

Ranjan Narula Associates

The challenges of cooperation

Working with law enforcement authorities and courts in India can be challenging, but by adopting the right approach, clear results can be achieved

The slowdown of the Indian economy during 2012 and 2013 raised many questions related to the country's growth prospects. However, despite the shortcomings, it is widely accepted that the fundamentals that make India attractive to investors remain intact. The potential of the domestic market – driven by an emerging middle class, cost competitiveness and a large talent pool – continues to make India a preferred investment destination. When asked what must improve from a rights holder's perspective, most businesses identify the slow pace of court decisions and trademark proceedings.

Delays in civil litigation

Indian courts have a significant backlog – some final decisions in civil actions have taken more than a decade to be issued (in contested cases). Rather than getting caught up in trial proceedings, which can take a long time to conclude given this huge backlog, rights holders are advised to engage infringers in settlement discussions soon after obtaining an interim injunction. Rights holders should strive to elicit undertakings from the infringers to cease current and future infringement, and negotiate payment of costs, damages and the handover of infringing goods for destruction.

The courts (in particular high courts, where the bulk of IP cases are filed) realise that the quantum of pending cases and lack of adequate manpower are slowing down the enforcement process. Thus, with a view to expediting trials, retired judges are being drafted in to act as commissioners to record evidence. Further, mediation centres have been set up to help clear the backlog. Mediators are generally trained and certified lawyers or judges, who help parties to come to a resolution. Cases where a settlement is

negotiated are recorded in a compromise document signed by both parties, which is then sent back to the court to be confirmed as a non-appealable final order.

Forum

It is important to choose the right forum in which to litigate. The choice of forum is determined by where the defendant has its place of business or conducts its business activities for gain. In case of trademark infringement, the rights holder also has the option to file the case at its place of business. Only five high courts (Delhi, Mumbai, Chennai, Kolkata and Jammu and Kashmir) can act as a court of first instance in trademark infringement and passing-off suits. All other high courts have appellate jurisdiction. In general, rights holders prefer to file trademark cases before a high court. In particular, the Delhi High Court has become a preferred court for IP litigation, mainly due to its reputation for hearing cases speedily (within three days of filing). Further, high courts are willing to grant an interim injunction *ex parte* in cases where infringement is obvious or counterfeit goods are being sold.

Interim injunction

In order to make a strong case for grant of an *ex parte* interim injunction, rights holders should produce:

- registration certificates;
- sales and advertising figures;
- sales invoices evidencing sales and physical presence in the market;
- advertising materials, including brochures, magazine and newspaper advertisements and articles and extracts from websites; and annual reports showing a strong financial standing.

Search and seizure

Where the rights holder can show that the defendant's goods clearly bear its mark, and that on being served with a court summons, the defendant is likely to remove the infringing goods, the court generally allows the request for the appointment of a 'court commissioner', who has powers to search the alleged infringer's premises and seize infringing goods.

Costs and damages in civil litigation

The concept of courts awarding costs and damages in trademark disputes is still in its infancy in India. Typically, counterfeiters do not, for various reasons (eg, tax evasion), maintain proper records of their transactions. The problem that this poses for rights holders and courts is that damages cannot be easily quantified if no goods are seized. Further, the process of determining damages on the basis of actual or potential loss suffered remains cumbersome, so many rights holders end up relinquishing their claim. However, the Indian courts are increasingly recognising the need to impose financial penalties in the form of damages – not only compensatory, but also punitive. Although this trend is encouraging, there is a need for the courts not only to award heavy punitive damages, but also to simplify the process of actual recovery of these damages from the infringer.

Criminal remedies – working with the police

India has no specific legislation dealing with counterfeiting and piracy. However, statutory, civil, criminal and administrative remedies do exist in various laws, including:

- the Trademarks Act 1999;
- the Copyright Act 1957;
- the Patents Act 1970;
- the Designs Act;

- the Geographical Indications Act 1999;
- the Drugs and Cosmetics Act 1940;
- the Prevention of Food Adulteration Act 1954;
- the Consumer Protection Act 1986;
- the Penal Code;
- the IT Act 2000; and
- the Customs Act 1962.

During the last few years, many states have made significant progress in setting up special cells to counteract the manufacture and sale of counterfeit goods. Police raids leading to arrest have a social stigma attached. When working with the police, challenges can arise from:

- inadequate manpower;
- little regard for the seriousness of IP crimes;
- corruption and information leakage; and
- the backlog of cases at the magistrate courts, resulting in laborious prosecution which seldom leads to a conviction.

Police raids

To initiate a raid, a rights holder is generally advised to file a complaint at the magistrates court, seeking an order for the police to open an investigation and conduct raids. The complaint should be filed against the unknown parties that are accused of infringing the rights holder's goods or mark. In other words, to avoid information leaks, and given that counterfeit traders often use false company names, it is advisable not to direct complaints against specific parties. The complainant can be either an officer of the complainant company or a lawyer authorised with power of attorney. In a complaint under the Trademarks Act, the complainant must be present at each hearing date.

Generally, after a complaint has been filed, the magistrate will record the complainant's evidence and issue an order directing the police to investigate and conduct a search and seizure of the infringing material. The rights holder can request the court to address the order to the IP Section of the Crime Branch to investigate and conduct raids at premises suspected of holding the infringing goods. Although such an order directs the police to investigate, in practice, it is left to the complainant to locate the infringers and lead the police to them. Several raids can be conducted against different and unconnected parties under one complaint against unknown persons. In complaints under the act, it is the complainant's responsibility to follow up with the police



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after the raids have been conducted. The complainant is required to prove its case by providing copies of registration certificates and further evidence in support of its mark's goodwill and reputation. In addition, the complainant must prove that each of the articles seized is counterfeit. Coupled with the backlog of cases, these requirements make it difficult to pursue a criminal trial and obtain a conviction.

Choosing a strategy

The debate as to what is the most effective means of combating counterfeiting or dealing with infringements has a strong connection with the rights holder's end objective. There are advantages and disadvantages to initiating both a civil action through the courts and criminal action through the police. For example, if it is a market-level problem and multiple raids at various locations are required, criminal action would be a better option. On the other hand, if the target is a manufacturing unit or a large wholesaler or importer, initiating a civil action would

be the preferred option. A civil action is better suited to cases of lookalike products and brand-name infringements.

Battling resilient counterfeiters

At times, rights holders are reluctant to take action against small-scale manufacturers, believing that small production volumes have insufficient effect on their sales. However, experience has shown that an early strike not only helps to prevent minor players from becoming organised, but can deter new players from entering the trade.

Increasing appetite for branded goods among India's middle class has boosted the counterfeit industry. Often, certain industries, or pockets within industries, are infamous for counterfeiting activity. The operators have strong market associations and collectively oppose any raid action; for example, they may organise a mob to create confusion so that, in the ensuing mayhem, counterfeit goods can be relocated stealthily. Such counterfeiters also seem to have their own network of informants and are often tipped off about possible search and seizures.

Meanwhile, the growth of the Internet and e-commerce has thrown up new challenges for rights holders. The reach of the Internet and the ease with which it allows counterfeit goods to be displayed and accessed by consumers throughout the country require quick action; the customary approach towards dealing with IP crimes may not serve this purpose.

As a result, the role of research companies and investigators in helping companies to address and control this problem is vital. Companies are increasingly investing in uncovering the various links in the chain, so that the problem can be addressed more effectively. In order to choose an effective IP strategy, rights holders are advised to:

- secure rights by obtaining registration;
- invest in investigations to understand the scale of the problem;
- initiate timely actions to address the problem at an early stage;
- formulate a clear enforcement strategy;
- sue and settle once their objectives are achieved; and
- publicise success to create a deterrent.

As in any other developing country, working with law enforcement authorities and courts in India can be challenging. However, provided that rights holders are clear about their objectives and have an appropriate strategy in place, it should be possible to achieve the desired result. [WTR](#)