

Contributing firm
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Legal framework

Liberalization and urbanization in India have contributed to a sharp rise in counterfeiting. Counterfeit goods are not only flooding domestic markets in familiar areas, such as software, garments, electronics and leather bags, but also in new areas, including pharmaceuticals, food, cosmetics and personal care products. Counterfeiting has an interesting territorial pattern according to product line. Counterfeit pharmaceuticals tend to come from northern Indian states, while Tamil Nadu in the south overflows with unauthorized factory overruns of branded garments intended for foreign markets. Compounding this problem is a deluge of Chinese counterfeit goods, from bulbs and batteries to toys and tools. While some of these counterfeiting activities cause only financial losses, others in the food and

pharmaceutical sectors pose a serious risk to public health. The latest menace is counterfeiting of mobile phones, which can be a serious national security risk. The end loser in all these activities is ultimately the consumer.

The primary legislation used to combat counterfeiting activities are the IP laws, many of which provide stringent criminal remedies.

Trademarks Act 1999

The Trademarks Act is probably the most important piece of legislation when it comes to combating counterfeit goods. It empowers the authorities to take action to prevent the infringement of both registered and unregistered trademarks and makes the falsification of a trademark and the application of a false description to goods or services a punishable offence. The act also empowers courts to grant interim injunction orders and restrain a defendant from disposing of its assets. In addition, it authorizes the police to enter premises in order to search for and seize goods involved

in committing an offence. The act also establishes prison terms and fines for infringers.

Copyright Act 1957

The Copyright Act is the law of choice when it comes to combating counterfeiting activities in the publishing industry, the software industry and the music industry. The act was amended to provide greater penalties for infringement of copyright-protected software. Just like the Trademarks Act, it provides for both civil and criminal remedies. The Copyright Act authorizes the police to search for and seize counterfeit goods. In addition, the registrar of copyrights is authorized to prohibit the import of counterfeit copies of a copyrighted work and to enter any ship, dock or premises where alleged counterfeit copies may be found.

Geographical Indications Act 1999

India's first geographical indication case was that of *Pochampally Ikkat* in 2005. 'Pochampally' is a type of weaving where

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each thread is separately dyed. In this case, the court restrained a person from Mumbai who tried to print textiles under the *Pochampally* name. The act establishes prison terms and fines for infringers.

Patents (Amendment) Act 2005

The act extends patent protection to computer software and pharmaceutical products. A patentee can sue for patent infringement and seek an injunction, damages or an account of profits. The courts can also order the seizure, forfeiture or destruction of materials and equipment used to create the infringing goods and closure of the manufacturing premises. However, the act sets out no criminal remedies.

Prevention of Food Adulteration Act

This law is designed to regulate standards and quality in the food industry. One of the most important definitions in this legislation is that of ‘misbranded’ products. The scope of this definition is much wider than mere trademark imitation and extends to statements on the packaging that are misleading to the general public. The penalty for misbranding is imprisonment for at least three years. However, if it can be proved that the counterfeit food product is of such low quality that it could have resulted in a consumer dying, this is viewed as an attempt to murder or cause grievous hurt and is punishable by life imprisonment.

Drugs and Cosmetics Act

This legislation, which is designed to regulate the pharmaceuticals and

cosmetics industry, makes the sale of ‘spurious’ and ‘misbranded’ drugs and cosmetics a criminal offence. In the last few years fears of counterfeit drugs flooding the market reached such a pitch that the government recommended the death sentence for counterfeiters of pharmaceutical products. In an innovative strategy to counter increasing levels of counterfeiting in this area, the government has recently announced a whistleblower scheme to reward people who provide information on counterfeit pharmaceutical products.

Commonwealth Games legislation

The government has proposed special legislation to protect intellectual property involved with the games, which India is hosting in 2010.

Border measures

The IP Rights (Imported Goods) Enforcement Rules 2007 empower Customs to seize all counterfeit goods that are imported into India upon the application of a rights holder that has registered rights under the Geographical Indications Act, the Trademark Act, the Copyright Act or the Patents Act. Last year saw one of the first instances of a patent-infringing product being seized under these rules. An Indian inventor had obtained a patent for a certain component used in dual-SIM mobile phones. Once the inventor had registered his rights under the rules, Customs began to seize consignments of phones that were being imported into India by some of the biggest players in the market. However, after hearing both parties,

Customs concluded that the seized consignments were not infringing and therefore ordered their release.

Criminal prosecution

Of all the above-mentioned IP legislation, the Patents Act is the only law that provides no criminal remedies.

Copyright infringement in India is a cognizable offence, meaning that the police can investigate without requiring either a complaint to be filed or any authorization from the court. It is punishable by imprisonment for between six months and three years. The court may also impose a fine of between Rs50,000 and Rs200,000. A second and subsequent conviction can result in an increased fine and punishment. Some states have also passed special preventive detention legislations designed to curb rising levels of film piracy.

Similarly, the falsification of trademarks related to food and drugs is a cognizable offence, which the police can investigate without permission from a court. The falsification of trademarks related to food is punishable by life imprisonment if the falsification could result in death.

The prosecution of food and drug-related trademark infringements takes place not under the Trademarks Act, but under independent laws. Under the Trademarks Act, only certain police officers (ie, those with the rank of deputy superintendent of police and above) have the power to carry out search operations for infringing goods on their own initiative. Junior officers must obtain court permission before carrying out

a search and seizure operation. Trademark falsification is punishable by imprisonment for between six months and three years; the court may also impose a fine of up to Rs200,000.

Civil enforcement

Most lawsuits are initiated as a result of intelligence about the presence of counterfeit goods on the market. This may come from marketing executives in the field, consumer complaints or a tip-off. Depending on this initial information, a more detailed investigation may then be carried out by an investigative agency. The competence of this agency has a direct bearing on the lawsuit's success or failure because the timing of the suit and the subsequent raid depends on information provided by the agency.

On the first day of hearing the court may grant an *ex parte* interim injunction to preserve evidence of the infringement. The court will also usually appoint a commissioner who will visit the premises along with the plaintiff's attorneys and seize the goods after carrying out an inventory. The seized counterfeit goods will then be used as evidence during the trial.

In the past, few suits proceeded past the grant of an interim injunction, since defendants seldom contested an interim injunction when caught red handed. However, this trend is changing because Indian courts such as the Delhi High Court have started to award plaintiffs damages in counterfeiting trials.

Recently, the Delhi High Court passed a John Doe order in a suit filed by a high-end optical wear manufacturer, appointing and empowering a local commissioner to visit all premises where counterfeit optical wear was being manufactured. Similar orders have also been passed in various other cases concerning luxury brands and well-known dairy product manufacturers, among others.

Preventive measures/strategies

Investigators

The most important component of any anti-counterfeiting action is quality intelligence. While it is relatively easy to obtain intelligence about the general sale of counterfeit goods, information on the source of such goods is more difficult to come by. Good intelligence must be coordinated with swift action through either a civil suit or a criminal action. Often search and seizure operations result in a dead end because the counterfeit goods have already been moved on.

Technology

Over the last 50 years new technologies have played a pivotal role in the fight against counterfeit goods, from multi-coloured holograms to the latest mass serialization technology.

One of the latest and most cost-effective technologies that is being adopted by the pharmaceutical industry is mass serialization. Each product is labelled with a 16 digit alpha-numeric human-readable code. In order to find out whether the product is genuine, the consumer can text or email this code to the manufacturer's database, which in turn can provide real-time information as to whether the product is genuine. This technology is simple and cost effective. However, its success as an anti-counterfeiting measure depends on consumer awareness.

Over the last few years India has been the victim of several terrorist attacks. The ensuing investigations have focused on mobile phones owned and used by the terrorists. However, where counterfeit phones are used, it becomes even more difficult to trace the origin and sale of a handset. In a bid to clamp down on counterfeit mobile phones, which could pose a serious threat to national security, the government has ordered telecommunications operators in India to deactivate all mobile phones without an international mobile equipment (IMEI) number – a 15-digit unique code that can be used to block stolen phones. IMEI numbers appear on the operator's network whenever a call is placed, thereby allowing investigating agencies to trace the user's whereabouts. Counterfeit phones sold on the grey market usually do not have valid IMEI numbers. It is estimated that at least 24 million counterfeit phones will be affected by this move, although it has yet to be seen how effective it will actually be.

Simple technological measures that make genuine products unique and easily distinguishable from fakes are crucial in helping law enforcement officers to combat the increasing tide of high-quality counterfeits. Training law enforcement officers to identify accurately high-quality fakes will go a long way to counter the threat of counterfeit goods.

Further steps

The existing IP laws could be supported by additional legislation to ensure more effective enforcement against and prevention of imports of counterfeit goods. The development of a *sui generis* system to combat counterfeiting ought to be

considered, along with harsher financial (and trade-related) penalties for repeat offenders and companies that fail to comply with court orders.

Efficient communication between Customs, the police, the judiciary and various investigative agencies, the World Intellectual Property Organization, the World Trademark Organization, the World Customs Organization, INTERPOL, countries with porous borders and businesses would be an important step forward. This should be coupled with effective partnerships between enforcement agencies, the private sector and IP lawyers.

Rights holders should provide specialized training for police, judges and investigative agencies to help them understand the technicalities of counterfeiting. This might include training in the use of computers and other technologies to help build a comprehensive investigation system and ensure more effective legal action.

More manufacturers should make use of anti-counterfeiting technologies in order to protect their products from being copied. Companies should also complete online forms detailing their product range, proof of ownership of IP rights and important counterfeit identification information on secure channels to make Customs' job easier.

Techniques such as controlled delivery, electronic surveillance and undercover operations are especially useful in dealing with sophisticated, professionally organized counterfeiting groups.

Rights holders must raise awareness among the police, Customs and the public regarding IP issues, the damage that counterfeiting does to international trade and the links between counterfeiting and organized crime. [WTR](#)



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