

New strategies to combat counterfeiting

In this sponsored Q&A article, **Lucy Rana** and **Nidhi Chopra** of **S. S. Rana & Co.** discuss how counterfeiting in India is harming its public and offer suggestions as to what more can be done

How serious is the problem of counterfeiting in your jurisdiction? Please give an overview of the situation.

The low barriers to the market entry and infiltration has led to rampant infiltration of counterfeit and pirated products across all industries including medicines, auto and aeroplane parts, electrical components, toys, and food and beverage. Apart from the significant economic loss to the government (for example, in terms of sales tax, excise tax, income tax and customs duty, and loss of jobs), the counterfeit products pose risks to millions of individual consumers in terms of health and safety and even leads to child labour, money laundering and human trafficking. It also puts the reputation of the brand owners at risk, where they not only lose brand value and revenue but also lose consumer patronage, sales and profitability.

How robust are the laws that are in place to tackle counterfeiting? Please summarise the key pieces of legislation.

To meet the interest of customers, ensure incentives for companies investing in research and development and encourage continued innovation, India has designed a stringent framework of laws and the Government has introduced several legislative policy reforms and regulations to block counterfeiting and prevent the movement of smuggled goods in the trade channels. The key piece of legislation are as follows.

The Trademarks Act of 1999 provides for statutory registration and protection of trade marks of right holders. Under this Act, the penalty for selling or applying false trade marks or trade descriptions includes from six months' to three years' imprisonment in addition to a fine of at least Rs50,000 (\$808) up to Rs200,000.

The Copyright Act 1957 defines offences and penalties, including imprisonment for at least six months and up to three years, in addition to a fine of at least Rs50,000 and up to Rs200,000.

The Information Technology Act 2000 provides legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication. It also provides penalties for damage to computers and computer systems, for example.

The Drugs and Cosmetics Act 1940 empowers certain government agencies to not only inspect but also seize and confiscate any product that is found to be "adulterated", "spurious" or "misbranded" (the definitions of which are provided under the Act).

To counter the spread of fake drugs in India and their export to other countries, the drug controller general of India stipulated procedures in 2011.

Lucy Rana



Lucy Rana is the managing associate advocate of SS Rana & Co, a premier intellectual property law firm in India. She read law at the University of Delhi specialising in intellectual property and is enrolled with the Bar Council of Delhi (2007). She spearheads the firm's IP team managing IP portfolios of several national and international corporations and advises clients on a range of contentious and non-contentious IP matters.

Working for over 17 years in the legal and corporate world, she has an in-depth understanding of the micro and macro factors influencing businesses and aptly provides practical business legal advice to clients.

She also holds a bachelors degree in Japanese language from Jawahar Lal Nehru University, New Delhi. Additionally, she holds an executive diploma in International Business Management with specialisation in Foreign Trade from the Indian Institute of Foreign Trade (IIFT), New Delhi (2004). She is actively involved in raising awareness of IP rights by penning articles and speaking on IPR issues in seminars organised by trade bodies and organisations such as FICCI. She was nominated as "Rising Lawyer of the Year" by Legal Era, a leading national IP Journal. She is a member of several national and international IP organisations such as International Trademark Association (INTA), Asian Patent Attorneys Association (APAA), Inter Pacific Bar Association (IPBA), International Association for the Protection of Intellectual Property (AIPPI), Supreme Court Bar Association and Delhi High Court Bar Association.

She is also an avid adventure sports enthusiast and likes to play the piano in her spare time.

Nidhi Chopra



Nidhi Chopra is an associate in the litigation department of SS Rana & Co. She obtained her BBA and LLB from the Symbiosis International University, Pune. She is well versed and regularly advises clients on trade marks, copyright, and arbitration. Nidhi has a flare for writing and regularly submits articles and journals, and writes for the firm's weekly newsletter *IPConnect*.

Is it possible to register your trade marks with Customs and, if so, what procedures need to be followed to do this and what fees are involved?

In order to limit the adverse affects of counterfeit and unauthorised imports, the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007 was issued by the Government of India. This provides a mechanism for registration of Intellectual Property Assets (patents, trade marks, copyright, designs and geographical indications) with the Central Board of Excise and Customs (CBEC). Registration with CBEC empowers the Customs Authority to intercept, seize, and confiscate goods found to be or suspected to be infringing IP rights registered and in force in India by any person other than the IP rights holder or without permission or authorisation of the IP rights holder.

Under the said Rules, registration is obtained by filing a notice for protection of IP rights with the commissioner of Customs to suspend the clearance of infringing or counterfeit goods. Once registered, the Customs Authority stores the IP rights in their electronic database which is flashed across all entry points in India. Custom officials can detain the counterfeits before they enter circulation, either on the basis of the registration appearing in the electronic database or even *suo motu* in the interest of the trade and protection of IP rights.

By making one application, the applicant can cover all the Custom air cargo complexes, seaports and land Customs stations through which importation or exportation of pirated articles in India is suspected.

How effective is the civil enforcement system? Are ex-parte orders or evidence preservation orders available?

The statute and the precedents with respect to orders passed in cases of counterfeiting reflects that the civil enforcement system, in cases of counterfeiting, is proactive and effective.

The civil remedies which can be availed by a right holder in case of counterfeiting are: injunction; damages; rendition of accounts; and, delivery of goods.

Section 135 enumerates the types of relief available to a right holder in case of infringement. It states that an order of injunction may include an ex-parte injunction for the discovery of documents, and the preservation of infringing goods, documents or other evidence, to restrain the defendant from disposing of or dealing with their assets in a manner which may adversely affect the plaintiff.

Therefore, the law provides for ex-parte orders in cases of counterfeiting and in some cases the judiciary has implemented the same. For example, in the recent cases of *Philip Morris Products v Sameer* and *Microsoft Corporation v Jayesh*, the courts granted immediate relief to the plaintiff by passing an ex-parte order against the defendants, thereby restraining them from selling, exhibiting or offering for sale any infringing goods.

Therefore, the Indian judiciary has time and again supported the need for prompt action in cases of infringement (in particular counterfeiting) and has supported the issuance of ex-parte orders and injunctions.

Is it possible to use the criminal law to tackle counterfeiting? If so, please give details of how widely the criminal system is used and how it functions.

Yes, along with civil remedies, criminal remedies are available under law for tackling counterfeiting.

The Trademark Act 1999, though not specifically address-

ing the offence of counterfeiting, enumerates the offences of “falsifying a trade mark” and “falsely applying a trade mark”, which may be seen to overlap with the nature of trade mark counterfeiting.

Offences	Meaning
Falsifying a trade mark	A person will be deemed to falsify a trade mark, who: (a) makes the trade mark 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 (section 102)
Falsely applying a trade mark	A person will be deemed to be falsely applying a trade mark who, without the consent of the proprietor of the trade mark: (a) applies such trade mark 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 to or deceptively similar to the trade mark of such proprietor, for the purpose of packing, filling or wrapping any goods other than the genuine goods of the proprietor of the trade mark.

Offence	Penalty
Falsifying a trade mark, falsely applying a trade mark or applying a false trade description	Imprisonment for at least six months, and up to three years, in addition to a fine of at least Rs50,000 and up to Rs200,000 (section 103).
Intentionally selling goods or providing services to which a false trade mark or false trade description is applied	Same as above.
Subsequent conviction for the above offences	Imprisonment for at least one year, and up to three years, in addition to a fine of between Rs100,000 and Rs200,000.

Is internet-based infringement a big problem in your jurisdiction? What tools are available to track down and fight counterfeits being sold online?

E-commerce in India is experiencing remarkable growth and changing the way people do business. The internet has become a strategic platform for the sale of counterfeit goods, as it serves as an attractive additional channel to promote and sell forged products. The anonymity and flexibility to move across jurisdictions that it provides to counterfeiters has spurred the growth of counterfeit sales online.

Online portals usually take several measures to address the issue of anti-counterfeiting on the internet.

Websites incorporate comprehensive terms of service and sales which specifically prohibit counterfeiting by advertisers. They also discourage infringing activity through strict take-down policies on receiving complaints from IP owners.

Authentication procedures are adopted to enable sites to ensure that third party sellers who want to advertise on their websites are marketing genuine products, thus maintaining the genuineness of its seller's listing.

An easily understandable and publicly visible process are

available to trade mark owners, clearly indicating the steps and time the website will take to complete the action under the process.

Online retailers often advise and warn users about the consequences of violating the applicable policies and laws, including a permanent loss of access to the service and being reported to the appropriate law enforcement officials.

In addition, other best practices can be adopted. Shopping websites should educate users about their policies and procedures, so that people are not caught unaware; trade mark

soles. Therefore, the plaintiff asked for an injunction to restrain the defendants from infringing their trade mark rights, for the delivery of the infringing goods and the rendition of accounts.

In view of damage being caused to the plaintiff, the court passed an ex-parte ad interim injunction in favour of the plaintiff and appointed a local commissioner to visit the premises of the defendant and inspect gaming consoles bearing the plaintiff's trade mark.

On the basis of commissioner's report and evidence adduced by the plaintiff, the court held that it was an established case for the grant of a permanent injunction restraining the defendants from selling or distributing Xbox gaming consoles that are unauthorised imports, and pirated or counterfeit versions of the Xbox games.

Counterfeit products pose risks to millions of individual consumers in terms of health and safety

owners can release a list of authorised dealers from time to time and send notices to online shopping portals of identified counterfeiters; and trade mark owners can give offer insight into their mark or logo by pointing out indicators to show which products are genuine and which are fake.

Has the government handed down any new legislation in the last 12 months that was designed to deal with the problem of counterfeiting?

Aimed at simplifying export procedure, the self-certification bar-coding for drug firms has been introduced by the Government of India. Such a coding aids in tracking and tracing the origin of drugs and therefore helps in identifying spurious and substandard drugs.

The Drugs and Cosmetics (Amendment) Bill 2013, which is pending, proposes the establishment of a Central Drug Authority that will subsume the existing Central Drugs Standards Control Organisation. It also envisages provisions to ensure a standard quality of drugs, cosmetics, and medical devices and specifies conditions under which they will be considered misbranded, adulterated, and spurious. It also specifies penalties and offences for the same.

The Department of Industrial Policy and Promotion is all set to draft the National IPR Policy. The Policy will identify the areas in intellectual property where study needs to be conducted to provide possible implications of demands by negotiating partner countries, to keep the government informed about recent developments taking place in IP cases, and to report on the best practices adopted by foreign countries. It will also help the Government to take steps to improve the infrastructure of IP offices and tribunals.

Have there been any important court decisions handed down in the last 12 months that concern counterfeiting?

In *Microsoft v Jayesh* 2014, the case of the plaintiff was that it is the owner and manufacturer of a gaming console sold under its registered trade mark Xbox. The plaintiff alleged that the defendant infringed its registered trade mark by selling counterfeit and pirated versions of its Xbox gaming con-

soles. In *Philip Morris v Sameer* 2014, the case of the plaintiff was that it has been the seller and manufacturer of cigarettes bearing the registered trade mark Marlboro since 1924. The plaintiff alleged that various retailers in the Fort and Colaba area of Mumbai were indulging in the sale, stocking and distribution of counterfeit and grey-market versions of the plaintiffs' products. The plaintiff asked for the grant of an injunction, to restrain the defendants from the sale and distribution of infringing goods, an order for the rendition of accounts and the delivery of all infringing goods.

The Court granted ex-parte injunction to the plaintiff and also appointed local commissioners to investigate the case. Based on the trans-border reputation and goodwill of the plaintiff's mark along with the local commissioner's report, the court granted relief to the plaintiff and made the following observation:

Counterfeits, which are not the genuine products manufactured by the plaintiffs/ affiliates but are sold by the said defendants under the suit trade marks as plaintiffs' original products, indeed infringe plaintiffs' rights in the suit trade marks under section 29 of the Act. They are selling the impugned cigarettes, bearing the suit trade marks, to the patrons of the plaintiffs' brand of cigarettes, who buy these cigarettes in question from their stalls believing them to be the genuine 'Marlboro' cigarettes, ie the products of the plaintiffs. Thus, the counterfeit products of the said defendants are being passed off as the cigarettes of the plaintiffs.

What steps would you like to see the government take to tackle counterfeiting?

The Government, industry and right holders must all ensure technological collaboration in anti-counterfeiting and anti-piracy measures so that existing rules and legislation and laws can be implemented against the entities engaged in piracy and counterfeiting.

Capacity building programmes to educate officials and the general public to distinguish between a fake and real product should be facilitated by government and trade organisations.

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