it, shall be punished on first conviction with imprisonment of either description for a term which may extend to five years and with fine which may extend to Rs 1,00,000/- (Rupees One Lakh only) and in the event of a second or subsequent conviction with imprisonment for a term which may extend to ten years and also with fine which may extend to Rs 2,00,000/- (Rupees Two Lakhs only).<sup>44</sup>

## **2.7 Indian Penal Code, 1860**

Indian Penal Code, 1860 (hereinafter referred as IPC) is the main criminal code of the country and is intended to cover all substantive aspects of criminal law. IPC provides that whoever commits forgery, intending that the document forged shall be used for the purpose of cheating, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine.<sup>45</sup>

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<sup>42</sup> Section 65 of the Information Technology Act, 2000

<sup>43</sup> Section 66 of the Information Technology Act, 2000

<sup>44</sup> Section 67 of the Information Technology Act, 2000

<sup>45</sup> Section 468 of the Indian Penal Code, 1860

## 2.8 The Drugs and Cosmetics Act, 1940

The main objective the Drugs and Cosmetics Act, 1940 (hereinafter referred as the DC Act) and the Drugs and Cosmetics Rules, 1945 is to regulate the import, manufacture, distribution and sale of drugs and cosmetics within the territory of India. The Act defines misbranded, spurious and adulterated drugs and cosmetics under various provisions of the Act.<sup>46</sup>

The present Act prohibits the import of following drugs or cosmetics:

- a) any drug or cosmetic which is not of standard quality;
- b) any misbranded drug or misbranded or spurious cosmetic;
- c) any adulterated or spurious drug;
- d) any drug or cosmetic for the import of which a licence is prescribed, otherwise than under, and in accordance with, such licence;
- e) any patent or proprietary medicine, unless there is displayed in the prescribed manner on the label or container thereof the true formula or list of active ingredients contained in it, together with the quantities thereof;
- f) any drug which by means of any statement, design or device accompanying it or by any other means, purports or claims to cure or mitigate any such disease or ailment, or to have any such other effect, as may be prescribed;
- g) any cosmetic containing any ingredient which may render it unsafe or harmful for use under the directions indicated or recommended;
- h) any drug or cosmetic the import of which is prohibited by rules made in this regard.

However, this provision does not apply to the import of small quantities of any drug for the purpose of examination, test or analysis or for personal use.<sup>47</sup> In addition to the above rules, the Central Government may by notification prohibit the import of specific drugs or cosmetics which it considers necessary for public interest.<sup>48</sup>

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<sup>46</sup> Section 3 and 9 of the Drugs and Cosmetics Act, 1940

<sup>47</sup> Section 10 of the Drugs and Cosmetics Act, 1940

<sup>48</sup> Section 10A of the Drugs and Cosmetics Act, 1940

## Responsibility of the Customs Officials under the DC Act

The Collector of Customs or any other officer of the Government authorized by the Central Government in this behalf, may detain any imported package which he suspects to contain any drug or cosmetic the import of which is prohibited under the DC Act and shall forthwith report such detention to the Drugs Controller, India, and, if necessary, forward the package or sample of the drug or cosmetic found therein to the Central Drugs Laboratory.<sup>49</sup>

## Offence of importing prohibited goods and penalty thereof<sup>50</sup>

S.No.	Offence	Penalty
1.	Importation of Unsafe Adulterated, Spurious etc. Drug or Cosmetics	Imprisonment for a term which may extend to three years and a fine which may extend to <i>Rs 5,000 (Rupees Five Thousand)</i>
2.	Importation of Drug or Cosmetics in contravention of notification issued by Central Government	Same as above
3.	Importation of any other Drug or Cosmetics in contravention of the Rules provided hereunder	Imprisonment for a term which may extend to six months, or with fine which may extend to <i>Rs 5,000 (Rupees Five Thousand)</i>

## Confiscation of imported drugs or cosmetics

Where any offence punishable under aforesaid provisions has been committed, the consignment of the drugs or cosmetics in respect of which the offence has been committed shall be liable to confiscation.

<sup>49</sup> Section 11A of the Drugs and Cosmetics Act, 1940

<sup>50</sup> Section 13 of the Drugs and Cosmetics Act, 1940

## 2.9 The Food Safety and Standards Act, 2006

**a) The Food Safety and Standards Act, 2006 prohibits import of certain food products and provide penalties for selling, storing or distributing or importing such products. Following food products have been prohibited from import :**

- i) any unsafe or misbranded or sub-standard food or food containing extraneous matter;
- ii) any article of food for the import of which a licence is required under any statute or rules or regulations, except in accordance with the conditions of the licence; and
- iii) any article of food in contravention of any other provision of the FSS Act or of any rule or regulation made thereunder or any other for the time being in force.<sup>51</sup>

The Act provides penalties for selling, storing, distributing or importing such prohibited food products which vary in each case ranging from a fine of Rs One Lakh to Rs Ten Lakh depending upon the category of food product which is imported.<sup>52</sup>

## 2.10 The Customs Act, 1962

Under Indian law the movement of carrier/vessels/craft/passengers/goods etc. in and out of country is governed by the Customs Act, 1962 along with rules and regulations made thereunder. Under the Customs Act, 1962, imported goods are unloaded and exported goods are loaded from the Customs ports, Airports, Inland Container Depots (ICD) and Land Customs Stations(LCS) notified by the Central Board of Excise and Customs (CBEC).<sup>53</sup>

Under the Customs Act, 1962, the Central Government has the power to prohibit either absolutely or subject to such conditions as may be specified, import or export of goods. The Central Government may restrict or prohibit import and export of goods infringing trademarks, patents and copyrights under section 11(2)(n) of the Customs Act, 1962. Similarly, the Central Government may restrict import and export of goods for the purpose of prevention of the contravention of any law for the time being in force, under section 11(2)(u) of the Customs Act, 1962.

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<sup>51</sup> Section 25 of the Food Safety and Standards Act, 2006

<sup>52</sup> Section 51, 52, 54 and 57 of Food Safety and Standards Act, 2006

<sup>53</sup> Section 7 of the Customs Act, 1962

## Powers of Customs Officials

S.No.	With Respect to	Powers
1.	<b>Persons</b>	<ul style="list-style-type: none"> <li>• Power to search suspected persons entering or leaving India<sup>54</sup></li> <li>• Power to search suspected persons in respect of specific goods (gold, diamond, watches etc)<sup>55</sup></li> <li>• Power to screen or X-ray bodies of suspected persons for detecting secreted goods<sup>56</sup></li> <li>• Power to arrest persons<sup>57</sup></li> <li>• Power to examine persons<sup>58</sup></li> <li>• Power to summon persons to give evidence and produce documents<sup>59</sup></li> </ul>
2.	<b>Premises</b>	<ul style="list-style-type: none"> <li>• Power to search premises for goods, documents or things which are liable for confiscation.<sup>60</sup></li> </ul>
3.	<b>Carrier / conveyances</b>	<ul style="list-style-type: none"> <li>• Power to stop, search, examine the carrier/conveyances in case of suspicion of smuggled goods.<sup>61</sup></li> </ul>
4.	<b>Goods and Documents</b>	<ul style="list-style-type: none"> <li>• Power to require production of order permitting clearance of goods.<sup>62</sup></li> <li>• Power to seize goods, documents etc.<sup>63</sup></li> <li>• Power to issue an order requiring the owner not to deal with the goods except with the previous permission of such officer</li> </ul>

<sup>54</sup> Section 100 of the Customs Act, 1962

<sup>55</sup> Section 101 of the Customs Act, 1962

<sup>56</sup> Section 103 of the Customs Act, 1962

<sup>57</sup> Section 104 of the Customs Act, 1962

<sup>58</sup> Section 107 of the Customs Act, 1962

<sup>59</sup> Section 108 of the Customs Act, 1962

<sup>60</sup> Section 105 of the Customs Act, 1962

<sup>61</sup> Section 106 of the Customs Act, 1962

<sup>62</sup> Section 109 of the Customs Act, 1962

<sup>63</sup> Section 110 of the Customs Act, 1962

### Confiscation of improperly imported goods and penalty thereof

The Customs Officials are empowered to confiscate goods brought from a place outside India in contravention of the provisions of Section 111 of the Customs Act. It provides a list of goods which can be confiscated by the Customs, amongst which following are relevant in context of IP enforcement:

S.No.	Prohibition on the importation of Goods
1.	'Any goods which are imported or attempted to be imported or are brought within the Indian customs waters for the purpose of being imported, contrary to any prohibition imposed by or under the Customs Act or any other law for the time being in force'
2.	'Any dutiable or prohibited goods found concealed in any manner in an conveyance'
3.	'Any dutiable or prohibited goods required to be mentioned under the regulations in an import manifest or import report which are not so mentioned'
4.	'Any dutiable or prohibited goods found concealed in any manner in any package either before or after the unloading thereof'
5.	'Any dutiable or prohibited goods imported by land in respect of which the order permitting clearance of the goods required to be produced under section 109 of the Customs Act is not produced or which do not correspond in any material particular with the specification contained therein'

### Penalty for improper importation of goods, etc.

S.No.	Offence	Penalty
1.	Dealing in goods which he knows or has reason to believe are liable to confiscation being Prohibited Goods	Penalty not exceeding the value of the goods or Rs 5,000 (Rupees Five Thousand), whichever is the greater <sup>64</sup>
2.	Knowingly or intentionally makes, signs or uses any declaration, statement or document which is false or incorrect in any material particular, in the transaction of any business for the purposes of the Customs Act	Penalty not exceeding five times the value of goods. <sup>65</sup>
3.	False declaration, false documents, etc.	Imprisonment for a term which may extend to two years, or with fine, or with both. <sup>66</sup>
4.	Evasion of Duty or Prohibitions	<p>(a) In case market price exceeds one crore or duty exceeds thirty lakh</p> <p>Imprisonment for a term which may extend to seven years and with fine. However, in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the court, such imprisonment shall not be for less than one year.</p> <p>(b) In any other case</p> <p>Imprisonment for a term which may extend to three years, or with fine, or with both.<sup>67</sup></p>

<sup>64</sup> Section 112 of the Customs Act, 1962

<sup>65</sup> Section 114AA of the Customs Act, 1962

<sup>66</sup> Section 132 of the Customs Act, 1962

<sup>67</sup> See Section 135 of the Customs Act, 1962

## 2.11 Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007

According to Sections 11(1) read with 11(2)(n) and (u) of the Customs Act the Central Government is empowered to prohibit either absolutely or subject to such conditions, the import or export of goods for the purpose of protection of patents, trademarks and copyrights or any other law for the time being in force. Consequently in exercise of the powers conferred by section 156(1) of the Customs Act read with section 11(2)(n) and (u) of the said Act, the Central Government has notified<sup>68</sup> the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (hereinafter referred as IPR Enforcement Rules) for protecting the intellectual property rights of right holder in imported goods.

### Comparison of TRIPS border measures and corresponding Indian Rules

#### Scope of Border Protection

The mandatory obligations under Articles 51 to 60 of the TRIPS dealing with border measures are restricted to Copyright and Trade Marks infringement only, the said Agreement does not impose mandatory obligation on its members for border protection with respect to Patents, Designs and Geographical Indications. On the other hand, the IPR Enforcement Rules has provided border measures for Copyright, Trademark, Patent, Design and Geographical Indication. Thus, our law is clearly TRIPS-plus.<sup>69</sup>

#### Goods in Transit

The goods arriving at the border are of two types. One intended to be used within the territory and the other are the goods in transit/transshipment

<sup>69</sup> Article 51 of TRIPS: 'Members shall, in conformity with the provisions set out below, adopt procedures to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories'.



having destination to other countries. TRIPS Agreement do not impose an obligation to confiscate goods in transit or transshipment<sup>70</sup> But the Indian position on the same is as follows:

Whether goods in transit are considered to be infringing in the country of transit?

**Trade Marks Act:** The definition of infringement of a trademark under Section 29 includes "use" of a registered trademark, where "use of a registered trademark" under Section 29(6) includes export and in-transit goods qualify as goods being exported.<sup>71</sup> In light of the same, it may be interpreted that goods that are counterfeit in India will be considered counterfeit under the Trademarks Act even if they are in-transit.

**Patents Act:** The act of merely 'exporting' a good that infringes a patent will not qualify as infringement. Thus in transit goods are exempted under the Patent Act.

In a press release dated 28 July 2011<sup>72</sup> it was announced that India and the European Union (EU) have come to an informal understanding of principles to guide border enforcement of IP in the EU. Under this understanding the mere fact that medicines are in transit through EU territory, and that there is a patent title applicable to such medicines in the EU territory, does not in itself constitute enough grounds for customs authorities in any Member State of EU to suspect that the medicines at stake infringe patent rights. However, a situation in which medicines are in transit through EU territory and there is adequate evidence that satisfies the customs authorities that there is a substantial likelihood of diversion of such medicines on to the EU market may constitute enough grounds for customs authorities to suspect that the medicines at stake infringe patent rights in the EU.

<sup>70</sup> Footnote to Article 13 of TRIPS- ' It is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder, or to goods in transit'

<sup>71</sup> Manoj Menda, Infringement of Trademark by Goods in Transit, International Association for the Protection of Intellectual Property, September 30, 2012

<sup>72</sup> The Press Release is available at <http://pib.nic.in/newsite/erelease.aspx?relid=73554>

**Copyright Act:** The Copyright Act, under Section 53 deals with importation of infringing copies. By Copyright (Amendment) Act, 2012, the section was amended and Section 53(2) which specifically excludes goods in transit reads as follows:

*'The Commissioner (of Customs), after scrutiny of the evidence furnished by the owner of the right and on being satisfied may treat infringing copies of the work as prohibited goods that have been imported into India, excluding goods in transit.'*

Under the IPR Enforcement Rules, if any intellectual property holder has suspicion or reason to believe that certain goods, infringing his intellectual property are being imported or smuggled in India then he can give notice to the Customs Department, requesting for suspension of clearance of goods suspected to be infringing intellectual property rights of the said holder. These rules are applicable on following intellectual property rights:

- a) Copyright;
- b) Trademark;
- c) Patent;
- d) Design; and
- e) Geographical Indication.

(The details of the provisions under these Rules have been discussed in the Chapter 4)

### **Consequences of Unwarranted Withholding of Non-Infringing Imported Goods**

#### **The Proprietor vs. the Commissioner of Customs and Anr. (21/07/2011)<sup>73</sup>**

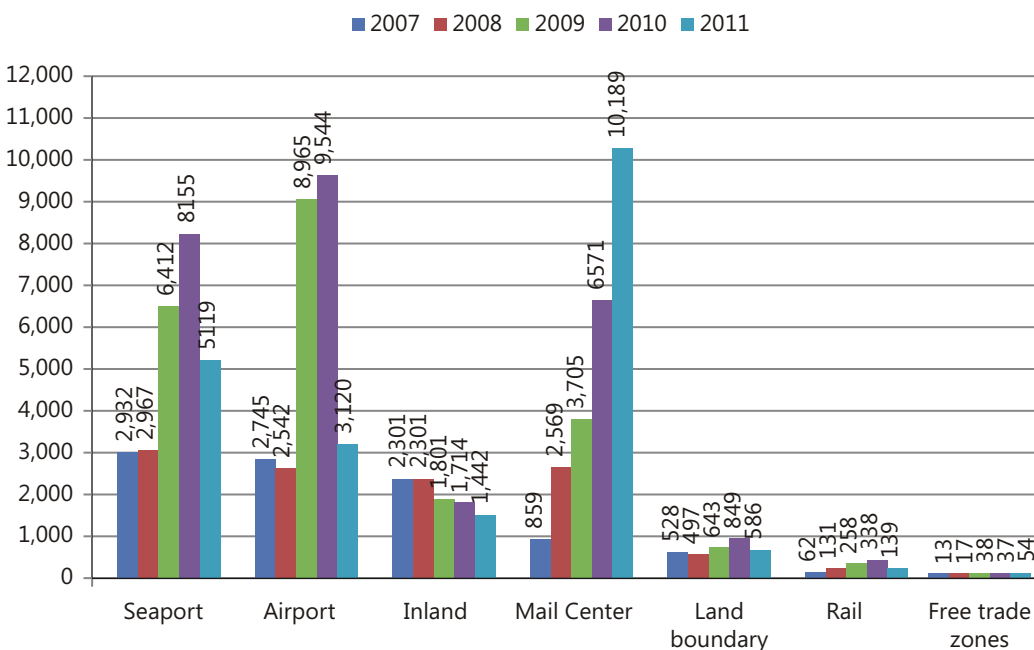
In this case, one Mr. T. A. Joslin proprietor of a concern engaged in the business import & export, imported a consignment which was found to be

<sup>73</sup> The Judgement is available at <http://indiankanoon.org/doc/16320093/>

containing three articles infringing the intellectual property rights of M/s. Johnson & Johnson Ltd. and M/s. Wipro Cyprus Pvt. Ltd. The Commissioner of Customs, Cochin, Special Intelligence and Investigation Branch (IPR Cell) communicated the same to Mr. T. A. Joslin vide letter dated May 16, 2011. In reply, Mr. T. A. Joslin vide letter dated May 18, 2011 requested the Customs Authorities to detain the three objectionable items and clear the rest of the imported goods. However, the Customs Authorities neither released the non infringing goods as requested by Mr. T. A. Joslin nor assessed the goods under Customs Act.

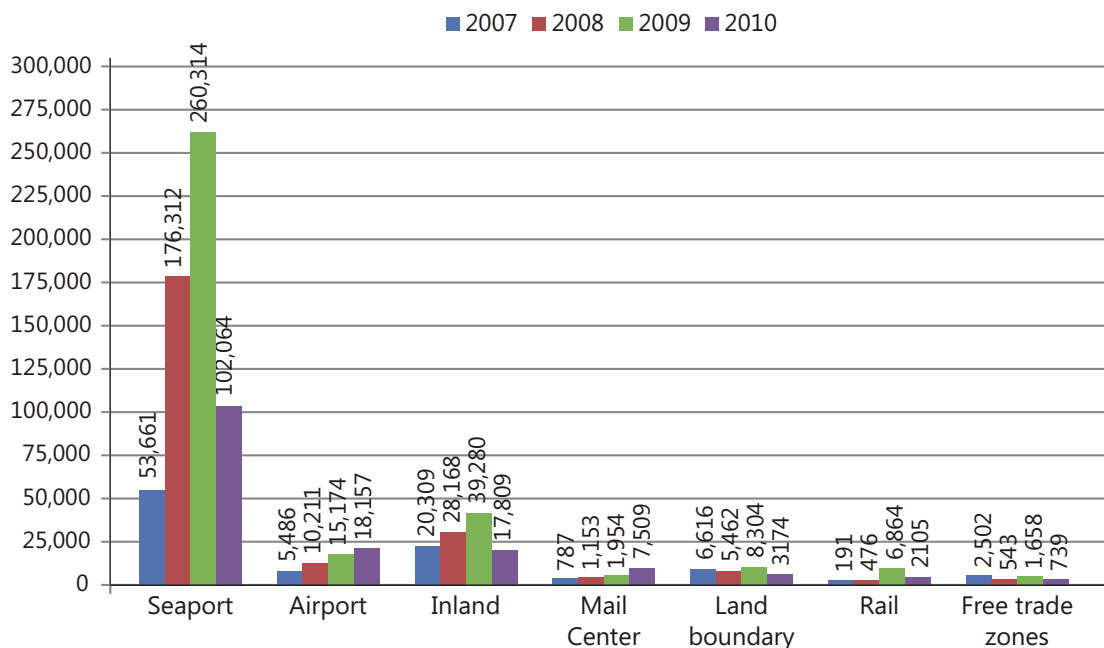
The Division Bench of Kerala High Court ultimately held withholding of non infringing goods was an unwarranted action on part of Customs Authorities and directed the Customs Official take a decision regarding release of the non infringing goods by following the various methods prescribed under the Customs Act within two weeks.

**Graph 2.2: Major Customs Locations of the World for Seizure / Detention of Counterfeit Goods by Number of Cases (2007 - 2011)**



Source : WCO Customs and IPR Report for the years 2008 to 2011

**Graph 2.3: Major Customs Locations of the World for Seizure / Detention of Counterfeit Goods by number of items sized (2007 - 2011)**



Source : WCO Customs and IPR Report for the years 2008 to 2011

## 2.12 Law relating to parallel imports

### Meaning of parallel imports

Parallel goods are original, genuine goods imported from another country which is priced at a rate which is lower than the price in the country of importation. In fact, parallel goods are not made for the market in which they are sold. They have been designed and developed for a different market with that market's taste, quality control standards, and health and safety standards in place. Parallel imports can be interpreted as non-counterfeit product imported from another country without the permission of the intellectual property owner in the country of importation.

### Is Parallel Imports legal in India?

It is pertinent to note that the TRIPS agreement in Article 6 states that the practice of parallel imports cannot be challenged under the WTO dispute settlement system and so is effectively a matter of national discretion. Some countries allow this, others do not.

In view of the ambiguity in the current laws relating to the issue as to whether parallel imports are allowed in India or not, the same was referred to the Department of Industrial Policy and Promotion, Ministry of Commerce & Industries (hereinafter referred as DIPP) seeking their clarification.

In this regard, the DIPP which is nodal authority for all matters relating to the Trade Marks Act, Patents Act and the Designs Act, 2000 has, inter alia stated that:

- a) Section 107A (b) of the Patents Act, 1970 provides that importation of patented products by any person from a person who is duly authorised under the law to produce and sell or distribute the product shall not be considered as an infringement of patent rights. Hence, in so far as Patents are concerned, Section 107A (b) provides for parallel imports.
- b) Section 30(3)(b) of the Trade Marks Act, 1999 provides that where the goods bearing a registered Trade Mark are lawfully acquired, further sale or other dealing in such goods by purchaser or by a person claiming to represent him is not considered an infringement by reason only of the goods having been put on the market under the registered Trade Mark by the proprietor or with his consent. However, such goods should not have been materially altered or impaired after they were put in the market.
- c) In so far as designs are concerned, it is clarified that parallel imports are not allowed as indicated by Section 22 (1)(b) of the Designs Act, 2000.
- d) As regards geographical indications, it is stated that there are no identical or similar provisions as in Section 107A(b) of Patents Act, 1970 on parallel imports under the Geographical Indications of Goods (Registration and Protection) Act, 1999. The said Act does not address the issue of parallel import at all. Hence, parallel imports are not covered under this Act.
- e) As regards 'copyright' since the clarification is awaited from the nodal authority i.e., Department of Higher Education, the field formations may follow the extant provisions of the Copyright Act, 1957 until further instructions are issued in this regard.<sup>74</sup>

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<sup>74</sup> Circular No. 13/2012 - Customs, dated May 08, 2012

## Doctrine of National/International Exhaustion of Trademarks

### Trademarks Dispute between Samsung and Kapil Wadhwa (3/10/2012)

It would be highly relevant to refer to the recent judgment of Division bench of the Delhi High Court. The Delhi High Court in Samsung Electronics Co. Ltd. & Anr. v Kapil Wadhwa & Ors., considered the issue whether parallel importation of goods and the sale of those goods without permission of the proprietor of the mark amounts to infringement of the trademark or not.

Facts and Contentions in brief:

Samsung Electronics Co. Ltd. sought a permanent injunction against the defendants, complaining that they were importing SAMSUNG printers from a foreign market into India and were selling them under the trademark SAMSUNG, thereby infringing its registered trademark in India.

Appellant's / Samsung's Contention: The respondent was allegedly infringing its trademarks because he was reselling the products in another market without Samsung's permission and because the printers sold by Samsung in India were materially different from those sold in other markets.

Respondent's Contention: The respondents argued that the doctrine of international exhaustion applies in India according to which the trademark owner's right to control the goods bearing its mark becomes exhausted upon first sale of the goods.

While the Delhi High Court Single bench<sup>75</sup> had held the same to be infringement the Division Bench<sup>76</sup> of the Delhi High Court had held that the Trademark Law in India recognizes the principle of International Exhaustion i.e the IP rights are exhausted once the product has been sold by the IP owner or with his consent in any part of the world and therefore the parallel

<sup>75</sup> Samsung Electronics Co. Ltd. & Anr. v Kapil Wadhwa & Ors, 2012(49)PTC571(Del.)

<sup>76</sup> Kapil Wadhwa & Ors v Samsung Electronics Co. Ltd. & Anr, 2013(53)PTC571(Del.)(DB)

importing of goods without prior permission of the registered proprietor does not amount to infringement of trademark rights. At present, the matter is Sub-Judice with the Supreme Court. If High Court's decision is upheld by the Supreme Court it would be a landmark decision allowing the sale of parallel imports in India.<sup>77</sup>

Thus, in view of aforesaid clarification by DIPP and judgment of division bench of Delhi High Court, it would be safe to state that as far as trademark and patents are concerned parallel imports are allowed in India. In case of designs parallel imports are prohibited as per the clarification of DIPP. However, in case of parallel imports relating to copyright and geographic indications the issue is still ambiguous and the Customs Officials are advised to refer to the DIPP clarification and respective statutes.

### **Seizure of Parallel imports of Dell Laptops**

#### **Decision of Commissioner of Customs (Import) in case of notice filed Dell India Pvt. Ltd. (29/03/2012)<sup>78</sup>**

In this case, three Indian importers (collectively called as Defendants) were importing Dell laptops from China. The Customs Officials on the basis of notice filed by Dell India Pvt. Ltd. under the IPR Enforcement Rules suspended the clearance of imported goods. Later on, by an independent examination it was found out that the alleged goods were in fact genuine Dell products manufactured by the Dell's subsidiary in China.

The Dell India Pvt. Ltd. submitted that the said consignments were prohibited goods under Rule 6 of the said Rules read with Section 11 of the Customs Act, 1962. The Plaintiff also relied upon the Single Judge Bench decision in Samsung Electronics Co. Ltd. v. Kapil Wadhwa (supra). On the other hand, the Defendants put forward the submission that importation of genuine products doesn't amount to infringement of trademark as

<sup>77</sup> INTA Bulletin, The Voice of International Trademark Association, 'India: Appeals Court Recognizes International Exhaustion of Trademark Rights', Vol. 67 Issue No. 15, December 15, 2012

<sup>78</sup> The order is available at <https://docs.google.com/file/d/1ehA9Gw2vTRZcpit7ljH0G8pAqw5m7Q2IV6uL7Z8V93SMSbN8oMPQY3Mxy8Z1/edi t?pli=1>

contemplated in Section 29 of the TM Act. The Defendants also submitted that Section 30(3) of the TM Act carves an exception for lawful importers who imported branded products, which were lawfully acquired even if some other person(s) was the exclusive distributor in respect of those products.

The Customs Commissioner after much deliberation held that where the goods bearing a registered trademark are 'lawfully acquired', further sale or other dealing in such goods by the purchaser, or by a person claiming to represent him, is not considered an infringement by reason of the goods having been put on the market under the registered trademark by the proprietor or with his consent. However, such goods should not have been materially altered or impaired after they were put in the market. The Commissioner further held that only those goods in relation to the Trade Marks Act, 1999 are prohibited goods under Section 11 of the Customs Act, where false trade marks of false trade description have been applied. As the imported goods are found to be genuine, the imports of the same are not prohibited by the Customs notification. The Commissioner also ordered the Dell India Pvt. Ltd. to pay warehousing and demurrage charges to the Defendants.

### **Do Parallel Imports serve as an easy cover for Counterfeit goods?**

Parallel Imports being legal often serve as a hiding place and an easy convenient cover for counterfeit goods in cross border trade. According to a survey conducted by BASCAP, a recommendation was made to the Customs officials to focus their resources on additional review of parallel imports as a source of counterfeit imports.<sup>79</sup>

Further International Trademark Association (INTA) has been of the opinion that border problems are aggravated by trade in parallel goods. The Asia-Pacific Subcommittee of INTA's Amicus Committee has filed an amicus brief with the Supreme Court of India seeking leave for INTA to intervene in the Samsung Electronics Co. Ltd. & Anr. v Kapil Wadhwa & Ors. It strongly supports the principle of national exhaustion with respect to parallel imports for the following reasons:

<sup>79</sup> India's Counterfeiting and Trademark Environment: Summary and Analysis of BASCAP Member Survey, International Chamber of Commerce, World Business Organization, BASCAP



- Buying products in one jurisdiction cheaply and then reselling them in another for less than the trademark owner's price point in that country 'causes irreparable prejudice to right holder who have invested in market research, product development, brand promotion, after sales service, and distribution network.'
- Economic analysis favors the concept of national exhaustion. International exhaustion threatens to undermine low-pricing policies in underdeveloped countries, can be unfair to local distributors and encourages counterfeits by legitimizing parallel imports, which often are shipped through the same channels as or mixed with counterfeit goods.<sup>80</sup>

## 2.13 Laws relating to Export

In exercise of the powers conferred by section 11 of the Customs Act and the Central Government has vide notification<sup>81</sup> prohibited export of following goods;

- a) which are required by a notification under section 139 of the TM Act to have applied to them an indication of the country or place in which they were made or produced or of the name and address of the manufacturer or the person for whom the goods were manufactured, but which have not applied to them such indication in the manner specified in the notification;
- b) any goods which are required to be stamped under section 81 of the TM Act but which have not been stamped in the manner specified in the Trade Marks Rules, 2002.

To conclude, it may be said that strict enforcement laws and stringent action by the appropriate authorities is necessary to eliminate counterfeit products. In addition to the regulatory framework, the cooperation from the right holders or owners of such products is equally important. Resistance on the supply side alone is inadequate to control or even curb the counterfeit trade. The demand side of the market, that comprises customers, also need to be addressed to effectively deal with the problem of counterfeiting.

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<sup>80</sup> INTA Bulletin, The Voice of International Trademark Association, INTA Seeks Leave to Intervene in Parallel Imports Case in India, Vol 68 Issue No. 15, August 15, 2013

<sup>81</sup> Notification No. 50/2007-Customs (N.T.)

## Chapter 3:

### How Customs can distinguish between original and fake?

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As the counterfeit industry has permeated world trade, posing challenges to right holders every day, to enforce their rights adoption of not only the broader framework is required to protect the tangible and intangible assets but also of the holistic approach to derive benefits from its dynamic performance. In the asset owners' struggle to combat the tide of counterfeit goods, the primary step remains the authentication of the article which is quite a conundrum for the officials, government agencies and the general public. The chapter intends to cover the methodologies to aid Customs officials in differentiating the original product from its counterfeit.

#### **Anti-Counterfeiting measures**

### **3.1 Using Technology for Product Authentication and Security**

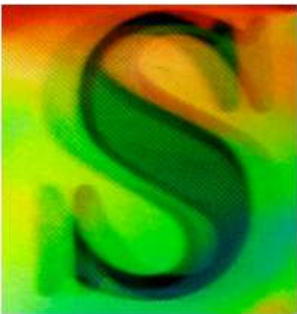

As industry comes up with new detection methods, the counterfeiters come up with even newer ways to evade detection. One cannot reach a definite conclusion whether a part is counterfeit or not by performing a simple test. The intellectual property right holder may use different measures (as delineated below) to secure the identity and authenticity of the product.

It can be broadly divided into the following four categories<sup>82</sup>:

- Overt Features (Visible Features)
- Covert Features (Hidden Markers)
- Forensic Techniques
- Serialization/ Track-Trace System


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<sup>82</sup> Anti-Counterfeiting Technologies for the protection of Medicines, WHO Report, International Medical Products Anti-Counterfeiting Taskforce available at <http://www.who.int/impact/events/IMPACT-ACTechnologiesv3LIS.pdf>


S.No.	Techniques/Tests to check authenticity of Products	Meaning
1.	<p data-bbox="285 444 494 476"><b>Overt Features</b></p>  	<p data-bbox="692 444 1238 561">The overt features ensure the authenticity of the product to the end users. Some of these features are:</p> <p data-bbox="692 587 858 619"><b>Holograms:</b></p> <p data-bbox="692 646 1259 853">These features normally incorporate an image with some illusion of 3D construction or of apparent depth or special separation including color transformation or monochromatic contrast.</p> <p data-bbox="692 878 1067 910"><b>Optically Variable Devices:</b></p> <p data-bbox="692 946 1257 1432">Often used as a security device and anti counterfeiting measure on money, credit cards and government issued identification cards optically variable devices can be created through a combination of printing and embossing. It generally involves image flips or transitions including color transformations or monochromatic contrasts. OVDs cannot be photocopied or scanned, nor can they be accurately replicated or reproduced.</p> <p data-bbox="692 1457 1216 1489"><b>Color Shifting security inks and films:</b></p> <p data-bbox="692 1502 1233 1751">The premise behind such security is the specificity and dynamics of the color change, moreover it is difficult to reproduce. Its authentication may involve forensic examination and embedded taggants.</p>

<sup>83</sup> Available at <http://www.indiamart.com/signorhisecpackaging/hologram-stickers.html>


<sup>84</sup> Available at <http://www.packaging-gateway.com/contractors/brand-protection/3d-ag/3d-ag2.html>

S.No.	Techniques/Tests to check authenticity of Products	Meaning
		<p><b>Security Graphics</b></p> <p>Graphics incorporating certain design elements (such as line emboss, microtext or latent images) are used in this case in the background making it difficult to scan or reproduce the design.</p> <p><b>Sequential Product Numbering</b></p> <p>In this case sequential numbering is done on each pack thereby making it easier to detect any counterfeit in the batch.</p> <p>While these overt features can easily be verified by the user, it may not always be 100% secure as counterfeiters apply a simple copy which mimics the genuine device to confuse the users.</p>
2.	<p><b>Covert Features</b></p>  <p><small>85</small></p>	<p>These features are not visible and the general public may not even be aware of its presence. These are especially included by the owner to identify their product and it is only within their specialized knowledge.</p> <p><b>Special Invisible Inks</b> which appear only under certain conditions like UV or IR illumination, which shows different colors with illumination at different wavelengths.</p> <p><b>Embedded Image with in</b> the pack graphics which can only be viewed by a special filter and are not visible by normal scanning e.g stamp papers, cheques.</p>


<sup>85</sup> Available at <http://www.globright.com/invisibleink.html>

S.No.	Techniques/Tests to check authenticity of Products	Meaning
	<p>Laser Coding<sup>86</sup></p> 	<p><b>Anti-copy or Anti-scan design</b> which may appear as fine line background pattern but when scanned or copied reveal a latent image different from what was previously visible.</p> <p><b>Digital Watermarks</b> It is covertly embedded in a noise-tolerant signal such as audio, pictures, video, texts or 3D models. A signal may carry several different watermarks at the same time. Like traditional watermarks, digital watermarks are only perceptible under certain conditions, i.e. after using some algorithm, and are imperceptible anytime else.</p> <p><b>Laser Coding</b> by which batch variable details are encrypted using lasers.</p> <p><b>Substrates:</b> There are many ways of incorporating covert markers within a substrate for product identification e.g UV fluorescing fibres or chemical reagents in carton board/paper, metallic threads interwoven in the base material.</p>
3.	<b>Forensic Techniques</b>	Forensic Techniques are techniques whereby scientific methodology is used to authenticate the product. These require laboratory testing or field test kits to prove authenticity.

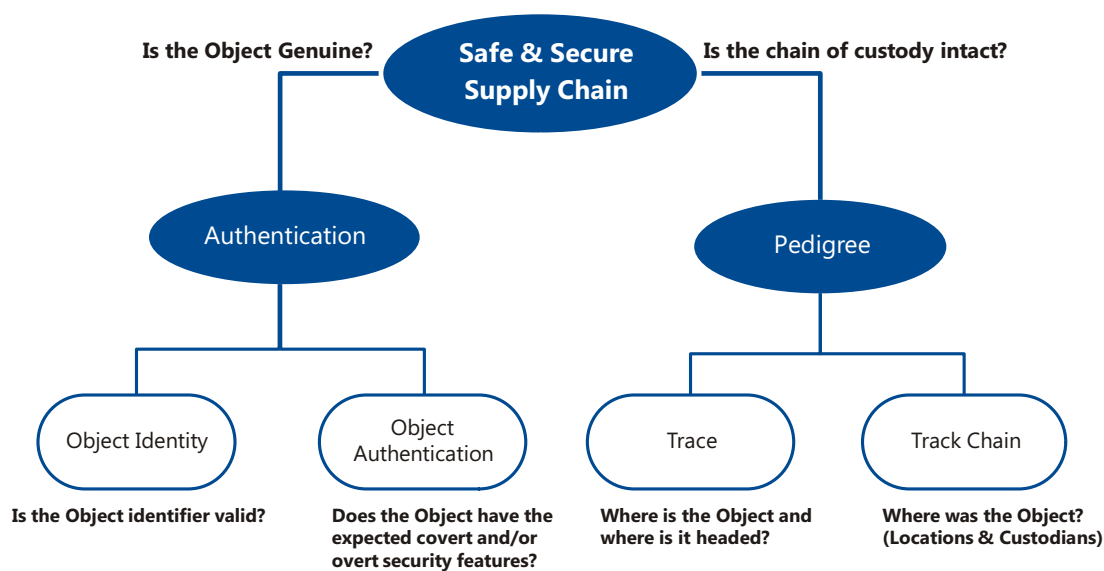
<sup>86</sup> Available at <http://www.packaging-int.com/article/linx-sl301-scribing-laser-coder-with-visicode-technology.html>

S.No.	Techniques/Tests to check authenticity of Products	Meaning
		Some of the examples of forensic markers are chemical taggants, biological taggants, DNA taggants etc.
4.	<p><b>Serialization- Track and Trace Technologies</b></p> <p>13 Digit International Code</p>  <p>6 9 0 1 2 3 4 5 6 7 8 9 2 &gt;</p> <p>country code    manufacturer identity    Item Identity    check digit</p> <p><small>87</small></p>	<p>Manufactures assign a unique identity to each unit which then remains with it throughout the supply chain until its consumption. The unique identity normally includes details of product name/strength and lot number and expiry date. This unique pack coding enables access to the same information held on a secure database.</p> <p>The process of Serialization serves the following functions:</p> <p>(a) Tracking an object i.e. where the object is and where is it headed to?</p> <p>(b) Tracing the object i.e. tracing the history of the item as to where the object was?</p> <p>(c) Authentication of the data</p> <p>The process of Serialization can take the following forms:</p> <p><b>(a) Bar Code</b></p> <p>These are high density linear or 2D bar codes incorporating product identity which are scanned and referred to the central database.</p>

<sup>87</sup> Available at <http://markoliverinc.com/news/page/3/>

S.No.	Techniques/Tests to check authenticity of Products	Meaning
	 <p data-bbox="300 810 320 832">88</p>	<p data-bbox="699 449 1222 485"><b>(b) Radio Frequency Identity Tagging</b></p> <p data-bbox="699 517 1257 553">Radio-frequency identification (RFID) is the</p>

**Figure 3.1: The process of serialization:**



<sup>88</sup> Available at <https://www.sparkfun.com/news/1284>

### Key to Decoding the Bar Code

The first three digits of the 13 digit international bar code show the country of origin. Some of the more dominant international codes are:

S.No	Country	Country Code (First 3 digits)
1	France	300-379
2	Germany	400-440
3	Japan	45-49
4	Taiwan	471
5	Philippines	480
6	Hong Kong	489
7	Poland	590
8	China	690-695
9	Mexico	750
10	Chile	780
11	Brazil	789-790
12	South Korea	880
13	Thailand	885
14	India	890
15	Vietnam	893

Source: GS1, The global language of business, available at [www.gs1.org](http://www.gs1.org)

### 3.2 General Tests/Rules

To distinguish between the original and fake products with a naked eye is increasingly becoming difficult as counterfeiters are using computerized and digital machines to write prices, manufacturing dates and batch numbers on the packets. In view of the development in technology, it is becoming inevitable for all stakeholders to install and use new technologies to detect counterfeit products.

Moreover, if some general rules<sup>89</sup> regarding spotting of fake products are kept in mind, it can always be handy for the Customs officials to distinguish between the original and the fake products.

<sup>89</sup> How to spot counterfeit products' available at <http://www.wikihow.com>



S.No.	Test/Rule
1.	<p data-bbox="292 414 786 449"><b>Careful Inspection of the Packaging</b></p> <p data-bbox="292 483 1257 651">Nowadays every IPR holder takes a lot of care when it comes to packaging their products. Sometimes some obvious counterfeit goods are brought into the market which can easily be detected by carefully examining the packaging for:</p> <ul data-bbox="292 687 1190 1400" style="list-style-type: none"> <li data-bbox="292 687 1190 768">● Flimsy packaging, packaging with substandard printing or running colors, or packages that appear to have been opened;</li> <li data-bbox="292 804 730 838">● Spelling or grammatical errors;</li> <li data-bbox="292 874 687 908">● Examining tags on Apparel;</li> <li data-bbox="292 944 1241 1198">● Incomplete information Most product labels and boxes have a whole host of information printed on them, from bar codes to trademark and patent information to recycling symbols. Counterfeiters may not be able to reproduce every detail and there is a high probability of counterfeit products having incomplete information.</li> <li data-bbox="292 1234 1225 1400">● Absence of manufacturers' contact information Most reputable companies provide a phone number or at least an address at which consumers can call them which is usually absent on counterfeit products (See Figure 3.2 and 3.3).</li> </ul>
2.	<p data-bbox="292 1438 1102 1472"><b>Deals/Prices that are very low when compared to originals</b></p> <p data-bbox="292 1506 1257 1630">An unreal bargain, for example when a genuine product priced at Rs 10,000,00 is being sold at Rs 20,000 there is high probability that the same is not genuine.(See Figure 3.4)</p>
3.	<p data-bbox="292 1668 488 1702"><b>Quality Check</b></p> <p data-bbox="292 1736 1257 1859">Counterfeit Products are usually flimsy and so obviously poorly made that it may be spotted by an overall examination of quality. (See Figure 3.5 and 3.6)</p>

S.No.	Test/Rule
4.	<p data-bbox="432 400 786 431"><b>Safety Certification Label</b></p> <p data-bbox="432 470 1337 544">Products that pose safety risk such as electrical products, have one or more safety certifications on its label if it is genuine.</p> <p data-bbox="432 583 1409 840">Example: In the United States, UL (Underwriters Laboratory) label and ETL (Electrical Testing Laboratory) marks are most common. In Europe, the CE (Conformité Européenne) marking is required on electrical products, and in Canada the CSA (Canadian Standards Association) mark is common. Underwriters Laboratory requires hologram marks for most products from China and for some products regardless of country of origin.</p> <p data-bbox="432 878 1394 1044">If such a product does not have safety certification mark then the product is deemed to be pirated/counterfeited. But the problem arises when counterfeiters use fake certification mark. In this case the following points may be useful to distinguish :</p> <ul data-bbox="432 1083 1402 1476" style="list-style-type: none"> <li data-bbox="432 1083 1402 1157">● The mark for the certificate will not be of the same design/font as the original certificate mark.</li> <li data-bbox="432 1195 1402 1270">● If the certification mark is present only on the packaging, but not on the product itself, there's a good chance that the product is fake.</li> <li data-bbox="432 1308 1402 1476">● The marks for a given certification will include a control number for the specific product. Some of the aforementioned organizations also have online product registries where one can look up a particular product or control number to verify the certification.</li> </ul> <p data-bbox="432 1515 635 1547">(See Figure 3.7)</p>
5.	<p data-bbox="432 1583 772 1615"><b>Supplementary Material</b></p> <ul data-bbox="432 1653 1398 1866" style="list-style-type: none"> <li data-bbox="432 1653 1398 1727">● Counterfeit products often don't include supplementary materials such as owner's manual or a product registration card.</li> <li data-bbox="432 1766 1182 1798">● Sometimes not all parts are included with the product.</li> <li data-bbox="432 1836 1114 1866">● Some parts will be from a different manufacturer.</li> </ul>

S.No.	Test/Rule
6.	<b>Manufacturers' website for Warnings/Alerts</b>  Though it may not always be possible to check the manufacturer's website for warning/alerts etc, but sometimes in case of specific manufacturer, it maybe a useful tool to check the website of manufacture for warnings/alert for possible counterfeit products. (See Figure 3.8)

**Figure 3.2 and 3.3: Complete Packaging<sup>90</sup>**



**Figure 3.4: Price Check<sup>91</sup>**



<sup>90</sup> Available at <http://www.accessrx.com/blog/erectile-dysfunction/counterfeit-viagra-cialis-levitra-ultimate-guide/> and <http://www.myclosetblog.com/2012/10/08/how-to-spot-fake-louis-vuitton-in-simple-7-steps/>

<sup>91</sup> Available at <http://www.ibtimes.com/counterfeit-goods-most-china-account-2-percent-world-trade-1199559>

**Figure 3.5 and 3.6: Quality Check<sup>92</sup>**



**Figure 3.7: Safety Certificate Label<sup>93</sup>**



**Figure 3.8- Manufacturer's Website<sup>94</sup>**

**! WARNING !**

**COUNTERFEIT PRODUCTS WARNING**

Dear Valued Customers,  
For years, sophisticated counterfeiting has been common in the LED Lighting component industry. However, in recent years, it has increased, offering parts that appear credible, DO NOT BE MISLED.

These parts are sold through unauthorized sources & agents, have poor quality, or may cause electrical issues leading to fire damage or worse. The markings and packaging appear legitimate, but legitimate units have specific packaging and performance that is vastly superior.

In order to assure you the products is legitimate, your order should be placed with an authorized Light Works distributors. Contact us for verification.

<sup>92</sup> Available at <http://www.boldinvestors.com/2007/08/are-fake-products-dangerous-products.html> and <http://in.yamaha.com/en/products/proaudio/counterfeit/>

<sup>93</sup> Available at <http://camyx.com/news/2013/01/canon-awareness-campaign-counterfeit-accessories/>

<sup>94</sup> Available at <http://blog.lightwurkz.com/2011/03/23/lightwurkz-co.aspx> and <http://in.yamaha.com/en/products/proaudio/counterfeit/>

### 3.3 Technology especially developed for Customs

The World Customs Organization (WCO) has significantly contributed towards developing and implementing tools for Customs administrations around the world to secure and facilitate legitimate trade and to combat counterfeiting and piracy.<sup>95</sup> It has 179 members, since 1971, India is also one of the members of WCO.

In 2010, the WCO introduced the **Interface Public-Members (IPM)**, an online tool serving as an interface between front line Customs officers and the private sector. IPM presently has 63 participating countries and approximately 8,000 Customs officers. IPM allows operational data concerning products to be communicated directly to Customs officers on the ground, facilitating the identification of counterfeit goods.<sup>96</sup>

GS1 a not for profit standard organization has also been collaborating with WCO since 2005 to facilitate safe and secure global supply chains through use of international standards for product identification. A secure supply chain reduces the chances of counterfeiting. GS1 India has also been set up by Ministry of Commerce and Industry, Government of India which has founding members from both government and industry.<sup>97</sup>

#### **Role of IPM**

IPM is the WCO's anti-counterfeiting tool. It enables Right Holders to give Customs officers direct access to information that would assist them in the identification of counterfeit goods.

IPM provides:

- ❖ A database of product information (photos, packaging, routes, etc.) provided by Right Holders;
- ❖ A Web-based interface accessible via Customs' intranet allowing officers to consult the Rights Holders database.<sup>98</sup>

In addition to product information sharing, IPM also provides e-learning training tool for Customs officers where they can learn about a variety of products, brands and the distinguishing features between counterfeit and genuine products.<sup>99</sup>

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<sup>95</sup> WCO Mission Statement available at

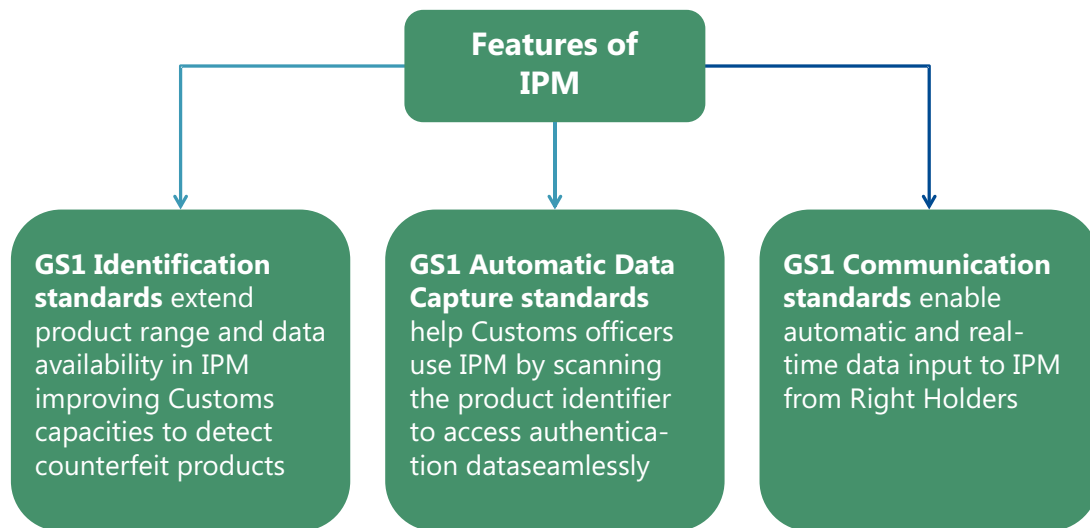
<sup>96</sup> IPM now Counts 63 Member Countries, November 11, 2013 available at <http://ipmpromo.wcoomdpublishations.org/>

<sup>97</sup> Joining forces to combat counterfeiting and piracy, FICCI-CASCADE, 2013

<sup>98</sup> Ibid

<sup>99</sup> General Presentation of IPM, available at <http://ipmpromo.wcoomdpublishations.org/>

## Features of IPM



## Advent of mobile devices<sup>100</sup>

The latest version of IPM offers new features such as the possibility to use mobile devices to scan barcodes found on millions of products, enabling Customs to search the products database in a more time-efficient manner. Furthermore, scanning the barcodes will enable automatic connection to any authentication services linked to the product controlled.

## Interface Public Member Technology<sup>101</sup>



<sup>100</sup> The WCO's Anti-Counterfeiting Tool Now Integrates Authenticate it Technology, November 20, 2013 available at <http://ipmpromo.wcoomdpublishings.org/Contents/Item/Display/388>

<sup>101</sup> John G. Keogh , Anti-Counterfeit: How WCO IPM uses Global Standards (GS1), June 22, 2013 available on <http://www.slideshare.net/JohnGKeogh/wco-gs1-joint-brochure-ipm-counterfeit>

**Interface IPM with Authentication and Traceability Solutions Companies:** This would give Customs officers access to information that can help identify questionable shipments before they progress through the supply chain. This would make security clearance of products faster, safer and economical.

The World Customs Organization is playing a prominent role in supporting the National Customs Authorities of different countries in the fight against counterfeiting. It has been encouraging all databases and sources of information, right holders and authentication or traceability solutions to interface with IPM and become IPM connected.

### **Intellectual Property Rights Training Courses for Customs Officers**

A Right to Information Application [392/124/2013-Cus(AS)] was filed with National Academy of Customs Excise and Narcotics, Department of Revenue, Ministry of Finance, Government of India on November 22, 2013 seeking information regarding the training programmes conducted for the Custom Officers regarding Intellectual Property Rights enforcement.

The National Academy of Customs, Excise and Narcotics (NACEN) is a premier national academy of the Government of India for training of Indian Revenue Service (IRS) officers administering Customs, Central Excise, Service Tax and Narcotics laws in India. It imparts training to the officers of the elite Indian Revenue Service (IRS). It has nine regional training centres across India which holds induction training.

The reply to the above-mentioned RTI disclosed the following data with respect to NACEN, New Delhi and Faridabad Centres:

### **NACEN, New Delhi**

Year	Name of the course	No. of Courses	No. of Participants	No. of Session
2007-2008	Intellectual property right	1	5	8
2008-2009	--do--	1	7	8
2009-2010	--do--	1	11	8
2010-2011	--do--	Nil	Nil	Nil
2011-2012	--do--	2	44	12

### **NACEN, Faridabad Centre**

Calander Year	Name of the course	No. of customs officers trained	No. of Session
2007-2008	Trade related Aspects of Intellectual Property & Intellectual Property rights (TRIPs & IPRs)	18	8
2008-2009	-do-	15	4
2009-2010	-do-	Nil	Nil
2010-2011	-do-	31	8
2011-2012	-do-	38	16

### **NACEN, Hyderabad Centre**

Year	Date	No. of Training Sessions	No. of Officers Trained
2007	26.11.2007	04	15
2009	30.11.2009	04	25
2010	29.11.2010	04	20
2012	13.02.2012	04	19

### **NACEN, Kanpur Centre**

SI. No.	Year	No. of Sessions (4 Sessions each day)	No. of Officers trained
1	2007	8	18
2	2008	8	21
3	2009	8	23
4	2010	8	24
5	2011	4	28
6	2012	4	18



### 3.4 The road ahead: education and awareness

It is often argued that right holders are reluctant to teach people as how to identify the counterfeit products as the counterfeiters may also learn from it and in all probability would device new and better ways to come up with counterfeit models. However the economic and trade policies of a nation would continue to be hampered unless intensive rules and regulations to check illegal practices are adopted and implemented. The need of the hour is the capacity building programs, facilitated by government and trade organizations, to sensitize the Customs officials and raise awareness thereby enabling them to distinguish between a fake and real product.

The International Chamber of Commerce, the world business organization has also taken initiatives in this regard. A specialized division of ICC is Counterfeiting Intelligence Bureau (CIB) formed in 1985. It protects industry from the damage caused by counterfeiting by gathering intelligence, making undercover enquiries, organizing the seizure of counterfeits, and providing expert advice and training to its members. Most recently CIB has developed the innovative Counterfeiting Seizure Maps, the Live Seizure report, the News Archive and the Case Study Database. CIB also works in partnership with the ICC initiative BASCAP and has developed the BASCAP Weekly Digest to further increase awareness of the problem of counterfeiting and piracy. It has been recognized by the British Home Office and World Customs Organization for its professional approach. The CIB has also carried out more than 600 investigations in over 35 countries into counterfeit goods ranging from pharmaceuticals and alcoholic beverages, to furniture and wall coverings.<sup>102</sup>

At the same time the consumers can also do their bit by purchasing goods only from the reputed retailers who are authorized by the brand owners to sell the product.

The onus is also on the right holders to educate Customs authorities. Right holders may adopt various legal and technological measures such as:

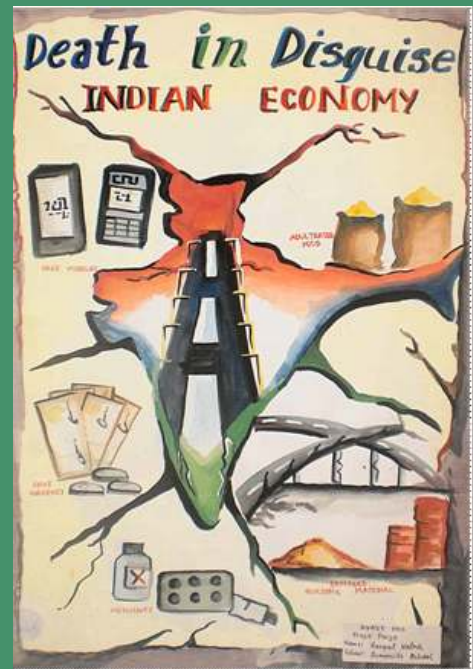
- securing IP rights and registering the same with the Customs in jurisdictions where the products are manufactured and sold;
- watch services to ensure that genuine products are sold both by online and offline retailers;

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<sup>102</sup> International Chamber of Commerce, the World Business Organization

- formulating strategies to combat counterfeiting by putting caution notices, announcements in leading newspapers, journals, magazines and website;
- working closely with the Customs authority for seizing and intercepting counterfeit goods, and taking civil/criminal actions against the counterfeiters.

This painting received First Prize in the 'Hum Kishore' Festival, 2012 the title for which was 'Fighting Smuggling and Counterfeiting'. The event was an initiative to raise awareness and voice against counterfeit products. The same was supported and sponsored by FICCI-CASCADE (Committee on Anti-Smuggling and Counterfeiting Destroying the Economy).



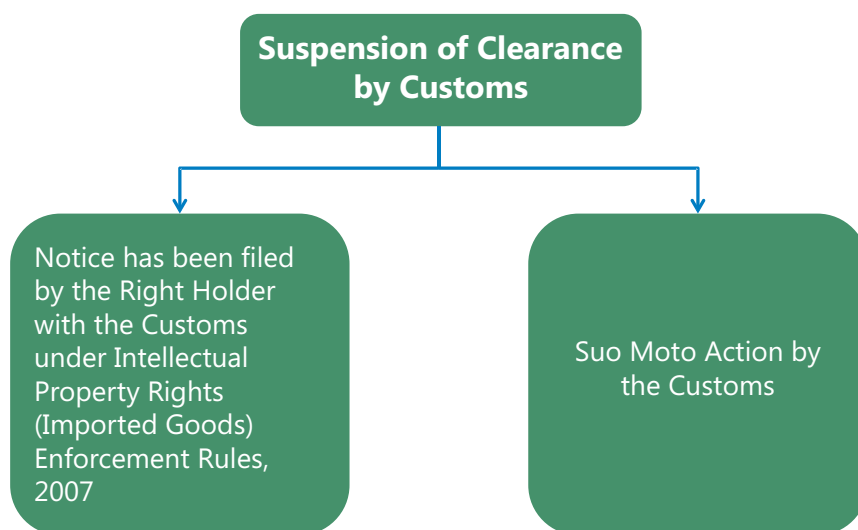
# Chapter 4

## Checklist for Customs Officials

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National Customs and Border protection are the first line of defense against the cross-border movements of counterfeits and pirated goods infringing intellectual property rights. Effective protection would help curtail the quantities of counterfeit goods circulating in international trade. In view of the same, the government of India in 2007 notified the 'Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007' with a view to strengthen the statutory and executive guidelines provided for the protection of intellectual property rights at the borders. The said rules provide a detailed procedure by which a right holder can register his intellectual property rights with the customs officials. The registration imposes an administrative duty on the Customs Department to protect the right-holder against violation of his IPR rights.

It is important to note that the Customs Officials can suspend the clearance of goods if it has prima facie evidence or reasonable grounds to believe that the goods are counterfeited. This suspicion or believe can arise either when a notice has been filed by the Right holder with the customs or even in the absence of such notice a suomotoaction can be taken. Hence registration of notice by right holder is not a prerequisite for customs officials to suspend clearance of goods.



For the convenience of the Customs, an attempt has been made to provide the regulatory framework under Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 in a step wise manner to aid the Customs Officials in identification, suspension and disposal of counterfeit products.

#### **4.1 Recordal of IP Rights with the Central Board of Excise and Customs**

In order to limit the adverse affects of counterfeit and unauthorized imports the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 was issued by the Government of India, that provides mechanism for registration of Intellectual Property Assets with the Central Board of Excise and Customs (CBEC). The said registration (with CBEC) along with the conventional registration of IP assets provides a holistic approach to protect and enforce the IP Rights in India.

Registration with CBEC, empowers the Customs Authority to intercept, seize, and confiscate goods found to be or suspected to be infringing intellectual property rights registered and in-force in India by any person other than the intellectual property right holder or without permission/authorization of the IPR holder. Further by making one application the applicant can cover all the Customs Air Cargo Complexes, Seaports and Land Customs Stations through which importation or exportation of pirated article is suspected in India. The registration is usually obtained within a month and is valid for five years. Once registered the Customs Authority store the IPR in their electronic database which is flashed across all entry points in India. The chart below delineates the registration process:

A notice for protection of IPR is to be filed with the Commissioner of Customs to suspend the clearance of infringing/counterfeiting goods.



An official **application fee** of Rs 2,000 (Rupees Two Thousand only) per intellectual property is to be paid.



Notice is to be accompanied by requisite **documents** which are proof of existence and ownership of valid IPR or authorization letter from the right holder. (In case any information is missing, a time period of 15 days to be provided to furnish the same)



If everything is in order then usually in a time period of 30 days the custom official **register** the Intellectual Right Property of the Right Holder



**Validity** of registration of the notice is for a minimum period of five years from the date of registration, unless the noticee or right holder requests for a shorter period for customs assistance or action.



#### **Execution of Bonds by the right holders**

In order to successfully register a notice with Customs, the right holder must:<sup>1</sup>

- (a) Execute a General Bond with Consignment Specific Bond or execute a Centralized Bond; and
- (b) Execute an Indemnity Bond

S.No.	Bond	Purpose
1.	General Bond or Centralized Bond with appropriate security and surety	Bond undertaking to protect the importer, consignee and the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case.
2.	Indemnity Bond	Indemnity Bond indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods. <sup>1</sup>

A notice for protection of IPR is to be filed with the Commissioner of Customs to suspend the clearance of infringing/counterfeiting goods.

An official **application fee** of Rs 2,000 (Rupees Two Thousand only) per intellectual property is to be paid.

Notice is to be accompanied by requisite **documents** which are proof of existence and ownership of valid IPR or authorization letter from the right holder. (In case any information is missing, a time period of 15 days to be provided to furnish the same)

If everything is in order then usually in a time period of 30 days the custom official **register** the Intellectual Right Property of the Right Holder.

**Validity** of registration of the notice is for a minimum period of five years from the date of registration, unless the noticee or right holder requests for a shorter period for customs assistance or action.

#### **Execution of Bonds by the right holders**

In order to successfully register a notice with Customs, the right holder must:<sup>1</sup>

- (c) Execute a General Bond with Consignment Specific Bond or execute a Centralized Bond; and
- (d) Execute an Indemnity Bond

S.No.	Bond	Purpose
1.	General Bond or Centralized Bond with appropriate security and surety	Bond undertaking to protect the importer, consignee and the owner of the goods and the competent authorities against all liabilities and to bear the costs towards destruction, demurrage and detention charges incurred till the time of destruction or disposal, as the case may be.
2.	Indemnity Bond	Indemnity Bond indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods.

## The Option of Centralized Bond vis-à-vis General Bond

A pre-requisite of recordal of Customs has been the execution of General Bond with or without security with the Commissioner of Customs at the time of registration of the notice, followed by consignment specific bond and to furnish security within three days from the date of interdiction of the allegedly infringing goods. In view of the representation made by the industry stating that the execution of bond at the port of interdiction within three days of interdiction of allegedly infringing goods is a cumbersome process.

By a Circular issued by the Central Board of Excise and Customs dated February 24, 2011 an option of Centralized Bond was introduced which is executed at the port of registration and will be valid at all ports in India.

### Rationale behind introduction of Centralized Bond

The CBEC decided to implement an on-line, system driven, centralised bond management module as part of the existing Automated Recordation and Targeting System (hereinafter referred as the ARTS). The main objective of ARTS is to provide for a single centralised bond account with security that can be used at all ports in India, so that the right holders do not have to rush to different customs formations to execute consignment specific bonds with securities in case of interdiction of allegedly infringing consignments at the different Customs formations.

## SUSPENSION OF GOODS<sup>103</sup>

If the Customs department has prima-facie evidence or reasonable grounds to believe the goods are counterfeited, it can suspend the clearance of the alleged counterfeit goods, if a **notice** has been filed in this regard or even a **suomoto** action can be taken.



Customs Department is under duty to **inform the right holder** immediately about suspension of clearance of goods with the reasons for such suspension.



The **right holder or his authorised representative should join the proceedings** :

- Within 10 days (extendable further by 10 days), when notice had been filed by the right holder with the Customs
- Within 5 days, when the Customs Department acts suomoto in case where no notice has been filed by the right holder with the Customs
- Within 3 days (extendable by another four days), in case of perishable goods



If the right holder fails to do so the Custom Officials will decide the case on merits *ex parte* the right holder and the goods shall be **released** after all other conditions of import of such goods under the Customs Act, have been complied with.



**Exclusion Baggage and De-minimis Imports:** Goods of a non-commercial nature contained in personal baggage or sent in small consignments intended for personal use of the importer are excluded from the purview of Custom officials.

## EXAMINATION OF GOODS BY RIGHT HOLDER

Upon request, the Commissioner or the officer duly authorized in this behalf are bound to allow a right holder and the importer or their duly authorized representatives to examine the goods, the clearance of which has been suspended, and may provide representative samples for examination, testing and analysis to assist in determining whether the goods are pirated, counterfeit or otherwise infringe an intellectual property right, without prejudice to the protection of confidential information.<sup>1</sup>

<sup>103</sup> Counterfeit under Indian Intellectual Property Rights, Legal India available at <http://www.legalindia.in/counterfeit-under-indian-intellectual-property-rights>



## SUPPLY OF INFORMATION BY CUSTOMS OFFICIALS

### Supply of information to the right holder

At the request of the right holder, the Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall inform the name and address of the importer and may also provide additional relevant information relating to the consignment which has been suspended from clearance.<sup>1</sup>

### Supply of information to the importer

At the request of the importer or his duly authorized representative, Deputy Commissioner of Customs or Assistant Commissioner of Customs, as the case may be, shall inform the name and address of the right holder and may also provide additional relevant information relating to the consignment which has been suspended from clearance.<sup>1</sup>

## DISPOSAL OF INFRINGING GOODS

### Retaining samples before disposal

The Deputy Commissioner of Customs or Assistant Commissioner of Customs, may on his own, or at the request of the right holder, retain samples of goods infringing intellectual property rights prior to their destruction or disposal and provide the same to the right holder or importer if such samples are needed as evidence in pending or future litigations.



### Disposal of Infringing Goods<sup>1</sup>

- Goods infringing intellectual property rights upon confiscation or seizure are destroyed or disposed by the Department after obtaining 'no objection' certificate from the right holder. Period of raising objection by the right holder to the mode of disposal is 20 days (extendable maximum by another 20 days).
- Goods infringing intellectual property rights are **not to be re-exported in unaltered state.**

## 4.2 Checklist for Customs Officials:

To address the fundamental responsibilities of the customs authorities in facilitating trade by recognizing and intercepting counterfeit and pirated goods, following checklist has been prepared to assist customs in evaluating whether the system and procedures within the legal framework is being adhered. Also to identify any gap between existing and expected capacity the checklist has been divided into the two categories:

- 1) Before interdiction of the goods- at the administrative and operational level; and
- 2) Upon interdiction of the goods

### **Checklist At The Administrative And Operational Level**

- Are the Customs officials at the particular port equipped to implement the conditions and procedures in implementation of Intellectual Property Rights (IPR) (as trade mark, design, patent, geographical indication and copyright) under the IPR (Imported Goods) Enforcement Rules, 2007?
- If not, is there a functional channel to coordinate with the Risk Management Division?
- Are the officials trained to identify, inspect (cargo scanning/non intrusive inspection) and examine the counterfeit good?
  - If yes then does that particular port has human resource with expertise to deal with such goods
  - If no then is there any provision to train the staff at that particular port or is there any upgradation/skill improvement program for the officials?
- Do the Customs Administration department have strategic plan (objective, methodology etc.) to deal with suspected goods/counterfeit?
- Does this plan cover the objectives of Risk Management Division and the overall objective of the IPR (Imported Goods) Enforcement Rules, 2007?
- Is the customs department equipped to handle goods that require special attention such as hazardous goods or perishable goods?
- Are the controls for temporary storage of goods, upon seizure and confiscation, in place?

- Is the monitoring, evaluation and reporting system in place?

If yes, then:

- Have the security breaches being resolved?
  - Have special consideration being given to the ports where there are maximum occurrences of counterfeiting?
  - Have the habitual importers being identified and is the data being shared across all borders and ports?
- Is the level of computerization and internet facilities satisfactory to coordinate with other ports of the Customs Department?

If yes:

- Do the customs officials receive the information about the consignment prior to its arrival at the particular port?
- Is all data regarding inspection, detention and seizure of goods being shared across all ports?
- Is the confidentiality and integrity of the data thus shared is maintained?
- Is the database being constantly developed and improved?

### **Checklist Upon Interdiction Of The Goods**

- Is the relevant IP - trademark, patents, designs, GI, copyright registered with the Central Board of Excise and Customs?
- If yes, then have the Right Holder/Attorney being informed of the goods being interdicted?
- How the Right Holder is being informed - by fax, e-mail or letter by post, so as to ensure that appropriate time is given to the Right Holder to either issue "the No Objection Certificate" or join the proceeding?
- If no, can the Customs Official coordinate with the Department of Industrial Policy and Promotion (Controller General of Patents, Designs, Trademark and Geographical Indication) and Ministry of Human resource (Copyright Office) to trace the Right Holder and inform them accordingly

### 4.3 Suggestions and Conclusion

The various points covered in the book draw attention to the rampant problem of counterfeiting which is affecting the international trade both in terms of its magnitude and intensity. This indeed calls for formulating strategies, by the Customs and all the concerned stakeholders, by pooling in all the available resources that demands cooperation between the agencies involved. There has to be a proper and simple channel of correspondence between the Customs officials, officers concerned with enforcing intellectual property laws as well as the right holders so that the procedure of detection, prosecution and disposal of counterfeits can be speedily done. The customs department can also do their bit in raising awareness by maintain a database of all the counterfeiters and counterfeit goods being seized by them and publishing the relevant information on their websites or in their journal so as to evoke social response which may also lead to expulsion of counterfeiters from the national and international business and trade channels. Lastly, it is imperative that at par with the international standards appropriate technological measures such as usage of IPM tool, mobile devices, etc. be adopted by Customs to secure and facilitate legitimate trade and to combat counterfeiting and piracy.

## About BSA | The Software Alliance

BSA | The Software Alliance ([www.bsa.org](http://www.bsa.org)) is the leading advocate for the global software industry before governments and in the international marketplace. Its members are among the world's most innovative companies, creating software solutions that spark the economy and improve modern life. With headquarters in Washington, DC, and operations in more than 60 countries around the world, BSA pioneers compliance programs that promote legal software use and advocates for public policies that foster technology innovation and drive growth in the digital economy.

To get in touch with BSA please write at [poojag@bsa.org](mailto:poojag@bsa.org)







## About FICCI

Established in 1927, FICCI is one of the largest and oldest apex business organizations in India. FICCI's history is closely interwoven with India's struggle for independence, industrialization and emergence as one of the most rapidly growing global economies. FICCI has contributed to this historical process by encouraging debate, articulating the private sector's views and influencing policy.

A not-for-profit organization, FICCI is the voice of India's business and industry.

FICCI draws its membership from the corporate sector, both private and public, including MNCs; FICCI enjoys direct and indirect membership of over 2,50,000 companies from various regional chambers of commerce and through its 70 industry association.

FICCI provides a platform for sector specific consensus building and networking and is the first port of call for Indian industry and the international business community.

### **Our Vision**

To be the thought leader for industry, its voice for policy change and its guardian for effective implementation.

### **Our Mission**

To carry forward our initiatives in support of rapid, inclusive and sustainable growth that encompasses health, education, livelihood, governance and skill development.

To enhance the efficiency and global competitiveness of the Indian industry and to expand business opportunities both in domestic and foreign markets through a range of specialized services and global linkages.