

Contributing firm
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Legal framework

While rights holders are benefiting from a large market, as well as increasing consumption levels among different social strata, this is counterbalanced by the large-scale counterfeiting of products in a wide variety of everyday sectors – including software, electronics, batteries, garments, leather goods, pharmaceuticals, food, movies, music, toys, cosmetics and personal care. Unfortunately, economic disparities continue to provide an incentive for counterfeiters of all types and there are no signs that the problem is diminishing.

While the counterfeiting of certain products has distinct territorial associations for both sources of and demand for these products, the boundaries are blurred when it comes to imports of fakes from neighbouring countries.

Economic loss due to counterfeiting is recognised as a serious issue, but it is not

sufficiently appreciated that there is a tipping point after which counterfeits can wipe out a whole industry. India has inadequate health and social security, and the risk to public health from counterfeit food and pharmaceuticals is a serious one. In addition, counterfeiting results in staggering losses not just to the exchequer, but also in terms of the human welfare cost. The only winners here are the counterfeiters.

The primary IP legislation used to combat infringement and counterfeiting activities is set out below.

Trademarks Act 1999

The Trademarks Act is the most important piece of legislation when it comes to combating counterfeit goods. It is a self-contained statute with provisions for civil and criminal remedies for infringement, as well as the enforcement of both registered and unregistered trademarks.

The act makes the falsification of a trademark and the application of a false description to goods or services a punishable offence and authorises the

police to enter premises in order to search for and seize goods involved in committing such offences. It also establishes prison terms and fines for infringers.

In addition, the act empowers courts to grant interim injunction orders and restrain defendants from disposing of their assets. In civil proceedings the act is typically invoked in conjunction with the provisions of the Code of Civil Procedure relating to the appointment of court commissioners with search and seizure powers.

Copyright Act 1957

The Copyright Act is an effective weapon for combating counterfeiting activities in the publishing, software, music and art industries. It was last amended to provide more stringent penalties for the infringement of copyright-protected software.

Like the Trademarks Act, the Copyright Act provides for both civil and criminal remedies and authorises the police to search for and seize unlawfully reproduced works. The registrar of copyrights can prohibit the

import of counterfeit copies of a copyrighted work and enter any ship, dock or premises where alleged counterfeit copies may be found.

Designs Act 2000

The Designs Act of 1911, as amended in 2000, provides only civil remedies for infringement. In relative terms, it is not invoked as frequently as the Trademarks Act or the Copyright Act and is seen as being less effective than other statutes.

Patents (Amendment) Act 2005

The Patents Act provides civil remedies for infringement. Patentable subject matter includes 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.

Geographical Indications Act 1999

The Geographical Indications Act provides civil remedies for infringement and establishes prison terms and fines for infringers. The act has given a boost to protection for communities that sustain themselves on traditional arts, crafts and natural produce. Nearly 146 geographical indications were registered in India between September 2003 and October 2010 (see www.ipindia.nic.in/girindia/).

Apart from the above-mentioned specific IP legislation, statutes such as the Prevention of Food Adulteration Act and the Drugs and Cosmetics Act are intended to deal with the misbranding of products in the food industry and spurious and misbranded drugs and cosmetics respectively. Remedies under these statutes must be sought through the intervention of regulatory agencies appointed thereunder, which are generally less effective than the courts.

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 recorded its rights with Customs. The scope of the rules encompasses the Trademarks Act, the Copyright Act, the Geographical Indications Act and the Patents Act.

Many rights holders have started to apply for recordation of their rights with Customs in order to deal with the challenge

of counterfeit goods being imported from China. Ideally, a rights holder should provide specific input with regard to particular consignments in order to obtain a detention order for the goods at the port of entry. It is advisable to follow this up with a request for an injunction in order to obtain a court order for seizure of the goods until a final determination on merits, if a dispute is raised by the importer.

Criminal prosecution

The strongest criminal remedies are provided under the Copyright Act and the Trademarks Act. Under the former, copyright infringement is a cognisable offence, meaning that the police can initiate investigation without a complaint by the rights holder or a court order. The offence is punishable by imprisonment for between six months and three years and 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 passed special preventive detention legislation designed to curb rising levels of film piracy.

The falsification of trademarks is a cognisable offence under the Trademarks Act, for which a police officer of the rank of deputy superintendent and above has the power to carry out search operations on his or on her own initiative without a court order. Junior police officers must obtain the court's permission before carrying out a search and seizure operation after seeking an opinion from the registrar of trademarks. 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

Civil lawsuits are often more effective in dealing with counterfeiting than criminal enforcement proceedings. This may sound strange, since criminal enforcement would logically seem the way to go with anonymous or complex profiles of counterfeiters. Criminal enforcement is preferable when the enemy is unknown or the terrain is inimical to a civil raid. However, in most other cases civil proceedings offer a more transparent and convenient platform for conducting anti-counterfeiting campaigns.

The courts are quite appreciative of the hazards of counterfeits, no doubt because judges are also consumers; with good *prima facie* evidence, the courts can be persuaded to grant *ex parte* interim injunctions and also orders for court commissioners to

conduct search and seizure operations to preserve evidence of the infringement. A court commissioner in a civil enforcement action is, for all practical purposes, an officer of the court vested with wide powers during the execution of the commission. Seized counterfeit goods are usually left under lock and key at the defendant's premises; they become evidence in the suit and must be preserved by the defendant for the trial.

The Delhi High Court has issued more orders to seize counterfeits than any other court. John Doe-type orders are also granted in suitable cases.

Anti-counterfeiting online

Counterfeiting has moved online in a big way and is thriving thanks to the speed, anonymity and ever-increasing numbers of consumers conducting transactions over the Internet.

Warnings routinely issued by various agencies concerned with protecting consumers' interests can go only so far in countering the online counterfeit menace. Consumers have fewer cues to help them to distinguish between genuine and fake goods and services online, which brings a whole new dimension to the challenge. The large number of consumers who are duped online and discuss their experience on blogs tells an interesting story about what must be happening in the physical marketplace, where evidence is much harder to capture.

There are few cases of online anti-counterfeiting measures in India, because rights holders are disheartened by the ease with which counterfeiters can disappear without a trace, no matter how fast the rights holder becomes aware of the unlawful acts and obtains judicial orders to address them. The chances of recovery of monetary damages are also virtually nil.

Two well-known international apparel companies have at different times filed separate lawsuits against an online counterfeit goods network operated by a notorious Chennai-based counterfeiter, Rohit Bajaj. Bajaj's premises were initially raided by the police, prompting him to move the business online. In an interim order the court directed the domain name registrar and web host to place a lock on the domain name and freeze the defendant's website. While these actions can temporarily drive infringers underground, the ease of conducting business online while evading detection continues to be a challenge.

The liability of internet service providers (ISPs) is limited by the Information Technology Act to cases where the ISP had knowledge of an offence and did not take

steps to prevent its commission. In most cases an ISP can establish from presumptive evidence that the offence was committed without its knowledge, and that it exercised due diligence to prevent the offence through posting comprehensive legal disclaimers.

Preventive measures/strategies

Rights holders must remain vigilant about the presence of counterfeit goods on the market by using in-house intelligence networks. Depending on how substantial initial information about the presence of counterfeits is, a more detailed investigation by a professional investigative agency may be required. The quality of investigation can spell the success or failure of an action.

Agreements with suppliers or subcontractors must be as watertight as possible to prevent surplus production and overruns. Regular audits of inventories and security measures at facilities can go some way towards restricting leaks from the company's own sources, although this is not the main source of counterfeits. Holograms are increasingly being used as a preventive device for counterfeiting.

Legal counsel can provide invaluable input for investigations, with their experience of prosecution and knowledge of evidentiary requirements.

Companies have generally shied away from educating consumers about counterfeits for fear of negative repercussions on genuine goods. The wisdom of this approach is debatable and the benefits may actually outweigh the disadvantages.

Investigators

The most important component of any anti-counterfeiting action is high-quality investigation and intelligence gathering. While it is relatively easy to obtain intelligence about the retail sale of counterfeit goods, information on the source and warehousing of such goods is tougher to come by. Good investigation reports must include details that enable the meaningful execution of the anti-counterfeiting strategy. The importance of swift action, whether civil or criminal, cannot be underestimated. In the case of foreign rights holders, valuable time is lost in identifying the complainant or the constituted attorney and issuing appropriate authorisations in this regard. Often, search and seizure operations result in a dead end because the counterfeit goods have already been moved on.

An understanding of the way that the police and the civil and criminal courts work

in any jurisdiction is crucial for a good anti-counterfeiting campaign, and this requires the assistance of local counsel. Several investigation agencies offer a wide and attractive range of services, even offering to act as complainants on behalf of rights holders in criminal proceedings. Care must be exercised when engaging an investigation agency for this purpose, because investigators are typically unfamiliar with the applicable laws.

Technology

Over the last 50 years, new technologies have played a pivotal role in the rise of counterfeits and also in the fight against counterfeit goods, from multicoloured holograms to the latest mass serialisation technology. The media (www.news.homai.org) has reported on the problem of counterfeit bus passes faced by a government-run transport service in north India, which has now proposed introducing holograms to overcome the problem. From their initial use on shrink-wrap software licences, holograms are now being used on wine labels, medicines, bus passes and even watermelons, and are possibly a better bet than most anti-piracy technological measures available – assuming, of course, that hologram manufacturers take responsibility for carefully profiling and reviewing their customers' needs.

A new technology being adopted by the pharmaceutical industry is mass serialisation, where each product is labelled with a unique 16-digit alphanumeric human-readable code. To test that 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 to verify that the product is genuine. The technology is simple and cost effective. However, its success as an anti-counterfeiting measure depends on consumer awareness.

Combined with technological measures to distinguish genuine products from fakes, it is essential to train law enforcement officers in the technology to combat the increasing tide of high-quality counterfeits.

Further steps

India is a hotspot for brand owners and for counterfeiters, with the following factors in its favour:

- a fast-growing economy with a large proportion of the world's young population;
- accelerated expansion of Tier II and Tier III cities that contain large numbers of new consumers with aspirations for branded goods; and

- a steep rise in purchasing power.

It is crucial to synchronise the expertise of legal counsel with that of investigators.

The deterrent power of existing IP laws needs to be supported with effective policing, stringent monetary penalties and zero or low tolerance for repeat offences. While new laws may not be the solution, strict enforcement of the letter and spirit of the law definitely is. Border measures must be consistently, constantly and meaningfully applied to prevent imports of counterfeit goods.

While there are many efforts afoot to educate government officers, the targeted numbers are far short of those required to enforce the various provisions of the laws. There is a reluctance to accept training from private enterprises, which are more motivated and better equipped to impart in-depth knowledge with the benefit of their experience. Private and public partnerships involving enforcement agencies, the private sector and IP lawyers are therefore essential to take this education to meaningful levels. Efficient communication between Customs, the police, the judiciary and various investigative agencies, the World Intellectual Property Organisation, the World Trademark Organisation, the World Customs Organisation, INTERPOL, countries with porous borders and businesses is essential. Meanwhile, rapid advances in technology and in the skills of counterfeiters to evade detection are occurring and counterfeiters often have the advantage of being more nimble and versatile.

Since economic constraints have shrunk the budgets of legal departments in many companies, they are understandably more dependent on in-house legal counsel for enforcing and managing their intellectual property. In the new corporate reality, intensive training of in-house legal resources is important, as is intelligent allocation of work to external counsel who are more aware of practical enforcement issues.

Techniques such as controlled delivery, electronic surveillance and undercover operations are especially useful in dealing with sophisticated, professionally organised counterfeiting groups, which are increasingly being seen to have links with organised crime and terrorism. [WTR](#)

Biographies

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Binny Kalra is a senior partner at Anand And Anand and heads the firm's litigation department.

She has more than 20 years' experience in intellectual property, spanning a wide range of subjects in seriously contested IP litigation. Ms Kalra has a strong appreciation and valuable knowledge of critical strategies for litigation against a backdrop of the treatment of IP issues in the Indian courts.

Ms Kalra contributed to the India chapter on litigation surveys in *International Intellectual Property Litigation* (Sweet & Maxwell) and regularly contributes articles to *World Trademark Review* and various other publications.