

Chapter 21

Intellectual Property Rights

1. Introduction:

1.1 India is a signatory to the WTO Treaty on Trade Related Aspects of Intellectual Property Rights (TRIPS), which was brought into force on 1st January, 1995. Articles 51 to 60 of TRIPS [Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization] relate to border measures (i.e. measures required to be taken for providing protection against infringement of IPRs at the border).

2. Legal provisions:

2.1 Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970, the Designs Act, 2000 and the Geographical Indications of Goods (Registration and Protection) Act, 1999 have provisions prohibiting import of goods infringing Intellectual Property Rights under the respective Acts.

2.2 Central Government has been empowered under Section 11 of the Customs Act, 1962 to issue notifications for prohibiting either absolutely or subject to such conditions as may be specified in the notification, the import or export of goods of any specified description. Section 11(2) of the said Act details the purpose for which such a notification may be issued by the Central Government which, inter-alia, covers the following purpose:

- (i) Protection of patents, trademarks and copyrights. [Section 11(2)(n)]; and
- (ii) Prevention of the contravention of any law for the time being in force [Section 11(2)(u)].

2.3 Notification No.51/2010-Cus.(NT), dated 30-6-2010 prohibits import of goods infringing specified provisions of Trademarks Act, Copyrights Act, Designs Act, Geographical Indications Act and Patent Act subject to following the procedure prescribed under the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 (IPR Rules) issued under Notification No. 47/ 2007-Cus.(NT), dated 8-5-2007. Goods in transit through India are excluded from its coverage and only goods intended for sale or use in India would be covered under the notification.

2.4 The prohibition of imported goods for the purpose of protecting intellectual property rights as specified under Notification No.51/2010-Customs (N.T.), does not relate to all infringements under the parent IPR Acts but only to those imports that infringe the specific provisions of various parent Acts governing IPR, mentioned in the notification No.51/2010-Customs (N.T.). To illustrate, in case of the Trade Marks Act, 1999, prohibitions against infringement of trade marks on import of goods intended for sale or use in India, that attract the provisions IPR (Imported Goods) Enforcement Rules, 2007 would apply to:

- (i) Imported goods having applied thereto a false trade mark, as specified in section 102 of the Trade Marks Act, 1999; and
- (ii) Imported goods having applied thereto any 'false trade description' within the meaning of definition provided in clause (i), in relation to any of the matters connected to description, statement or other indication direct or indirect of the product but not including those specified sub- clauses (ii) and (iii) of clause (za), of

sub-section (1) of Section 2 of the Trade Marks Act, 1999.

2.5 In this context, the issue of permitting import of original/genuine products (not counterfeit or pirated) which are sold/ acquired legally abroad and imported into the country, by persons other than the intellectual property right holder without permission/ authorisation of the IPR holder, known in the trade as 'parallel imports' has been clarified by the Department of Industrial Policy and Promotion (DIP&P), Ministry of Commerce & Industries, which is nodal authority for all matters relating to (i) Trade Marks Act, 1999 (ii) Patents Act, 1970 and (iii) Designs Act, 2000 as follows:

- (i) 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.
- (ii) 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 / impaired after being in the market.
- (iii) 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.
- (iv) 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.

[Refer Circular No.13/2012-Cus., dated 8-5-2012]

2.6 The Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007 provide a procedure to be followed by the right holders and Customs officers to prohibit importation of goods infringing Intellectual Property Rights and the action to be taken, by the right holders and Customs Officers, after suspension of release of the infringing goods. These Rules provide for, inter alia:

- (i) Notice to be given by a right holder in writing to the Commissioner of Customs or any Customs Officer authorised by Commissioner requesting for suspension of release of goods imported;
- (ii) Notice to be accompanied by fees of Rs.2,000/-;
- (iii) Within 15 days or extended period additional information to be supplied by the right holder to Deputy/Assistant Commissioner, if missing from the format;
- (iv) Right holder to inform Customs, when his IPR ceases to be valid;
- (v) Time limit for right holders to join proceedings;

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- (vi) A single point for registration of the right holder;
- (vii) Adequate protection to the rightful importer and for indemnifying Customs;
- (viii) Suo-moto action by Customs;
- (ix) Disposal of the confiscated goods; and
- (x) Goods of non-commercial nature contained in personal baggage or sent in small consignments meant for personal use would not attract prohibition.

3. Conditions for registration:

3.1 The grant of registration shall be subject to following conditions, namely:

- (i) The right holder or his authorised representative shall execute a bond with the Commissioner of Customs for such amount with such surety and security as deemed appropriate by the Commissioner, 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;
- (ii) The right holder shall execute an indemnity bond with the Commissioner of Customs indemnifying the Customs authorities against all liabilities and expenses on account of suspension of the release of allegedly infringing goods.
- (iii) At the time of registration but prior to importation, it may be difficult to fix the bond amount corresponding to the value of suspected infringing goods not yet imported. Further, this would lock in right holders' money in the form of security. Therefore, the right holders may furnish a General Bond without security [Para 3.1 (i)]. The right holder shall also undertake to execute Consignment Specific Bond with the jurisdictional Commissioner of Customs at the port of interdiction within three days from the date of interdiction of any allegedly infringing imported consignment. The surety and security shall be on consignment basis and shall be furnished along with the consignment specific bond consequent upon interdiction of the consignment allegedly infringing rights of the right holder.

3.2 The bond amount equal to 110% of the value of goods and security of 25% of the bond value is required to be furnished by the right holder.

3.3 An on-line, system driven, centralized bond management module has been implemented as part of the existing Automated Recordation and Targeting System (ARTS). The main objective of this system is to provide for a single centralized bond and surety/security account that can be used at all ports in India, so that the IPR holders do not have to rush to different customs formations to execute consignment specific bonds and sureties/securities upon receipt of information about an interdiction of allegedly infringing consignment.

3.4 The Commissioner shall notify the applicant within 30 days of receipt of notice or from the date of expiry of extended period whether the notice has been registered or rejected.

3.5 If registration is granted, its validity period, would be indicated and the same shall normally be 5 years (unless the right holder wants it for a lesser period subject to minimum validity for one year).

- 3.6 After the grant of the registration of the notice by the Commissioner, the import of allegedly infringing goods into India shall be deemed as prohibited within the meaning of Section 11 of the Customs Act, 1962.

[Refer Circulars No.41/2007-Cus., dated 29-10-2007 and No. 10/2011-Cus., dated 24-2-2011]

4. Automated monitoring of imports involving IPR:

- 4.1 Besides the legal measures to check import of counterfeit and pirated goods, an automated system facilitates genuine trade and targeting of infringing goods more effectively. Such a mechanism also integrates the Custom clearance procedures with the IPR regime.
- 4.2 A software module called Automatic Recordation & Targeting System (ARTS) has been developed with the following objectives:
- (i) Effective implementation of the IPR (Imported Goods) Enforcement Rules, 2007;
 - (ii) Integration of IPR enforcement with Customs clearance procedure;
 - (iii) Web-based on-line recordation;
 - (iv) Providing a platform for right holders to record their rights with Customs;
 - (v) Enabling National targeting of suspect consignments;
 - (vi) Creation of a centralized national database containing useful information for enforcement;
 - (vii) Providing access to National data for the Customs field officers; and
 - (viii) Trade facilitation.
- 4.3 ARTS has provision for recording and targeting of Trade Marks, Copyright, Patents, Designs and Geographical Indications. ARTS seeks to integrate IPR enforcement with the Customs clearance procedure being done using the Risk management System (RMS). The consignments suspected to be infringing the rights of the IPR holders are interdicted through the RMS.

[Refer Notifications No. 47/2007-Cus (N.T), dated 8-5-2007, No. 49/2007-Cus (N.T), dated 8-5-2007 and No.51/2010-Cus (N.T), dated 30-6-2010 and Circulars No.41/2007-Cus., dated 29-10-2007 and No.10/2011-Cus., dated 24-2-2011]
