

Ranjan Narula Associates

Fighting the crime of the 21st century

While more could be done, India has a robust legal framework for combating counterfeiting and piracy. For brand owners, the key is creating a carefully thought-out strategy to operate within this framework

Counterfeiting has become so widespread that many now consider it a serious threat to the global economy. A recent study conducted by Business Action to Stop Counterfeiting and Piracy indicates that the global value of counterfeit and pirated goods, currently \$650 billion, is likely to more than double by 2015. In recent years, the range of counterfeit goods has expanded significantly and no industry has been spared. While damage to rights holders may be obvious, consumers can be just as seriously affected, as counterfeit goods may cause physical illness, injury or even death. Unsurprisingly, the US Federal Bureau of Investigation has named counterfeiting 'the crime of the 21st century'.

The Indian scenario

India is not new to counterfeiting. In 2005, the European Union reported that India was the world's largest supplier of fake drugs, responsible for 75% of counterfeit medicines globally. About 38% of medicines supplied in government hospitals in India are said to be counterfeit, and 40% of all drugs sold in Indian markets spurious. Those involved include not only organised crime syndicates, rogue pharmaceutical companies, corrupt local and national officials and terrorist organisations, but also medical professionals, such as pharmacists and physicians.

Today, counterfeits and lookalikes of leading fast-moving consumer goods jostle for space on supermarket shelves. With near-identical packaging, colour combinations, text placement and marks that are often just a misspelling of the original (eg 'Sunslik', 'Clemic Plus', 'Collegiate' and 'Vips Rub'), these products are designed to look like the genuine article. According to the Federation of Indian Chamber of Commerce and Industry (FICCI), counterfeit and lookalike products in this sector account for a revenue

loss of Rs50 billion (approximately \$960 million), with the top two brands in any category (eg, pharmaceuticals, cosmetics, detergents) being most affected.

Global marketing research firm AC Nielsen has reported that 10% to 30% of cosmetics, toiletries and packaged goods in India are counterfeit. Meanwhile, a report commissioned as part of the US India Business Counsel and FICCI's 'Bollywood and Hollywood' initiative, covering India's entertainment industry, claims that as much as Rs160 billion (approximately \$3 billion) and almost 80,000 jobs have been lost due to piracy. The annual International Data Corporation and Business Software Alliance Global Software study puts the rate of pirated software at 64%, representing a gross annual loss to the software industry of \$ 2.7 billion. The Automotive Component Manufacturers Association of India estimated that the annual value of fake spare parts is around Rs87 billion (approximately \$2 billion) in a sector worth Rs248 billion (approximately \$5 billion). Further, in 2009 alone, counterfeit parts were responsible for 25,400 deaths and more than 93,000 injuries (Economic Times).

According to the Havocscope Global Black Market Index, the market value of counterfeit and pirated goods in India is:

- Books: \$38 million
- Auto parts: \$1.15 billion
- Movies: \$959 million
- Music: \$17.7 million
- Software: \$2739 million
- Games: \$129.9 million

With these staggering figures, it is unsurprising that India remains on the 'priority watch list' of the US Trade Representative's Special 301 Report.

Counterfeiting activity is hindering India's economic development, but there are

also concerns that it is directly funding serious organised crime, such as drugs and arms smuggling and even terrorist organisations. Although, with their limited resources, law enforcement agencies generally give low priority to white collar crime – including IP rights violations – it is obvious that urgent action is required.

Legal framework

India has no legislation dealing specifically with counterfeiting and piracy, but statutory, civil, criminal and administrative remedies do exist in various statutes, 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 Indian Penal Code, the IT Act 2000, and
- the Customs Act 1962.

To ensure compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), the Trademarks Act 1999 was updated in 2003. It not only provides remedies for infringement and passing off in relation to both registered and unregistered rights, but also widens the scope of infringement and makes counterfeiting and piracy cognisable offences.

In terms of civil remedies, Section 29 defines 'infringement' as unauthorised use that is likely to cause confusion on the part of the public. Section 135 provides for civil relief, including injunctions, damages, rendition of account of profits and delivery up of infringing labels and marks for destruction or erasure.

Regarding criminal remedies, Section 102 defines the offence of falsifying a mark and

applying a false mark, while Section 103 sets out penalties, including imprisonment for up to three years and fines of up to Rs200,000 (approximately \$ 4,000).

The Copyright Act 1957 makes provision for strict punishment of copyright infringement. In terms of civil remedy, a copyright owner can bring an infringement action where it has sufficient evidence to prove it has been aggrieved. Section 55 provides for various remedies, including injunctions, damages and account of profits.

Criminal remedies are also available. Section 64 empowers police officers – not below the rank of a sub-inspector – to seize all copies of infringing works and plates used in their creation. Section 53 authorises the registrar of copyrights to prevent the import of infringing copies, and to enter any ship, dock or premises where such infringing copies are alleged to be found and order their confiscation. Section 63 provides for punishment of up to three years' imprisonment and fines of up to Rs200,000 (approximately 4,000).

To ensure compliance with TRIPs, a new Designs Act was introduced in 2000. The act confers exclusive rights on the creator of a design and provides for relief in respect of infringement. The following acts, if unauthorised, are considered to be piracy:

- applying for the purposes of sale, the design or fraudulent or obvious imitation to an article;
- importing any such article for sale; or
- publishing or exposing for sale any article, in the knowledge that the design has been applied without the owner's consent.

The rights holder must demonstrate that the alleged infringing act involves a design that is identical or similar to the registered design, and that it has interfered with its rights or caused economic loss. Section 22 provides that anyone committing an act of piracy shall be liable to pay to the rights holder up to Rs50,000 (approximately \$1,000) per registered design. The rights holder may also seek interim relief and an injunction.

Although the Customs Act 1962 contained provisions prohibiting the import and export of infringing goods, and empowering Customs to seize these goods it was subsequently felt necessary to strengthen the provisions. To this end, the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007 were issued by central government.

The rules broadened the role of Customs by including design and geographical indication infringements within its ambit. It



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also defined 'infringing goods' as goods made, reproduced, put into circulation or otherwise used in breach of IP laws within or outside India, without the consent of the rights holder or its duly authorised agent.

Under the rules, a rights holder may give notice in writing to Customs requesting the suspension of any consignment that infringes its rights. Customs is bound to notify the rights holder within 30 days as to whether the notice has been registered or rejected. If registered, it will remain valid for five years or for the duration of the right, whichever is shorter. During that period, Customs will suspend any consignment that it suspects contains infringing goods, acting either on information received from the rights holder or on its own initiative.

Within 10 days of the suspension (which may be extended a further 10 days), Customs shall inform the rights holder, requiring it to execute a bond. If the rights holder fails to comply within the stipulated time (five days, or three days in the case of perishable

goods), Customs shall release the goods.

Once the goods have been suspended, Customs must, on the request of either party, provide details of the other party and other relevant information. The rights holder is entitled to examine the goods and obtain samples for the purposes of examination.

Once infringement has been established, and provided that the rights holder does not object, Customs may destroy the goods under official supervision or dispose of them outside the normal channels of commerce.

Developing a strategy

The problem of counterfeiting and piracy is multi-faceted and complex. Finding solutions ultimately requires both cooperation and innovation on the part of government, industry and rights holders. The following are some practical tips for rights holders:

- Secure your rights – although well-known marks enjoy statutory protection in India, it is always advisable to register a mark, taking into account current and future business plans;
- Invest in investigations – reliable and timely information is key to effective enforcement. A trained investigator can play a vital role by identifying production and storage sites, enabling successful raid action and gathering crucial evidence;
- Educate stakeholders – this can be achieved by spreading awareness within the company about counterfeit and lookalike products and developing a robust mechanism for reporting the availability of counterfeit products.
- Timely action – although action against small-time manufacturers may not seem worthwhile, taking steps to curtail counterfeiting at an early stage can prevent the activity from developing and deter other potential counterfeiters.

India has a robust legal framework for combating counterfeiting and piracy; its laws in this regard are among the best in the world. However, there is still much to be done in the area of enforcement. The establishment of dedicated enforcement cells, trained in handling IP matters, and fast-track specialised IP courts would greatly improve the system. Meanwhile, the development and implementation of a carefully thought-out strategy will give rights holders the edge. In this regard, I offer four practical tips:

- Secure your rights
- Invest in investigations
- Educate stakeholders
- Take timely action [WTR](#)